

CORPORATE
SOCIAL RESPONSIBILITY
REPORT

2012



TŘINECKÉ ŽELEZÁRNY

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INTRODUCTORY WORD



Jan Czudek

Chairman of the Board of Directors
and CEO



Česlav Marek

1st Vice-Chairman of the Board of Directors
and Production Director

Dear Friends,

This year, we publish for the first time our company's report on Corporate Social Responsibility (CSR), which should give you an idea of how we have implemented this system into our daily activities. Inter alia, we have decided that because the social responsibility behavior has been for a long time part of our company's strategy. We think that our relationship to social responsibility very well describes our compa-

ny's mission statement „Together for the generations to come“.

Into this report we have tried to include the main economic, environmental and social aspects of our business that we apply both in our company but also transmit them simultaneously to other companies of our group in the Czech Republic and abroad.

Třinecké železářny has during its more than 170 years of existence gradually become dominant industrial company of Těšín Silesia Region. Shared responsibility for the sustainable development of the region, increase of inhabitants life quality, but also responsibility for development of micro-regions in which operate our subsidiaries, is binding for the company's management today and for the times to come.

Basic information

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INTRODUCTION OF THE COMPANY

TŘINECKÉ ŽELEZÁRNY, a.s. is the successor of the long tradition in iron and steel making in Těšín Silesia Region. Třinecké železářny was established in 1839 by the Těšín Chamber owned by the Archduke Karl von Habsburg. Today, the company TŘINECKÉ ŽELEZÁRNY, a.s. is the largest Czech Ironworks with domestic capital and the largest subsidiary of the MORAVIA STEEL a.s. Together they form one of the leading industrial groups in the Czech Republic. The strategy of TŘINECKÉ ŽELEZÁRNY, a.s. is „dynamic increase in the proportion of long rolled products with higher added value and its management of built in product chains.“ Gradual diversification of the product portfolio reduces dependence on market fluctuations.

TŘINECKÉ ŽELEZÁRNY, a.s. produces annually in a closed metallurgical cycle of roughly 2.5 million tons of steel. This represents almost half of the current total steel production in the country. Main product portfolio consists mainly of long rolled products - wire rod, sections, special bar quality, drawn steel, rails, wide steel, seamless tubes and semi-finished products. The other products are coke and associated products generated during its production, as well as artificial dense aggregates and granulated slag.

Our operations cover the complete cycle, all the way from the coke production to the final hot rolled steel product. Coke operation consists of two coke oven batteries. Produced coke is used in our two blast furnaces along with the iron ore prepared for charge in two sintering plants. Produced pig iron is then processed in BOF steel

plant equipped with a full ladle metallurgy and two continuous casting units - bloom and billet caster. Steel is also produced in electric steel plant. Blooms, billets and to a lesser extent, ingots produced in steel plant serve as a charge material for our rolling mills in Třinec - Bloom and Heavy section mill, Middle-sized rolling mill, Wire rod and light section mill and for Tube Mill in Ostrava and Universal Mill in Bohumín. Cast blooms and ingots are also supplied to a further processing in Sochorová Válcovna TŽ, a.s. Kladno. Associated products, generated out of metallurgical production are then processed in operation Secondary raw materials for artificial stone and other building material.

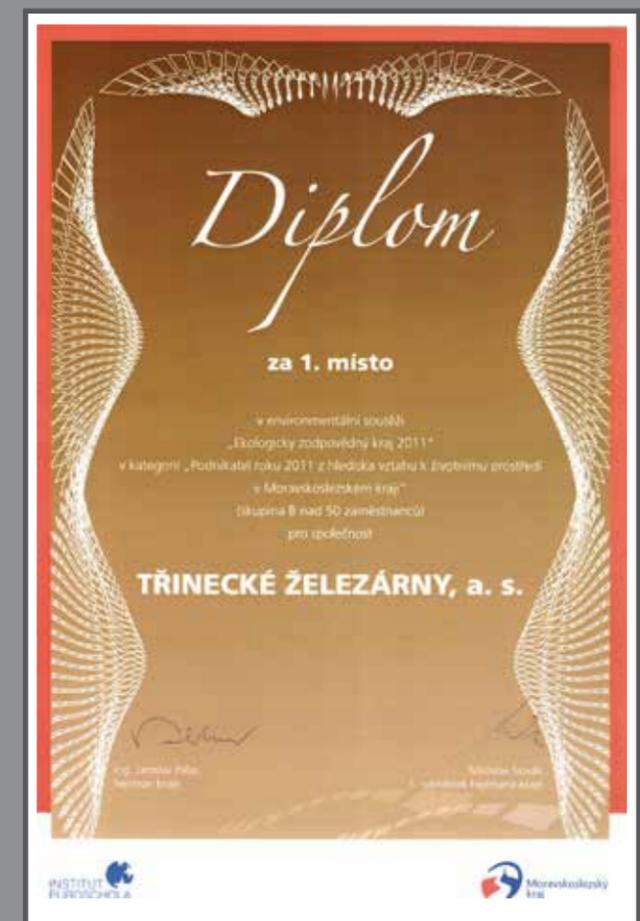
The group also includes companies that are part of the product chain of TŘINECKÉ ŽELEZÁRNY, a.s. or provide services within the group and beyond. TŘINECKÉ ŽELEZÁRNY, a.s. has a capital interest in 29 companies, in twenty-two of them have the status of sole or majority shareholder or partner. The latest acquisitions are joint stock companies ZDB WIRE a.s. in Bohumín and DALSELV DESIGN a.s. in Ostrava. Its operations include non-patented wire drawing mill for the production of fasteners, welding and shiny wire, patented wire drawing mill designed for the manufacture of ropes, spring and brush wire and production of tire cord steel and wire for pressure hoses. In Steel Wire Rope Mill are manufactured ropes used in mines, fishing industry, as well as binding and special ropes and ropes for cableways. Production in operations for spring and wire focuses on the production of compression, torsion and shaped springs and also on the production of metallic fabrics, needles,

sealing wires. Company DALSELV DESIGN a.s. mainly deals with the reconstruction and modernization of coke oven batteries, and provides a complete service from project and manufacturing documentation through to production supervision on construction sites.

Within the group the production capacities are located in Třinec, Kladno, Staré Město u Uherského Hradiště, Bohumín, Česká Ves u Jeseníku, Ostrava, Dobrá u Frýdku-Místku, Kyjov, Radomsko in Poland and Miskolc in Hungary.

In all the history of TŘINECKÉ ŽELEZÁRNY, a.s. this company has produced 170 million tons of steel and rolled products, which traditionally find their place not only in the domestic market but also worldwide. More than half of the annual production of high quality steel products bearing the company's logo of three hammers in a circle is heading to customers from more than 50 countries around the world.

Mission statement of TŘINECKÉ ŽELEZÁRNY, a.s. “Together for the generations to come“ is based on the historical role of dominant industrial company, affecting the area with approximately of 100,000 inhabitants. In the mission statement we express our shared responsibility for the development of the surrounding region.

