



## Centennial Coal Sustainability Report 2010

### CEO Report

#### Sustainability

Centennial believes that good social and environmental performance is integral to its on-going successful performance. As the supplier of approximately 46% of NSW's energy coal requirements, Centennial has a major role in the provision of adequate, reliable and economical energy, critical for sustaining and further developing our society. Centennial is committed to being a sustainable supplier of energy and recognises that Sustainability relates to our people, the community, the environment and the market in which we operate and that all these aspects are dynamic and intertwined.

For Centennial, Sustainability is the interaction of key matters that are related and/or consequential to the Group's Mission of maximising value. The journey toward achievement of true sustainability requires that these key aspects of sustainable development are addressed and monitored within a governance system – underpinned by the highest standard of business ethics and transparent communication.

Following a review of what Sustainability meant to Centennial, carried out in 2009, a working sustainability framework has been established to provide a clearer demonstration of the Group's achievement (rather than a simple statement of aspiration). A number of new initiatives are being implemented, including:

- Committing to the "Sustainability Advantage" programme – a programme coordinated by the NSW Department of Environment, Climate Change and Water ("DECCW") that aims to provide member companies with a roadmap to improved business performance through sustainability.
- Expanding our internal HSEC Conference to include greater employee participation.
- Implementation of "Green Office" programmes across the Group
- Commitment to the internationally recognised Global Reporting Initiative ("GRI") sustainability-reporting standard.

During the 2011 financial year, further key performance indicators are being introduced at a sectional level to assist in driving improvements and to provide a visible measurement of Centennial's sustainability journey.

This was also a year where we looked to consolidate our Sustainability model into more tangible practice. During this period our sustainability strategy and initiatives have been building momentum with attention focused on integrating sustainability into our day to day business activities. This is a challenge for our business but also an opportunity. We aim to put strategy on the ground and build sustainable practices into our business by firstly having an understanding of what sustainability means to Centennial - we have reviewed our path and now have a clearer focus for the future. Following on from our sustainability benchmarking exercise we have adopted the Global Reporting Initiative (GRI) G3 Standard, the internationally recognised benchmark for sustainability reporting. The following Sustainability Report meets the "Self Declared Application Level C" in accordance with the GRI G3. I commend the Report to you and look forward to Centennial building upon its sustainability progress in the future.

## **Health and Safety, Environment and Community**

Health and Safety is intrinsic to Centennial's corporate values. These values are reflected in all of the Group's plans and actions, and practically applied through strong safety leadership, well-developed safety management systems and supported by ongoing safety awareness and skills training. Centennial adopts a ZERO HARM goal toward the safety of our people and the environment in which we operate.

The roll-out of the "Step Change" programme continues to be the Group's main focus in the health and safety arena. The Step Change programme, which involves the Board of Directors, Senior Management, together with General Managers and Mine Managers, is designed, as the name suggests, with the objective of achieving a step change improvement in safety performance across the Centennial Group.

As a result of the "Step Change" initiatives undertaken during the year under review, there is a demonstrable change in the safety beliefs of employees and an improved safety culture across the Group, supported by safety performance improvements. The year's initiatives included:

- A review of the Group's corporate vision statement, strategic plans and management plans, resulting in a highly visible promotion of Centennial's new safety slogan, "Think Safe, Work Safe, Home Safe"
- All employees have written their own personal safety plan, detailing why it is important to them to be safe and how they plan to remain safe.
- Safety leadership courses held for all supervisors and employees, with various safety protocols adopted, including ensuring senior site management regularly communicate safety messages to all mine staff

Following the success of the Step Change in Safety Performance programme in engaging our people, last year we began the roll-out of a similar high-profile programme, named "Evolution", designed to achieve a step change in environmental performance and stakeholder engagement. While commitment and investment in our Company's vision is the driving force, our success hinges on awareness and education of our key asset, our people. This is where we will achieve sustainability outcomes.

## **Corporate Governance**

Although we are no longer listed on the ASX, Centennial will, as a large corporate entity, continue to measure ourselves against the ASX Corporate Governance Council ("ASXCGC") corporate governance principles and recommendations.

Our future is as a part of the Banpu Group. Banpu is a leader in governance practices in the Asia-Pacific region, being well respected and specifically recognised with various awards. Our approaches to business, sustainability and governance are similar and well suited to our future development together.

As always, our focus will be to ensure that appropriate policies and procedures are in place to meet the ever-changing safety standards, legal obligations and desired community standards and expectations commensurate with our status as Australia's largest independent thermal coal producer and our new status as part of the Banpu Group.

We will continue to develop coal reserves and develop and engage people, health, safety, environment and community initiatives. Our growth creates employment opportunities in the

communities in which we operate and generates better returns to government and community alike.

We are making solid progress on our sustainability journey and remain focussed on managing our risks and maximising opportunities through innovation.

Centennial is in excellent shape to continue delivering sound performance and continual improvement in all aspects of the business as part of the Banpu Public Company Limited (Banpu) Group, a new chapter in Centennial's journey.



*R. Cameron*

## Global Reporting Initiative

The Global Reporting Initiative (GRI) is a network-based organisation that has pioneered the development of the world's most widely used sustainability reporting framework ([www.globalreporting.org](http://www.globalreporting.org)). The GRI started through a not-for-profit organisation in 1997 and secured global exposure through the United Nations Environment Programme (UNEP) in 1999. The current Guidelines (G3 – 2006) are widely accepted as a framework for benchmarking organisational performance over time. This framework sets out the principles and indicators that organisations can use to measure and report their economic, environmental, and social performance. The Guidelines provide a framework for sustainability reporting that can be used by organisations of any size, sector or location.

### GRI Application

Centennial is committed to continual improvement in performance and publicly reporting material data. To this end this year's sustainability review, for the period July 2009-June 2010, has been developed in accordance with the Global Reporting Initiative GRI G3. The GRI report was not produced for reasons of mandatory regulation, but rather as a reflection of Centennial's commitment to accountability and providing material data in a clear, consistent and transparent manner.

### GRI Application Table

Details of profiles disclosures and performance indicators addressed in this report can be found in the application table below.

