



ArcelorMittal



ArcelorMittal Ostrava
For a better life in the region
Sustainability Report 2016

ArcelorMittal
is the world's leading
steel and mining company

Crude steel production of
90.8 million tonnes
in 2016

ArcelorMittal has
a presence in 60 countries
around the world

ArcelorMittal employs **208,000 people**

Revenues of **USD 56.8 billion**

About ArcelorMittal

ArcelorMittal is the world's leading steel and mining company, with a presence in 60 countries and an industrial footprint in 18 countries. It is the leading supplier of quality steel in the major global steel markets including automotive, construction, household appliances and packaging, with world-class research and development and outstanding distribution networks.

ArcelorMittal is one of the world's five largest producers of iron ore and metallurgical coal and its mining business is an essential part of the company's growth strategy. With a geographically diversified portfolio of iron ore and coal assets, it is strategically positioned to serve its network of steel plants and the external global market. While the company's steel operations are important customers, the supply to the external market is increasing as the company grows.

In 2016, ArcelorMittal had revenues of \$56.8 billion and crude steel production of 90.8 million tonnes, while own iron ore production reached 55.2 million tonnes.

ArcelorMittal is listed on the stock exchanges of New York, Amsterdam, Paris, Luxembourg and on the Spanish stock exchanges of Barcelona, Bilbao, Madrid and Valencia.

For more information about ArcelorMittal please visit www.arcelormittal.com

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Our philosophy is to
produce safe and
sustainable steel.

ArcelorMittal Ostrava a.s.

ArcelorMittal Ostrava a.s. is among the major steelmakers in the Czech Republic. We produce over 2 million tonnes of steel a year, mainly used in construction and engineering. We are the largest manufacturer of road safety barriers in the Czech Republic, and the sole domestic producer of grain oriented electrical sheets in the Czech Republic. Besides the domestic market, we also supply our products to over 50 countries around the world, the most important export countries including Poland, Germany, Italy, Slovakia, and Saudi Arabia.

As a result of the completion of a range of above-standard greening technologies we produce our products with the minimum possible environmental footprint.

Product portfolio

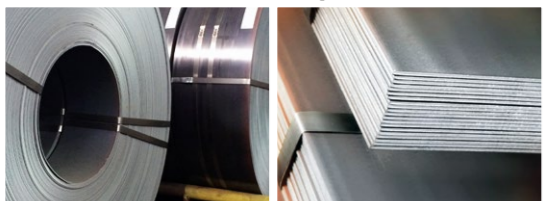
Long products and cold-formed steel open profiles



Spiral weld pipes and seamless tubes



Hot-rolled flat products



Grain oriented electrical sheets



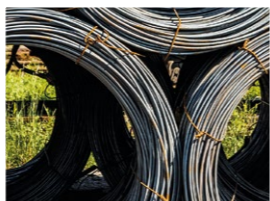
Steel mine supports



Merchant bars



Wire rod



Engineering products



Castings



Safety barriers



In 2016, the company produced 1,395,578 tonnes of long products (heavy-section mill, medium- and fine-section mill, wire-rod mill and engineering plant), 741,509 tonnes of flat products (hot-strip mill), and 90,287 tonnes of cold-rolled flat products.



In Ostrava we produce



2,457,001 tonnes
of liquid steel a year



At ArcelorMittal Ostrava we employ

4,533 people



Together with our subsidiaries we employ

6,686 people



For the Ostrava steel plant, this year is

the year of historically lowest emissions



Ashok Patil

CEO
and Chairman of the Board of Directors

This now ranks us among the global leaders in the field of greening steel production. The environmental results for 2016 were the best in the entire history of the company. 13 technologies costing CZK 2 billion that we gradually installed over 2015 and which saw their first whole year of operation last year have brought further relief to the environment. We have reduced dust emissions by 99% compared to the situation in the 1980s.

This year, we will be working on improving and modernising part of our primary production. One of the blast furnaces and tandem furnaces will receive fundamental repairs. However, the future of primary production may be jeopardised by the reform of the greenhouse gas trading system for the 2021–2030 period, to be decided on by the European Commission this year. If the proposal is approved in its current unfavourable form, it would mean an additional and significant tax burden for us and the risk that all metallurgical primary production in Europe would be relocated to countries that need not bear such a burden, whereas steel production outside Europe produces up to 50% more CO₂ emissions. Together with other steelmakers, we have been drawing attention to these risks for quite some time.

Europe is already in a situation where its lukewarm protection of its own market from dumping means that one in every four tonnes of steel consumed here is produced outside Europe. I therefore believe that a solution will prevail that will lead to a reduction in CO₂ emissions but will at the same time enable us to remain competitive.

Ashok Patil

Dear Ladies and Gentlemen,

We strive to be a good corporate citizen to both the city and the region in which we operate. I have been with ArcelorMittal Ostrava since 2012, becoming CEO and Chairman of the Board of Directors in May 2017. Since then I have had the opportunity to participate in the development and success of the company. Over the past year, we have again succeeded in implementing a series of remarkable projects that prove we genuinely care about our neighbours.

In 2016, we continued to support publicly beneficial activities in this city and region. We helped non-profit organisations, participated in cultural events, and also contributed to improving the quality of technical education. I myself very much appreciate our environmental success, as we have reduced our emissions to the limit of what is possible using the current best technologies. This means that we have kept the promise we made to the city of Ostrava and the Moravian-Silesian Region several years ago – that we would greatly reduce our environmental footprint. We are making significant long-term investments in modernising and greening our operations: over the past decade, we have invested over CZK 5 billion from our own resources in the installation of emission-reducing technologies.



2016 facts and figures

- We produced **2,457,001 tonnes** of liquid steel.
- We produced **2,046,682 tonnes** of hot metal.
- Our tandem furnaces consumed **814,099 tonnes of scrap**, of which 176,387 tonnes was recycled.
- We sold **480,000 meters of safety barriers** in the Czech Republic.
- We produced **50,007 tonnes of grain oriented electrical steel** in the Cold Rolling Mill in Frýdek-Místek, an all-time record for the company.
- We donated **CZK 27,250,000** to support and development of the city and region.
- We distributed **CZK 505,907** among **41 projects** of non-profit organizations through our employee grants.
- We organised **143,956 hours** of training for a total of **20,592 employees**, with the average annual number of hours of training per employee amounting to **31.75**.
- We employ **4,533 people**, while together with our subsidiaries the headcount is **6,686**.
- Our employees' average salary was **CZK 35,104**.
- The Ostrava steel maker was founded **65 years** ago.

Sustainable development

The Moravian-Silesian Region is heavily industrialised, yet is also home to three protected landscape areas and several natural parks. Our mission is to retain all of this for future generations, but also to offer people new opportunities to apply their skills and create a place for a peaceful and happy life. We employ thousands of people, participate in the development of education, and cooperate with customers and other stakeholders.

Our approach to sustainable development, represented through ten outcomes identified by our colleagues in ArcelorMittal, helps us to address the impact of our activities and our products on society. While reviewing these outcomes, we concluded that it is primarily the outcomes that relate to employees, communities and the environment that are of fundamental value for both us and our stakeholders.

The key areas of activities that are important for us are shown in the image below.

However, we also continue to tirelessly focus on the other

outcomes in order to contribute as much as possible towards the sustainable life of the company. We would like to share with you what we achieved in the field of sustainable development over the last year through some examples of good practice, and also introduce our future goals and challenges. We will continue with our responsible approach to the non-profit sector in the region, with our contributions to improving the quality of life of the population, and with the creation of solid relationships.

Applying the basic values of the company – sustainability, quality and leadership – we carry out all our activities responsibly and

with a focus on the health, safety and well-being of all employees, suppliers, and the communities in which we operate.

A summary of activities we have put into practice seen through the sustainable development outcomes is described in the individual chapters devoted to the particular outcomes.

We actively seek dialogue with our target groups and are in regular contact with them.



Our stakeholders include primarily:

Stakeholder	Topics	Form of communication	Frequency of communication	Responsible
Employees	Labour relations	Collective bargaining	Annual	Personnel department
	Working conditions	Employee representatives on the Supervisory Board	4x a year	Top management
	Remuneration and collective agreement	Internal meetings	continuous	Management
	Employee education and development	Magazine 1	monthly	Human resources
		Intranet	continuous	Human resources
Customers	Information on products and sales conditions Future plans and strategy of the company Sustainable management	Communication with the customer, trade fairs	continuous	Sales and marketing, Procurement
State authorities	Legislation Economic policy Current regional and national topics	Exchange of experience, cooperation on legislative changes	regular and according to need	Management
Investors, shareholders, analysts	Company financial development Strategy Sustainable development themes	Financial and annual reports	continuous	Office of the Board of Directors
Municipalities	Local development Cultural, sporting and social engagement of the company Future investment Permits	Meetings with municipal representatives	regular	Management
Media	Development of new activities Extraordinary events	Press releases and conferences	regular	Press spokesperson
Non-profit organisations	Current social matters Sustainability	Meetings with NGO representatives	regular	Management
Schools	Practical experience in the interest of education Recruiting graduates Dual education	Meetings with representatives of educational institutions Recognition of research projects Labour exchanges	continuous	Human resources

10 outcomes of sustainable development

- 1 Safe, healthy, quality working lives for our **people**
 - 2 **Products** that accelerate more sustainable lifestyles
 - 3 Products that create sustainable **infrastructure**
 - 4 Efficient use of **resources** and high recycling rates
 - 5 Trusted user of **air, land and water**
 - 6 Responsible **energy** user that helps create a lower carbon future
 - 7 **Supply chains** that our customers trust
 - 8 Active and welcomed member of the **community**
 - 9 Pipeline of talented **scientists and engineers** for the future
 - 10 Our contribution to society **measured**, shared and valued
- All underpinned by **transparent** governance.

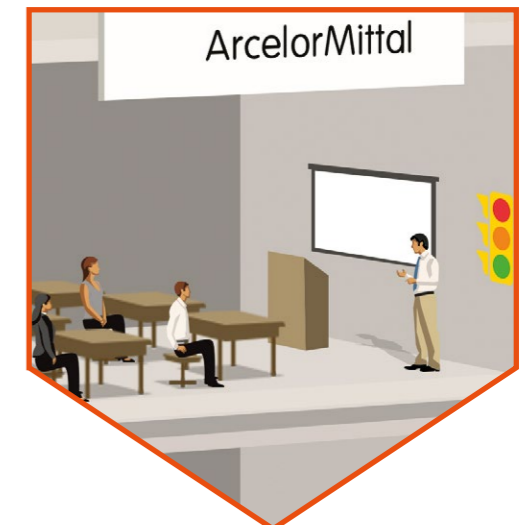
01

Safe, healthy, quality working lives for our people

We consider safety and health of and relations with our employees of key importance for achieving sustainable development. We build our success on employee engagement, and on the talented people we want to develop further and provide with a successful professional career. If we want to hire and retain the best employees, our working culture must be based around respect and balance between the working and personal life.

What we want to achieve

We are reducing risks and want our employees to be able to work without the danger of an occupational accidents and in accordance with safety rules. We also consider comfort to be important when it comes to personal protective equipment. We want to create a working environment in which diversity is valued, and where each and every individual is respected and can fully develop their own potential. We are also working on addressing the challenges related to future demographic trends and technological progress.



What our partners expect from us

- a safe environment for our employees
- steel production without serious or fatal injuries
- appropriate training and tools for work

We take the health of our employees seriously, and so we have introduced preventive health programmes for them. We want fair and open relationships with our employees, and so we have a continuous dialogue with them on improvements in this area.

Safety

Our global objective is to eliminate serious and fatal occupational injuries and minimize the incidence of any occupational injuries.

In discussing questions of occupational health and safety with our staff, we employ well-established tools such as, shop floor audits and the Golden Rules of Safety. Regular safety regulations training for all the company's employees is also one of our prevention measures.

As in previous years, we are continuing to develop the "Journey to Zero" project. The goal is to improve the safety culture to enable us to become the safest steelmaker in the world. We consistently maintain the 5th (highest) level of corporate safety standards in various areas, for example isolating and locking equipment, confined areas, work at heights, cranes and lifting equipment, rail transport and the management of external companies. We maintain these standards at stricter levels than required by Czech legislation, and the goal of their implementation is to prevent all occupational injuries. In 2016, the auditors Bureau Veritas carried out a recertification audit of the H&S management according to the requirements of ČSN OHSAS 18001, and we were awarded the certificate.



Our activities in 2016

There were meetings between the CEO and all employees. The central topic was occupational health and safety (H&S).



In 2016, the top management performed 346 layered audits and middle management 8,000 shop-floor audits.

The partnership between the trade unions and company management in occupational health and safety continues through regular meetings of the H&S Committee. This working group met nine times.

Throughout 2016, information on serious occupational injuries that occurred at other ArcelorMittal units was published and communicated with the aim of establishing whether similar risks are present at our workplaces, and to removing them. Training continued, including on-line training for managers and practical minutes for safety and identifying the causes of injuries in cooperation with employees.

Employees of external companies working in the company premises undergo H&S training. Before every shift there is a 'last-minute risk analysis'.

Occupational safety is our main priority. Hence, we have introduced the annual Health and Safety Day, one of our preventive activities. In September, we organised Health Awareness Week with targeted programmes from the ArcelorMittal corporation and our own accompanying events. The Shared Vigilance project continued with the goal of expanding the idea of taking care not only of your own safety, but also of that of colleagues and co-workers.

Together for safety

2,612 employees took part in the ninth annual Health and Safety Day. Employees took part, for example, in practical first-aid courses under expert supervision. As per tradition, the day also included a range of activities related to occupational health and safety. Experts from the medical rescue service and the Red Cross explained to employees the rules of first aid for burns, and assisted in practical training exercises. Employees could try out new protective work equipment that will reduce the risk of burns. We took advantage of this day to launch the mature age programme, focused primarily on employees aged over fifty. The company management also met with representatives of our contractors who work in our premises. In order to also prevent occupational injuries for external employees, they are subject to the same safety regulations and working practices as our own people.



Our activities in 2016

01 Safe, healthy, quality working lives for our people



Health

We work to create not only a safe working environment for all employees, but also to contribute towards their health and well-being. Good health is crucial for quality of life. A healthy lifestyle, for example, better eating habits, improved physical fitness and quitting smoking will prevent many illnesses. In addition, we encourage our employees to adopt a healthy lifestyle in their free time through targeted programmes and activities.

Employees can take advantage of the services of sports centres which, in addition to rehabilitation workout, encourage physical activity. They can take courses in yoga, massages, and programmes focusing on the motor and respiratory systems. Health stays at selected spas and vitamin packages in winter have also become popular.