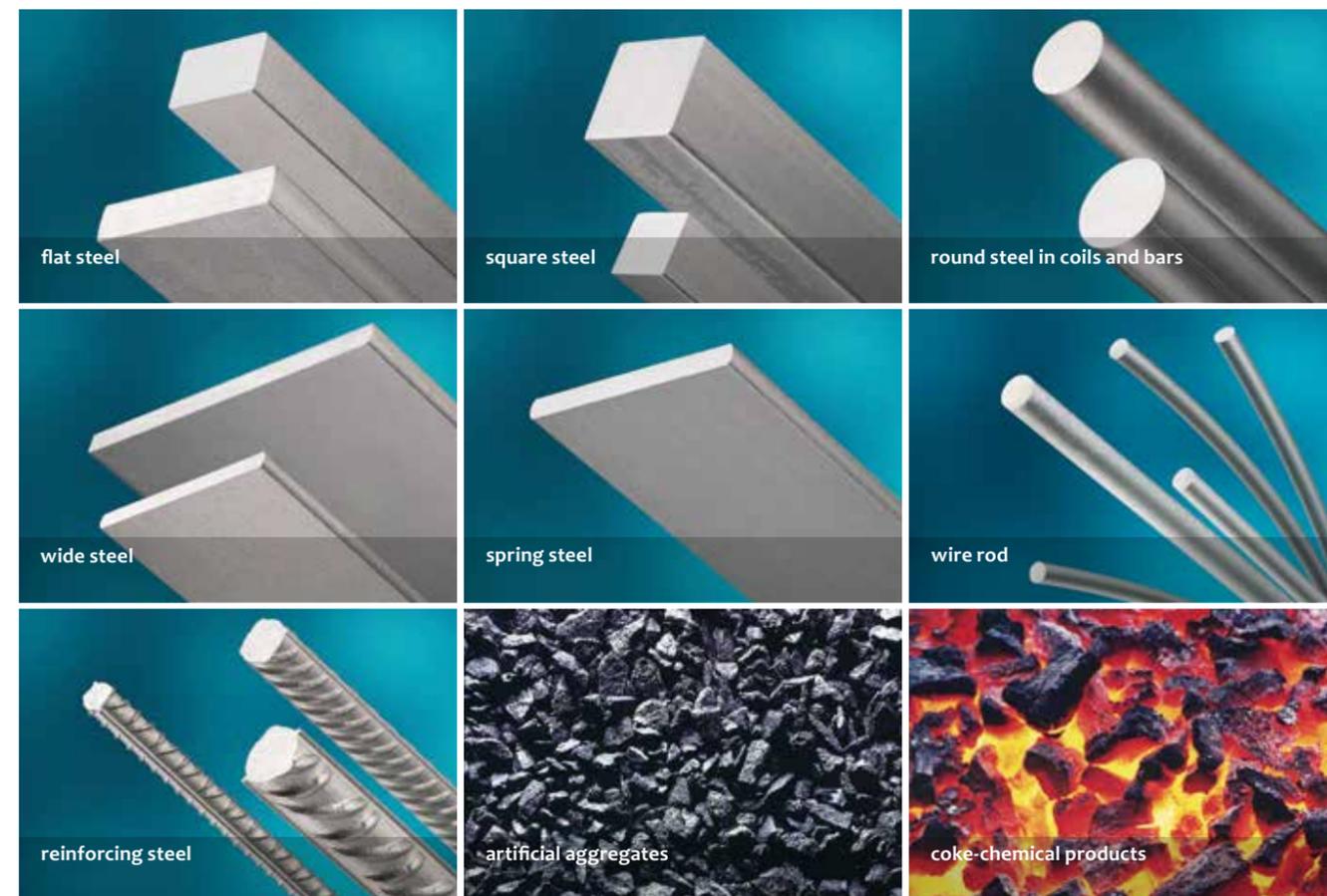
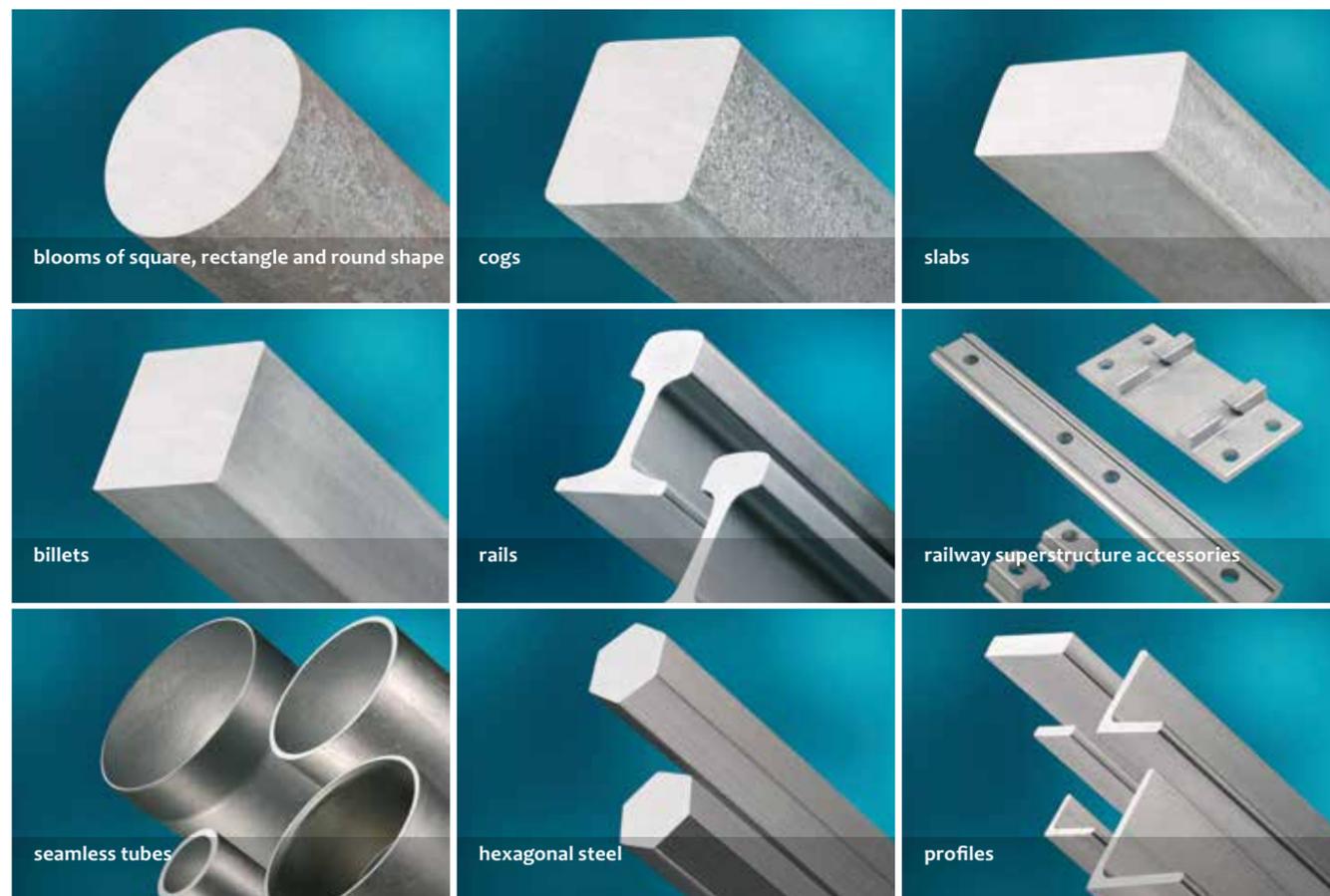


Other prestigious awards

- Czech Republic Award for the Quality 1996
- Czech Made 1998
- Regional Governor Award for the Corporate Social Responsibility 2009
- WORLD steel award
- Safe Company
- Climate member
- Entrepreneur of the Year 2011 from the perspective of the relationship to the environment in the Region
- Winner of the Czech Republic National Award for Corporate Social Responsibility in 2011

ISO Certificates
 ISO 9001
 ISO TS 16949
 ISO TS 16949-VF
 ISO 14001

Viable products of TŽ



Management commitment and code of ethics

However, even well-established processes in such a large company as Třinecké železářny, will not be too effective unless they are supported with the initiative of all involved employees at all levels of the organization. The company management is developing activities to ensure that employees would not be indifferent to the results of their own work, the results of the teamwork, have a mo-

tivation for constant improvement activity, have the ability to cope with negative situations, have the inner sense of responsibility for the company and also were proud of the company results. This cannot be achieved by regulations, internal legislation or single training. This can be only achieved by prolonged activities of senior executive employees, their behavior targeted towards collective team,

ongoing communication about topics that are considered essential to the company. Such fundamental topics in Třinecké železářny are part of Code of Ethics and related approaches and principles. Their degree of fulfillment of Třinecké železářny collective team can be considered as a “spirit of the company“, or in other words, the corporate culture.

