

# ***CORPORATE SOCIAL RESPONSIBILITY REPORT 2012***



***FENI Industries - February 2013***



**cunico**  
CUNICO RESOURCES NV



### ***With success grows responsibility***

*Based on the remarkable growth and development that Feni Industries has achieved in the past several years, the company today enjoys a reputation of a serious, stable and thriving company. Moreover, FENI as a part of Cunico Resources group, largely contributed to the production rank of the group, which is now Number 1 producer of Ferronickel in Europe and 4<sup>th</sup> in the World. This advancement was achieved through developments and improvements in the various organizational segments inside the company but simultaneously such progress calls for an ever increasing responsibility towards the holistic environment in which the company operates, referring here to the many stakeholders with whom FENI interacts, including employees, customers, local communities and shareholders.*

*Hence, over the years FENI has not only committed itself to socially responsible behavior but it has also structurally integrated the CSR philosophy in its core values, in its long-term strategy as well as in its everyday operations; thus excelling into a role model of a socially responsible company on national level and wider. This dedication and commitment is reflected in the respective CSR policies and procedures introduced and followed, in the membership of FENI in the UN Global Compact Network, in the numerous CSR rewards that FENI has received and which we consider as a public recognition of our CSR achievements and last but foremost in the actual and deliberate actions that FENI continuously undertakes in line with its CSR orientation.*

*This CSR Report 2012 aims to present in detail the CSR actions and achievement of FENI throughout the past year, encompassing the major four CSR categories: Human Rights, Labor, Environment and Anti-corruption, and additionally Communities that are treated herein as a separate category. In the interest of our various stakeholders i.e. for comprehension purposes, the report also includes a brief company overview as well as a descriptive outline of our technical-technological process.*

*Finally, this report virtually demonstrates our conviction that along with size and success of the company, also the responsibility towards the overall environment grows. This is exactly one of the key drivers that FENI uses in its everyday operations, thus creating real values that are embedded in our corporate culture.*

**Konstantinos Daskalakis**  
CEO

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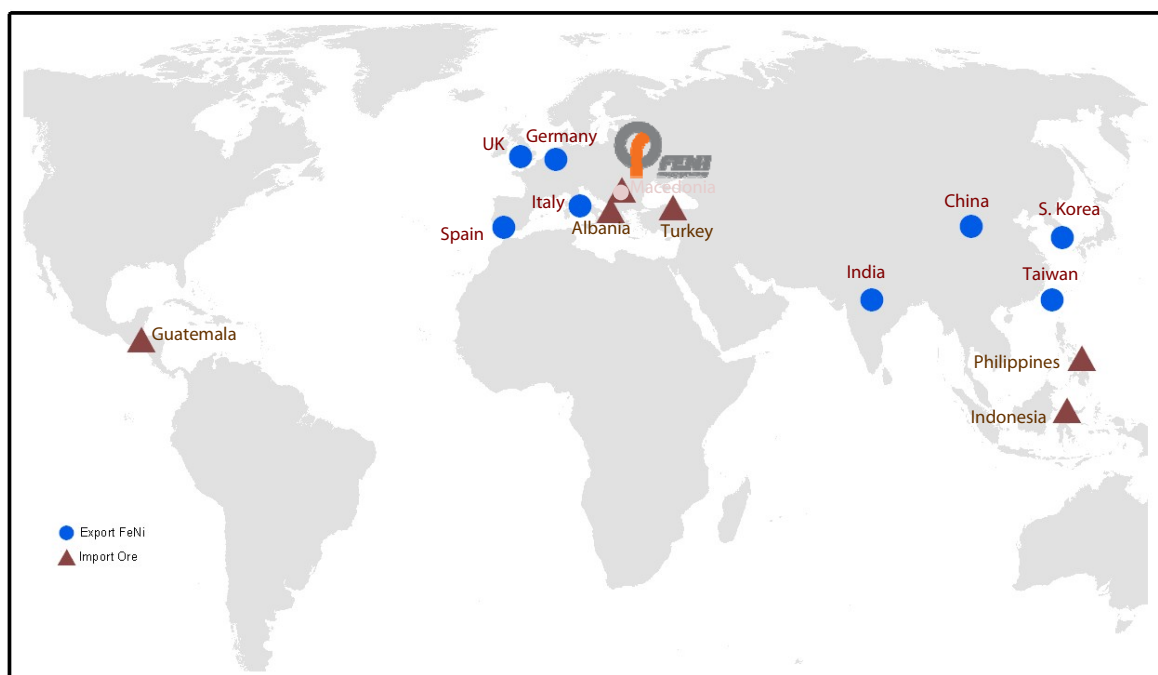


FENI Industries is a pyro-metallurgical ferronickel producing plant, located in Kavadarci, Macedonia, counting 939 direct employees in December 2012.

Feni Industries is a subsidiary of Cunico Resources NV (Cunico Resources, Cunico) a multinational mining and metals group of companies, engaged in exploration, extraction and refinement of nickel ore, producing and selling ferronickel and associated secondary products. Cunico Resources holds interests in and operates 2 smelters: FENI Industries in Macedonia and NewCo Ferronikeli in Kosovo. Cunico Resources is the largest ferro-nickel producer in Europe and the fourth largest in the world.

Ferronickel is a Ferro alloy with cca 20% nickel content and 80% iron content and it is produced by smelting and refining various nickel ores containing 0.9% to 2.2% nickel and 15% to 40% iron. All the production is exported worldwide and is a prime raw material for production of stainless steel. With production ranging above 19 000 tons of nickel in ferronickel, FENI Industries is an internationally acknowledged producer.

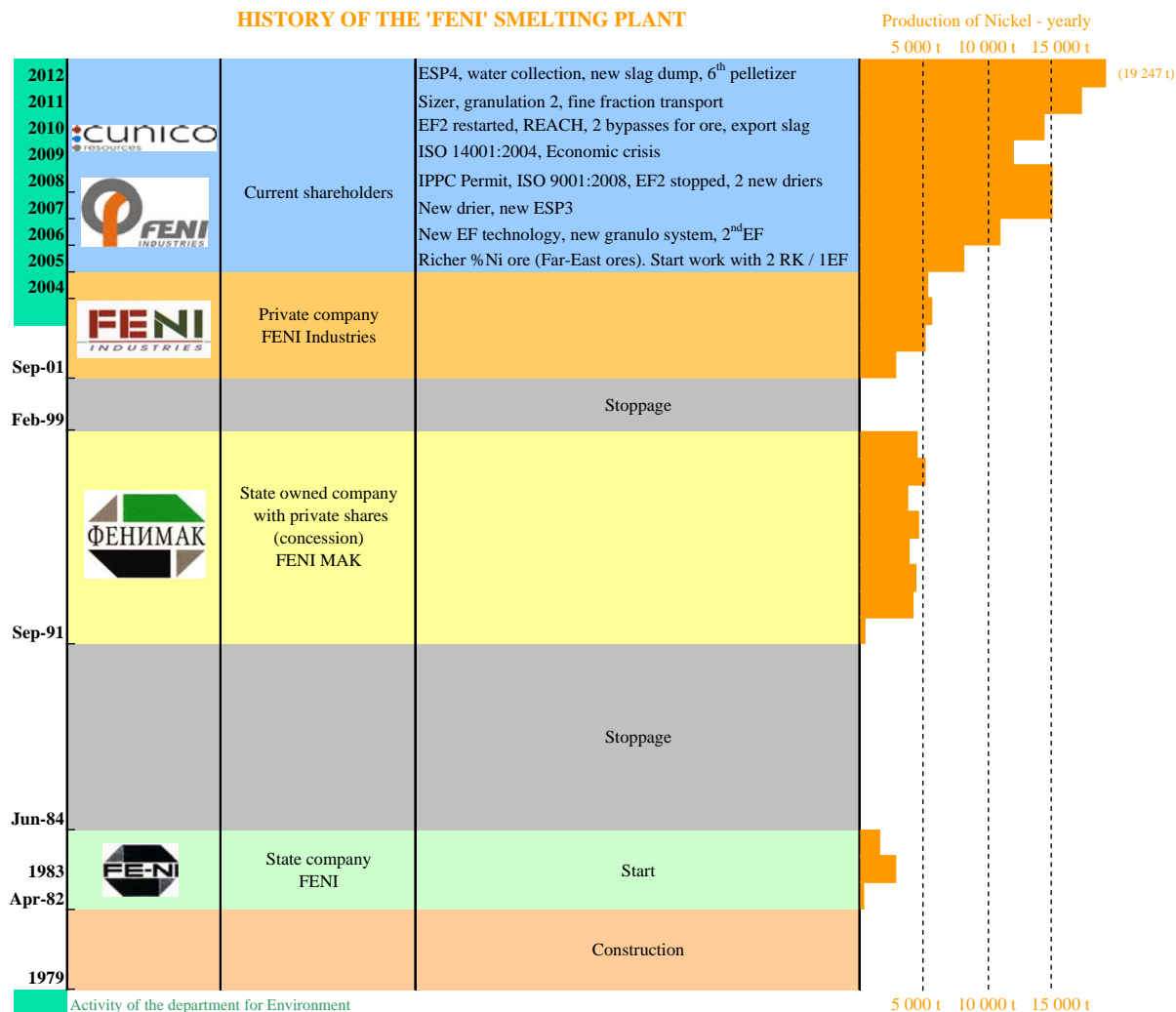
In 2012, FENI has achieved a new production record with 19 247 tons of nickel.



Locations of Feni Industries' major clients and ore suppliers

FENI Industries operates in the global market with the import of ore from Indonesia, Philippines, Guatemala and Europe, as well as with the export of the final product in Europe and Far-East.

