



CORPORATE SOCIAL RESPONSIBILITY REPORT 2013

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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,

Corporate Social Responsibility is an integral part of an efficient and economical entrepreneurship at present. Corporate Social Responsibility is considered not only as a theoretic concept but also as a goal and obligation that we have given to us, to our employees and surroundings. We want to apply the CSR principles actively in everyday work.

The following report describes the ways that we have chosen to achieve our objective and our successes reached so far.

We have tried to define a concept of corporate social responsibility and appropriate measures that we have implemented in everyday practise in Třinecké železářny.

We believe that this report will be not only an attractive but also an inspirational source of information for you. As well, we hope that this report emphasizes the importance of corporate social responsibility, the application of which presents for us a guarantee of sustainable development of our company and the region of Těšín Silesia as well as an effort for creating a valuable legacy for the generations to come.



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). TŘINECKÉ ŽELEZÁRNY, a. s. has a capital share in 28 companies. 26 companies have their headquarters in the Czech Republic, following two in Poland and Hungary.

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.

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. Since 2013, 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 accompanying products resulting from metallurgical production 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 products of the TŽ-MS Group are further finalized in different subsidiaries.

TŘINECKÉ ŽELEZÁRNY, a. s. produces approximately 2.5 million tonnes of steel annually. To date, TŽ has produced 175 million tonnes of steel.

Třinecké železářny has a capital interest in 28 companies that are part of its product chain. The most significant of them are following: Energetika Třinec, a.s., Strojírny a stavby Třinec, a.s., Slévárny Třinec, a.s., Sochorová válcovna TŽ, a.s., Řetězárna a.s., Refrasil, s.r.o., VÚHŽ a.s., MATERIÁLOVÝ A METALURGICKÝ VÝZKUM s.r.o., Šroubárna Kyjov, spol. s r.o., Hanácké železářny a pérovny – Rings, a.s., Metalurgia s.a., D&D Drótáru zrt., ŽDB DRÁTOVNA a.s., DALSELV DESIGN a.s.

Selected Economic Indicators in 2013

| | |
|--|-----------------|
| The number of employees | - 6 099 |
| Pig iron production | - 2 068 kt/year |
| Crude steel production | - 2 553 kt/year |
| Sales of rolled products including steel | - 2 401 kt/year |

| Semis | Rails | Sections and wide steel | Bars | Wire rod | Drawn steel and seamless tubes | Other products |
|---|--|------------------------------------|--------------------------------|----------|--------------------------------|--|
| Continuously cast rectangular, square and round semis | Railway rails | U and I sections | Round steel in coils and bars | Wire rod | Round cold drawn steel | Coke-chemical products: - blast furnace coke; - tar; - benzol; and - ammonia sulphate. |
| Blooms | Flat-bottom rails | Angles | Square bars | | Square drawn steel | Steel by-products: - scrap and metallic admixtures for reprocessing in the steel production artificial normal weight; - granulated blast furnace slag; - Fe correction for production of alite in cement; and - mixture of artificial aggregates. |
| Billets | Switch rails | Spring strip with a rib and groove | Flat steel | | Hexagonal cold drawn steel | |
| Slabs | Railway superstructure accessories (base plates, clips, fish plates, sliding profiles) | Spring steel for parabolic springs | Hexagonal bars Special bars | | Seamless tubes | |
| | | Special sections | | | | |
| | | Wide steel | | | | |

Třinecké železářny put enormous emphasis on the quality of its products. The quality system in accordance to the standard ČSN ISO 9001 has been certified since 1993 and guarantees that the products fulfil the technical and useful parameters stated by the specific standards and conditions. We have added more demanding requirements of the automotive industry in accordance to the standard ČSN EN ISO/TS 16949 to the quality system in course of time. Our production plant in Tube mill in Ostrava has moreover implemented the quality system according to the standard API Specification Q1 and in accordance to the requirements of petrochemical industry and extraction of natural gas.

QUALITY
SYSTEM

„Corporate social responsibility of the companies and sustainable entrepreneurship has gradually become a standard of the corporate strategies in the Czech Republic. In accordance to the available researches and projects has the corporate social responsibility covered all the crucial fields as a responsible relations to employees, environment, new technologies, savings, community and charity support, and responsibility in customer-supplier relations, particularly in the last three years.“

(KALOUSOVÁ Pavlína: European Stand on Responsibility, for CSR Forum Magazine, Agentura PubliCon s.r.o., www.publicon.cz, 3.5.2012)

PRODUCT
PORTFOLIO

CORPORATE SOCIAL RESPONSIBILITY AND ITS SIGNIFICANCE

Corporate Social Responsibility has become much discussed topic recently. Its rising importance confirms the effort of the European Union to implement rules of CSR.

Corporate Social Responsibility applies to all the subjects on appropriate territory. We can take into consideration the area of the Europe, some country or even region. We will be interested particularly in the last one. It is possible to say that the corpora-

te social responsibility covers all the existing subjects on the area as well. Sociably responsible behaviour is recognizable for civil authorities, local companies and their employees together with citizens.

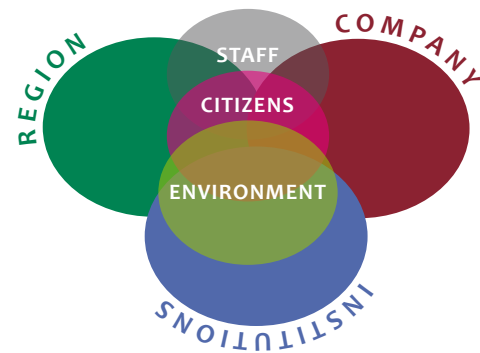
It is very important to all interested parties to be aware of the impacts of its actions and behaviour towards neighbourhood and to strive for the most positive impacts.

STAKEHOLDERS

In the previous paragraphs we have mentioned the subjects that are included into the issue of corporate social responsibility. We called them Stakeholders. When we take into consideration the region, we can talk about: authorities and state institutions, companies, employees and the region together with the environment. This creates a certain circle of mutually connected subjects that are to achieve mutual harmony in a natural way. The interconnection can be visible in a fact that a certain company is a part of the region and the employees are the citizens in the neighbourhood as well.

Every company that operates in our region has to be aware of the subjects and the way it affects itself surrounding region. This group is called Stakeholders. The company should be in a contact

and continuous interaction with them. Doing this, the company can be able to get the feedback and better awareness about the region. These directions are important to set the strategy of the corporate social responsibility.



WHY AND HOW DOES TŘINECKÉ ŽELEZÁRNY APPLY THE PRINCIPLES OF CORPORATE SOCIAL RESPONSIBILITY

The management of Třinecké železářny acknowledges the significance of the content stated above and that is why the company makes effort to enforce the principles of corporate social responsibility.

With regard to its production programme and its orientation, Třinecké železářny has considerable impact on the inhabitants and environment.

Our objective is to achieve the most positive impact.

We are striving for this objective because we are able to influence positively life in our region what would reflect in life of our employees and their families.

It takes into consideration not only the impact on the environment but also on the surroundings, its inhabitants, institutions and employees.

Generally we can divide our behaviour in corporate social responsibility into four fields:

- Corporate Social Responsibility in Economic Field
- Corporate Social Responsibility Towards Our Employees
- Corporate Social Responsibility Towards Environment
- Corporate Social Responsibility Towards Region

We would like to outline our effort in promoting the principles of corporate social responsibility in all the fields on the following pages of this report.

“By addressing their social responsibility enterprises can build long-term employee, consumer and citizen trust as a basis for sustainable business models. Higher levels of trust in turn help to create an environment in which enterprises can innovate and grow.”

(COMMISSION TO THE EUROPEAN PARLIAMENT:
Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, 2011, p.3)





TOGETHER FOR THE GENERATIONS TO COME

Generally the principles of behaviour of corporate social responsibility are applied not only according to the present situation but also with regard to future. Třinecké železárny strives for positive impact in future also. We want to leave a valuable legacy for our descendants. Our objective is proved by our corporate mission: “Together for the Generations to Come“.