Management commitment of TŽ

Each member of management within their competence:

- ensures adequate human, material and financial resources including the use of EU structural funds to ensure the objectives, review their availability and adequacy and ensures their efficient use,
- take decisions solely in accordance with the laws and standards in the areas of quality, environment and prevention of major accidents with simultaneous repression of any manifestation of corruption.

The company management expects from its employees flawless compliance with labor and technological processes, with a proactive approach to the continuous improvement of the work of individuals and teams, which leads to meeting the objectives and reduce costs at all workplaces.



TŘINECKÉ ŽELEZÁRNY, a. s. 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.



... 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.

... 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.

... 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 labor, abuse of child labor and discrimination in pursuing the employment or at employment.

The basic principle of mutual relationships is equality and fairness.

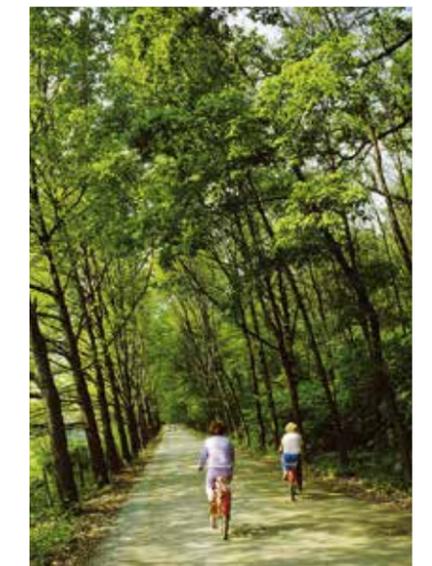
Company policy is to ensure the protection of business secrets and prevent the abuse of confidential information.

... 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 fulfill 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.





Approach and principles to promote responsible conduct

Customer Orientation

“Our customer, our partner“

- » we know the needs, intentions, and even secret dreams of our customers,
- » we satisfy the customer and surrender him only the best quality product or service - we want the customer to come back,
- » we are mutual clients even within our company,
- » we support customer relationships based on law and distance ourselves from all forms of corruption.

Foresight and innovation

“Think ahead, find and implement new solutions“

- » we carry out our activities for the needs of the future,
- » we are always at least one step ahead of the competition,
- » advanced technology is our goal.

Entrepreneurial spirit, action orientation

“Search and benefit from opportunities to develop the company“

- » make the right decisions at the right time,
- » create an environment where we will behave as good stewards.

Openness to change, flexibility

“Change is the driving force of success“

- » we should understand change as a (challenge) and chance to achieve something,
- » let's not resist change, let's not inhibit development,
- » let's us accept even the unfavorable change, it may bring a positive effect (impact).

Continuous improvement of processes and performances

“There is always and everywhere a room for improvement“

- » look for improvement in yourself, let's improve ourselves,
- » let's simplify activities - it is a path to success.



Teamwork

“The whole is more than a part“

- » we include our co-workers in solving tasks,
- » we make use of knowledge, skills and abilities of others for the benefit of the company.

Partnership and alliance thinking

“Build relationships inside and outside the company“

- » respect the opinion of others,
- » cooperate - cooperation bears fruit,
- » success of the partner company is also our success,
- » we insist on respecting the human rights protection.

Consistency, fulfillment of agreements

“Unity of words and deeds“

- » what we promise, we fulfill it,
- » best contract is the one that is not written, but both parties meets it,
- » follow through with tasks to the end.

Sharing knowledge and experience

“Good idea kept to myself, is valid nothing“

- » don't keep your experiences and knowledge to yourself,
- » by bequeathing the knowledge and experience you enrich ourselves and others.

Competent openness and clarity in communication

“Knowing what, to whom, how and when to communicate“

- » no connection no management,
- » let's be kind and specific,
- » clearly formulate goals and objectives,
- » support the feedback.

Sense of shared responsibility for the success of the company

“Without the part is not a whole“

- » remember that the company is a living organism, so it is necessary that each of its cell would function reliably,
- » success of the company is made up of commitment of each individual
- » let us be loyal and proud of work in the company in which success we participate in.

Continuous development of trust

“Trust but verify - strengthen the mutual trust“

- » trust must be gained, can't be bought,
- » create space for dialogue,
- » reinforce good interpersonal relations based on mutual respect and intolerance against any manifestation of discrimination.

Interested parties

Each group of people and each person has a different perspective on a company size of Třinecké železárny, namely according to in what relation they are to it. In today's global world it is an absolute requirement that all the interested parties can be satisfied with the results and effects of TŽ, a.s. Therefore, in their processes Třinecké železárny monitor all interested parties and work upon their approaches to these parties, which are: owners, customers, processing companies in the supply chain, employees, suppliers, subsidiaries, city authorities, regional bodies, bodies of ministry and their organizations, professional organizations, the media at all levels, schools of all levels and international organizations.



ECONOMIC MANAGEMENT

Charity Planning and community service activities

The funds for charity and community activities are an integral part of the annual financial plans of our company.

The planned amount for a calendar year is based on the facts from previous year. During the year, the amount can be corrected through the decision of the Board of Directors. This area is concentrated in the financial statements under „gifts“.

Donations provided by our company after discussing the applications at the Board of Directors and also based on the recommendations of the Supervisory Board. In its decision on the individual requirements of applicants, the Board observes the principle of sustainable development of the region and also the degree of corporate social responsibility, with a preference of applicants from the surrounding region. Also takes into account the mutually beneficial activities with the relevant body, which means in some cases, other forms of fulfillment are considered than a financial donation (e.c. disposal of electronic waste of TŽ in sheltered workshops, volunteer help of TŽ employees paid by the employer in educational and social facilities, material aid by products of TŽ etc).

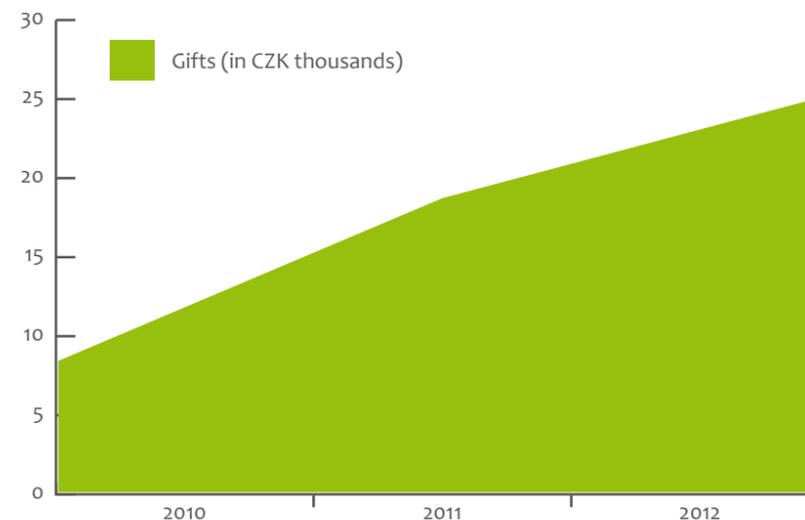


Charity and community activities are divided into the following areas:



education,
physical training,
culture,
health,
social care,
church,
other.

Graph 1: Gifts



Economic risk management

The establishment of an business risk management and its gradual improvement is here to create a functioning tool to help management of TŽ mitigate or eliminate the effects of events that could delay or jeopardize the fulfillment of business strategy of the company.

