



# CORPORATE RESPONSIBILITY REPORT 20 **12**



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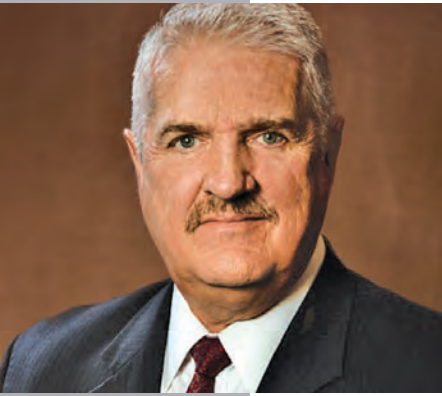
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## CHAIRMAN & CEO STATEMENT

*I am pleased to present CONSOL Energy's 2012 Corporate Responsibility Report.* This document provides an update to our inaugural report which clearly defined our company's commitment to our core values and the concept of corporate responsibility. These core values of safety, compliance and continuous improvement embody our unwavering focus on responsible business practices, now and in the future.

Though we are certainly not alone in our commitment to corporate responsibility, we are very proud to have been the first domestic coal or natural gas producer to construct such a report.

In publishing our first report in 2011, our primary objective was to assist our customers, shareholders, employees, communities, elected officials, regulators and other stakeholders in better understanding our corporate responsibility goals and achievements. Along with our inaugural report, we began implementing a formalized and standardized environmental management system which has generated meaningful results.

Our core values clearly state that the safety of our people and compliance with both the letter and spirit of the law trump production and profit. True to these values, we made steady progress in the area of safety during 2012. While these improvements are a positive step forward, we recognize that we are not at zero accidents, and there is much more work to be done in achieving the standard set forth by our Absolute ZERO safety culture.

In 2012, we also set several targets including the establishment of a safety management system, spill tracking policy to help us focus on identifying and correcting behaviors, processes or equipment problems that lead to compliance breakdowns, and performance metrics for compensation that set goals for reducing non-compliance events. From an economic perspective, while 2012 was a year marked by continued uncertainty both at home and abroad, CONSOL managed its way through this challenging environment with persistent focus on organic growth opportunities, including the launch of a new Water Division.

We continue to invest in our core operations in an effort to be safer, more efficient and provide customer and shareholder value. Our strong reserve position in both coal and natural gas provides a tremendous opportunity to extend our legacy for another 150 years.

Over the past fifteen years, a remarkable evolution has occurred. We have successfully transitioned from a traditional coal company to the leading diversified energy producer in the Eastern United States. The new members of our leadership team, who will be outlined in a subsequent section of this report, will guide us forward, firmly committed to the concept of corporate responsibility. Change is constant; it is a sign of rebirth. We embrace change – honoring those who have contributed to our successes and eagerly anticipating the positive impacts that a new generation of leadership will provide.

At CONSOL Energy, we believe that corporate responsibility, and the processes we put in place around this critical issue, is imperative in guiding improvement across the company. Priorities change, but values do not. Our core values will remain constant and continue to steer the decisions we make on a daily basis.

These annual reports will summarize our efforts and serve to encourage a dialogue about our company that is meaningful and productive.

  
**J BRETT HARVEY**  
 Chairman and Chief Executive Officer

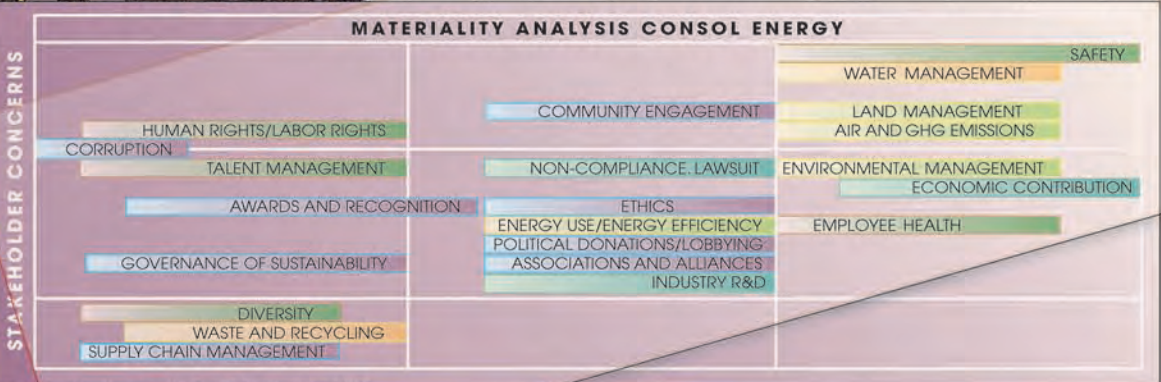


**ABOUT THIS REPORT**

This is CONSOL Energy's second corporate responsibility report. All information contained in this report is from calendar year 2012, unless otherwise noted. Our last report, covering calendar year 2011, was published in March, 2012. We intend to publish this report annually. Our objective is to help all our stakeholders—customers, employees, shareholders, communities, non-governmental organizations, regulators and others—better understand our corporate responsibility objectives, goals and achievements. Where appropriate, we have included historical performance information and, going forward, we will compare our performance year-to-year. More detailed information can be found on our website [www.consolenergy.com/about-us/corporate-responsibility.aspx](http://www.consolenergy.com/about-us/corporate-responsibility.aspx). CONSOL Energy representatives have prepared this report, and it has been reviewed and approved by CONSOL Energy's Health Safety and Environmental Committee of the Board of Directors. CONSOL Energy would like to thank Blue Mountain Inc. for the use of their aerial photographs of our operations in this report.

THIS

ABOUT REPORT



■ GENERAL/POLICY  
■ ENVIRONMENTAL  
■ SOCIAL  
■ ECONOMIC

## PROCESS FOR DEFINING REPORT CONTENT

We used the Global Reporting Initiative (GRI) G3.1 reporting principles in the development of this report. The GRI is a globally accepted reporting framework that enables companies to transparently report in order to increase stakeholder trust.

The GRI includes a formal materiality analysis with the goal of ensuring that issues relevant to the company and to stakeholders are being addressed.

Information and data assessed in this analysis were drawn from the following sources: input from stakeholder engagement (through daily interactions with various internal functions); peer reports; external peer communications; and sector publications.

Findings were combined and prioritized to determine the material issues for CONSOL Energy's corporate responsibility goals and reporting. The basis for the prioritization was an assessment, by internal CONSOL Energy stakeholders, of the relative impact of the issues on the company and its stakeholders. For more information on stakeholder engagement, please see the Community section of this report.

The results of our materiality analysis are illustrated in the graph to the left, with the most relevant issues for CONSOL Energy located in the top right corner of the graph. Subsequent pages of this report provide information on our corporate responsibility performance relative to these material topics.

## ORGANIZATIONAL AND OPERATIONAL BOUNDARIES OF THE REPORTED INFORMATION

CONSOL Energy is a large natural resource extraction company that produces coal and natural gas, primarily in the eastern United States, for the domestic electric utility industry, industrial consumers and American steel companies. CONSOL Energy also exports coal to Europe, Asia and South America for electricity and steel production. All of the Company's producing operations are located in the United

States. CONSOL Energy's operations include a range of business and support groups that include:

**Coal Division:** Coal production from underground and surface mines

**Natural Gas Division:** Natural gas extraction from shale, shallow oil and gas, and coal bed methane wells, along with transportation and processing operations

**Land Division:** Management of surface, coal, gas and oil holdings in support of operations and conservation projects, public usage and land donations

**Water Division:** CNX Water Assets LLC, a CONSOL Energy subsidiary is acquiring and developing existing sources of water in order to support our coal and gas operations, develop business in water sales, promote cutting edge water technologies, treat both acid mine drainage (AMD) water and fracturing water, and reduce our environmental liabilities

**Marine Terminal:** Shipping terminal in Baltimore that receives coal by rail from company and third party mines and loads ocean vessels for export

**River Transportation:** Fleet of towboats, harbor tugs and barges as well as a rail-to-barge terminal on the Upper Ohio River system

**Fairmont Supply:** National distributor of mining, gas, industrial, maintenance, repair, and operating supplies

**Research and Development:** Private research entity focused on the use of advanced technology to support the safety, compliance and continuous improvement initiatives of our operations as well as energy efficiency and emission reduction in support of CONSOL Energy and its customers

CONSOL Energy has also entered into a number of joint ventures related to its coal and gas activities. Recent gas joint ventures include:

- A joint venture of CONSOL Energy and Hess Corporation to explore and develop the Utica Shale in Ohio; CONSOL Energy's share is 50%

- A joint venture of CONSOL Energy and Noble Energy to develop the Marcellus Shale in southwest Pennsylvania and West Virginia; CONSOL Energy's share is 50%

- CONSOL Energy and Noble Energy formed CONE Gathering LLC (CONE), a joint venture established to develop and operate gas gathering system needs in the Marcellus Shale

- A joint venture of CONSOL Energy and Rosebud Mining Company, known as Western Allegheny Energy, to develop and operate underground mining properties in central Pennsylvania. CONSOL Energy's share is 49%

- A joint venture of CONSOL Energy and Oxford Mining Company, known as Harrison Resources, to develop and operate surface mining properties in Ohio. CONSOL Energy's share is 49%

This report covers the eight divisions and operating groups mentioned above (unless otherwise stated). Performance of our joint venture operations was not included in our 2011 report and pursuant to our published intent that we would report on performance relative to our joint venture activities in our 2012 report, that information is included in the relevant sections of this report.

**ABOUT CONSOL ENERGY**

**2012 QUICK FACTS**

- **Over 12,000 producing gas wells**
- **8,896 employees and over 5,000 contractors**
- **56 million tons of coal produced in 2012**
- **156.3 net billion cubic feet equivalent (Bcfe) gas produced in 2012**
- **4.3 billion tons of proven and recoverable coal reserves**
- **4.0 trillion cubic feet of net proved reserves of gas**

**C**ONSOL Energy Inc. (CONSOL Energy) is a publicly traded (NYSE:CNX) Pittsburgh-based producer of coal and natural gas. We are one of the leading diversified energy companies in the United States of America. Since our founding in 1860 and our first active mining operations began in 1864, CONSOL Energy has powered the nation with affordable, abundant, reliable domestic energy. Today, it remains one of the oldest companies in Pittsburgh and it will mark its 150th year anniversary in 2014, continuing the region’s heritage of global leadership in industrial and technological innovation.

Our team of nearly 9,000 employees and more than 5,000 contractors help generate the fuels – coal and natural gas – that comprise two thirds of the nation’s power supply. Our energy supports the American way of life by helping deliver electricity 24/7, creating family-sustaining jobs and keeping our nation competitive in the global marketplace. Diversifying into multiple energy products not only creates long-term value for shareholders, but also allows CONSOL Energy to meet the country’s energy challenges in a competitive, yet safe and compliant manner.

The continued decrease in U.S. coal-fired generation is tempered at CONSOL Energy by our investment in natural gas, which has grown in popularity with electric generators. Coal and natural gas together comprise a majority of the U.S. electric generation fleet and will continue to play a significant role into the future.

CONSOL Energy’s thermal and metallurgical coal mines are highly technical operating environments that require specialized training. The days of pick axes and shovels have been replaced with technologically advanced processes such as longwall mining, enhanced safety protocols, digital technologies and sophisticated communications technologies such as those employed at CONSOL Energy’s centralized Communications Center at our corporate headquarters. These advances have helped make the mining process safer and more productive, more than doubling resource recovery. Our mines, some of the largest underground operations in North America, produce high-quality bitu-

# ABOUT CONSOL



minous coal for electric-generation and steel making customers. Ideally located in the eastern U.S. with easy access to water and rail transportation, CONSOL Energy's mines annually supply the U.S. electric grid with more than 44 million tons of affordable domestic fuel to help power millions of homes, schools and businesses.

While our coals are more efficient from an energy content perspective, we continue to analyze regulations which may impact our coal's competitiveness, specifically with regard to sulfur and mercury content. Because our mines are clustered in Northern Appalachia, most of our customers are also concentrated in this same region and operate in an unregulated electric grid called PJM. Over the years, our largest customers have invested heavily in scrubbers and other systems to meet environmental regulations. Having developed concurrently and sharing a historical relationship, our customers are well-suited to continue using CONSOL Energy's product even with tighter environmental restrictions. With our river transportation subsidiary's large fleet of tugs and barges, CONSOL Energy is able to ensure those customers along the Allegheny, Monongahela and Ohio rivers with reliable deliveries. Lastly, as investment in new coal mining activities slows, our fully-capitalized and long-lived coal assets ensure that the company will continue to attract and retain customers looking for high quality and reliable sources of energy even as the market becomes more challenging for others.

As the energy needs of the country continue to change and adapt to new regulatory norms, CONSOL Energy has made a strategic and transformative entry into natural gas. Our modern gas division, which includes coal bed methane extraction, conventional and shale gas exploration and production, was formed through a powerful and strategically timed intersection of our core value of safety, the concept of sustainability, and technological advances. In an effort to improve the safety and working conditions of our underground mines in the 1980's, CONSOL Energy pioneered an efficient and effective method of extracting methane gas from coal seams, and then capturing the gas and selling it to our customer base. CONSOL Energy's Buchanan mine in Virginia is recognized

# ENERGY



industry-wide as the leader in the development of this process, which was adopted as a best practice across the underground coal mining industry. Concurrently, CONSOL Energy developed horizontal drilling technology and techniques that enabled us to access thinner coal seams. Over the past decade, CONSOL Energy has applied this technological expertise and ingenuity to emerging unconventional horizontal shale plays.

CONSOL Energy’s gas and liquid hydrocarbon operations are strategically located in close proximity to the major consuming areas of the Northeast. The competitive economics of the Marcellus Shale further underscore our continued investment in low-cost and highly compliant operations. Serving diverse energy and industrial markets, CONSOL Energy is able to provide the fuel that leads to more affordable electricity and contributes to rising levels of domestic manufacturing. Building on our successful tradition of mining coal throughout Appalachia, natural gas allows the company to capitalize on our existing geographical and operational strengths while diversifying into a clean-burning and long-lived asset. From safety to environmental protocols, techniques and equipment, advances in these areas are continuous, improving recovery, enhancing safety, and providing more environmentally protective methods. While natural gas has taken market share from coal, it has also unlocked entirely new sources of demand from industrial producers such as chemical and fertilizer manufacturers. With increased supply comes decreased volatility, which contributes to natural gas’ rising popularity as a major fuel for the U.S. economy. Today, together with our Joint Venture (JV) partners, we are a leading producer in the Marcellus Shale and are transitioning our active exploration program into development mode in Ohio’s Utica Shale play.

CONSOL Energy recognizes that water is one of our most valuable natural resources. Understanding the true value of this 100% renewable resource continues to guide our efforts on water policies and practices and drives us to be an industry leader in deploying advanced water treatment technologies in the coal and natural gas sectors of our industry. CONSOL Energy is the first energy producer to deploy multiple reverse osmosis zero liquid discharge (RO/ZLD) treatment facilities in the Appalachian Basin. During this past year, the company began construction of our second RO/ZLD facility near Mannington, WV. It has reached mechanical completion and commissioning activities are scheduled to commence in the second quarter of 2013. This facility will ensure that discharges from coal mining



**FINANCIAL HIGHLIGHTS**

	2012	2011	2010	2009
<i>(000 omitted, except per share data)</i>				
Revenue and other income	\$ 5,430,307	\$ 6,117,242	\$ 5,236,021	\$ 4,621,875
Net Income Attributable to CONSOL Energy Inc. Shareholders	\$ 388,470	\$ 632,497	\$ 346,781	\$ 539,717
Earnings Per Share <i>(diluted)</i>	\$ 1.70	\$ 2.76	\$ 1.60	\$ 2.95
Operating Cash Flow	\$ 728,129	\$ 1,527,606	\$ 1,131,312	\$ 1,060,451
Adjusted EBITDA*	\$ 1,311,574	\$ 1,777,682	\$ 1,221,121	\$ 1,223,937
Adjusted EBIT*	\$ 688,794	\$ 1,159,285	\$ 653,458	\$ 786,520
Capital Expenditures	\$ 1,575,230	\$ 1,382,371	\$ 1,154,024	\$ 920,080
Coal Production <i>(tons in thousands)**</i>	55,987	62,048	61,733	59,038
Gas Production <i>(Bcf)</i>	156.3	153.5	127.9	94.4

\* Adjusted EBIT is defined as earnings before deducting net interest expense (interest expense less interest income) and income taxes. Adjusted EBITDA is defined as earnings before deducting net interest expense (interest expense less interest income), income taxes and depreciation, depletion and amortization.

\*\* Production excludes CONSOL Energy’s portion from equity affiliates



operations in this region will be environmentally compliant for the foreseeable future. The high purity water that this facility will generate will have a net positive impact on the Monongahela River watershed in which these mines operate, benefitting not only the watershed but the stakeholders that rely on these waters for a myriad of uses. This treatment facility along with existing advanced and conventional treatment plants and water infrastructure represent an investment in excess of 500 million dollars in water related assets. These facilities handled and treated over 33 billion gallons of water in 2012.

In 2012, CONSOL Energy also created CNX Water Assets, LLC as a way of further advancing our goal of harnessing and developing our existing water assets. This wholly owned subsidiary will be the vehicle through which water resources, emerging treatment technologies, water sales and water related business opportunities will be vetted and pursued as a means of protecting the environment and adding value to our company.

CONSOL Energy maintains the largest private research and development facility devoted exclusively to coal and energy utilization and production in the United States. In addition to supporting the production of CONSOL Energy's coal and gas operations, it also focuses on energy development, improving energy efficiency and reducing pollution. Commercially, R&D helps the Company to blend and perfect coal combinations to ensure they remain efficient, compliant and competitive. Similar to our natural gas operations, this facility was borne out of our core values – Safety, Compliance and Continuous Improvement – and enables us to identify opportunities and implement solutions that drive safety, production, and utilization of our strategic resources in smarter, more efficient ways.

CONSOL Energy's Baltimore Terminal, the primary departure point for our exports, is a world class facility with convenient links to our major mines. We have the advantage of operating in areas served by a dual-rail system, which allows two competing railways to service our mines and terminal. As the global appetite for coal-fired electricity continues to grow, CONSOL Energy's competitive mining operations and Baltimore terminal are also well-positioned to meet that international demand. Moreover, CONSOL Energy's metallurgical operations produce coal to meet the world's demand for steel. Some of our highest quality thermal coals also serve as cross-over metallurgical coals, providing optionality through access to growing international markets.

CONSOL Energy takes a proactive approach to predict and model future demand for our products. Through rigorous analytics, we actively monitor and study the changing regulatory and market environments to inform the company's future investment strategy. In addition to the 39 gigawatts (GWs) of coal-fired retirements already announced, internal analysis anticipates an additional reduction of 49-70 GWs of demand after 2015. As more stringent environmental regulations are expected to take effect, natural gas is a logical step in our strategy to become a leading diversified energy organization. Although coal will not likely regain its past dominance of the electric-generation market, it will remain a sizeable and important part of the nation's generation portfolio with natural gas picking up the majority of the electricity generation lost from these coal plant retirements. With both coal and natural gas products, CONSOL Energy can optimize fuel supply to our existing customers and actively pursue new ones from our enviable position in the Northeast United States. In addition to our operational success, our strong record of environmental stewardship and our commitment to community have enabled us to become the dynamic and accomplished energy company we are today.