We devote significant attention to young generation. Children and young people living in the region of the Třinec town will be most probably in

touch with Třinecké železářny during all their life and possibly some of them can work in your company as well. Our aim is not only to offer young generation the possibility of future employment in prosperous company but also above all to present Třinecké železářny and its characteristic. This was the reason for making a new amusing and knowledge project for students in seventh classes of primary schools so called – “My Werk“ (Třinecké železářny is not called otherwise than „Werk“ in this country). This project entertains a competition that shows

children the steelmaking company not only as the greatest employer but also describes children its products and by-products arising during steelmaking production. At the same time it presents iron steel works as a perspective company that takes advantage of information technologies the most possible, as a significant employer where tens of different professions find employment, and as a world exporter. The care of environment is a part of the project as well.

PROJECT „MY WERK“

The author of the project, Ms Petra Jurásková, who is a press speaker of the company too, says: „Previously, when I have not been working in Třinecké železářny yet, I have not realized its significance in the Czech industry, how wide the product portfolio it has, what the latest technologies are implemented here, or how much the company invests in environment. At present, I have access to this information as a press speaker. We are able to share only a part of this information with public. I have missed a specific and amusing way how to present the information to children. That is why a thought of the PR project “My Werk“ has come into being. Its aim is to show the children Třinecké železářny so they could get to know “its“ company as much as possible and so they could be “proud“ on their company too. The goal is to create a positive awareness among the children about the significance of Třinecké železářny in the Czech industry, its wide product portfolio, its position on global markets, its active approach to employment in the region, support of regional and environmental actions and investments.“

The question how to harmonize adolescents with a company operating in heavy industry has to be solved at the beginning. Ms Petra Jurásková answers very simply: “Children love to get to know new things. The point is that we had to find a certain way so they will enjoy it. “We have to agree with this point and moreover we have to add that the amount of information will not be amiss when the way is

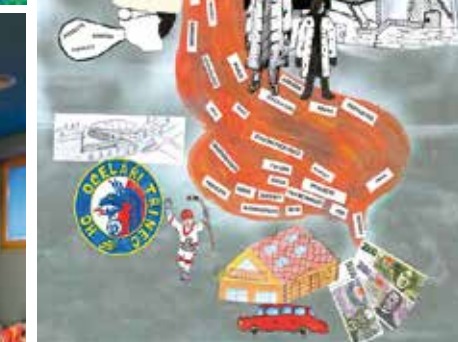
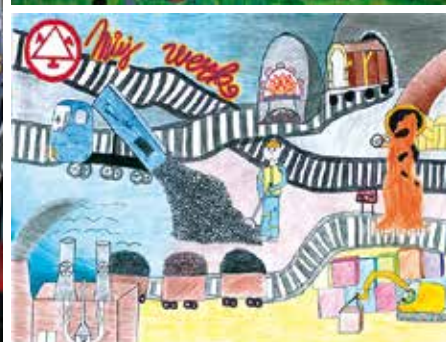
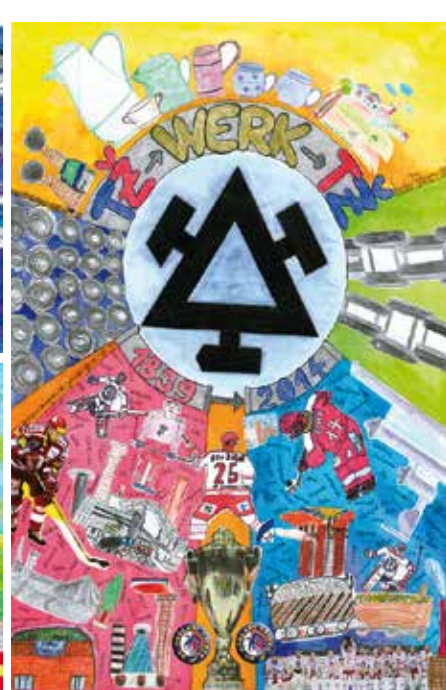
amusing and entertaining enough. “We have used music, specific pictures, photographs, videos from the entire world where they could find our products, children played matching games of our production chains, and they guessed all the range of professions. “Learning is fun“ that is proven way how teach children so they even do not realize teaching itself. We can confirm this even with such difficult topic as steelmaking is“, adds Ms Petra Jurásková.

And what was the biggest surprise for the author of the project? “We expected that children would have mainly negative assumptions about steelmaking company as the greatest pollutant. We let them to write on the table everything what comes up their mind with regard to Třinec iron steel works. I was very surprised that mostly half of the table was filled with positive thoughts and the second one with

negative, sometimes positive thoughts even exceeds. Children realize the importance of Třinecké železářny as an employer, donator and know about its significance in the Czech Republic, they know that the region has money mainly thanks to this company.“

It is obvious that the project “My Werk“ has a positive response and its initiator is satisfied with the its course and results. She tells her positive impressions: “I cannot forget the astonishment and admiration in the eyes of children when we were talking about different places all around the world where they can find products from Třinecké železářny. The customers prefer our products because of the top quality. The most I like the part of the lesson when we are talking about the ecology and we show children the ratio of emissions in 1980 and nowadays. The difference is incredible and children are fascinated by this. “





“Economic field is described by an effective implementation of the latest management principles and organisational ensuring of all economic features of CSR. Further, we take into consideration behaviour towards external customers (consumers, suppliers, investors) and internal (employees, shareholders) customers, transparency in management decision making process and entrepreneurial activities, full implementation of the articles of the Ethic Code and entrepreneurial behaviour, refusing of corruption and intellectual property protection.”

(CIENCIALA Jiří and coll.: People in Industrial Company, 2012, first edition, p.108)



CORPORATE SOCIAL RESPONSIBILITY IN ECONOMIC FIELD

In economic field the company should operate its business transparently and try to achieve positive relations with investors, customers, suppliers, shareholders, representatives of authorities, labour union, the media and commercial partners, i.e. with the all interested parties – stakeholders who influence the business of the company or who are influenced by the operation the company as well. Třinecké železářny invests in new technologies and equipment, moreover its financial management is set to ensure sustainable development of the company and improve its financial results.

The principles of the CSR in economic field that we apply, follow and continuously develop are stated below:

- » transparency;
- » positive relations with stakeholders;
- » intellectual property protection; and
- » refusing corruption.

These are used in everyday practise and originate from stated, measurable and (not only) financial goals, but also transparent negotiations, contracts with all the interested parties and supplier selection process. We motivate continuously our employees to bring new thoughts (patents, invents of industrial designs, improvement proposals etc.) that bring contribution not only for our company but also for the public.

Our company donates the funds for charity and community activities annually.

The funds for charity and community activities are an integral part of our corporate culture. Our activities can be divided into the following areas: education, physical training, culture, health and social care, church, other. Donation are provided by our company after discussing the applica-

tions 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 the 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 fulfilment are considered that financial donation (e.g. 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.).