Indirect economic impact on the community

TŘINECKÉ ŽELEZÁRNY, a. s. are in the long term, the largest employer in the region of Těšín Silesia and also the largest source of job opportunities. Thus the company affects directly or indirectly about 100,000 people in the region. Their employees are involved in councils and community organizations of surrounding towns and villages. Part of the internal and external communication is their feedback about the effects of TŽ in the region. TŽ management meets regularly with representatives of cities and towns and introduces to them their developing investment plans and the requirements especially in relation to sufficiency of work force. On the other hand, TŽ is gaining an overview of development plans of individual cities and towns, as well as major issues in the region whether related to employment, environment, transport infrastructure or social events. Together, they prepared in approximately five year cycles regional development strategy, so called coordination program of participation. In addition, TŽ is using standard models of monitoring of its effect on the community, or the mapping the community needs such as:

- » Application of LN - Risk monitoring
- » Email protocol, data boxes
- » Weekly magazine of TŽ - Metallurgist (circulation 12,000 pcs / edition)
- » Electronic issue of e-metallurgist
- » Employee satisfaction survey, once per 2 years direct survey
- » TŽ membership in regional and provincial Chamber of Commerce, Association for Development of the Moravia-Silesian Region and other institutions and the use of surveys and analyzes of all these institutions
- » Engaging the public survey of social responsibility in the region (CSR survey), competes for the governor MSK award in corporate social responsibility, competitions for the protection of the environment, etc.
- » Mapping the effects on the labor market: cooperation with Labour offices, schools.



Building of public services from which it is not anticipated direct gain:

Fire Rescue Brigade of TŽ is a member of the Integrated Rescue System and also participates in the events of this IRS outside the premises of TŽ.

Membership of TŽ employees in the following congregations and councils:

- » Advisory Council of the Labour Office Frýdek - Místek – Head of Human Resources,
- » Council of TŽ Technical High School – HR Director, Head of Accounting,
- » School Board of Industrial High School Frýdek - Místek – HR Director,
- » School Board of Industrial High School Karviná – HR Director,
- » School Board of STS and SVS Jablunkov – Head of Human Resources,
- » School Board of Gymnasium School Třinec – HR Director of TŽ,
- » Scientific Board of VŠB-TUO, external member – member of the Supervisory Board.

Development and impact of infrastructure investments and service provided for the public's benefit

Construction investment in TŽ is planned and implemented for three main reasons: to renew, modernize and ultimately make steel production environment friendly, i.e. minimize negative impacts on the environment, such as reducing emissions.

We prepare and implement also flood prevention measures. Example of flood prevention measure is on the picture below. These are safety walls and platform fingers against overflowing water from the river bed and to prevent flooding of the Continuous Light Section and Continuous Wire Rod Mill.



Other implemented investments:

1. In 2010, we have opened of a new road weighs close to truck dispatching centre. Trucks therefore don't have to pass through the whole premises of TŽ only for the purpose weighing. Weighbridge is used in addition to TŽ and subsidiaries also by other companies not just from the industrial zone. This led to the diversion of truck traffic from the city center, and also from the premises of Třinecké železářny. This has a positive impact on traffic both the city center and the premises of TŽ,

which has the effect of improving the environment by reducing emissions and improving safety by moving the truck traffic on the road, made for that purpose.

2. At the project Regulation of brook Křivec and its increase of the culvert flow (increasing the flow from Q₂ to Q₅₀, i.e., from two to fifty years water) has been in 2010 negotiated zoning decision. Issuance of building permit and actual implementation took place in 2012.



Planned investments

1. There are being prepared investment projects contributing greatly to the improvement of air quality and the life of Třinec inhabitants and adjacent localities co-financed by the State Environmental Fund. Among the biggest of such events is included dedusting of the Sintering Plant no. 2, casting house dedusting of Blast Furnaces no. 4 and 6 and secondary dedusting of BOF Steel Plant.
2. Last but not least there are major projects in progress and are prepared in order to save costs and increase competitive advantages of TŽ, a.s. These include duff coal injection system, modernization and reconstruction of coke oven battery KB11, peeling and finishing lines, briquetting lines and other.

Other upcoming investments are further presented in the environmental section of this report.



ENVIRONMENT

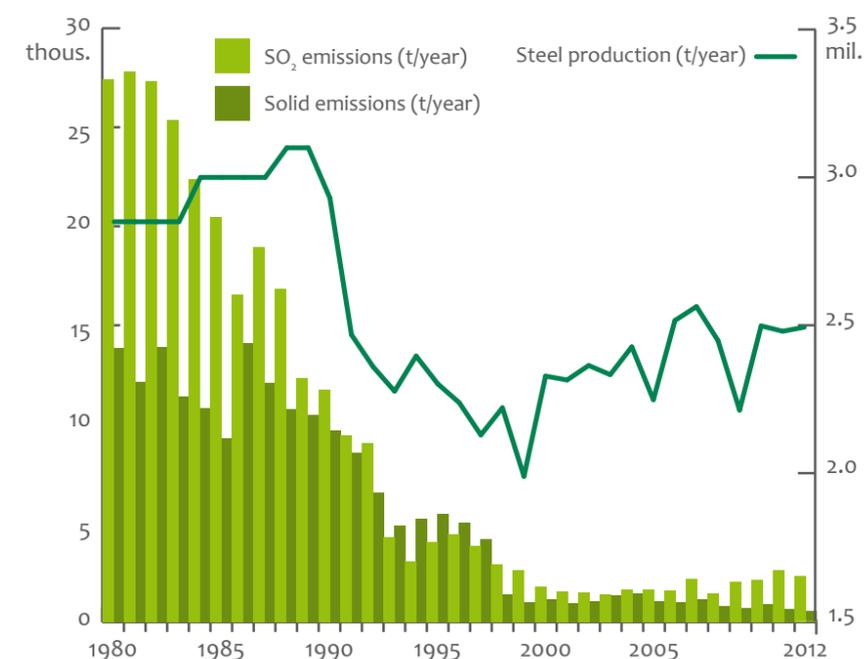
Air protection

Table 1: The occurrence of emissions in tons for the 2012 in comparison with 2011

Year	Solid emissions (t/year)	SO ₂ emissions (t/year)	NO _x emissions (t/year)	CO emissions (t/year)	Other emissions (t/year)
2011	670	2 640	1 449	59 827	70
2012	581	2 323	1 453	59 769	66

Compared to 2011, there was a further significant reduction of solid emissions to a new historic minimum. This was mainly achieved on the sources like Hall of BOF steel plant, Dedusting of the coke side and Degassing of coke batteries.

Graph 2: Air Protection – Long-term Development



There were also significantly reduced emissions of SO₂, favorable trends have been recorded primarily on all sintering belts in Sintering Plant and at the Ladle Furnace no. 2. There were no significant changes in the levels of other types of emissions during the year.

Emissions of Greenhouse Gases

The amount of the greenhouse gases reached the number of 2 629 177 tons in 2011 when the value of specific emission reached 1.060 ton of CO₂ per one ton of crude steel.

In 2012, emissions of greenhouse gases increased to 2,700,070 tons, an increase of 2.70% has been caused mainly by an increase of the emission factor and reducing the calorific value of blast furnace gas and a slight increase in steel production. As a result of it, specific emissions have increased to 1,083 t of SO₂ per ton of crude steel.

Table 2: Emissions to Air

Year	Steel production kt/year	SO ₂ emissions t/year	Solid emissions t/year	Emission NO _x t/year
2006	2 516	1 589	997	1 370
2007	2 563	2 170	1 132	1 563
2008	2 448	1 440	832	934
2009	2 213	2 038	717	1 297
2010	2 498	2 136	902	1 425
2011	2 480	2 640	670	1 449
2012	2 493	2 323	581	1 453

Number of free permits allocated for the third trading period, respectively generally valid correction factor has not yet been established by the European Commission.

Water protection

The amount of industrial wastewater discharged into the Olše watercourse and level of water pollution has not shown any significant deviation for the 2012 compared to 2011 and it corresponds to the long-term stabilized Water Management of TŽ. The quality of wastewater reaches a sustainable level with the respect to compliance with specified limits of allowed pollution. Also, in terms of production of waste water per ton of produced steel, the situation in comparison with 2011 is balanced, when in 2011 the production of wastewater was 1.74 m³/t and in 2012 1.75 m³/t.