#### HISTORY OF THE 'FENI' SMELTING PLANT







**Gerasim Kujundziev**  
Maintenance Manager  
CSR Team Member

### How do you comprehend the CSR concept?

*According to me, corporate social responsibility is a continuous dedication of the company or the business community, through its activities to positively influence the community and the environment where it operates and through its ethical behavior and transparency, to give its own contribution to the economic development, to the improvement of the quality of life of its employees as well as to the community as a whole.*

### How would you evaluate the CSR practices implemented in FENI?

*All those activities and improvements led the company together with its employees to a higher level in the society. In a relatively short period of time, Feni Industries has grown into a company of a world rank in terms of operation, and in parallel with the current economic situation and global conditions, I would freely point out that on a group level we are fairly successful and distinguished in Europe and even worldwide.*

### To what extent the company is implementing these practices?

*In the past period to date, simultaneously with its technical-technological and economic growth our company invests and endows major efforts in promoting the level of corporate social responsibility.*

*Changes in this direction are not demonstrated solely by increasing the donations or investments in the community but they are also expressed through the readiness of the company and each and every one of its personnel, to assure that the company is a permanent part of the everyday life of the community, to help resolve the community's problems but also to enjoy together in the moments of common achievements.*

### How is FENI interacting with the community?

*Feni Industries is part of the community. The aspiration to improve the quality of life and the functioning of the town and the surroundings is part of our strategy. We are convinced that the better the relations with the com-*

*munity are, the better we know each other, that much more we would have mutual benefits and we would more easily cope with the challenges and generally, together we shall contribute more productively to the realization of our common goals.*

### SYSTEMS' HIGHLIGHTS IN 2012

ISO14001:2004 Re-Certification in Feni

ISO9001:2008 Surveillance audit in FENI

The International standards are a comprising part of FENI Industries' daily operations. After the implementation and certification of the QMS and EMS, the team started with integration of both QMS and EMS systems. The integrated QMS and EMS systems are recertified with zero nonconformities in 2012. The CSR procedure is also a part of the systems, thus allowing increased control and structure of the CSR activities.

Next steps: The future plans is to build and integrate ISO 18001, Occupational health and Safety Standards.

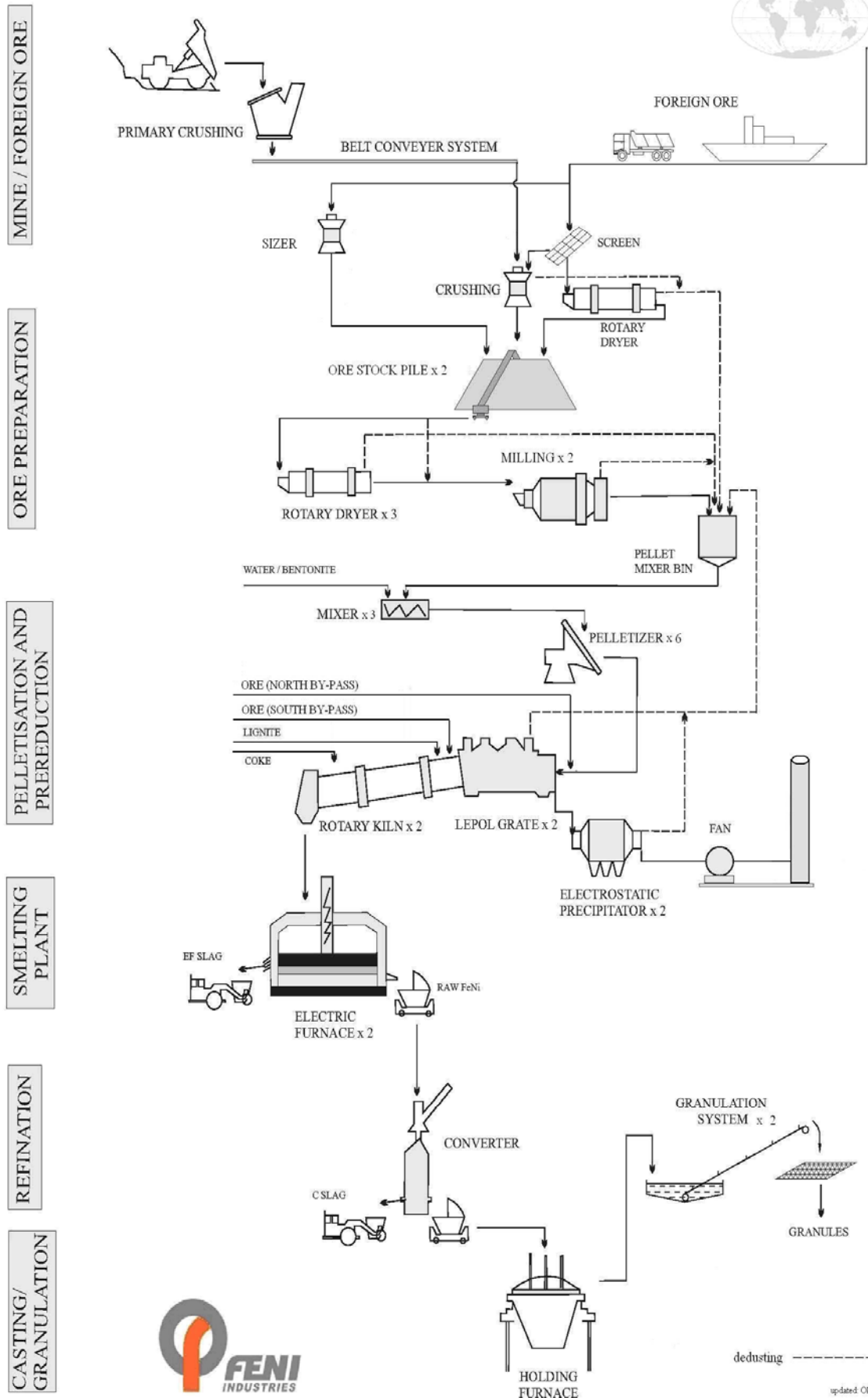


Cooperation with customs authorities



Working 24/7

## » FENI Industries PROCESS DIAGRAM «



## CORPORATE SOCIAL RESPONSIBILITIES WITHIN THE UN GLOBAL COMPACT

The UN Global Compact is a strategic policy initiative for businesses that are committed to align their operations and strategies with ten universally accepted principles in the areas of human rights, labor, environment and anti-corruption.

FENI joined the UN Global Compact network in 2011. During the year 2012, FENI developed and intensified its CSR practices. FENI was awarded by the 'Coordinating body for Corporate Social Responsibility' and Ministry of Economy of the Republic of Macedonia in October 2012 (1st place for Ethics and 2nd for Environment). This is FENI's 2nd report that encompasses the CSR activities and progress achieved in 2012.

### THE TEN PRINCIPLES

The UN Global Compact's ten principles in the areas of human rights, labor, environment and anti-corruption enjoy universal consensus and are derived from:

- The Universal Declaration of Human Rights;
- The International Labor Organization's Declaration on Fundamental Principles and Rights at Work;
- The Rio Declaration on Environment and Development;
- The United Nations Convention Against Corruption.

The UN Global Compact seeks companies to embrace, support and enact, within their sphere of influence, a set of core values in the areas of human rights, labor standards, the environment and towards anti-corruption:

#### Human Rights

- **Principle 1:** Businesses should support and respect the protection of internationally proclaimed human rights; and
- **Principle 2:** make sure that they are not complicit in human rights abuses.

#### Labor

- **Principle 3:** Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- **Principle 4:** the elimination of all forms of forced and compulsory labor;
- **Principle 5:** the effective abolition of child labor; and
- **Principle 6:** the elimination of discrimination in respect of employment and occupation.

#### Environment

- **Principle 7:** Businesses should support a precautionary approach to environmental challenges;
- **Principle 8:** undertake initiatives to promote greater environmental responsibility; and
- **Principle 9:** encourage the development and diffusion of environmentally friendly technologies.

#### Anti-Corruption

- **Principle 10:** Businesses should work against corruption in all its forms, including extortion and bribery.



Global Compact Network  
Macedonia



**Ms. Nikica Kusinikova**, Secretariat of the Macedonian Global Compact Network - Association Konekt

*"Macedonian Global Compact network enables its members to keep abreast of world events and trends in the field of sustainable business and sustainable development. The Participation in the Network encourages enterprises to strengthen their long-term commitment to the principles that protect human rights, promote workers' rights, protect the environment and fight against corruption."*

*"Our Local Network is very pleased to have FENI as a member of the Steering Board. FENI's active engagement in the network, commitment to improve their CSR performance and to share their experience with peer companies enables us to achieve the network's goals."*



## HUMAN RESOURCES CONCEPT

The aspects of the human resources development are an inherent component in the decision-making process in Feni Industries. The determination of the company is to introduce practices and targets that shall enable high performances and standards, quality and enhancement of the working culture and certainly satisfied employees.

As it is stipulated in FENI's internal provisions, policies and procedures, the focus of the company's approach related to social responsibility, considering human resources is based on the following principles:

- Respecting the right of the employees that emerge from their employment relation with Feni Industries, which simultaneously emerge from the universal human rights instituted in the international conventions, declarations and other provisions, respecting the rights of our business partners, and the rights of the inhabitants from the local surroundings in which the company conducts its working activities;
- Respecting the local cultural and ethical values;
- Participating in the local community enhancement programs.

FENI recognizes the importance of the human resources as one of the most important factors for the company's success; hence the further development and implementation of these key principles are related with all the projection of the working parameters in terms of performance, profits, targets, safe and secure working environment as well as successful managing of the impact on the environment and sustainable managing of the resources. As a part of an international group with continuous support and improvement the working and behavioral standards, FENI participates in the upgrade of the local and universal ethical values.

## HIGHLIGHTS IN 2012

When it comes to the human resource development, hence human and labor rights, the following activities labeled 2012:

- Employment procedures' improvement (New Employment procedure, Training procedure etc.) and improvement of the individual rewarding system;
- Simultaneously with the technology changes continuous training, testing and examinations of the employees were conducted, so as they would fit into the new performance and processes' frames;
- Introduction of an HR module in the frames of the ERP system for human resource follow up;
- Continuous social dialog.