Centennial has produced an Annual Report entitled "Year in Review 2010". Aspects of the Standard Disclosures below, unless otherwise stated, relate to page references in this public report.

standard disclosures		page/statement
1.1	Statement from most senior decision make of organisation about relevance of sustainability	CEO message
2.1	Name of the organisation	Centennial Coal Company Limited,
2.2	Primary brands, products and/or services	Inside cover
2.3	Operational structure of the organisation	p10,11, inside back cover
2.4	Location of organisation's headquarters	back inside cover
2.5	Number of countries where the organisation operates	5
2.6	Nature of ownership and legal form	inside cover, 5
2.7	Markets served	inside cover
2.8	Scale of the reporting organisation	inside cover, 14-17
2.9	Significant changes during the reporting period regarding size, structure, or ownership	4,5
2.10	Awards received during the reporting period	29
3.1	Reporting period for the information provided	4

standard disclosures		page/statement
3.2	Date of most recent previous report	NA – First report to GRI G3 level, previous Annual Reports can be found on the Centennial website
3.3	Reporting cycle	July 2009-June 2010
3.4	Contact point for questions regarding the report	Centennial website
3.5	Process for defining report content	Benchmarking exercise, internal stakeholder engagement, material issues addressed
3.6	Boundary of the report	Whole of business
3.7	Specific limitations on the scope or boundary of the report	None
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations and other entities	Joint ventures are reported p14-17
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement	NA
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report	NA
3.12	Table identifying the location of the standard disclosures report	This table
4.1	Governance structure of the organisation, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organisational oversight	8,9
4.2	Indicate whether the Chair of the highest governance body is also an executive officer	The Chair of the HSEC Committee is a Director
4.3	For organisations that have a unitary board structure, state the number of members of the highest governance body that are independent, and/or non-executive members	Five non-executive members (for report period)
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	29, 30, 32. Through senior management or via website
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance, and the status of their implementation.	Not required for GRI application level C (or C+) inside cover 28, 29, 32
4.9	Procedures of the highest governance body for overseeing the organisation's identification, and management of	Not required for GRI application level C (or C+), 32

standard disclosures		page/statement
	economic, environmental, and social performance	
4.14	List of stakeholder groups engaged by organisation	Community
4.15	Basis for identification and selection of stakeholders with whom to engage	Community

performance indicators		page/statement
LA1	Total workforce by employment type, employment contract, and region	Our People
LA2	Total number and rate of employee turnover by age group, gender, and region	Our People
LA4	Percentage of employees covered by collective bargaining agreements	87%
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region (partial)	Health & Safety, p29
EN1	Weight of materials used by weight or volume (partial)	Our Sustainability Performance
EN3	Direct energy consumption by primary energy source	Our Sustainability Performance , pg 33
EN8	Total water withdrawal by source	Our Sustainability Performance
EN10	Percentage and total volume of water recycled and reused	Our Sustainability Performance
EN16	Total direct and indirect greenhouse gas emissions by weight	Our Sustainability Performance, pg 33
EN21	Total water discharge by quality and destination (partial)	Our Sustainability Performance
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	Environment_, p 32
S08	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	Environment , p 32
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings and payments to capital providers and to governments. .	Our Sustainability performance, 3, Centennial Group paid \$55.5 million in royalties for the 12-month period to 30 June 2010

## Application Level Statement

The sustainability section in this report meets the “Self Declared Application Level C” in accordance with the GRI G3 guidelines. This has been based on an internal assessment against the criteria in the GRI G3 application levels.

From Centennial’s internal examination against the criteria in the GRI G3 application levels:

- For the G3 Profile Disclosure, Centennial reports on all information to comply with Application Level C
- For the G3 Performance Indicators, Centennial reports on sufficient indices for Application Level C
- Partial conformances are regarded as reported.



## GRI Application Grid

Centennial’s Sustainability report meets the “Self Declared Application Level C”.

The levels of classification pertaining to GRI G3 guidelines are contained in the grid below:

Report Application Level	C	C+	B	B+	A	A+
<b>Standard Disclosures</b> 	<b>Report on:</b> 1.1 2.1 – 2.10 3.1 – 3.8, 3.10 – 3.12 4.1 – 4.4, 4.14 – 4.15	<b>Report Externally Assured</b>	<b>Report on all criteria listed for Level C plus:</b> 1.2 3.9, 3.13 4.5 – 4.13, 4.16 – 4.17	<b>Report Externally Assured</b>	Same as requirement for Level B	<b>Report Externally Assured</b>
	Not Required		Management Approach Disclosures for each Indicator Category		Management Approach disclosed for each Indicator Category	
	Report on a minimum of 10 Performance Indicators, including at least one from each of: social, economic and environment.		Report on a minimum of 20 Performance Indicators, at least one from each of: economic, environment, human rights, labour, society and product responsibility.		Respond on each core G3 and Sector Supplement* indicator with due regard to the materiality Principle by either: a) reporting on the indicator or b) explaining the reason for its omission.	

## Sustainability Achievement Snapshot

**Centennial's sustainability journey is gaining momentum, providing both challenges and opportunities in a carbon constrained future.**

As the supplier of approximately 46% of NSW's energy coal requirements, Centennial has a major role in the provision of adequate, reliable and economical energy, critical for sustaining and further developing our society. Centennial is committed to being a sustainable supplier of energy and recognises that Sustainability relates to our people, the community, the environment and the market in which we operate and that all these aspects are dynamic and are not in isolation.

A snapshot of our achievements for 2010 are shown in the table below.