During 2012 TŽ did not cause any emergency situation that would result in deterioration or threat to the quality of groundwater or surface waters.

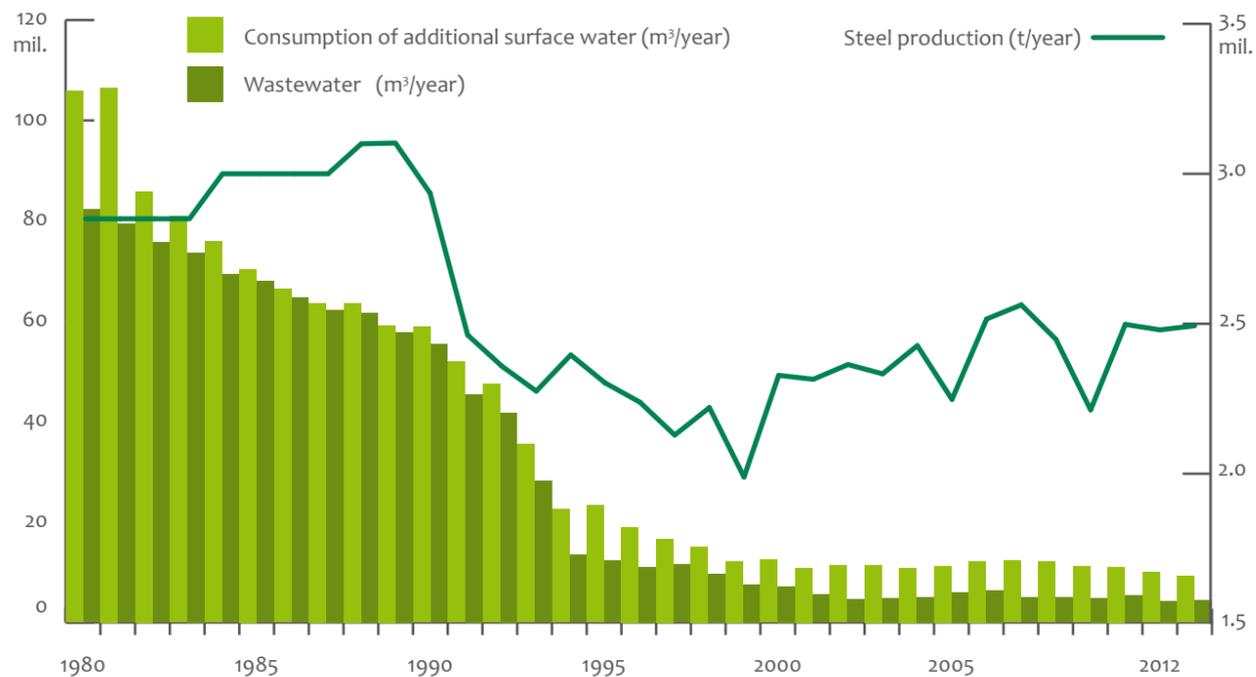
Table 3: Pollution discharged into a watercourse for 2012 in comparison with 2011
Data relating to the premises of TŽ:

Year	Amount of wastewater [m ³ /year]	NL suspended solids [t/year]	C10 – C40 hydrocarbons [t/year]	RAS dissolved inorganic salts [t/year]	CHSK _{Cr} chemical oxygen consumption [t/year]	Fe total iron [t/year]
2011	4 323 082	47.1	0.96	2 309	52.6	4.2
2012	4 370 584	42.0	0.80	2 142	73.6	4.6

Table 4: Water

Year	Steel production kt/year	Consumption of additional surface water m ³ /year	Wastewater released to watercourses m ³ /year
2006	2 516	12 267 112	6 384 551
2007	2 563	12 327 048	4 998 445
2008	2 448	12 145 633	5 004 735
2009	2 213	11 184 612	4 901 611
2010	2 498	11 085 596	5 402 078
2011	2 480	9 954 435	4 323 082
2012	2 493	9 202 284	4 370 584

Graph 3: Water Protection – Long-term Development



Waste Manipulation

The fundamental aspect of waste management in TŽ is to minimize the impact to the environment. The amount of waste produced in the TŽ is largely dependent on the volume of steel production, which was in 2012 at the same level as in 2011 (an increase of 0.6%). Yet waste production was different.

In 2012 has been generated total of 209 389 tons of waste, which represents an increase compared to 2011 ca about 7%. Indicator of the amount of waste per ton of produced steel in 2011 - 78.6 kg/t of steel, in the evaluated year 2012 - 84 kg/t of steel (increase about 6.9%).

Among the main reasons of the waste increase in category „Other“ is included increased incidence of TŽ unused slag and debris that have been transferred to other eligible persons. There has been about 37 kt more of this waste than in 2011.

On the other hand, there was a significant reduction in the incidence of „Hazardous“ waste. Fully has been reflected the shifting of BOF fine sediments from waste to management under the by-products (-39.6 kt). Decline in production of hazardous waste is a positive trend in waste generation of TŽ.

Table 5: Waste Management

Year	Steel production kt/year	Waste production cat. „Other“ kt/year	Waste production cat. „Hazardous“ kt/year
2006	2 516	225	110
2007	2 563	76	119
2008	2 448	91	121
2009	2 213	84	94
2010	2 498	93	109
2011	2 480	81	114
2012	2 493	135	75

Graph 4: Waste Management – Long-term Development



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, the contractor – company UNIGEO, a.s., Ostrava – expended about 94 % of means from the project budget by the end of 2012. Of the total of 24 redevelopment projects, the contractor has delivered 16 completed objects. Regarding the other objects, the works are in the stage of the post-redevelopment survey with the completion date at the discretion of Czech Environmental Inspection by the end of 2017.

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 assesment and after own public contract letting concerning the implementation of corrective actions in the area of TŘINECKÉ ŽELEZÁRNY, a. s.“ Solution of this new 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 2012 has been spent usefully for about 54% of the cost from implementation project budget. The deadline for completion of redevelopment work, according to an administrative action is by the end of 2017.

Management of chemical substances and mixtures, REACH

After the first wave of registrations in 2010, the European Chemical Agency examines registration dossiers. In 2012 as a result of this inspection, dossiers were completed and revised of TŽ transported intermediates, for which are required strictly controlled conditions.

Obligations under REACH were continuously met. It was primarily communication in the supply chain, providing information on the implementation of REACH in TŽ and also informing customers of review of safety data sheets for substances produced in TŽ.

For the fulfillment of the obligations of CLP Regulation (EP and Council Regulation no. 1272/2008 on classification, labeling and packaging of chemical substances) are monitored and stored information on chemical substances produced in TŽ which were notified in 2011.



Caring for nature and landscape

In April 2012, as usual TŽ has joined the activities organized by Třinec city in connection with the celebration of Earth Day. We help to clean the bed and bank of the river Olše which flows through the company premises. It was gathered of a total 4.5 tons of garbage, which were then submitted to a professional company for disposal.

Environmental projects

Evaluation of 2012

In 2012 were launched or continued implementation of the following environmental projects (investment), e.g.:

- » reduction of dust nuisance on the Homogenization landfill (CZK 2.56 mil.),
- » de-dusting of flue gases and nodes at Sintering plant no. 2 (CZK 1.86 mil.),
- » reconstruction of the casting house exhaustion of BF4 and BF6 (CZK 1.13 mil.),
- » technical recultivation of a landfill Neboranka (CZK 0.48 mil.).

Investment funds covered in 2012 environmental events in a total of 6 million CZK (excluding rehabilitation, modernization and events covered by operational sources), e.g. repairs at the individual TŽ operations have a positive impact on the environment (the exact cost on ecology cannot be quantified).

Other events covered by the operating costs

Air protection

VK - Production of coke

Repair of stove armatures at the center of coke oven batteries.

Evaluation and benefits of the project: *positive impact on reducing the air emissions.* The actual cost: CZK 1.646 mil.