*Trained and skilled workers lead the process*

## Laze Filipov-Production Manager



*"As a production person, I can say that we have an excellent technical staff in which we have invested a lot through trainings, seminars and studies. Many of the foreign companies with whom we cooperate, come here with a prejudice that the world here is going to an end, but they leave the company with new professional achievements and experiences in their portfolio. Also we are witnesses and also contributors to the continuous improvement of the production process and all the time we are reaching our objectives, which is not the case with the majority of this type of companies in the world. Finally I can only say that the investment in a healthy, happy and technically prepared personnel is a match in which we are all winners."*



### Employment procedure improvement

Considering the labor market conditions and the current economical-financial situation in the country, FENI conducts the new employment process at the most fair and transparent manner, enabling access to all interested parties. Those 29 new employees (chosen from 400 applicants) went through completely structured process of interviews, checks and tests, and simultaneously the practice of upgrading the HR base continued with uploading data from this

application, especially with professions that are not easily accessible on the labor market.

#### EMPLOYEES for FENI INDUSTRIES



Blazo Trajkov  
Logistic Officer, Logistic dept.

"By working for FENI I make a decent living for my family."

#### EMPLOYEES for FENI INDUSTRIES



Gligorcho Nikolov— Shift leader, Production dept.

"The basic benefit is the salary, which is solid and regular. We also have annual vacations, paid leaves for other personal needs, higher rates for night shift work (135%), overtime compensation (135%), holiday work compensation (150%), catering, shower facilities, safe and secure working place, appropriate work conditions etc. For recreation of the employees sport tournaments are organized such as indoor football, table tennis etc."

### Trainings

Although in 2012 the heavy Industries sector was particularly encumbered by the global economic and financial distress, in the frames of its development projections as well as in the frames of building mechanisms for coping with the crisis and its consequences, Feni Industries introduced significant technological changes: introduction of new types of ores in the technological process and installation of two bypass systems on the rotary kilns-lepol grates equipment. These novelties required adequate training of the process workers simultaneous with the new technologies' introduction; hence all employees went through a training process, examination and final test. The complete process was conducted by internal commissions from the production departments. The commissions produced reports in line with the ISO standards and FENI takes pride in the fact that the whole cycle was finalized with internal resources. The introduction of the technological changes did not affect the completion of the production parameters; on the contrary, the planned production parameters were completely accomplished.

899 employees from total 939 on 31.12.2012 or 98% were included in the continuous process of advanced training, all in accordance with the legal regulations, the requirements of the company and the individual



Training session at FENI

initiatives. Total 85 employees received external training organized by adequate institutions, associations and consultancy agencies (seminars, conferences, forums, debates etc.)

In the frames of individual initiatives, 12 employees acquired certificates in various expert fields, which is with dual benefit i.e. for their personal development and for the benefit of the company in the realization of specific projects. In accordance with the Annual Training Plan for employees, the following trainings with internal resources were organized:

| Type of training    | Fire Protection trainings, drills and tests | Occupational Health & Safety exercises and tests | QMS – Quality Managing System | EMS – Environment Managing System | Professional trainings for various target groups | Adjustments to technological changes |
|---------------------|---|--|-------------------------------|-----------------------------------|--|--------------------------------------|
| No. of participants | 845   | 850  | 152                           | 155                               | 115  | 299                                  |

### Introduction of ERP systems – HR module

Introducing ERP system in the HR segment is a significant progress in the monitoring of the total condition of the HR field. It is a foundation of building individual approach towards the employees and matters that concern them personally and professionally in the working environment, as well as foundation for prompt detection of specific problems and issues that could influence the overall situation. The target of the HR Department is a further development of this module with all possible variables that would appear throughout the regular operation or as a consequence of legal regulations amendments and putting in use the holistic ERP system.

### Continuous Social Dialog



*Ilija Hadzi-Nikolov  
President of the Union Organization*

The President of the Union Organization, Ilija Hadzi-Nikolov, emphasizes the fact that the Union is increasingly becoming a partner of the management, and as a verification of this statement and legitimacy of the union activities, he emphasizes the fact that the average salary in Feni Industries is 38% higher than the average in the industrial sector and 54% higher than the average in the branch. As a result of the collaboration and the continuous dialog with the management, he also summed up the following:

In the frames of the previously established targets, through the efforts of the Union to achieve increase of the fixed part of the salary of certain categories of employees, 74 salary increases and synchronizations of salary coefficient values were made, as well as 115 reassignments to new job positions. The commitment of the Union is this process to continue. Complete financial and logistic support by the company, of the workers' sports games in Struga, where 21 employees competed in several disciplines.

### EMPLOYEES for FENI INDUSTRIES



*Mare Krsteva –Logistic Officer, Logistic Dept.*

*"Feni Industries offers opportunities for both team work and individual development for professional upgrade and recognizing new horizons. As the biggest exporting company, which is among the top 5 companies in the country, it is surely a challenge for every individual. In a big company like FENI, one can learn many new things in various fields of expertise, see very good ideas put at work and work with very competent people that survive in the big businesses and they are self-fulfilled by what they do. As a part of a big production facility, one feels proud for being part of it."*

Again this year, with joint effort, internal sport games for the workers were organized, the games were with massive viewership, and the good results are celebrated together in a collective spirit.

The Union Organization has issued and sent official Letter of Gratitude to the Management of FENI for the major new investment: acquisition of a mine in Guatemala, which on the behalf of the employees was perceived and evaluated as an investment, which in global economic and financial turmoil, signifies persistence and further development of the company and especially existential security for the employees.

In line with the provisions from the Collective Agreement, synchronization between the salary and life expenses increase of 3.35% was made

The Union Organization and the Management agreed that the holistic wooden waste shall be offered to the workers at a minimum price. This campaign had triple benefit, for the workers, the working environment and the eco-environment.

Our further target is increasing the budget of the salary supplements-Nickel Bonus and Performance Variable, as well as further coordination of the salary coefficients in the frames of specific levels of job positions and also among the different levels.

### EMPLOYEES for FENI INDUSTRIES



*Simon Temelkov –Technologist, Production dept.*

*"Although I have worked for two other companies earlier, after getting a job in FENI, for the first time I got a chance to apply the knowledge that I have acquired through my studies in metallurgy and to advance as an engineer. When I compare working in FENI with my previous jobs, worth mentioning is that in FENI I have the opportunity to work with employees that love their jobs, are satisfied with their benefits, and it is always easier to work with such employees. As I mentioned earlier, FENI is one of the few companies in the country, where labor rights are fully respected and guaranteed by collective agreement."*

## COMMITMENT FOR HEALTH AND SAFETY

As a company, which based on the nature of its technological process belongs to the heavy Industries category, one of the primary priorities of Feni Industries, of its management as well as all its employees, is maintaining safe and secure working environment for all job positions.

The commitment to safe and secure working environment and the target to “minimum risks” for the employees, the subcontractors, the visitors and the holistic community are incorporated in the company's internal policies, provisions, numerous operational manuals and guides, recommendations and signs placed on spot (Business Ethics, Work Protection Manual, Personal Protective Equipment Usage and Utilization Rulebook, ISO Procedure for Occupational Health and Safety, Training Program, Protection and Rescue Plan approved by the authorized state institution).

Starting from this priority in the application of the occupational health and safety principles, throughout its operation in 2012, the Risk and Safety Committee and the Occupational Safety Office focused on the following issues:

- Coordination of the internal provisions with the amendments of the current legal regulation;
- Improvement of the existing Occupational Health and Safety procedure;
- Introduction of campaigns as a new communication tool for Occupational Health and Safety issues;
- Realization of the recommendations that the Occupational Health and Safety Office delivered upon detected potential problematic positions.

### HIGHLIGHTS IN 2012

- In 2012, a total of 32 training rounds were delivered on the subject of safety that covered 96% of the employees at Feni Industries and daughter companies Doniks and Nova Engineering;
- Feni industries supplied a new ambulance vehicle with complete first aid equipment and accessories;
- FENI's Fire Brigade was called to participate in fire extinguishing campaigns in Kavadarci four times, helping the town's Fire Department.



Fire-fighting training at the plant premises

### Coordination of the internal provisions with the legal regulations

In the ongoing process of coordinating the national occupational health and safety legislation with the European and international standards, Feni Industries, as one of the leading companies of the domestic economy, implements the amendments, additions and improvements in its internal provisions.

The Occupational Health and Safety Office focused its efforts on two projects: complete enhancement of the Occupational Health and Safety Rulebook and Personal Protective Equipment Usage and Utilization Rulebook. In the process, the respective staff participated in a number of seminars, forums and conferences on this subject organized by the Macedonian Association for Occupational Safety. Both projects are in their final stage, and after acquiring the feedback from all departments, the Occupational Risk and Safety Committee shall validate them at the beginning of 2013.

### Improvement of the Occupational Health and Safety Procedure

Consequently to the experiences acquired from the procedure application and to the necessity to coordinate it with the other operational procedures, several adjustments were made in the part of documentation that is being communicated with the other departments in regards to improving the control over the operation of the subcontractors and in regards to the medical checks for the newly employed workers.

#### Miltiadis Tragakis -Mining Manager



*“The continual improvement of the working conditions in the company is achieved through the operation of the Risk & Safety committee. I am honored to be a member and actively to participate in the process of implementation and realization of the Health and Safety activities, through which we ensure a safe and secure working environment.”*



## OCCUPATIONAL HEALTH AND SAFETY CAMPAIGNS

In 2012, FENI fulfilled its legal obligation for compulsory occupational health and safety training of all employees and which is being conducted every three years. 98% of the employees were included in this training while the rest that were absent at the time of the regular training shall be additionally included. The training itself was conducted by FENI's own personnel, since three employees from the Occupational Health and Safety Office are licensed for such trainings by the relevant institution. FENI prides itself with the fact of being capable to concurrently adjust itself to the needs of the process and the needs imposed by the state regulations.

Yet, the test results showed that 9 employees do not have the minimum knowledge, therefore the respective department has prepared a new cycle of training for these employees, which was with a positive outcome.

