

ALPHA NATURAL RESOURCES ACHIEVES COMPLIANCE

With Enterprise GRC

CUSTOMER SUCCESS STORY

COMPANY PROFILE: ALPHA NATURAL RESOURCES

Alpha Natural Resources, Inc. (Alpha) is one of the leading producers of high quality Appalachian coal. The company, based in Abingdon, Virginia, produces, processes and sells steam and metallurgical coal from eight regional business units that are supported by 33 active underground mines, 25 active surface mines and 11 preparation plants located throughout Virginia, West Virginia, Kentucky and Pennsylvania.

Approximately 91 percent of Alpha's reserve base is high British thermal unit coal and 82 percent is low sulfur, qualities that are in high demand among electric utilities that use steam coal. Alpha also is one of the U.S.'s largest producers and exporters of metallurgical coal, a key ingredient in steel manufacturing.

Alpha is actively involved in the purchase and resale of coal mined by others, the majority of which is blended with coal it produces from the company's mines to create customized products for its customers.

Formed in December 2002 by affiliates of First Reserve Corp., a private equity firm, and Alpha's management, the company and its subsidiaries employ more than 3,700 people and generate about \$2 billion in sales. The company went public in 2005, and is traded on the New York Stock Exchange under the ticker symbol, "ANR."

THE CHALLENGE

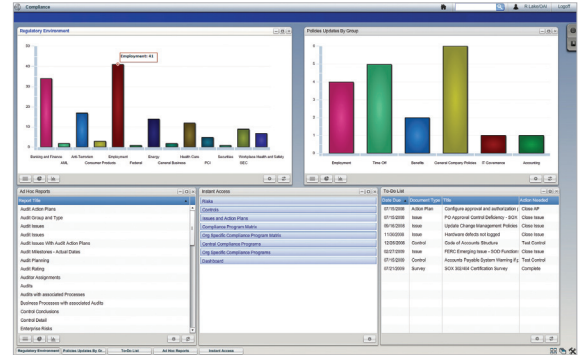
Alpha was looking for a product that could be used by its internal audit team to help with projects ranging from Sarbanes-Oxley compliance to risk assessments. The company started to organize and implement Sarbanes-Oxley compliance efforts in the middle of 2003, and after a year and a half of overseeing the documentation involved, it realized that spreadsheets and Microsoft Word® documents would not suffice.

At the very least, Alpha sought a system that could help organize various projects, and be configured to share information across different divisions. While the internal audit group had developed the company's compliance processes, Alpha planned to eventually transfer responsibility to the accounting and finance teams. The company needed a system to help it manage the flow of documents.

"We spent well over 10,000 hours over a year and a half, putting this SOX compliance paperwork together," said David Deal, Manager of Operational Auditing for Alpha. "It was not feasible to continue that pace going forward. Part of our challenge was to extract internal audit out of the project, and fashion a program that could be maintained and taken over by the accounting/finance group."

In addition to managing document flow, Alpha needed a system that could oversee version control. Having different versions travel between different divisions was a recipe, in the long term, for confusion and error.

Alpha also needed to automate its testing, not only to streamline the original testing process, but to make tracking and reporting issues smoother — and to make remedial testing more efficient to conduct.

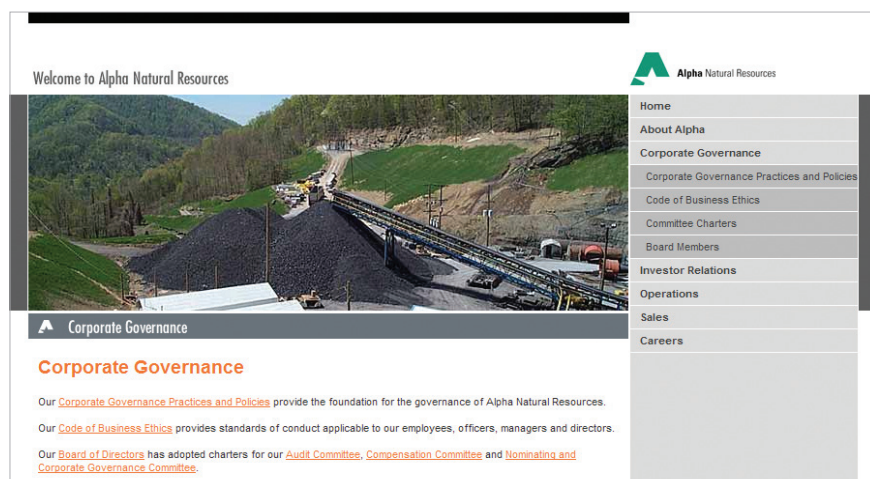


"We needed something that had already proven its worth for both audit and compliance. Enterprise GRC was just the solution we were looking for."

— MICK RISDON
Vice President, Risk and Audit Services
Alpha Natural Resources



THOMSON REUTERS™



“We were looking for the capability to perform tests in one area, and pass the information back to the process owners so that they could get a real-time sense of how their processes were operating and what issues there were,” said Burke Vander Lind, Senior Internal Auditor for Alpha. “In addition, we needed to store those reports and keep track of all of it so that we could see the history.”