CORPORATE GOVERNANCE

OUR COMMITMENT TO CORPORATE GOVERNANCE

CONSOL Energy's Board of Directors and management team firmly believe that sound principles of corporate governance are essential in making good decisions on behalf of our shareholders, employees, and other stakeholders. We believe that corporate governance goes hand in hand with strong financial performance.

Our Board of Directors regularly reviews our governance policies to ensure that we are in compliance with applicable laws and regulations, as well as best practices.

We maintain a corporate governance page on our website at [www.consolenergy.com](http://www.consolenergy.com).

Linked to this page are our following corporate governance documents: Bylaws, Corporate Governance Guidelines, Code of Ethics and Business Conduct - Board, Code of Ethics and Business Conduct - Employees, Charters for each of our Board Committees, and Related Person Transaction Policy

# CORPORATE GOVERNANCE

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## CODES OF CONDUCT AND AVOIDING CONFLICTS OF INTEREST

It has always been the intent of CONSOL Energy to maintain high ethical and legal standards in conducting our business and, to this end, we have developed codes of ethical conduct that apply to our directors and employees. The essence of our codes of conduct are that CONSOL Energy's directors and employees will conduct our business with integrity, in compliance with applicable laws, and in a manner that excludes considerations of personal advantage. Each of our codes of conduct addresses topics relating to encouraging ethical behavior, including: avoiding conflicts of interest, placing restrictions upon the receipt of gifts and the making of payments, protecting CONSOL Energy's assets, and complying with laws.

With respect to avoiding conflicts of interest, directors and employees are expected to avoid any situation that involves or may involve a conflict between their personal interests and CONSOL Energy's interests. Directors and employees dealing with customers, suppliers, contractors, competitors or any persons doing or seeking to do business with CONSOL Energy are to act in the best interests of CONSOL Energy to the exclusion of considerations of personal preference or advantage. Directors and employees must disclose to CONSOL Energy any situation that involves, or may reasonably be expected to involve, a conflict of interest with the corporation.

## BOARD OF DIRECTORS

CONSOL Energy is governed by a Board of Directors of ten members, all of whom are independent under New York Stock Exchange rules, other than our Chief Executive Officer.

J. Brett Harvey serves as our Chief Executive Officer and Chairman of the Board, which enables us to centralize Board leadership and provide effective communication to the other members of the Board. We believe that Mr. Harvey's role as Chief Executive Officer and Chairman of the Board furthers decisive leadership, ensures clear accountability and enhances the corporation's ability to communicate its message and strategy to the corporation's shareholders, employees, and other stakeholders.

In connection with the Board's decision to combine the role of Chief Executive Officer and Chairman into one position, the Board determined that it was appropriate and necessary to appoint a Lead Independent Director, who must be an independent director who has served with CONSOL Energy for at least one year. The Lead Independent Director has several duties, including presiding over all meetings of the Board at which the Chairman is not present, and at executive sessions of the independent directors. We believe that the number of independent directors that make up our Board, along with the independent oversight of the Board by our Lead Independent Director, benefits the corporation, and the shareholders.

## CORPORATE GOVERNANCE PRINCIPLES

CONSOL Energy's Board of Directors operates in accordance with these principles and corporate governance processes:

- CONSOL Energy holds an annual election of directors, and each director must receive a majority of votes cast. Directors who are elected but fail to receive a majority of the votes cast, must submit a letter of resignation to the Board.
- At least a majority of the Board must be independent.
- The Audit, Compensation, and Nominating and Corporate Governance Committees of the Board are required to be comprised entirely of independent directors, and no member of the Finance Committee may be an officer or employee of CONSOL Energy.
- The Board and each of its Committees have the authority to hire independent advisors.
- Each member of the Audit Committee has been deemed an audit committee financial expert for purposes of the Securities and Exchange Commission rules.
- Our directors meet regularly in executive session without the presence of management.
- Our directors and executives are subject to stock ownership guidelines, and our executives are further subject to stock retention guidelines.
- We have a "no-hedging" policy in our insider-trading policy that prohibits directors and employees from engaging in hedging transactions with our stock.
- We instituted Board and management risk oversight processes and procedures.
- We conduct annual Board and Board Committee performance evaluations.
- We maintain a related person transaction policy administered by the Audit Committee to ensure the Board has oversight over potential transactions between CONSOL Energy and its directors, executive officers and their immediate family members.

**SELECTION OF BOARD MEMBERS**

In assessing the Board’s membership needs, the Board seeks to maintain a board comprised of individuals who are competent in the following areas: General industry knowledge; Accounting and finance; Ability to make sound business decisions; Management; Leadership; Knowledge of international markets; Business strategy; Crisis management; Corporate governance; and Risk management.

Directors must have experience in positions with a high degree of responsibility and leadership experience in the companies or institutions with which they are or have been affiliated. Directors are selected based upon contributions that they can make to CONSOL Energy. The process for identifying and evaluating director nominees is as follows:

- Determine what types of backgrounds, skills, and attributes of Board members are needed to help strengthen and balance the Board, taking into account the competencies described above;
- At appropriate times, actively seek individuals qualified to become new members of the Board; and
- Evaluate and develop a slate of director nominees to be elected by the shareholders at CONSOL Energy’s next annual meeting of shareholders.

CONSOL Energy does not maintain a separate policy regarding the diversity of its Board members. The Board, however, seeks directors with diverse personal and professional backgrounds, experience, and perspectives that, when combined, provide a diverse portfolio of experience and knowledge that will serve CONSOL Energy’s governance and strategic needs.

**BOARD COMMITTEES**

Our Board has five standing committees: Audit, Compensation, Finance, Health, Safety and Environmental, and Nominating and Corporate Governance. Director membership on our Committees is as follows:



## OVERSIGHT OF ECONOMIC, ENVIRONMENTAL AND SOCIAL PERFORMANCE

CONSOL Energy's Board Committees are tasked with oversight responsibilities ranging from economic and financial matters relating to the business, to the impact of CONSOL Energy's

BOARD COMMITTEES										
NAME	AGE	DIRECTOR SINCE	OCCUPATION	COMMITTEE MEMBERSHIPS						
				INDEPENDENT	AC	CC	HSE	FC	NCG	
<b>J. BRETT HARVEY</b>	62	1998	Chairman and Chief Executive Officer							
<b>PHILIP W. BAXTER</b>	64	2009	President Stan Johnson Company; Lead Independent Director	X	X	X				X
<b>JAMES E. ALTMAYER, SR.</b>	74	2003	Former Chief Executive Officer and Chairman of Altmeyer Funeral Homes, INC.	X			C	X		
<b>WILLIAM E. DAVIS</b>	70	2004	Former Chairman and Chief Executive Officer of Niagara Mohawk Power Corporation	X			X			C
<b>RAJ K. GUPTA</b>	70	2004	Independent Management Consultant and former Vice President of Phillips Petroleum Company	X	C		X			
<b>PATRICIA A. HAMMICK</b>	66	2001	Former Chairman of Dynegy, Inc.	X					X	X
<b>DAVID C. HARDESTY, JR.</b>	67	2005	President Emeritus and Professor of Law at West Virginia University	X			X	X		
<b>JOHN T. MILLS</b>	65	2006	Former Chief Financial Officer of Marathon Oil Corporation	X	X	X				
<b>WILLIAM P. POWELL</b>	57	2004	Managing Partner of 535 Partners LLC	X		C				X
<b>JOSEPH T. WILLIAMS</b>	75	2004	Former Chairman and CEO of DevX Energy, Inc.	X		X				C

<b>AC</b>	Audit Committee
<b>CC</b>	Compensation Committee
<b>FC</b>	Finance Committee
<b>HSE</b>	Health, Safety and Environmental Committee
<b>NCG</b>	Nominating and Corporate Governance Committee
<b>C</b>	Chair
<b>X</b>	Member

operations upon the environment and the communities in which we live and work. The following is a brief description of each Board Committee's duties and oversight responsibilities.

**AUDIT COMMITTEE**

Our Audit Committee provides assistance to our Board in fulfilling its legal and fiduciary obligations with respect to matters involving the accounting, financial reporting, internal control and compliance functions of the corporation and its subsidiaries. Our Audit Committee employs an independent registered public accounting firm to audit the financial statements of CONSOL Energy and perform other assigned duties. Further, our Audit Committee provides general oversight with respect to the accounting principles employed in financial reporting and the adequacy of CONSOL Energy's internal controls.

**COMPENSATION COMMITTEE**

Our Compensation Committee establishes executive compensation policies consistent with the corporation's objectives and shareholder interests and recommends the compensation of our non-employee directors for approval by the Board. Our Compensation Committee also reviews the performance of our executive officers and establishes, adjusts and awards compensation, including incentive-based compensation. The Compensation Committee employs an independent compensation consulting firm to assist it with the development of the executive and non-employee director compensation programs, and to review the elements of such compensation programs and recommend any modifications, including the appropriate mix of short- and long-term incentives.

**NOMINATING AND CORPORATE GOVERNANCE COMMITTEE**

Our Nominating and Corporate Governance Committee monitors our corporate governance system, assesses Board membership

needs, makes recommendations to the Board regarding potential director candidates for election at the annual meetings of shareholders or in the event of any director vacancy, and performs any other functions or duties deemed appropriate by the Board.

**FINANCE COMMITTEE**

Our Finance Committee monitors and provides advice and counsel to our Board and management regarding our asset mix, potential mergers and acquisitions, capital structure and policies, financial position and policies, financing activities, compliance with debt covenants, dividend policies and material investments and contracts.

**HEALTH, SAFETY AND ENVIRONMENTAL COMMITTEE**

Our Health, Safety and Environmental Committee, which we voluntarily formed in 2009, oversees CONSOL Energy's policies and management systems with respect to health, safety and environmental matters, and is generally responsible for:

- Overseeing management's monitoring and enforcement of the corporation's policies to protect the health and safety of employees, contractors, customers, the public and the environment;
- Reviewing with management the quality of the corporation's procedures for identifying, assessing, monitoring and managing the principal risks in our business that are associated with health, safety, and the protection of the environment, and for reporting the Committee's findings to the Board;
- Reviewing the corporation's strategy relative to the protection of the safety and health of employees, contractors, customers and the public, and the environment;
- Reviewing any material legal and/or compliance issues with health, safety and environmental laws and matters and management's response to them; and



■ Reviewing any significant health, safety and environmental public policy legislative, political and social issues and trends that may materially affect CONSOL Energy's business operations and/or public image, and management's response to them

## BOARD PERFORMANCE EVALUATIONS

To maintain high standards of performance for, and the effectiveness of, the Board and its Committees, CONSOL Energy has instituted Board and Committee self-evaluations, which are conducted on an annual basis. The Chairman of the Nominating and Corporate Governance Committee and the Lead Independent Director interview each member of the Board and the respective Committees based on a uniform set of questions, which includes an evaluation of processes. Once the interviews are complete, the Chairman of the Nominating and Corporate Governance Committee and the Lead Independent Director discuss the results of the interviews and ultimately communicate the same simultaneously to the Committees and the full Board. The Board then reviews and discusses the results in executive session.

## DIRECTOR COMPENSATION AND ALIGNMENT WITH SHAREHOLDER INTERESTS

CONSOL Energy recognizes the importance of aligning the interests of our Board with our shareholders. To this end, the Board has approved a non-employee director compensation program in which a majority of non-employee director compensation is in the form of restricted stock units that vest and are paid in shares of CONSOL Energy stock.

## PAY-FOR-PERFORMANCE EXECUTIVE COMPENSATION PROGRAM

Our executive compensation program is

designed to attract, motivate and retain key executives who will promote the short- and long-term growth of the corporation and create sustained shareholder value. To this end, we take a pay-for-performance approach to our executive compensation program that ties more than a majority of the compensation payable to our executives to the short- and long-term performance of CONSOL Energy and promotes equity ownership among executives to greater align their interests with shareholder interests.

In line with our "pay-for-performance" philosophy, the total compensation (salary, short-term incentive compensation and long-term incentive compensation) received by our executives will vary based on individual and corporate performance measured against annual and long-term performance goals. We employ a number of best corporate governance practices in our executive compensation program that reflect our pay-for-performance compensation philosophy and determination to align our executives' compensation with the interests of our shareholders, including:

- Over 90% of the Chief Executive Officer's 2012 pay was at-risk (e.g., subject to the attainment of pre-established performance goals) and in excess of 50% of our other executives' 2012 pay was at-risk.
- Stock ownership guidelines, which require each of our executives to own a significant level of stock until the executive retires or otherwise terminates service.
- Stock retention guidelines that generally require our executive officers to retain 50% of any equity award granted to them after March 2012 for at least 24 months.
- A "no-hedging" policy in our insider trading policy that prohibits our directors, officers, and employees from engaging in hedging transactions involving shares of CONSOL Energy stock.
- Elimination of all tax gross-ups for our executives (except under legacy change in control agreements).
- A strong risk management program with specific responsibilities assigned to management, the Board and Board Committees.
- Equity grant practices that preclude the timing of grants to take advantage of short-term stock price movements.

## COMMUNICATION WITH THE BOARD OF DIRECTORS

Shareholders and other interested persons who wish to communicate with, or make recommendations to, the Board may do so by writing to the Board at CONSOL Energy Inc., 1000 CONSOL Energy Drive, Canonsburg, PA 15317, Attention: Corporate Secretary, or by sending an e-mail to [directors@consolenergy.com](mailto:directors@consolenergy.com). Information concerning communications with, or making recommendations to, the Board is also included on CONSOL Energy's website at [www.consolenergy.com](http://www.consolenergy.com).



Front row, left to right: J. Brett Harvey and Nick Deluliis. Second row: David Khani, Jim Grech and Steve Johnson.

**EXECUTIVE OFFICERS OF CONSOL ENERGY**

The following is a list of CONSOL Energy executive officers, their ages as of March 1, 2013, and their positions and offices held with CONSOL Energy.

EXECUTIVE OFFICERS		
NAME	AGE	POSITION
J. BRETT HARVEY	62	Chairman of the Board and Chief Executive Officer
NICHOLAS J. DEIULIIS	44	President
STEPHEN W. JOHNSON	54	Executive Vice President and Chief Legal and Corporate Affairs Officer
DAVID M. KHANI	49	Executive Vice President and Chief Finance Officer
JAMES C. GRECH	51	Executive Vice President and Chief Commercial Officer



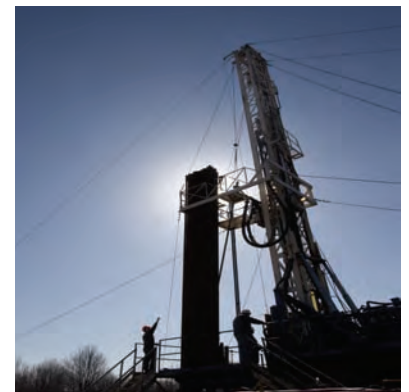
**J. Brett Harvey** is the Chairman and Chief Executive Officer of CONSOL Energy. Mr. Harvey has more than 32 years of natural resources industry experience and has spent 15 years with the company, including serving as President of CONSOL Energy until 2011, when Mr. Deluliis assumed that position. Mr. Harvey is also the Chairman and Chief Executive Officer of CNX Gas Corporation and a director of Barrick Gold Corporation and Allegheny Technologies Incorporated. He is a member of the coal industry advisory board of the International Energy Agency, chairman of the Bituminous Coal Operators' Association board of directors, a member of the Leadership Council of the American Coalition for Clean Coal Electricity, the Virginia Coalfield Economic Development Authority, the National Coal Council, Waterways Council, Inc., and The Conservation Fund. He is also a member of the board of the Allegheny Conference on Community Development, the National Executive Board of the Boy Scouts of America and a director and past chairman of the Laurel Highlands Council of the Boy Scouts.

**Nicholas J. Deluliis** is the President of CONSOL Energy. He has over 22 years of experience with the company and in that time has held positions of Chief Operating Officer, Senior Vice President of Strategic Planning, and earlier in his career various engineering positions. He was a Director, President and Chief Executive Officer of CNX Gas Corporation from 2005 to 2009. Mr. Deluliis is a director at large of the Independent Petroleum Association of America, the U.S. Chamber of Commerce, the Bituminous Coal Operators' Association, Inc., and the University of Pittsburgh Cancer Institute. Mr. Deluliis is a registered engineer in the Commonwealth of Pennsylvania, and a member of the Pennsylvania bar. He is also a member of the Industrial & Professional Advisory Council College of Engineering at The Pennsylvania State University, the Catholic Foundation Advisory Board, and the Pittsburgh Penguins Foundation.

**Stephen W. Johnson** is the Chief Legal and Corporate Affairs Officer of CONSOL Energy and CNX Gas Corporation. Before being appointed to his current position, Mr. Johnson served as Senior Vice President and General Counsel of both CONSOL Energy and CNX Gas Corporation. Mr. Johnson has spent numerous years in the natural resources industry, including eight years with CONSOL Energy and CNX Gas Corporation and several years prior to that representing natural resource companies in private legal practice. Mr. Johnson is Chairman of the Board of Concordia Lutheran Ministries, a non-profit continuing care retirement community and Chairman of NEED, a non-profit minority college access program.

**David M. Khani** is the Chief Financial Officer of CONSOL Energy. Before joining the company in 2011 as the Vice President - Finance, Mr. Khani was with FBR Capital Markets & Co. ("FBR"), an investment banking and advisory firm, serving in various capacities, including the Director and Co-Director Research and the Co-Group Head of FBR's Energy and Natural Resources Group. Mr. Khani has approximately 20 years of natural resources industry experience. Mr. Khani is a Chartered Financial Analyst and is a member of the CFA Society Washington, D.C., the Simon Executive Advisory Committee, the University of Rochester Simon Business School Executive Advisory Committee and the Temple Emanuel Executive Board.

**James C. Grech** is the Chief Commercial Officer of CONSOL Energy. Mr. Grech joined the company in 2001 and has served in several roles since then, including Senior Vice President of CNX Land Resources Inc. and Senior Vice President of CONSOL Energy Sales Company, both subsidiaries of CONSOL Energy. Prior to joining the company, Mr. Grech spent 17 years working for DTE Energy Company in the Detroit Edison Fuel Supply group and at DTE Coal Services. Mr. Grech has 28 years of natural resources industry experience and has spent over 11 years with CONSOL Energy. He is a member of the National Coal Transportation Association, Waterways Council, American Waterways Operators, Pittsburgh Institute of Politics Infrastructure Committee, and also serves as a Board Member for Mon Valley Hospital.





**BART HYITA**

*Chief Operating Officer*

# OPERATIONAL ALPHI

**OPERATIONAL HIGHLIGHTS****COAL DIVISION**

**C**ONSOL Energy's coal operations are divided into regional areas, namely Pennsylvania Operations' Bailey and Enlow Fork mines; Northern West Virginia Operations' Robinson Run, Loveridge and Blacksville 2 mines; Ohio Valley Operations' McElroy and Shoemaker mines; and Central Appalachia Operations' Buchanan, Fola, Miller Creek and Amonate mines.