In parallel with the legal obligation to conduct trainings, the Occupational Health and Safety Office organized a campaign to introduce certain levels of employees for which Risk Assessment and Occupational Health and Safety Statement was prepared, with the practical implementation of this indeed major and expensive project that commenced the year before. The target groups of the campaign were the department managers, chief and shift engineers, operational engineers and shift leaders, or in total 50 employees who in line with the subsequent program activities are to transfer the acquired knowledge with a determined dynamics to the other levels. Being the first campaign of this kind, exterior consultancy agency was hired as well as a representative from the Macedonian Occupational Health and Safety Association.

The monthly reports, the specific appointments for realization of the recommendations, as well as the independence of the Occupational Health and Safety Office in their findings, significantly increases the level of occupational safety, the recommendations' realization deadlines and it further influences to the reduction of the number and severity of the injuries. Detection of possible risks and harms to which employees and equipment might be exposed also means advantage coming out of this controls. Our target for the next period is to schedule the controls in a way which will create status of improvement on a daily basis.

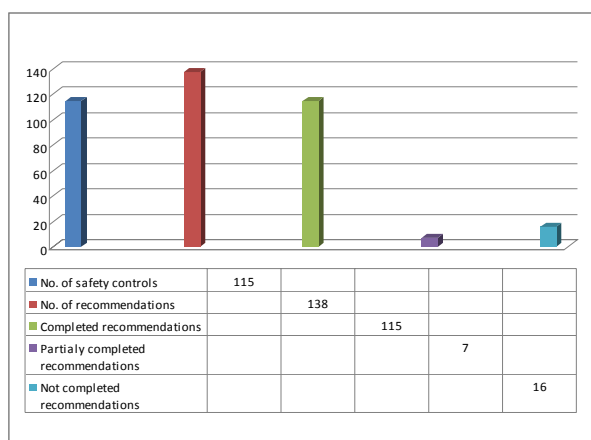


*Occupational health and safety campaign on the subject of safety risks management*

### Realization of the recommendations that the Occupational Health and Safety Office delivered upon detected potential problematic positions

One of the chief activities of the Occupational Health and Safety Office is conducting controls over the operation in terms of occupational health and safety as well as in terms of technical safety of the equipment and the employees. After every control conducted, in the consequent reports, the Office delivers recommendations that are to be realized in line with the existing standards, and also in accordance to the scope of activities, means and other necessary resources, deadlines for their realization.

In 2012 a novelty was introduced in terms that the Office started appointing specific persons from the respective departments in charge for realization of the recommendations. Every recommendation not being realized after the third control is being reviewed by the Risk and Safety Committee, possible solutions are proposed and time dynamics is determined based on the potential investments. The realization status of the recommendations delivered in 2012 is illustrated in the table below:



*Safety controls conducted in 2012, in the smelter area, Mine and Main Belt Conveyor System*

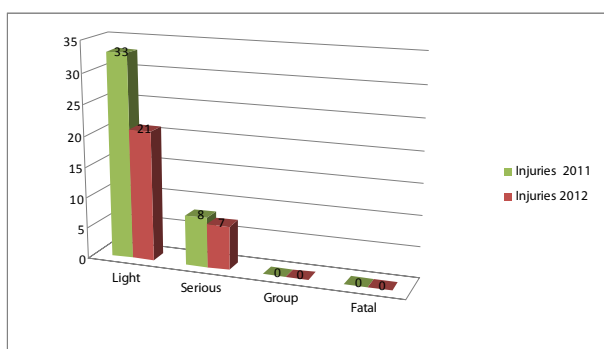


**EMPLOYEES for FENI INDUSTRIES**

Stevo Djordjiev  
Fine crushing operator

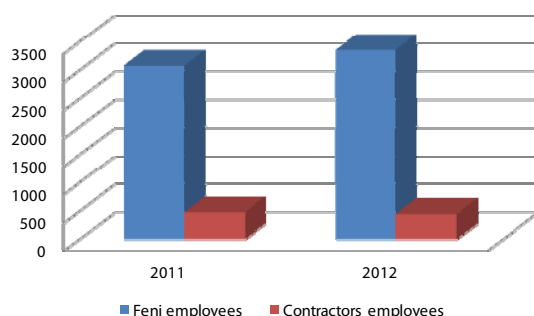
*"Safety and health at work is always priority in FENI. This means that this company respects the human and labor rights."*

Given the company's commitment to a safe work ambient, the safety precautions introduced, as well as the effects from the safety trainings, there is downward tendency in the injuries figures.



*Injuries figures 2011/2012*

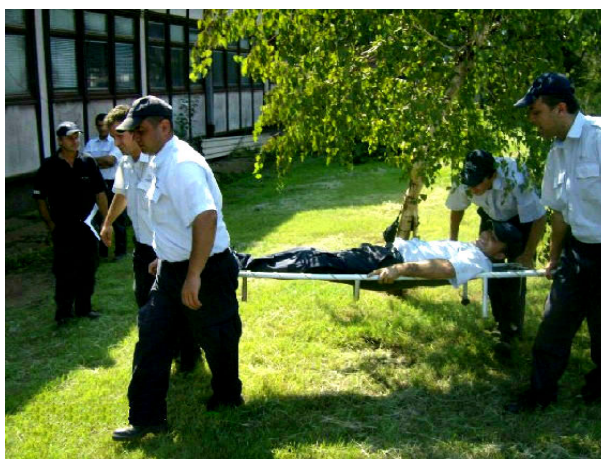
Light injuries' figures in the graphic above indicate that there is still work to be done to further upgrade the personal attitude of the workers concerning their awareness for the importance of the individual contribution to the entire safe and secure ambient.

**Feni Industries Infirmary-medical services figures**

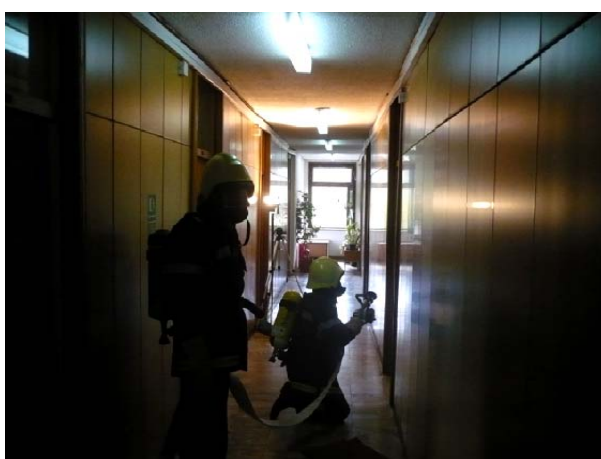
Feni Industries medical staff: a doctor and a nurse, are in charge of health services provided to the employees at the plant premises. They have the privilege to handle the ambulance vehicle equipped with the newest medical technology. Also, they have an important and active role in the safety trainings. Last year, based on the necessity of a prompt response to the field requirements resulted in a new procedure and instruction in regards to snake bite accidents.



*Training of the fire-fighting brigade (1)*



*First aid training of the employees*



*Training of the fire-fighting brigade (2)*

In the upcoming period, the target of the Occupational Health and Safety office is to introduce a tracking module for occupational safety in the frames of the ERP system of the company.

### Fire safety at work

In order to protect the employees at their working place and their overall work environment as well as the property of the plant from possible damages caused by fires and other emergencies, in 2012 the Fire Department of Feni Industries undertook a number of activities, including: implementation of preventive measures as a key factor to prevent accidents such as fires, floods, environmental pollution and so

### Training for fire safety

In 2012, a total number of 32 safety trainings were delivered, thus covering 96% of the employees at Feni Industries and daughters companies Doniks and Nova Engineering, or to be precise, 940 people attended the trainings. Moreover, 96% or 180 employees, members of the Fire and Natural Disasters Protection and Rescue Forces (groups), underwent additional expert trainings. The trainings were delivered in accordance with the Annual plan for 2012 and additional practical trainings were delivered to all employees from the Fire & Security department, based on previously prepared Fire accidents' scenarios, assuming specific critical/risky points.



*The new ambulance vehicle*

FENI's Fire Department has been called four times to participate in fire extinguishing campaigns in Kavadarci, helping the town's Fire-Fighting Department. Additionally, in part of the delivered trainings, directly and indirectly, the Fire-Fighting brigade from Kavadarci was involved, as well as the Protection and Rescue Directorate from Kavadarci and other responsible entities.

on. In this direction, through various campaigns, announcements, direct talks, committed trainings (theoretical, practical, and tests), Feni Industries employees continually build a fairly solid knowledge about fire protection discipline and other emergencies. These activities are according to FENI's Plan for fire protection and rescue, the Training Plan for 2012, and the legal requirements which arise from the Law on Fire Protection of RM.



*Fire-fighting training at the plant premises*

FENI supplied a new ambulance vehicle with complete first aid equipment for cases of injuries and health issues. This vehicle is a part of the fire department; hence, appropriate first aid trainings were delivered to the fire & security department. A number of employees had a one-day training at the State Hospital in Skopje, where they received defibrillator use related trainings (cardio-revival equipment).



*Cooperation with municipal fire-fighting brigade—  
Summer 2012*



## ENVIRONMENT

This high dedication to the environment starts from managerial level (commitment, investments) and is transferred to all employees through system tools such as ISO 14001 (Environmental Management System) and the enforcement of a CSR Procedure in 2012.

Environmental protection is an integral part of FENI's process. This protection simultaneously includes:

- Preventive measures such as usage of environmentally friendly raw materials,
- End-pipe technologies such as permanent usage of filters;
- External and independent monitoring of the environment in all its components (air, water, soil).

This commitment to environmental protection is not a novelty and it has been practiced for years. For example, Feni Industries was the first company in Macedonia to receive IPPC Permit (A-Adjustment permit with operative plan) in 2008. This constant commitment of FENI towards environment was recognized in 2012, by winning for the first time in its history, the National award (2<sup>nd</sup> place) for one of its environmental activities (*"Valorization of the slag"*).