### 2010 Sustainability Achievement Snapshot

	2010 Key Focus Areas	2010 Result	2011 Key Focus Areas and Targets
<b>HEALTH &amp; SAFETY</b>	Improved performance in Safety KPIs	10% improvement	10% improvement in Lost Time Injury Frequency Rate
	Improved focus on Injury Management	10% improvement	10% improvement in Lost Time Duration Rate
	Implementation of Workplace behaviour based Safety Programme – "Step Change"	Complete	10% improvement in Total Recordable Injury Frequency Rate
			Commence implementation of "Next Step" initiatives
<b>OUR PEOPLE</b>	Implementation of revised Performance Review document	Complete	Recruitment and key succession strategy and plan in place
	Implementation of template Position Descriptions	Complete	Maintain and continue to develop people programmes
	Design and implementation of Staff Development Courses document	Complete	
	Identification and implementation of staff development and preferred training	Complete	
	Graduate and Apprentice programmes	Complete	
<b>ENVIRONMENT</b>	Implementation of Site Air Quality, Noise and Water Balance models	50%	Non-Compliance Frequency Rate
	Environmental Management System implementation and audit	Complete	Reportable Incidents
	Completion of Phase 1	Complete	Sustainable Development

	Contaminated Site Assessments		Policy Sign Off
	Development of EVOLUTION programme	Complete	Implementation of EVOLUTION programme
			Implementation of Site Air Quality, Noise and Water Balance models
<b>CLIMATE CHANGE</b>	Development of Climate Change response strategy	Complete	NGERS Audit Sign Off Implementation of Climate Change Response Action Plan
	Increase Energy Efficiency in operations	90%	Increase Energy Efficiency in operations
	Identification and Assessment of Emission Abatement Projects	Ongoing	
<b>COMMUNITY</b>	Review of Site Stakeholder engagement plans and process	Complete	Develop and implement Stakeholder Engagement Strategy
	Community Consultative Committees (CCCs) in place as per Company standard	80%	Develop an Indigenous Engagement Policy
	Support community projects and development of partnerships	Ongoing	Community Consultative Committees (CCCs) in place as per Company standard
			Support community projects and development of partnerships

## Our Sustainability Performance

Category	Indicator	Unit of Measure	FY 09/10	FY 08/09	FY 07/08
<b>Our People</b>					
For a summary of the performance of this area, please see Our People	Employees	Number	1666	1585	1362
<b>Health &amp; Safety</b>					
For a summary of the performance of this area, please see Health & Safety	Loss Time Injury Frequency (LTIFR)	Frequency rate (millions of employee hours)	12	13	22
	Total Recordable Injury Frequency (TRIFR)	Frequency rate (millions of employee hours)	48	63	78
<b>Environment</b>	<b>Emissions and Energy</b>				
For a summary of the performance of this area, please see Environment	Total GHG emissions	'000 tonnes CO2 equivalent	2,232	2,618	2,916
	Energy consumed	Terajoules (TJ)	1,528	1,651	1,472
	Energy produced	Terajoules (TJ)	428,255	466,899	not available
	<b>Water</b>				
	Water input	megalitres	2,770	2,283	2,462
	Water reused	megalitres	1,718	1,924	2,598
	Water discharged	megalitres	12,790	11,015	9,209
	Water transferred	megalitres	12,544	4,417	6,425
	<b>Waste</b>				
	Waste disposed to landfill	tonnes	2,845	2,497	2,274
Waste recycled	tonnes	1044	346	146	
<b>Incidents</b>					
Level 1 or 2	number	1	1	0	

	Level 3	number	7	7	6
<b>Social Responsibility</b>	Community investment	\$ million	0.21	0.13	not available
	Saleable Production (100% basis)	million tonnes	16.9	17.3	18.8
<b>Financial</b>	Sales revenue	\$ million	800.1	886	764
	Earnings before interest, tax, depreciation & amortisation (EBITDA)	\$ million	168	203.6	187.3

1. Data needs to be interpreted with care
2. Water data excludes input from Eraring Power Station for Mandalong Mine
3. FY 07/08 excludes Waste for Awaba, Newstan and Charbon Collieries
4. FY 07/08 includes data for Tahmoor Colliery (divested by Centennial in Sept 2007)
5. Includes Fassifern office Waste data
6. Not all waste recycled (e.g. steel) has been accounted for
7. Airly Mine commenced production during FY 09/10.

Definitions to Our Sustainability Performance table

Employees – Average employee numbers including executive directors. Includes full-time and part-time employees.

Total Greenhouse Gas Emissions – Scope 1 and Scope 2 emissions. Scope 1 covers direct emissions from sources within the boundary of an organisation, such as fuel combustion and manufacturing processes. Scope 2 covers indirect emissions from the consumption of purchased electricity, steam or heat produced by another organisation

Energy Used – from electricity (from primary source ie. coal fired power) and diesel.

Water Input – in-seam water suitable for mining or mining related purposes, water supplied by water authorities or dams

Water Reused – water used more than once for mining or mining related purposes eg. treated or untreated water for processing, surface rehabilitation and dust suppression

Water Discharged – water released to surface water through a licensed discharge point issued by a regulatory authority

Water Transferred – water pumped off-site to a business for external use eg. to local Council or power station

Waste to Landfill – excludes mining related materials such as tailings, waste rock and reject

Waste Recycled – solid waste includes steel, paper/cardboard (note not all steel accounted for)

Category 1 or 2 Incident – Cat 1- prosecution, Cat 2- potential regulatory fine/penalty

Category 3 Incident – recurrent or reportable to the regulator

Community Investment – financial contributions and sponsorships, education and training, community development

EBITDA – earnings before net finance costs and taxation ie. cash profit from continuing operations

## Health and Safety

**Our Vision:** “Centennial, improving health and safety performance by fostering workplaces free of harm, a Company where people think safe, work safe and return home safe.”

### Safe, Competent and Productive Workforce

Health and Safety are intrinsic to Centennial’s corporate values. These values are reflected in all of the Company’s plans and actions and are practically applied through strong safety leadership and well-developed safety management systems – supported by on-going safety awareness and skills training.

As a result of Centennial’s “Step Change” initiative, implemented in the year under review, there has been a noticeable change in the safety beliefs of employees, which has resulted in an improved safety culture across the Group.

The “Step Change” safety initiative programme delivered six major components.