Highlights for 2012 from each regional operation are provided below.

**PENNSYLVANIA OPERATIONS**

**F**rom February 9, 2012, through August 30, 2012, Enlow Fork Mine accomplished an incredible milestone of one million man hours worked incident free. Such a feat was once deemed impossible for underground mining operations. The 724 employees of Enlow Fork Mine demonstrated that a culture of safety embraced by an entire workforce can accomplish great things. For nearly seven months and with nearly seven million tons of coal produced, the mine operated safely and productively at ZERO. On November 17, 2012, a celebration was held for the employees of Enlow Fork Mine and their families. At this time, the employees were presented with the J. Brett Harvey safety award. This award recognizes CONSOL Energy operations that work 1 million consecutive man-hours without a recordable accident.

In late 2012, the Enlow Fork Mine began pilot testing tablet computers for underground use in designated safety-approved areas. Tablets provide fingertip access to safety information such as Emergency, Evacuation, and Fire Fighting Plans, Training Records, Safe

Work Instructions, Safety and Training videos, and Risk Assessment Forms. In the area of compliance, the tablets provide access to Roof Control and Ventilation Plans, as well as various regulatory documents. Employees are also able to access mine and personnel forms, production monitoring systems, as well as email and Internet.

Underground Wi-Fi access points are projected to be installed underground at Enlow Fork Mine in the early part of 2013. After the Wi-Fi has been installed and mine personnel have tested the system underground, CONSOL Energy will consider installing similar systems in our other operating regions.

# GHIGHLIGHTS

**OHIO VALLEY OPERATIONS**

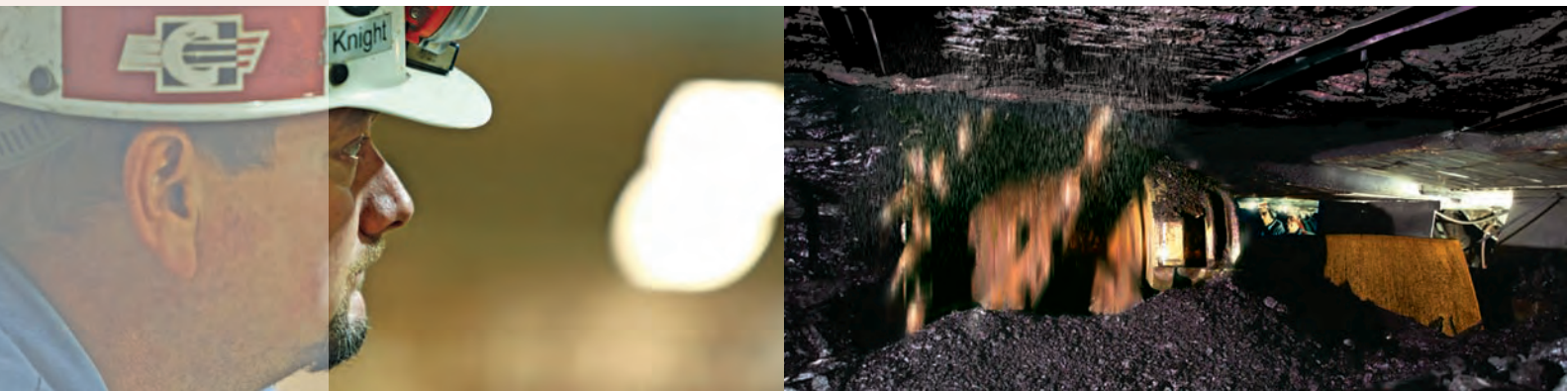
CONSOL Energy’s McElroy Mine underwent a significant sealing project in 2012. Sealing allows for previously mined out areas to be closed off, providing for increased safety for employees that no longer need to travel through these areas where methane gas and roof stability are of constant concern. The sealed area accounts for 23 percent of the total underground area of the mine and is approximately eight square miles of sealed mine workings. A total of 19 seals were installed underground, two surface fans were de-energized, and two mine shafts were filled and reclaimed. The sealed area, known as the 5 South area, is low in elevation in relation to the active part of the coal mine which now accepts all of the underground mine discharge water in the sealed area and prevents it from discharging on the surface.

**NORTHERN WEST VIRGINIA OPERATIONS**

In 2012, two mines in our Northern West Virginia region undertook a mine sealing project to increase employee safety and reduce operating cost. At Blacksville No. 2 mine, 5,968 acres—over 29 percent of the total mined area—were sealed. Another 2,000 underground acres were sealed at our Loveridge Mine. Sealing these old mine works allowed us to discontinue fire bossing and pumping water from the area, meaning employees will no longer have to enter the old mine works. In addition, four air shafts were filled, and four mine ventilating fans were shut down. The estimated total savings from deactivating the ventilation fans equals approximately \$1.6 million per year in electricity cost.

**CENTRAL APPALACHIAN OPERATIONS**

CONSOL Energy’s mining efforts in Central Appalachia are comprised of both underground and surface Mining Operations varying from the longwall mine of Buchanan to the traditional underground mines and large scale surface mines at Miller Creek, Amonate and Fola.



From an environmental standpoint, work begins well before the first ton of coal is ever mined. This environmental preparation includes work to collect background water chemistry and biological (aquatic life) data and to evaluate environmental impacts to determine least damaging practicable alternatives that meet CONSOL Energy's environmental approach of avoid, minimize and mitigate impact. Once all local, state and federal conditions are incorporated and the permits are obtained, mining is initiated along with simultaneous reclamation. On average Central Appalachia Operations have planted in excess of 500,000 tree saplings and seeded in excess of 600 acres per year. Post Mine Land Use (PMLU) requirements of our permits require Hay and Pastureland PMLU's that support local farmers and landowners that raise horses and cattle as well as Fish and Wildlife PMLU's that work in conjunction with the Laurel Lake Wildlife Management Area in Mingo Co, WV. Much of that property is able to be hunted by local sportsman for small game like raccoon, rabbit and squirrel as well as game birds like Ruffed Grouse, Bobwhite Quail and Eastern Wild Turkey. The WV Department of Natural Resources conducted a study in spring 2012 to update the West Virginia Breeding Bird Atlas. More than 40 species of birds were identified on Miller Creek's reclaimed surface mines. The Fola surface mines use the Forestry Reclamation Approach (FRA) to plant hardwoods for Forestland and Commercial Forestry PMLU's, enabling timber to remain a renewable resource. These different approaches illustrate that CONSOL Energy is committed to ensuring that every action we take leaves the area affected by mining in a restored and productive condition.





## NATURAL GAS DIVISION

CONSOL Energy's natural gas operations are divided into regional areas, with Marcellus operations in Pennsylvania and West Virginia, Utica operations in Ohio, coal bed methane in Virginia, West Virginia and Pennsylvania, conventional oil and gas wells across the entire operating region, and exploration of other shale formations in Tennessee and Indiana.

## MARCELLUS OPERATIONS

CONSOL Energy's pursuit of continuous improvement is evident in its drilling operations year to year. Over the past six years, our natural gas production has grown an impressive 168 percent. As our geological and engineering knowledge continues to grow based on the performance of our wells, we continuously seek to explore and challenge technology to improve our environmental stewardship and improve returns. In 2012, CONSOL Energy was able to increase the drilled lateral lengths to 5,547 feet per well compared to 3,852 feet per well in 2011. The longest lateral drilled for the year was 8,437 feet and was drilled in our central Pennsylvania area. By placing multiple wells on the same pad and increasing the lateral lengths by 44% per well, we have very effectively reduced the footprint of our drilling sites on a per well basis. By drilling longer laterals, fewer wells are required to extract gas from the



same Marcellus area. This results in reduced site disturbance for drill sites, impoundments and other facilities. By drilling fewer wells, mobilization and demobilization of equipment is reduced and various plastics and petroleum based products typically required during drilling operations are required in less quantity and frequency, which, in turn reduces the overall carbon footprint of the operations.

In addition to our own excellent safety performance, our contractors reached important safety milestones in 2012. Three separate drill rigs operating in our Marcellus and Utica regions reached the safety milestone of working over one full year without an exception. The Patterson 324 rig team, including all contractors and subcontractors associated with that rig, such as cementers, directional drillers, well loggers, etc., worked exception free for 424 continuous days. The Nabors M62 rig team, including all contractors and subcontractors associated with that rig, worked exception free for 425 continuous days. And the Nabors M16 rig team, including all contractors and subcontractors associated with that rig, worked exception free for 375 continuous days.

In central Pennsylvania, CNX Gas in partnership with CalFrac, developed a safety protocol for reducing silica dust associated with sand used in the completions process. Frac sand traditionally was delivered via an air vacuum system to move it from the delivery truck to the pipe. To reduce the amount of silica dust exposure to workers, as well as reduce noise associated with the completions process, sand is now moved mechanically using a gravity-fed system. The over-the-road trucks now drive over a ground-mounted collection system, and the trucks empty via gravity into a set of sand tanks that store the sand in large enough volumes to accomplish a frac job. When the frac job is ready to be pumped, the sand is then unloaded from the tanks via gravity into a completely enclosed elevator system that carries the sand to the blender.

CONSOL Energy began a strategic risk analysis encompassing key business operations to evaluate the safety, compliance, and business interruption risks related to our oil and gas business in the Marcellus and Utica gas plays. One of the critical risk areas identified was “*Drilling in Sensitive Areas*”. The scope of this project was to review issues related to Sensitive Areas in which the company plans to conduct drilling activities. These areas were defined based on proximity to schools, churches, population density, water sheds, plants and wildlife, public infrastructure and other industrial activity. Risk Registries were developed to address the risks relative to health, safety, environment, welfare of the community, and business interruption. The focus of this project was targeted on the Marcellus and Utica gas plays operating within West Virginia, Pennsylvania and Ohio. The project goal was to provide a risk assessment of the phases of the Well Development Process from site selection to reclamation that occur in “sensitive areas.” A primary focus was to identify specific procedures or areas of interest that may require more stringent Standard Operating Procedures (SOP’s) to reduce the level of associated Safety, Environmental, and/or Business Interruption risk. Over 61 potential risks were identified throughout all phases of drilling and completing a well, and recommended mitigation measures were put in place to further reduce the risk levels. This process resulted in the development of tools and SOPs, including the use of advanced geotechnical assessments, for personnel and contractor use when planning for, and drilling in, sensitive areas.



**UTICA OPERATIONS**

CONX Gas historically drilled and produced gas from rural areas. That changed when we entered Ohio and began exploration of the Utica shale. During the permitting process for our PORT2 pad, located in Rootstown Township, Portage County, Ohio, we determined that this site would trigger the Ohio Department of Natural Resources Urban Drilling rules. We proactively addressed the potential for noise impact of our drilling and completion operations to the property owners adjacent to the site. While the regulations do not require specific testing, mitigation methods, or offer specific noise performance standards, we selected Principle Environmental, LLC. to conduct a Sound Impact Assessment (SIA) for the site, which gave us a prediction of the noise level due to our operations and recommendations for proactive impact mitigation. The report clearly demonstrated a considerable improvement could be achieved in our operating noise levels by installing two sections of noise barrier. As a result, we elected to install approximately 740 feet of sixteen-foot-high noise barrier.

**MIDSTREAM**

The commissioning of the Majorsville Station in the third quarter of 2012 was CONE Gathering LLC’s first “wet” gas gathering, compression, dehydration and condensate stabilization facility. The station facility is designed to ultimately compress and dehydrate 300 MM cfd of NGL-rich natural gas, and stabilize approximately 2,500 barrels of condensate.

The construction of Majorsville Station is a milestone for the company in a number of ways. First and most importantly, to date the facility has experienced zero RPI’s, both during construction and operation, a record we are very proud of. Secondly, at a design capacity of 300 MMcfd, it is volumetrically over twice the size of any other CONSOL operated facility across all of our operating regions. Finally, it has been both educational and empowering to step out into new natural gas processing opportunities, much like we have in many areas of our coalbed methane developments. This new skill set will pay dividends as we continue to provide midstream support for Noble Energy’s wet acreage development, as well as the development of CONSOL operated wet Marcellus areas, like the Allegheny County Airport Authority property and other wet plays, such as our Utica property.





## WATER DIVISION

CONSOL Energy is committed to finding sustainable practices to implement in its operations. One example of this can be seen in our commitment to use treated acid mine draining (AMD) water in our natural gas operations in the Marcellus Shale. In June and July of 2012, CONSOL Energy utilized treated mine water from one of our AMD plants to successfully stimulate two wells in Greene County, PA. In the first trial, we conservatively utilized treated mine water in only one stage of a twelve stage frac. Early flowback and production from the well looked favorable, so we decided to be more aggressive on our next trial and utilized a larger percentage of AMD water to frac each of the planned thirteen stages. After normalizing for lateral lengths, these two wells performed better than wells that did not use AMD water, and even more importantly, showed no signs of adverse scaling or deterioration of equipment.

An example of CONSOL Energy's holistic approach to water management across our coal and natural gas divisions is evident in the project planning at CONSOL Energy's Shoemaker mine. In 2012 the fresh water system was upgraded from approximately 400 gallons per minute (gpm) to 800 gpm to enhance the system for safety, to provide for potential emergency needs, and to provide water for our CNX/Noble JV development of natural gas and natural gas liquids from the Marcellus shale formation in the Sand Hill and Webster areas of Marshall County, WV; and the West Finley area in Greene County, PA.

Shoemaker Mine personnel installed approximately 23,000 feet of 8-inch aluminum pipeline through the underground mine workings to upgrade the underground water supply system. Two, one-million gallon water tanks were also added, along with upgrading the pump stations, to increase storage capacity. Not only does this upgrade significantly enhance the fire suppression system at the mine, the mine was also able to provide over 500,000 gallons per day of water to support current and planned horizontal drilling and completions operations. Shoemaker Mine has made over 88 million gallons of water available through the end of 2012.

CONSOL established an ownership position in Epiphany Solar Water Systems and initiated a pilot study at one of its well pads in order to evaluate the potential of this technology to treat Marcellus Shale produced water. Epiphany's approach is unique in a number of ways. It uses concentrated solar power (i.e. thermal energy) in the treatment process as opposed to photovoltaic energy; it's designed

to be a scalable treatment approach, utilizing a de-centralized approach to shale gas water treatment. The benefits of such an approach include a reduction in water treatment-related transportation, thus reducing truck traffic and associated carbon emissions, reduced dependence on freshwater, as well as the utilization of solar energy. Initial testing demonstrated the proof of concept by purifying Marcellus-produced water. Brine water with total dissolved solids (TDS) of 58,000mg/L was water treated with a resultant TDS of 16mg/L including a chloride concentration of 6mg/L. Pilot testing of an ongoing system development will continue in 2013.

## MARINE TERMINAL

In 2012, CONSOL Energy saw near record shipments of approximately 12.7 million tons of coal through our exporting terminal in the Port of Baltimore, MD. Approximately 61% of the tonnage shipped was produced by CONSOL Energy coal mines. It is one of the few terminals in the United States served by two railroads, both Norfolk Southern Corporation and CSX Transportation Inc.

## RIVER TRANSPORTATION

As part of the United States Coast Guard's Towing Vessel Bridging Program, CONSOL Energy participates in helping familiarize and indoctrinate Coast Guard personnel in the towboat and barge industry. Through vessel and shore side visits, trainees are afforded a unique opportunity to learn directly from our industry about towing vessel features and operations, including shore side management. To maximize learning and outreach opportunities, Coast Guard trainees are allowed and encouraged to observe underway and shore side operations.

CONSOL Energy is honored to be involved in the partnership between the Coast Guard and the towing industry in creating the overall bridging program. This partnership signals the strong commitment of both parties in making the future towing vessel inspection program a success for all. This partnership will continue to improve the safety, environmental stewardship and security of the industry, its vessels and the nation.





**STATEMENT OF CORE VALUES**

**A**t CONSOL Energy, we believe that Absolute ZERO is and must be the standard. Our journey to zero accidents began five years ago – borne out of a commitment within the senior management team to not only change the culture of our company, but to shift the paradigm throughout the entire industry.

Our business model is built upon the foundation of our three core values and two strategic priorities, collectively labeled the Big Five.



In our inaugural report, we outlined the genesis of our Absolute ZERO safety philosophy and

# CORE VALUES



unequivocally affirmed that safety must trump everything. CONSOL Energy places compliance as a core value second only to safety. Best-in-class performance in compliance affords us significant strategic advantages. We believe that a diligent compliance mentality directly correlates with strong safety, operational and financial performance. Our drive toward zero accidents and compliance excellence is a dynamic process guided by our third core value of continuous improvement.

In 2012, safety exceptions decreased by 13%; we adopted a CONSOL Occupational Safety and Health statement and unveiled an Underground Training Academy at our Bailey Mine, which is recognized as the only facility of its kind in the industry. Compensation bonuses also began to be weighted in accordance with core values. Though substantial improvements in safety were realized and new records were set across all operations, we suffered three tragic fatalities during the year that overshadowed these landmark successes.

In 2013, additional focus will be brought to bear on reducing the severity of safety incidents while working to maintain the pace of overall accident reduction that has been realized over the course of the last five years. Increased emphasis is being placed on employee communication, risk assessment, and enhanced training methods to continue to advance the goals embodied in our core values.

The journey that began five years ago continues today.

The safety and environmental sections of this report elaborate on past performance and objectives with respect to our core values.



#### DENNIS KOSCHO

Senior Gathering Supervisor

“The core values of CONSOL Energy continue to teach me how to be a more valuable, experienced and accomplished employee, father and husband.”



**SAFETY**

At CONSOL Energy, safety is at the core of everything we do because it affects our most important asset: our people. In 2007, CONSOL Energy's executive management team took a bold step to get to ZERO accidents. We were through simply talking about improving the culture of safety at CONSOL Energy, and we committed to developing a comprehensive plan that would take our company from where we were to where we want to be - ZERO accidents in the workplace. This program, called Absolute ZERO, is based on the premise that ZERO accidents are normal and that an accident - any accident - is the exception and inconsistent with our values.

SAFETY



**LOU BARLETTA**  
Vice President Safety

Safety has no rank; every employee is empowered to stop unsafe behavior and has the responsibility to "See Something, Say Something, Do Something." This program has expanded to include contractor safety. As a result of this change in culture, we have experienced a steady decrease in incident rates across the company since the program's inception.

We employ 135 safety professionals. We trained 100% of our employees on safety in 2012. In addition, we have a mentoring program in place. Much has been learned and much has been done to improve our culture of safety in and around the workplace, but we are not yet where we need to be. It is a matter of deep regret that three fatalities occurred in 2012. This is why our commitments for the future are:

- To continue to build on the Absolute ZERO program and continue to fully integrate the ZERO Accident culture into CONSOL Energy and its contractors,
- To continue to improve our health and safety program by becoming more proactive and by incorporating science, technology, and best-in-class processes into our operations,



- To develop occupational risk assessments in addition to task risk assessments across all our operations,
- To continue to develop the COSH (CONSOL Occupational Safety and Health) management system for all business units in CONSOL,
- To structure our occupational health and safety management system to be compliant with OSHAS 18001:2007.

Our ultimate goal is to be the safest energy company in the world, and to be the leader for driving change in both the coal and gas industries.