Repair of brick lining in coke oven chambers at the coke oven batteries.

Evaluation and benefits of the project: *positive impact on reducing the air emissions.* The actual cost: CZK 5.231 mil.

Re-wall up of 8 heating walls of coke oven chambers at the coke oven batteries.

Evaluation and benefits of the project: *positive impact on reducing the air emissions.* The actual cost: CZK 21.325 mil.

Repair of hermetic sealing at the chemical site of coke plant.

Evaluation and benefits of the project: *positive impact on reducing the air emissions.* The actual cost: CZK 8.407 mil.

VO – Iron and steel production

Replacement of de-dusting filter hoses of skip pits at the blast furnaces.

Evaluation and benefits of the project: *positive impact on reducing the air emissions, during minor overhaul were replaced filter hoses for de-dusting of skip pits.* The actual cost: CZK 0.78 mil.

Replacement of filter hoses (21 000 CZK per pc) for flue gases of sintering belts 1 and 2 (fabric filters) at the Sintering plant 1.

Evaluation and benefits of the project: *positive impact on reducing the air emissions, there was exchanged 20 820 pcs of filter hoses for flue gases of sintering belts 1 and 2.* The actual cost: CZK 8.705 mil.

Improving the external protection of gas treatment plant at blast furnaces.

Evaluation and benefits of the project: *positive impact on reducing the air emissions; in October 2012 during minor overhaul at BF4 have been taken measures to improve the protection of the gas treatment plant. This also includes further risks prevention of accidents according to Act No. 59/2006 Coll.*

Projects beyond the plan for 2012 - during overhauls (minor and campaign) in 2012 were outside the regular maintenance carried out other activities that have a positive impact on the reduction of air emissions for example:

- » Replacement of filter hoses for dedusting of pig iron desulphurization.
- » Replacement of filter hoses for dedusting at Ladle Furnace no. 2 (LF2).
- » Dampening of homogenization landfill - jets on stacker no.2
- » Dust reduction on homogenization landfill - telescopic nozzle on stacker no. 1
- » Transfer of dusting onto homogenization landfill.
- » Sampling of sinter mixture at Sinter plant no. 1

Waste management

VH – Billet and heavy section mill

Extension, labeling and adjustment of collection places of sorted and common waste at the VH plant and maintenance workshops of Universal mill Bohumín (return of workshops from lease)

Evaluation and benefits of the project: Compliance with legislation on waste. The actual cost: CZK 0.02 mil.

Water protection

VH – Billet and heavy section mill

Elaborate the project documentation for the repair of floor with impermeable layer at the storages of oils and greases. Implement at least one project for the reconstruction of impermeable floors and sumps. Evaluation and benefits of the project: Compliance with legislation on water protection (protection against contamination of environment by noxious substances). The actual cost: CZK 0.15 mil.

Universal mill Bohumín - complete solution for cutting fluid recirculation - sump behind the saw "Gonda". Evaluation and benefits of the project: Compliance with legislation on water protection (protection against contamination of environment by noxious substances). The actual cost: CZK 0.05 mil.

VT – Tube mill

Installation of coating line for anticorrosive protection of tubes. Evaluation and benefits of the project: Reducing the amount of coating material (with better mechanical properties), improving hygiene and reducing the amount of hazardous waste. The actual cost: CZK 17 mil.



Projects above the plan for 2012:

- » To equip the storages of chemical substances and mixtures with retaining tanks.
- » Replacement of hydraulic station of bolting on machine at oil tube finishing shop of Big Mannesmann.

Evaluation and benefits of the projects: Compliance with legislation on water protection (protection against contamination of environment by noxious substances). The actual cost: CZK 1.114 mil.

VL – Transport and shipping

Repair of sewer in the repair shop for locomotives. Evaluation and benefits of the projects: Compliance with legislation on water protection (protection against contamination of environment by noxious substances). The actual cost: CZK 0.34 mil.

VJ – Wire rod and light section mill

Repair of floor in the fluid friction bearing workshop at - 2nd stage. Evaluation and benefits of the projects: project continues in 2013. Expected benefits: Compliance with legislation on water protection (protection against contamination of environment by noxious substances).



Outlook for 2013

Environmental projects - investments, incl. environmental projects with subsidies, according to the Technical development plan for 2013:

- » distillation of oily scales,
- » continuation of project - Technical recultivation of landfill Neboranka,
- » dedusting of flue gases and nods at Sintering plant no. 2,
- » reconstruction of casting shop exhausts at Blast Furnace no. 4 and 6,
- » reconstruction of secondary dedusting at BOF plant,
- » dedusting of facility for burning bears,
- » reduction of emission on the equipment for the production of blast furnace charge,
- » dedusting of the multifunction device for the production of the steel sinter,

- » dedusting of sorting shop for pellets (ores) in TŽ a.s.,
- » portable dedusting equipment,
- » multifunctional dedusting units,
- » dedusting of tipper 3 and 4,
- » dedusting of the unloading pit for coal,
- » reduction of fugitive emissions on crushing lines and slag management,
- » reduction of fugitive emissions at the slag mill,
- » reduction of fugitive emissions at the multifunctional environmental area,
- » purchase of universal sweeper – sprinkler car,
- » reduction of fugitive emissions at belt conveyor Rudiště - misting curtains,
- » reduction of fugitive emissions using portable industrial vacuum cleaners.

Other projects covered by the operating costs:

Air protection

VO – Iron and steel production

Replacement of filter hoses of dedusting at individual sources as needed (nodes at Sinter plant 1, Ladle furnace 1 and 2, ladle desulphurization of pig iron, IR-UT, etc.) Date of realization: 2013

Improvement of external protection for gas treatment plant at blast furnace VP6. Date of realization: 2013 / Costs: CZK 15 mil.

Drawing out materials from the tippler pit no.3 and 4 - reconstruction of the closures (project ZIP). Date of realization: 2013 / Costs: CZK 0.55 mil.

VK - Coke chemical production

Repair of furnace valves at the coke oven batteries unit. Date of realization: 2013 / Costs: CZK 2.5 mil.

Repair of coke oven chamber linings at the coke oven batteries unit. Date of realization: 2013 / Costs: CZK 9.5 mil.

Construction of coal grinding plant, including the conveyors, within the scope of blowing coal into blast furnaces project. Date of realization: 2013 / Costs: CZK 453 mil.

VS – Secondary raw materials

Modernization of granulating line VP6 - within this investment project will be built new steam outlets with higher stainless steel chimneys. There will also be added dust collectors which will bring a positive impact on reduction of emissions. Date of realization: 2013 / Costs: CZK 25 mil.

Water protection

VH – Billet and heavy section mill

Replacement of hydraulic drive for electric drive at grinder „SKET 4“. Date of realization: 30.06.2013 / Costs: CZK 0.08 mil.

Floor reconstruction for electrical storage in the premises of the former „ILGNER 3“. Date of realization: 31.12.2013 / Costs: CZK 0.05 mil.

Workplace adjustments for the preparation of mixture „Mefrit“, according to the principles of EMS (sump, drinking water, protectives and waste containers). Date of realization: 30.06.2013 / Costs: CZK 0.05 mil.

VJ – Wire rod and light section mill

Repair of the floor in the KDT run-out workshop - securing the impermeability of the floor against the leakage of chemicals. Date of realization: 31.12.2013

Repair of the floor in the hydraulic workshop - securing the impermeability of the floor against the leakage of chemicals. Date of realization: 31.12.2013

Modification of existing interceptive sumps for preserving oil (1000 l container), emulsion (1000 l container). Form a spare interceptive sump - preventing leakage of chemicals into the environment. Date of realization: 31.12.2013

VT – Tube mill

Replacement of hydraulic station on the machine „Tacchi“ at the oil tube finishing shop of Big Mannesmann. Date of realization: 2013 / Costs: CZK 1.5 mil.