1. **Renewed Vision:** Corporate Vision Statements, Strategic Plans and Management Plans were reviewed. A new safety slogan, “Think safe, Work safe, Home safe”, has been promoted via the distribution of stickers and the placement of the slogan on the signature block of all Centennial employee e-mails.
2. **Personal Safety Plans:** All Centennial employees have written their own safety plan, detailing why it is important to them to be safe and what it is that they will be doing to remain safe.
3. **Safety Leadership Development:** Safety leadership courses were held for all supervisors and employees. Protocols were put in place for senior site management for regular underground visitation, including communication of safety messages. Also, two DVDs were produced for internal and external use, communicating the Centennial safety message.
4. **Employee Engagement:** Site managers have developed a matrix of meetings with all employees, in small groups of less than 15, for a safety message direct from the manager on a regular basis.
5. **Behavioural Based Safety Initiative:** Three elements from this initiative were introduced, including “start meetings”, planned task observations, and “stop” (or “take 5”) processes.
6. **Incident Investigation Training:** This initiative included root cause analysis training courses for appropriate personnel and the development of a corporate standard on incident management.

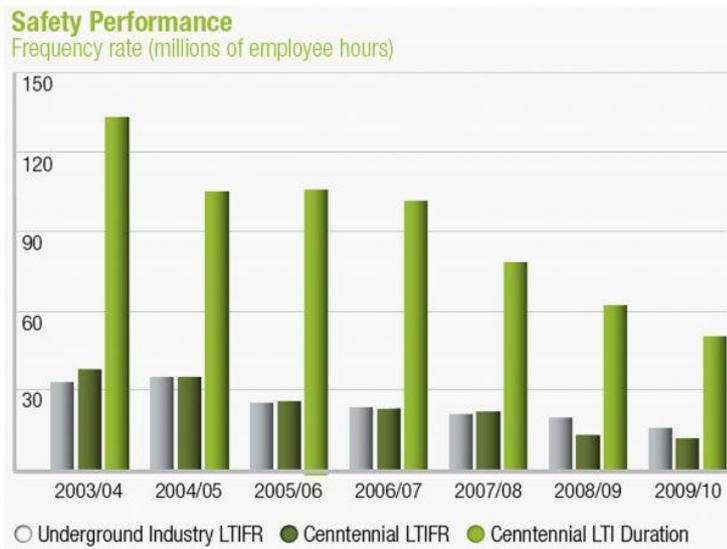
The results of the “Step Change” programme to date have resulted in a 40% improvement in safety over the past 12 months, with Charbon a stand-out - achieving 239 Lost Time Injury free days as at the end of June 2010.

The development of the “Next Step” initiative, a continuation of “Step Change”, began in the first quarter of the 2010 calendar year. Input into “Next Step” was provided by Centennial’s Senior Management to assist the further development of the programme. “Next Step” builds on the foundations laid by “Step Change” and will further enhance our safety culture over the next 12 months.

Other highlights during the year included:

- Centennial HSEC Conference Innovation and Excellence Awards: Mannering Colliery won with the Strap Lifter innovation, while Clarence Colliery achieved the award for the most improved overall HSEC performance.
- NSW Minerals Council OHS Awards: Mannering Colliery won the prestigious Innovation Award, while Angus Place was Highly Commended.
- 2009 Australian Mines Rescue Championships: Springvale Colliery Mines' Rescue Team took out second place.

Post year-end, Angus Place won the 2010 Australian Mines Rescue Championships, with Springvale representing Australia in the recent International Mines Rescue Event held in Wollongong.



## Our People

Centennial devotes considerable effort and attention in developing and managing our key asset, our people and ensuring open communication.

Centennial has formal and informal processes in place to ensure we engage with our people, from annual staff performance development reviews providing opportunity for feedback and improvement, quarterly reviews, employee surveys to gauge the views the Company's performance, HSEC meetings (Health Safety, Environment Community committee), to informal meetings between supervisors and staff.

Monthly reports are provided from operations to senior management, reporting on performance indicators to measure progress towards our goals and to ensure we are all accountable for the values that we strive for.

Centennial has a workforce essentially split between two geographical regions, with a total of 1666 employees as at the end of June 2010.

Workforce Profile by Region	
Year Ended	Jun-10
*Total employees	1666
Part-time employees	7
Employees by Region	
North	811
West	816
Sydney	39

\* total employees includes part-time employees

## Enterprise Agreements

Several mine site workplace Enterprise Agreements ("EAs") were successfully renegotiated during the 2010 financial year, with no industrial disruption at any of the Group's mine sites.

## Training and Development

Training continues to be a major focus across all operations, recognising that a skilled workforce is essential in the competitive marketplace in which Centennial operates. Continued enhancement of employees' technical and leadership skills, particularly in relation to improving safety awareness and increasing productivity, is an organisational priority. As a result, employees can be sponsored by Centennial to undertake external training and courses through the Company's Study Assistance Programme ("SAP"). The SAP provides employees with the opportunity to undertake studies such as TAFE and/or university courses to attain skills and qualifications, which will be mutually beneficial for the employee and the Company in the future. Over 150 employees are currently undertaking studies in Certificate IV and diploma level courses, specialising in business management, mine management and OHS.

The engagement of frontline team leaders is recognised by Centennial as essential to developing a workforce that is committed to achieving mutual goals. Consequently, Centennial provides Certificate IV Frontline Leadership training to improve the leadership and initiative skills of team leaders. This assists them to effectively lead their team members, while at the same time achieving a nationally accredited qualification.

## **Planning our Human Resource for the Future**

One of Centennial's aims is to be an employer of choice and with this recognises that developing skill sets, career paths and strategies to retain people is important to our business.

As part of Centennial's commitment to training and development of personnel for the future of the coal industry, Centennial is involved with various training initiatives.

**Apprenticeships:** Under a partnership arrangement, Centennial's apprentices are employed by the Hunter Valley Training Company and Central West Group Apprentices and hosted at various mine sites across the Northern and Western regions.

Currently, there are 15 apprentices being hosted by Centennial in the Northern region and 37 apprentices in the Western region.

**Mining Trainees:** Centennial also recruits Mining Trainees annually to address skilled labour shortages. Similar to the partnership apprenticeship arrangements, trainees are employed by a registered training organisation, Central West Group Apprentices in the Western region and TESA Mining in the Northern region, and again hosted by Centennial mines.

The apprentice and trainee initiatives are part of Centennial's strategy to manage an ageing workforce and to provide job opportunities for young people within the region in which we operate.