### SAFETY TASK RISK MANAGEMENT

Task risk assessment is an important component of our Absolute ZERO safety culture. Risk assessments are being expanded to include occupational risk. Proactive risk analysis and hazard recognition are both instrumental as they relate to our employees' health and safety. In line with a core principle of Absolute ZERO called "Take two before you do," the risk analysis process encourages employees to always consider the consequences of a certain action before initiating it. Tasks are coded into categories based on risk. This requires pre-analysis and decision-making prior to undertaking riskier tasks, so that all aspects of the task have been examined and every attempt has been made to eliminate potentials for risk.

In the event of an incident, an Accident Cause Elimination (ACE) investigation is performed to examine the root cause failure that led to the incident. Any corrective measures are incorporated into the management of change for that task.

Our safety initiatives are further supported by internal safety and compliance audits conducted by our safety professionals. Operational audits are completed by supervisors and safety professionals at their work locations. These audits consist of employee



## CONSOL ENERGY OCCUPATIONAL SAFETY & HEALTH POLICY STATEMENT

CONSOL Energy operates within the established process that Absolute ZERO is the expected norm relative to Safety and Health. Management's expectation regarding this philosophy is that all employees, contractors Occupational and visitors on CONSOL Energy property shall conduct themselves in a manner to work injury and incident free.

The Board of Directors, Executive Team, and Management of CONSOL Energy have established Safety as our top value. To support this value we have authorized all employees, contractors or visitors that are on CONSOL Energy property to stop the normal course of operation if the individual feels that their safety or the safety of others is being compromised. Through this empowerment it is expected that everyone exhibit active caring for others by speaking up and / or taking action when he or she sees a situation that may cause harm to themselves, others or property.

Compliance with all applicable Federal, State and local regulations is paramount in our business endeavors second only to safety. This commitment is applicable to all facets of compliance. It is also expected that there is conformance with all CONSOL Energy Occupational Safety and Health requirements.

The Board commits funding, support and oversight to each business unit to allow the management teams to accomplish these Safety and Compliance standards. These values and commitments are incorporated into both short and long term planning.

It is the expectation of CONSOL Energy to continually build the Occupational Safety and Health system by continual improvement gained through self review, auditing and benchmarking with other safety leaders. Done on a continual basis, a formalized audit process is conducted annually and provided to the Absolute ZERO Advisory Board for its review to determine whether or not Occupational Safety and Health objectives and performance measures are being met.

It is the responsibility of senior leadership to ensure that this policy is communicated, understood and implemented throughout CONSOL Energy. All employees are responsible for understanding the impact of this policy on their day to day work practices and are expected to apply and support the principles stated above.





observations as they relate to safe work procedures and compliance in regard to regulation standards. Corporate audits consist of compliance to company policy and regulatory mining agencies, contractor safety, and compliance performance. These audits are conducted at intervals ranging from weekly to annually. Both operational and corporate audit outcomes are reviewed with operations management and any issues are corrected accordingly.

**EMERGENCY SAFETY RESPONDERS**

In line with regulatory requirements, each mining site has a mine rescue team of employees who are selected based on skills and mining experience. These rescue teams train year-round in search, rescue, recovery, and fire-fighting techniques in case of coal mine emergencies. In 2012, CONSOL Energy had 18 trained and active mine rescue teams and maintained nine active mine rescue stations. The mine rescue teams participated in a minimum of five industry competitions each and earned seventy-two trophies, which consisted of 1st, 2nd, and 3rd place in the categories of mine rescue, benchman, and first-aid. Team members participate voluntar-



ily, and many team members are certified emergency medical technicians (EMTs). Additionally, many of our coal and gas operations also have employees who serve as first responders and EMTs.

## SAFETY TECHNOLOGY

Because of the nature of our operations, most risks relate directly to the work carried out on site. For this reason, our efforts are concentrated on investments that increase operations safety. In 2012, the total investment in safety reached \$201 million, including investments in these areas:

- In 2012, we continued to invest in rib bolting, installing bolts to support the ribs (walls) of the mines at our longwall mines. The bolts secure the roof and sides of the mine and help reduce the potential of mine ribs collapsing. In addition, we have initiated programs at each large underground location for installing roof screen for our miners' protection from falling roof material.
- At our gas operations in 2012, we initiated continuous gas monitoring at all of our locations. The gas monitoring is either fixed (at a set location), and/or is personal (a device carried by workers on site). These systems alert workers to atmospheric hazards that may develop on site so that they may take appropriate action to protect themselves and others.
- CONSOL Energy was among the first to test and install proximity detection technology on mobile section equipment, which prompts heavy machinery to stop operating as soon as a worker comes too close to the equipment, avoiding potential incidents.
- CONSOL Energy, in a joint effort, continues to develop a state of the art integrated miner's safety helmet that will integrate radio communications, a respiratory device, face and eye protection, hearing protection and lighting.
- Working with Lockheed Martin, CONSOL Energy has tested a system designed to provide wireless, two-way, through-the-earth (TTE) voice communication in case of an emergency, helping meet our industry's post-accident emergency wireless communications requirement. In fact, CONSOL Energy was awarded the National Institute for Occupational Safety and Health's Inaugural Safety and Technology Award for their efforts in testing and developing this TTE technology.
- CONSOL Energy has invested in a new technology to monitor rock dusting at underground locations. A coal dust explosibility meter (CDEM) allows real-time readings of the incombustible content of rock dust samples, making it easier for CONSOL Energy to respond quickly to identify issues and to increase its response time to MSHA sampling requirements.

## MINE EMERGENCY RESPONSE DEVELOPMENT

In May of 2012, CONSOL Energy, along with MSHA, the State of Pennsylvania and others, staged an all-day Mine Emergency Response Development (MERD) exercise at CONSOL Energy's Bailey Mine located in West Finley, Pennsylvania. The Company allowed the use of the mine complex for eight hours during this drill. This first-of-its-kind exercise in Pennsylvania demonstrated a simulation of a mine accident with trapped miners utilizing a refuge alternative, which gave us the opportunity to test our newly improved Seismic Location system. Simulated trapped miners signaled from 980 feet underground by pounding with a timber on a roof bolt. This system detected the seismic signals. Other technologies that were successfully tested included an innovative mine rescue communications system, and the MSHA permissible mine robot. The four mine rescue teams from Bailey and Enlow Fork, fully outfitted with rescue gear, explored the underground workings, extinguished a mine fire and rescued the trapped miners.



**OUR PERFORMANCE IN 2012**

In 2012, CONSOL Energy continued to improve in health and safety, and we statistically achieved the best safety performance in company history. Our safety performance has improved for eight consecutive years, and we have made great progress in changing the values and the culture of the company and our employees relative to health and safety. During 2012, 98.4% of the Company's employees worked the entire year without a reportable accident and 56% of all work locations worked at ZERO for the entire year.

Our overall recordable incident rate improved by 12.7% to 1.30, and the Coal Division safety performance was approximately three times better than the 2012 underground bituminous, nine-month preliminary coal industry average, as reported by MSHA. This marked our second consecutive year in our history that the rate for the coal division was under 2.0.

CONSOL Energy's Gas Division experienced another exemplary safety year with no reportable employee accidents. The Gas Division has operated exception-free since 1994 and surpassed six million exposure hours without a lost-time employee accident.

We completed emergency response exercises at all mines, gas operations, Fairmont Supply locations, and transportation locations. We began implementation of a more comprehensive risk assessment process with the addition of risk assessment special-

ists primarily concentrating on contractor safety. Risk assessment continued as a major initiative in 2012.

Unfortunately, this year's achievements were tempered by the fact that three fatalities occurred at our mining sites in 2012. A CONSOL Energy employee was fatally injured at the Buchanan Mine in January when the fire suppression valve he was repairing blew apart and struck him. The second fatality occurred underground at the Blacksville 2 Mine on the track haulage when an employee was removing a roof bolt when the roof collapsed. The third fatality occurred at the Robinson Run Mine Preparation Plant in November when a portion of the newly constructed slurry impoundment embankment collapsed. We will forever remember these men and their families, and use these incidents to rededicate ourselves to Absolute ZERO.

A summary of our safety performance is below.

INDICATOR	'09	'10	'11	'12	'11-12%
	Impvm't				
<b>TOTAL RECORDABLE INJURY FREQUENCY RATE (RIFR-employees)</b>	1.92	1.78	1.49	<b>1.30</b>	<b>12.8%</b>
<b>TOTAL RECORDABLE INJURY FREQUENCY RATE (LIR-contractors)</b>	N/A	1.96	1.40	<b>1.19</b>	<b>15%</b>
<b>LOST WORK DAY INCIDENT RATE (employees)</b>	1.52	1.31	1.04	<b>0.95</b>	<b>8.7%</b>
<b>WORK RELATED FATALITIES (employees)</b>	1	1	1	<b>3</b>	
<b>WORK RELATED FATALITIES (contractors)</b>	0	1	1	<b>0</b>	





## SAFETY REGULATORY COMPLIANCE

In 2012, CONSOL Energy's Natural Gas Division received zero citations from the U.S. Occupational Safety and Health Administration (OSHA) under the U.S. Department of Labor. In 2012, we received 4,386 violations from the Mine Safety and Health Administration (MSHA) under the U.S. Department of Labor related to compliance at our mining locations, down from 4,960 in 2011, for a reduction of 11%. In 2012, CONSOL Energy was cited at a rate of less than one citation per inspection day. Although this number may seem high to those outside the mining industry, CONSOL Energy is an industry leader in safety compliance. Our underground mines consist of more than 130 miles of belt conveyor systems and more than 105 square miles of active mining area.

COAL DIVISION	2011	2012	% Imprvm't
<b>TOTAL MSHA VIOLATIONS</b>	4,960	<b>4,385</b>	<b>11%</b>
<b>S&amp;S (Significant and Substantial)</b>	1,608	<b>1,377</b>	<b>14%</b>
<b>ORDERS</b>	38	<b>35</b>	<b>8%</b>

Our joint venture with Harrison Resources reported 19 total MSHA citations issued. Two citations were vacated, leaving a total of 17 citations. The incident rate for 2012 was 2.49.

## LOOKING FORWARD IN 2013


We have a lot to be proud of concerning our safety performance in 2012. However, we are not yet "At ZERO". To further improve our performance, we will continue to focus efforts on empowering employees at all levels to take ownership of safety. In 2013, we will expand our "I Am Empowered" campaign to include Near Miss Reporting as part of the Absolute ZERO program as we continue to build and enhance safety efforts. As part of this campaign, all CONSOL Energy employees and contractors will be asked to sign our Safety Pledge on an annual basis.

Beyond the larger programmatic, technology, and awareness investments discussed above, CONSOL Energy is actively working to protect workers in our mines. Additional safety innovations planned for 2013 include continued development of an integrated miner's safety helmet, the perfection of proximity detection equipment and continued use of the coal dust explosibility meters.

We are also expanding the use of risk assessments to include occupational risk assessment.

## 2012 QUICK FACTS

- **CONSOL Energy employs 135 safety professionals**
- **CONSOL Energy has 11 emergency response mine rescue stations and 22 mine rescue teams**
- **100% of employees received safety training in 2012**
- **12.8% improvement in incident rate compared to 2011**
- **CONSOL Energy invested more than \$201 million in capital and expense for safety in 2012**


SAFETY PLEDGE 2013

### "Because I Am Empowered"

I report Near Misses.

I recognize that the difference between a Near Miss and a severe injury can be a fraction of a second or a few inches.


Reporting Near Misses is the right thing to do. I pledge to alert others to Near Misses to protect my co-workers, myself and our families.

My reward for reporting a Near Miss is found in knowing I have helped decrease the potential of an injury in the future.

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ENVIRONMENTAL MANAGEMENT SYSTEM

KATHARINE FREDRIKSEN

Senior Vice President  
Environmental Strategy  
and Regulatory Affairs



CONSOL Energy's second core value of compliance received special focus in 2012 to further elevate awareness of our compliance obligations and commitment to environmental excellence in our operations. We developed and implemented increased environmental training in the field for our employees and contractors, added an environmental performance metric to our short term incentive compensation for all employees and officers, implemented a spill policy to track all spills regardless of whether the volume required reporting to federal or state agencies, and implemented root cause analyses following any environmental incident in an effort to continuously improve.

# ENVIRONMENT



As a natural resource company, we recognize the importance of environmental management and we practice the responsible use of the land, water and air in our operational areas. The cornerstone of our environmental management is our environmental policy.

### ENVIRONMENTAL MANAGEMENT SYSTEM

In 2012, we fully implemented our Environmental Management System (EMS) a process that started with the development of our Environmental Policies and Procedures Manual in 2011. Our EMS provides a framework for the way we conduct our business and for continuous improvement in our management systems and performance standards. Following a systematic approach of effective planning, review and corrective action, each of CONSOL Energy's operations assesses priorities and sets environmental goals and targets on an annual basis. Our team of environmental auditors monitors progress towards meeting environmental goals and targets throughout the year. All data relating to environmental performance is captured in our electronic data management system and reported to the appropriate regulatory authorities as required by state and federal guidelines. Although our EMS is not certified to the International Organization for Standardization (ISO) standard, it was designed to be in compliance with the ISO 14001 standard.

### MITIGATION OF IMPACTS

#### BIODIVERSITY

Biodiversity is often defined as the measure of the health of an ecosystem. CONSOL Energy's biodiversity policy is centered around habitat protection, restoration and compensation. Where our operations are in proximity to protected areas or close to species listed as Threatened and Endangered (T&E), our approach includes early identification and incorporation of the needs of those species into project planning, and developing appropriate mitigation plans that meet with regulatory approval. After all aquatic and T&E species have been delineated and identified on-site, only then does CONSOL Energy prepare final designs and operational footprints. Currently the company does not operate or plan to operate on any sites that would require an active biodiversity management plan be developed in perpetuity for critical species.



### ENVIRONMENTAL POLICY



The safety and health of our employees and contractors, and full compliance with the laws and regulations that govern our businesses, are CONSOL Energy's top two core values. Therefore, we strive to conduct our operations to avoid adverse impacts on human health and to operate in an environmentally sound, reliable and efficient manner.

Furthermore, we recognize that both our safety and environmental responsibilities go beyond those required under statutory obligations, and thus design and operate our businesses to meet the expectations of our employees, communities, regulators, and shareholders.



**2012 QUICK FACTS**

- **12,819 net producing gas wells**

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- **Approximately 4,500 miles of pipeline**

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- **\$267.4 million spent on environmental and compliance**

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- **645 active coal permits, 456 active gas working permits, and 3 for our transportation division**

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- **Recycled over 14,400 tons of scrap steel, 470,000 pounds of nonferrous material including copper and aluminum, 180,000 gallons of used oil, and 1,200 tons of scrap rubber belting**

CONSOL Energy, utilizes in-house environmental professionals to train our planning and operational personnel on the importance of identifying and avoiding aquatic resources such as streams and wetlands. Field guides were developed to provide operational personnel and contractors who work in the field with information that is readily available for easier identification of species when conducting initial field evaluations.

**MITIGATION BANKING**

CONSOL Energy, is one of the first energy companies to participate in mitigation banking in West Virginia to offset mining impacts by purchasing stream and wetland credits from an already established mitigation bank in West Virginia. By purchasing approved mitigation credits, we were able to obtain mining permits faster and reduce long-term liabilities associated with mitigation monitoring, maintenance, and financial assurances. Purchasing mitigation credits provided efficiencies for both the company and regulatory agencies in preparation, review, and approval. Taking a proactive role, CONSOL Energy will undertake advanced planning initiatives and will continue to evaluate opportunities with mitigation banking, working directly with approved mitigation banking companies and our own Land Division to identify future mitigation bank areas that will be dedicated specifically to the company’s long-term mitigation needs. By establishing advanced mitigation banks on our own property as well as adjacent parcels, CONSOL Energy is able to improve permit efficiency, realize savings, maximize internal resources, limit long-term liability for the success of the mitigation, and obtain fixed pricing for budget purposes.

**ENVIRONMENTAL AWARENESS TRAINING**

Large contributing factors in the improvement in the Company’s environmental performance is the increased training and awareness programs CONSOL Energy implemented in 2012. Over 211 environmental training programs were put into effect, training in excess of 1,700 field personnel and over 1,000 contractors. We also instituted mandatory environmental hazard training that all visitors, employees and contractors must undertake before being granted access



The following table lists species within habitat ranges of CONSOL Energy's operating area that have been identified by the International Union for Conservation of Nature (IUNC) as being at risk for extinction. Although not all of the species have been encountered within CONSOL Energy's operational footprint, three species (highlighted in darker taupe) were previously detected, but control and avoidance measures were taken to avoid impacts to the species and/or their habitats.

### LIST OF SPECIES

COMMON NAME	SCIENTIFIC NAME	RISK	STATE
FANSHELL	<i>Cyprogenia stegaria</i>	Critically Endangered	WV/OH
NORTHERN CLUBSHELL	<i>Pleurobema clava</i>	Critically Endangered	WV/OH
INDIANA BAT	<i>Myotis sodalis</i>	Endangered	PA/WV/OH
RAYED BEAN	<i>Villosa fabalis</i>	Endangered	WV/OH
PINK MUCKET PEARLYMUSSEL	<i>Lampsilis abrupta</i>	Vulnerable	WV/OH
PADDLEFISH	<i>Polyodon spathula</i>	Vulnerable	WV/OH
LONGHEAD DARTER	<i>Percina macrocephala</i>	Near Threatened	WV
SMALL FOOTED BAT	<i>Myotis leibii</i>	Least Concern	PA
BALD EAGLE	<i>Haliaeetus leucocephalus</i>	Least Concern	PA/WV/OH
SALAMANDER MUSSEL	<i>Simpsonia ambigua</i>	Least Concern	WV
THREE RIDGE	<i>Amblema plicata</i>	Least Concern	PA
WABASH PIGTOE	<i>Fusconaia flava</i>	Least Concern	PA
BRINDLED MADTOM	<i>Noturus miurus</i>	Least Concern	PA
RIVER SHINER	<i>Notropis blennioides</i>	Least Concern	WV

#### IUNC RED LIST EXTINCTION RISK

- Critically Endangered
- Endangered
- Vulnerable
- Near Threatened
- Least Concern

“I've taken the concepts I've learned here with the company and not only applied them to my career but also my personal life. Safety is now a core value of my entire life...I have two children that will live better lives because I will be able to teach them the importance of safety. For that, I thank CONSOL Energy.”