Health Awareness Week

Over five days in September, a total of 6,612 employees took part in activities intended to highlight the importance of good health, a healthy lifestyle and prevention.

Employees could register for the 50+ programme, focusing on health protection at a mature age, or attend lectures on healthy eating. Health protection is linked to adherence to safe behaviour at work, and so the speeds of vehicles on the premises was measured. There were also practical fire-fighting and first-aid provision exercises.

As a healthy lifestyle is inseparably linked to sport, there were sports tournaments, massages and a traditional steelmaker sports day for employees, which we organised for the ninth year. Twelve teams made up of employees from individual plants clashed in eight sport disciplines, and a total of 240 sportspeople tested their team spirit and sporting ability.

“Every year, several thousand of our employees take part in Health Awareness Week, which shows that they are interested in keeping fit and want to live a healthy lifestyle. Sports competitions and preventive examinations are the most popular,” says Jiří Michálek, Director for Safety and Health.

In September, we also celebrated one year since ArcelorMittal Ostrava became a non-smoking company.

Mature Age

We have prepared the Mature Age programme for employees aged over 50. This programme includes taking blood samples at the workplaces and the rehabilitation-focused Program 50+. Blood analyses have shown that the employees’ blood-sugar levels are fine, however only a minority of them have desirable cholesterol levels. A PSA (Prostate-Specific Antigen) test has enabled us to trace six cases with over-limit values. These employees are invited to visit their GP for further appropriate treatment. The rehabilitation-focused Program 50+ included an initial examination by a doctor, four massages and two individual lessons with a physiotherapist. The

programme was completely free of charge. Our company covered the costs in cooperation with the Czech Industrial Health Insurance Company.

Employee development

The foundations for the long-term success of this company are satisfied and motivated employees who perform high-quality and conscientious work. We emphasise the professional growth of our employees. These take part in educational activities, primarily at our training centre, and can choose from a wide range of courses: professional, language, computer, managerial, occupational safety, and more. We create the right conditions so each and every employee feels good and can develop their talents to the full with us. We encourage employees to think about how education can help them in their personal development and career path. We invest in additional education over and beyond the framework of current work obligations. In 2016, we cooperated more intensively with the Labour Office in Ostrava to retrain our own employees in engine and motorised trolley driver positions.



Our activities in 2016

01 Safe, healthy, quality working lives for our people

Talent programme

Employees with excellent results in the all-year performance and potential assessment may enrol in the Talent Programme. All categories of employees may take advantage of this special programme. The Talent Programme includes the Leadership Academy, a two-year programme for talented people with the potential to advance to management positions. 2016 saw a total of 84 Talent Programme participants, of which 9 completed the Leadership Academy.

Mentoring

We consider mentoring to be part of our development programmes. The main reasons why we decided to introduce mentoring include accelerating the process of adaptation for new employees, and retaining and developing promising talented people. It opens up possibilities for employees to expand their awareness

of the company, clarify processes, gain new experience and new contacts, and become more familiar with the corporate culture. People who have been with the company for a long time are excellent choices for mentor, so we use experienced managers and senior specialists who have shown an interest in the role of a mentors. Mentees come from the ranks of talented employees, successors to key positions and trainee programme graduates.

Learning Week

The fourth annual Learning Week was held in the middle of June, during which employees could attend education blocks on various themes. 291 people participated in these activities. The greatest interest was in a seminar with Jan Čenský on the subject of self-presentation. Employees could improve their skills in English, working with software, or participate in workshops.



Cooperation with trade unions

We strive to maintain long-term and fair relationships with both our employees and the trade union organisations which represent them. In 2016, there were 10 independent local trade union organisations at the company with 62% of all ArcelorMittal Ostrava employees, including the subsidiaries, as members. The collective bargaining for 2016 was relatively complicated, as the entire Collective Labour Agreement had expired. We did not come to agreement within the planned deadline, and so we extended the validity of the existing 2013-2015 Collective Labour Agreement to 2016. The Agreement covers 99% of the employees at our company.

Winning a special award

In 2016, we were awarded the special prize of the jury in the competition of Gender Studies Company of the Year: Equal Opportunities for our approach towards employing women. The jury appreciated the fact that although we operate in the traditionally masculine field of metallurgy and heavy industry, we devote considerable energy to supporting women and minorities. We focus on support for women, mothers and parents in general, and also offer benefits for fathers after the birth of a child, or

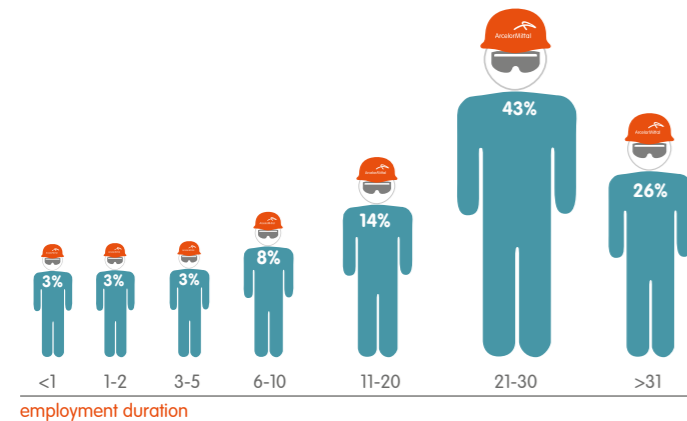
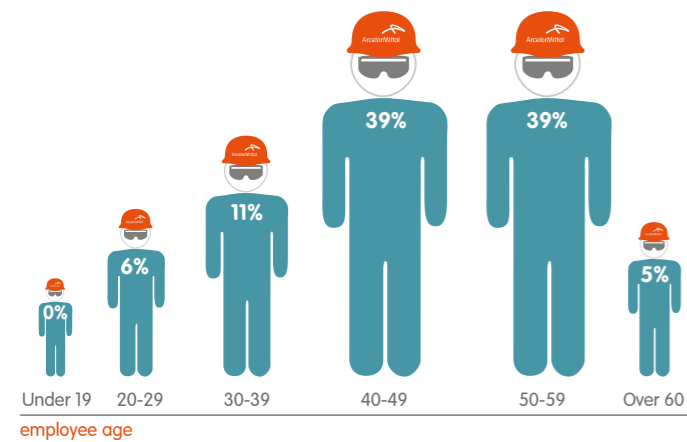
paid leave for other carers. We support talented women and their further professional and career development. We motivate them to apply for jobs that appear to be traditionally classically masculine. We pay special attention to female managers and help them strike a balance between their demanding work and personal lives. This includes the possibility of home office or part-time work, and financial contributions for child and household care. Today, women make up 13% of our workforce.

Take care! training

The Take care! training became a priority for 2016. In spite of all the safety tools, we have not yet achieved zero accidents. Serious injuries occur repeatedly, however the cause does not lie in technical deficiencies. It lies in the approach of employees who occasionally act carelessly, short-sightedly or may not pay sufficient attention to routine tasks. Hence, we have introduced this education programme, through which we help employees change their working habits and behaviour at the workplace. Education programme lectors are primarily employees themselves. The training is intended for all manual workers, and was attended by 1,541 employees in 2016.



Age structure and duration of employment in 2016



Key Performance Indicators

Safe, healthy, quality working lives for our people	2016
Fatal Injury Frequency Rate	0
Lost Time Injury Frequency Rate related to millions of hours worked	0.71 injuries
% overall absence	5.02
Number of occupational diseases	17
OHSAS 18001 safety standard certification	renewed successfully
Number of hours of training for employees	143,956
By category:	
Management	4,318
White-collar	28,844
Blue-collar	110,794
Number of employees trained	20,592
By sex:	
Out of which women	1,523
Out of which men	19,069
By category:	
Management	967
White-collar	5,218
Blue-collar	14,407
Employees trained in H&S area	10,329
Average number of hours of training per employee per year	31.75
Percentage of employees under Collective Labour Agreement	99



Employee benefits

Employees are entitled, under the current Collective Labour Agreement, to a series of both financial and non-financing benefits, such as a contribution towards their supplementary pension insurance and life insurance schemes, a reward for years worked, health stays and programmes, and also financial assistance in difficult life situations and interest-free loans. Employees also receive meal allowances and have a set fluid-intake regime. The employer also provides contributions towards sports and culture and health stays for employees' children.

Our commitment to the future

Our first and foremost goal still remains to improve our safety performance, in particular to eliminate the serious and fatal injuries and minimize the incidence of any occupational injuries. To achieve this goal, we make use of our time-tested projects Journey to Zero and Shared Vigilance. We will continue to work with our contractors as their involvement is no less important. We will be maintaining proper relations with employee representatives. For the employees, we will be improving comfort at the workplace, continue to renew the vehicle fleet, promote preventive programmes to improve health and lifestyles, enable further professional and career development and provide equal opportunities.

Case study: A 21st century working environment

We take an interest in the health and satisfaction of our employees, and this means we continually work to improve their working environment.

We have reconstructed four of the most-frequented canteens at a total cost of almost CZK 12 million. Thanks to this, employees take their meals in modern facilities that are available non-stop. These are canteens with service or fully automated self-service, including the possibility of purchasing hot and cold drinks.

20 safer, quieter and more reliable locomotives are also contributing towards making the working environment more pleasant – they have increased safety, reduced noise levels and provide greater comfort to their drivers. Over the past year, the 20 new CZ LOKO locomotives

fully replaced the 28 existing locomotives dating from the 1970s and 1980s, which transport on average 1.7 million tonnes of materials every month. The new locomotives have been partially adapted to the siding operations at the steel mill, and their main task is to serve the company, transporting materials between individual plants, and to dispatch finished products.

“In addition to the more economical operation, advantages of the new locomotives include greater comfort and safety for the drivers and shunters. Safety is improved through the tower cab offering a better view, automatic couplings that minimise the associated risks, and modern lighting systems that improve visibility,” says Otto Mischinger, Director of the Transport plant.

02

Products that accelerate more sustainable lifestyles

03

Products that create sustainable infrastructure

There is a reason we call steel “the fabric of life”. Steel has the potential to transform how and where we live and improve the quality of our lives.

We believe that steel should – thanks to its strength, flexibility and endless recyclability – help create environmentally friendly infrastructure that makes efficient use of energy, water and natural resources.

Steel remains a vital part of modern life. The steel we produce is used all over the world. Thanks to our boldness, our steel has been used in pioneering projects from the Empire State Building to the largest cruise ship in the world.

New steel for the automotive industry

We have developed – and are the exclusive producers in the European part of ArcelorMittal – steel mainly used in the automotive industry. At the medium-section rolling mill we produce flat bars for leaf springs used in suspension systems. They are made of low-alloy chrome-vanadium steel, remarkable for its toughness, strength and resilience to cyclic loading, which makes it ideal for highly stressed machine components such as leaf springs.

Leaf springs are most commonly used in the automotive industry and in freight transport. Our customers include leading Tier 1 suppliers.

The manufacture of flat bars for the automotive industry means yet another step towards increasing the share of high-value-added products, which in turn improves our competitiveness. Our new product is a proof that we place great emphasis on research and development.

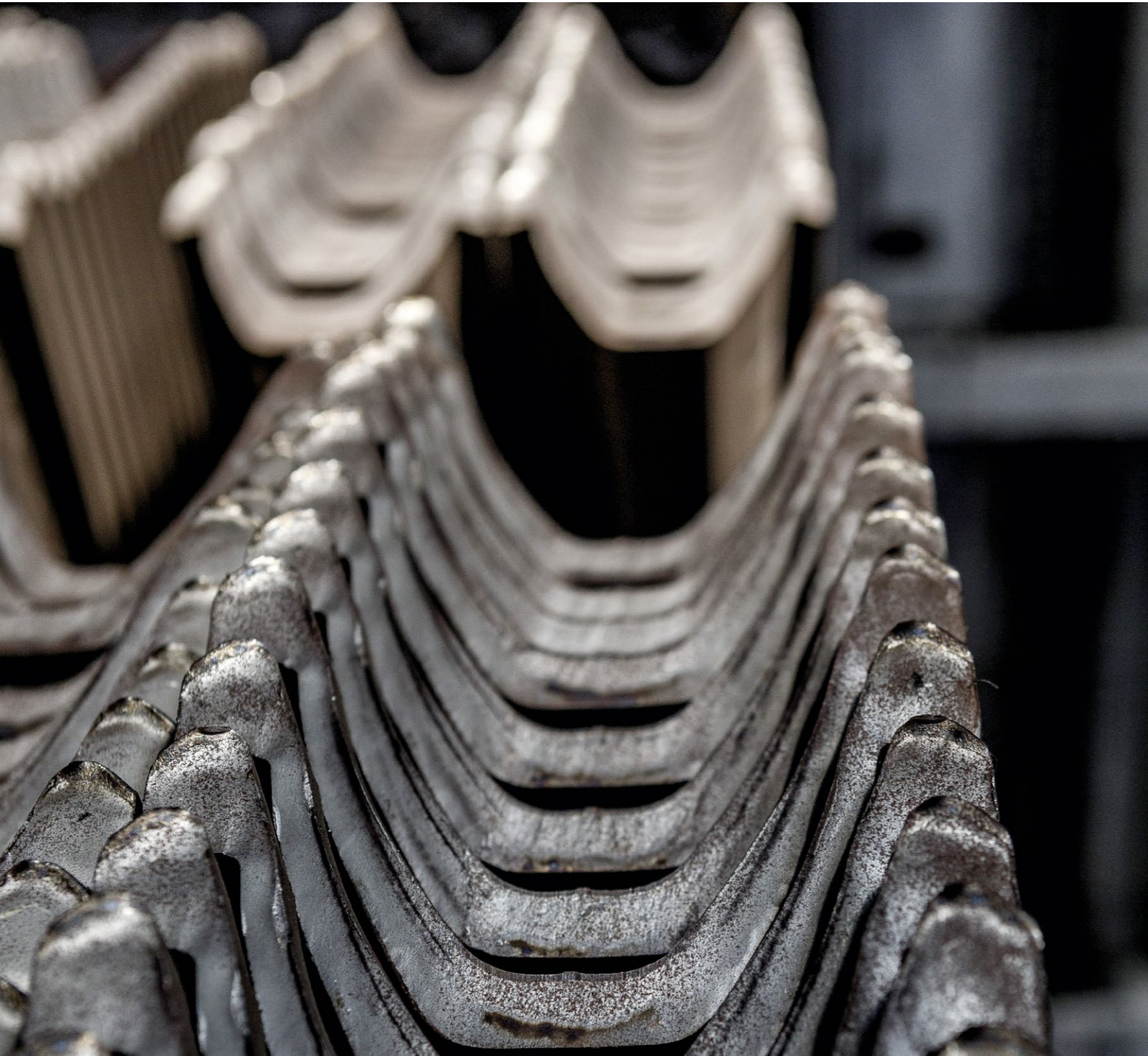
The production of this new product involved investment of over CZK 210 million.