### HIGHLIGHTS IN 2012

- Installation of a new Electrostatic Precipitator on Line 1, investment of 4 million Euros;
- Carbon footprint estimation;
- Export of 112 000 tones of converter slag. For this activity FENI was awarded with second prize from the Ministry of Economy for best CSR practices;
- Development of a modern Waste Management System in order to collect and recycle industrial waste including metals, plastic, wood etc. In 2012 around 1000 tons of different waste was delivered for recycling;
- Connection to the internal network of FENI's station for continuous air quality monitoring;
- Continuous cooperation with NGOs and students (internships);
- Commencement of an energy efficiency audit;
- Investment of 800 000 Euros in water collection system in 2012.



### ENVIRONMENTAL OBJECTIVES FOR 2013 AND BEYOND

- Completion of the water project;
- Set up of export solutions for the two slag types;
- Improvement of FENI's temporary waste location (erection of a roof for the hazardous waste storage);
- Completion of a local solution for tires (energy valorization);
- Establishing a cooperation with accredited company for hazardous waste recycling (used oils);
- Completion of the energy efficiency audit;
- Test initiation on the slag disposal re-cultivation;
- Realization of the truck washing station project.

### Installation of a new Electrostatic Precipitator

In 2012, Feni Industries installed its fourth Electrostatic Precipitator on the technological line number 1 and thus completed another important activity from the Operative Plan from the A –Permit with adjustment plan. This investment of 4 million euros allows both technological lines in FENI, to operate with the best available techniques (BAT). By installing this new equipment, emissions of dust in the atmosphere from this line are in full compliance to the National regulations (less than 20 mg/Nm<sup>3</sup>). This investment is additional to the 9 million euros invested in the previous years for realization of activities defined in the environmental permit.



Erection of the new filter - Spring 2012

### Export of converter slag

The slag is a by-product generated in parallel with the Ferronickel production. In 2010, FENI installed a crushing line in order to valorize this product.

FENI's slag has excellent physical and chemical characteristics. They are 'environmentally friendly' (inert) and because of the very high specific gravity they are used as 'high-density aggregate' for submarine application.

In 2012, Feni Industries has valorized and exported 112 000 tones of this product.

FENI was awarded by the coordinating body for Corporate Social Responsibility and Ministry of Economy of the Republic of Macedonia in the category "Environmental Protection" with 2<sup>nd</sup> Prize for the Project "Sustainable use of the slag from Feni Industries".

A reportage in a national publication was also released.



Detail on the slag



CSR Recognition for the environment project "Sustainable use of the slag"



Publication about FENI's slag valorization



## Carbon footprint estimation

In 2012 FENI estimated its total CO<sub>2</sub> emissions per ton of produced nickel (carbon footprint). This estimation includes both direct emissions (made within the plant premises), and indirect emissions (from transportation of the raw material to our plant and from electricity consumption). The methodology for calculating CO<sub>2</sub> (as a part of GHG), was conducted following the methodology "DEFRA / DECC's GHG Conversion Factors".

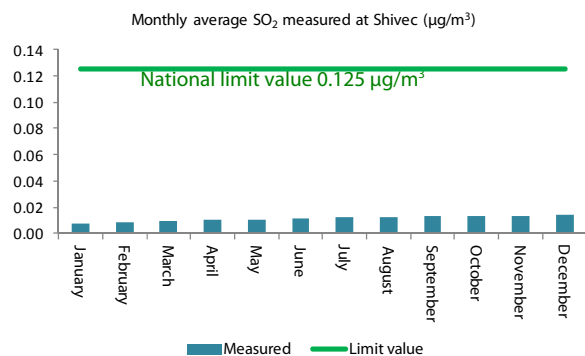
Our carbon footprint is estimated at around 60 tons of CO<sub>2</sub> per ton of nickel produced. This expected result places FENI at the average of the nickel producers.

## Monitoring our environment

FENI conducts continuous monitoring of the ambient air quality at Shivec, the village nearest to the plant. This monitoring has been improved by connecting the measuring station to FENI's internal network. Today, the ambient air quality is checked on real-time basis.

In addition to this internal monitoring, external monitoring of the ambient air quality is performed by accredited laboratory, for both villages in the vicinity of the plant, Shivec and Vozarci.

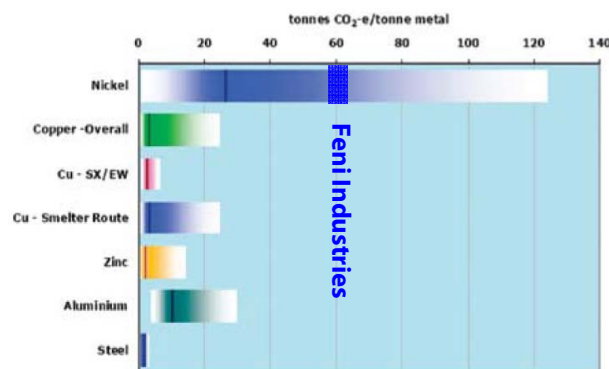
Both monitorings show that FENI complies with the National regulation.



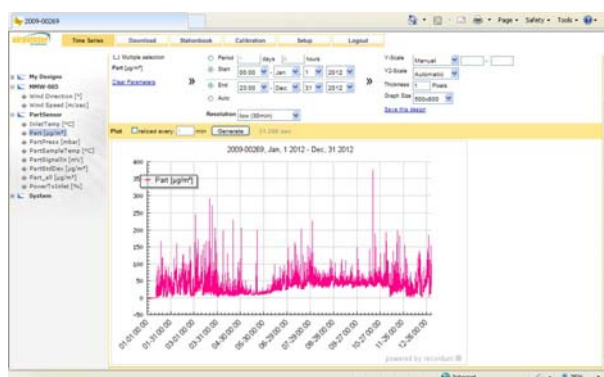
External monitoring of ambient air



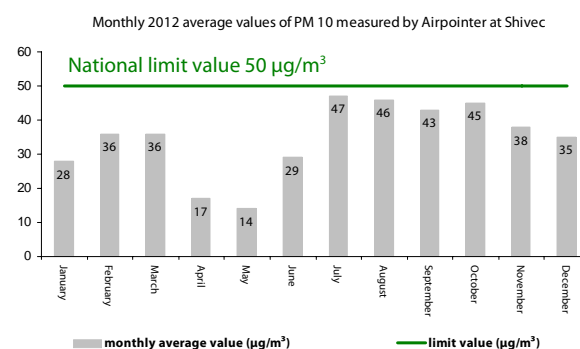
Day of the tree



GHG intensities of metals—Source Carbon emissions from base metal mine sites—Mining Engineering 2009



Air pointer real-time results



Internal monitoring of ambient air

### EMPLOYEES for FENI INDUSTRIES



Ogencho Ristov, Metallurgical Engineer, Production dept.

"The operation of Feni Industries makes a difference in the quality of life of the whole town, not only for the employees of FENI and their families, but also for the many exterior collaborators. FENI also cares and invests in protection of the environment and the working environment: new electro-static filters, waste water treatment station, managing the environment protection etc. The employees are educated in various ways for their personal safety and for protection of the environment."

### Waste Management System

In 2012 the office for environment at FENI has developed a computer database for waste management. This tool allows keeping an accurate control over the collected and recycled waste, in full compliance with the national regulation. With this database, a daily overview of the quantity of waste available for export / recycling is also available.

FENI's management fully committed to improve and organize this waste management. A special effort was paid on the collection, sorting and recycling of industrial waste within the Company. Thus, in 2012, around 1000 tons of different waste was sent to recycling.

In 2012, in cooperation with the Labor Union it was decided to offer the wooden waste (mainly pallets) to the employees, at advantageous price. This operation was a large success, especially in the Autumn



Wooden waste offered to the employees

period when the people were preparing winter preserves. The operation also supported the plant cleaning activities and retrieval of valuable space.

### Water Collection System

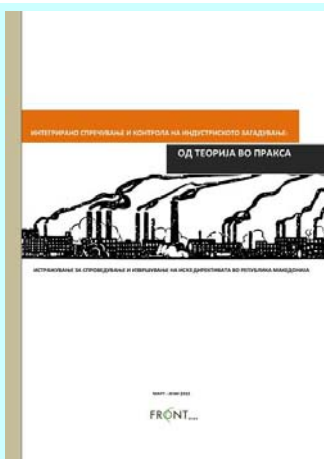
In 2012 FENI invested 800 000 euro in water collection system. This project is being finalized. This activity is also part of the IPPC Permit.

Expected benefits are multiple:

- Limitation of the water emission to the rivers;
- Recovery of the ore 'washed' from atmospheric water and returning it into the process;
- Reduction of the consumption of this natural resource by re-circulating it;
- Potential reduction of the fugitive emission (dust) in the ambient air by watering the dusty areas around the plant.



Water collection project



Publication on the research lead by NGO FRONT

### Internships—Fair cooperation with NGO

The Department of Laboratory, Quality Control and Environment at FENI Industries remained open to students, internships and NGOs. Internships for two students were accepted, who were involved in two different projects.

FENI also participated in the research for implementation and enforcement of the IPPC Directive in the Republic of Macedonia. This survey was done by the NGO FRONT.

It is FENI's conviction that such cooperation with NGOs must be developed since it offers a new and profitable view on the activities.

**Dalibor Balevski** —Manager of Nova Engineering

*Could you please introduce yourself?*

I am 34 years old. I am a graduated Mechanical Engineer and Master of Business Administration, Management course.

I started my career at Feni Industries in 2003 as Projects and Supervision Chief Engineer in the R&D dept.

In January 2011, I was appointed Manager for Engineering and Projecting. When NOVA became part of Feni Industries, I was promoted into Manager in Charge of Nova Engineering. From my previous experience in Feni I have learnt how important is to reduce stoppages in the plant and to finish investment projects on time. This is surely helping me in managing Nova, even though this is not an easy job to do every day!