This new initiative has proven to be a great success, with Centennial currently hosting apprentice and mining trainees in the Northern and the Western regions. Centennial also has several administration/commercial trainees at its sites.

**Graduate Programme:** Another initiative Centennial has been pursuing is working closely with the University of New South Wales ("UNSW") to strengthen ties with the Department of Mining Engineering. Centennial provides annual scholarships through the UNSW Co-Op Programme for students with the objective of assisting them with their study costs while at university.

The Graduate Programme includes the disciplines of mining engineering, mechanical and electrical engineering, environmental science and geology. In addition, Centennial encourages students of various disciplines to undertake vacation work experience at its operations. Vacation work experience is offered in mining engineering, geology, environmental, electrical engineering, mechanical engineering and surveying disciplines.

The Centennial Graduate Programme and use of vacation work experience is another part of Centennial's strategy to encourage young people to consider careers within the coal industry and promote Centennial as an employer of choice.

**Mining and Surveying Cadetships:** In recognition of the shortage of mining engineers and mine surveyors in the coal industry and the difficulty attracting people to the Lithgow region, Centennial has formed a partnership with Central West Group Apprentices to instigate Mining Engineering Cadet Scholarships and Mine Surveyor Cadet Scholarships. The scholarships are intended to encourage year 12 students to undertake mining engineering or mine surveying at UNSW. Scholarship holders will attend university, while gaining valuable work experience at Lithgow mine sites. On completion of their university studies, students will enter Centennial's graduate development programme. This initiative is intended to provide young people with an opportunity to attend university, while receiving financial assistance during their studies and to be guaranteed a graduate position with the Centennial Group at the end of their mining engineering degree course.

In the past year, Centennial has employed three geology and one environmental graduate, provided four UNSW scholarships, hosted 23 vacation work experience positions and is supporting two Mining Engineering Cadets.

With the focus on career development and staff retention, Centennial has a low employee turnover rate at just 3%, spread evenly between the two regions. The advantage of low labour turnover is a stable, experienced, well trained workforce.

Employee Turnover Rate by Region		
North	22	1.3%
West	26	1.6 %
Sydney	2	0.1%
Total	50	3%

Employee Turnover by Job Category, Age Group and Gender						
	<20	20-29	30-39	40-49	50-59	60+
Deputy						
M	0	0	0	2	1	5
Electrical						
M	0	3	0	0	0	0
Fitter						
M	0	2	0	2	1	1
Fixed Term Mineworker						
M	0	1	0	0	0	0
Mineworker						
M	0	4	3	1	4	5
Staff						
F	0	0	1	0	0	0
M	0	3	3	3	3	1
Director						
M	0	0	0	0	0	1

Washery						
M	0	0	0	0	0	0
<b>Total (50)</b>	<b>0</b>	<b>13</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>13</b>

## **Policies and Procedures**

As a growing business, it is necessary to maintain and continually develop employee policies and procedures to ensure that the Company operates in a legal, ethical and responsible manner. To do so, it is important that Centennial's operational, ethical and personnel philosophies are effectively communicated to each autonomous business unit.

A workplace behaviours training programme has been developed, and is being rolled-out currently, to educate all employees on their rights and obligations in the workplace and to renew and reinvigorate our people's commitment to these essential policies and procedures.

In addition to the above, Centennial is currently developing a Diversity Policy to articulate its commitment to embracing the

disparate groups represented in the broader community into its workforce in the future. A Diversity Policy will shortly be a requirement for all top 200 ASX listed companies and while Centennial will no longer be listed (and hence required to comply), Centennial will continue to develop best practice policies.

## **Equal Employment**

Centennial continues to acknowledge the importance and benefits of equal employment opportunity ("EEO") with respect to its workforce, with its equal employment programme now a firm part of the Group's business development strategies, particularly as it relates to new employment opportunities.

When seeking to engage new staff, Centennial encourages and now employs an increasing number of women in the non-traditional site-based roles of mining engineering, environmental, geology and other operational roles at several operations.

While the ASX and other governance bodies have focused on diversity at Board and Senior Management levels, it is EEO that is the basis for all diversity in the workplace programmes.

Our focus areas for "Our People" in 2011 are recruitment and key succession planning and continued development of people programmes, ensuring Centennial is well placed to retain and develop its skilled workforce.

## Environment

Centennial's Directors and Management are committed to continual improvement in the environmental management of the Company's operations and to developing effective community relationships. Centennial recognises the importance of effectively managing the environmental impacts associated with each mine and, over the years, has developed an Environmental Policy that commits the Company to continual improvement in its environmental management and performance.

In 2010 the Group's Environmental Policy was substantially updated, a copy of which can be found on our website. The dynamic nature of the environment means that the Company's Environmental Management System ("EMS") continues to evolve and remains pivotal in guiding the Group's environmental performance. The EMS sets down procedures and standards for the management of areas of environmental significance and mechanisms whereby the environmental performance of each operation can be measured and assessed, and appropriate action taken where necessary.

### Environmental Management Framework



### 2010 Performance

The EMS also contains a framework to assist with the monitoring and ranking of incidents. Lag indicators are categorised into five levels (i.e. graded 1-5 in terms of severity, with 1 being the most severe while 5 being the least) consistent with Centennial's previous environmental performance reporting.

In 2010, environmental management for Centennial was dominated by planning for the new proactive EVOLUTION programme, but unfortunately also by two significant environmental incidents – the post-incident management and resultant prosecution of an August 2008 water discharge from Newstan (Level 1 incident) and a small slumping incident (detected in

April 2009) in the State and Federally listed endangered East Wolgan Swamp (Level 3 incident).

## **Evolution**

Centennial has identified the need for an environmental awareness training programme across the Group to increase the profile of environmental management, similar to the successfully implemented behaviour-based safety programme “Step Change”. This programme has been named “EVOLUTION”. The goal of the programme is to achieve further integration of environmental management into day-to-day business decision making. The programme comprises the following key areas – Vision and Policy, Leadership, Education and Training, System and Performance Measurement.