Our mine supports are a global success

We are the sole supplier of mine supports in the markets of Central and Eastern Europe. Now our supports are also starting to be used in areas of South America such as Chile, Peru and Guatemala. The supports feature reverse bending and are used for the construction of tunnels there. In Africa, for example in Sierra Leone, our mine supports are mainly used in gold and diamond mines.

“Over the past five years, the annual consumption of mine supports has fallen by around 20%. However, we still produce between 55,000 and 65,000 tonnes of supports every year. This quantity covers the demand in both domestic and foreign markets. Yet our capacity is higher, and so we are now focusing also on overseas markets,” says Richard Toman, Head of Mine Supports and Road Barriers..



We have delivered nearly 90km of road barriers for the D2 motorway

88 kilometres of barriers now protect motorists on the D2 motorway, which connects Brno to the Lanžhot/ Kúty border crossing. In total, we have supplied 51 kilometres of single-sided and 37 kilometres of double-sided barriers. All the barrier systems are manufactured of low-alloy steel, which is stronger than standard steel. This means that the barriers can be thinner and lighter, yet have the same or even better safety characteristics.



Industry 4.0

The Industry 4.0 initiative refers to the fourth industrial revolution and the related automation of manufacturing and digitisation. A change is coming to manufacturing plants throughout Europe comparable to the massive arrival of steam-powered machinery at the start of the 19th century. The Industry 4.0 initiative has been prepared by the Ministry of Industry and Trade of the Czech Republic with the objective of maintaining and strengthening the competitiveness of the Czech Republic at the start of the fourth industrial revolution. The initiative was approved by the Government of the Czech Republic at its meeting on 24 August 2016.





Industry 4.0 at ArcelorMittal Ostrava

The Automation Plant in ArcelorMittal Ostrava was established in 2015. Its employees focus on developing digital control and planning systems for the whole of the company. The application of modern digital systems and tools in metallurgy today significantly improves the safety of the whole plant and also improves competitiveness on global markets. Thanks to the use of new technologies, production processes are now more efficient, and the door is open to the production of higher-added-value products.

According to the plan, by 2021 we will have completed, for example, the automation of quenching wagons at the coke plant, and will have installed new control systems at the sinter plant and the blast furnaces. At the same time, we will have created a new digital model that will simulate the processes inside the blast furnaces. We will be able to use the new knowledge, among other things, in the production of higher quality steel.

Action 2020

The five-year ArcelorMittal strategic plan was introduced in 2016. It provides an overview of how each of the business segments will develop in the future, and the improvements in costs, volume and product mix that will be achieved. The fulfilment of this plan will enable us to invest in our future. We will continually adapt our long-term strategy and the company's focus to the current situation and other factors.

Action 2020 contains the strategic plans and specific improvements for individual segments of the group in

various parts of the world. The specific objectives for the individual operations are determined based on their product portfolio, and reflect the market dynamic in the region and the opportunities available.

Our focus in Ostrava is to increase the output using the existing equipment to 2.5 million tonnes of crude steel. At the same time, we want to improve our productivity to become an even stronger and more stable company, which in turn will provide benefits to the region in which we operate..



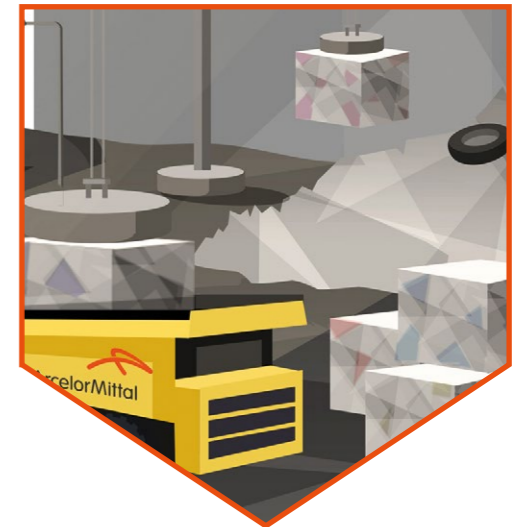
04

Efficient use of resources and high recycling rates

Renewable natural resources are under intense pressure as global population grows. Current economic trends are increasing this pressure ever more. Hence, in recent years, greater emphasis has been placed on reuse and recycling all raw materials and resources.

Why this outcome is important for us

As a leading steel producer in the Czech Republic, we are also responsible for achieving the highest possible efficiency in resource use, production and recycling. Our efforts are therefore to waste as little raw materials and secondary materials generated during production as possible. Reusing them, we behave in an environmentally friendly manner yet also save costs on purchase of new raw materials. During the production processes, we generate products from waste, by-products, and also actual waste. These need special handling because of their characteristics, possible environmental threats and the legislation.



Our stakeholders' expectations

Our stakeholders, whether they be state authorities, the neighbouring municipalities, or NGOs, monitor legislative compliance and have an understandable

interest in protecting the environment and improving the living conditions in the Moravian-Silesian Region.



Our activities in 2016

Environmental waste management

Reducing the quantity of secondary materials generated during production remains our long-term objective. We constantly search for new ways to reuse these materials.

100% recyclable steel

Compared to other industrial products, steel has a major advantage as it is 100% recyclable. Its reprocessing is far less energy-demanding than its primary production. The energy saved by recycling steel reduces the annual energy consumption in the industry by up to 75%. The recycling of a single tonne of steel saves around 1,100kg of iron ore, 630kg of coal and 55kg of limestone. At ArcelorMittal Ostrava shop steel scrap represents on average one third of the metal-bearing charge. In 2016 we processed 814,099 tonnes of iron scrap.

By-products and waste recycling

In addition to recycling the steel itself, we also recycle a range of secondary and waste products from industrial production. Some of the waste is certified as products and used primarily in construction. This includes blast-furnace slag from hot metal production, that is used to produce artificial aggregate and granulate.



In 2016 we produced 370,687 tonnes of granulate and 370,000 tons of aggregate, which we supplied to external companies for further use.

Steel-making slag is used in earth works. Of the total, we recycled 160,456 tonnes of steel slag as a substitute for basic ingredients at both the sinter plant and the blast furnaces. We supplied external companies with 162,514 tonnes of processed steel slag.

We recycle and reuse around 10% of **refractory material and linings** in repairs of steelmaking facilities. 3,115 tonnes of magnesite crushed linings and 70 tonnes of aluminosilicate linings is used as a substitute for basic ingredients in the production of hot metal in the blast furnaces. The remainder of linings and refractory material is used in the construction industry.

As a substitute for fluxes, we also use 163 tonnes of MgO (**magnesium oxides**) sludge from the physical-chemical processing.

Thanks to the Low temperature desorption equipment for the processing of **scale sludges**, operated in the premises of the company by our subsidiary, we recycled 10,280 tonnes of our own as well as external processed iron scales. We also received 237,972 tonnes of iron scales from external companies, which we recycled in the blast furnaces.

Ferrous metals obtained through magnetic separation from product waste are also returned to the production process that we obtain. In 2016, this represented 17,031 tonnes of recycled ferrous metals.

We capture thousands of tonnes of dust

Thanks to the electrostatic precipitators and the fabric filters at the sinter plant, we captured a total of 11,329 tonnes of dust particles in 2016. At the turn of 2015 and 2016, the new Sinter Plant South fabric filter was put into operation.

At the steel shop we captured another 2,694 tonnes of dust by fabric filters through cleaning the gases at the continuous casters, vacuum degasser and the charging systems.

Currently we are unable to process the dust captured, so it is handed over to external certified companies for liquidation.



Our commitment to the future

Our objective is to minimize the quantity of by-products and waste, and so we develop the technologies and search for methods to reuse them.

Case study: Enrichment of the 0-8mm steel slag fraction

Steel slag of various sizes is generated during steel production as a by-product. However, it is a valuable source of iron, yet the limiting factor for recycling slag in the sinter process is its phosphorus content.

So how do we return as much steel slag as possible to the ore sintering process?

Through mechanical-physical treatment of the 0-8mm steel slag fraction, which contains 35-40% of iron, we have been able to increase its content to 54-57%, while keeping the phosphorus content at a level that enables us to reuse the enriched slag in the sintering process. The enriched slag replaces iron ore, additives and fuel in production. The use of this by-product means not only lower costs compared

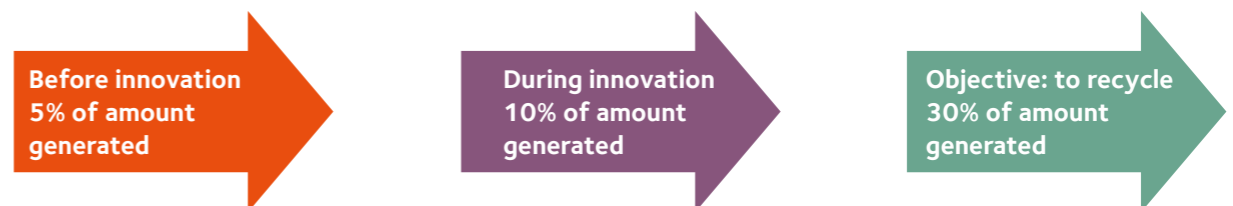
to the extraction of primary natural resources, but also a higher degree of sustainability.

1 tonne of enriched slag replaces:

- 1.027 tonnes of ore
- 336kg of carbonate additives
- fuel

In 2016 we recycled on average 1,900 tonnes of this commodity per month, saving the company approximately CZK 19 million.

In 2017 our objective is to strive to further increase the volume of recycling of enriched slag, which would enable us to reduce the inventory of slag amassed in the past.



05

Trusted user of air, land and water

Air, water, land, and fire were already recognised as part of the basic components of the world in ancient philosophy. We cannot do without these basic elements even in steelmaking. Hence our long-term efforts to optimise the use of natural resources to ensure sustainable development for our company.

What we want to achieve

From an environmental protection perspective, steel is an excellent choice: it is environmentally friendly and beats other materials thanks to its easy recycling. The principles of sustainable development with an emphasis on environmental protection form an integral part of all our company's steelmaking activities. Emphasis on our environmental policy is one of the company's main tools to further reduce the negative impacts of production on the environment.



Why this outcome is important to us

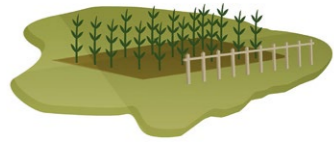
The installation of technologies that meet the most stringent European emission standards for steel mills is a major step towards improving the quality of the environment in the Moravian-Silesian Region. The construction of state-of-the-art technologies is

supported by the Ministry of the Environment of the Czech Republic through European funds, specifically the Operational Programme Environment. Investments into greening industrial production are one of the tools to improve the quality of the environment in this region.



Our stakeholders' expectations

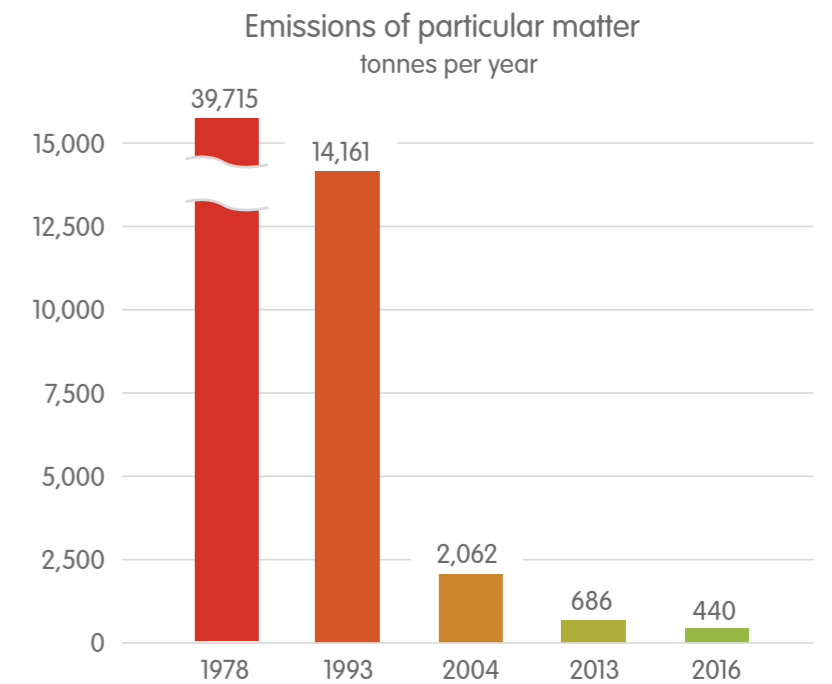
Our stakeholders and representatives from neighbouring municipalities understand that our industrial activity has some effect on the environment. They, however, expect this effect to be as small as possible. We believe that the implementation of our long-term strategy for greening production facilities enables us to meet these expectations.



Our activities in 2016 – Air

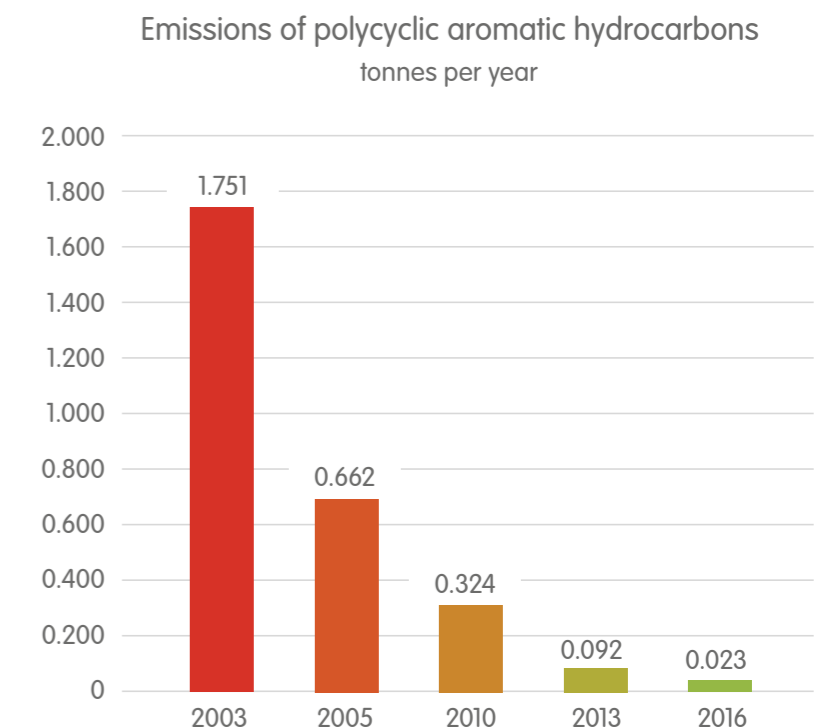
Emissions of particulate matter

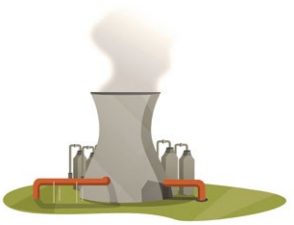
2016 saw, for the first time, the full effect of the 13 investment projects commissioned at the turn of 2015/2016. Thanks to these above-standard investments, we reduced total annual ducted dust emissions to a historic minimum. In 2016, the company emitted 440 tonnes of dust, which is less than a quarter of the amount emitted in 2003 when the plant became part of ArcelorMittal, and it is only around 1% of the total dust emissions of 40 years ago.