Financial gifts 2010-2013 (in CZK thousands)

| 2010 | 2011 | 2012 | 2013 |
|-------|--------|--------|--------|
| 8 307 | 18 593 | 25 054 | 22 803 |

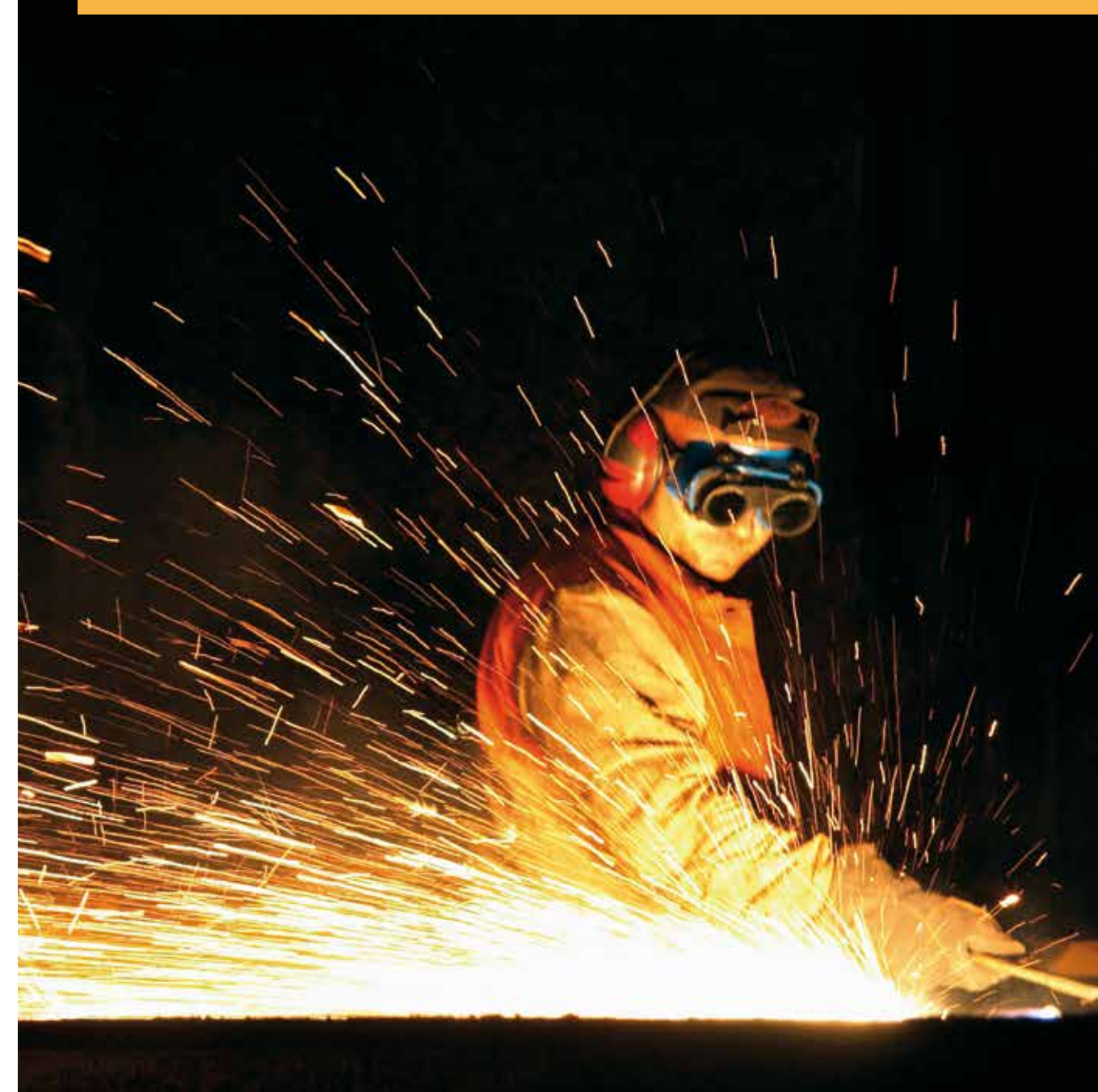
“Finance should be managed in the long-term with the knowledge of cost management, contribution of commercial activities in company and environment. This cost has to be taken into close consideration together with financial aspects. This can help in decision making process.”

(CSR Academy: Competence Framework of Corporate Social Responsibility, 2004, first edition, p.11)

“By taking adequate account of relevant non-financial information, investors can contribute to a more efficient allocation of capital and better achieve longer-term investment goals.”

(COMMISSION TO THE EUROPEAN PARLIAMENT: Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, 2011, p.11)

CORPORATE SOCIAL RESPONSIBILITY TOWARDS OUR EMPLOYEES



“Taking care for employees in the framework of corporate social responsibility includes creation of conditions for their satisfaction in all aspects of business operations that are set to achieve maximum effects. On the other hand the company has to be able to pay for work performance, to praise, to offer a forum for personal fulfilment, and to offset the negative impact of work.”

(CIENCIALA Jiří and coll.: People in Industrial Company, 2012, first edition, p. 114)

Corporate social responsibility of Třinecké železářny towards employees covers not only the care of the employees, their motivation and benefits, but also the possibility to be involved into decision making process and making suggestions to certain topics.

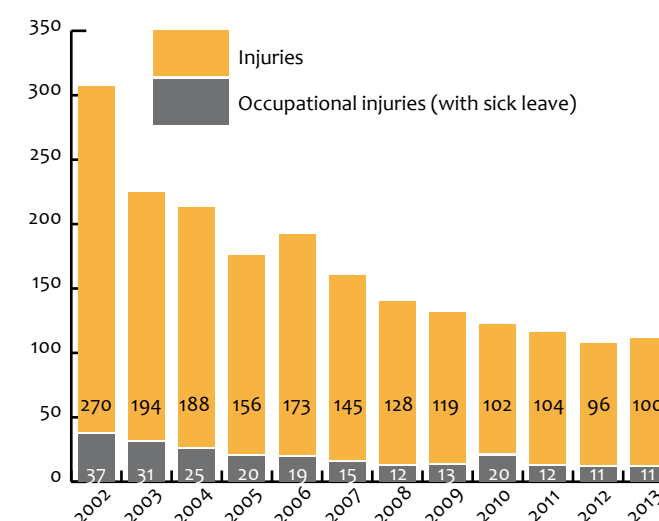
COLLECTIVE BARGAINING PROCESS

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 approves 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.

The management of the company expects a flawless respect of the labour and technological procedures together with an active approach to continuous improvement of individual and team performance that would lead to achieving the goals and cost reduction at all workplaces.

LABOUR SAFETY AND HEALTH PROTECTION

Safety and health protection is an organic part of all activities in Třinecké železářny and has the highest priority. Management as well as all employees adopted the principle that work cannot be done at the expense of health, all hazardous work procedures must be eliminated or minimize.



In 2013, TŽ was awarded with the Prize “Safe Company“. The prize was given by the State Authority of Work Inspection on the basis of audit executed by the Regional Inspection Authorities.

THE CARE OF OUR EMPLOYEES IS OUR PRIORITY

The employees get for their working performance not only salary reward but also many other social benefits that encourage them to improve work performance and at the same time they compensate the affects of demanding work environment in steelmaking industry. The scope and conditions of benefits provided over the legal framework are stated in our Social Code.

We pay close attention to health care for our employees, i.e. we provide following:

- 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;
- 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).

The efficient education system in TŽ enables to develop qualification levels of employees working in different professions and to create conditions for professional development.

The employees can take an advantage of other benefits, e.g. contribution to supplementary pension, the life insurance, and child recreation or non-interest housing-promotion loans.



STAFF MOTIVATION

Staff motivation is a part of human resources policy as a matter of course. Motivational programmes encourage employees to better performance with total engagement and to participate in good results of the company. Employees are rewarded for their work performance not only in form of income but also in other ways, i.e.:

- 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.

Other methods of motivation include:

- awarding with the title “Employee of the Year” and the prestigious award “Queen of Steel”;

- ceremonial act of “Farewell to Employees”; and
- rewarding for work and life anniversaries and retirement.

The management of Třinecké železářny supports the improving activities of its employees. These actions present one of many keys of continuous development of the company. In 2013, the employees were motivated to better performance with the possibility of achieving top ranking in the competitions “The Best Improvement”, “The Best Plant in Improvement”, and a competition aimed at energy savings. The total amount of reward paid in these competitions reached CZK 718 thousands in 2013. These funds are beyond defined savings from received improvement proposals. The implemented proposals contributed to the total amount of the savings by CZK 77.9 million in 2013. The staff reward achieved CZK 6.1 million.

“You have to check whether the principle of equality is being obliged and to be aware of the connection between the labour force and community. The diversity has to be a priority in creating working conditions, promotion and development models.”