PEOPLE

Třinecké železářny puts great emphasis on human rights and compliance with it. We also focus on compliance with human rights at our suppliers when we mention this issue in every new quality agreement between the TŽ and the supplier.

At the same time, every TŽ employee should behave in accordance with the basic forms of conduct embodied in the Code of Ethics. To this area, in particular, is related the part „basic forms of behavior towards employees“ - openness and mutual respect.

Each employee is obliged:

1. work properly, conscientiously, with quality and thriftily according to their strength, knowledge and skills,
2. fully use working hours towards performing the entrusted work,
3. work safely, protect lives and health of people, to protect working and living environment,
4. to protect the assets of the employer and other persons,
5. enhance their qualifications,
6. to protect human rights and observe the principles of cooperation and fairness,
7. to protect and promote the interests of the employer and to care about his reputation,
8. to refrain from corrupt practices.

Collective agreement

Collective negotiations are in the 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 Commission are binding for both parties.

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

The employer's party conducts twice a year evaluation of implementing the provisions of Collective Agreement for the given period. After it's discussed in the management review it's discussed in the body of trade union (Board of Chairmen).

The employees have not raised any requirements to address the specific cases of discrimination and no provisions of the Collective Agreement had been violated. There has not been found any violations or cases of discrimination during the inspections carried out by the Labour Office and Regional Labour Inspectorate in the period of 2010 - 2012.



In the internal documentation are for all planned positions in TŽ set required work activities and qualifications, risk factors of working environment and health eligibility. They are also set rules for different types of working hours, including breaks and rules for possible redeployment of employees for other planned positions - workplace.

Employees cannot be transferred to a job that is not listed in the corresponding description of the planned position. The implementation of the requirements coordinates Department PP - The Personnel and Remuneration.

Compliance with the measures is verified internally and externally. External validation is performed by trade union ZO OS KOVO, regional labor inspectorate and the Regional Hygiene Station. There were no cases of forced or compulsory labor found during this external validation.

TŽ employs only persons older than 18 years - during the last three years were not employed younger individuals. This option completely prevents the occurrence of child labor and hazardous work by young people.

TŽ provides practical training at its operations for the students of Secondary Vocational School TŽ (SOŠ). The work of these young people is under the supervision of authorized staff of SOŠ and TŽ instructors in a special regime and in the spirit of treaty between TŽ and SOŠ.

The influence of company's activities on region and vice versa

Qualifying and personnel agency o.p.s. (KaPA). Its mission is to increase the employment of citizens of the Třinec, Český Těšín and Jablunkov micro region by expanding their knowledge and skills. TŽ financially support the work of the agency.

KaPA has provided consulting and trained in the following years a total of 311 persons (see Table 6).

Table 6: Cooperation with the agency KaPA

	2010	2011	2012
Number of persons trained by the agency KaPA	86	118	107
Support of TŽ to agency KaPA (CZK thousands)	100	100	100

Motivational programs

Employees are rewarded for their work performance not only in the form of income but also with a number of other measures and social benefits that are encouraging high quality performance and at the same time compensates the influence of the working environment. Benefits are provided beyond the legal framework, through them employer wants as much as possible to motivate his employees to support the aims and objectives of the company.

Areas of remuneration:

- » 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,

TŽ support basic schools in form of gifts (e.g.):

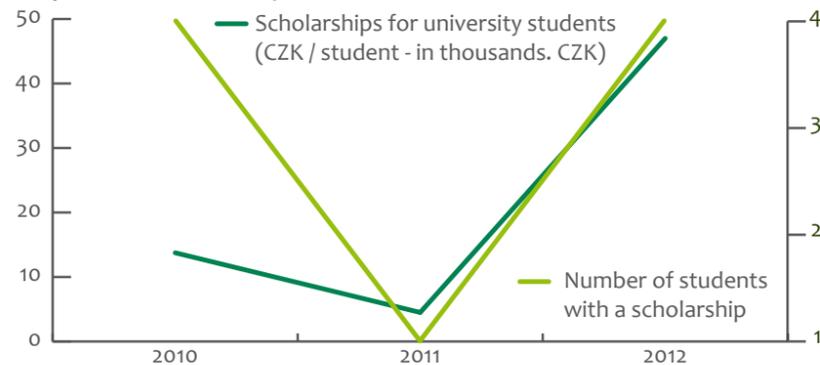
- In 2011, the gift of 110.000 CZK given to eleven basic schools (BS) for the improvement of teaching the subject „Technical Education“ + gift of 45.000 CZK to three basic schools for the recruitment to study technical subjects.

TŽ for the preferred technical of studies, provide financial support to selected secondary schools of 1000 CZK per student.

TŽ provide scholarships for university students

- year 2010 – 13.750 CZK (4 scholarship holders)
- year 2011 – 4.500 CZK (1 scholarship holder)
- year 2012 – 47.000 CZK (4 scholarship holders)

Graph 5: Granted scholarships to students



- » rewards based on economic results of company.

Personal development:

- » centre of starting experience for graduates,
- » creating conditions for professional growth of selected groups of employees and career building,
- » providing scholarships to students in selected fields of study.

Acknowledgement of employees:

- » awarding with the title "Employee of the Year" and the prestigious award "Queen of Steel",
- » ceremonial act of "A Farewell to Employees",

- » rewarding for work and life anniversaries and retirement.

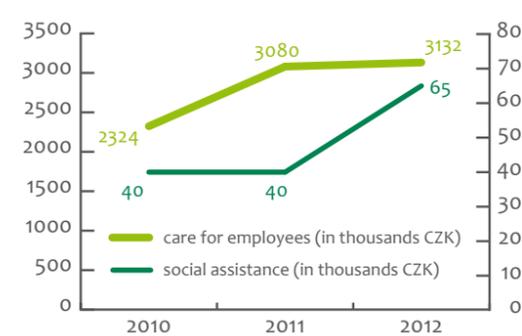
Health promotion:

- » covering the fee for medical entrance examination,
- » covering the fee for preventive mammography examination and colon examination,
- » organizing reconditioning and rehabilitation stays,
- » provision of beverages during extremely hot days to all employees,
- » Providing benefits for company catering in the amount of 55% of one main course and contribution of 7 CZK for one hot meal,
- » provision of other activities to promote health (Health Days, flu vaccination, vitamin)

Social sphere:

- » extended holidays - one more week above the assessment of the legislation,
- » increased range of provision for leave of absence with wage compensation during personal obstacles at work,
- » provision of social assistance and social loans in extremely serious life situations,
- » provision of employer contribution to pension scheme,
- » provision of employer contribution to endowment life insurance,
- » provision of employer contribution to care for employees,
- » provision of employer contribution to children's recreation,
- » provision of optional employee benefits (perks).

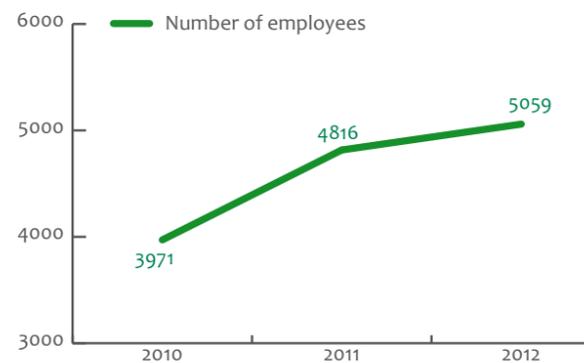
Graph 6: Care for employees and social assistance



Benefits

Employee benefits are granted in accordance with prescribed rules to all employees. The numbers of employees drawing the benefits are shown in Graph no. 8

Graph 8: Number of employees drawing benefits



Most drawn benefits (% drawn in 2012) on

- » use of sport facility VITALITY Silesia (31%)
- » recreation of employees (29%)
- » contribution to hockey season tickets (12%)

Employees

The number of employees in individual years was also affected by merger of Tube mill TŽ, a.s. with TŽ, a.s. in 2010 and by merger of FERROMORAVIA, s.r.o. with TŽ, a.s. in 2011.