Emissions of polycyclic aromatic hydrocarbons

In 2016, the steelmaker also achieved a historic minimum for emissions of polycyclic aromatic hydrocarbons (PAH). Most important from the perspective of reducing ducted emissions was the construction of the fabric filters as the second stage of dedusting of the flue gases of sinter belts No. 4 and 5 at the South Part of the Sinter Plant, which were put into operation at the start of 2016. We achieved a significant reduction in PAH, including benzo(a)pyrene, to 23kg, i.e. 65%, thanks to the special technology for dosing additives into the flue gas stream before the fabric filters.





Environmental education and training

Lectures and discussions with students from the Technical University of Ostrava and from the University of Ostrava were held in 2016. The lectures included information relating to environmental protection and the importance of planting greenery as an effective tool to eliminate dust emissions and reduce noise levels. The lectures presented technologies introduced to minimize emissions from the manufacturing facilities operated by the company. The students learned about the trend in dust emissions between 1978 and 2015. The lectures included an interesting explanation of how fabric filters work and information about the size of the particles they are able to capture.



Meeting citizens from the neighbouring municipalities

As part of open communication, we invited residents from the neighbouring municipalities to guided tours around the company. The invitations were accepted by dozens of people. During the visit, they were shown new environmental protection technologies and obtained information about our company's objectives for environmental protection in the future.



International certification

We apply an integrated management system (IMS), which includes the environmental management system that conforms to ISO 14001:2004. In the IMS we identify environmental aspects that influence, or that may influence, the environment. Objectives, programmes and tasks focus on reducing negative environmental effects.

Our commitment to the future

We will continue with our activities directed towards reducing the impact of our production on the environment, and will search for new ways to efficiently contribute towards sustainable development and the preservation of biodiversity for future generations.

Our activities in 2016 – Water sources

Water is an important part of industrial processes. We use three types of waters to sustain our industrial activities: potable water, service water and additional service water. A separate distribution network is in operation for each of the water types.

The main source of **potable water** is Severomoravské vodovody a kanalizace Ostrava a. s., which delivers potable water to the company through our reservoir in Vratimov. Other sources are the connections to Ostravské vodárny a kanalizace a.s. from Šenovská and Frýdecká Streets. In 2016 we consumed 531,274m³ of water from the public water mains.

Service water is supplied by our own water treatment station. Žermanice dam serves as the source of raw water, which becomes service water through the treatment. Service water is used for employee hygiene purposes. The company produced a total of 857,906m³ of service water in 2016.

The sources of **additional service water** are surface water from Žermanice dam and from the river Ostravice, and also recycled water from two sewage plants. Additional service water is distributed through pipes to the water management systems of the company's individual operations, primarily composed of direct and indirect cooling circulation circuits. Pumping stations are used to circulate cooling water for the operations. Additional service water is mainly used to compensate for water loss during manufacturing processes.

From our principal source, Žermanice hydroelectric dam, we consumed 15,721,900m³ of water in 2016. We also consumed 1,215,489m³ of surface water from our



secondary source, the river Ostravice. The Lučina and Ostravice sewage plants enable us to return part of the purified waste water for reuse.

In 2015, as a result of extremely unfavourable rainfall conditions, we adopted regulatory measures relating to consumption of surface water. From mid-September, we and other consumers took measures to combat the long-term hydrological drought that had been affecting the whole of the Moravian-Silesian Region in particular from June 2015. The measures helped stabilise the situation at Žermanice dam, and so the threat to reduce production of the company was prevented. These measures were cancelled in the second half of February 2016. We then returned to the regular surface water offtake regime for the main water source, Žermanice dam. We continually work to reduce the amount of water consumed from surface sources and to maximise the use of recycled water. In 2016 we recirculated and reused 6,121,500 m³ of treated wastewater from both the wastewater treatment plants. **The amount constituted 26.5% of the water needed for production of the company.**



Assessment of the four-year project “Care of endangered plant species in Carpathian waterways”

Between 2013 and 2016 we invested CZK 530,000 to support the project of the Salamandr Czech Union for Nature Conservation, the main objective of which was to determine and implement suitable management for endangered types of plants in Carpathian waterways. A secondary objective was to inform the public about the values of and threats to Carpathian waterways. As part of the project, mapping and research was carried out on the rivers Morávka, Olše, Ostravice, Lubina, Rožnovská Bečva, and Vsetínská Bečva. Nature conservationists linked the treatment of areas near the rivers suffering from invasive knotweed to this activity in order to support original or rare plant species.

In municipalities in the immediate neighbourhood of the valuable tracts there was an information campaign and excursions for the public. The project results were presented at a closing seminar in Ostrava, at a discussion meeting with the public administration, and expert institutions in Rožnov pod Radhoštěm, and were also published in the Ochrana přírody 4/2015 magazine. Recommendations for the management of special-interest species were presented to a representative of the state authorities, Nature



Conservation Agency of the Czech Republic, which is interested in data of this type precisely in relation to their efforts to protect rare sites and species.

Key performance indicators

Indicator 05. Trusted user of air, land and water	tonnes/year 2016	tonnes/year 2015
Liquid steel output	2,457,001	2,043,773
Hot metal output	2,046,682	1,961,504
Air emissions:		
Particulate matter (PM)	440,328	591,953
SOx emissions	2,548,621	1,531,940
NOx emissions	2,979,533	2,508,515
Water:		
Total water consumption according to source (m ³ of water per tonne of steel produced)	7.11	8.72

Additional information on the indicators:
 NOx, SOx, particulate matter – all emissions measurements are carried out by a laboratory with accreditation by the Czech Accreditation Institute. The procedures for measuring emissions conform to ČSN EN ISO/IEC 17025.
 Water – 2 external sources (Žermanice dam, the river Ostravice) – water consumption is calculated using commercial meters. The method of quantifying water consumption is in compliance with the Water Act. The measurement is used for billing the water consumption by the watercourses administrator.
 Two internal sources – recirculated water from the Ostravice and Lučina wastewater treatment plants. The amount of water is monitored by means of operational meters. These measurements are used for internal purposes.
 The measured quantity of water is divided by the volume of steel output in tonnes and the result is m³ of water per tonne of steel.

Case study: Reducing emissions to historic lows

In 2016 13 new dedusting technologies were in operation for the entire year for the first time.

The greening of the company's operations has greatly contributed to reducing the impact of our production on the environment in the region. Investments of billions of crowns have cut total annual dust emissions to 440 tonnes. This is not, however, a one-off fall, but the continuation of a long-term trend. Emissions have now been cut to 1% of the levels in the 1980s. We produce less than one quarter of the emissions we produced in 2003, when the Ostrava steelmaker became part of ArcelorMittal. The latest environmental investments have enabled the company to reach the technological limits of dedusting.

The EU has also contributed towards the construction of environmental equipment. It was thanks to previous investments of the company's own resources and the fact that we had already met EU emissions limits based on Best Available Techniques (BAT). The heart of the new technologies the fabric filter that represents state-of-the-art technology for dedusting metallurgical production nowadays. The filter captures, with an efficiency of over 99%, even the smallest dust particles PM 10, PM 2.5 and PM 1. The technologies stand out through their efficiency, guaranteeing continuous operation. The total surface area of the latest fabric filters exceeds 73,000m², equivalent to ten football pitches.

The best environmental results in the history:

In 2016 we achieved a year-on-year reduction in dust emissions of 142 tonnes.

This is equivalent to a year-on-year reduction in ducted emissions of a quarter.

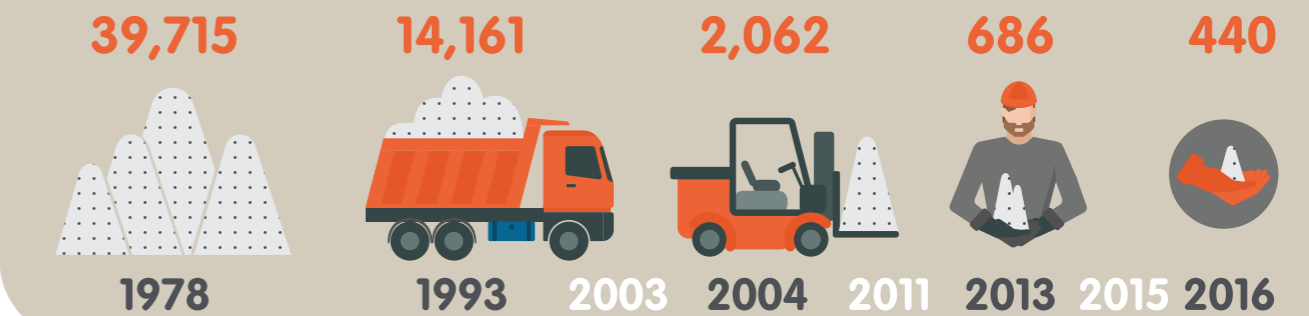
The annual emissions of 440 tonnes is less than one quarter of the emissions in 2003.



ArcelorMittal Ostrava has cut emissions to the edge of what is technically possible



Total annual dust emissions are at a historic minimum (t)

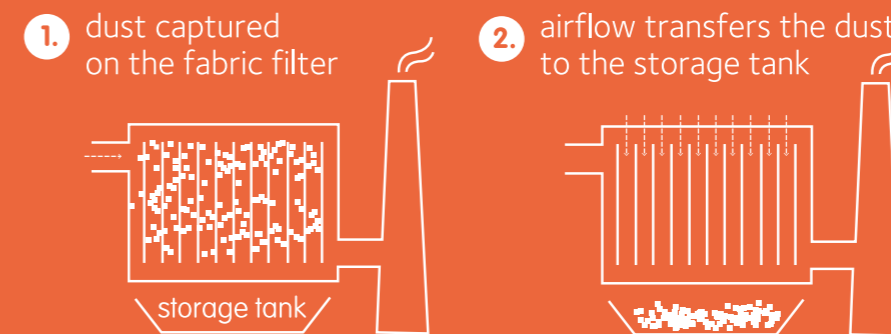


Fabric filter is the heart of the investments

ArcelorMittal enters the Ostrava mill. Total environmental investments climb to CZK 4 billion between 2003 and 2013.

Since 2011 ducted emissions have been cut by a modern fabric filter in the northern part of the Sinter Plant costing CZK 1 billion.

Record greening and modernisation. A total of 13 environmental technologies costing CZK 2 billion built at the Sinter Plant, Blast Furnaces and the Coke Ovens.



In its "Programme to Improve Air Quality in the Ostrava/Karviná/Frýdek-Místek area", the Ministry of the Environment determined the amount by which industrial emissions of particulate matter had to be reduced for individual sources in the Moravian-Silesian Region. For ArcelorMittal Ostrava, the Ministry determined a cut of 15% by 2020 compared to the 2011 reference year. Thanks to our active approach

to environmental protection, the company met this target as early as 2016, a full 5 years ahead.

The costs for the operation and maintenance of the new emission-control equipment are approximately CZK 200 million a year. Thanks to these technologies we have become global leaders in greening among steelmakers.

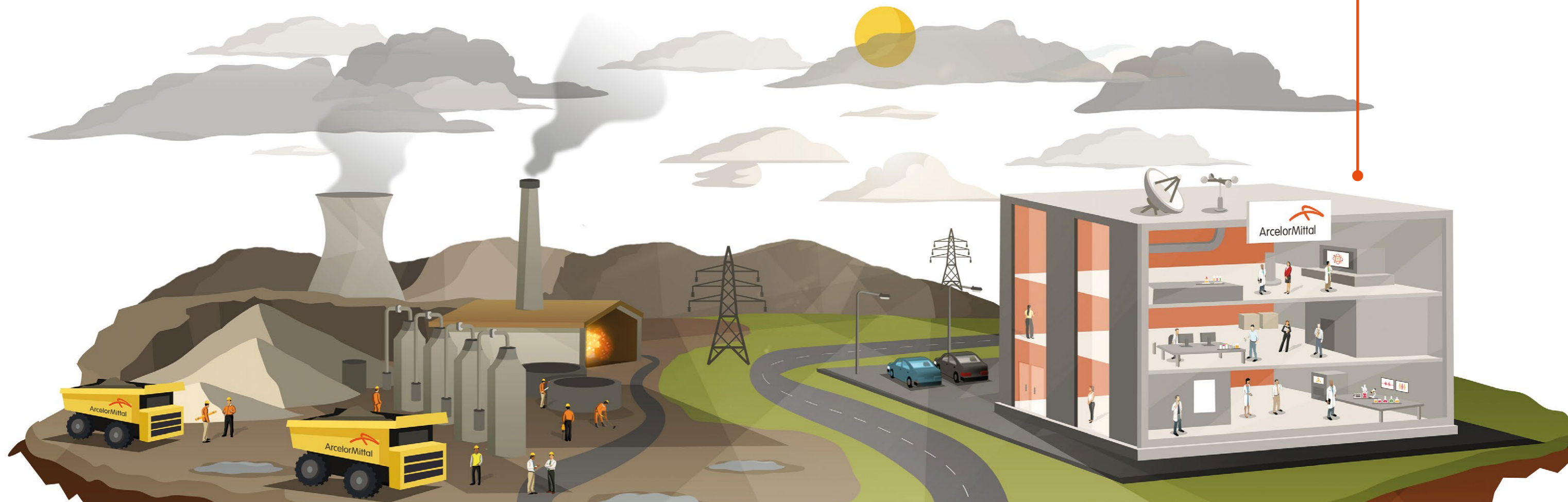
06

Responsible energy user that helps create a lower carbon future

Steel production is an energy-intensive process, during which CO₂ is emitted. Through efficient, cost-effective and environmentally-sensitive energy management, we can produce steel with a lower environmental footprint and comply with the principles of sustainable development.