(CSR Academy: Competence Framework of Corporate Social Responsibility, 2004, first edition, p. 12)



OPTIONAL BENEFITS

Besides the fixed benefits stated in the Social Code, the employees have a possibility to choose some of the optional benefits. The employees are able to select some of the wide range of the following optional benefits:

- rehabilitation stays;
- recreations;
- educational activities;
- hockey season tickets;
- theatre subscriptions,
- buying products from produced in TŽ; and
- use of sporting facilities.

NEW EMPLOYEES

High Schools

Třinecké železářny cooperates in the long-term with selected secondary technical schools in the region. The goal of the cooperation is not only a mutual cooperation and a contribution to better preparation of students for perspective employment but also a development and promotion of the technical education itself. One of the crucial question is the point that Třinecké železářny is the founder of the Secondary Technical School of Třinecké železářny what proves the fulfilment of the corporate mission “Together for the Generations to Come“.

The graduates of the technical courses not only of the Secondary Technical School of Třinecké železářny but also of the other high schools in the region find regularly the employment in Třinecké železářny and in the other companies within the TŽ-MS Group. They represent a significant part of newly recruited employees.

EQUALITY, TOLERANCE, OPENNESS, RESPECT

Our company ensures equal conditions to all employees. The company does not tolerate any discriminatory situations. The approach to employees is based on openness and mutual respect in accordance with the Ethic Code of TŘINECKÉ ŽELEZÁŘNY, a.s.

An integral part of the human resource management is training and improving the quality of staff. The human resource department ensures a continuous generation alternation on the basis of HR balance and requirements of certain departments. The company recruits particularly graduates of the secondary technical schools and universities.

Universities

The long-term cooperation the Technical Universities, particularly with the Technical University in Ostrava, enables not only an easier recruitment of the university graduates but also presents an efficient tool for support of technical education aimed at the best preparation of university graduates for the practise. TŽ regularly cooperates with the selected faculties regarding thesis or providing scholarships for students of technical courses. The receivers of the scholarships, but not only these students, are on the best way to become the employees of Třinecké železářny.

Since 2002 all university graduates are integrated into Trainee programme in order to achieve the smoothest and the most quality adaptation to the employment in Třinecké železářny. The Trainee programme enables efficient development of graduates and contributes to their professional career.



CORPORATE SOCIAL
RESPONSIBILITY
TOWARDS ENVIRONMENT

Třinecké železářny strives for minimizing the impacts of its operations on the environment, particularly with regard to its production programme and risk of a negative influence on the environment. That is why the company invests a significant amount of financial resources in environmental projects. Environmental investments have reached CZK 5.5 billion since 1996. Till 2015 the solid emissions will decrease by 30% in comparison with current situation. The investment project will reach more than CZK 2.5 billion. The following chapters describe the environmental activities in TŽ, i.e. air protection, water protection and waste management together with chemical substances and old environmental burdens. Last but not least we have a look at the evaluation of environmental investments and outlook for next years.

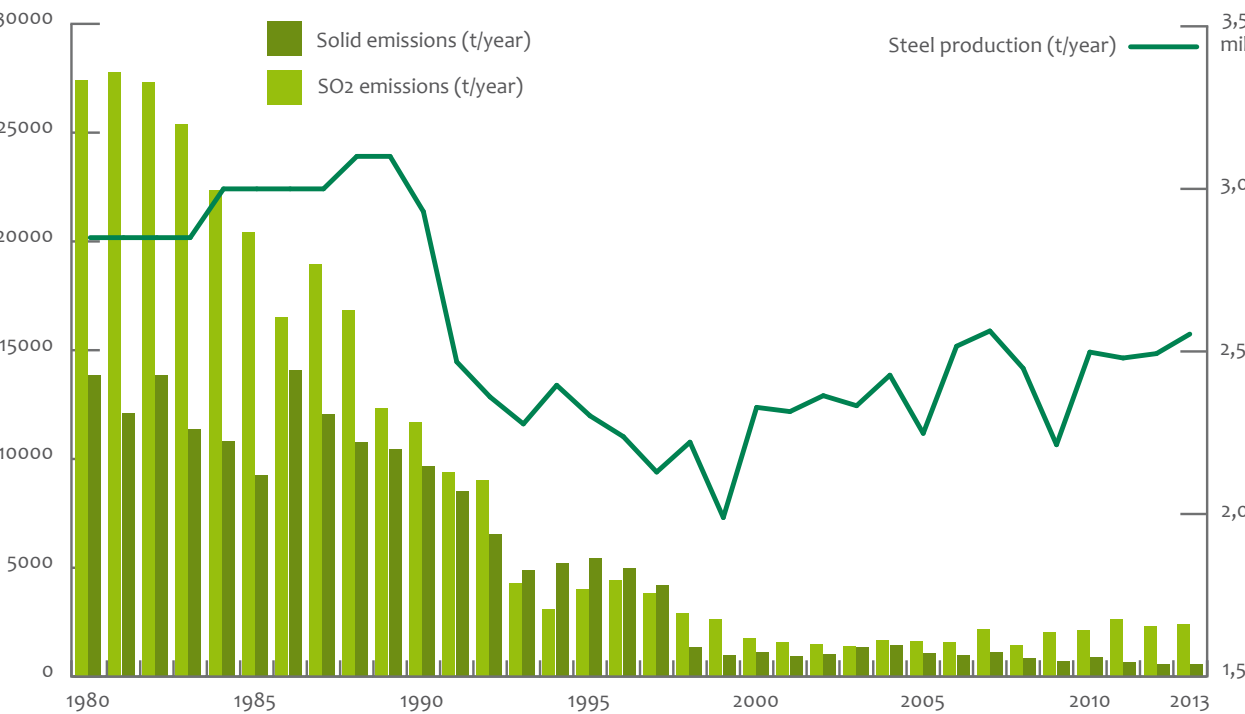
AIR PROTECTION

Compared to 2012, no significant change of emission occurred in the course of 2013. The slight growth is recorded for solid emission, sulphur dioxide, and carbon monoxide. On the other hand, we registered a slight decrease of emissions of nitrogen oxides and other emissions. The growth of emissions corresponds to the higher volume of production in 2013.

Emissions from 2011 to 2013

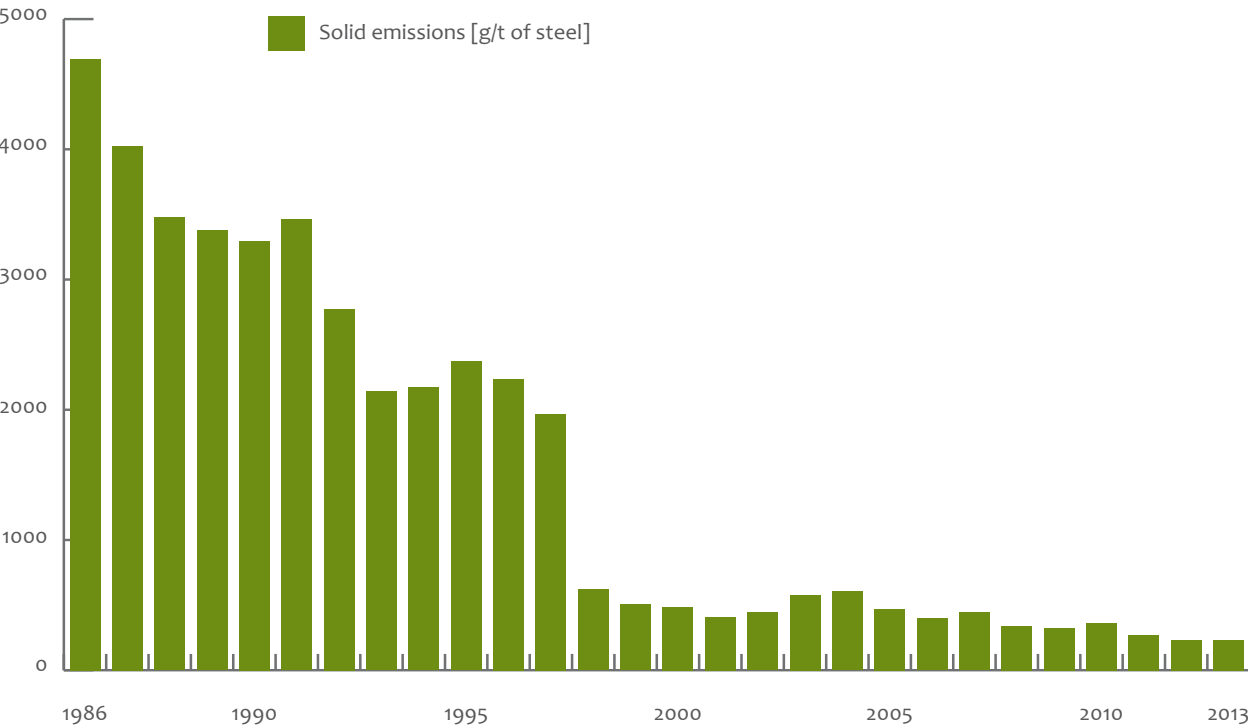
| Year | Solid pollutants (t/year) | Sulphur dioxide (t/year) | Nitrogen oxides (t/year) | Carbon monoxide (t/year) | Other emissions (t/year) |
|------|---------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| 2011 | 670 | 2 640 | 1 449 | 59 827 | 70 |
| 2012 | 581 | 2 323 | 1 453 | 59 769 | 66 |
| 2013 | 594 | 2 425 | 1410 | 60 698 | 56 |