**TOM GAYDOS**  
BALTIMORE TERMINAL - O&M  
Electrician



*“When I go home after work I don’t take the little things for granted anymore. The Core values of CONSOL Energy have instilled a sense of awareness that I never had. Through assessing situations better and being safer, I am able to live a fuller and happier life.”*

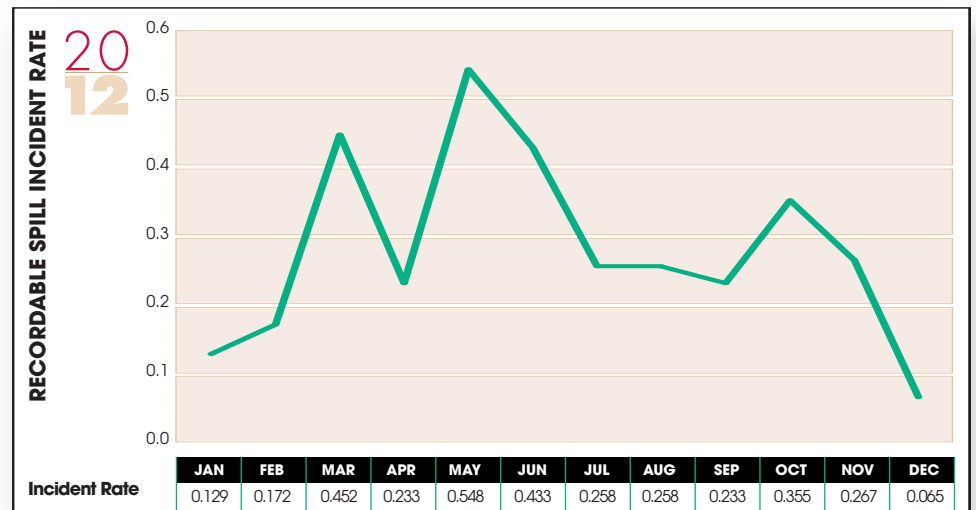
**KEVIN ZEBLEY**

Senior Gathering Supervisor

to CONSOL Energy operating sites. Training presentations have been developed which focus on topical environmental issues for the field, and additional “awareness level” web-based modules will be implemented in 2013.

**LOSS OF PRIMARY CONTAINMENT—SPILL POLICY**

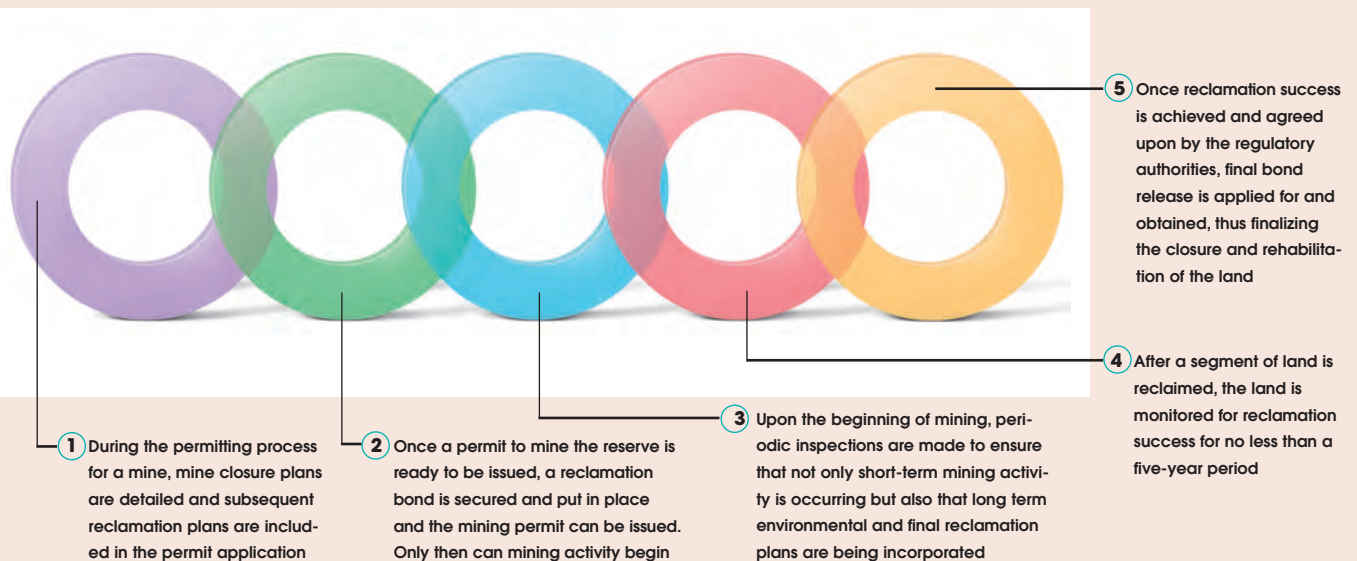
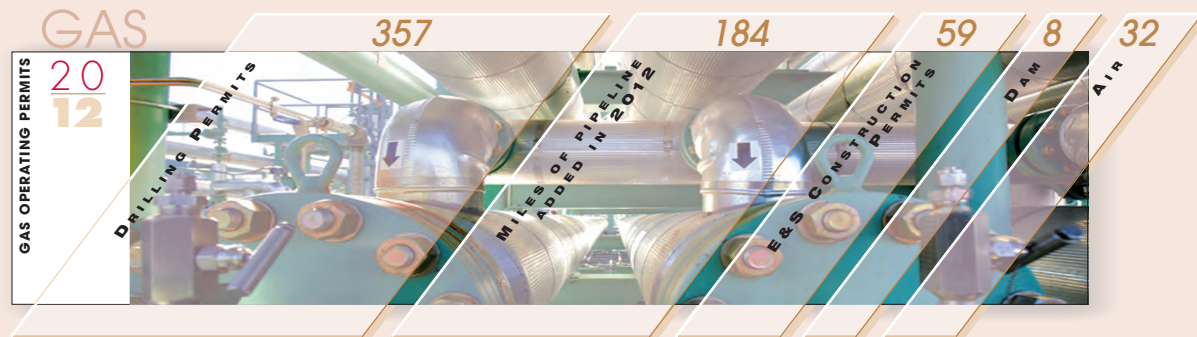
CONSOL Energy developed and implemented a spill policy to help focus attention on prevention and increase understanding of causality to allow for further improvement. The policy was launched in May 2012, and requires that all threshold spills which exceed federal and state reporting requirements be recorded. The focus of the policy is to identify the root cause of accidental releases and eliminate common practices that contribute to them. As is demonstrated in the graphic below, recordable incident rates have dramatically decreased through the year, and we expect a continued downward trend. CONSOL Energy will report on its spill performance annually in future reports.



## OUR PERFORMANCE IN 2012

CONSOL Energy's permits are our license to operate. The chart below demonstrates the extent of permits required to conduct our operations in 2012.

CONSOL Energy spent \$267.4 million on environmental compliance in 2012.



LOOKING FORWARD IN 2013

We are continually striving to improve our performance in terms of environmental management. We will face a number of challenges in the upcoming year including increasing environmental regulations in the gas and mining sectors and the challenges related to maintaining compliance with the increasing regulations, and regulations that impact end-users of our products (coal and gas). To address these challenges, we plan to focus on the following initiatives in 2013:

- Address aluminum in our discharges through a reduction strategy team
- Set an energy intensity goal
- Implement a company-wide recycling program with waste reduction targets
- Increase environmental training for our contractors



RECYCLING

CONSOL Energy actively recycles surplus equipment and materials. The Materials and Supply Chain Management (MSCM) department manages this program to assist operations in cleaning up materials that are deemed surplus, redeploying unused equipment within the company, and ensuring that all materials are recycled or disposed of properly. This is an effort to both create return on investment and ensure that compliance with environmental regulations is achieved.

In 2012, CONSOL Energy recycled approximately 14,400 tons of scrap steel, 470,000 pounds of nonferrous material including copper and aluminum, 180,000 gallons of used oil, and 1,200 tons of scrap rubber belting. In addition, we also recycled 150,000 square feet of HDPE containment liner used to line our well pads to protect the surface during drilling activities.

CONSOL Energy has identified the following metrics to report on performance:

Indicator	2010	2011	2012	2012 Penalties	Percent Improvement 2011 to 2012
Coal NOV*	81	112	79**	\$175,188***	29.5%
Gas NOV	46	90	42^	\$44,000^^	53.3%

\*This includes Coal and Transportation operations

\*\*This includes six violations that occurred on CONSOL permits which are operated by a third party operator.

^This includes four violations that can be attributed to a third party/joint venture operator overseeing drilling activities on a CONSOL-permitted site.

\*\*\*In addition to the penalties paid in 2012 for 2012 occurrences, CONSOL Energy paid an additional \$467,966 as a result of previous years' violations. The largest of these in 2012 being a \$441,500 civil penalty resulting from effluent limit non-compliances at a West Virginia mining complex from 2008 to 2011 .

^^In addition to the penalties paid in 2012 for 2012 occurrences, CONSOL Energy (CNX Gas) paid an additional \$31,500 in penalties resulting from previous years' violations.

LITIGATION

In 2012, CONSOL of Kentucky Inc. (a CONSOL Energy subsidiary) entered into a Consent Decree with WV DEP for National Pollutant Discharge Elimination System Permit effluent limit exceedances at the closed Dingess Tunnel Mine. Civil penalties were incurred but not paid by December 31, 2012. That Consent Decree also required CONSOL of Kentucky Inc. to amend its NPDES Permit for the Peg Fork Mine to add selenium limits to the permit. Another CONSOL Energy subsidiary, Consolidation Coal Company, entered into an Administrative Order of Consent with US EPA concerning groundwater remediation at the American Electric Corporation Superfund site at Ellis Road, Jacksonville, FL. Consolidation Coal Company's estimated share of the remediation costs is approximately \$500,000. Additionally, The Sierra Club and other citizens groups sued Fola Coal Company in the US District Court for the Southern District of WV for alleged violations of instream water quality standards for selenium. That case is in the discovery stage.



## LAND MANAGEMENT

**As an owner of approximately 398,000 acres of surface lands, we make land management a priority in our business. In June 2012, we implemented a new electronic land management tool to standardize business processes across the organization, based on industry best practices. This application improves and enforces internal controls and leads to a higher level of data integrity across the Land Division at CONSOL Energy**

### RECLAMATION

Our coal and gas operations make only temporary use of land. After extraction activities end at our underground facilities, reclamation begins. In the case of surface mining and gas operations, reclamation often takes place during the entire life cycle of the mine. In line with permit requirements, a detailed site reclamation plan is designed and approved by federal, state or local agencies for each operation, covering the period from the start of construction until well after mining and gas extraction has finished. Our reclaimed properties serve many purposes post operation, including commercial, residential, agriculture, forestry, wildlife habitat and recreation.

CONSOL Energy participates in various land management activities and habitat protection and restoration projects with conservation and wildlife organizations to provide beneficial use of our lands before and after energy development. Working with national conservation and wildlife organizations has enabled CONSOL Energy to make science based land management decisions that benefit not only our company, but also the communities in which we operate. During the past 25 years, CONSOL Energy has donated over 150,000 acres of land to conservation efforts. In 2012, we donated approximately 67 acres to the West Virginia Department of Natural Resources for the purpose of a public rifle range and training facility for new officers.

As a member of the National Wild Turkey Federation's "Energy for Wildlife" Program, CONSOL Energy uses land management techniques that create better wildlife habitats. For example, CONSOL Energy, along with the National Wild Turkey Federation and the Pennsylvania Game Commission, completed a wetland creation project on properties that had previously experienced longwall mining subsidence. This

# LAND MANAGEMENT



wetland project created a biologically diverse habitat that is now the home for waterfowl, amphibians, turkeys and many other species of wildlife.

CONSOL Energy has also made lands available for public enjoyment through state Co-operative Access Programs. In these programs, CONSOL Energy enrolls property with wildlife agencies in various states which permit access to lands for public recreational activities including birding, hiking, fishing, and hunting. CONSOL Energy currently has over 44,000 acres enrolled in public access programs in various states.

**LAND DONATIONS**

CONSOL Energy works with many organizations including Community Groups, Public Utility Companies, Water Authorities, Sewage Authorities, Townships and Municipalities, donating lands that are utilized for the public good. We have also granted numerous rights of way and easements across our lands for the purpose of providing public utilities to residents in need. In 2012, CONSOL Energy donated 360 acres of reclaimed surface mine land in Bickmore, West Virginia, to the Air National Guard for use in training exercises. We also provided land in Ohio to the United States Air Force for simulating "Air Drop" missions (see chart at left).

OUR PERFORMANCE IN 2012	
TOTAL ACRES OF LAND UNDER MANAGEMENT	385,368
AMOUNT OF LAND ENROLLED IN PUBLIC ACCESS PROGRAMS	44,851
TOTAL ACREAGE RELEASED FROM BOND	5,829
TOTAL UNDERGROUND ACRES PERMITTED	245,253
TOTAL SURFACE ACRES PERMITTED (COAL)	57,912
TOTAL SURFACE ACRES PERMITTED (GAS)	1,170

OUR PERFORMANCE IN 2012	
TOTAL NUMBER OF TREES PLANTED	526,000
ACRES OF GRASS SEED PLANTED	1,800
TOTAL BONDS AND LETTERS OF CREDIT (COAL)	\$565,696,315
TOTAL BONDS AND LETTERS OF CREDIT (GAS)	\$14,424,524
TOTAL BOND RELEASED IN 2012	\$ 7,887,028

In addition, CONSOL Energy's commitment to environmental stewardship is also demonstrated in the reclamation efforts to restore disturbance created through our operations (see chart at left).

**LOOKING FORWARD IN 2013**

*The next phase of implementation for the land management tool is to perform data cleansing in an effort to ensure the integrity and accuracy of our land records system. In addition, as part of our timber partnership with the Ruffed Grouse Society, CONSOL Energy is planning to enroll additional surface acres into various state public access programs which will provide the benefit of recreational hunting opportunities for the general public.*



## SPECIAL FEATURE ON BURNING STAR RECLAMATION

**On December 29, 2011, history was made in our Midwestern operations. The last 12.3 acres of reclamation bond release was granted by the Illinois Department of Natural Resources for lands surface mined by CONSOL Energy's Burning Star properties. These included Burning Star mines #2, #3, #4 and #5.**

**The total affected and permitted area for the Burning Star properties was 31,093 acres, or almost 49 square miles. From that acreage, approximately 280 million tons of coal were mined and sent to various utilities from Missouri to Georgia and from Wisconsin to Florida**

**Overburden removal was done with large draglines, shovels, bucket wheel excavators, and various combinations of truck and shovels. Burning Star #5 had two 2570 draglines operating at the same time.**

**Burning Star #2 had a 2570 dragline and a 5761 shovel and bucket wheel excavator operating at the same time. If one had a dream of operating very large machinery, Southern Illinois was the place to be.**

Production from these properties is not the only notable achievement. These mines were also recognized by the Company and regulatory agencies for their safety and reclamation performance over the many years they were in operation. Among the most notable of the safety milestones were several Sentinels of Safety trophies issued by the National Mining Association. These awards are issued annually to the nation's safest mines with a minimum of 4,000 injury-free hours. The Office of Surface Mining (OSM), Reclamation & Enforcement presented the 25th Anniversary National Excellence in Surface Coal Mine Reclamation Award to the Burning Star #4 Mine for the significant engineering and reclamation accomplishments at this former mine site. Another award from the federal Office of Surface Mining was received by Burning Star #4 for this work in 2004. A second award from the Office of Surface Mining was received that year by Burning Star #5 for "Excellence in Surface Mining" for the restoration of 3,200 acres of mined land, complete with wetlands, wildlife area and cropland. An OSM award for this work was received in 2002. Innumerable State of Illinois reclamation awards were bestowed on these mines through the years as well.

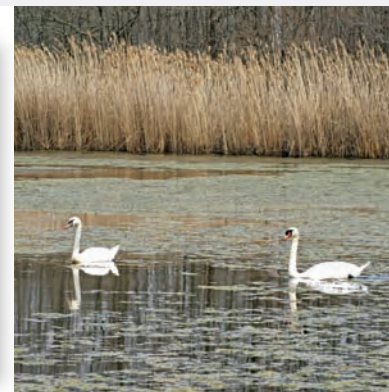
Major stream restoration projects at Burning Star #4 are still being studied by other companies and various state and local agencies as proof of their feasibility. CONSOL Energy engineers and reclamation staff designed and planned the nation's largest stream restoration effort to reconstruct more than 7 miles of meander channels through reclaimed mine spoils at the Burning Star #4 Mine. In addition, the 4.3-mile Galum Creek restoration and 3.7-mile Bonnie Creek restoration were constructed through replaced mine spoils in the approximate location of the pre-mine stream corridor. The complexity of integrating the restoration of two streams into the planning, mining, and reclamation process required 20 years from initial design to channel reconnection for Galum Creek.

We would be remiss to neglect the hard work and dedication of the hundreds

MINE	YEAR OPENED	ACRES PERMITTED	TONNAGE (MM TONS)	YEAR RELEASED	BOND AMOUNT
BURNING STAR #2	1951	9,103.7	82	2010	\$65,500,000
BURNING STAR #3	1966	4,878.0	44	2011	\$15,500,000
BURNING STAR #4	1973	8,419.3	76	2010	\$62,600,000
BURNING STAR #5	1976	8,691.7	78	2004	\$49,200,000

**Above is a brief history and breakdown of the tons and acres mined by site:**

of people who have been involved with these mines over the last 60 years. Many started their working careers at one property and finished at another. There were times when three generations from one family would be working side by side. Without their efforts, much of what was accomplished would never have been completed.



**WATER MANAGEMENT**

**A**s an industry leader CONSOL Energy is the first multi-fuel energy producer to create a water division, which allows us to focus more attention on a wide variety of operational objectives as well as increasing our awareness of the environment and the need to develop alternative methods of utilizing, protecting and treating water. In 2012, CNX Water Assets LLC was created as a vehicle to develop water related services, evaluate emerging treatment technologies, champion the reuse of treated mine water and pursue a strategic approach to water asset management. By taking this step and allocating more resources to the water segment, CONSOL Energy is embracing the concept that our water assets offer significant business opportunities, can positively impact the environment and offer a fertile proving ground to pilot test cutting edge water related technologies. CNX Water Assets LLC will increase our ability to influence water use policy in our company and our business segment over an extended period of time. It will also be a driver to begin the process of evaluating, with the goal of reducing, our water-related environmental liabilities, which will enhance CONSOL Energy’s position as a world-class company.

Our strategic vision includes providing our treated mine water to industrial customers and using the financial and intellectual power of our company to evaluate and develop cutting edge water technologies, while deploying state of the art treatment methodologies to ensure that our discharges are properly managed and compliant with existing regulations. Ultimately, this approach will lead to a more focused liability reduction strategy and provide a model of environmental management for the future.

As noted above, water continues to be a key resource in our value chain. In support of our mining and natural gas operations, CONSOL Energy operates 102 waste water treatment plants, an increase of three plants as compared to 2011. These plants cover a wide spectrum of treatment technologies from conventional sewage and acid mine drainage treatment to state-of-the-art zero liquid discharge (ZLD). These facilities are designed to protect the environment.

# WATER MANAGEMENT



From an operational perspective, we continue to focus on three key areas of water resource management: minimizing impacts to local water resources, maximizing recycling of process waters, and championing the repurposing of treated mine water, i.e. mine influenced waters (MIW's), as a first-run feedstock for industrial consumption.

In an effort to limit the impact of our operations on water resources, CONSOL Energy strives to minimize the volume of public water used in support of its coal and gas operations. In pursuit of this goal, two pilot studies were conducted this past year in an effort to bring new treatment technologies to the shale gas water management arena and in turn reduce the demand for public sources of water.