What we want to achieve

Energy costs form a significant part of the company's expenditure. Improving energy efficiency will reduce costs and concurrently also CO₂ emissions. We want to achieve energy savings by applying new production technologies with minimum energy and raw material requirements.



Our activities in 2016

Energy management

In March 2016 external audit was performed by TÜV NORD Czech, s.r.o., after which we were awarded certification under the ČSN EN ISO 50001:2011 standard. Our subsidiaries were also awarded the certificate. In February 2017 control audit was performed that extended the certificate validity.

Energy management includes searching for areas with significant energy consumption, monitoring energy efficiency and optimising it through systemic tools.

ISO 50001 is a new global standard in energy management, energy policy implementation, and



improving energy efficiency. It is recognition of our care for natural resources and our efforts to reduce greenhouse gas emissions.

CO₂

In 2016 we continued to implement measures to reduce energy demands and improve energy efficiency. We focused on technologies with high energy consumption, primarily in metallurgy primary production. Improving the efficiency in the use of energy resources, we succeeded in reducing CO₂ emissions by 1.13% year-on-year.



Key performance indicators

Outcome06. Responsible energy user	2016	2015
Total annual energy consumption per tonne of steel	20.9 GJ/t	24.4 GJ/t
CO ₂ emissions (per tonne of steel produced)	1.32 t*	1.38 t*
CO ₂ emissions (in tonnes)	3,237,646 t	2,825,625 t

Additional information on the outcome:

* The calculation of CO₂ emissions applies only to scope 1 of GRI G4-EN15. In the case of the methodology that the parent company uses according to the World Steel Association (WSA) and which also includes scope 1, 2, and 3, the emissions would be 2.25 t per tonne of the steel produced.

CO₂ emissions are calculated according to an approved monitoring plan in conformity to the provisions of Act No. 383/2012.

The calculation consists of the calculation of the CO₂ emissions from the burned gaseous fuels, the decomposition of carbonates and the carbon balance of the steel mill. The carbon balance is calculated as the difference between carbon input and output. The resulting value is then converted to CO₂ using the conversion factor of 3.664 (the coefficient is determined based on the stoichiometric conversion of C to CO₂).

The calculation is verified by an independent auditor - TÜV NORD Czech, s.r.o.

In the case of ArcelorMittal Ostrava, only direct CO₂ emissions are used.

The most important energy saving projects in 2016

Coke plant: Automatic on and off switch for the lighting at the coke batteries where locations are automatically controlled according to the outdoor light conditions and movement of employees inside. This project respects all safety rules and also reduces energy intensity.

Sinter plant: Installation of control flaps underneath the ignition hood. The control flaps regulate the air supply to burners at the ignition hood and keep the oxygen content at 5% in the flame area, which means the best possible use of the ignition gas.

Optimising the temperature of the ignition hood to limit overheating - the optimum temperature has been determined as 1200°C. This temperature is now observed by all sinter plant operators.

Blast furnace: Use of compressed air. Due to the difference between the production and consumption of compressed air, compressed air was blown into the atmosphere without being used further. This compressed air is now supplied to the blast furnace through special piping with a control system, and used to intensify production of hot metal.

The blast-furnace process is controlled using special Sached software that optimizes coke and gas consumption.

Steel plant: Optimisation of the transport of liquid steel and the use of insulating caps to reduce power consumption at the ladle furnaces. After tapping, the liquid steel has a temperature of 1600°C and there are high heat losses (up to 1°C/min). By shortening the time for transporting the liquid steel to another workplace and by systematically using the caps, the losses drop to 0.3°C/min.

Organisation of the hot charge into the heating furnace where, thanks to transport optimisation, hot billets are charged into the furnace immediately after being cast at the Steel plant. Thus, the amount of gas needed to heat the charge is greatly reduced.



Medium-section mill: SMED analyses, which help significantly reduce sample times during rolling. This project was a finalist in the international ArcelorMittal Continuous Improvement Challenge competition for the best innovative projects.

Rolling mills – Heavy section mill: “Marathon Runner”. There has been a reduction in the ‘non-rolling time’ required to shorten the time to set the saws for cutting the required lengths of material. By implementing this project through organizational measures without any additional investment, we have managed to reduce the unproductive time by more than 70%.

Wire rod mill: A reduction in the number of cobbles. Cobbles are one of the biggest problems of the wire rod mill, especially with wire of 5.5mm diameter. Production of this smallest profile is increasing, and so a detailed analysis of the locations and causes of the cobbles was made. After the implementation of the first measures, a 30% reduction in cobbles was achieved. The goal for 2017 is to reduce the occurrence of cobbles by another 50%.

Steckel mill: Cleaning of the cut-off ends. By analysing downtime, we discovered an approximate one-hour time loss due to daily cleaning of the cut-offs. After performing the SMED analysis and implementing action steps, we can now do the cleaning without interrupting production.

We have saved CZK 66 million thanks to innovation ideas

In 2016 our employees presented a total of 285 ideas for innovations, 239 of which have been accepted for implementation and 84 already put into practice. The implemented ideas have resulted in savings of CZK 66 million. Almost CZK 1.2 million was distributed among the innovators. In addition to the innovation ideas, employees came up with over one hundred small improvements. The best innovator from each plant also received a reward in the form of an experience gift.

“Any employee can send in ideas for innovation. Such ideas improve safety, reduce our environmental impact, reduce production costs, improve production efficiency, and save energy. Since 2003 when we started recording the innovation ideas, employees have already come up with almost 2,500 ideas, of which around three quarters have been put into practice,” says

Kateřina Roučková, who is responsible for innovation ideas management.

One of the regular innovators is Michael Bouček, a specialist in planning and preparing blast furnace repairs, who last year presented an idea for savings during repairs of the base of blast furnace No. 2. “During the work one comes across a lot of ideas on how to improve the lifespan and reliability of equipment, simplify some activities or improve safety. You just need to think over your idea properly so that it can be put into practice as easily as possible,” explained Michael Bouček.



Examples of implemented innovation ideas:

Reduction in the escape of fumes and tar accretion on furnace doors

This innovation idea addresses the issue of the escape of fumes through the furnace doors and tar accretion during the coking process. Changes in the technology used for the furnace doors through the addition of

sealing cord wound around the screws of the pressure elements, and sealing strips, have resulted in reducing the escape of fumes and tar accretion.



Operation of the pumping station at blast furnace No. 3 and No. 4 (winter/summer system)

As we needed to increase cooling efficiency at blast furnace No. 3, the coolers at blast furnace No. 3 had previously been connected to the coolers of blast furnace No. 4 and to blast furnace No. 4 itself, where the circulation of pressurised water needed to be retained, especially during the winter months so that frost would not damage the cooling elements of blast furnace No. 4.

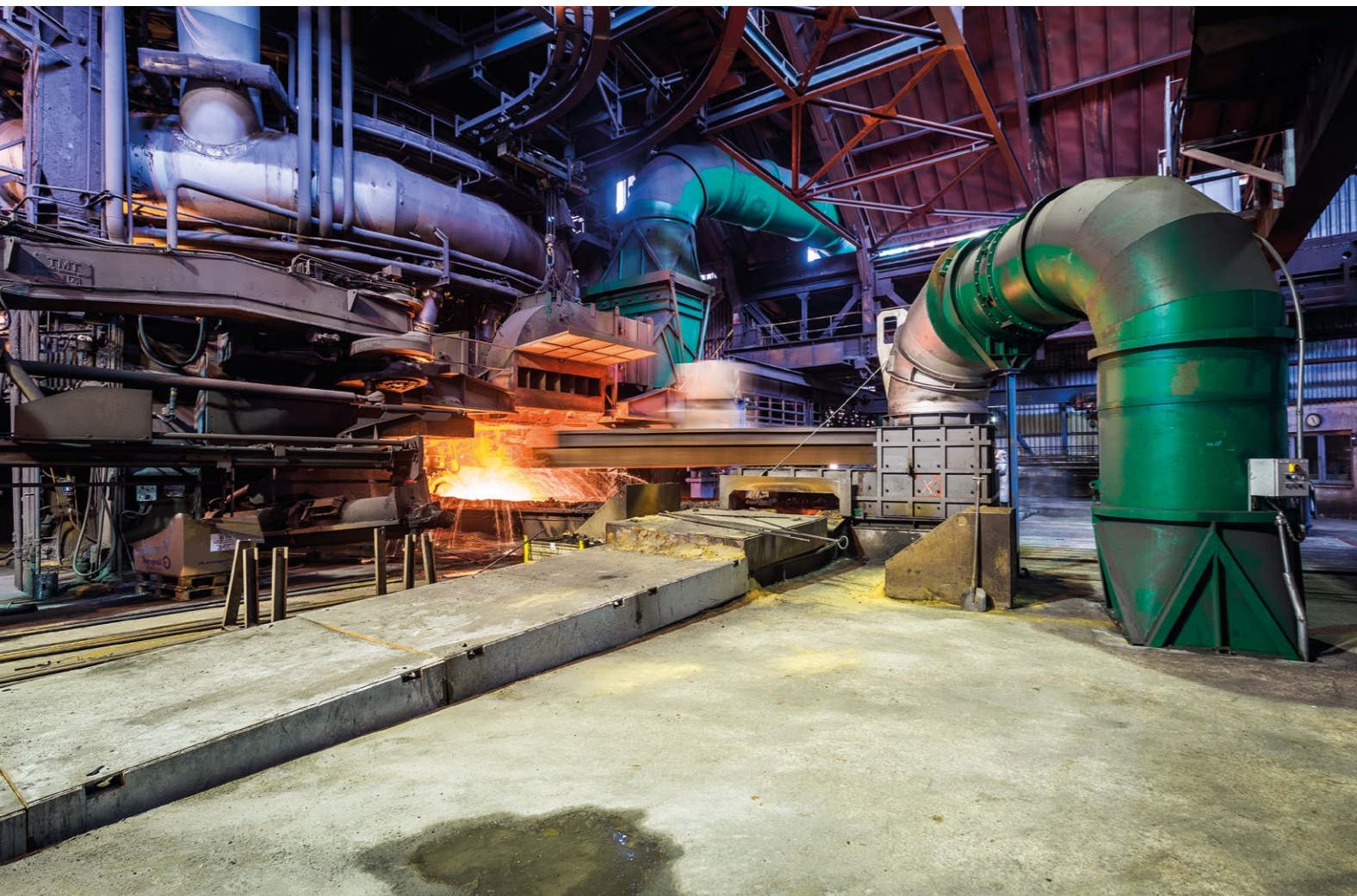
During the operation of the system, uncooled water is mixed with cooled water, warming the cooled water that circulates in the cooling system, which significantly reduces the efficiency of the cooling of blast furnace No. 3. For this purpose, two pressurised circulation pumps from blast furnace No. 3 and one pressurised pump from blast furnace No. 4 are operated continuously.

Closing the pressurized water discharge and return valve for blast furnace No. 4 and at the same time of the pump,

the direction of flow in the coolers of blast furnace No. 4 is changed, which mixes the cooled water with uncooled water.

Thus, we retain the connection between the already installed valves even during the operation of blast furnace No. 3 in the warm months (15 April - 31 October), and can disconnect blast furnace No. 4 from the pumping station. We thus use all the coolers of blast furnace No. 4 for blast furnace No. 3, and also prevent the mixing of uncooled water (which has not passed through a cooler) with water cooled by the cooler of blast furnace No. 3, increasing cooling efficiency. By shutting down one circulator pump (200 kWh) for the warm period, we also achieve considerable energy savings.

This innovation idea of Igor Hinčič from Blast Furnace plant has brought savings of CZK 2 million.



Case study: Modernisation of heat supply

We have built eight new local gas boiler houses at ArcelorMittal Ostrava's plant in Frýdek-Místek.

The new boilers supply heat that was previously produced centrally using two steam boilers burning pulverised black coal. The new decentralised solution has also replaced the external heat supply system in use until then. This has significantly reduced emissions, noise levels and the amount of the waste generated.

Trial operation of the new gas-fired boilers commenced at the start of May 2016.

“Modernisation of the heating plant is primarily an environmental project, as it will significantly reduce emissions of sulphur dioxide, nitrogen oxides, carbon monoxide and dust. At the same time, it will also increase the competitiveness of the entire company,” says Ivo Chmelík, Director of the Frýdek-Místek cold-rolling mill of ArcelorMittal Ostrava.

Thanks to this modern technology, the mills at Frýdek-Místek will be meeting the strict emission limits, imposed through both national and European legislation, with a large reserve. The original heating plant produced about 200 tonnes of sulphur dioxide, 45 tonnes of nitrogen oxides, 25 tonnes of carbon monoxide, and 1 tonne of dust every year. With the newly installed boilers, emissions of sulphur oxides and dust will be nearing zero due to the combustion of natural gas. Emissions of nitrogen oxides and carbon monoxide will drop to one fifth.

“Heat production will be reduced by 40% here, but the flexibility of steam and heat production for the plant will be retained. This investment will enable us to maintain the production of grain-oriented electrical sheets, produce environmentally-friendly heat, and achieve lower costs,” says Libor Mikulec, head of the Frýdek-Místek cold-rolling mill service, regarding the main advantages of the project.

07

Supply chains that our customers trust

It is important to strengthen valued relations with suppliers, and since we are suppliers of many products, too, we need to convince the customers that we fully comply with the standards determined for our steel as well as for our supply chains.

We respect the principles of responsible sourcing, we cooperate with local suppliers and, together, comply with the principles on health and safety, human rights, business ethics and environmental management. Together, we address any eventual deficiencies and invest into innovations.

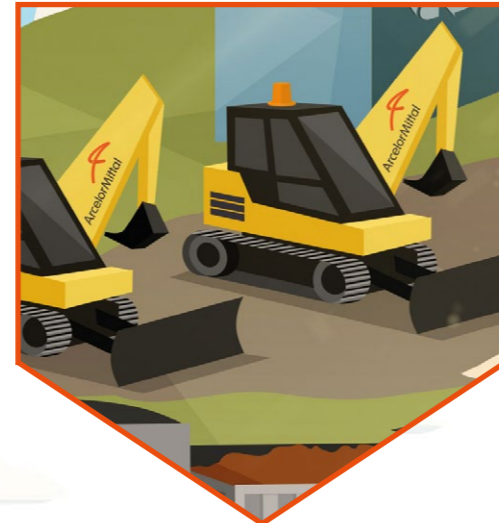
The principles of a responsible sourcing are set in all our documents. We strive to minimise possible risks and ensure compliance with all the principles applying to this area. Due to such measures, we are creating a more diverse base of suppliers, which enhances competitiveness and improves performance.