AIR PROTECTION – long term development



Emissions to air from 2011 to 2013

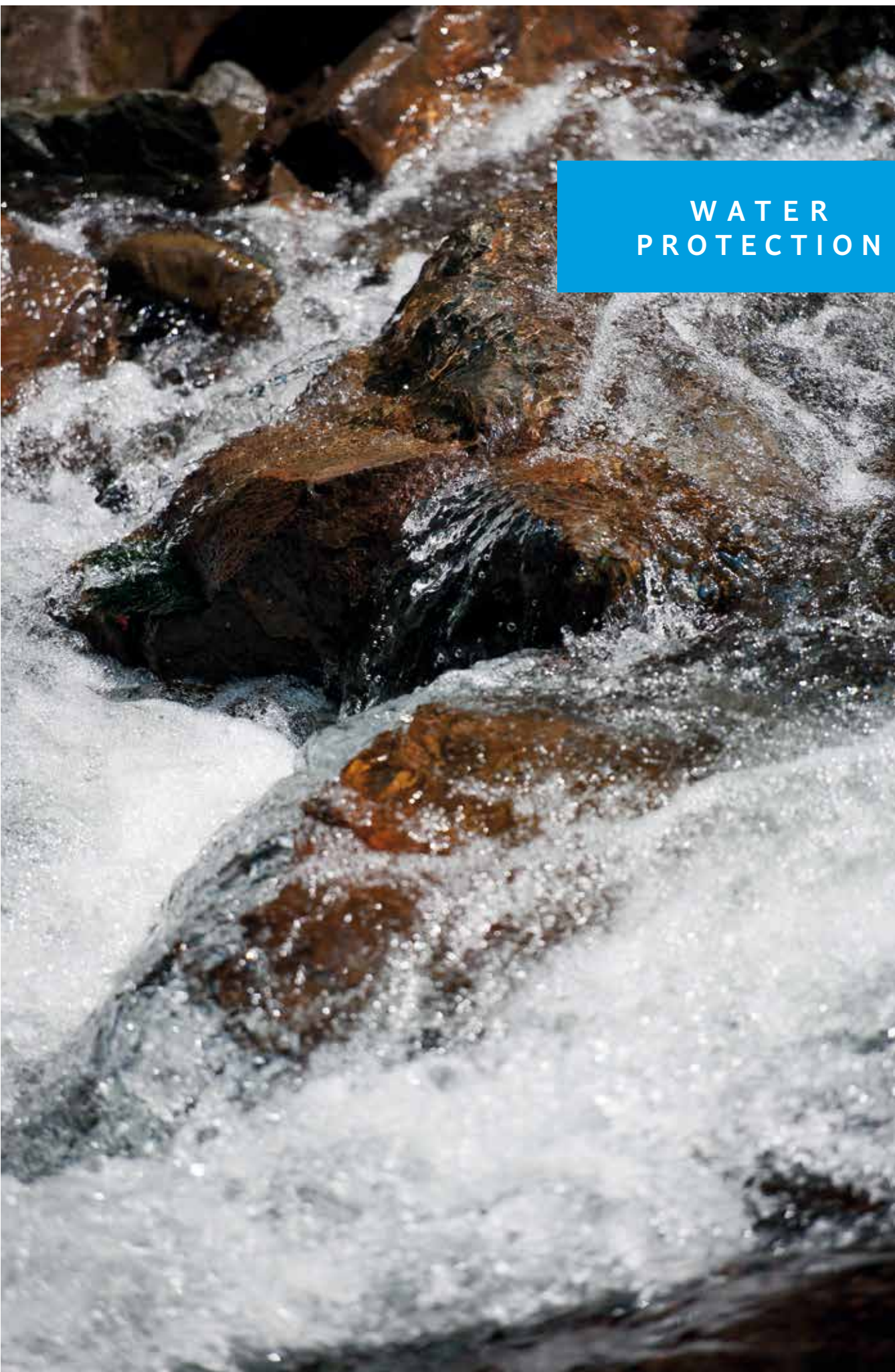
| Year | Steel production kt/year | SO ₂ emissions t/year | Solid emissions t/year | NO _x emissions t/year |
|------|--------------------------|----------------------------------|------------------------|----------------------------------|
| 2011 | 2 480 | 2 640 | 670 | 1 449 |
| 2012 | 2 493 | 2 323 | 581 | 1 453 |
| 2013 | 2 553 | 2 425 | 594 | 1 410 |



Emissions of greenhouse gases

The amount of greenhouse gases emission in 2012 was 2 700 070 tonnes, the specific emissions reached the value of 1.083 tonnes per tonne of produced steel.

In 2013, the greenhouse gases emission increased to 2 735 869 tonnes. The year-on-year growth by 1.32 % was caused by increased production, assignment of carbon monoxide as the carbon dioxide equivalent and by change of reporting of some source flows. The specific emissions dropped to 1.050 tonnes of carbon dioxide to the tonne of produced steel. This drop caused the increase of calorific value and decrease of emission factor for the blast furnace gas.



WATER
PROTECTION

The amount of industrial waste water discharged into the Olše River water-course and the pollution of water has not recorded any significant change in 2013 compared to 2012. 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 waste water per tonne of steel produced, the situation of 2013 is virtually comparable to the situation of 2012, as it ranged from 1.75 to 1.8 cubic metres per tonne of steel produced.