CONSOL Energy established an ownership position in Epiphany Solar Water Systems (Epiphany) and initiated a pilot study at one of our well pads to evaluate the potential of this technology to treat Marcellus Shale produced waters. Epiphany's approach is unique in a number of ways. It uses concentrated solar power (thermal energy) in the treatment process, as opposed to photovoltaic energy; it is designed to be

scalable, utilizing a de-centralized approach to shale gas water treatment. Additionally, the system is designed to permit continuous online monitoring and data analysis of the treatment system, providing a data stream for water tracking and reporting. The ongoing pilot study is being conducted at CONSOL Energy's GH-10 well pad where produced water is available for pilot testing and treatment. Initial testing demonstrated the proof of the concept by purifying Marcellus produced water. Process modifications are being implemented and further testing will take place in 2013.

One major component of our water conservation efforts that continues to play a central role in our operating strategy is the recycling of process water in both our coal and gas operations. Our coal preparation facilities routinely re-circulate process water to reduce the demand for make-up water, such as freshwater, while our gas operations continue to recycle 100% of our Marcellus Shale flow-back water. Process waters currently being recycled include coal bed methane (CBM) water, Marcellus flowback and produced water, as well as treated mine drainage.

The repurposing of treated mine water for industrial consumption continues to be a priority for us and continues to gather momentum both internally and externally. CONSOL Energy Gas Operations has successfully used treated mine water in hydro-fracturing Marcellus wells in southwestern Pennsylvania, and the volume consumed by our gas operations will increase in 2013. CNX Water Assets, LLC has also been successful in signing sales agreements for treated mine water with other E&P companies who also recognize the sustainable benefits of utilizing these water assets for Marcellus Shale develop-

ment. These waters are suitable for use in gas operations as source water for exploration and development activities. Gas operations use of this water displaces an equal volume of water to that which would otherwise have been supplied from either surface water or public water sources.

CONSOL Energy is still the only U.S. coal mining operator utilizing a state of the art reverse osmosis zero liquid discharge (RO/ZLD) facility to treat mine water. This facility in southwest Virginia is now in its second year of full operation handling water from our Buchanan Mine. As first discussed in our 2011 Corporate Responsibility Report, CONSOL Energy is nearing completion of its second RO/ZLD facility in northern West Virginia to treat water from three of its Northern West Virginia mining operations. CONSOL Energy and Veolia Water Solutions & Technologies began the design and build of the facility in 2011 to treat mine water from our Blacksville #2, Loveridge and Robinson Run mines. Total design capacity of the facility is 3,500 gallons per minute. Commissioning activities will commence in early 2013 and startup will occur in May 2013.

Continuing our efforts to improve the water quality of streams and rivers and protect aquatic habitats, CONSOL Energy continues to operate many of its legacy water treatment facilities through a managed discharge approach, which does not discharge treated mine water during low flow periods of the year when natural recharge from rainfall is limited and streams may be stressed by consumptive and industrial demands. This is now a standard operating procedure for these facilities and one which will continue into the foreseeable future.



**QUANTIFYING WATERSHED IMPACTS**  
A CASE STUDY

To quantify the benefit of CONSOL Energy's Northern West Virginia RO/ZLD mine water treatment facility to the Monongahela River basin, Veolia utilized its Water Impact Index, a comprehensive water footprint indicator that integrates all the aspects of the water cycle, including water quality and availability in the local environment, with actual water quality data from CONSOL Energy. In addition to volume, the Water Impact Index adds a quality index and local stress index to measure the impact of water withdrawn and released back into the local environment. The index also takes into account indirect water impacts associated with chemicals and electricity consumed by the treatment facility.

Using this approach, the water withdrawn for treatment has a value of 6.4 million gallon eq/yr in comparison to a value of -42.0 million gallon eq/yr for the water returned. While the volume of water for both streams is roughly the same, the improved quality of the returned water brings more value to the basin than the water that is withdrawn, which is of much lower quality.

The indirect water impact from the use of chemicals and electricity at the treatment facility is 4.8 million gallon eq/yr which provides a net impact of -30.8 million gallon eq/yr and delivers a positive impact to the Monongahela River basin. The water impact can be converted back into "real" gallons by backing out the stress index used in the calculation, which converts the index back to 1.3 billion gallons of high quality water supplied to the Monongahela River basin each year. The result is that CONSOL's Treatment Facility delivers a positive environmental impact back to the Monongahela River basin.



**OUR PERFORMANCE IN 2012**

CONSOL Energy uses these metrics and information to track water management performance for our mining and gas operations:

TOTAL WATER WITHDRAWAL BY SOURCE IN COAL OPERATIONS <i>(thousands of gallons)</i>		
	2011	2012
TOTAL WATER WITHDRAWAL:	25,332,955	6,012,533
MUNICIPAL WATER	56,806	107,990
GROUNDWATER	475,628	949,165
SURFACE WATER	24,800,521	4,955,378

PERCENTAGE AND TOTAL VOLUME OF WATER RECYCLED AND REUSED IN MINING ACTIVITIES <i>(thousands of gallons)</i>		
	2011	2012
TOTAL RECYCLED AND REUSED:	6,605,504	3,137,946
PERCENTAGE of TOTAL WITHDRAWAL:	26%	52%

TOTAL WATER WITHDRAWAL BY SOURCE IN GAS OPERATIONS <i>(thousands of gallons)</i>		
	2011	2012
TOTAL:	180,250	258,656
MUNICIPAL WATER	66,838	60,992
GROUNDWATER	0	0
SURFACE WATER	113,412	197,664

PERCENTAGE AND TOTAL VOLUME OF WATER RECYCLED AND REUSED IN GAS OPERATIONS <i>(thousands of gallons)</i>		
	2011	2012
TOTAL RECYCLED :	56,266	39,056
PERCENTAGE :	31%	15.1%

In evaluating water use trends of coal operations, the decrease in the total volume consumed and volume of surface water consumed is related to a decrease in freshwater consumption and process improvements at our mining operations. This resulted in a measured decrease in total water consumption which also contributed to an increase in the calculated percentage of recycled water. The closure of select mining operations also contributed to this change.

Differences in gas operations totals were due to a decrease in drilling activity in the Marcellus Shale play, while expanding drilling operations in the Utica Shale play. As a result of this shift, slightly more water was consumed as a whole, with a smaller amount of water being recycled due to less activity in the dry areas of the Marcellus Shale play.

### LOOKING FORWARD IN 2013

A primary focus for 2013 is to continue the pilot testing and development of innovative treatment approaches for shale gas water in order to provide alternatives to using municipal and ground waters for industrial purposes. Secondly, we are aggressively pursuing the use of treated mine water for shale gas development to provide industry with sound alternatives to freshwater supplies. Finally, we will continue to use approaches similar to these to reduce and eliminate our long term water liabilities by working with the agencies and being innovative in our conservation.

CONSOL Energy participated for the first time in the Carbon Disclosure Project (CDP) Water Project in 2012, and will utilize the CDP process to further assist us in more sustainable water management. More information can be found at <https://www.cdproject.net/water>.

*“I enjoy being at CONSOL Energy because their dedication to safety, compliance, and employee empowerment enables me to make timely common sense decisions in the field and fosters a professional work environment among fellow employees.”*

**JACOB SMITH**

Construction Coordinator



**AIR EMISSIONS AND GREENHOUSE GASES**

In 2012, CONSOL Energy's emissions profile has been expanded to include more of our gas operations activities. Building on the airshed inventory we compiled for our Pennsylvania operations in 2011, we made progress to include an inventory of all our operations in each state in which we operate, including our midstream operations. This inventory significantly increased the company's emissions by increasing the number of compressor stations included in the inventory by more than 300, and tripled the amount of well drilling tracked. In addition to the greenhouse gas and criteria pollutants CONSOL Energy reported last year, we also present the total air emissions.

Some examples of our commitment to continuous improvement are evident in two major projects undertaken in 2012. CONSOL Energy, in partnership with our drilling contractors, began conversion of the large drilling rigs used in our Marcellus and Utica Shale drilling program to operate on natural gas. CONSOL Energy's R&D Department is helping to coordinate this conversion to dual-fuel capability. This conversion will replace about 50% of the normal diesel fuel requirements with natural gas. Two rigs were converted in 2012, and we expect to convert the other large rigs and hydraulic pumpers next year. Conversion of the rigs is estimated to reduce emissions of sulfur dioxide by about 50%, and to reduce emissions of nitrogen oxides, particulate matter, carbon monoxide, and carbon dioxide all by about 20%, when compared to baseline operation with straight diesel fuel. Further emissions evaluations will be conducted and reported in our next report.

CONSOL Energy also converted two, three-quarter-ton pick-up trucks to operate on compressed natural gas (CNG) and constructed a CNG fueling station in southwestern Virginia in 2012. The substitution of natural gas for liquid fuels reduces emissions of criteria pollutants and CO<sub>2</sub> and fuels our engines with domestically produced fuel.

# AIR EMISSIONS AND GREENHOUSE GASES

**LOOKING FORWARD IN 2013**

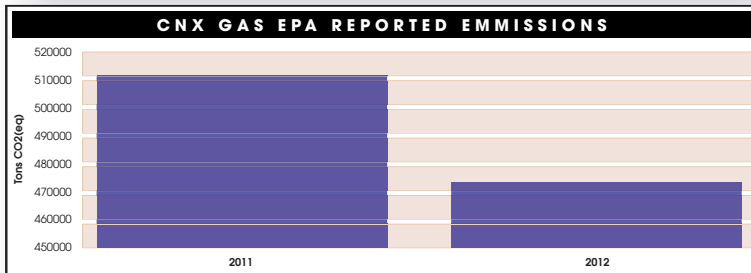
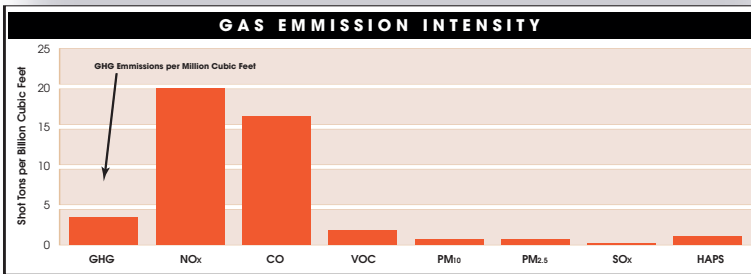
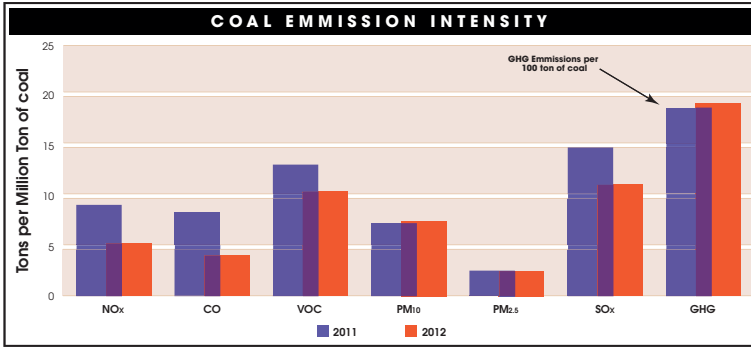
Based on the full baseline inventory of our air emissions profile collected in 2012, CONSOL Energy can now use that inventory to examine reduction potentials. As discussed earlier in this report, the Company will set an energy intensity reduction target to further drive continuous improvement.

For the first time, CONSOL Energy participated in the Carbon Disclosure Project in 2012. We will continue to participate to identify further measures which can be undertaken to strategically reduce our air emissions.





OUR PERFORMANCE IN 2012



**THERMAL DRYER DECOMMISSIONING RESULTS IN EMISSIONS SAVINGS**

In 2012 CONSOL Energy's Bailey mine prep plant in Pennsylvania undertook decommissioning of its thermal dryers used to remove moisture content in the coal in order to meet customer specifications. This consisted of removing six banks of vacuum filters and replacing them with twelve screen-bowl centrifuges which are mechanical dewatering devices. This change not only allowed for increased dewatering capability, but also reduced our potential annual emissions significantly, as seen below:

- NO<sub>x</sub>: .....422 tons
- CO: .....515 tons
- PM<sub>10</sub>: .....154 tons
- VOC: .....125 tons
- SO<sub>2</sub>: .....585 tons
- HAP: .....6 tons

# HOUSE GASES

2012 PERFORMANCE	
INDICATOR	(thousand of metric tons CO <sub>2</sub> (eq))
TOTAL DIRECT GHG EMISSIONS (Scope 1)	11,854.06
TOTAL DIRECT GHG EMISSIONS (Scope 2)	2,171.96
TOTAL GHG	14,026.02
TOTAL DIRECT GHG EMISSIONS per \$ 100,000 REVENUE	218.29

2012 PERFORMANCE			
INDICATOR	COAL (short tons)	GAS (short tons)	CO <sub>2</sub> (short tons)
CARBON MONOXIDE	231.45	2504.87	2736.32
NITROGEN OXIDES	299.78	3133.41	3433.19
VOLATILE ORGANIC COMPOUNDS	591.65	179.35	771
PM <sub>10</sub>	426.49	48.77	475.26
PM <sub>2.5</sub>	142.80	47.88	190.68
SO <sub>2</sub>	630.74	0.72	631.46





**STEVE WINBERG**  
*Vice President, Research  
and Development, Coal  
Conversion and Power  
Development*

## CONSOL ENERGY RESEARCH AND DEVELOPMENT

CONSOL Energy Research and Development (R&D), founded in 1947, supports CONSOL Energy's coal, gas, and water operations by identifying and collaboratively developing strategic technology for the long-term needs of our businesses, and by providing technical support and implementing technology solutions for our businesses. Our research focuses on technology to support the safety, compliance and continuous improvement initiatives of CONSOL Energy's operations and supports our customers in operating more efficiently and with smaller environmental footprints.

# RESEARCH AND DEVELOPMENT



R&D's mission includes energy development, energy efficiency enhancements, fossil fuel emissions reduction, development of emerging energy-related technologies, and integration of existing technologies for the production and consumption of coal and natural gas. By coordinating research on fossil fuels, CONSOL Energy can help ensure a future for coal and gas under stricter emissions requirements on fossil-fired electricity generation, as well as possible carbon constrained markets. Each area has a significant bearing on emissions mitigation and abatement. A sampling of recent and ongoing R&D projects follows.

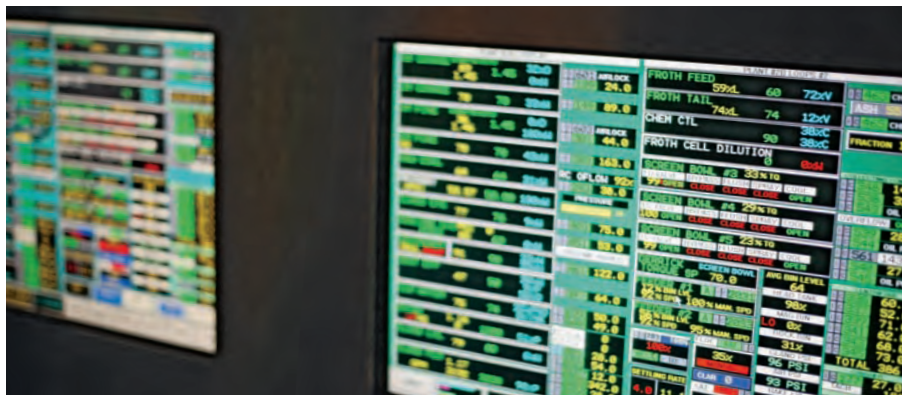
**CONSOL Energy, in partnership with Verdeo Group, installed and began operating the first commercial-scale coal mine ventilation air methane (VAM) emission abatement system in the U.S. at our McElroy Mine in West Virginia in May 2012. The system is capturing and destroying methane released during the mining process that would otherwise escape to the atmosphere through the mine's ventilation system. At the design**

**CONSOL Energy's methane emissions by 575 million cubic feet per year, or the equivalent of 201,000 metric tonnes of carbon dioxide per year. The system is expected to be operational in 2013.**

**CONSOL Energy, with partial funding from the Pennsylvania Department of Environmental Protection under a Pennsylvania Energy Development Authority grant, installed and has been operating a waste methane-fueled ultra-low-emission 200 kW microturbine generator on its Fallowfield coal bed methane processing plant in Pennsylvania. This system, which has been operating since March 2012, captures methane that would otherwise be emitted and converts it into usable electricity. The system has the potential each year to produce 1,332,000 kWh of net electricity while consuming 18.5 million cubic feet of methane and, in the process, reducing net global warming potential by the equivalent of 6,486 metric tonnes of CO<sub>2</sub>.**

# DEVELOPMENT

flow rate and methane concentration, the abatement system will reduce methane emissions by 920 million cubic feet per year, the equivalent of 322,308 metric tonnes of carbon dioxide per year. This is comparable to the carbon dioxide (CO<sub>2</sub>) emitted by a 50 megawatt coal-fired power plant. CONSOL Energy also has partnered with Green Holdings to install a VAM abatement system on the Enlow Fork Mine in Pennsylvania. This second abatement system, now in the design stage, will be capable of reducing



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In support of CONSOL Energy's commitment to environmental compliance, CONSOL R&D is developing a mobile laboratory to provide in-field on-site analytical support in the event of an accidental release. The mobile laboratory contains instrumentation to provide real-time analysis needed to contain and remediate releases of organic liquids including diesel fuel, lubricants, drilling fluid, crude oil, and condensate. Also, the R&D Laboratory recently purchased a hydride-generation atomic-fluorescence spectrometer to allow the more-accurate and more-sensitive analysis of selenium and arsenic in water and solids. We will work with state regulatory agencies to gain approval for use of this instrument for permit-required analyses in discharge waters and other samples.

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Water produced by CONSOL Energy's coal and gas operations is appropriately treated to ensure that the discharged water is compatible with regulations and the local environment. These treatment processes often generate by-products. CONSOL R&D

is evaluating the reuse of the treated water for commercial applications, such as for drilling and hydrofracturing, and is evaluating the by-products for commercial uses including chemical feedstocks, agricultural products, and deicing.

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In conjunction with US Steel Corporation, CONSOL R&D's Carbonization Lab tested torrefied wood and crushed recycled railroad ties in blends for potential use at the U.S. Steel Clairton Coke Plant. The torrefied wood and recycled railroad ties replaced coal in the blends, thus reducing greenhouse gas emissions and, in the case of the railroad ties, eliminating disposal. The Carbonization Lab plays a key role in helping steel companies investigate alternative practices to lessen the environmental impacts of coke-making.

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CONSOL Energy, in collaboration with other research partners and with funding from the U.S. Department of Energy, is conducting two separate projects to demonstrate that carbon dioxide can be permanently stored in unmineable coal



seams and shale formations, while simultaneously stimulating additional methane production. The first project, situated in Marshall County, West Virginia, is being conducted in collaboration with researchers from the National Energy Technology Laboratory and West Virginia University's National Research Center for Coal and Energy. To date, 3,000 of a targeted 20,000 short tons of CO<sub>2</sub> have been injected into an unmineable area of the Upper Freeport coal seam to demonstrate permanent CO<sub>2</sub> storage and the potential for enhanced coal-bed methane (ECBM) production. In the second project, we are collaborating with the Virginia Center for Coal and Energy Research at Virginia Tech University and other research partners to inject 20,000 metric tonnes of CO<sub>2</sub> into unmineable central Appalachian coal seams to demonstrate permanent CO<sub>2</sub> storage and ECBM. The project team also will inject 1,200 metric tonnes of CO<sub>2</sub> into a horizontal shale well to stimulate the production of otherwise-immobile hydrocarbon liquids and natural gas, while simultaneously permanently storing the CO<sub>2</sub> in the shale.