Equal treatment of suppliers

Relations with suppliers are governed by the Code of conduct, Code for responsible sourcing, and Procurement policy.

Procurement must comply with the principles of sustainable development framework. Raw materials, industrial equipment and operating products are purchased at the centre level, which ensures the application of precise quality standards in ArcelorMittal.

Within the framework of contractual relations, suppliers are asked to acknowledge or commit to the Human Rights Policy, the Code of Business Conduct, the Anticorruption Procedure and the Code of responsible sourcing of ArcelorMittal. They concurrently undertake to comply with the principles arising from these policies, which they will also apply for any subcontractors. The wording of these policies is available at: <http://ostrava.arcelormittal.com> in the Sustainable Development chapter.



08

Active and welcomed member of the community

The steel maker has been linked to the region for 65 years. During this time, it has become an inseparable part of it, influencing the lives of many people. We work to help the region prosper as much as possible and to ensure that people live well here. We want the results of our activities to bring them benefits.

What we want to achieve

We actively collaborate with local communities, we listen to our partners, and through our activities contribute towards the sustainable development of the city and region.

Our commitment to the future

We will continue the journey we have started on, which will contribute to the development of the city and region. We are constantly building good relations with our employees, partners and stakeholders. We are aware of the impact of our activity on the environment, and we will therefore continue to provide targeted, qualitative and focused support in the social, cultural, educational and health spheres.





Our activities in 2016

Local community projects

It is already a tradition that we meet with the mayors of municipalities and city boroughs. Last year at a round table we also informed each other about news, plans and projects that will make life in the region better. The majority of our employees live in the region, so the funds partly return to those who create them. Based on such cooperation, we supported a total of nine projects with over CZK 1.5 million.

Tracing the past of the Ostrava-South city district

The Ostrava-South district grew on the territory of three historical municipalities (Hrabůvka, Zábřeh and Výškovice). Their history dates back to the 14th century. To help the inhabitants of today's most populous Ostrava district remember their past, a group of enthusiasts prepared a project of six information panels. Each panel is placed at a location whose history is explained through interesting facts. In addition to texts and photographs, each panel features a QR code through which visitors are linked to

the historic portal of the district, where they can find much more information and details. The project gives both young people and contemporary witnesses the opportunity to recall the deep historical roots of the places they live and work today.

Employee engagement

Employee grants

Since 2010 we have been providing employee grants through which we help non-government organizations (NGO) in the Moravian-Silesian Region. A total of 41 projects received employee grants in 2016 totalling CZK 505,907. These funds have been used for leisure activities aimed at the comprehensive development of children and young people, the purchase of special aids for the disabled, and the purchase of educational and sport equipment for children and summer camps. The projects are registered by the employees themselves, who help in a given NGO in their free time. During the six years that we have been offering employee grants, 405 projects have received our support





Supported organizations include the Želvička Civic Association, which used its grant to purchase an electrotherapeutic device, the Sokol Radvanice-Bartovice sports club, which purchased equipment and clothing for its floorball and table tennis teams. The Friends of the School Club at the Čelakovský Kindergarten in Havířov purchased new sports equipment to improve the children's fitness. Support was also received by sports clubs, summer camps for children, and associations of voluntary firefighters, scouts, fishermen and beekeepers.

Beskydy Chess School

To attract more children to the game of chess, to develop their intellect, and to better prepare them for school – these were the goals of an employee grant requested by Oldřich Janotka from the Steel shop. The contribution was used to prepare and hold a tournament



for kindergartens and an outing for young chess players. The Beskydy Chess School is the largest chess school in the Czech Republic, and Frýdek-Místek is considered to be the capital of chess thanks to its size and the number of its achievements. The Chess School has a total of 490 members, and welcomes up to 300 pre-school children every year.



assistance, we also provide NGOs with volunteers. Our employees can choose an event by the type of NGO or the type of activity, and spend a fully-paid work day helping wherever there is a need. These organisations need assistance over and beyond their own staffing or financial capacities.

As part of the corporate volunteering, the following two large-scale organised events took place in 2016:

The sixth year of the **international corporate volunteering Give & Gain Day** was held on Friday, 13 May 2016. 14 employees participated in this event. Three groups of employees from ArcelorMittal Ostrava went to lend a hand at two Charity of Frýdek-Místek centres and to the MO-S 24 Signál fortifications at Vřesina u Hlučína. The activities performed by the volunteers were diverse – they worked on the surrounding terrain, trimmed and cut shrubs, and painted several rooms. Two employees devoted their time to the clients, keeping them company.



81 employees participated in the ninth year of **Volunteering Day** – instead of going to their usual place of work, they headed to eighteen NGOs based in Ostrava and Frýdek-Místek. For example, in the St Alexander sheltered workshop they chopped wood for the winter, at the St Wenceslas Charity House they helped by washing windows, at the Kindergarten and Special Primary School of Diakonie ČCE Ostrava they cleaned up the garden, and at the Primary School and the Kindergarten in Řepište they entertained the children by distributing presents as part of the St. Nicolas tradition. The volunteers also helped at Oáza pokoje – home for people with mental disorders, Nezbeda club for the socially challenged, and at the local homes for the elderly.

620 employees volunteered over the year, devoting a total of 1,310 hours to corporate volunteering.

“The help of the corporate volunteers is invaluable. They help us where day-to-day activities do not allow us to carry out extra activities which, however, improve the lives of our clients. We very much appreciate the cooperation with ArcelorMittal Ostrava, which sends its employees out several times a year, and not only to us,” said Martina Petrová of Charita Frýdek-Místek.

Company volunteering

Volunteering has become an integral part of our corporate culture. In addition to important financial

Case study:
Long-term cooperation of an industrial corporation and an NGO



We have now been supporting the Kiwanis klub Ostrava Civic Association for over 15 years. Our cooperation began through the Kiwanis doll – a white, cloth doll sewn together by prisoners at the prisons in Ostrava and Opava. This activity enables the prisoners to spend part of their day productively. The doll is given to children in hospital. They can colour and name it the way they feel like. The doll accompanies them like a friend during their stay in hospital, yet it is also a useful assistant during communication with physicians. We also cooperate with the president of the association Eva Pastušková during her visits in the children’s wards in hospitals where we distribute the Kiwanis dolls with the help of celebrities. Our employees are also heavily involved – in the volunteering spirit, they make the advent period more enjoyable for the little patients in the children’s wards of nine hospitals throughout the region.

We work to prevent injuries in children, and hence we have extended the project to include colouring books and rhymes that alert the children to accidents that may happen if they are inattentive. We have even called in clowns to help. Clowns from the Baloon Land have prepared an educational performance entitled Be careful!, which softly warns against the dangers encountered in everyday situations. In the next phase, we taught children in kindergartens a healthy lifestyle, proper personal hygiene, and eating habits, using stories about animals played by the clowns. The solutions to the situations are presented to children in a humorous and interactive form. The expert guarantor of the project is the head of the children’s ward of the Vítkovice Hospital, MUDr. Jan Boženský.

We have now been a partner of the international Colours of Ostrava music festival for eight years, and a partner of the Ostrava Festival in the Streets for six years. Since 2010, we have provided visitors with a unique opportunity to dance at the ArcelorMittal Dance for Life tent, generating funds that we



then send to non-profit projects. Visitors have already danced their way to CZK 2,953,764.

In 2016 4,447 visitors danced in the ArcelorMittal tent, earning to CZK 343,390 for three non-profit projects in the region. ArcelorMittal rounded up the amount, donating CZK 350,000 in total.

Clowns from the Balloon Land, one of the NGOs, obtained funds for a programme for children in kindergartens. “Our cooperation has already lasted four years. Over this time, we have prepared two programmes for children in kindergartens, and could thus communicate important topics to over 4,000 children at kindergartens in the Moravian-Silesian Region in an entertaining way,” says David Zbavitel, a member of the Clowns from the Balloon Land.

In 2016, together with Kiwanis klub Ostrava, we helped the creation of the anti-stress diary. The proceeds of the sales were used for the reconstruction of the playroom at the children’s haematology ward of the University Hospital in Ostrava and for rehabilitation stays for children and their parents.



09

Pipeline of talented scientists and engineers for tomorrow

Pupils and students interest in studying technical fields unfortunately remains low. This means it is increasingly difficult for companies to find replacement for employees who retire, and to find suitable candidates to continue the work of those who leave through natural attrition.

Supporting technical education is important to us at all levels of classic education. We help students, in an interactive form, to establish a relationship with technical subjects, and show them that technical disciplines are disciplines of the future. We want to explain to them, in an entertaining way, that quality education is one of the priorities for the sustainable development of our society.

What we want to achieve

Our objective is to build and expand a team of talented scientists and engineers whose capabilities will be used for further development of the company. We want to be an attractive company for young people, speak their language, and be seen in the new media including the social media. This also applies to direct communication. We regularly present to young people what the new is with the company, what our plans are, and what we are really like.

Our stakeholders' expectations

As a major regional employer, we fully understand the importance of cooperation between companies and schools. We cooperate with schools at all levels, beginning with pupils in primary education, through providing resources for future employees, to the use of knowledge and skills in the creation of development programmes for our employees. Young people have an opportunity to find interesting work with the company, and their ideas often contribute towards solving operational as well as other problems and discovering new methods, procedures and their application in practice.



Our activities in 2016



Cooperation with secondary and tertiary schools and support for technical disciplines

We continually work to make technical, science and environmental education more attractive at all levels of education. We work to promote and popularize technology and technical education as early as at primary schools where we may capture and intensify the interest of pupils in the studies of technical disciplines later. Every year we prepare an Open Week for pupils of primary schools. During the ninth year, our operations were visited by 392 pupils from nineteen primary schools.

“We want to show pupils at primary schools that they need not be afraid of technical disciplines and work in industry, and that they are, on the contrary, a path to attractive career prospects. Still, there are lack of qualified specialists, and we see our efforts as one of the ways to motivate young people to study technical disciplines,” said Věra Válková, project coordinator from the Corporate Responsibility and Social Services Department.

“Our pupils were given the opportunity to see and understand the activities of an important industrial enterprise. Seeing the operation of the steelmaker certainly made the lessons more interesting. The tour has given them new experience and knowledge. We believe that some of them will be thinking about pursuing a career in a technical field,” said Alice Čavojská, headmistress of the Primary School in Vratimov.

In addition to primary school pupils, students in secondary and tertiary schools with technical focus also have the opportunity to visit us.



Excursion participants figures:

2016	794 pupils and students
2015	1,180 pupils and students
2014	822 pupils and students
2013	890 pupils and students

In 2016 a total of **1,303 visitors** including schools, business partners, authorities, and the public took part in excursions in the company.

Qualified and motivated employees are a key to success. We search for them among secondary and tertiary school students. We actively cooperate with schools at all educational levels, and contribute to specific projects they are implementing, helping students acquire practical skills. We also provide students and apprentices with free practice and

expert training. At the company students gain experience under the supervision of experts throughout the school year.

What we offer students:

- the possibility of expert practice and traineeships,
- temporary jobs,
- suitable topics for bachelor works and diploma theses and supervision in the elaboration
- awards for the best theses

The search for new talented employees is a continuous process, and so our activities include, for example, participating in the job fair Kariéra PLUS organised by the Technical University of Ostrava. The job fair sees participation of over 100 companies and around 5,000 visitors.



Open Day for employees and their families

During the celebrations marking our 65th anniversary, we opened our gates to employees and their families, welcoming a total of 747 visitors. The rolling mills, the historic civil defence shelter, and a unique view from the roof of the company headquarters were all available to visitors during the day. Each group of visitors was accompanied by a guide, who informed

the visitors of interesting aspects of the company and its current activities.

Parents came with their children to take a look around the company not only through mere curiosity, but also out of interest in the opportunities for the future. Our objectives were to show the company in a different light, to spice up the visit through interesting commentary, to answer questions, and to support positive appreciation of technical disciplines.

“We can only offer events like this in exceptional cases because of the strict safety measures required, but I am extremely happy that so many employees and their families showed an interest in the Open Day. Our employees could show their dear ones where they work, and we could show them how interesting work with the company can be,” said Vijay Mahadevan, company CEO.



Junior Innovator

We were a partner of the **Innovative Company of the Moravian-Silesian Region 2016** competition in the Junior Innovator category. The aim of this competition is to raise interest in innovation among pupils and students in primary, secondary, and tertiary schools. Team individuals can submit their ideas or projects according to the conditions in the given category. The winner in the secondary education category was Tadeáš Cienciala from Třinec Grammar School with his “Electric scooter as an alternative” project.

“The Moravian-Silesian Region is an industrial, modern and dynamically developing region with companies that, besides production, focus also on research and development, and closely cooperate with regional universities,” said Petra Chovanioková, Director of the Regional Development Agency.



Our commitment to the future

Although technical disciplines offer young people a promising future, they are somewhat in the background of people’s interest. This attitude must be changed both in parents and primarily in pupils in primary schools. We need to support technical thinking and education in children from a very early age.

The principles of dual education must be promoted in the tuition at all vocational schools, in particular practical training in a real work environment. We have initiated the introduction of dual education at selected schools to show that if schools, the regional authority and companies cooperate, the system may be very efficient.



Case study: We are a partner of the Science and Technology Park in the Lower Vitkovice area

Our permanent exhibition “Steel – the fabric of life” located in the Science and Technology Centre, celebrated its first anniversary. As a gift, it received a new animated film about steel, which is an inseparable part of the world around us.

In the practical part of the exhibition visitors can make a spoon they can keep as an amusing souvenir. “Mr Spoon” helps to explain, using examples, the importance of steel on a global scale. Visitors can see for themselves that steel is the fabric of life indeed. All is available in three languages.

In order to motivate young people to study technical disciplines, we have also prepared for schools a demonstration lesson on iron and steel production that includes active teaching elements. We trained the individual tutors directly at the company. The pupils are involved in an active way and taught through games. They learn about the process of hot metal and steel



production. During the lesson they can examine the raw materials used for the production of hot metal in blast furnaces (sinter, coke, and limestone). They can also feel samples of steel products such as flat, round, and threaded bars as well as concrete reinforcing bars and sections. There is also an illustrative section on steel recycling – recycling of steel scales.

At the Science and Technology Centre we are also involved in a new project entitled the Living Jobs Library. We introduced the typical profession of a steelmaker operator at blast furnaces. Our employee introduced his work to the students and helped them form a general idea of metallurgy. Thanks to this the pupils had direct contact with people from different disciplines and backgrounds. They have the opportunity to ask questions, to discuss and to find out what the profession is like. Participation in this event is one of the practical ways to prepare pupils for the future important decisions in their lives.