“The people we worked with were amazing. Their experience was invaluable from beginning to end. They worked closely with us to successfully meet our goals and deadlines.”

— BURKE VANDER LIND
Senior Internal Auditor
Alpha Natural Resources

THE SOLUTION

Alpha examined research reports written by organizations such as Gartner and the Institute of Internal Auditors, and consulted with industry peers, to find potential vendors. The company considered a variety of tools, including those that specialized in governance, risk and compliance.

After the Sarbanes-Oxley Act was implemented, “there was almost a bell-shaped curve,” said Mick Risdon, Vice President, Risk and Audit Services for Alpha. “As the number of products increased on the market, the number that was actually effective became known.”

Alpha then formed a small committee, which narrowed the search down eventually to two options, including an Enterprise GRC solution from Thomson Reuters. One criterion that was high on Alpha’s list was the integration of internal audit tools with governance, risk and compliance capabilities. Second, Alpha wanted a solution with a risk and controls matrix that was not dramatically different from the look of the spreadsheets currently used by the company’s process owners.

“From a user standpoint, we did not want the risk and control matrix to look dramatically different from what we had been using,” Vander Lind said. “We felt it would be easier for the users to adopt the software if there were similarities to the current process.”

Alpha’s review found that Enterprise GRC could convert documents from other software applications more easily, and in less time, than other solutions. The tool also could give Alpha’s internal audit team the ability to extract data and conduct its own processes independently, from developing a project plan and schedule, to testing.

The Enterprise GRC solution that Alpha chose is a self-hosted software solution that helps different departments integrate their information by organizing a company’s data into a set of libraries that can then be extracted and analyzed for different functions: from internal audit, to financial controls management,

to IT governance and compliance. This solution helps a company eliminate the so-called silos of information that can develop between divisions, and allows each team to instead share each other's information based upon the access rights given to each user.

The solution also provides a set of shared features such as reports, risk assessments and surveys, as well as details on workflow and alerts about different data, so that the company can track how its information is being used.

THE RESULTS

Alpha signed a contract for Enterprise GRC at the end of March 2007, and had its team of 33 people trained and using the new system within just two and a half months of holding its first kick-off call with the professional services team.

The Thomson Reuters professional services team worked with Alpha to understand how they wanted to use the system. The team then provided guidance and best practices on items such as data import, setting up an organizational structure and linking risks and controls.

"The professional services team is very knowledgeable and a great resource," said Risdon. "Their guidance and flexibility enabled us to be well prepared and to deploy the software in such a short time."

The preparedness by Alpha was a key to the fast and successful implementation of the Enterprise GRC solution. Managers at Alpha carefully collected and considered data within their environment, reviewed all documentation, and worked with the team to determine how to configure the software to meet their needs. When the Thomson Reuters GRC business analyst arrived onsite, because Alpha had already addressed the basics, the focus was on refinement.

Alpha's preparedness also helped trainers to immediately adapt and customize their training program into one that was specifically designed for Alpha.

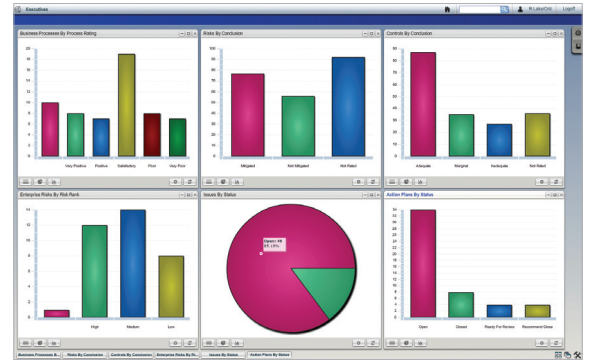
"They trained our people on the tools the way we wanted to use it. And when we trained on it, we were live. It was our data and they were looking at our documents," Vander Lind said. "The Enterprise GRC team was flexible and willing to adapt their training approaches according to our needs. The fact that they did it at a moment's notice speaks to their amazing knowledge of their product. We hit the ground running."

The Enterprise GRC solution has since helped Alpha reduce the number of hours spent reporting and disseminating testing results by at least 30 percent. The company was able to identify the number of controls – as well as the key attributes related to those controls – in about an hour. Last year, the company had to review at least 375 spreadsheets over the course of about a week to come up with similar information.

The software also allowed Alpha to leverage its resources more by providing the ability to conduct simultaneous as well as peer testing.

In addition to the efficiencies, the solution has helped Alpha rethink how it creates the operational and financial controls used to help manage its business. The way the tool is structured helps companies analyze risks in their business processes, and how, in turn, they can create controls to mitigate those risks instead of focusing on the controls first.

"For business process owners, it enforces a top-down approach. It makes you think about your risks and look at whether your risks are sufficiently mitigated," Vander Lind said. "On the SOX side, if you are a company that is preparing to go public, and don't have a SOX program yet, we would suggest utilizing Enterprise GRC to start with."



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— DAVID DEAL
Manager of Operational Auditing
Alpha Natural Resources