*Working at Nova Engineering*

**What is Nova Engineering?**

Nova Engineering is one of the biggest mechanical workshops in our country. At the beginning, in the 80s, it was a part of Feni Industries (Feni at that time). Then, it has become a separate company (Fiord Technologies) and now, from March 2011, it was acquired again by Feni Industries. A total of 60 persons are working for NOVA. We are providing mechanical services for Feni Industries (75%), NewCo Ferronikeli (20%) and others companies (5%). Nova Engineering conducts various process related activities, replacement and revamping activities, fabrication and repair

of mechanical parts upon defects and malfunctions, manufacture of various parts for the maintenance, production, mine, laboratory, security and fire department, manufacture of various equipment for all investment projects, erection, supervision, test and start up, preparation of technical documentation and workshop drawings for the equipment and preparation of mechanical and civil engineering projects for all investment projects for Feni Industries and NewCo Ferronikeli.

**What kind of projects did NOVA complete in 2012?**

We completed many projects, including, the fine fraction system from the North By-Pass to the 7-days disposal (480 000 euros), Pelletizer no. 6 (900 000 euros), the 4<sup>th</sup> electrostatic precipitator (4 million euros), the ore bunker with capacity of 650 m<sup>3</sup> for Rzanovo Mine (210 000 euros), the electric-furnace shell at Ferronikeli in Kosovo (100 000 euros), the water project at Feni (800 000 euros), the new trucks scale and other projects (slag disposal, ladles, etc.).



*This statement being part of the "Environment Chapter" of this report, please share some additional information related to the erection of the new filter (ESP4).*

Yes, this was a great job! A part of the filter (380 tons) was provided by a Swiss company, leader in the domain of the electrostatic precipitators. The rest (560 tons) was produced by NOVA. We started the activities the 1<sup>st</sup> of May 2012, and we finished on the 26<sup>th</sup> of June. This means 55 days. Every day 120 workers were engaged on this project, 12 hours per day. According to the Swiss supervisor, erection of such equipment usually requires 6 months. We did it in less than 2 months! When the filter was done, an accredited laboratory has verified its performance. They measured 14 mg of dust per normal cubic meter, whereas the national standard, which is very strict, is 20 mg per normal cubic meter.

**What are the next steps?**

For 2013, we have again plenty of projects. For example, at Ferronikeli, the granulation system and a new 60 meters chimney for the converter. At Feni Industries, we are planning to install a new burner for the rotary-kiln, using pet-coke and gas (will be better than using heavy fuel oil), new completely automated truck washing equipment, and also a new system for the fine fraction from the South bypass to the 7-days disposal. We are ready for it.

**EMPLOYEES for FENI INDUSTRIES**

Kiro Nojkov - Leader in Mechanical Maintenance unit, Maintenance dept.

*"I have spent my whole working lifetime in this company. And even in the periods when the equipment was out of operation, my colleagues and I were firmly convinced in the possibilities and the capacities of the plant and we maintained the equipment in functional condition. The recent achievements and record production results confirmed our expectations and we are proud for being part of a company like Feni Industries-a giant in the country and wider, so for me there is no better benefit than the fact that I provide the complete existence for myself and my family from FENI."*



## CONCEPT OF ETHICAL GOVERNANCE

In the frames of its strategic determination to sustainable development and in line with the concept for social responsibility, Feni Industries runs its business with high ethical integrity, respecting the principles of transparency and fair approach in the business activities. Respecting the legal regulations and positive business practices, as foundation for building socially responsible corporate culture, is further upgraded by synchronization with the ten principles of the Global Compact. This manner of conduct results with integration of high ethical norms in all operational segments and in the relations with all stakeholders.

FENI remains devoted to maintaining continuity and upgrading the positive practices that are already established, as well as on implementing new ones, and it further aspires towards promotion of the ethical governance concept to its business partners and the wider community.

## HIGHLIGHTS IN 2012

The following practices were in the focus of ethical governance:

- Fair and transparent supply process;
- Respecting ethical principles in the course of the employment process;
- Controlling subcontractors in terms of their compliance to human rights, specifically employment relations, occupational health and safety, as well as environment care;
- Establishment of CSR Team.

## Policies and procedures

The basic principles of ethical governance are incorporated in the Business Ethics Policy of the company, which reflect also in the Quality Policy and are conducted through company's procedures that regulate various segments, such as supply, sale, environment protection, human resource management, occupational health and safety etc., and certainly also though the CSR procedure. Thus ethical governance is not only CSR category but it is a tool useful for adopting socially responsible behavior in all operational segments in the company. Moreover, part of the internal procedure and practices enable dispersion of the ethical business conduct not only within the company but also out of it, through its everyday business activities and interactions with the business partners and the local community.



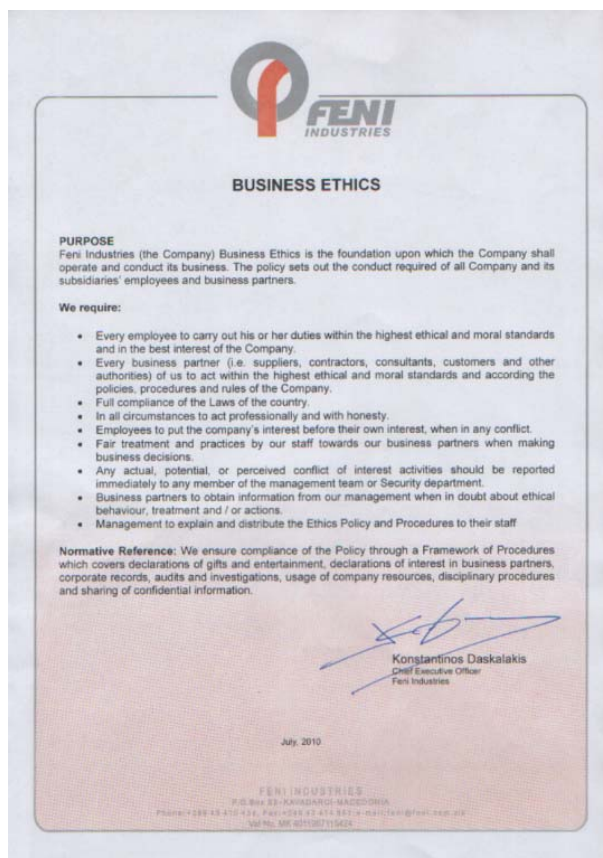
Business Ethics Forum where FENI participated.

## EMPLOYEES for FENI INDUSTRIES



Ruzica Angelova- Chemistry technician, Energetic dept.

*"As a sole woman in my department, I find it comfortable working directly in the process. I learned a lot and I encourage other females to consider FENI as a prospective career destination."*





## POSITIVE PRACTICES- CONTINUITY AND PROGRESS

### Fair and transparent purchases

FENI's supply procedures contains elements of transparency and prevention of corruptive behavior, which distinguishes FENI in the business community, and the rules that regulate the supply process are accepted and respected by its business partners. The practice of submitting closed offers, which are then opened by a committee, composed of representatives from various sectors, as well as the functioning of the Supply Committee composed of top management members that decides upon supplies of major value further continues. In the spirit of continuous improvement and in order to increase the transparency and to involve employees from as many hierarchical levels and departments in the decision-making process, in 2012 another supply committee was founded, thus part of the decision-making authority from the existing supply committee were passed on to the newly established one.

Thus, aside from the employees from the Purchase Department, 20 other employees from various hierarchical and departmental structures are also included in the supply decision-making process. The involvement and transparency contribute to increasing the responsibility inside the company and to openness to

new suppliers, enabling access for all interested companies, which in 2012 resulted in 176 new suppliers.



*Purchasing committee at FENI*

Having into consideration the supply scope of the company, in terms of both value and diversity, and also considering the fact that currently the suppliers' list counts above 1000 domestic and foreign suppliers, the scale of importance of the supply process for the company but also for all other stakeholders is obvious, as well as the impact that former has over the broader business community.

### EMPLOYEES for FENI INDUSTRIES



*Nikola Karovski - Main Chemical Engineer, Lab, QC and Environment dept.*

*"The purchasing committee is composed of members from different departments and various professional backgrounds. This allows us to choose the most suitable, the most qualitative offers that meet FENI's requirements. Being member of this committee is an honor for me because with my knowledge and skills I contribute to the improvement of the Company."*

### Ethics in the recruitment process

The principles of transparency and ethical behavior are of particular importance in the employment process of the company. In accordance with the internal procedure and established practices of the company,



*Human Resources team in FENI*

every new employment begins with an announcement in the public media and continues with selection through interview, knowledge test and/or practical examination. In order to provide better objectivity and impartialness, the selection board is always composed of representatives from different departments. Moreover, when practical examinations are conducted, they are always carried out in the presence of the other selected candidates, thus placing transparency at an even higher level. Taking into consideration the high unemployment rate, it is of major importance for FENI to enable open access to all interested applicants and simultaneously to provide fair and transparent process of selection, which is to result in employing the best candidates. The fact that in 2012, for 29 job positions over 400 applications were submitted, speaks enough about the importance of respecting the ethical principles in the new employment decision-making process.

### Controlling the sub-contractors

In line with FENI's determination to influence the wider community by promoting ethical behavior and respecting human rights and interests of all stakeholders, the practice of controlling the sub-contractors in terms of their compliance with the legal regulations according the Employment Law and the Law for Occupational Health and Safety, and in terms of the activates they are to undertake in regards to protection of the environment continued in 2012 as well. Taking into consideration the large number of sub-contractors and also the scope of investment projects and regular maintenance, that required engagement of the former throughout 2012, the significance of the measurement described above is undisputable for the company but also for its business partners, their employees and the wider community.