The event was organized by the Confederation of Industry of the Czech Republic together with the leading industrial employers of the Moravian-Silesian Region. The event was attended by 800 eighth and ninth grade pupils and was presented to them by the representatives of 12 technical professions, such as the chemist, firefighter, designer, and fitter.

“The representative of each company that participated in the event had the opportunity to present their business activities as well as their job duty, and then to have a discussion with the pupils,” said Petr Holica, Regional Manager of the Confederation of Industry of the Czech Republic. “As we saw interest in the event from industrial partners, schools and their pupils, we would like to make the event a regular one,” he added.

“What the children enjoyed the most was that the blast furnace operator was placed in the ArcelorMittal exhibition, enabling them not only to hear what a steelworker does, but also to see for themselves the process of hot metal and steel making,” said Petra Janurová of the primary school in Suchdol nad Odrou.

As part of cooperation with the Science and Technology Park we also organize Family Days and, creative Christmas workshops for the company employees and their children, and offer them a discount on the camps for children with an attractive, but above all, technical focus.

10

Our contribution to society measured, shared and valued

This outcome is to emphasise the importance of our contribution to the life of the community.

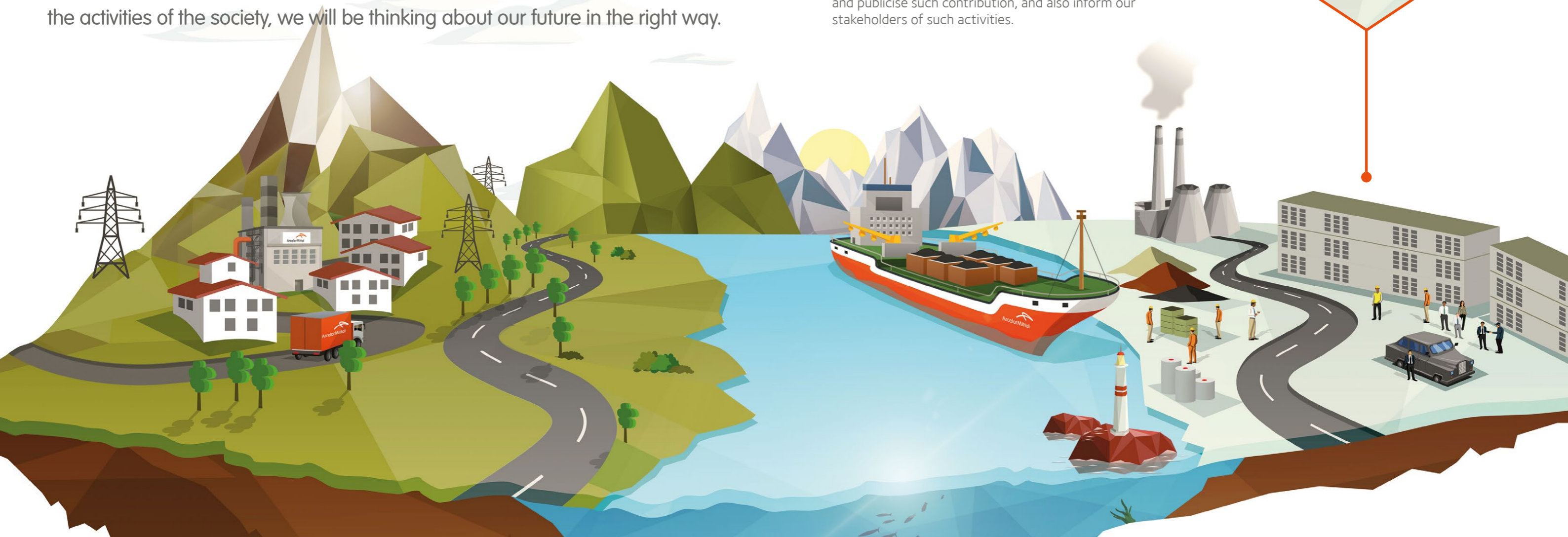
It is not only about financial contributions; value contribution is equally important: reducing the impact of the operation on the environment, improving the life standards of the company's employees and, last but not least, investing in innovations and new, more environmentally-friendly products. All these values are related to one another and if we succeed in connecting them with the activities of the society, we will be thinking about our future in the right way.

Why is this important to us

Our goal is to make our presence in the region beneficial for all stakeholders, not only for our employees and their families, but also for our business partners, contractors, neighbouring communities and associations, the region, and the Czech Republic as a whole. Our stakeholders expect more than financial contributions from us. Our task is to be more engaged in the development of the society on the local, regional as well as the nation-wide scale.

What we want to achieve

We want to show what we are doing for the community. It is important to us to implement, measure and publicise such contribution, and also inform our stakeholders of such activities.



Financial figures for 2016

In the monitored period (1 January 2016 to 31 December 2016) the company generated profit before tax of CZK 1.401 billion. Net profit was CZK 1.308 billion.

In the monitored period, the company reported operating profit of CZK 357 million and a financial profit of CZK 1.044 billion.

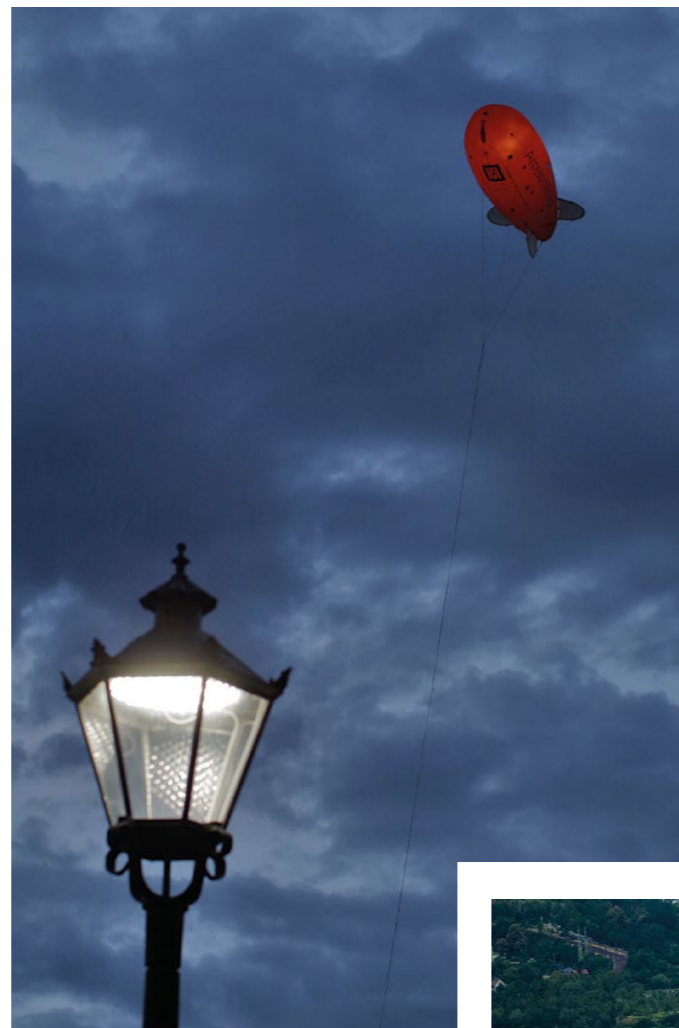
Total revenues from sales of products, services and goods were CZK 28,830,684,000.

As of 31 December 2016, the company reported assets of CZK 30.646 billion. The value of fixed assets is CZK 13.776 billion, of which tangible fixed assets amount to CZK 10.647 billion, and long-term financial assets CZK 1.358 billion.

Equity amounted to CZK 20,365,731,000.

Total research and development costs, including subsidies for the period, amounted to CZK 16,370,000.

No dividends were paid to the sole shareholder during 2016.



Our commitment for the future

Sustainable development is among our priorities. We have to meet our short-term targets, but must also think beyond the horizon of 2020. Appropriate decisions must be made to ensure the long-term future of the company and to help preserve natural resources for future generations.

Successful economy of the company is vital for sustainability. The below table of the estimated economic contribution includes wages, payments for services and materials, taxes and contributions to the state budget, investment in science and research, and contributions in support and development of the region.

ArcelorMittal Ostrava's economic contribution in 2016

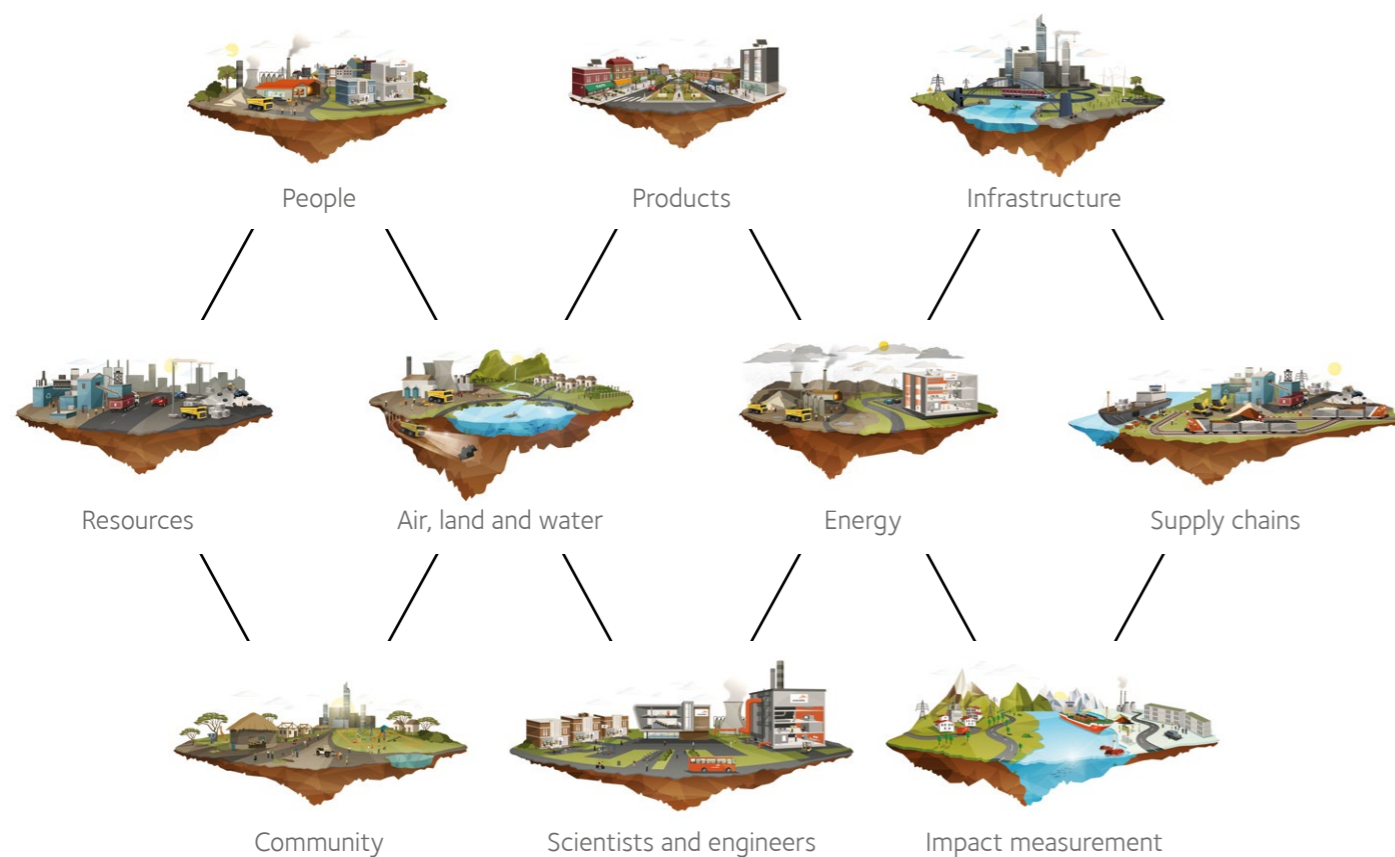
	CZK thousands
Wages and salaries	2,023,454
Consumed material and energy	20,554,959
Services	4,887,027
Contributions to the state budget	823,845
Social security and health insurance	684,598
Taxes	139,247
Capital expenditure	325,848
Regional support and development	27,250





Transparent good governance

Transparency and openness are ArcelorMittal's fundamental principles for communication with all stakeholders, including employees and business partners, the media, the authorities and the public.



Why is this important to us

We realize that our production is linked with extraordinary responsibility.

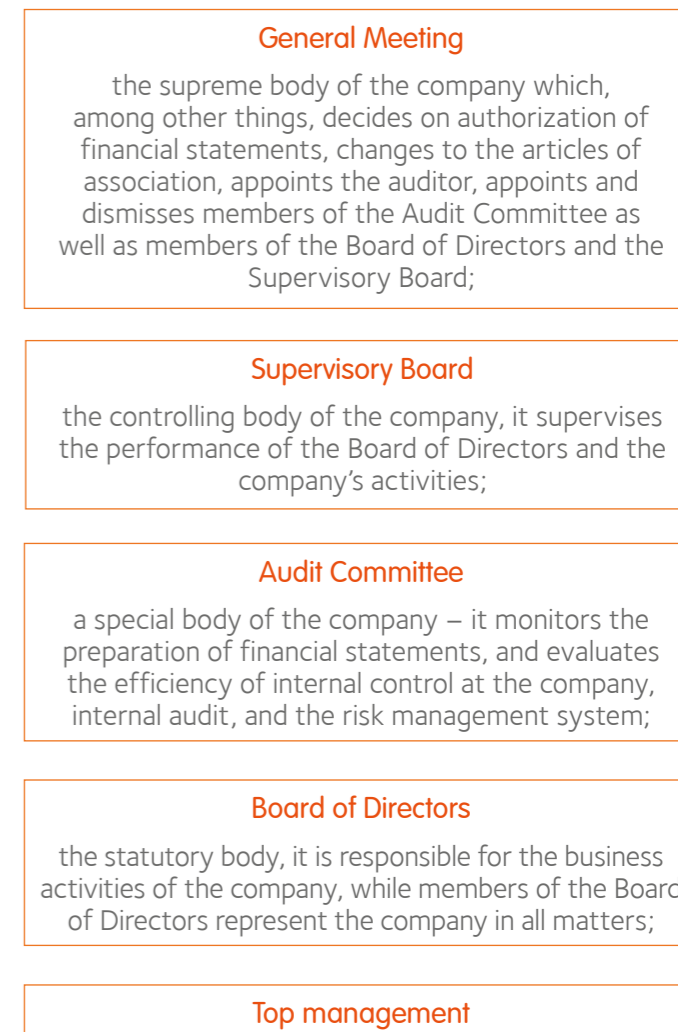
Respecting laws and regulations is a fundamental part of our responsibility; however, this is not where it ends. We must constantly try to create a positive culture in which everyone knows how to do things right. We place great emphasis on human rights and their observance.