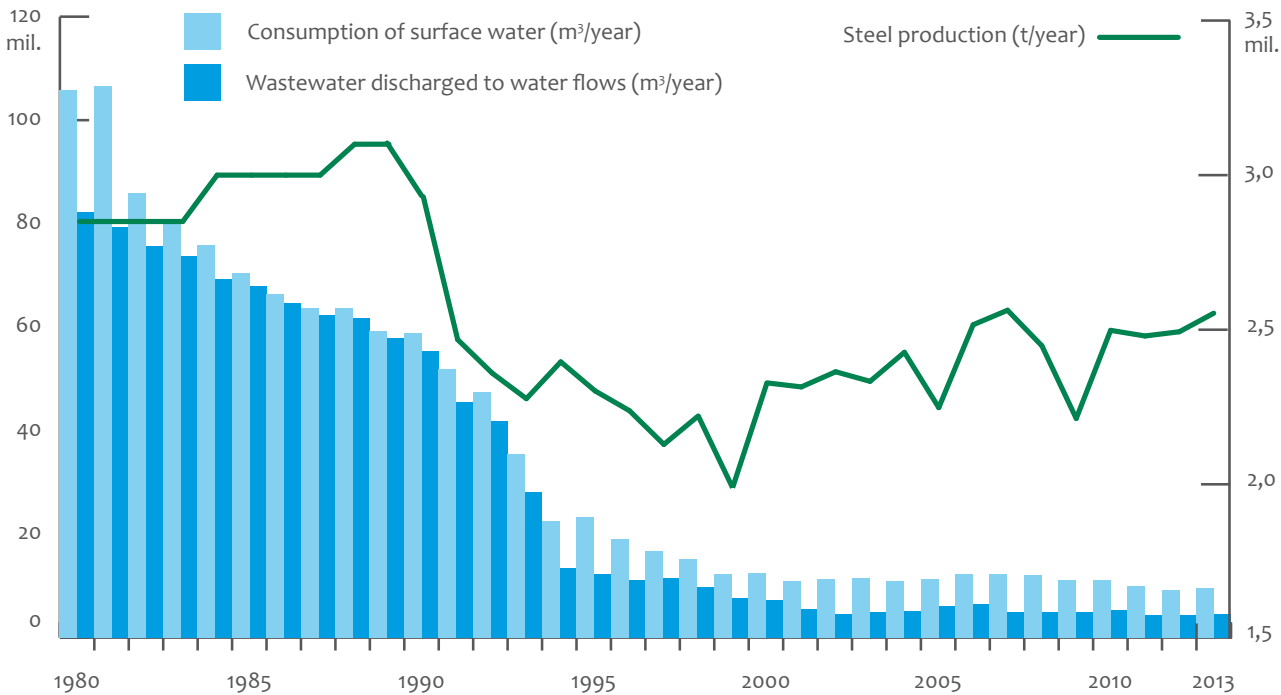
During 2013, there was no instance of emergency that would result in the deterioration of, or threat to, the quality of groundwater or surface water.

Pollution discharged into water flows from 2011 to 2013
(TŽ premises in Třinec)

| Year | Volume of waste-water | Undi-ssolved substance | Non-polar extracted substance | Dissolved inorganic salts | Chemical oxygen consumption using dichromatic method | Total iron |
|------|-----------------------|------------------------|-------------------------------|---------------------------|--|------------|
| | [m³/year] | [t/year] | [t/year] | [t/year] | [t/year] | [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 |
| 2013 | 4 618 752 | 44,5 | 0,65 | 2 143 | 77,3 | 4,2 |

| Year | Steel production | Consumption of surface water | Wastewater discharged to water flows |
|------|------------------|------------------------------|--------------------------------------|
| | kt/year | m³/year | m³/year |
| 2011 | 2 480 | 9 954 435 | 4 323 082 |
| 2012 | 2 493 | 9 202 284 | 4 370 584 |
| 2013 | 2 553 | 9 478 963 | 4 618 752 |

WATER PROTECTION – long term development



WASTE MANAGEMENT

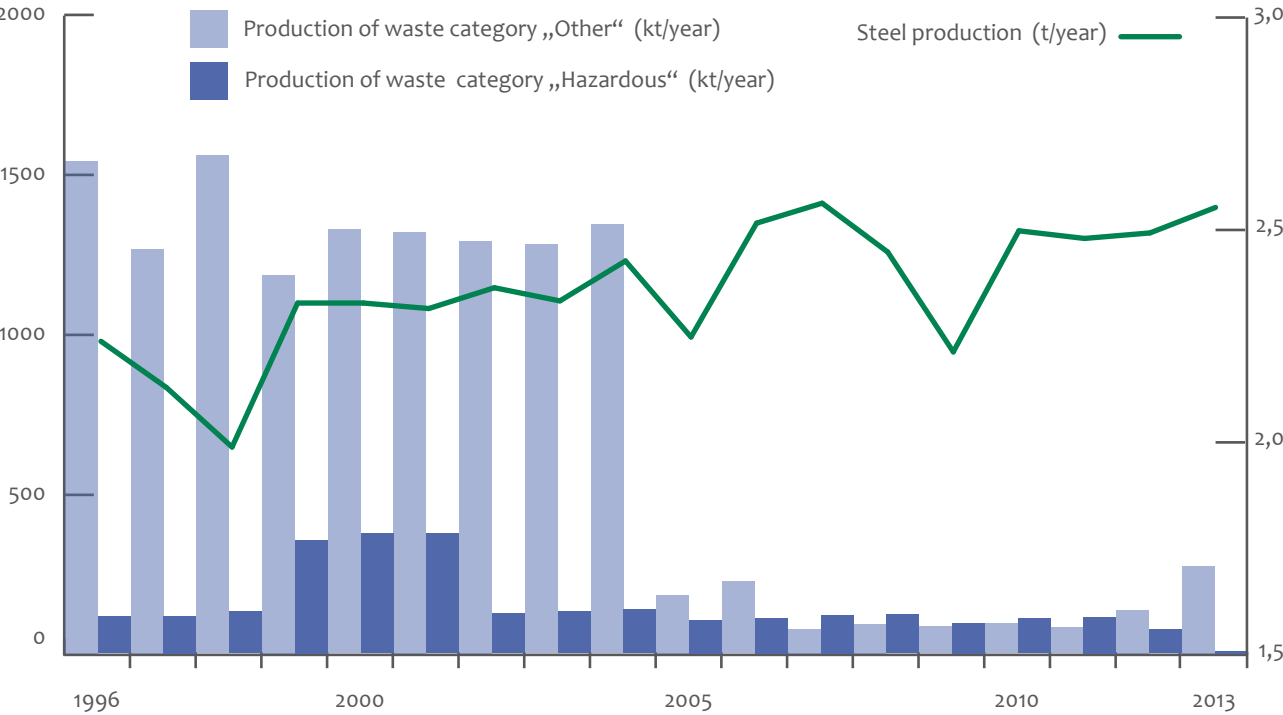
The year of 2013 can be characterised as year of further restriction of occurrence of hazardous waste in Třinecké železářny. From the beginning of the year, the dust from the furnace gases as well as blast furnace sludge are treated in the regime of the by-product; they had been reported as hazardous waste before. Therefore the production of hazardous waste significantly dropped. The occurrence of 8 thousand tonnes of hazardous waste was produced, which is 66.9 thousand tonnes less than in 2012.

On the other hand, the category of “other waste” recorded a growth of amount, which was caused by higher production as well as by passing the slag from the deposits of the past years to other persons in order to utilize or dispose of. In 2013, we carried away 131.8 thousand tonnes more slag than in 2012.

Increased occurrence of waste slag influenced the total amount of waste – 281 279 tonnes.

The composition of the wastes produced in Třinecké železářny was comparable with previous years.

| Year | Steel production kt/year | Production of waste category „Other“ kt/year | Production of waste category „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 |
| 2013 | 2 553 | 273 | 8 |



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., Ost-rava – expended about 96 % of means from the project budget by the end of 2013. Of the total of 24 redevelopment projects, the contractor has delivered majority of completed objects. Regarding the other 6 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 ŽELEZÁŘNY, a.s. determined after risk analysis assessment and after own public contract letting concerning the implementation of corrective actions in the area of TŘINECKÉ ŽELEZÁŘNY, 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 2013 has been spent usefully for about 68% 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

TŽ paid attention to the chemical substances in 2013 too. 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.

European Chemical Agency went on in verification of registration documents and as a result appealed the Consortium of Sludge and Dust – TŽ is a member – to perform the additional measuring of sludge occurring during clearing the converter gas. The so called dossier of that substance has been updated based on those tests.

The other interesting deadline for the applicants for registration according to the REACH directive was 31st May 2013. All substances produced or purchased in the amount higher than 100 tons yearly were to be registered by that date. Based on the opinion of the Ministry of Environment, TŽ waived the original intention to perform the registration of the substances produced in amount between 100 and 1000 tonnes per year according to the REACH directive (substances occurring during smelting the steel scrap).

CARE FOR NATURE AND LANDSCAPE

Třinecké železářny confirms its close relationship to the region also by a number of environmental activities carried out beyond the stipulated duties. In 2013, TŽ for example actively participated in the Europe-wide census of waterbirds in a section of Olše River flowing through the company premise. In April, within the Earth Day, the Olše River basin and basins of its tributaries were cleaned. About 2 tonnes of garbage were collected.