## **Newstan Water**

Newstan pleaded guilty to a water pollution offence as a result of a discharge from a pipeline that intersects old workings. Centennial was ordered to pay \$105,000 to Lake Macquarie Council to be used for the Council’s Eco-systems Enhancement Operations Programme in the Stoney Creek Catchment area.

## **East Wolgan Swamp**

After an extended period of mine water discharge into a drainage line located adjacent to a Newnes Plateau Shrub Swamp (East Wolgan Swamp), a small slumping event occurred within the Swamp. While this is a noticeable impact, investigations to date indicate it is a temporary impact without significant long-term consequences. The event has caused both Centennial and its regulators to more closely analyse and study mining interactions with these ecosystems, and plans for an extensive research programme are currently being jointly developed.

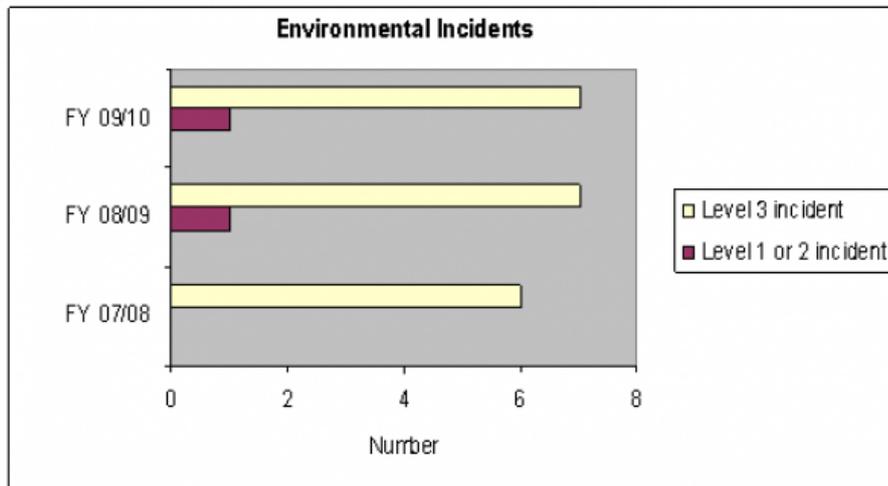
## **Site Performance**

In addition to the Newstan incident described above, Centennial recorded 7 Level 3 incidents across the Group during the period. All incidents were appropriately reported to relevant government authorities and managed without material damage to the local environment. The incidents included three dirty water discharges two erosional issues and one recurring dust incident (complaints) and the small slumping incident at East Wolgan Swamp.

There were 62 technical or Level 4 incidents recorded during the period, these related to licence exceedances, complaints or non-compliances with internal systems. Of these 35 incidents related to licence exceedances, 12 were community complaints and 15 related to other technical incidents. This represents an increase of 15 incidents compared to the previous period.

In 2010, Centennial introduced a “Non-Compliance Frequency Rate” (NCFR) as an environmental performance indicator. Similar to the OHS Lost Time Injury Frequency Rate, the NCFR reports non-compliance as a function of exposure. All of the site compliance requirements are identified to establish a level of exposure and then any incident of non-compliance is divided by the relevant exposure. During this process, over 2,517 individual items requiring compliance monitoring were identified. The inaugural NCFR of 11 equates to 4 events of non-compliance for every million units of exposure.

The NCFR will become a more effective performance indicator when subsequent years of data become available and a trend can be established. However, the immediate benefit for Centennial is that this provides a comparative basis for performance across all sites rather than a standalone total non-compliance number. For example, a site with three non-compliances but an exposure of a million units is performing better than a site with two non-compliances, but an exposure of a thousand units.



Centennial also records total number of environmental incidents.

### Water Use

Centennial uses mine water for mining purposes and town water in areas where mine water is too saline. A significant proportion of minewater is reused. The Company monitors water use and in the next period will investigate options for reduction of reliance on town water as part of Centennial's Environmental Policy commitment to minimise resource use.

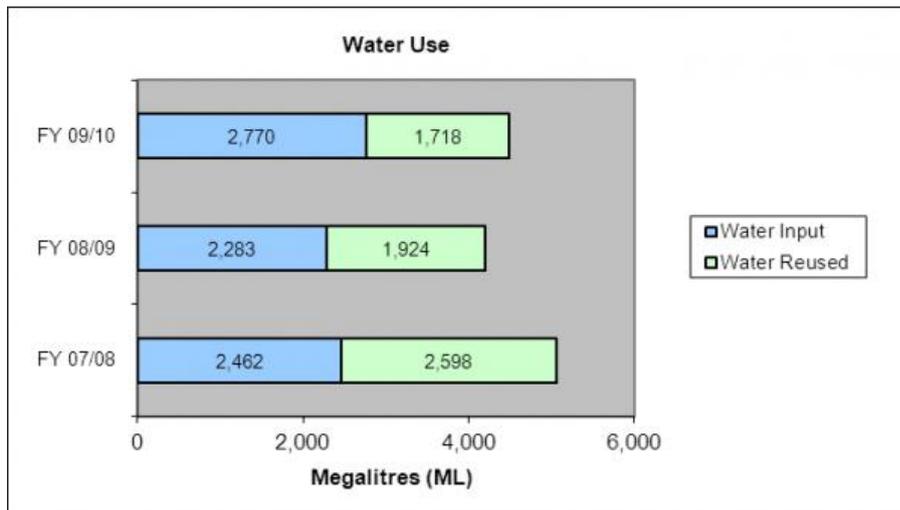
Water Source	FY 09/10 ML
Town Water (external)	553
Minewater	2,083
Reused	1,718
Reused (%) of total use	62 %

Water Use	FY 09/10 ML/day
Average Daily Water Use	7.6
Average Daily Reused Water	4.7
Total	12.3

Centennial recognises that water resources need to be effectively managed and inputs and outputs known and quantified and as such Sites have had water balance assessments completed, to enable planning for current and future usage and identify where savings can be gained.