Contractors at the roof of the filter during its erection

#### CONTRACTOR of FENI INDUSTRIES



**Nikola Naumov, Gradba Promet**

*"FENI is one large industrial facility that continually grows and modernizes its production. For us, this is a challenge and an opportunity to acquire new experiences from the realization of the projects that are state of the art technology.*

*The conditions to conduct our organizational and technical activities, as well as the conditions provided to our employees throughout the construction activities that take place in FENI are at a much higher level. In the same context, I must also point out the high degree of transparency and information sharing, which is of a particular importance for us as subcontractors, especially in regards to the offer collection process and selection of subcontractors.*

*Safety is one of the most important issues on which FENI pays major attention. A process of informing the employees that conduct their activities at FENI's premises about the hazards and possible consequences that could arise from disrespect of the safety measures, as well as control and follow up of the extent to which the rules and regulation are respected, starts at the very entry of the plant and continues all the way to the premises where we conduct our activities and so on, until completion of our activities i.e. until we leave the premises."*

### CSR Team

In accordance to the CSR procedure and so as to enable transparency and full engagement, a CSR Team was founded in 2012. The composition of the team is interdisciplinary, meaning employees from various departments and hierarchical levels are members. The team works on defining the CSR targets, proposes socially responsible practices and specific projects and prepares the Annual CSR Report.



CSR Team meeting

## COMMUNICATION AND ACHIEVEMENTS

Socially responsible behavior also assumes appropriate communication of the positive practices in public, in order to increase the awareness about the importance of corporate social responsibility and thus incite other companies and the wider community to engage itself in the same direction. In this context, Feni Industries continuously shares its positions and practices in relation to the ethical governance, in different ways and occasions. In these terms, the following is to be emphasized:

1. As signatory of the UN Global Compact, Feni Industries, together with several other companies that belong to the family of like-minded parties, was a member of the Initiative Board of the National Global Compact Network, which at the latest annual conference was established as a Council Board and among else has the target to promote the CSR concept.
2. Feni Industries is a signatory of the Business Ethical Code – Guide for the Macedonian Business Community. Recognizing its own values in the basic idea of the code to contribute to fair and transparent business management, as well as stronger ethics in the employment relations, FENI signed a Statement of Support to the Business Ethical Code.
3. In the frames of the national project “Social Responsibility of the Companies”, a forum on the subject of “Ethical Governance of the Companies” was organized. Feni Industries participated in this forum and also presented its CSR strategies, experiences and practices that distinguish the company as socially responsible company with high ethical norms in all segments of its operation.
4. In 2012, FENI was rewarded with Grand National Reward at the competition organized by the CSR National Coordinative Body in the category of Ethical Governance for the project “Safe and Secure Working and Living Environment”, which was aimed towards building ethical values also outside the company, through compelling sub-contractors to strictly follow all work protection, fire protection and environment protection regulations.



Receiving CSR reward from Ministry of Economy

### Statement of Support to the Business Ethical Code by Mr. Nikola Rizov, Deputy General Director of Feni Industries.



*“Feni Industries is devoted to setting high ethical norms in all segments of its operation. The concept of CSR that integrates within the ethical aspects of human rights support, the behavior towards the environment, the relations with the local community, the transparency and anti-corruptive practices is a cornerstone of our operation and part of our corporate culture. Nonetheless, we go a step further and through our business activities and positive socially responsible practices we influence also on our business partners to also recognize and accept the ethical standards. Thus, we build consistency in our determination towards continuous improvement and simultaneously we influence the awareness about the necessity of respecting the ethical norms in the business and elsewhere, contributing to the creation of a business environment with high ethical standards.”*



## COMMUNITIES

FENI considers itself as inseparable part of the community where it operates. Therefore, strong partnership relations, built on the foundations of mutual support and collaboration with all related communities are continuously developed and maintained. The following pages demonstrate the support that FENI provided to various communities throughout the year 2012. From this overview one can easily understand that FENI is involved in all segments of living, from culture to charity, with an effort to help improve the overall quality of life of the inhabitants in the nearby towns and villages, simultaneously setting an example to the other businesses about how the definition of community support works in practice. Strategically, FENI is determined to support projects that are of benefit to the majority of citizens, although support to individuals is certainly not excluded.

### HIGHLIGHTS IN 2012

#### Culture

- “St. Paraskeva” Church: Major capital intensive project that began in 2010 and in 2012 entered its final stage. This project is of substantial importance for the citizens of Kavadarci and the surroundings, from cultural, historical, religious and touristic perspective.

#### Sports

- Basketball club FENI became National Vice Champion. The club already has 3 national champion titles, 2 vice champion titles and 1 Balkan Champion title, and it is the only club with international champion title in the history of Macedonian Club Basketball.

#### Education & Science

- 25 internships, 2 graduate scholarships, 2 post-graduate scholarships, one environmental scientific research and “Training for Young Leaders” education project.

#### Infrastructure

- Participation in the Reconstruction of 2 local roads, free local bus services for citizens from Kavadarci, Vataša and Marena on daily basis.

#### For the youngest ones

- Installation of a heating system in Vozarci school, recreational summer camping for 40 children from Kavadarci and Vozarci, new children beds for the kindergarten in Negotino, donations for the children with special needs.

#### Charity

30 food packages as social welfare, 8 financial support packages for healthcare.

#### Alliances with NGOs

- Red Cross – Regular Blood Donation campaigns, welfare packages, “Stop Violence in Sports” campaign.
- Rotary Club – Medical Equipment.

#### Relations with Authorities and Public Institutions

#### Communicating CSR activities

- Physical distribution of the CSR report to various stakeholders, presentations, PR texts, articles and statements.



*Kavadarci Town Square ready for the Grape Harvesting Festival*

### Targets for 2013

The tangible targets of FENI for 2013 in terms of community support are finalization and release in use of “St. Paraskeva” Church, supporting the Grape Harvesting Festival, the Basketball Club FENI, continuation of the scholarship and internship programs and another scientific research project “Exploration of the Mineral Wealth in Macedonia” is already enlisted. Children and schools and their regular and special needs remain part of FENI’s priorities as well as charity projects. Understandably, some targets are predetermined while others shall be accepted and conducted upon the various needs and request of the different communities, as it has been practice so far. However, FENI remains faithful to its CSR strategy, always to choose and support projects that meet the needs of the majority of the population. Nevertheless, FENI’s operational success remains key factor from which our CSR activities depend, meaning the more successful FENI is as a company, the more it can contribute to the community. Therefore, FENI stays focused to achieve its business targets, thus also providing solid fundamentals for realization of the CSR projects.

Finally, FENI considers this CSR Report for 2012 a mighty tool for increasing the awareness and inspiring other entities to consider adopting or improving CSR practices in their own frames, and as such it will surely be used at its maximum.



## Culture

### New church "St. Paraskeva

The cornerstone of FENI's community support in 2012 was the new church "St. Paraskeva" where FENI is the biggest donor. This project is of major cultural and historical importance for the citizens of Kavadarci and the surroundings, since the building itself nurtures the traditional Byzantium architectural style, specific for the prevailing Christian Orthodox settlement in this region. Being built in this particular style, the church is also of momentous artistic and architectural value, since it is completely built from hand-carved stone. Though still unfinished, these features already gave the church the status of "The Pearl of the Town"; hence the local community expects that it will also be a major touristic attraction. Finally, it has its religious importance, which is certainly the most significant trait for the believers. Many media publications were published and even a documentary film was shot about the church that is one of the biggest projects of this character, in the more recent history of Kavadarci.



New Church St. Paraskeva

### Grape Harvesting Festival

The traditional Grape Harvesting Festival, the biggest annual event that celebrates grape and wine, which is major agricultural branch in Kavadarci, once again was supported by Feni Industries, as the biggest sponsor.



Grape Harvesting Events

### Infrastructure

Reconstruction of two roads was funded by FENI, the road to the town's waste disposal Melci, and the road in the so called area "Musov Grob" that connects several mountain villages with the town of Kavadarci. Many other infrastructural projects of the Municipality of Kavadarci were supported by FENI, by supplying hundreds of tons of electro-furnace slag, which is used as a road reconstruction material.

FENI also supported the initiative of the Municipality for free bus rides for all citizens of Kavadarci, Vatasha and Marena, covering part of the fuel costs; thus there are two free rides every day starting from Vata-

sha, via Kavadarci to Marena and back..

There is also continuous collaboration between The Local Fire Department and FENI's Fire Department. Not only that the two units collaborate and exchange experiences, FENI's Fire Department supported the Local Fire Department with fire extinguishing services on numerous occasions. Lastly, in 2012, FENI also supported the Local Fire Department by donating fire protection tools, equipment and suits. On many occasions, FENI also put its own transportation fleet (buses, vans, cars) in service to the needs of various institutions (schools, sport clubs, hospital etc.).



Donating equipment to the Local Fire dept.



Free local bus rides

## Sports

It is a well-known fact that sport is a universal tool that connects and unites people. Hence, FENI remains a strong supporter of various sport activities on both local and national level. Basketball Club "FENI" is positioned on the top of the list of sports projects that the



*Basketball Club "FENI"*

Aside from supporting professional sport clubs, FENI invests in the sports development, illustration being the Basketball Academy founded in 2007, which again in 2012 counted over 60 children in 3 age groups. The same year, age generation 1992, became national vice champion in youth competition.

Several others youth sports tournaments in various sports, were also supported in 2012.



*School Football Tournament in Vozarci village*

company supports, along with the support provided to the Football Club from Vozarci village and the Town Football Club "GFK Tikvesh". Supporting sports is FENI's investment in healthy development of the youth, in future rich with sport's pride and victories for all generations, future free of vices.



*Football Club "GFK Tikvesh" Kavadarci*



*FENI's Basketball Academy-Generation 1992 National Vice Champions*

### Arvind Mundhra - CFO and President of the Basketball club



"Starting from 2012 I was honored with the position President of the Basketball Club FENI Industries, which is again a unique initiative of the company. The main objective in the Club is to develop young basketball talent though the basketball academy and to motivate the young generation in developing and following a healthy life style through sport and keep up the sportsmen spirit."