To support the development of biodiversity, 7 boxes for Common Merganser, one of the critically endangered species of birds, were installed.

ENVIRONMENTAL PROJECTS

Evaluation of 2013

In 2013, the implementation of below stated environmental projects commenced or continued:

- » De-dusting of fumes and nodes 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 workplace for flame cutting the ingots,
- » Decrease of emissions at the facility for production the blast furnace charge,
- » Processing the oily scales,
- » De-dusting of multi-functional facility for production of steel plant sinter;
- » De-dusting of tipplers No. 3 and 4,
- » De-dusting of the iron ore pellet sorting line,
- » Mobile de-dusting equipment,
- » De-dusting of the coal unloading pit,
- » Multi-purpose de-dusting units,
- » Decreasing the fugitive emissions at the crushing lines and slag handling,
- » Decreasing the fugitive emissions at the slag mill,
- » 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.

In 2013, a total of CZK 287.71 million was invested into environmental projects. Several reconstructions covered by the operation resources have also positive influence to the environment.

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 (nodes at Sinter plant 1, Ladle furnace 1 and 2, ladle desulphurization of pig iron, IR-UT, etc.).

Evaluation, contribution of the project and costs: In 2013, the exchange was done at following sources of air pollution (referred as SAP):

- » SAP 103 de-dusting of nods at sinter plant 1 – exchange of 900 sleeves – CZK 666 258,
- » SAP 106 ladle furnace 1 – exchange of 104 sleeves – CZK 136 089,
- » SAP 114 ladle furnace 2 – exchange of 840 sleeves – CZK 1 217 423
- » SAP 109 pouring the hot metal and chemical pre-heating (IR-UT) – exchange of 136 sleeves – CZK 138 000,
- » SAP 117 de-sulphuring of hot metal – exchange of 320 sleeves – CZK 336 000,

- » SAP 110 internal transport of fluxes – exchange of 18 sleeves – CZK 79 200,
- » SAP 108 lime reservoir and garble station – exchange of 56 sleeves – CZK 246 400.

Improvement of external protection for gas treatment plant at blast furnace VP6.

Evaluation, contribution of the project and costs:

The project implemented with the total costs of CZK 21 million.

Drawing out materials from the tippler pit no.3 and 4 – reconstruction of the closures.

Evaluation, contribution of the project and costs: Project implemented with the total costs of CZK 700 000.

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. spent in 2013. Both coking batteries were in operation in accord with the integrated permission – tightness of oven door and fitting – sources of emissions 410 and 420.

Repair of coke oven chamber linings at the coke oven batteries unit.

Evaluation, contribution of the project and costs:

Repairs at battery 11 were done with total costs of CZK 5.7 mil.

Construction of coal grinding plant, including the conveyors, within the scope of pulverized coal injection (referred as PCI) into blast furnaces project.

Evaluation, contribution of the project and costs:

The was successfully concluded. PCI is in the stage of pilot operation, see TŽ investment projects.

Secondary raw materials

Modernization of BF6 granulating line – within this investment project will be built new steam outlets with higher stainless steel smokestacks. There will also be add dust collectors which will bring a positive impact on reduction of emissions.

Evaluation, contribution of the project and costs:

Fulfilled with the assumed costs of CZK 25 mil.

Ongoing project of Technical reclamation of the Neboranka dump.

Evaluation, contribution of the project and costs:

Neboranka dump was divided into two parts according to the legislation (with the agreement of the Region Authority of the Moravian-Silesian Region):

- » Dump operated by default of the S Group – inert waste,
- » Provision for the dump reclamation, where the selected waste is used to create the dump body (technical reclamation).

Works, which were ordered in 2012 (planned costs CZK 0.5mil.) went on in 2013 (without excess costs).

WATER PROTECTION

Rolling mill of blooms and heavy profiles

Replacement of hydraulic drive for electric drive at grinder „SKET 4“.

Evaluation, contribution of the project and costs:

Project was implemented, the drive was exchanged for the electric one during 2013, total costs of ca CZK 124 000.

Floor reconstruction for electrical storage in the premises of the former “ILGNER 3”.

Evaluation, contribution of the project and costs:

Project implemented, new premises of the electric waste storage for the electro maintenance department (before the further waste manipulation). During 2013, wooden floor was made by the external supplier to better manipulate sorted electric waste, total costs of ca CZK 50 000.

Workplace adjustments for the preparation of mixture „Mefrit“, according to the principles of EMS (sump, drinking water, protective and waste containers).

Evaluation, contribution of the project and costs:

Project implemented, the workplace for the preparation of the mixture was adjusted. Measures to improve hygienic conditions and SOH of the service staff – installation of potable water, equipping the workplace with the protective devices, installation of the protective sump etc.). Total costs of CZK 85 000.

Wire rod and light section mill

Repair of the floor in the wire rod mill run-out workshop – securing the impermeability of the floor against the leakage of chemicals.

Repair of the floor in the hydraulic workshop – securing the impermeability of the floor against the leakage of chemicals.

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.

Repair of exhaust, exchange of filter pockets at the facility Saw 1 and 2 Braun at the light mill, Air blast machine Banfi and Grinding machines 07 and 09.

Evaluation, contribution of the project and costs:

The benefit of the project is decrease of the solid pollutants emissions to the air and preventive protection from impermeability of chemical substances (such as emulsions) in case of their leakage. Total costs ca CZK 645 000.

Tube mill

Replacement of hydraulic station on the machine „Tacchi“ at the oil tube finishing shop of Big Mannesmann.

Evaluation, contribution of the project and costs:

Project implemented, expected environmental benefit is preventing the unwanted leakage of hydraulic oil to the water, which is fulfilled as no leakage occurred so far. The costs are CZK 1.49 mil.

Exchange of the heating system in the building of dressing room for foremen and in the premises hired to the external company from the vapour boilers to the hot water pipeline.

Evaluation, contribution of the project and costs:

It is the project beyond the plant, the benefit is restricting the costly media and improvement of efficiency of the heating. The costs are CZK 599 500.

Projects beyond the 2013 plan

Production of iron and steel

During the medium maintenance in October 2013 following works were done at the gas cleaning station to ensure more effective cleaning of gas:

- » Cleaning the pipeline of re-circulation water of the gas cleaning station,
- » Exchange of the cross-over valve (CZK 24 mil.),
- » Exchange of ignition heads of combustng smokestack (CZK 890 000),
- » Cleaning the internal sludge trough,
- » Cleaning the settlement basins at the BOF water system,
- » Cleaning the roof at the BOF high-rise part.

Production of iron and steel

Repair of the electric separators of fumes according to the revision report done by ZVVZ Milevsko, plant Ostrava. Following work was done within the medium repair to increase the tightness of the exhaust system:

- » Repair of entry door including the exchange of sealing,
- » Repair of collectors of collector pipeline, hermetic welding,
- » Exchange of defective grey-iron frames, sealing with ceramic cord,
- » Exchange of worn suction boxes,
- » Exchange of defective rectifying plates,
- » Sealing the flanges between suction boxes and collectors,
- » Exchange of transversal tilting, transversal spring and longitude sealing,
- » Repair of transversal tilting sealing tow bars

The total costs of this project were ca CZK 1.2 million.

Repair of the electric separators of nods according to the revision report done by ZVVZ Milevsko, plant Ostrava. This repair consisted in the exchange of defective insulators of bearing as well as flipping off activities, such as:

- » Exchange of defective spare parts of top and bottom flipping off of the electrodes,
- » Adjusting the electrodes and flipping of, repair of partition walls,
- » Exchange of oil in all gearboxes,
- » Repair of shutters and rectifying paddles,
- » Exchange of all bearings in the fans,
- » patching the stators and fume smokestacks.

The total costs of this project were ca CZK 179 000.

All these measures resulted in improved emissions of solid particles from the decisive sources of those emissions.