Water input equated to 2,770 ML for the 2009-10 period. This water is defined as water sourced from in-seam water suitable for mining purposes, from existing storages or water supplied by water authorities. Of this water use 553 ML was sourced from water authorities, or town water. In 2010 water use increased by approximately 18% compared to the previous period, despite a minor decrease in saleable production. Reused water use totalled 1,718ML (62%) or 4.7 ML/d used mainly as water for coal processing. Average daily water use was 7.6 ML/day.

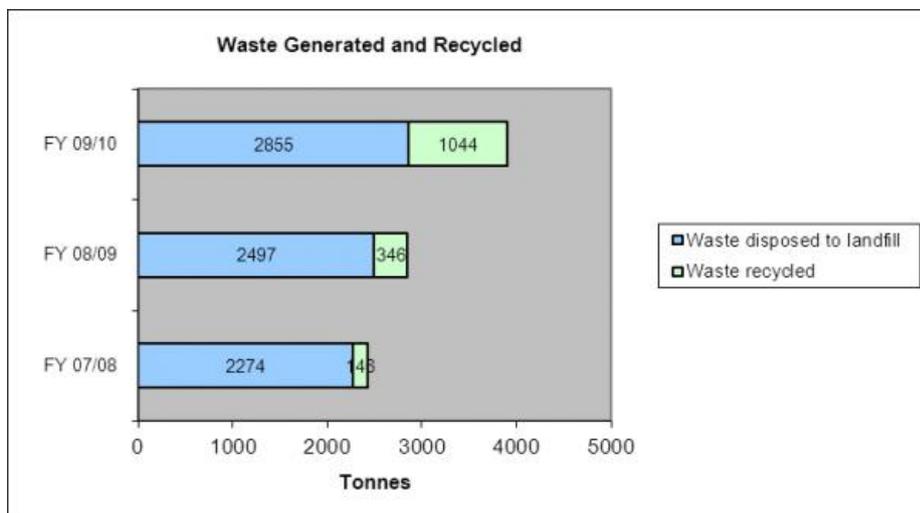
The average daily water discharge for the Group was 35 ML/day. Water discharged is water released to surface water through a licenced discharge point issued by a regulatory.



## Waste

A total of 2855 tonnes of solid waste was disposed of in landfill from mining and related activities in 2010. A further <sup>1</sup>1044 tonnes was of solid waste was diverted from landfill and recycled, including oil and grease drums, timber palettes, batteries, steel, paper and cardboard and mixed recycling.

During the period Centennial spent internal resources developing a scope of works for tender to consolidate waste management practices, identify improvement opportunities and gain some synergy across the group. This will be completed in 2011.



<sup>1</sup> Note to table: Not all waste recycled (steel tonnage) has been accounted for

## Climate Change

### 2010 Performance

In 2010, Centennial's Climate Change response management was dominated by the proposed Carbon Pollution Reduction Scheme ("CPRS"), the National Greenhouse and Energy Reporting Scheme ("NGERS") and emission abatement project concepts and assessments.

#### CPRS

During the year under review, Centennial participated in numerous industry discussion and working groups to analyse and prepare for the proposed CPRS. This process has resulted in the development of valuable assessment techniques and information that can be used to analyse future proposals in this area.

#### NGERs

On 26 February 2010, the Federal Department of Climate Change published the 2009 financial year data under the National Greenhouse and Energy Reporting Act ("NGER"), which contains information submitted by a range of Australian Companies (including Centennial) on greenhouse gas emissions and energy production.

In this respect, Centennial supplied the following gross data for the Group (see table below), as part of its NGER submission, but notes that this data needs to be interpreted with care.

	Year ended 30 June 2009
<b>Statement of Greenhouse Gas Emissions and Energy</b>	
Scope 1 Greenhouse Gas Emissions (CO2-eT)	2,354,677
Scope 2 Greenhouse Gas Emissions (CO2-eT)	263,939
Energy Consumed (TJ)	1,651

1. Scope 1 and Scope 2 emissions should not be used individually, or added together, to estimate the Centennial Group's potential liability in the event that the proposed CPRS came into effect.
2. Centennial is required to report data on an operational control basis (i.e. on a 100% basis), not on an equity basis. Consequently, the above noted data is reported in gross terms and includes Greenhouse Gas Emissions ("GHG") attributable to the Group's joint venture partners
3. Facility emissions subject to the previously proposed CPRS include only Scope 1 emissions above a certain threshold and exclude Scope 2 emissions.
4. Definitions:

– CO2-eT = Carbon dioxide equivalent tonnes

– TJ = Terrajoules

## **Emission Abatement Projects**

Centennial's Western Operations are largely methane free. The majority of Centennial's GHG emissions occur from the gassier Northern Operations, and in particular, Mandalong.

Centennial is potentially able to abate a significant proportion of these fugitive emissions through a small number of abatement projects. For example, methane emissions from Mandalong occur in two forms – high concentration methane from pre-drainage operations and lower concentration ventilation air methane (“VAM”). Approximately 80% of Mandalong’s fugitive methane emissions could be abated through a combination of gas engines to generate electricity and thermal oxidisers to abate VAM. While it is acknowledged that the treatment of VAM still requires some further testing, Centennial is well advanced in its consideration of these potential abatement projects and is heavily involved in the development of thermal oxidisers.

## Community

### Our Stakeholders

Centennial engages with a wide group of stakeholders and uses various methods of engagement to reach the community, as shown in the accompanying table. We recognise that community engagement goes beyond making information available (eg. through newsletters, brochures for example) or gathering information about opinions or attitudes, rather it is about active exchanges of information and viewpoints.

Community engagement seeks to actively draw stakeholders into the activities of the Company.