Our stakeholders' expectations

Ensuring compliance with all rules and regulations is increasingly demanding. Voluntary codes driven by stakeholders or imposed by law are broadening the scope of what governance covers.



The following diagram displays the company management system



General Meeting

the supreme body of the company which, among other things, decides on authorization of financial statements, changes to the articles of association, appoints the auditor, appoints and dismisses members of the Audit Committee as well as members of the Board of Directors and the Supervisory Board;

Supervisory Board

the controlling body of the company, it supervises the performance of the Board of Directors and the company's activities;

Audit Committee

a special body of the company – it monitors the preparation of financial statements, and evaluates the efficiency of internal control at the company, internal audit, and the risk management system;

Board of Directors

the statutory body, it is responsible for the business activities of the company, while members of the Board of Directors represent the company in all matters;

Top management

Additional information on the organisational structure of the company can be found in the latest Annual Report at:

<https://ostrava.arcelormittal.com/o-spolecnosti/vyrocní-zpravy.aspx>

In the accounting period from 1 January 2016 to 31 December 2016, the following changes in the Board of Directors, the Supervisory Board, and the Audit Committee took place:

- On 30 March 2016, the Audit Committee discussed the resignation of Mr Sushil Kumar Jain, Member of the Audit Committee.
 - On 31 March 2016, the Supervisory Board discussed the resignation of Mr Sushil Kumar Jain, Member of the Supervisory Board.
 - On 8 April 2016, the Board of Directors discussed the resignation of Mr Ashok Virupaksha Gowda Patil from the office of Vice-Chairman of the Board of Directors, and elected Mr Jan Rafaj new Vice-Chairman.
 - On 21 April 2016, the Board of Directors discussed the resignation of Mr Tapas Rajderkar from the office of Chairman and Member of the Board of Directors on 2 May 2016.
 - On 4 May 2016, the Supervisory Board appointed Mr Tapas Rajderkar Substitute Member of the Supervisory Board for the period until the next General Meeting.
- The General Meeting of 10 May 2016
- elected Mr Vijay Mahadevan Subramanyam Member of the Board of Directors, who was appointed Substitute Member and Chairman of the Board of Directors on 21 April 2016 with effect from 2 May 2016;

- elected Mr Jan Rafaj and Mr Shankaranathan Anoop Nair Members of the Board of Directors on 19 November 2016 for a further term of office;
- elected Mr. Augustine Kochuparampil and Mr Roman Bečica Members of the Supervisory Board, for a further term of office;
- elected Mr Tapas Rajderkar Member of the Supervisory Board and Member of the Audit Committee.

We place great emphasis on human rights and respect for them. At the same time, each employee should behave in accordance with the fundamental principles of behaviour enshrined in the company Code of Conduct, which regulates relations in an even more detailed way than the legislation. We apply globally accepted standards of transparency.

We are also guided by other, more detailed concepts, including, for example, respect for human rights, workplace discrimination, antitrust and anti-corruption directives, and economic sanctions. Compliance with all ethical rules is strictly required. Employees have the opportunity to draw attention to any non-compliance. Each case will be immediately investigated and appropriate measures taken.

Transparent good governance

Transparent good governance	2015	2016
Number of inquiries on the CEO line	70	88
Number of inquiries on the H&S line	2	4
Number of inquiries on the Green Line	77	30
Trainings in anti-corruption guidelines	56	302
Trainings in the Code of Business Conduct	1,208	231
Trainings in respecting human rights	1,973	182

Open communication

Our strength is communication with partners, and identifying their needs and the needs of the communities they represent. Therefore, our subsequent assistance is precisely targeted and focused to help wherever help is needed.

We regularly meet with mayors and representatives of surrounding municipalities and districts at a round table. We also meet with members of the Czech Government, Members of Parliament, experts from ministries, and representatives of other governmental and non-governmental organizations, to discuss topics such as the environment and climate protection. We also actively communicate at the European level.

We publish an in-house magazine for employees – The OneMagazine – at monthly intervals. The “Neighbours”

quarterly newsletter has been published since 2012, providing relevant information to citizens of the municipalities living in the vicinity of the company.

Stakeholders have tools at their disposal to make inquiries and complaints – the public can use a free **Green line 800 100 648**. In 2016, a total of 30 complaints relating to the environment were submitted, addressed and resolved using the Green Line.

Employees can direct their questions and suggestions to the in-house **CEO Line**. The H&S Line has been set up for suggestions relating to occupational health and safety. There are also boxes, known as “TONDA” boxes, in which employees can place written comments and questions, at all plants and at the company headquarters.



Our website is an important communication tool: <http://ostrava.arcelormittal.com/>. Other communication channels are the social media. On the Facebook, Twitter and LinkedIn we share our important events and news.

 **Facebook** www.facebook.com/AMOstrava

We introduce the public to details about the company and important things that are not normally shared by the traditional media. We use photographs, present our employees' achievements, innovation ideas, and projects for the community. We are also interested to publish out-of-work achievements of the employees.

 **Twitter** www.twitter.com/AMOstrava

We use Twitter to address specific stakeholder groups, such as journalists, politicians, and prominent industrial experts.

 **LinkedIn** www.linkedin.com/company/arcelormittal-ostrava

This professional network allows us to share human resources and recruitment information.

We are a member of many industry-related associations: the Confederation of Industry of the Czech Republic, the Steel Union, the Steel Strip Society, the Czech Cokemaking Society, the Czech Material Handling and Logistics Company, the Czech Constructional Steelwork Association, and the Association for the Use of Energy Products.

Region focused institutions: the Association for the Development of the Moravian-Silesian Region, the Regional Chamber of Commerce of the Moravian-Silesian Region, the Czech Institute of Internal Auditors, the Association for Collective Bargaining, and the Association of In-House Lawyers.

For information on international charters, principles or initiatives and organizations that we follow and support, please visit: <http://corporate.arcelormittal.com/sustainability/our-10-outcomes/transparent-good-governance/stakeholders>

Our awards:

The Association of In-House Lawyers of the Czech Republic named the legal team of ArcelorMittal Ostrava the best corporate legal team in the Czech Republic.

Special Jury Prize – Company of the Year 2016: Equal Opportunities

Award from the General Staff of the Army of the Czech Republic

Chief of the General Staff of the Army of the Czech Republic, General Josef Bečvář, appreciates the approach of employers who support their employees who are members of the active reserves. He presented a thank-you letter to representatives of the company for the readiness to release the employees who are members of the active army reserves to participate in compulsory training and voluntary exercises.



About this report

The Sustainability Report has been published every year since 2008. The scope of the report always covers a period of a single calendar year. The previous report is related to 2015.

The 2016 Sustainability Report summarizes the activities and describes the benefits and effect of ArcelorMittal Ostrava and its subsidiaries in the area of sustainable development that took place in 2016 and activities that the company expects in 2017.

The report contains data collected by the individual departments using KPI parameters or data related to the GRI methodology covering 2016. Supplementary information may be found in ArcelorMittal Ostrava's Annual Report for the year ending 31 December 2016.

We declare that the data provided in this report conform to the GRI G4 methodology.

Further information can be found on the company website: <http://ostrava.arcelormittal.com/>

Subsidiaries of ArcelorMittal Ostrava

ArcelorMittal Ostrava has controlling ownership in the following companies:

ArcelorMittal Tubular Products Ostrava a.s. is the largest producer of tubes in the Czech Republic. Its fundamental product is seamless tubes in the final form of plain, threaded, flanged and oil-industry tubes. The company also produces spiral-welded steel tubes for the gas industry.

ArcelorMittal Tubular Products Karviná a.s. is involved in the manufacture of longitudinally-welded thin-walled sections and tubes and thin-walled open sections. The largest part of the output finds its use in the engineering and construction industries, where low weight and the possibility of transporting various media are of great advantage. The company also manufactures precision-drawn and calibrated tubes for the automobile industry.

ArcelorMittal Engineering Products Ostrava, s.r.o. is a manufacturing and repair plant that brings together the engineering and foundry industries. The basic range of engineering industry products includes production of machine parts and devices, steel constructions and railway wheels. The foundry plant focuses on the production of steel and cast-iron castings.

ArcelorMittal Distribution Czech Republic, s.r.o. is a distribution and service company for the Czech Republic. It deals with the production and division of flat and long products. The company also offers end consumers a wide range of metallurgical material, together with the required range of services, quantity and speed of delivery.

ArcelorMittal Technotron s.r.o. is engaged in the manufacture of cores for magnetic circuits, which are used in the engineering, electrotechnology and metallurgical industries, and also in health care. As for the scale of production, ArcelorMittal Technotron s.r.o. is the third largest producer of cores on the European market.

Scope of the report

The data for the Sustainability Report for 2016 primarily relate to ArcelorMittal Ostrava a.s. and, for some sub-indicators, ArcelorMittal Group (ArcelorMittal Ostrava a.s., ArcelorMittal Tubular Products Ostrava a.s., ArcelorMittal Tubular Products Karviná a.s., ArcelorMittal Engineering Products Ostrava s.r.o., ArcelorMittal Distribution Solutions Czech Republic, s.r.o. and ArcelorMittal Technotron s.r.o.).

Independent Limited Assurance Report on Selected Environmental Performance Indicators Presented in the Sustainability Report of ArcelorMittal Ostrava a.s. for the year ended 31 December 2016.

To the Management Board of

ArcelorMittal Ostrava a.s.

Vratimovská 689,

707 02 Ostrava-Kunčice, Česká republika

Scope of work performed

We have undertaken a limited assurance engagement on the following environmental performance indicators (the "selected indicators") presented in the **Sustainability Report of ArcelorMittal Ostrava a.s. for the year from 1 January 2016 – 31 December 2016** (the "Sustainability Report"), developed by ArcelorMittal Ostrava a.s. (the "Company").

The selected environmental performance indicators under our assurance scope are the following (marked with a "*" on the pages of the Report):

- Primary energy consumption (steel)
- Total CO2e emissions (steel)
- CO2e emissions per tonne of steel¹

The indicators have been reported on the basis of ArcelorMittal's Basis of Reporting.

Responsibility of the Management Board of the Company

The Management Board of the Company is responsible for the preparation and presentation of the selected indicators presented in the Sustainability Report in accordance with ArcelorMittal's Basis of the Reporting. This responsibility includes establishing and maintaining appropriate performance management and internal control systems from which the reported information is derived. The Management Board of the Company is also responsible for reliable, correct and fair information and for correct preparation of the documentation provided to us.

Our Independence and Quality Control

We have complied with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

In compliance with International Standard on Quality Control No 1, issued by International Federation of Accountants Deloitte maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our Responsibility

Our responsibility is to conduct a limited assurance engagement solely on the selected indicators and draw conclusions on the work we performed. Our responsibility is to express a limited assurance conclusion on the selected environmental performance indicators presented in the Sustainability Report based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with International Standards on Assurance Engagements 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, issued by the International Auditing and Assurance Standards Board. This standard requires that we plan and perform this engagement to obtain limited assurance about whether the selected indicators presented in the Sustainability Report are free from material misstatement.

¹ We have provided our external assurance procedures to the CO2e emissions per tonne of steel reported aligned with the ArcelorMittal's Basis of Reporting, which is 2,25. We haven't performed our procedures for CO2e emissions per tonne reported based on ArcelorMittal Ostrava a.s approach, which is 1,2.

The procedures we performed were based on our professional judgment and included inquiries, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

In order to form our conclusion on the selected indicators presented in the Sustainability Report, we undertook in the period 8 March 2017 – 30 June 2017 the following procedures:

- Through inquiries, obtained an understanding of ArcelorMittal Ostrava a.s. control environment and information systems relevant to reporting the indicators under review, but did not evaluate the design of particular control activities, obtain evidence about their implementation or test their operating effectiveness.
- Obtained an understanding through inquiries, analytical procedures, observation and other applicable evidence gathering procedures on a sample basis on the key structures, systems, processes, procedures and internal controls relating to collation, aggregation, validation and reporting of data for the indicators under review.
- Evaluated whether ArcelorMittal Ostrava a.s. methods for developing estimates are appropriate and had been consistently applied. However our procedures did not include testing the data on which the estimates are based or separately developing our own estimates against which to evaluate ArcelorMittal Ostrava a.s. estimates.
- Compared the information included in the Sustainability Report to internal documentation of the Company.
- Undertook site visit to assess the completeness of the indicators under review, data collection methods, source data and relevant assumptions applicable to the indicators.

Limitations

The procedures performed in a limited assurance engagement vary in nature from, and are less in extent than for, a reasonable assurance engagement. As a result, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement.

Our limited assurance engagement has been limited to the aforementioned selected indicators presented in the Sustainability Report and does not extend to the rest of the information included in the report nor the report as a whole. Accordingly, our conclusion below covers only these indicators and not all data presented or any other information included in the Sustainability Report.

The process the organization adopts to define, gather and report data on its non-financial performance is not subject to the formal processes adopted for financial reporting. Therefore, data of this nature is subject to variations in definitions, collection and reporting methodology with no consistent, accepted standard. This may result in non-comparable information between organizations and from year to year within the organization as methodologies develop. The accuracy and completeness of the information disclosed in the Integrated Report are subject to inherent limitations given their nature and the methods for determining, calculating or estimating such information.

Conclusion

Based on the procedures performed and evidence obtained, we are not aware of any material amendments that need to be made to the assessment of the above listed selected environmental performance indicators, for them to be in accordance with ArcelorMittal's Basis of Reporting.

Deloitte Advisory

Deloitte Advisory Sp. z o.o.
Warsaw, 30 June 2017

Key GRI indicators

G4 General Standard Disclosures			
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Key GRI indicators

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	G4-EN34	Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms	75
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Sub-category: Society			
Anti-corruption	G4-SO4	Communication and training on anti-corruption policies and procedures	74

Selected GRI indicators labelled* have been audited by Deloitte Advisory Sp. z o.o.



Dear readers,
we appreciate that you have devoted your time to going through the pages of this report.
We will be grateful for any recommendations you may have regarding the activities described in it.
Please feel free to contact us at cr.ostrava@arcelormittal.com.
Thank you!

ArcelorMittal Ostrava a.s.

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