Outlook for 2014

Environmental projects – investments according to the Technical Development Plan for 2014:

- » Modernization and reconstruction of the Coking Battery 11,
- » Processing the oily scales,
- » De-dusting of fumes and nodes 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 workplace for flame cutting the ingots,
- » Decrease of emissions at the facility for production the blast furnace charge,
- » De-dusting of multi-functional facility for production of 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 multi-purpose environmental area,
- » Purchase of the universal spray-sweeper car,
- » Decreasing the fugitive emissions at the iron ore belt conveyor – mist visor,
- » Decreasing the fugitive emissions at the mobile industrial vacuum cleaners,
- » De-dusting of the vacuum station RH2.

Other projects covered by the operating costs:

AIR PROTECTION

Production of iron and steel
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.)

Coke-chemical production
Repair of ovens at the center of coking batteries.
Planned costs in 2014: CZK 1.5 mil.
Repairs of masonry of coking chambers at the center of coking batteries.
Planned costs in 2014: CZK 6 mil.

Tube mill
Exchange of collecting the used abrasives from the grinding line container from falling to the box with the necessity of its garble to the big bag to the direct falling to the big bags and thus lowering the dust nuisance.
Planned costs in 2014: CZK 30 000 (date of implementation 05/2014).

WATER PROTECTION

Production of iron and steel
Disposal of carburetting station at the blast furnaces.
Planned costs in 2014: CZK 10 mil.

Wire rod and light section mill
Repair of the floor in the wire rod mill run-out workshop (securing the impermeability of the floor against the leakage of chemicals).
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).

Billet and heavy section mill
Repair of storage of chemical substances and mixtures at the plant of railway accessories according to the project documentation (impermeable floors, sumps ...).
Planned costs in 2014: CZK 150 000.

Central pipeline of machining liquid to the machines at the premise of the railway accessories plant.
Planned costs in 2014: CZK 80 000.

Minimizing the spill of machining liquid around the machines at the railway accessories plant.
Planned costs in 2014: CZK 50 000.

Repair of the workshops for the railway accessories machinery and electro maintenance.
Planned costs in 2014: CZK 200 000.

Tube mill
Water savings by putting the second pump from the main well into the operation.
Planned costs in 2014: CZK 400 000
(date of implementation: 08/2014).

WASTE MANIPULATION

Steel drawing plant
Roofing of the collecting place of the communal waste with the influence to improved environment.

Secondary raw materials
Ongoing project Technical reclamation of the Neboranka dump.

“It is necessary to evaluate the corporate records not only from the financial point of view, but in the whole spectrum of corporate interests and environmental approach. We should shift the risks connected with the credit from the category of financial loss to the category of corporate credibility.”

(CSR Academy: Competitive framework of corporate social responsibility, 2004, edition 1, page 9)

“You should have ambitious as well as responsible marketing campaigns, incorporating the factors of social sphere and environmental protection. Developing a new product, one should realize the impact of such products to the environment and to the society as a whole.”

(CSR Academy: Competitive framework of corporate social responsibility, 2004, edition 1, page 7)

SOCIALLY RESPONSIBLE BEHAVIOUR TOWARDS THE REGION



An indivisible part of the strategy of fulfilling the CSR principles is also responsible behaviour towards the surroundings. As Třinecké železářny is the biggest employer as well as provider of the new jobs, it affects the whole region of Těšín Silesia. Therefore we are trying to positively influence the region.

There many ways of such influence, from the sponsoring, through partnership with numerous institutes, to the charity. Our positive image among the young generation is the proof that we are succeeding in the influencing the young generation. We prepared a public inquiry with 132 secondary school students from the region. The prevailing part of them (77 %) regards TŽ as a significant provider of jobs and thus they see our positive contribution to the region.

We also obtained a Certificate of Merit from the hand of the Moravian-Silesian marshal, Mr. Miroslav Novák for our endeavour of putting across the principles of socially responsible behaviour.

PARTNERSHIP

Třinecké železářny supports following organizations:

- » Non-profit organizations (Trianon – sheltered workshop)
- » Kindergartens, primary and secondary schools (TŽ managers visits – promotion of technical branches, gifts supporting education, topical excursions, visiting days and so on)
- » University VŠB TU Ostrava (scholarships, excursions, temporary jobs, etc.)
- » Organization of the Czech Ornithologists (nesting of rare water birds in the Olše River corridor with assistance of students of Třinec primary schools)
- » Job office – support of activities within the project „Let us not be afraid of technical branches“

Wider partnership with the secondary schools connected with the impact on teenagers aims at common enriching of curriculum. Within this activity, TŽ representatives met the headmasters of the regional schools and selected students of those schools visited our company.



OTHER REGIONAL ACTIVITIES

We are involved in acceleration of the projects of the construction of road infrastructure of so called Silesian Cross, which comprises of communications R 48 and I/11 including financing the studies of economy of those roads as well as load of the road capacities. We also co-operate with the Třinec municipality:

- » Share in construction of road bridge over the rail track in the Baliny industrial zone (Třinec – Kanská)
- » Share in the development of the Baliny industrial zone

SPONSORING, GIFTS, SUPPORT, CO-OPERATION

Our company sponsors many regional activities, initiatives as well as institutes. It strives to support the development of the initiatives, to contribute to improvement of the conditions of education, to maintaining the work positions for handicapped persons. We also participate in the cultural and sport events etc. We are presenting some of the sponsorship fields:

- » Support of amenities of the regional schools – kindergartens, primary as well as secondary schools
- » Non-profit organizations – protected workshops and voluntary activities
- » Sport events – Golden Spike, Bar of Beskids and so on
- » Cultural events and lore traditions – Fest of Hillmen, Silesian Days, Day of Smelters
- » Cultural centre TRISIA with the capital share and financial support of TŽ – organizes theatre performances, concerts, exhibitions, corporate training, education for public
- » Museum of TŽ and Town of Třinec financed by TŽ with the support of the municipality – permanent exposition focused on TŽ and Třinec history, organizing the exhibitions, presentations and contests
- » Support of sport events within the region in the sports area on Lesní street in Třinec as well as the sponsorship of the Sports Club, which covers numerous sporting clubs, or as a main sponsor of the ice hockey club Oceláři Třinec as well as other activities

A proof of TŽ employees' goodwill is following gift. TŽ supported municipalities affected by floods in 2012. The donation among employees reached an amount of CZK 958 261 for the village of Běloky at the Kladno region. One million crowns from Třinecké železářny and one million crowns from Moravia Steel received also villages Houstoň u Prahy and Dolany.

VOLUNTARY ACTIVITIES

Charity and voluntary activities are significant elements of the socially responsible behaviour. The employees of Třinecké železářny are involved in the voluntary activities organized by our company on a regular basis. Within those activities we support several institutes or organizations in our region. We also provide a help by the service activities provided by the TŽ employees (e.g. clean up, reconstruction, maintenance etc.)



As a member of the World Steel Association, TŽ is involved in the global environmental activities in the long run. The TŽ CEO Jan Czudek takes the certificate from the hands of Edwin Basson, the worldsteel Director General.

„Until recently, corporate engagement in society has been viewed as a business cost, to be traded off against profitability. Increasingly, however, companies are realizing that by creating shared value, they can benefit society and boost their competitiveness at the same time.”

(BOCKSTETTE Valerie, STAMP Mike: *Creating Shared Value: A How-to Guide for the New Corporate (R)evolution*, 2012, edition 1, FSG - www.fsg.org, page 6)



Concluding Words



Ivo Žižka
Member of the Board of Directors,
Director for Personnel and Administrative
and Management Representative
for Corporate Social Responsibility

Dear friends,

At the previous pages, you had an opportunity to familiarize with the life of our company and its employees and thus our everyday's effort to apply the principles of socially responsible behaviour. As these issues are critically important for us, we are trying to project it to all areas of our activities.

We hope that we have informed you on socially responsible behaviour of our company and its employees in this report. We believe that this report can provide you not only interesting information and inspiration for your CSR activities, but also prove that we are obliged by the social responsibility and take it really seriously.

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