CONSOL Energy has been partnering with The Ohio State University (OSU) to develop OSU's Coal Direct Chemical Looping (CDCL) process. This next-generation technology has the potential to transform the way in which coal is used to produce electricity and other high-value products, such as hydrogen, while enabling nearly all of the CO<sub>2</sub> produced in the process to be cost-effectively captured for geologic storage or for use in enhanced oil recovery. CONSOL Energy has developed conceptual commercial plant designs based on the CDCL technology, and has demonstrated through process simulation and economic analysis that this approach has the potential to achieve an approximately 50% reduction in the incremental cost associated with capturing CO<sub>2</sub> during the production of electricity from coal. OSU has successfully tested the CDCL process at bench scale and is now working to scale up the technology.

### LOOKING FORWARD IN 2013

In 2013, in addition to continuing many of the projects described above, CONSOL Energy R&D will undertake new initiatives to help CONSOL Energy and our customers to operate more efficiently and with smaller environmental footprints. Specific initiatives include:

- We will coordinate the conversion of additional large diesel engines to operate in the dual-fuel mode, in which natural gas replaces about 50% of the normal diesel fuel requirements. The substitution of natural gas in place of liquid fuels reduces emissions of criteria pollutants and CO<sub>2</sub> and fuels our engines with domestic fuel. In 2013, we will begin conversion of the large engines used to pump hydrofracturing fluids, and we will join a consortium to convert the engines of a towboat.
- We will install a methane abatement system on a mine fan at Enlow Fork Mine, our second such system.
- We will evaluate possible uses for the heat energy released from our operating methane abatement system at McElroy Mine. One possible use is the evaporation of drilling brines.
- We will evaluate options for generating electric power from low-quality methane streams that currently are intentionally vented or not captured.



EXTERNAL COMMUNITY



**TOMMY JOHNSON**  
*Vice President  
External Affairs*

**2012 QUICK FACTS**

- Held 42 public meetings on our operational activities
- Participated in over 33 fairs and festivals
- Philanthropic budget over \$6 million

For nearly 150 years, CONSOL Energy has endeavored to not only produce valuable resources, but also to be a vital part of the fabric of our communities. As the largest diversified fuel producer in the eastern United States, we believe it is important to not only power our communities, but to empower them as well.

We recognize the importance of being a good corporate citizen in the communities where we operate and our employees and their families live. As a coal mining and natural gas exploration and production company, we are aware that our activities can be of particular interest to the communities in which we operate and to a wider group of stakeholders. For this reason, we take a proactive approach to community engagement and energy education. We view the communities in which we operate as our partners and we aim to treat them as such.

CONSOL Energy has built on its effort to promote energy literacy by continuing to take a proactive approach to community engagement. Through company sponsored events and activities, we were able to not only create new relationships, but to also educate our stakeholders on energy development and our high standards of corporate responsibility. These events varied from new engagements in the form of public meetings in areas where we are expanding our operations, to established events such as watershed support and our fifth annual community food drive.

# EXTERNAL COMMUNITY



*Following are some of the highlights of our community outreach in 2012:*

## **PUBLIC ENGAGEMENT**

Through 42 local public meetings across our operational areas, CONSOL was able to meet landowners and concerned citizens, to answer questions regarding our permits and operations and to provide the public with a personal connection to the company. This was especially true in Ohio, as the company expanded exploration in the Utica Shale. An introduction of the company was conducted through a series of five public meetings held in the counties where drilling plans were set for 2012. The public meetings were held over six months in the counties of Tuscarawas, Noble, Portage, Mahoning, and Trumbull.

Representatives from across CONSOL Energy's divisions were on hand to answer questions related to the planned drilling activities in those respective communities. These meetings gave the citizens of the communities in which we operate an opportunity to ask questions or voice their concerns.

In many of these areas, CONSOL Energy was one of the first operators to gain drilling permits. CONSOL Energy's effort was received favorably by local citizens whose feedback included positive comments on the company's willingness to answer questions, to keep the lines of communication open through public meetings, social media, and more traditional means of communication such as telephone and email conversations, and to be held accountable.

Further education efforts commenced when more than 50 community stakeholders from CONSOL Energy's operational areas in Ohio participated in a Utica 101 seminar presented by Pennsylvania State University Extension in Canton in June. The seminar provided an



# MUNITY



overview of the community impacts of natural gas development and explained various components from pre-drilling to production, and the environmental stewardship practices associated with Utica Shale development.

**FAIRS AND FESTIVALS**

CONSOL Energy finds it very important to interact with our stakeholders on a grassroots level. In 2012, CONSOL participated in over 33 fairs and festivals that spanned our operations footprint from Virginia to Pennsylvania. Here is a sample of the events at which CONSOL Energy participated:

■ *In OHIO: Noble and Trumbull County Fairs*

■ *In PA: Greene, Washington, and Indiana County Fairs*

■ *In WV: Three Rivers Festival and Marshall County Fair*

■ *In VA: Buchanan and Tazewell County Fairs*

In addition to these fairs and festivals, CONSOL Energy initiated several company-sponsored events in our key areas of operation.



Once drilling had started, engagement efforts were made with local elected officials, first responders, and other community stakeholders to tour the drilling sites in their counties. For many of the participants, this was their first time at a drilling site in their community, and in the Utica Shale. Tours have been conducted in Tuscarawas and Noble Counties, while efforts are underway for the remaining three counties.

CONSOL Energy’s commitment to safety was evident in these tours and provided the community with reassurance that they were partnering with a company committed to safe gas development.

Overall, these outreach efforts have led to much goodwill and generated positive media throughout our operational footprint. These efforts continued throughout the summer through fair sponsorships, and targeted philanthropic partnerships.

**SHAREHOLDER ENGAGEMENT**

In 2012, CONSOL Energy held nearly 700 in person meetings with shareholders.

**POLITICAL ENGAGEMENT**

*Contributions Policy*

Public policy decisions at the local, state, and federal levels can affect the long-term success of CONSOL Energy and its subsidiaries. Therefore, CONSOL Energy believes it has a responsibility to participate in the public policy process in order to protect and enhance the company’s interests and create value for its shareholders. To ensure that the Company’s contributions comply with all applicable laws and reflect its corporate values, CONSOL Energy sets forth this Contributions Policy (“Policy”) to provide corporate governance, control, oversight and procedural guidance. All contributions must be legally permissible, supportive of, and consistent with, the Company’s business strategy, goals and priorities; and made in full accordance with CONSOL Energy’s commitment to act with integrity in all of its activities.

The Board of Directors (the “Board”) is responsible for monitoring the compliance of CONSOL Energy and its PAC with this Policy. The Board will request that management report contributions as needed to track compliance with this Policy.

*Corporate Political Contributions*

Where permitted by law and when consistent with this Policy, CONSOL Energy and its subsidiaries may use corporate funds to contribute to state or local candidates and committees, entities organized pursuant to Section 527 of the Internal Revenue Code,<sup>1</sup> and to other federal political committees where permitted. Contributions from corporations to federal candidate committees and certain other federal political committees are prohibited by law. In certain states, CONSOL Energy and its subsidiaries are permitted to make corporate political contributions to state-level candidates or committees. CONSOL Energy

<sup>1</sup> 527 organizations are political organizations subject to Section 527 of the Internal Revenue Code of 1986, as amended. These organizations are established primarily for the purpose of influencing the outcome of elections of candidates for political office.



and its subsidiaries may make state-level corporate political contributions where permitted by law, in compliance with state contribution limits and registration/reporting requirements where applicable.

All corporate political contributions made by CONSOL Energy must be approved in advance by the Vice President for Government Affairs and the General Counsel. Additionally, any corporate political contributions exceeding \$10,000 in the aggregate, to a single candidate or political committee in a calendar year must receive final approval from the Chief Executive Officer and must be included in subsequent notification to the Board.

#### *CONSOL Energy PAC Contributions*

**C**ONSOL Energy sponsors a federal Political Action Committee (PAC) that is funded solely by voluntary employee contributions. "CONSOL Energy Inc. PAC" is a federally-registered PAC that may make contributions in connection with federal elections, subject to contribution limits defined by the Federal Election Campaign Act (FECA). The PAC may also make state-level political contributions, in compliance with state contribution limitations, registration and reporting requirements where applicable.

All CONSOL Energy Inc. PAC contributions must be approved by the PAC Board of Directors. Detailed information on the PAC's contributions to candidate's campaigns and other political committees is publicly disclosed in the PAC's regular reports to the Federal Election Commission (FEC). Disbursements from the PAC to state-level candidates and committees are also reported on these FEC filings. All of the PAC's filings with the FEC are available for public review on the FEC's website at [www.fec.gov](http://www.fec.gov).

#### *Lobbying Disclosures*

Engagement in legislative and regulatory proceedings at the federal, state and local levels of government is crucial to the success of CONSOL Energy. As public policy is debated and laws and regulations are developed, CONSOL Energy participates in the public policy process. Federal and state laws require the Company to report expenditures associated with activities that support lobbying. Information on these activities and associated expenditures can be obtained at [disclosure.senate.gov](http://disclosure.senate.gov) or [lobbyingdisclosure.house.gov](http://lobbyingdisclosure.house.gov). The total expenditures disclosed on the federal forms include all of CONSOL Energy's spending on state and local lobbying as well.



#### **TRADE ASSOCIATIONS**

**F**or each trade association to which CONSOL Energy makes expenditures in excess of \$100,000 in a calendar year, the Office of the General Counsel will request that the trade association inform CONSOL Energy of the portion of expenditures made that would not be deductible under Section 162(e)(1)(B) of the Internal Revenue Code. CONSOL Energy will, on an annual basis, report the total non-deductible amount of its expenditures pursuant to Section 162(e)(1)(B), in its annual Corporate Responsibility report. Based on its inquiry of major trade associations in which it participated, CONSOL Energy can report that none engaged in activity covered by Section 162(e)(1)(B) using funds provided by CONSOL Energy in 2012.



**COMMUNITY INVESTMENT**

**O**ur community engagement efforts are supplemented by our community investment budget. In 2012, our company made monetary grants in excess of six million dollars, as well as donations of time and resources, to help improve and grow the communities in which we operate. Our giving program focuses on public safety, education, youth organizations, community organizations, arts and culture programs, and conservation activities. Examples of some of the organizations and events that we supported in 2012 include:

**Boy Scouts of America**



**I**n 2012, CONSOL Energy participated in the first annual Boy Scouts of America (BSA) Sustainability Summit. The Summit's goal was to bring together industry leaders and youth Scout leaders in a dialog to work toward identifying innovative solutions for industrial needs that represent the thoughts of both current and future leaders. CONSOL Energy Chairman and CEO J. Brett Harvey, and Executive Vice President and Chief Legal Officer, Jerry Richey addressed the conference regarding sustainability as it relates to CONSOL Energy's Absolute ZERO safety culture, and the publication of CONSOL Energy's first Corporate Responsibility Report.

To further galvanize CONSOL Energy's commitment to this organization, we made a substantial commitment towards the development of the CONSOL Energy Bridge at The Summit Bechtel Family National Scout Reserve. The CONSOL Energy Bridge will go beyond simply connecting two points to create a thrilling experience for the Scouts

that cross it. This iconic structure will be a physical extension of the high adventure spirit of The Bechtel Summit.

CONSOL Energy has invested many resources in the Boy Scouts of America and has been a partner of this organization for several years. In addition to the bridge at the Bechtel Reserve, CONSOL Energy also has numerous employees who sit on the boards of directors of the BSA, are Eagle Scouts or have family who are Eagle Scouts. The company has participated in the national jamborees, is the prime sponsor of the Laurel Highland Council's Scouting Energy Classic and last year our CEO, J Brett Harvey, received recognition at the annual Eagle Scout Recognition Dinner for his achievements related to scouting and business.

**Fish for Fun**



**I**n May of 2011, CONSOL Energy hosted its first annual Fish for Fun Day at Lake Wilma near Blacksville, WV. Lake Wilma is located on property owned by CONSOL Energy and enrolled with the Pennsylvania Game Commission. The tournament was successful with more

than 500 children participating. CONSOL Energy engaged several community partners that contributed to the success of the tournament. In addition to the fishing tournament, we conducted an ATV safety course sponsored by the West Virginia University Department of Safety and Health.

This tournament achieved a number of objectives for CONSOL Energy including: building relationships with state agencies and local communities, building employee camaraderie, and proving a sustainable example of how our energy operations complement the natural environment as this lake was a fresh water impoundment for our Blacksville Mine.

**Ohio River Watershed Celebration**



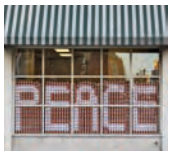
**T**he Ohio River Watershed Celebration is an annual event that attracts nearly 1,000 people and 100 organizations to Pittsburgh's rivers. CONSOL Energy has partnered with the Ohio River Watershed team for several years as the prime sponsor of this educational and free event. This year marked the 11th Annual Ohio River Watershed Celebration and included two cruises — a children's "Imagination" cruise and an adult networking cruise where adults and children could explore the vessels and visit with vendors to discuss topics specific to watershed protection. Members of CONSOL Energy's

Environmental and public relations teams had the opportunity to interact with participants and explain how our operations work to protect our region's waterways while also enabling commerce to support the region.

#### WV DNR Hunting and Fishing days

CONSOL Energy continued to reach out to the fishing and outdoors recreation enthusiasts through our sponsorship of West Virginia's Celebration of National Hunting and Fishing Days (NH&FD) at Stonewall Jackson Lake State Park. National Hunting and Fishing Days is a unique blend of a traditional hunting and fishing show and summer camp. This two-day Hunting & Fishing Youth Challenge annually attracts more than 15,000 people from multiple counties.

#### 5th Annual Corner Cupboard Food Drive



In 2012, CONSOL Energy put a new twist on its Fifth Annual Corner Cupboard Food Bank fundraiser in Greene County, PA. Through an initiative entitled "Can"struction, local artists used thousands of cans of food, purchased by CONSOL Energy, to construct works of art. These structures were displayed during Waynesburg's Annual Holiday Open House on Friday, November 30th and throughout the following week. Afterwards, the projects were disassembled and the cans of food donated to the Corner Cupboard Food Bank for distribution during the holiday season.

## ECONOMIC CONTRIBUTION

The direct economic contributions from our coal and gas operations stem from the wages, benefits and taxes we pay our employees. An overview is provided below:

State	Payroll (millions \$)	Benefits (millions \$)	Taxes Paid* (millions \$)	Total (millions \$)
West Virginia	\$ 489	\$ 119	\$ 394	\$ 1,002
Pennsylvania	\$ 419	\$ 102	\$ 199	\$ 720
Virginia	\$ 95	\$ 23	\$ 58	\$ 176
Kentucky	\$ 29	\$ 7	\$ 8	\$ 44
Ohio	\$ 141	\$ 34	\$ 30	\$ 205
Utah	\$ 5	\$ 1	\$ 2	\$ 8
Other	\$ 31	\$ 8	\$ 12	\$ 51
<b>Total</b>	<b>\$1,209</b>	<b>\$ 294</b>	<b>\$ 703</b>	<b>\$ 2,206</b>

\*Includes, as appropriate, payroll taxes, state and local taxes, sales and use taxes, license and franchise taxes, severance taxes, state and federal reclamation taxes, black lung taxes, gross receipts taxes and other excise taxes.

In February 2012, the state legislature of Pennsylvania passed a new natural gas impact fee in Pennsylvania, where a substantial portion of our acreage in the Marcellus Shale is located. The legislation imposes an annual fee on natural gas and oil operators for each well drilled for a period of fifteen years. The fee is on a sliding scale set by the Public Utility Commission and is based on two factors: changes in the Consumer Price Index and the average New York Mercantile Exchange's natural gas prices from the last day of each month. The estimated total fees per well based on today's current natural gas price is \$310 thousand over the 15 year period. CONSOL Energy's retroactive impact fee related to wells drilled prior to January 1, 2012 was approximately \$4 million. This amount was paid in September 2012.

## LOOKING FORWARD IN 2013

CONSOL Energy will review its annual contributions with its Board of Directors and will release publicly any required information.

CONSOL Energy's Internal Auditing organization will conduct routine reviews of governmental relations activities to assess their compliance with applicable laws, regulations and Company policies and procedures. These findings will be reported to the Company's Board of Directors.

CONSOL Energy will disclose as required by law future contributions to political parties, political committees, candidates and other entities organized under 26 U.S.C. Section 527 that are consistent with the Company's business priorities and objectives to enhance shareholder value.



**KURT SALVATORI**  
*Vice President  
Human Resources*

**INTERNAL COMMUNITY**

One of the hallmarks of our Company has been the expertise, dedication, and loyalty of our internal community of employees. In fact, over a quarter of our workforce has 20 years of service or more with the Company. We are proud that they have chosen to become valuable members of our internal community and have remained with us for rewarding careers in various fields and segments of our business. The dedication, hard work, and commitment to excellence of CONSOL Energy employees form the foundation for our success and empower us to live by our core values. In this report we include a special section to discuss our workplace community, its features and statistics.

**2012 QUICK FACTS**

- Employ almost 9,000 employees
- Employ more than 5,000 contractors
- Over 62% of employees participated in our Well Being program

# INTERNAL CO



## ABOUT OUR INTERNAL COMMUNITY

At CONSOL Energy, our employees are our greatest asset. We count 8,896 employees as part of our Company, in addition to employing more than 5,000 contractors in support of our business, whether it be in coal mines, gas operations, river operations, warehouses, or office buildings.

In the fiscal year 2012, approximately 25 percent of all employees had 20 or more years of service at CONSOL Energy. Within this group, 75 percent had 30 or more years of service. We continually monitor and analyze turnover in all of our business areas and support groups to identify trends and put action plans in place to address any areas of concern in turnover that may arise.

About 31 percent of CONSOL Energy's workforce is represented by a collective bargaining agreement. Our Corporate Human Resources department supports a workplace free of discrimination and positive labor and management relations as well as compliance with applicable collective bargaining agreements.



# COMMUNITY



“Everyone is empowered to stop any job that could lead to an unsafe act or unsafe condition, and I take pride in working for a company who believes in its employees putting safety above all things and has the utmost ethical standards.”

**JONATHAN HATFIELD**  
Gathering Supervisor

## CONSOL ENERGY BY THE NUMBERS

■ HOURLY .....58%

■ SALARY .....40%

■ TEMPORARY .....2%<sup>(1)</sup>

<sup>(1)</sup>Throughout the year we supplement our workforce with temporary employees.

**HUMAN RIGHTS AND FAIR EMPLOYMENT PRACTICES**

Although CONSOL Energy only has operations in the United States and adheres to all employment laws and regulations in the United States, we also recognize that the value of a person and respect for human dignity transcends borders and cultures, and work to preserve human rights in actions relative to not only our employees, but also to our suppliers, our customers, and society.