## Education and Science

Educated and qualified workforce is important not only for FENI, but for any company, for any country, anywhere. It is not a fad but a reality that the human resources are the most valuable asset of a company. Being well aware of the importance of human capital; FENI helps create educated, skilled, proficient and ambitious professionals, in all fields, that are to inherit the future. Consequently, in 2012, FENI continued and further extended its customary support to many faculty and high school students, through internships, graduation and post-graduation scholarships, and other educational programs.

| University institutions   | Internships conducted in:          |
|---|------------------------------------|
| Technological-Metallurgical Faculty, Skopje,  | Electro-Maintenance dept.,         |
| Electro-Technical Faculty, Skopje (Energetic dept., Electrical dept. and IT dept.), | Energetic dept.,                   |
| Mining Faculty, Shtip,  | Instrumentation Maintenance dept., |
| Faculty of Natural and Technical Sciences, Bitola,                                  | Logistics dept.,                   |
| Faculty of Natural and Technical Sciences, Shtip                                    | Production dept.,                  |
| Faculty of Economy, Skopje,   | Finance dept.,                     |
| American College, Skopje (Business Administration dept.),                           | IT dept.,                          |
| Slavic University, Skopje (Economics dept.),  | Warehouse dept.                    |
| FON University, Skopje (Economics dept.), etc.,                                     | Lab & Environment dept.            |

Field trips were also organized for the Elementary School in Vozarci, who visited the Laboratory, and for the students from the Electro-Mechanical High

Two outstanding students at the Technical-Metallurgical Faculty received full scholarships; two FENI engineers were granted with full post-graduation scholarships for International MBA programs, while 25 other students from various faculties did their internships in the various respective departments in Feni Industries. In 2012, FENI had students from a number of university institutions and depending from the educational background of the students, internships were conducted in the different operational departments at FENI.

School from Kavadarci, who visited the Energetics and Electrical Maintenance departments.



*Vozarci children visiting FENI's Lab*

Another major educational project supported by FENI was "Training for Young Leaders" founded by the President of Republic of Macedonia.

The year 2012 was also labeled with the big scientific research project "Environmental Monitoring of Kavadarci town and Tikvesh Region" made by "Goce Delchev" University from Shtip, with a key target to measure the industrial, agricultural and infrastructural impact over this region. In terms of industrial impact, more specifically, the impact that FENI has over its environment, this study once again reconfirmed that FENI is in line with all national and EU environmental standards and regulations.



*High School Students visit in FENI's Transformer station*



*"Training for Young Leaders"*



### For the youngest ones

It is said that a sincere child's smile is the greatest reward one can get for its deeds and FENI enjoyed plenty of such rewards in 2012. A new modern heating system was installed in the elementary school in Vozarci, Recreational Summer Camp was financed for



Children with special needs with the basketball players (1)

FENI's traditional and very special friends are the children from the Daycare Center and the Special School for children with special needs. In collaboration with these institutions, FENI arranged various donations in accordance to their requirements (school appliances, school kits, sport equipment etc.). On the occasion of

#### Elizabeta Janeva, Parental representative of "Straso Pindzur" Elementary School Council in Vozarci

*"I am a representative of the parents in the school council and in the frames of the council, as parents, our concerns are the rights of our children and the possibilities for improvement of the conditions for completion of the educational and upbringing process. For this purpose, we collaborate with the business community, especially with FENI. Together with FENI, we have realized numerous projects for the benefit of the pupils and the school, such as renovation of the school, heating system installation, construction of a sports playground, continuous support of sports and other activities of the pupils etc."*

Many other events organized by these institutions, such as "Easter Eggs Sale", "Market Day", "New Year Fund Raising" were also supported by FENI.

How much children appreciate the support that FENI provides for them is best demonstrated through the number of invitations for School Plays and School Events that FENI receives. Not only that they are many, but FENI's staff always finds time in their busy schedules to attend those events.

40 children from Kavadarci and Vozarci, new children eco-beds were donated in a kindergarten in Negotino, Christmas gifts were donated to the children who spent New Year Eve in the Pediatric Clinic at Kavadarci Hospital, as well as another 150 Christmas Gifts donated to all the children from Vozarci village.



Children with special needs with the basketball players (2)

the International Day of Children with Special Needs, FENI organized a "Day Together" with these children and the basketball celebrities from Basketball Club FENI. The joy that these children demonstrated on that day: simply priceless!



School Play of Vozarci School children



School play at Negotino Kindergarten

## Charity

Charity is singled out herein as a separate category that encompasses only groups of people or individuals in need of social welfare or healthcare support. On Easter 2012, FENI donated 10 food packages to social welfare dependent families from Vozarci, and 20 food packages to families from Kavadarci on the occasion of New Year holidays. Additionally, 8 financial support packages were provided for medical treatments for people with serious health issues.

## Alliances with NGO's

Aside from the direct collaboration and support provided to public institutions and organizations, FENI also supports initiatives of Non-Governmental Organizations that are of public interest. Thus, FENI is allied with the Red Cross and the Rotary Club Kavadarci and consequently supported several initiatives raised by these organizations.

The collaboration with the Red Cross is as old as FENI is. Every year, in collaboration with the Red Cross, FENI conducts blood donation campaigns with its employees. Not only that FENI is one of the companies with the biggest number of employees who are blood donors but we also have employees who are blood donor champions.

Thus our employee Kiro Nojkov, age 56, has donated blood over 60 times in his lifetime. FENI is certainly proud to have such role models of social responsibility among its employees.

Few other initiatives of the Red Cross, such as campaign against violence in sports and charity projects were also supported by FENI in 2012.



*School play of the children from the Special School*



*On the occasion of donating Eco-beds to the children*



*FENI and the Red Cross against violence in sport*



*Together with the Red Cross Volunteers*

An example of the successful collaboration with the authorities from which the community benefited, is the request of the Customs Directorate to destroy black market goods in FENI's furnaces. Instead of charging for this service provided to the Customs, the two parties, under the mediation of FENI's Logistics Manager Anastazija Ilkacheva, have agreed to use the means for procuring new eco beds for the kindergarten in Negotino.

Likewise, FENI traditionally supports the initiatives of the Rotary Club Kavadarci. Moreover, in 2012, President of the Rotary Club was FENI's Maintenance Manager Gerasim Kujundziev (and other FENI managers are members of the club). With the funds raised in 2012, medical equipment was supplied for the Surgical and Pediatric departments at Kavadarci Hospital, and a flat screen TV was purchased for the Daycare Center for children with special needs.



*Certificate of Gratitude from the Rotary Club*



## Relations with Authorities and Public Institutions

As an organization, FENI is a complex system of activities, such as production, maintenance, finance, purchasing, logistics, HRM, Lab, warehousing, sales etc. All these activities do not stand in isolation but their conduct is preconditioned by everyday interaction and mutual collaboration with various public institutions and authorities. Therefore, FENI has established and nurtures close professional and mutually collaborative relations with all such public entities, among them highlighting the Municipality of Kavadarci, the Ministries of Economy, Environment, Transport, Labor, Customs Directorate, Public Revenue Directorate, Employment Bureau, Health and Pension Insurance Funds and many, many others who have also contributed to the overall normal and unobstructed operation of the company.



Excerpt from "Fokus" newspaper



Excerpt from Kavadarci Municipality Newsletter



Excerpt from "Kapital Magazine": CSR Reward Ceremony-the winners with the Minister of Economy

## Communicating CSR activities

Being socially responsible, acting and behaving in accordance with the renowned CSR principles is not a sole mean to an end. Every entity that has adopted and implemented the CSR principles within its daily activities has one last duty, which is also a sort of a moral commitment, and that is to contribute to increasing the awareness about the importance of adopting and exercising CSR practices. Finally, this is also the ultimate goal of this report, not only to present the CSR activities FENI undertook in 2012 but through its deeds to stimulate, inspire and incite as many other companies, institutions and organizations as possible, also to adopt CSR practices as their own core values.

For this purpose, FENI took a number of measures to communicate its CSR activities using various communication channels and tools.

Thus, the 2011 CSR report itself was distributed to all public institutions and high schools in Kavadarci and surroundings (Municipality of Kavadarci, Police Dept., Public Revenue Office, Labor and Social Security Agency etc.), to a number of domestic companies-contractors of FENI and to all bigger companies in Kavadarci. Through the Economic Chamber of Macedonia, it was also distributed to the 50 biggest companies in the country and members of the Chamber.

Five visual presentations of the report were presented to FENI's biggest clients and partners from Germany, Italy, Great Britain, China and Canada, that visited FENI in 2012.



Excerpt from "Kapital" magazine:  
Article about FENI's CSR practices

Certainly, many of the events presented herein attracted the public attention and were covered by both electronic and printed media. But also FENI published several PR texts and gave interviews to various newspapers, magazines and websites. Finally, all published PR texts were also published on the bulletin boards inside FENI, thus double using this media to regularly communicate the CSR activities and progress with the employees.



Excerpt from "Kapital Magazine":  
Interview with the CEO



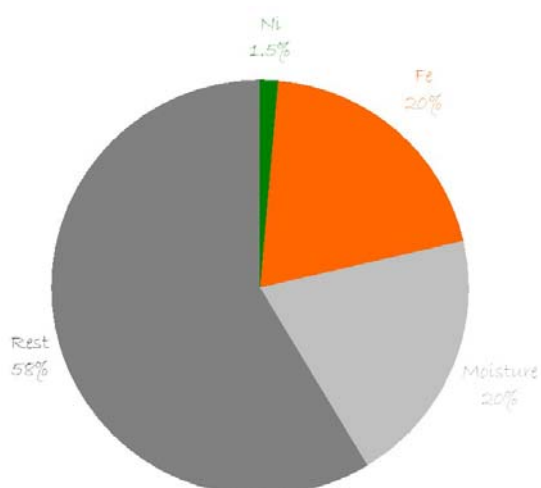
## The production in Feni Industries, from ore to ferronickel <sup>(1)</sup>

1. At the beginning there is the ore. The word ore might be mysterious, but in reality it is very simple, it is just soil.



3. This iron in the soil is a very common element. Iron is present in all types of soil. What is changing is its concentration, usually from 5% to 60%. For the nickel, the situation is different. It is not present in all types of soil, and its concentration is very small. In average, the Earth crust contains 0.0075% Ni. