



TŘINECKÉ ŽELEZÁRNY





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INTRODUCTORY WORD



Jan Czudek

Chairman of the Board of Directors



Česlav Marek

1st Vice-Chairman of the Board of Directors

Dear friends,

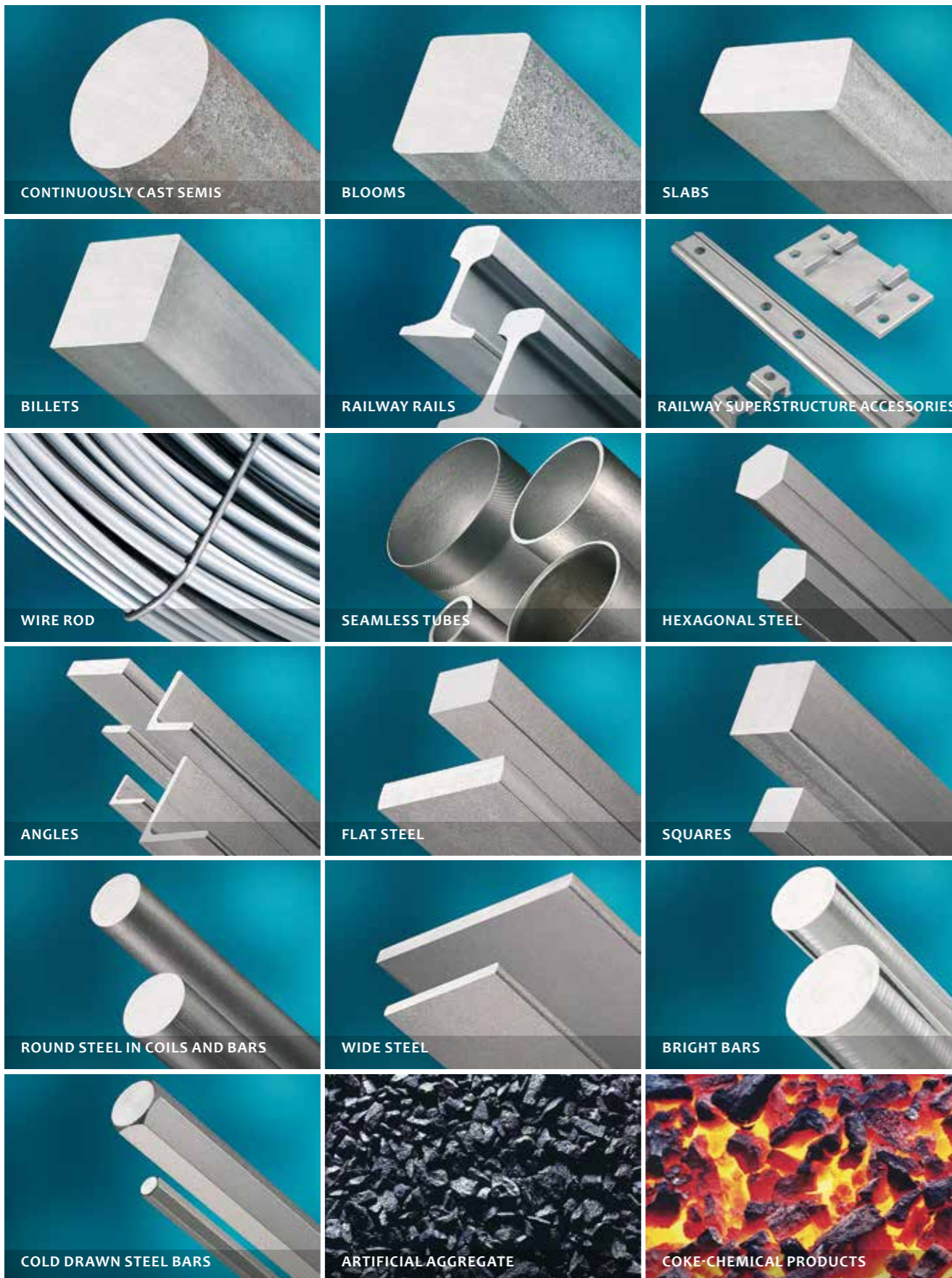
for the third time in a row we have issued a Corporate Responsibility Report that brings the evaluation of our results achieved during the last period in economic, social and ecological field together with the information on management tools, traditional and latest measures used for efficient development of CSR system and its implementation in our everyday activities.

Favourable financial highlights reached in the previous years enable us to construct new or modernise current production facilities with top technologies that are environmentally friendly and improve competitiveness of our

company, strengthen and spread our partnership relations. We put significant emphasis on the relations with surrounding region as well where we succeeded in improving the living conditions of its citizens.

Třinecké železářny celebrated 175 anniversary of its establishment in the last year. Regarding the year of establishment Třinecké železářny ranks to the oldest industrial companies in the Czech Republic, nevertheless at present belongs to modern and perspective production companies which is fully aware of its corporate mission “Together for the Generations to Come“.

TŽ MAIN PRODUCTS



INTRODUCTION OF THE COMPANY

TŘINECKÉ ŽELEZÁRNY, a. s. (TŽ) is a successor of a long tradition of steelmaking in the Czech Republic. The company was established in 1839. At present, TŘINECKÉ ŽELEZÁRNY, a. s. is the largest Czech steel company with local capital. Its sole owner is the company MORAVIA STEEL a.s. (MS) that ranks to top ten of the most significant companies in the Czech Republic. TŘINECKÉ ŽELEZÁRNY, a. s. has a capital share in 29 companies. 27 companies have their headquarters in the Czech Republic, following two in Poland and Hungary. Our share on domestic production reached almost a half in the previous year.

Our production plants comprise the comprehensive cycle from coke-chemical production, sinter plants, blast furnaces, crude steel production in the BOF converter plant and EAF steel plant to the final hot rolled steel product. The cycle is closed by the secondary raw materials plant. TŘINECKÉ ŽELEZÁRNY, a. s. produces approximately 2.5 million tonnes of

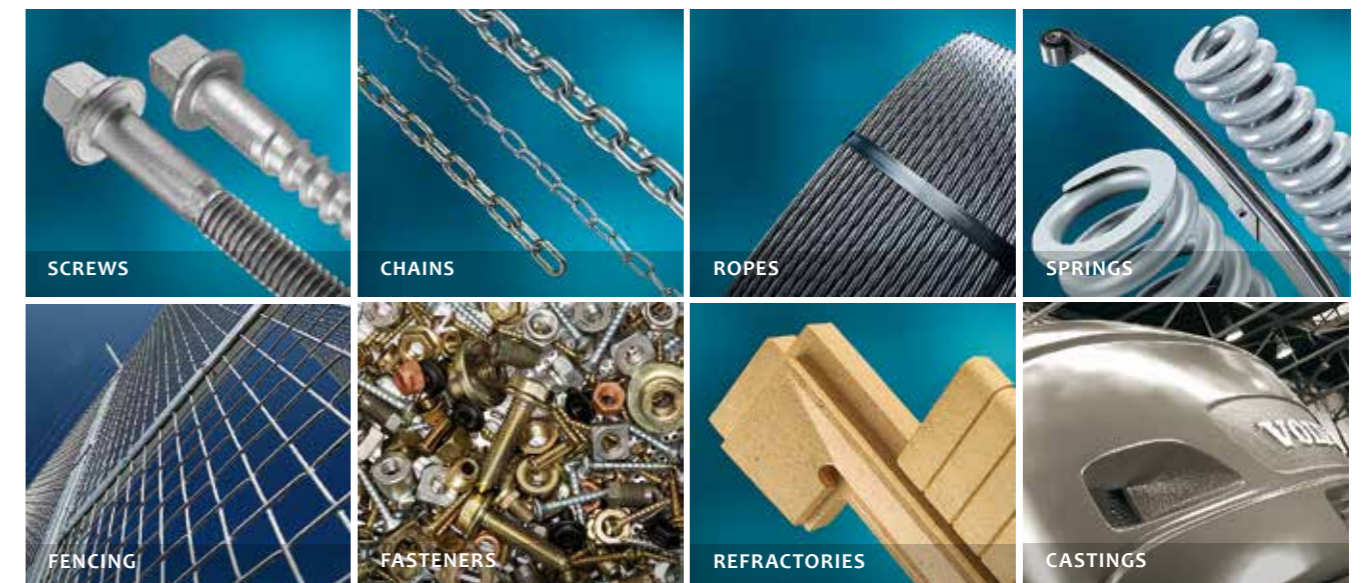
steel annually. To date, TŽ has produced more than 175 million tonnes of steel.

The coke-chemical production plant includes two coke-oven batteries. Produced coke is used in the own blast furnaces together with the sinter charge prepared in two sinter plants. A part of the blast furnace coke consumption has been substituted by the pulverized coal injection (PCI) into the blast furnace hearth. Produced pig iron is further processed in the BOF converter plant, which is equipped with complete ladle metallurgy and two machines for the continuous casting of blooms and billets. Steel is also produced in the EAF steel plant. Blooms, billets and ingots from steel plants form a charge for the rolling mill plants in Třinec – a rolling mill of blooms and heavy profiles, medium section mill, rolling mill of wire rod and light sections – as well as for the tube mill in Ostrava, billet mill in Kladno, and for the universal strip rolling mill in Bohumín. The semis are delivered for further

processing to the billet mill located in Kladno. The main product portfolio comprises wire rod, SBQ, profiles, drawn steel, rails and railway superstructure accessories, wide steel, seamless tubes, and semis. The accompanying products resulting from metallurgical production, particularly blast furnace slag, are processed into artificial normal weight aggregate and further construction material at the secondary raw material plant. Metallurgical aggregates are recycled in the steelmaking process. The Třinec rolled products are further finalized in different subsidiaries.

The most significant subsidiaries of Třinecké železářny that are part of its product chain: STROJÍRNY A STAVBY TŘINEC, a.s., SLÉVÁRNY TŘINEC, a.s., ENERGETIKA TŘINEC, a.s., Řetězárna a.s., REFRA-SIL, s.r.o., VÚHŽ a.s., MATERIÁLOVÝ A METALURGICKÝ VÝZKUM s.r.o., Šroubárna Kyjov, spol. s.r.o., HANÁCKÉ ŽELEZÁRNY A PÉROVNY, a.s., METALURGIA S.A., D&D Drátáru zrt., ŽDB DRÁTOVNA a.s.

EXAMPLES OF FINAL PRODUCTS FROM OUR PRODUCT CHAINS



The key business activity of our company and our mother company Moravia Steel is steel production and sales of rolled goods. We are striving for increasing utility and added value of our products by application of our continuous improvement principles. As well we reduce cost and environmental burden and we are interested in maintaining of healthy staff. An integral part of our policy is sustainable development of our company together with the responsibility towards stakeholders, i.e. customers, suppliers and citizens in the surrounding region.



OUR BUSINESS



We have also concluded the investment project of new peeling and heat treatment line for bars that meets growing demands of customers on improving utility value, dimensions tolerance and quality of offered goods for our customers particularly from automotive and machinery industry.

Our customers and suppliers are our partners who take part in improving the quality of our production. The key point of partnership relations with these stakeholders is a co-operation on sustainable improvement of produced goods in the way that would in maximum match not only present requirements of our customers and further processors of our material but also future demands and expectations. That is why we focus on broadening the cooperation with partners who purchase the most demanding products in our portfolio of wire rod, SBQ, rails and seamless tubes. In 2014, we modernised our wire rod continuous rolling mill that is the most significant rolling mill with regard to the volume of produced rolled goods. After the modernisation, the rolling mill enables the production of wire rod of more accurate dimensions, broadens the possibilities of thermochemical wire rod rolling, reduces cost of wire rod annealing, and increases the capacity of rolling mill.



Development of our production base, technological and the research activities are aimed at the improvement of products quality, introduction of new products and production technologies in order to:

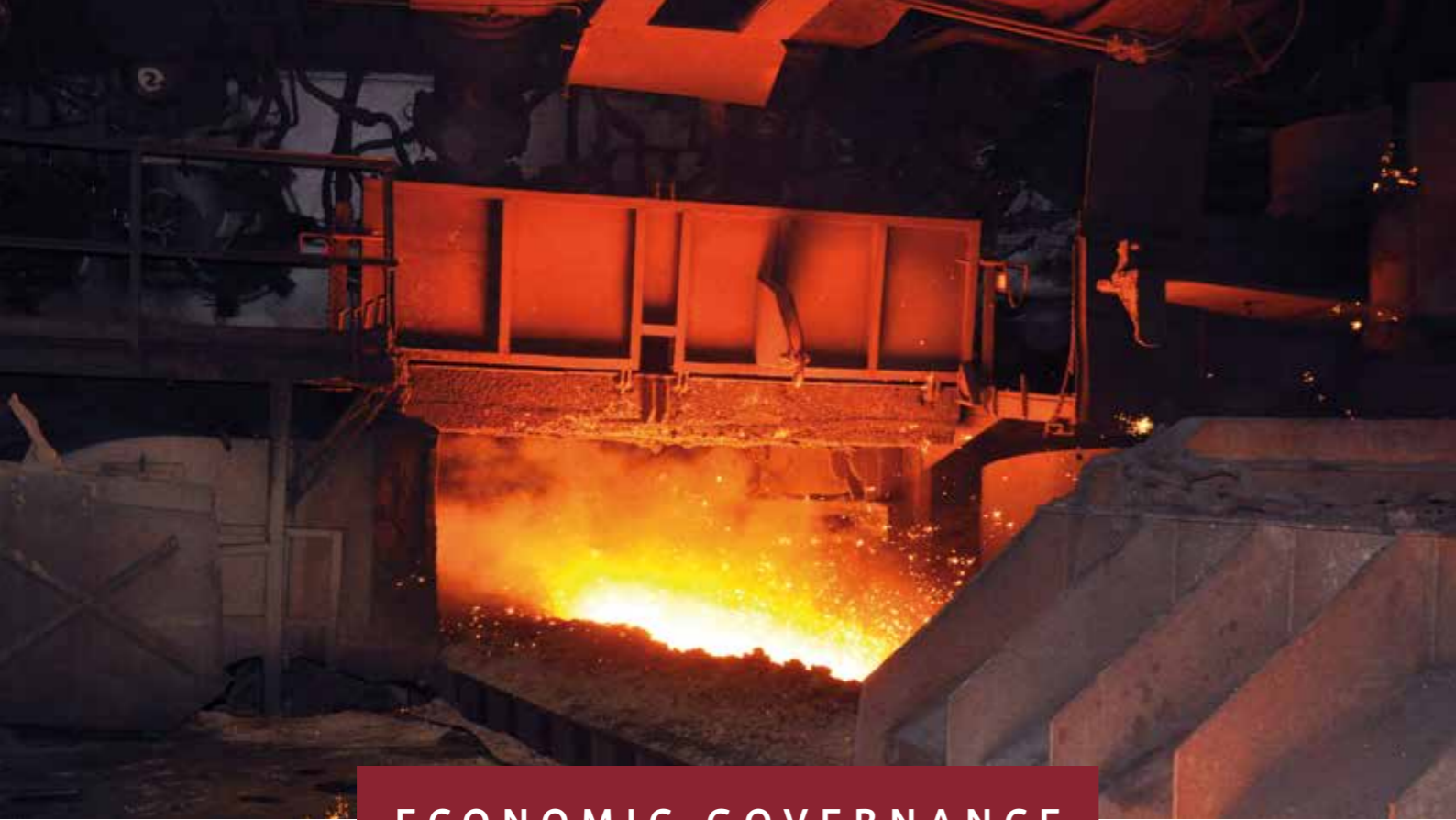
- » fulfil current as well as future quality of delivery requirements of the customers;
- » reach effective utilization of raw materials, materials and energies, and reduction of their consumption;
- » reduce the quantity of wastes produced and increase their recycling rate;
- » reduce precautionarily the total production of environmental impacts to health and lives of people, environment and the property;
- » minimize the impacts of the serious accidents to health and lives of people, environment and the property.

THE MANAGEMENT OBLIGATION

Within his competence, each manager is:

- » ensuring sufficient human, material, and financial resources together with the possibilities of European structural funds efficiency for meeting the objectives, reviews their availability and adequacy, guarantee their effective utilisation;
- » adopting resolutions purely in accord with the legislation and standards in the area of quality, environmental protection, and preventing the serious accidents together with suppression of any symptoms of corruption behaviour;
- » ensuring that work activities are running according to safe labour principles;
- » leading and motivating employees to safe work.

The company management expects the employees to flawlessly performance of labour and technological procedures with an active approach to continuous improvement of individuals and teamwork leading up to the fulfilment of all objectives and cost reduction at all working places.



ECONOMIC GOVERNANCE



Construction of secondary de-dusting of the BOF steel plant

Successful management of the company involves corporate social responsibility principles significantly. Although we operate our business in very complicated business environment (steelmaking industry is influenced perceptibly by overproduction of global and European production capacities and very strict environmental legislation of European Union what in comparison with other world regions affects negatively competitiveness of steelmakers), we have succeeded to achieve successful financial highlights. This is crucial not only

for future development of the company but also for staff satisfaction and for future partnership relations. In our production activity that is very energy, technology and investment intensive we have to take into consideration considerable investments that decrease the environmental burden. Many of these investments do not lead to grow of labour productivity but significantly support the improvement of environmental conditions. Despite the subsidies received, our company could not afford so extensive investment activity in previous two

years without strong financial position. Only in 2014 we spent almost CZK 1.5 billion on investments in environmental projects aimed at air protection. We will continue our investment activity with the approximately the same amount of funds also in 2015.

Year	Investments	
	CZK mil. without subsidies	CZK mil. with subsidies
2012	744	747
2013	1 653	1 796
2014	2 007	3 237

The favourable financial highlights achieved enable us to support pro bono activities. These are long-term and integral part of our corporate culture. The volume of funds is stated according the previous year but is revised by the decision of the board of directors during the year. Our donation is focused mainly on education, culture, sport, health-care, social care, and charity. With regard to education we put great emphasis on support of technical education from pre-school education beginning. We cooperate with many non-profit organizations on the principle of mutual benefit. The example is the sheltered workshops of non-profit organization TRIANON in Český Těšín that manufactures our disabled electronic equipment. This cooperation helps to create new employment places for handicapped citizens in our region.

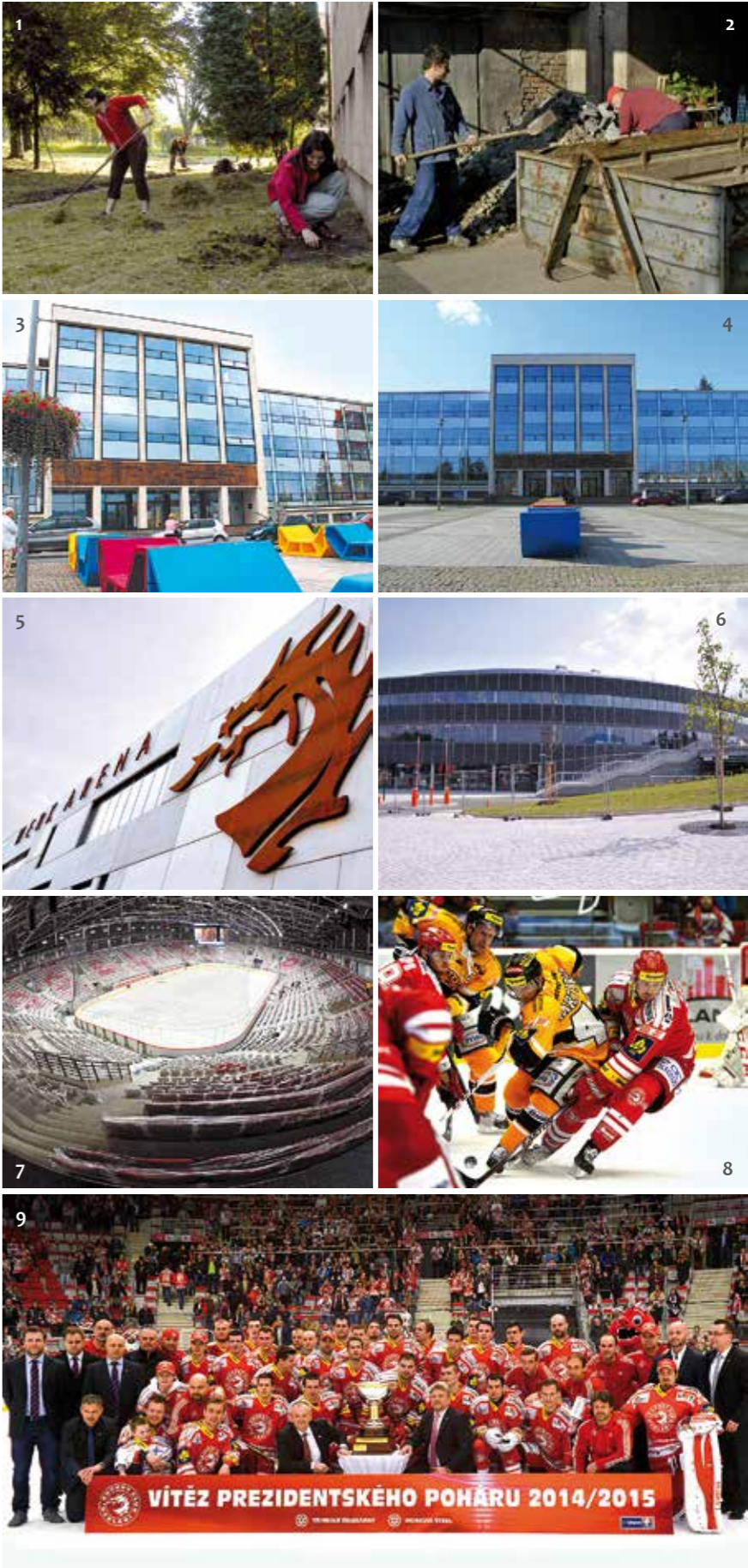
Our employees have the possibility to charitable work in selected non-profit organisations in the region during the “Volunteer Day“.

Considerable amount of financial investments was donated together with the town Třinec for reconstruction of the building of cultural house TRISIA and its interior.

Together with our mother company Moravia Steel we supported significantly the construction of new multifunctional hall that has become a new centre of cultural and social life in our steelmaking town since last year.

Financial gifts

Year	in CZK thousand
2010	8 307
2011	18 593
2012	25 054
2013	22 803
2014	86 283





SOCIAL FIELD

Třinecké železářny put great emphasis on human rights obligations. We are striving for respect of human rights of our suppliers, thus we mention this issue in every new quality contract concluded between TŽ and supplier.

At the same time, every employee should behave according to basic principles stated in the Code of Ethics.



“We devoted polytechnic construction sets in the amount of CZK 100 thousand to children in kindergartens. Ten kindergartens in Třinec, Jablunkov, Nýdek, and Vendryně received polytechnic construction sets brand Merkur and Lego. “ The General Director of Třinecké železářny, Mr Jan Czudek says: “Třinecké železářny has been here for 175 years thanks to craftsmanship and skilfulness of local people. If we want to maintain the tradition of steelwork in Třinec for future generations, we have to help them to find the way to it now. That is why we have decided to purchase the polytechnic construction sets for children in kindergartens, however they are probably future technicians among them.”

OUR CODE OF ETHICS

Basic ways of conduct towards shareholders

In determining the strategy of the company, it is taken into account the return of invested money by shareholders, it is required to protect the company’s assets and use it effectively to create the conditions for its enlargement - generating a profit. The company supports the search for new business opportunities that lead to the creation of product chains.

Basic ways of conduct towards customers

The company aims to provide products, services and solutions with a guaranteed quality and anticipation, in order to ensure customer’s satisfaction at a high level. We apply friendliness and fairness when dealing with customers. Relationships with customers are based on law, efficiency and transparency, for this reason, the company distances itself from all forms of corruption.

Basic ways of conduct towards employees

Approach to employees is based on openness and mutual respect, so the company will not tolerate any manifestations of discrimination. The company supports development of employees, expanding their professional competence and career growth.

The company is committed to create a suitable and safe working environment; the emphasis is on health and safety at work. The company is providing rewarding of employees according to the work results.

Basic ways of conduct towards partners

The company in pursuit of a common goal creates the conditions for maintaining good relations with all the partners. The prerequisite of good relations is respect of human rights protection, not to permit any form of violent or forced labour, abuse of child labour and discrimination in pursuing the employment or at employment.

The basic principle of mutual relationships is equality and fairness.

Company policy is to ensure the protection of business secrets and prevent the abuse of confidential information.

Basic ways of conduct towards others

The company’s policy is accommodating to the needs of the region and commitment to participate in its development. There are established and maintained good relations with government officials, local government and other public institutions to fulfil this commitment.

The company places great emphasis on respect for the environment, is striving for continuous improvement of environmental care.

In connection with the above, basic conduct is formulated at different approaches and principles of CSR, by which the employees abide in meeting their work duties.

COLLECTIVE
BARGAINING PROCESS

Collective negotiations are in TŽ implemented by the Conciliation Committee. The Conciliation Committee is a joint body of employer and trade union representing workers with equal representation of both sides. Decisions of the Conciliation Committee are binding for both sides.

The Conciliation Committee negotiates the text of the Collective Agreement in all its provisions. In case of changes during the period of validity of Collective Agreement, the Conciliation Committee approves all its modifications and additions.

EMPLOYMENT

The number of TŽ employees has increased during the last three years. This number was influenced by the merger of Drobného kolejiva (railway superstructure accessories) to the company Strojírny Třinec, a.s. in 2013 as well as by the merger of the company SOCHOROVÁ VÁLCOVNA TŽ, a.s. (billet mill in Kladno) in 2014.

The number of TŽ employees together with agency workers

Year	TŽ employees	Agency workers
2012	5 973	404
2013	6 145	431
2014	7 000	461

EDUCATION

The education and training of employees reflects the organisational and personnel changes in order to ensure the qualification standard of employees within the whole range of professions. The employees are trained by external coaches from different educational and consulting agencies as well as by internal coaches. In 2014 new application was implemented with the project Corporate

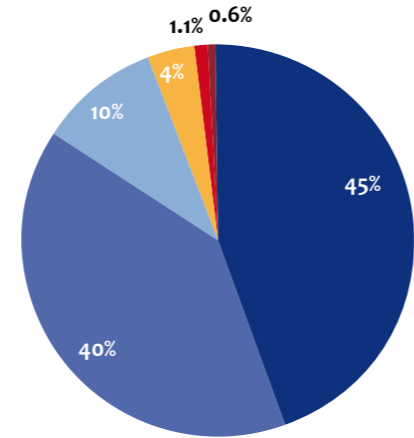
STAFF SATISFACTION

According to the latest research of staff satisfaction that was finalized at the end of 2014, we succeeded to involve in research 2 755 respondents what presents almost 40 % of all employees. This is the highest number recorded since its commence in 1998. Almost 85 % of employees is proud on the brand of Třinecké železářny marked on our products. 77 % respondents consider Třinecké

Question –
Pride on the brand TŽ marked on products

- very satisfied
- rather satisfied
- neither satisfied, nor dissatisfied
- do not know
- rather dissatisfied
- very dissatisfied

železářny as a good employer. They noted in the questionnaire the evaluation very or rather satisfied. On the contrary very unsatisfied were only 1.3 % or rather unsatisfied 3.6 %. The results of the latest research are the best in all the history and prove that the satisfaction level of our employees has had an increasing trend.



MOTIVATIONAL PROGRAMS

Motivational programs encourage employees to better performance not only in form of income but also in other ways and benefits that encourage them to better work performance together with the compensation of the negative influence of work environment. The benefits are provided above the legislative frame. Towards it we want to motivate our employees to support our aims and objectives in the highest possible level.

REWARDING

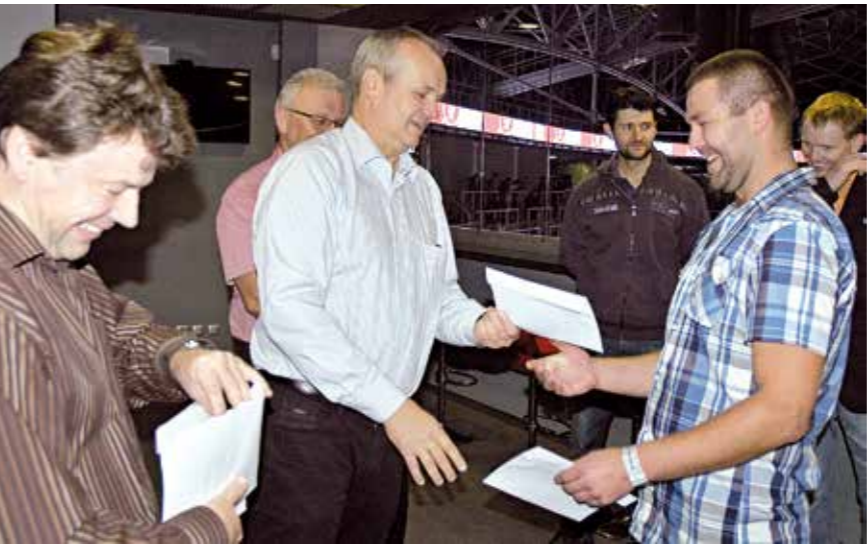
- » bonuses – regular and extraordinary bonuses;
- » manager’s and master’s funds;
- » higher rates of premium pay for work in the afternoon, at night, on weekends, holidays, overtime; and
- » rewards based on financial results achieved.

HUMAN RESOURCES DEVELOPMENT

- » trainee program for university graduates;
- » creating conditions for professional development of selected groups of employees and career progress; and
- » providing scholarships for students of selected study courses.

OPTIONAL BENEFITS

- » awarding with the title “Employee of the Year“ together with financial bonus and the prestigious award “Queen of Steel“ for the best projects, significant events and representation of the company;
- » ceremonial act of “Farewell to Employees“; and
- » rewarding for work and life anniversaries and retirement.



The General Director, Mr Jan Czudek, rewards the best young innovators: Mr Radek Dorda, Mr Lukasz Kurowski, Mr Zbyněk Vlček, Mr Vítězslav Zientek, Mr Zdeněk Mitrenga, Mr Bogdan Heczko, Mr Martin Macoszek, and Mr Lubomír Szturc. These eight innovators reached the top position in the competition of young innovators in Třinecké železářny. The employees submitted 86 innovative projects, 9 out of t them was submitted by young collectives where the average age does not exceed 35 years. 33 innovators from five production plants participated in the competition, 13 take part for the first time.

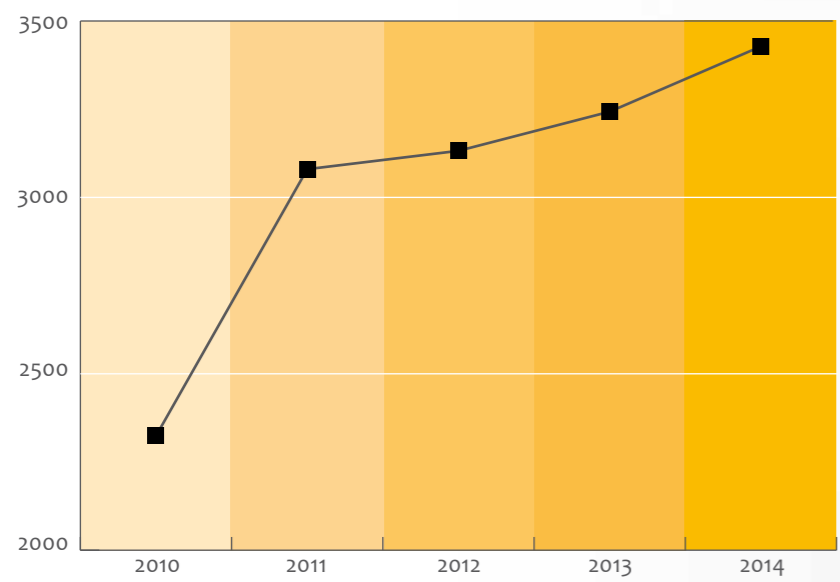
HEALTH SUPPORT

- » covering the costs of medical examinations prior to employment;
- » covering the costs of preventive breast cancer screening and colorectal cancer check-ups;
- » organising of rehabilitation stays, ambulant rehabilitation care and additional rehabilitation care;
- » providing employees with non-alcoholic drinks in the period of extremely hot days;
- » providing employees with contribution catering in the amount of 55 % to one main meal and contribution of CZK 7 to one hot meal; and
- » ensuring other activities to support health (Days of Health, influenza vaccination, providing with vitamins).

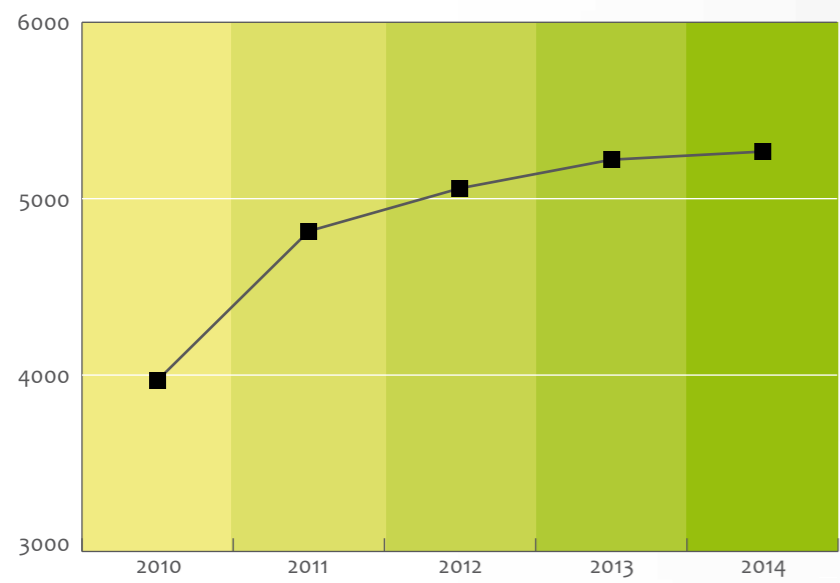
OTHER BENEFITS

- » vacation extended by 1 week;
- » extended range of days off with remuneration in case of personal impediment;
- » providing social assistance and social credits in case of very serious life situations;
- » providing interest-free housing-promotion loans;
- » providing contribution for supplementary pension provision and additional pension savings;
- » providing contribution for private life insurance;
- » providing contribution for social welfare;
- » providing contribution for children recreation;
- » providing optional staff benefits.

Social welfare of staff [CZK thousand]



The number of employees taking advantage of benefits



BENEFITS

Optional benefits are provided for all employees according to the stated rules. In 2015, the highest level of benefit provided per one employee reached CZK 3,700. Not all the employees are taking the advantage from the benefits offered.

THE MOST RECEIVED BENEFITS

(% in 2014)

- » Staff recreation (34%)
- » Sports facilities (26%)
- » Ice-hockey season tickets (15%)



RECRUITMENT OF YOUNG PEOPLE

We have implemented many measures in this field which we mention in this report below.

REGIONAL TALENT

Every year we organise a social event “Regional Talent“ with the aim to motivate youth for taking studies in technical courses. We reward pupils and students from regional schools for top ranking in knowledge Olympic games and for their secondary school professional activities. The main conception of the event is very simple – to capture the interest in technical courses and natural sciences, i.e. maths, physics, chemistry that not always belong to favourite subjects.

The numbers of rewarded students

	2011	2012	2013	2014
School Olympic games	28	43	45	33
Secondary school professional activities	12	15	14	16
Regional Talent in total	40	58	59	49

RECRUITMENT METHODS ON PRIMARY SCHOOLS

- » TŽ presentations in primary schools in region (region of Jablunkov, Třinec, and Těšín);
- » participation in the organization of the “Open Days“ in the Secondary Technical School of Třinecké železářny and rewarding regional primary schools that have obtained the most of pupils for taking study in technical courses;
- » “Open Day in TŽ“ for students of ninth grade and their parents;
- » participation in career days organised by the Labour Offices;
- » participation in discussions with the students of ninth grades organised by the Labour Offices;
- » narrow cooperation with the schools in boarder region of Slovakia (Čierne, Skalité, Svrčinovec).

RECRUITMENT METHODS IN SECONDARY SCHOOLS

- » financial contribution for school supplies, sport and social activities for students in first grade of the study courses steelmaker and electrician power lines in the Secondary Technical School of Třinecké železářny;
- » excursions and technical trainee programs with technical lectures in particular production plants (for students of secondary technical schools);
- » technical trainee programs for students of the Secondary Technical School of Třinecké železářny in production plants;
- » presentation of the companies in the TŽ-MS Group for students of selected secondary schools in the region with the aim to attract future employees or to begin the study in technical courses in universities.

RECRUITMENT METHODS IN UNIVERSITIES

- » preparation and participation of TŽ in “Carreer Days“ of selected Universities in the Czech Republic;
- » excursion for the students of the second grade and presentation of the companies in the TŽ-MS Group for easier decision making regarding study course choice;
- » two weeks trainee program for the students of the second grade of technical courses;
- » selection of scholars based on study results achieved, discussions and their financial support during the studies;
- » proposal of suitable topics of thesis (bachelor, master, and post gradual) together with professional coaching of students during elaboration;
- » reward of the best thesis in cooperation with the Czech Steelmaking Company;
- » selection of graduates based on their evaluation and interviews for the Trainee Program for university graduates.

YOUNG PEOPLE AND PREVENTING DISCRIMINATION

We recorded no discrimination situation during last year. In 2014 our employees had no requirements to solve discrimination issues and all the obligations complied with the Corporate Collective Agreement.

There were no infringements and discrimination issues recorded by the State Authority and Regional Labour Inspectorate during its audits in the period of 2012-2014.

TŽ employs only persons over the age of 18 – there were no younger employees in TŽ during last three years. This is a prevention of

child labour and hazardous employment of young people.

TŽ ensures professional training in own production plants particularly for the students of the Secondary Technical School of Třinecké železářny. Professional training of these young people is provided with the supervision of the authorized employees of the Secondary Technical School of Třinecké železářny and coaches in every production plant in TŽ and runs in a special mode in accordance to TŽ contracts with particular secondary schools, especially with the Secondary Technical School of Třinecké železářny.

TŘINECKÉ ŽELEZÁŘNY AND REGION

We have been influencing surrounding region by our industrial operation almost for 175 years already. Especially in the last decade we strive intensively for friendly behaviour to our surroundings. We concluded with the Ministry of Environment of the Czech Republic a Voluntary Agreement regarding decreasing of environmental burden and obliged us for many activities leading to improvement of environment, i.e. 16 obligations. It involves for example the organisation of health cures for children, street cleaning in the town, green planting, landscape corridor of the Olše river, support of protected animal species, environmental technological investments and others.



We cover all cost of the health cure for 260 children from primary schools in Třinec who spent ten days in the High Tatras in Slovakia. We have obliged for such an activity in accordance with our aim of decreasing the environmental burden. Children spent 10 days in the holiday resort in Žiar situated in Western Tatras.

45 employees helped voluntarily in non-profit organisations in the region instead their everyday work. They have decided to devote their time to help to the others. They mainly focused on maintenance and cleaning operations in the



Our employees can help in non-profit organizations in our region during the “Volunteer Day”. Costs related to this event are covered by TŽ.

sheltered workshops, residential institutions for people with disabilities and special schools. “Volunteer Day“ of Třinecké železářny is organised annually and it is next prove of our corporate social responsibility behaviour.

Třinecké železářny has started large green planting. First 300 trees begun to grow near newly constructed hall of peeling and heat treatment line. Pupils from two Třinec primary schools helped with planting of approximately forty trees in TŽ. TŽ donated the city of Ostrava with financial support in the amount of CZK 300 thousand with the aim of tree planting near our production plant Tube mill for improving living conditions in the city. Students of the Secondary Technical School in Frýdek-Místek helped with tree planting there. We spent on green maintenance and planting CZK 5.5 million in total during last year.

In 2014, we created Benevolent Fund with CZK 350,000. The financial resour-



Pupils from primary schools helped us with green planting in the area of Třinecké železářny.

ces are provide for non-profit organisations in the region for organising of leisure, sport, social, charity, and regional promotion activities. The final selection of top ranked projects was carried out in accordance with the number of voices reached, further the localization and objective of the project. Out of 30 projects submitted there were 18 supported with financial donation.

Třinecké železářny supported retraining in long-term too. Kvalifikační a personální agentura, o.p.s. (KaPA) is one of the organisations that we have cooperated with. Its aim is to increase the employment of the citizens in the micro region of Třinec, Český Těšín, and Jablunkov. Its main activities consider knowledge broadening together with retraining.

Since 2014 KaPA has organised educational training focused on financial literacy for new recruits. 388 employees have been trained in total.



LABOUR SAFETY AND HEALTH PROTECTION

TŽ regularly monitors and evaluates human health risk and adopts measures to eliminate it. Positive results in the field of labour safety and health protection achieved in long-term, high-quality preventive care, implemented and efficient management system were rewarded by the State Authority of Labour Safety in the Czech Republic that gave us the prize Safe Company in 2013.

Monitoring of the situation of labour safety and health protection is an integral part of management and evaluation of labour safety and health. These activities are provided with narrow cooperation with the service supplier in the field of labour safety and health protection, the company Enviform in Třinec.

The participation of employees in solving issues regarding labour safety and health protection is carried out with the Labour Union as well. There are following Joint Supervisory Commissions:

- » investigation commission for resolving and compensation of work accidents;
- » audit commissions for internal audits in the field of labour safety

and health protection at particular workplaces;

- » joint evaluation meetings with the representatives of employer (representative of labour safety and health protection), staff (representative of Labour Union), and service supplier in the field of labour safety and health protection (Enviform).

With regard to labour safety and health protection we carried out following trainings:

- » induction courses for new recruits in the field of labour safety and health protection;
- » induction courses for new recruits at workplace by supervisor;
- » trainings under the supervision and further testing;
- » regular educational trainings according to codes approved by supervisors and particular safety technician;
- » “Labour Safety and Health Protection Days“ – consultancy and advisory events at particular production plants;
- » extraordinary educational trainings – based on current needs – analysis

of work accidents and measures to correct the non-conformity.

In 2014, a total of 21 work accidents were recorded in Třinecké železářny (7,000 employees) with lost time accident longer than 3 days (12 work accidents occurred in relation with operating technologies). The level of the accident rate for 2014 is 0.3 per 100 employees of Třinecké železářny.

There were no occupational diseases recorded in 2014.

Work accidents solving together with non-lost time accidents is always carried out with adopted measure to prevent any recurrence of such an accident. We have implemented Corporate Investigation of non-lost time accidents with potential of serious injury together with adopting of measures in whole company.

In 2014 we have added new activities in the field of labour safety and health protection, e.g. evaluation of psycho physiological burden and the competition of the best innovator in the field of labour safety and health protection.

We spent on enviornmental investment projects CZK 6.3 billion during last 20 years. In 2014 we recorded the highest level of environmental investments at all, this is more than CZK 1.5 billion. Our effort in the field of environmental protection leads to gradual decrease of the environmental burden in region.

We present information on the impact of our business operations on environment in the CSR report below.

ENVIRONMENT

AIR PROTECTION

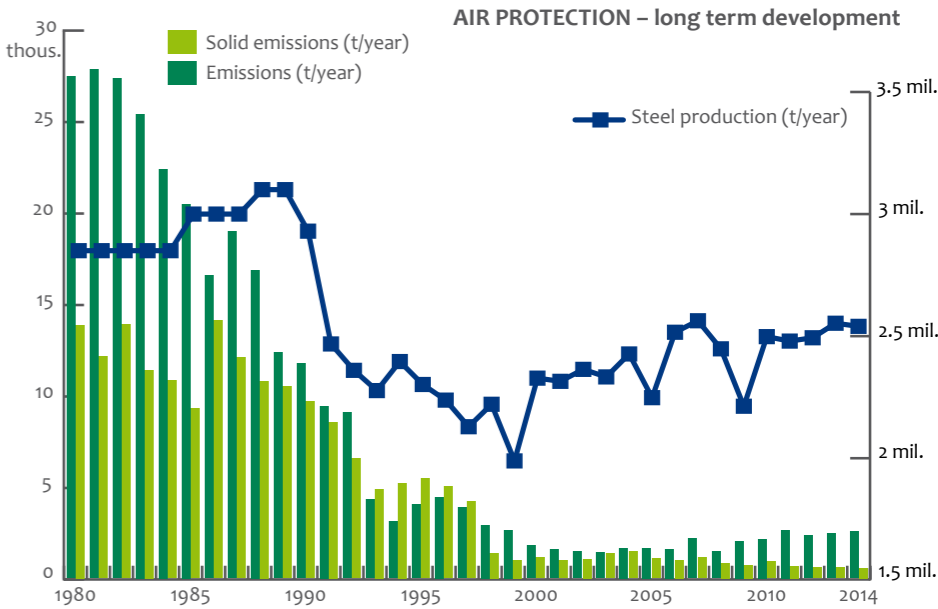
Compared to 2013, Třinecké železářny achieved a further decrease of solid emis-sion and we reached a record low level of 560 t/year. The highest decline of emission was recorded in the several sources of pollutants of the iron and Steel Production Plant and in many smaller sources as well. The slight drop was registered for nitrogen oxides. On the other hand, we recorded a slight increase of emissions of carbon mo-noxide and sulphur dioxide where the most considerable reason was the growth of sulphur in the feedstock and fuels, especially in sintering process.

EMISSIONS OF GREENHOUSE GASES

In 2014, Třinecké železářny have managed to reduce greenhouse gas emissions from its facilities in the area in Třinec to 2 630 157 tonnes. GHG emissions from installations in the Billet Mill plant in Kladno make 50 987 tonnes and from the Tube Mill in Ostrava are 5 251 tonnes. The total amount of greenhouse gases from TŽ installations for the year 2014 amounted to 2 686 395 tonnes. The value of specific production emissions of carbon dioxide per ton of crude steel decreased to 1.057 tonnes, representing a decrease of 3.86 %. This decrease is mainly due to a decrease in consumption of blast furnace gas.

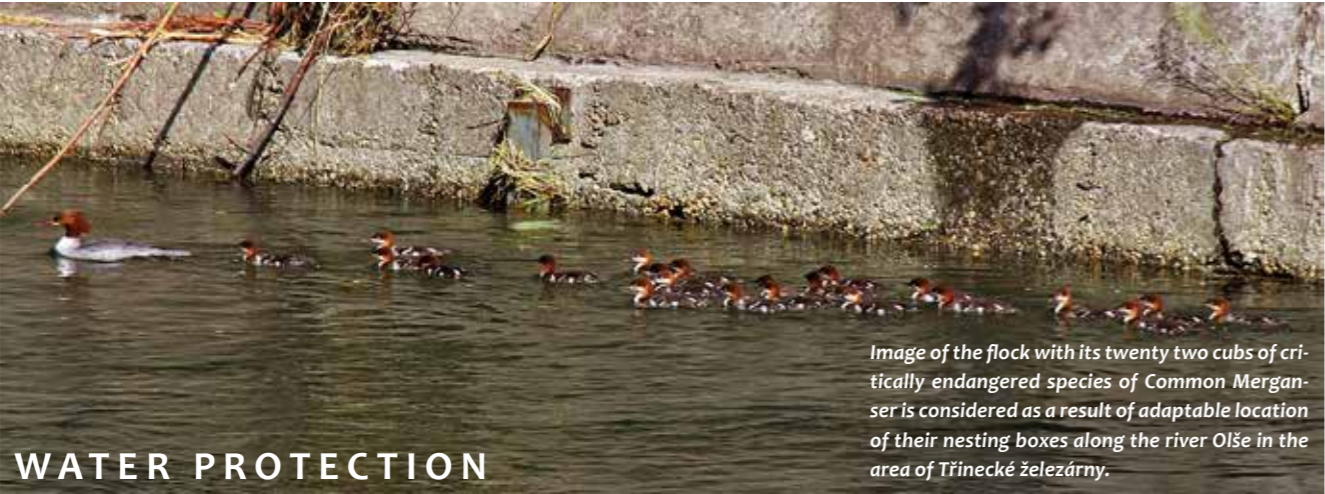
Emissions from 2013 to 2014

Year	Solid pollutants [t/year]	Sulphur dioxide [t/year]	Nitrogen oxides [t/year]	Carbon monoxide [t/year]	Other emissions [t/year]
2013	594	2 425	1 410	60 698	2 735 869
2014	560	2 566	1 362	62 999	2 686 395



Emissions per unit of production

Year	Solid emissions [kg/t produced steel/y]	SO ₂ emissions [kg/t produ-ced steel/y]	NO _x emissions [kg/t produ-ced steel/y]	CO [kg/t produced steel/y]	CO ₂ [kg/t produced steel/y]
2013	0.23	0.95	0.55	23.76	1.07
2014	0.22	1.01	0.54	24.80	1.06



WATER PROTECTION

Image of the flock with its twenty two cubs of critically endangered species of Common Merganser is considered as a result of adaptable location of their nesting boxes along the river Olše in the area of Třinecké železářny.

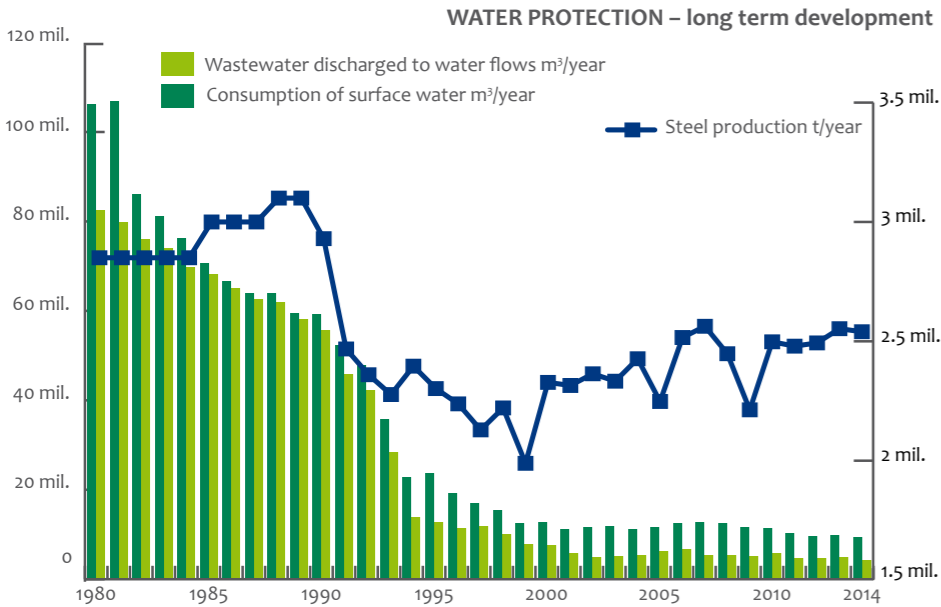
The amount of industrial wastewater discharged into the Olše River watercourse and the pollution of water has not recorded any significant change in 2014 compared to 2013. This corresponds to the long term stabilised state of our water management. The quality of wastewater is achieving a sustainable level with respect to compliance with specified limits of pollution.

Also, in terms of the production of wastewater per tonne of steel produced, the situation of 2014 is very positive, as it decreased from 1.75 to 1.57 cubic metres per tonne of steel produced.

During 2014, there was no instance of emergency that would result in the deterioration of, or threat to, the quality of groundwater or surface water.

Pollution discharged into water flows from 2013 to 2014

Year	Volume of wastewater [m³/year]	Undissolved substance [t/year]	Non-polar extracted substance [t/year]	Dissolved inorganic salts [t/year]	Chemical oxygen consumption using dichromatic method [t/year]	Total iron [t/year]
2013	4 618 752	44.5	0.65	2 143	77.3	4.2
2014	3 992 219	28.0	0.42	2 047	44.3	3.7



„The female of merganser occupied five of the seven nesting boxes. It's really a big success,“ said Radim Klimša, the head of the Department of the Environmental Protection of Třinecké železářny. Pupils from the elementary school in Třinec (Jubilejní Masarykova základní škola in Třinec) made a special bird boxes for critically endangered species, according to the Czech Society for Ornithology, which occurs in the Czech Republic since late 90s. The Třinec steelworks has provided financial support not only for the boxes of the endangered merganser, but also for the installation boxes of other species as well a dipper, a small bird of the songbird family. Two bird boxes waiting for nesting of the Peregrine Falcon were placed on the tallest chimney in the premises of ironworks.



Volume of wastewater per unit of production

Year	Volume of wastewater [m³/produced steel/year]
2013	1.75
2014	1.57



WASTE MANAGEMENT

The year of 2014 can be characterised as a year of further restriction of occurrence of hazardous waste in Třinecké železářny. Since the beginning of the year we have significantly decreased total volume of the waste production. The dust from the first sections of electrostatic separators of the sinter plants is treated in the regime of a category “Other waste”. Additionally had been constructed a facility for de-oiling scales as well as for hazardous waste – oily scales. Therefore the production of hazardous waste significantly dropped.

The occurrence of 158 602 tonnes of hazardous produced waste, which is 281

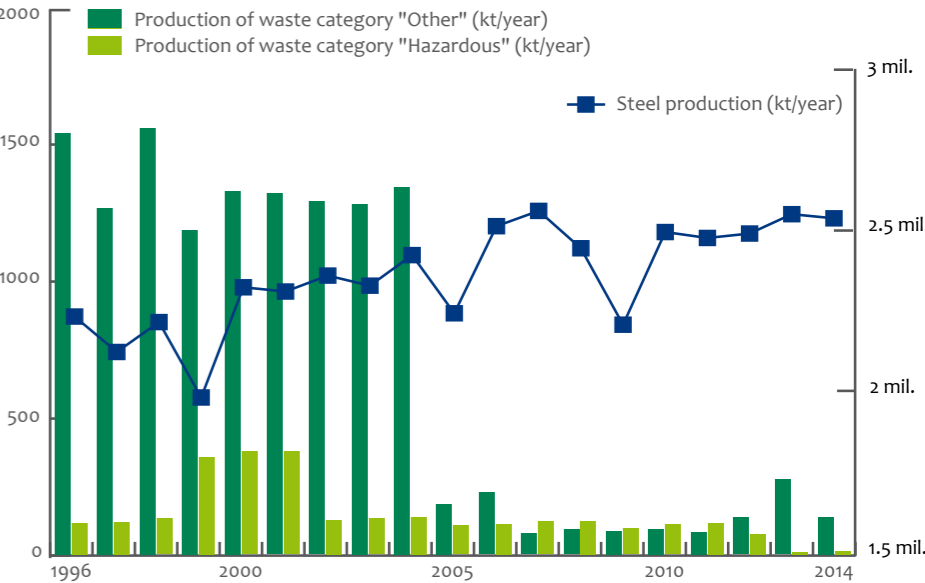
279 tonnes less than in 2013. It is a drop by approximately 44 %. The indicator of waste volume per tonne of produced steel was smaller than in 2013 (110 kg/t) too, with a value of 62.4 kg/t, which is 43.3 % less.

The growth of the category “Hazardous waste” (an increase of 109 %) does not correspond with the total decline of waste produced. The rise of “Hazardous waste” was caused by the growth of fine sludge from the BOF steel plant formerly by-product, this year was not possible to handle it to the certified product – Fe correction, and waste – oily Mill scale from the Billet Mill in Kladno.

Volume of waste

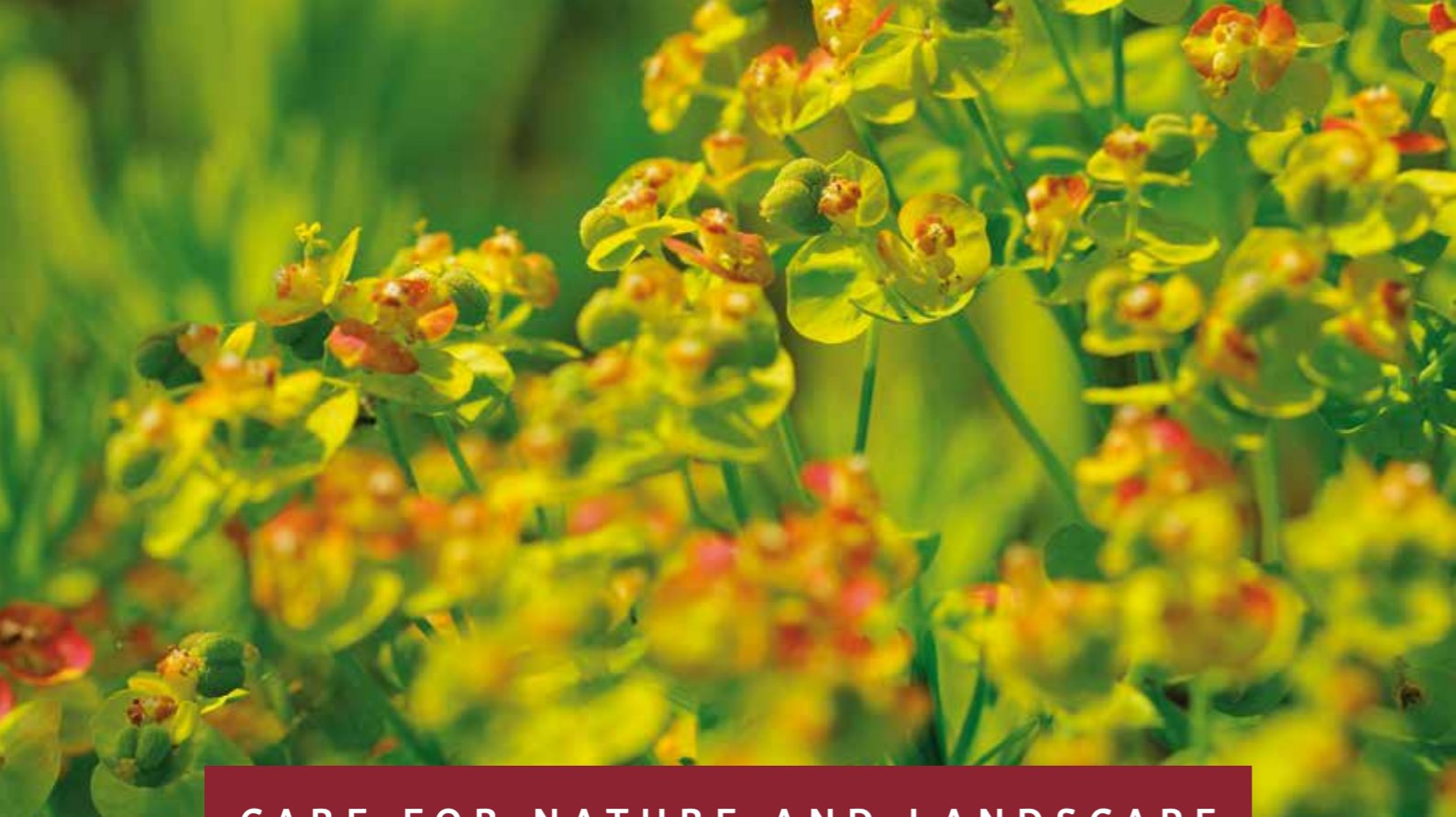
Year	Steel production [kt/year]	Production of waste category “Other” [kt/year]	Production of waste category “Hazardous” [kt/year]
2013	2 553	273	8
2014	2 540	142	17

WASTE MANAGEMENT - long term development



Waste production per unit of production

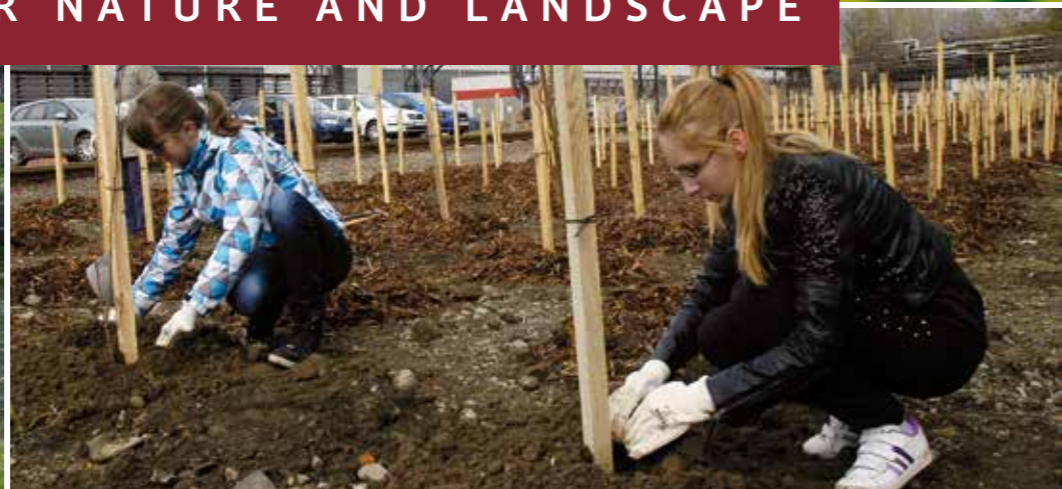
Year	Steel production [kt/year]	Waste production per ton of produced steel	
		category “Other” [kt/year]	category “Hazardous” [kt/year]
2013	2 553	0.107	0.003
2014	2 540	0.056	0.007



CARE FOR NATURE AND LANDSCAPE



Along the river Olše, which flows through the TŽ premises, students have found mainly: plastic bottles, pieces of plastic bags, cigarette packets and furniture remnants including other mess. This concerns alluvial waste in particular.



Třinecké železářny pays attention to the greenery as well. In 2014 we invested CZK 5,5 million in total.

We have planted 300 of trees nearby the new hall of peeling and refining line.

As a socially responsible company, we support a wide range of environmental activities beyond its specified obligations. We are actively engaged in European-wide census of water birds in the sector of water courses Olše

in TŽ premises every year. Simultaneously, we create for them convenient conditions for their nesting not only along the river, but in the whole area as well. We engage into this activities also pupils of primary schools.

Not only our staff is involved in the cleaning of the Olše river bed on our grounds as part of the Earth Day activities, but also the students of Secondary Technical School. We pick up every year several tons of garbage.

OLD ENVIRONMENTAL BURDENS

Since the start of the redevelopment work in July 2003 at contaminated locations in the TŽ premises and in accordance with so called environmental contract No. 185/97 concluded with the Czech Ministry of Finance, the contractor – company UNIGEO, a. s., Ostrava – expended about 98 % of means from the project budget by the end of 2014. 4 objects were finished out of total 24 redevelopment projects. Regarding the other four objects, on two of them the works are in the final stage of decontamination of ground water. The other two are in the stage before the completion of works with subsequent final inspection day before handing out the objects. Contractor has further elaborated a “Project of supplementary work done to

proceed corrective actions with the aim to solve redevelopment of newly determined facts regarding old environmental burdens in TŘINECKÉ ŽELEZÁRNY, a. s. determined after risk analysis assessment and after own public contract letting concerning the implementation of corrective actions in the area of TŘINECKÉ ŽELEZÁRNY, a. s.” Solution of this task is being implemented in connection to the decision of Czech Environmental Inspection and in compliance with the implementation project of redevelopment – additional construction works in six locations. By the end of 2014 has been spent usefully for about 76 % of the cost from implementation project budget. The deadline for completion of redevelopment work, according to an ad-

ministrative action is by the end of 2017. Beyond the implementation of two projects of redevelopment and additional construction works, furthermore a detailed research was carried out in 2014 of newly discovered environmental burdens in the Olše river bed which flows through the TŽ premises. The documents related to “Třinec – TŽ – Research of the Olše river bed” has been elaborated by the company UNIGEO, a. s. Ostrava. After the Ministry of Finance, who is the sponsor, assesses contractor’s tender, the implementation of supplementary exploration of newly determined facts will follow and a risk analysis will be worked out in connection with solution of contamination of the Olše river bed.

MANAGEMENT OF CHEMICAL SUBSTANCES AND MIXTURES, REACH

TŽ pays attention to the chemical substances as in previous years. During 8 internal inspections of the chemical substances storages at the TŽ plants, it was found that the management with the chemical substances in TŽ reflects the legislation regarding the chemical substances and mixtures, and the obligations arising from this legislation are being fulfilled.

The obligations arising from the REACH (Directive of European Parliament and European Council No. 1907/2006 on registration, evaluation, permitting and

restricting the chemical substances) were continuously observed. It was especially the communication within the supplier-customer chains, informing on the REACH implementation within TŽ as well as informing the customers on revisions of the security notes for substances being produced in TŽ.

According to the REACH directive Třinecké železářny as “downstream user” has to fulfil the obligations, including the identification and assumption of appropriate measures on the basis of security notes for substances being produced

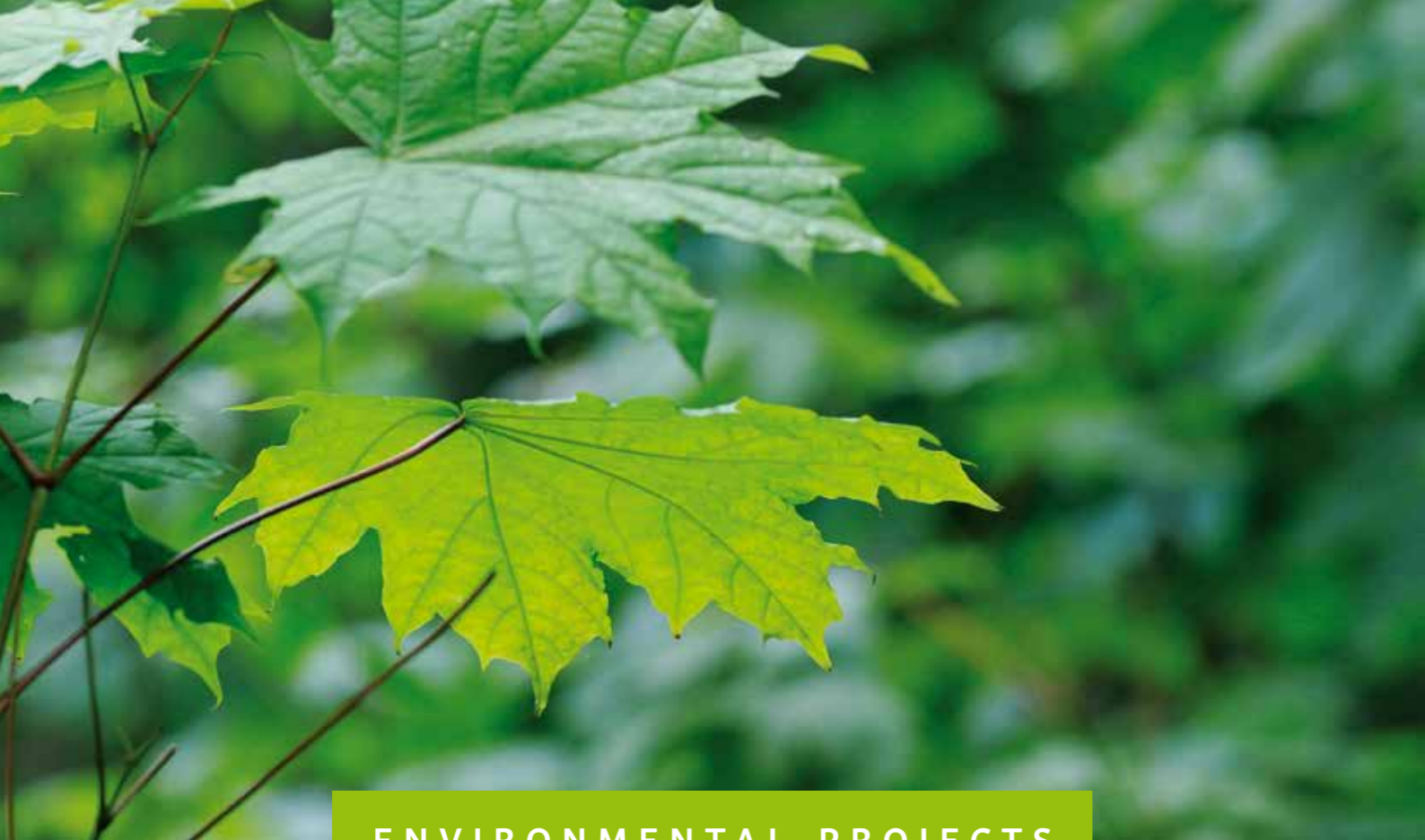
that are extended by exposure scenarios (a dossier of conditions that describes how the substance is manufactured and a dossier of measures necessary to reduce exposure of humans and the environment). Therefore, during 2014 TŽ has begun to develop the “Protocols of compliance with exposure scenarios selected dangerous chemical substances” at the TŽ plants. The aim is to ensure the use of selected chemicals in accordance with the conditions defined in the exposure scenarios. This activity will continue next year too.

ENERGY MANAGEMENT

An effort to continually reduce energy consumption is a significant part of our policy. In practice, these principles are manifested by gradually replacing obsolete production facilities by modern facilities with a lower energy exigency and with maximum usage of energy of steelworks by-products.

Blast furnace gas arising in the process of coke production, hot iron and steel were in 2014 energetically used in average level of 94 %.

Specific electricity consumption in 2014 amounted to 225 kWh per ton of produced steel.



ENVIRONMENTAL PROJECTS

In 2014, the implementation of below stated environmental projects commenced or continued:

- Modernization and reconstruction of the coke oven battery No. 11 (preparatory phase)
- Processing the oily scales – 4.1 INo4/924
- De-dusting of the flue gases and sinter plant nodes No. 2
- Reconstruction of exhaustion of casting bay BF4 and BF6
- Secondary de-dusting of the BOF plant
- De-dusting of the workplace for fire cutting of the continuously cast blooms/billets
- Decrease of emissions at the facility for production the blast furnace charge
- De-dusting of multi-functional facility for production of the steel plant sinter
- De-dusting of the iron ore pellet sorting line
- Mobile de-dusting equipment
- Multi-purpose de-dusting units
- De-dusting of tipplers No. 3 and 4
- De-dusting of the coal unloading pit
- Decreasing the fugitive emissions at the crushing lines and slag handling
- Decreasing the fugitive emissions at the slag mill
- Decreasing the fugitive emissions at the multifunctional environmental area
- Purchase of the universal spray-sweeper car
- Decreasing the fugitive emissions at the iron ore belt conveyor – mist visor, and
- Decreasing the fugitive emissions at the mobile industrial vacuum cleaners
- De-dusting the vacuuming station RH 2
- De-dusting of the tundish section equipment of continuously casting No. 1 and 2
- Insulating greenery

The total costs of environmental projects amounted to CZK 1 459.39 mil. in 2014 (endowment of environmental projects - proclamation No. 36, 38 and 48) and CZK 74.15 mil. (other projects). Other events with a positive contribution to the environment were carried out in individual plants and were covered by the operating costs.

Other projects covered by the operating costs:

AIR PROTECTION

PRODUCTION OF IRON AND STEEL

Replacement of filter hoses of de-dusting at individual sources as needed (ZZO).

Evaluation, contribution of the project and costs: In 2014, the exchange was done at following sources of air pollution (referred as SAP):

- » De-dusting of nods at sinter plant 1 – exchange of 870 sleeves – CZK 700 thous.
- » Skip pits and transport the blast furnace charge – exchange of 1 536 sleeves – CZK 600 thous.
- » Ladle furnace 1 – exchange of 55 sleeves – CZK 56 thous.
- » Ladle furnace 2 – exchange of 7 sleeves – CZK 10 thous.
- » Internal transport of alloying elements at the BOF steel plant – exchange of 16 sleeves – CZK 63 thous.
- » Lime reservoir and garble station at the BOF steel plant – exchange of 32 sleeves – CZK 127 thous.

Repair of electrostatic exhaust separators at the sinter plant in accordance with the revisory statement ZVVZ Milevsko, Ostrava operations.

Evaluation, contribution of the project and costs: To increase the tightness of the exhaust system either repair was performed, or exchange of individual parts of the range of equipment with a total costs of CZK 371,000.

COKE AND CHEMICAL PRODUCTION

Repair of furnace valves at the coke oven batteries unit.

Evaluation, contribution of the project and costs:

The total of CZK 1.5 mil. was spent in 2014. Change of 35 stove armatures and 52 of them were caulked.

Repair of brickwork of coke oven chambers at the coke oven batteries.

Evaluation, contribution of the project and costs:

Repairs at coke oven chambers 48 were carried out with total costs of CZK 6.6 mil.

TUBE MILL

Gathering method of used abrasive material from the buffer for the grinding line has changed from free falling into the box with the necessity of further filling into special bags – called big bags to direct falling into big bags and thereby dust reduction.

Evaluation, contribution of the project and costs:

The costs reached CZK 10,000 and included the construction of a new box, in which the big bag is seated. Captured rubbing dust falls down into it.

WIRE ROD AND LIGHT SECTION MILL

Repair of exhaust, exchange of filter pockets at the facility Saw 1 and 2 Braun at the light mill.

Evaluation, contribution of the project and costs:

Total costs approx. CZK 80 000. Repair and exchange were carried out.

Repair of exhaust, exchange of filter pockets and the filter bag to reduce emissions of solid fuels into the air, blast machine Banfi.

Evaluation, contribution of the project and costs:

Total costs approx. CZK 50,000. Repair and exchange were carried out.



WATER PROTECTION

PRODUCTION OF IRON AND STEEL

Disposal of the carburetting station at the blast furnaces.
Evaluation, contribution of the project and costs:
Disposal of the carburetting station was carried out in 2014. There was gradually implemented de-installing of individual facilities with a total costs of CZK 8 mil. The benefit is the removal of leakage of a defective substances.

COKE-CHEMICAL PRODUCTION

In exchange and repair of fennol-ammonia waters in the Coke-chemical plant for the municipal water treatment plant (MěčŮV).
Evaluation, contribution of the project and costs:
Repairs and exchange reached the total costs of CZK 10,3 mil.

WIRE ROD AND LIGHT SECTION MILL

Repair of the floor in the oil cellar of light section mill, below the 800 t shears (securing the impermeability of the floor against the leakage of chemicals).
Evaluation, contribution of the project and costs:
Implemented repairs reached the total costs CZK 105,000.

ROLLING MILL OF BLOOMS AND HEAVY PROFILES

Repair of the chemical store and chemical mixtures at the centre of the Railway Superstructure Accessories in accordance with the project (e.g. floors with a leak proof layer, retaining reservoirs...)
Evaluation, contribution of the project and costs:
Total repair costs were ca CZK 200,000.

Central distribution of cutting fluids system onto the cutting tool centres in the premises of the Railway Superstructure Accessories.
Evaluation, contribution of the project and costs:
Repair and canal cleaning was done as well as repairing and cleaning of the cutting fluids distribution system. Blind and unused canals were shut down in order to reduce leakage of fluids into the subsoil. Total costs about CZK 50,000.

Minimization of cutting fluids spraying in the Railway Superstructure Accessories surroundings.
Evaluation, contribution of the project and costs:
Installation of missing and damaged covers was implemented which prevents from diffusion the cutting fluids nearby the cutting machines. The total costs are CZK 60,000.

Reconstruction of machine and electrical workshop maintenance at the centre of the Railway Superstructure Accessories.
Evaluation, contribution of the project and costs:
Several precautions have led to better conditions of EMS and BOZ at workshops. Significant improvement was obvious as regards the manipulation with spare parts including the improvement of sanitary conditions at the workshop maintenance, by installing the exhaust welding tool box. The total costs of CZK 250,000.

TUBE MILL

Water savings thanks to launching the service of the second pump from the main water well of Big Mannesmann into the petrol station.
Evaluation, contribution of the project and costs:
In March, the pump was installed in the main well and connected to the new pipelines leading to the petrol station. Implementation costs amounted to 265 000 of CZK.

The pump installation to the end well of Small Mannesmann and construction of new pipelines with luminosity DN 150 into the petrol station.
Evaluation, contribution of the project and costs:
The pump was launched in September and total costs reached CZK 249,000. The benefit is another water saving of operating water which is necessary in rolling process.

The installation of another pump at the refining station of Big Mannesmann concerning the construction of new pipelines with luminosity DN 150 into the petrol station.
Evaluation, contribution of the project and costs:
The pump was launched in December and total costs were CZK 282,000. The further benefit is water saving and re-using the operating water.

BILLET MILL IN Kladno

The press CDT400 (ŽďAS) on the Kulatinová linka was replaced by new one horizontal press KI600 (Koma).
Evaluation, contribution of the project and costs:
Exchange implemented. As the benefit is a precaution against oil spill. The costs were CZK 17 mil.

Aquiculturing securing of waste collection places at the gate No. 6.
Evaluation, contribution of the project and costs:
Accomplished security in order to prevent oil spill. Costs reached ca CZK 1 mil.

WASTE MANIPULATION

STEEL DRAWING PLANT

Roofing the municipal waste collection place with a positive impact on improving the environment.
Evaluation, contribution of the project and costs:
Roofing has been done. Costs reached up to CZK 358,000.

SECONDARY RAW MATERIALS

Reclamation of the Neboranka dump is in process.
Evaluation, contribution of the project and costs:
Within the facility for the dump reclamation (hereinafter ZPRS) has been used 46 300 tons of garbage, especially soil from the investment projects of TŽ and its vicinity for shaping the dump field. The ZPRS processing was covered from the operating means such as Secondary Raw Materials, simultaneously with the Neboranka dump.



OUTLOOK FOR 2015

Environmental projects – investments according to the Technical Development Plan for 2015:

- Modernization and reconstruction of the Coking Battery No. 11
- Adding active carbon into flue gases
- Desulphurization at the sinter plant No. 1 and 2
- Reconstruction of filling the container under the fabric filters of the sinter plant No. 1
- Reconstruction of the dust mixing at the sinter plant No. 2
- Construction of new wind heaters No. 64 at the blast furnaces
- Reclamation of the Neboranka dump
- De-dusting of the coal unloading pit
- De-dusting of nods and exhaust gases at sinter plant No. 2
- Reconstruction of emission exhausts at teeming halls of the blast furnaces
- Secondary de-dusting of the BOF hall
- De-dusting of the work place for fire cutting of the continuously cast blooms/billets
- Decrease of emissions at the facility for production the blast furnace charge
- De-dusting of multi-functional facility for production the blast furnace charge
- De-dusting of the iron ore pellet sorting line
- Mobile de-dusting equipment
- Multi-purpose de-dusting units
- De-dusting of tipplers No. 3 and 4
- Decreasing the fugitive emissions with the mobile industrial vacuum cleaners
- Decreasing the fugitive emissions at the iron ore belt conveyor – mist visor
- Purchase of the universal spray-sweeper car
- Decreasing the fugitive emissions at the crushing lines and slag handling
- Decreasing the fugitive emissions at the multi-purpose environmental area
- De-dusting of the vacuum station RH2
- De-dusting of tundish section burning cutting machine of continuous casting machine No. 1 and 2
- Insulating greenery

Following events for 2015 covered from the operating costs:

AIR PROTECTION

IRON AND STEEL PRODUCTION

Exchange the filter bags, de-dusting at individual sources as needed (nodes at sinter plant No. 1, ladle furnaces No. 1 and No. 2, skip pits, internal and external transport of additives etc.). Costs according to the range of necessary exchanges.

Reconstruction of filling containers under the fabric filters at sinter plant No. 1. Planned costs approx. CZK 2 million.

WATER PROTECTION

WIRE ROD AND LIGHT SECTION MILL

Repair of floor in the workshop of oil sector of the wire rod mill (securing the impermeability of the floor against the leakage of chemicals). Predicted costs about CZK 100,000.

Repair of the floor in the oil cellar of light section mill, below the 800 t shears (securing the impermeability of the floor against the leakage of chemicals). Predicted costs about CZK 80,000.

BILLET AND HEAVY SECTION MILL

Repair of the central stock of cutting fluid of 18 cubic meters of the Railway Superstructure Accessories plant. Planned costs CZK 100,000.

Repair of pocket scales at the Walking Beam Furnace. Planned costs in CZK 500,000.

BILLET MILL IN KLDNO

Precautions – aquiculturing securing of places nearby new horizontal press K1600. Planned costs ca CZK 400,000.

Precautions – monitoring the levels of oil in the 13 of tanks located in the oil cellars. Planned costs are not fixed yet.

WASTE MANIPULATION

BILLET AND HEAVY SECTION MILL

Setting up a new collecting place for sorted-waste at the Railway Superstructure Accessories including the additional equipment of the waste collecting place at the billet and heavy section mill. Planned costs ca CZK 30,000.

ENERGY SAVINGS

TUBE MILL

Efficient waste heat usage of the Karusel furnace of Big Mannesman. Planned costs in 2015: 11 mil. CZK.

Reconstruction and modernization of the Ignis furnace, including the replacement in the hall 9. Planned costs in 2015: 27.5 mil. CZK.

Reconstruction of chosen roofs at the tube mill plant. Planned costs in 2015: 10 mil. CZK.





Ivo Žižka

Member of the Board of Directors
and TŽ CSR Representative

Dear friends,

At the report, you had an opportunity to familiarize with the life of our company and its employees and thus our every day's effort to apply the principles of socially responsible behaviour.

As you can see, these issues are formidably important for us, therefore we are eager to eliminate the impact of

our activities on the surrounding and its inhabitants. We are trying to keep the stipulated principles and within the time we accept new interesting ideas for continuous improvement of our social responsible behaviour.

I strongly believe that previous information has convinced you.

CONCLUDING WORDS

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