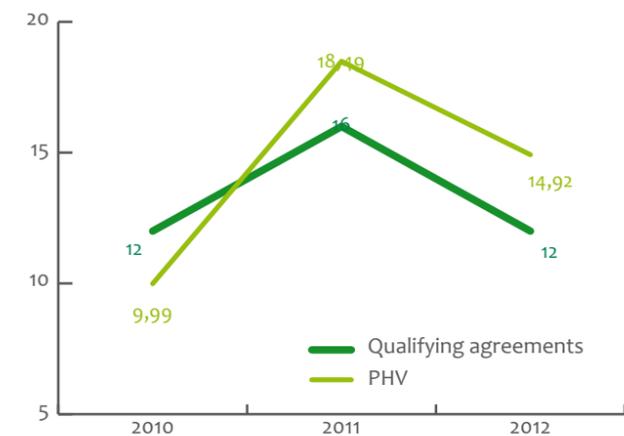
In TŽ, a.s. we also allow people to work part-time. The proportion of part time employment is in a long term about 0.5%.

Graph 7: Number of TŽ and agency employees



Třinecké železářny provides for all its employees trainings through suppliers of educational services. With selected employees also conclude agreements to increase respectively enhance their qualification skills. Summary is presented in Graph 9.

Graph 9: Education through contractors



PHV = average number of training hours per year and employee

Recruitment of employees

Regional talent

The Award “Regional talent“ is given for position in a district; regional and national round of Olympic school competition and for high school professional activities. In recent years, this award has been granted to greater number of students than ever before. The idea behind this project is very simple - stimulate the interest for technical studies and natural sciences, i.e. mathematics, physics, chemistry, which are not always popular among pupils and students.

Overview of Awards is shown in the following Table 7

Table 7: Awards overview

Awards	2010	2011	2012
for school Olympic competition	47	28	43
for high school professional activities	12	12	15
Regional talent – total	59	40	58



Recruitment methods in primary schools:

- » TŽ presentation at elementary schools in the Silesia Region (Jablunkov-Třinec-Těšín) on the occasion of class meetings,
- » participation in the organization of “Open Door Days“ at the TŽ Secondary Vocational School and awarding the Elementary School that have received the most students for technical major studies,
- » “Open Door Days in TŽ“ for ninth-grade students and their parents,
- » participation in labour exchanges for career choices organized by labor offices,
- » participation in counseling discussion meetings with ninth-grade students organized by labor offices,
- » close cooperation with schools in border area of Slovakia (Čierne, Skalité, Svrčinovec).

Recruitment methods in high schools:

- » contribution to school supplies and sports and social activities for students in first grade of metallurgical major and electrician-heavy current major,
- » providing excursions and practical training of students with expert commentary of technologists on individual operations (students of secondary technical school),
- » providing and financing vocational training for students of TŽ Technical High school at TŽ, a.s. operations,
- » Presentation of TŽ-MS group to a selected high school graduates in the region with aim to inspire them to work for TŽ-MS group or to go to study at University with a technical major.

Recruitment methods at Universities:

- » preparation and participation at the “job fairs“ of selected universities,
- » presentation of TŽ-MS group and excursions for 2nd grade students in order to facilitate their choice of specialty,
- » enable two-week professional practice period for 2nd grade students with technical major,
- » selection of scholarship holders on the basis of academic performance and interviews and their financial support during studies,
- » shadowing managers of TŽ under the program for scholarship holders and selected university students,
- » identifying suitable topics for final theses (bachelor’s, master’s and doctoral) including professional mentoring of students during its processing,
- » awarding best diploma thesis in cooperation with ČHS (Czech Metallurgical Company),
- » selection of graduates on the basis of their assessment and interview to the Centrum of start up working experience.

Occupational Health and Safety (OHS)

TŽ carries out a risk assessment to workers’ health, takes measures to avoid such risks, and if the working position requires it, TŽ provides free of charge to each employee personal protective equipment (PPE). Organizational departments have made their own lists for provision of PPE, respectively on the individual working position.

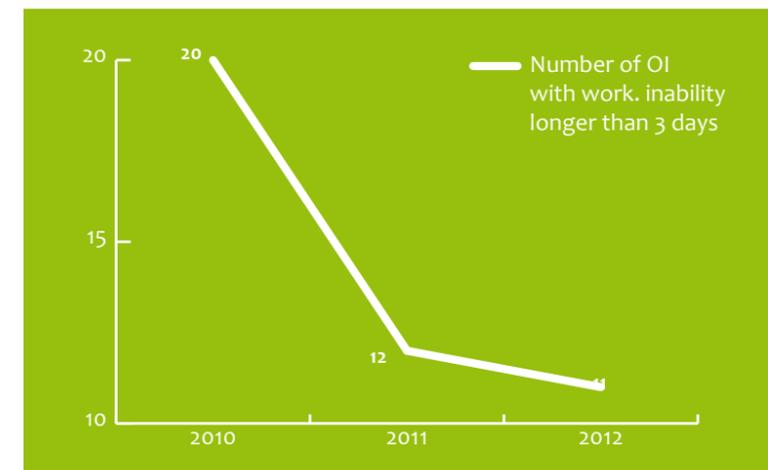
Overview of joint management committees and employee representatives regarding OHS:

- » activity of employee representatives regarding OHS is realized through trade union organization OS KOVO,
- » commission of inquiry for investigation and compensation of work injuries,
- » audit commission for internal audits of OHS (OHS audits),
- » joint meeting of Representative for OHS, Deputy of OS KOVO Board and supplier of OHS services.

Occupational Injuries and Illnesses

Overview of the number of employees TŽ in 2010-2012 is shown in Graph 7. Overview of the number of occupational injuries (OI) with sick leave longer than 3 days for the last three years is shown in Graph 10.

Graph 10: Total number of occupational injuries (OI) with sick leave longer than 3 days



There was no occurrence of fatal occupational injuries in TŽ during above mentioned period.

The total number of occupational illnesses

There was no case of occupational illnesses recorded in TŽ during above mentioned period.

In the framework of OHS training are implemented:

- » Entry OHS training - for new employees (provided by supplier of OHS services),
- » Initial training at the workplace - performed by person in supervisory position of a new employee,
- » Practical training under the supervision of an experienced employee and examination,
- » Periodic training sessions according to curriculum approved by senior manager and relevant safety officer (with a frequency from once per year to once per month depending on the complexity and size of content) - performed by the supervisory staff of employees,
- » OHS Days - consulting and advisory campaign at individual operations
- » Special training sessions - if necessary - is published special training material - OHS informant and OHS newsletter “Filípek“ - Consultant to OHS.

Issue of OHS monitoring is an integral part of the management and assessment of OHS. In department of Director for Personnel and Administration is established position “Representative for OHS“, who regularly assesses the situation in OHS at the production director meeting and company management review meeting. Monitoring of OHS conditions and compliance with of OHS laws and principles belong to the obligations of all managerial employees, and is carried out in cooperation with the supplier of services OHS.

In December 2012 and January 2013 was in Třinecké železářny successfully performed an external audit of the OHS management system (through the regional labor inspectorate in Ostrava) and Třinecké železářny had been awarded the “Safe Company“.

Concluding words



Dear friends,

On the previous pages we have tried to show you some of our rules and principles that we apply in our business. We manage quite successfully to combine our efforts to enlarge company's assets with the reduction of environmental burdens in surrounding landscape. We maintain a high level of efficient employment in our company as well as in other companies within our group, which has a positive impact on the entire surrounding region.

In the next four years, we are ready to investments annually 2 billion of CZK. A substantial part of these funds will go towards improvement of air quality. During two years we should than be able to reduce the existing burden of solid emissions on the surrounding landscape by more than 20%. In our business plan we expect further expansion of our activities and maintain productive employment.

Ivo Žižka

Member of the Board of Directors,
Director for Personnel and Administrative
and Management representative
for Corporate Social Responsibility

published

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