CONSOL Energy provides equal employment opportunities to all employees and applicants for employment and expressly prohibits any form of unlawful workplace harassment based on race, color, religion, sex, national origin, age, disability, genetic information, protected veteran status, or any other status or characteristic protected by applicable law. CONSOL Energy complies with applicable laws governing non-discrimination in employment in every location in which the Company has facilities. This policy applies to all employment decisions regarding recruiting, hiring, promotion, transfer, layoff, termination, compensation, benefits, training (including apprenticeship), classification, certification, testing, retention, referral, and all other aspects of employment, except where a bona fide occupational qualification applies.

**CODE OF EMPLOYEE BUSINESS CONDUCT AND ETHICS**

CONSOL Energy holds its employees to high ethical standards. To instill confidence in our stakeholders, CONSOL Energy emphasizes the importance of compliance – one of our core values – as well. We take corporate stewardship seriously and assure that our employees comply with all environmental safety and health laws. Each year our salaried workforce renews their commitment to the values of ethics and compliance by completing an online ethics training course and certifying their compliance with CONSOL Energy’s Code of Employee Business Conduct and Ethics. The code covers many of the topics discussed in this report, including fair employment practices, harassment, safety, diversity and environmental responsibility. Additionally, our code outlines our policies on conflicts of interest, gifts, illegal payments, illegal political contributions and disciplinary action. Employees may anonymously report violations of the code through the CONSOL Energy Ethics and Compliance Hotline.



## OUR BENEFITS

CONSOL Energy offers a competitive benefits program that supports the physical and financial well-being of our employees and their families. Our flexible benefits program allows employees to tailor their benefits to meet their individual needs.

Employees of CONSOL Energy represented by collective bargaining agreements, namely the National Bituminous Coal Wage Agreement negotiated with the United Mine Workers of America (UMWA), also participate in a benefits program sponsored through the collective bargaining agreement that provides comprehensive benefits, including health care, disability, life insurance, and either non-elective 401(k) savings plan contributions, or defined benefit retirement plan and/or retiree healthcare benefit participation depending upon the employee's level of mining experience.

Health care and disability benefits are one of the most valuable aspects of the benefits provided to full-time, non-represented employees. Our health care benefits include medical, dental, vision, prescription drug coverage, and disability coverage to provide employees income if an employee were to become totally disabled and not able to work as the result of illness or injury. Employees that enroll for medical coverage through our benefit program also have a Health Savings Account (HSA) established that can be used to help cover qualified health care expenses now, or roll over any unused balance from year to year to help pay for future qualified expenses even after they retire or leave the company. CONSOL Energy makes a contribution to the HSA of employees that enroll for medical coverage through our benefit program.

Some of the other benefits available to non-represented CONSOL Energy employees include: life and accidental death insurance, a 401(k) savings plan in which CONSOL Energy matches up to 6% of eligible compensation to assist in retirement savings, a non-contributory defined benefit retirement plan designed to provide a portion of an employee's monthly income needs upon retirement, educational reimbursement, and adoption assistance.

CONSOL Energy also offers employees and their family members access to a free, confidential counseling service. Employees can contact this service for information to help with job-related, personal, or family issues.

## WELL-BEING

CONSOL Energy continues to offer a range of health programs to help employees maintain their optimum level of health. Safety is CONSOL Energy's number one Core Value and our mission is to engage all employees in a safe and healthy lifestyle. In order to achieve this goal in 2012, CONSOL Energy continued administration of our Well-Being program, annual health fairs, and body fat reduction program, and also implemented a vision screening program for employees.



**DUANE CEPHUS**

*Baltimore Terminal  
Assistant Manager | Logistics & Metrics*

“ I am a proud employee of CONSOL because of our core values and dedication to safety. Since day one of my 16-month journey as an employee, the company has gone above and beyond my expectations to achieve great safety results.”

**The Well-Being program continues to gain popularity among employees with over 62% participation in 2012, compared to a 56% participation rate in 2011. Health fair participation also increased more than 25% from 2011. The Well-Being program allows for lab work and a health risk assessment questionnaire to be completed by full-time employees and their spouses. Coupled with the health fairs, employees and their spouses have the opportunity to participate in extensive preventative tests at no cost to the employee. Additionally, communications are sent throughout the year to remind employees and their families of the importance of annual wellness exams, flu shots, and other preventative screens needed based on the U.S. Preventative Schedule.**

As a result of these programs, our employees have become more engaged in their personal health and are striving to become healthier individuals. For example, more than 1,000 employees participated in the body fat reduction program in 2012, with over 87% of those participating making improvement each month since the program's inception. Employees are encouraged to share their healthy success stories on the Employee Wellness Portal (discussed below) as motivation to fellow employees to become part of the CONSOL Energy healthy lifestyle culture.

Each year, CONSOL Energy continues to explore additional opportunities to assist employees to be engaged in their personal health. For example, in 2012, the addition of an online Employee Wellness Portal offers employees easy and convenient access to health and nutrition information, exercise and fitness facility discounts and additional Well-Being program information.

**TALENT MANAGEMENT AND DEVELOPMENT**

**A**t CONSOL Energy, we recognize that without our employees, our longstanding assets in coal, natural gas, land, etc., are merely potential. Our employees are what turn that potential into positive results. Talent management and employee development involves effectively recruiting and deploying our employees and ensuring that their





talents and interests match the company's business needs. Regular performance appraisals, comprehensive training and opportunities for career enhancement and engagement allow our employees to prosper at CONSOL Energy. Our goal is to provide employees and their managers the tools to assist them in continuously improving.

### TALENT MANAGEMENT SYSTEM

CONSOL Energy's Talent Management System empowers employees by allowing them to take charge of their own career growth and development. In addition, this system helps CONSOL Energy recognize and reward employees for their performance through an automated and consistent process. In 2012, 100% of full-time salary employees received a detailed performance appraisal, opportunity to provide feedback related to their appraisal, and direction on training and development.

### PERFORMANCE APPRAISAL PROCESS

CONSOL Energy's standardized performance appraisal form evaluates salaried employees on seven competency areas derived from CONSOL Energy's core values: safety, ethics and compliance, continuous improvement, productivity, quality of work, communication, and leadership. Appraisals for employees also include an opportunity for mutual employee/manager goal setting for the subsequent year. In addition, the performance appraisal process considers career development, training needs, and succession planning opportunities. Results from the performance appraisal process are used in part to determine certain "pay for performance" measures such as short-term incentive compensation payments.

### TRAINING AND DEVELOPMENT

The development of CONSOL Energy employees at all levels is critical to the company's success. Ensuring that our development strategies are properly aligned, while providing the highest level of training, is a top priority. Following a well-designed strategy of continuous improvement directly and positive-

ly impacts our performance in safety, compliance, cost, and production. Our employee development programs are also used to help recruit, motivate, and retain employee talent. We offer all of our employees a range of learning opportunities and tailored development programs commensurate with their level of experience, line of work, and regulatory requirements. In 2012, employees working in our various operations received an average of over 40 hours of safety and compliance training as well as professional skills development. Employees working in professional support positions received an average of over 20 hours of similar training in 2012. Currently, training programs are primarily instructor-led courses taught by both internal and external parties. Many key personnel from CONSOL Energy's various divisions lend their time and expertise to instruct employees in various training classes ranging from new hire onboarding and annual safety training to technical and leadership courses. In 2013, we will be looking to expand training opportunities via on-line resources in the Talent Management System, including the development of Individual Development Plans and the CONSOL Energy LearnCenter.

### UNDERGROUND TRAINING ACADEMY

CONSOL Energy's Underground Training Academy was developed to enhance the Company's number one core value of Safety. The Academy is a fully operational underground section of Bailey Mine dedicated solely to the training and development of CONSOL Energy mining employees. This facility provides hands-on equipment training in a controlled environment. Throughout the course of a five-day program, mining employees are trained to operate a continuous mining machine, a miner bolter machine, shuttle car and a section scoop. In addition to hands-on equipment operation, employees are provided on-the-job technical and hazard awareness training designed to improve their safety performance and compliance skills and enhance their commitment to the "Absolute ZERO" approach to safety. The Underground Training Academy officially opened in March 2012 and is recognized as the only facility of its kind in the industry.

### LOOKING FORWARD IN 2013

Our internal community knows first-hand that the work we do keeps America strong and competitive. We are fortunate to have a workforce dedicated to our Company's overall success and many of the initiatives we have discussed have been designed to address many of the workplace challenges we face. In 2013, we will be looking to expand training and development opportunities in the Talent Management System. Specific initiatives include:

#### ■ Individual Development Plans:

*The Individual Development Plan is an additional component of the Talent Management Systems that will contain recommended training and development opportunities based upon the performance results in an employee's performance appraisal.*

#### ■ Learning Management System:

*In 2013, the CONSOL Energy LearnCenter will be launched as an on-line training and development resource that links employees to a specific learning plan based upon their position, location and other determined criteria. Learning plans will be customized throughout an employee's career to meet the employee's evolving development needs.*

Initiatives such as these will help to make sure CONSOL Energy remains a workplace of choice in the energy industry for generations to come.

**DARRYL HUSENITS**

*Vice President Material & Supply Chain Management*



**CONSOL Energy's Material and Supply Chain Management Department (MSCM) manages approximately \$3 billion per year in supplies, services and equipment, in order to maintain our operations. As a concerned corporate citizen, we understand the importance of socially responsible purchasing practices and take into consideration the impact our actions have on the local communities where we operate, the businesses located in these communities, and the environment.**

**Following are a few examples of the role that the MSCM Department has played in helping to fulfill our corporate responsibilities over the past year.**

# MATERIAL/SUPPLY

**SUPPLIER DIVERSITY**

Supplier diversity helps to build stronger supplier relationships, provide a fresh viewpoint on ways to approach issues, create an additional source of competition, and create a more agile supply chain. The businesses we categorize as diverse suppliers are Minority-Owned, Women-Owned, Veteran-Owned, and Service-Disabled Veteran-Owned Small Businesses, as well as businesses located in Historically Underutilized Business regions (HUBZone).

CONSOL Energy's MSCM Department has partnered with the Western Pennsylvania Minority Supplier Development Council (WPMSDC), a division of the National Minority Supplier Development Council (NMSDC), to assist us with our supplier diversity efforts.

A few of our 2012 activities consisted of staffing a booth and presenting at the WPMSDC Opportunity Fair in Pittsburgh, PA. We also sponsored the annual WPMSDC golf



outing, and currently are working to expand our participation with the WPMSDC for next year, as well as putting together a match-making event for 2013.

#### CORE VALUES SUMMIT

CONSOL Energy chooses to do business with companies that share our core values of safety, compliance and continuous improvement. Through our bi-annual Core Values Summit, we bring together our top suppliers and contractors in day-long sessions to discuss our shared values and ways to enhance our working relationships through these values.

Our most recent event was attended by more than 200 participants, representing 96 different companies. The event was designed with four one-hour breakout sessions, each led by a facilitator from CONSOL Energy who focused the discussions on applying the idea of continuous improvement to a specific core value.

# CHAIN



#### SCREENING CONTRACTORS AND SUPPLIERS

CONSOL Energy's MSCM Department utilizes ISNetworld, a third party online contractor management database to collect and verify procurement and safety information from contractors. By utilizing ISNetworld, CONSOL has been able to continually improve contractor compliance, since its implementation in 2009. MSCM has done this by ensuring that contractor safety and environmental compliance is a condition of employment for CONSOL, by integrating ISNetworld into MSCM's SAP System. With these two systems being connected, CONSOL has ensured that contractors who are not compliant with company and regulatory requirements, liability insurance and workers' compensation, drug and alcohol policy, and safety programs are not working on CONSOL property. ISNetworld has added value to CONSOL Energy by providing contractors with an efficient and standardized way to meet company requirements. MSCM continues to work with ISNetworld and our corporate safety department to develop better methods and enhancements to ensure CONSOL Energy is working with the highest rated and safest contractors in the industry.

#### LOOKING FORWARD IN 2013

In 2013, we will continue to hold Core Values Summits with our suppliers and contractors. At the Summit, we plan to incorporate a discussion regarding corporate responsibility and what it means to CONSOL Energy, our suppliers and the communities in which we operate. We will also continue to seek opportunities to work with new contractors and suppliers by implementing a supplier diversity program.

CONSOL Energy received the following awards and recognition in support of our commitment to safety, compliance, and corporate governance. Below are examples of awards earned or received in 2012:

<b>2011 SENTINELS OF SAFETY</b> .....	<b>McElroy Prep Plant</b>
<b>CERTIFICATE OF ACHIEVEMENT IN SAFETY</b> .....	<b>Loveridge #22 Prep Plant</b>
<b>MINE SAFETY &amp; HEALTH TECHNOLOGY INNOVATIONS AWARD FROM NIOSH</b> .....	<b>Presented to CONSOL Energy for the TTE technology at Robinson Run.</b>
<b>Joseph A. Holmes Safety Award</b> .....	<b>Minway</b>
<b>Joseph A. Holmes Safety Award</b> .....	<b>Peach Orchard Prep Plant</b>
<b>J. Brett Harvey Award</b> .....	<b>Land</b>
<b>J. Brett Harvey Award</b> .....	<b>Enlow Fork Mine</b>
<b>J. Brett Harvey Award</b> .....	<b>Gas</b>

**MINE RESCUE AWARDS**

■ <b>First Place</b> .....	<b>29</b>
■ <b>Second Place</b> .....	<b>24</b>
■ <b>Third Place</b> .....	<b>15</b>
■ <b>Fourth Place</b> .....	<b>1</b>
■ <b>Fifth Place</b> .....	<b>3</b>

**William J. Lyons, CONSOL Energy CFO named to INSTITUTIONAL INVESTOR’S 2013 ALL-AMERICAN EXECUTIVE TEAM**

The following awards were earned in 2011, but were presented to us in 2012:

<b>Bart B. Lay Jr. Milestones of Safety Award</b> .....	<b>Fola Surface Mine #1</b>
<b>Eustace E. Frederick Milestones of Safety Award</b> .....	<b>Robinson Run No. 95</b>

# AWARDS

<b>Mountaineer Guardian Safety Award</b> .....	<b>Peg Fork Surface Mine</b>
<b>Mountaineer Guardian Safety Award</b> .....	<b>MT-41</b>
<b>Mountaineer Guardian Safety Award</b> .....	<b>Southern WV Resources Surface Mine No. 1</b>
<b>Mountaineer Guardian Safety Award</b> .....	<b>Peach Orchard Prep Plant</b>

**2011 Best Completed Deep Mine Award from the Virginia Division of Mined Land Reclamation and the Virginia Mining Association (VMA) for reclamation of its Consolidation Coal Company E-2 mine in Buchanan County, Va. Awarded March 31, 2012**

The following awards were earned in 2012 and presented in 2013

<b>Mountaineer Guardian Safety Award</b> .....	<b>Loveridge Mine</b>
<b>Mountaineer Guardian Safety Award</b> .....	<b>McElroy Mine’s Ireland Loadout</b>
<b>Mountaineer Guardian Safety Award</b> .....	<b>Peg Fork Surface Mine</b>
<b>Eustace E. Frederick Milestone of Safety Award</b> .....	<b>McElroy Mine</b>

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\*\*\* Partially Reported

**FORWARD-LOOKING STATEMENTS**

Our 2012 Corporate Responsibility Report includes forward-looking statements about the company's business and the company's future business plans, initiatives, goals and objectives. These forward-looking statements are based on concurrently available operating, financial and competitive information and are subject to a number of significant risks and uncertainties. When we use the words "believe," "intend," "expect," "may," "should," "anticipate," "could," "estimate," "plan," "predict," "project," or their negatives, or other similar expressions, the statements which include those words are usually forward-looking statements. When we describe strategy that involves risks or uncertainties, we are making forward-looking statements. Actual future results may differ materially depending on a variety of factors including, but not limited to risks detailed in the company's filings with the Securities and Exchange Commission, including the "Risk Factors" section of CONSOL Energy's Annual Report on Form 10-K for the fiscal year ended December 31, 2012. The company assumes no obligation to update any of these forward-looking statements.

**CONTACT DETAILS**

For any questions regarding our Corporate Responsibility program, this report, or its contents, please contact Kacy Jursa, Sustainability Coordinator: [kacyjursa@consolenergy.com](mailto:kacyjursa@consolenergy.com)

## REPORT OF INDEPENDENT ACCOUNTANT

We have reviewed the following selected environmental data (the "selected indicators") as presented within CONSOL Energy, Inc.'s (CONSOL) 2012 Corporate Responsibility Report (the "Report") for the year ended December 31, 2012:

INDICATOR TYPE	INDICATOR	2012	REPORTING CRITERIA
Air Emissions	Total non-Greenhouse Gas Air Emissions (NOx, CO, VOC, PM <sub>2.5</sub> , PM <sub>10</sub> , SO <sub>2</sub> ) (for all locations including Pennsylvania)	(short tons) NOx - 3,433.19 CO - 2,736.32 VOC - 771 PM <sub>2.5</sub> - 190.68 PM <sub>10</sub> - 475.26 SO <sub>2</sub> - 631.46	Regulations issued by the Pennsylvania Department of Environmental Protection for Emission Inventory Reporting
Air Emissions	Total Scope 1 Greenhouse Gas (GHG) Emissions	(thousand of metric tons) CO <sub>2</sub> (eq) - 11,854.06	Environmental Protection Agency (EPA) Mandatory Reporting Rules
Air Emissions	Total Scope 2 GHG Emissions	(thousand of metric tons) CO <sub>2</sub> (eq) - 2,171.96	World Resources Institute (WRI)/World Business Council for Sustainable Development (WBCSD) Greenhouse Gas Protocol - Revised Edition
Air Emissions	Total GHG Emissions	(thousand of metric tons) CO <sub>2</sub> (eq) - 14,026.02	Sum of Scope 1 and Scope 2 Emissions
Air Emissions	Total Direct GHG emissions per \$100,000 revenue	(thousand of metric tons) CO <sub>2</sub> (eq) - 218.29	Total Direct GHG Emissions per \$100,000 revenue as included in CONSOL's audited consolidated financial statements
Notices of Violation	Number of violations - Coal Division Number of violations - Gas Division \$ penalties for violations (Coal and Gas) 2012	Coal - 79 Gas - 42 \$ penalties - Coal - \$175,188 Gas - \$44,000	Notice of violations received between January 1, 2012 and December 31, 2012 from federal and state Environmental Protection Agencies

CONSOL's management is responsible for the preparation and presentation of the environmental indicators in accordance with the reporting criteria which it has identified as an objective basis against which to assess and report on the selected indicators. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the selected indicators.

Our review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on management's assertion. Accordingly, we do not express such an opinion.

A review of the environmental indicators consists of making inquiries, primarily of CONSOL's management, and applying analytical and other evidence gathering procedures as appropriate. These proce-

dures include inquiries of persons responsible for the selected indicators, analytical procedures and review of documents.

Environmental indicators are subject to inherent limitations, given the nature and the methods used for determining such data. The selection of different but acceptable measurement techniques can result in materially different measurements. The precision of different measurement techniques may also vary.

Based on our review, nothing has come to our attention that causes us to believe that the environmental indicators are not fairly stated, in all material respects, in accordance with reporting criteria as noted above.

/s/ KPMG LLP  
March 25, 2013  
New York, New York



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