Stakeholder	Method of Engagement (Examples)
Adjacent Residences	<ul style="list-style-type: none"> <li>• Hotline</li> <li>• Personal Visits</li> <li>• CCC (Community Consultative Committee)</li> <li>• Open Days</li> <li>• Newsletters &amp; Centennial Website</li> <li>• Community forums (facilitated and specific issue address)</li> </ul>
Nearby Town Centres	<ul style="list-style-type: none"> <li>• CCC</li> <li>• Open Days</li> <li>• Newsletters</li> <li>• Articles in Local papers</li> <li>• Centennial Website</li> </ul>
Council	<ul style="list-style-type: none"> <li>• Personal discussions and presentations to Mayor, Councillors &amp; Planning</li> <li>• Newsletters for Relevant Staff</li> <li>• Centennial Website</li> </ul>
Government Members / Ministers	<ul style="list-style-type: none"> <li>• Offer of briefing</li> <li>• Newsletters to electoral office</li> <li>• Centennial Website</li> </ul>
Aboriginal Groups/ Traditional Owners	<ul style="list-style-type: none"> <li>• Separate process as per DECCW guidelines</li> <li>• Meetings</li> <li>• Newsletters &amp; Centennial Website</li> <li>• Site inspection</li> </ul>
Employees	<ul style="list-style-type: none"> <li>• Toolbox Talk</li> <li>• Newsletters &amp; Centennial Website</li> </ul>
Centennial Corporate	<ul style="list-style-type: none"> <li>• Briefing Presentation</li> <li>• Centennial Website</li> </ul>
Suppliers/Contractors	<ul style="list-style-type: none"> <li>• Induction</li> <li>• Meetings</li> </ul>
Unions	<ul style="list-style-type: none"> <li>• Briefing Presentation</li> </ul>

Stakeholder	Method of Engagement (Examples)
	<ul style="list-style-type: none"> <li>• Newsletters</li> </ul>
Environmental NGOs	<ul style="list-style-type: none"> <li>• Newsletters &amp; Centennial Website</li> <li>• Offer of Briefing</li> <li>• Issues monitoring</li> </ul>
State Regulatory Agencies	<ul style="list-style-type: none"> <li>• DOP regular updates, Projects</li> <li>• DII annual review/inspection, Projects</li> <li>• DECCW updates, site inspections, Projects</li> </ul>
Neighbouring Industry	<ul style="list-style-type: none"> <li>• Newsletters &amp; Centennial Website</li> <li>• Offer of Briefing</li> </ul>
Media	<ul style="list-style-type: none"> <li>• Releases consistent with Newsletters &amp; Centennial Website</li> </ul>

Sites have Stakeholder Engagement Plans (SEP) that utilise methods such as community profiling to identify stakeholders. An action plan of engagement is then developed. A key aspect of the EVOLUTION programme will be on further improvement of SEP and community engagement.

## Centennial in the Community

### Good community relations makes good business sense.

Stakeholder and community engagement are integral to Centennial's approach to business and represent the "people" pillar of the Group's Sustainable Development Strategy. From a policy position, Centennial is committed to recognising our stakeholders and maintaining an effective working relationship with them.

**Community Relations – Legislative and Regulatory Framework:** Centennial aims to conduct its business to be compatible with broad community expectations, recognising that community consultation is a key driver in maintaining good community relations. Simply put, good community relations makes good business sense.

In understanding these expectations, Centennial consults with the community through a variety of forums, including monthly news section in local newspapers, 24-hour environmental hotlines, site newsletters and a feedback link on the Company's website.

A number of Centennial mine sites are required to convene Community Consultative Committees ("CCC") as a condition of their development consents. Centennial is an active participant in the Angus Place, Charbon, Clarence, Lamberts Gully, Mandalong, Newstan, Springvale and Mannering CCCs. This year, following the construction of Airly, its community monitoring committee has been re-activated.

**Stakeholder and Community Performance:** With ten mines, the majority of which are located in urban fringe areas with close neighbours, the scrutiny on the Group's operations from the community and regulators is high. Throughout the year, there were 12 community

complaints recorded. All complaints were investigated and appropriate controls implemented. Several complaints were made regarding dust from the entrance road at Airly.

Complaints were also received at Lidsdale Siding (1), Mandalong (3) and Newstan (3) concerning noise, dust and community consultation. As noted above, these were investigated in accordance with site procedures and followed up with the complainants. Where a valid cause was determined, remedial action was implemented to mitigate the issue.

**Involvement with Industry Initiatives:** Centennial participates in the NSW Minerals Council's ("NSWMC") Community and Social Working Group, which aims to identify issues and actions to improve the industry's performance and/or community perception.

Centennial also Chairs the NSWMC's Communications Working Group which is charged with advising on the issues and priorities of the NSWMC's Communication Strategy. The NSWMC's Communication Strategy this year achieved an increased, positive presence for the industry in regional and metropolitan media as well as building on a physical presence at major community events and key forums.

**Community and Stakeholder Initiatives:** Centennial believes in investing in the communities in which it operates. A key mechanism is through developing local partnerships, actively engaging with the community and supporting activities, events and organisations through sponsorship.

This year, Centennial expanded its support for Hunter Life Education. Hunter Life Education is a community-based, independent charity and has been at the frontline of positive and preventative drug and health education in the Hunter since 1985. The Life Education High School programme is delivered by a team of qualified educators using up-to-date resources on alcohol and other drugs. Life Education educators support and complement local schools' drug and health initiatives. Centennial's partnership with Hunter Life Education this year has enabled two additional local high schools to access this important programme, making four schools in total to date.

In addition, Centennial continues to support many worthwhile local events, organisations and activities through sponsorships and in-kind contributions.

## **Native Title**

Centennial recognises the importance of Aboriginal cultural heritage and that its operations may have the potential to impact upon Aboriginal sites. As a result, the Company, in consultation with the Aboriginal communities affected and NSW Department of Environment and Climate Change ("DECC"), seeks to find mutually acceptable solutions to minimise any impacts that may arise as a result of the Group's mining activities.

Centennial currently has three Native Title Agreements. These agreements are:

- In the Group's Northern region – An Indigenous Land Use Agreement ("ILUA") with the Wonnarua Nation Aboriginal Corporation, which covers Newstan and Awaba.
- In the Group's Western region – The Centennial Coal Projects Ancillary Deed ("CCPAD") with the Gundungurra Tribal People, which covers Centennial's operations and projects in the Lithgow region
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- Also in the Group's Western region – The Ivanhoe North Ancillary Deed ("INAD") with the North-East Wiradjuri People.

Centennial believes in investing in the communities in which it operates , through developing local partnerships, actively engaging with the community and supporting activities, events and organisations through sponsorship.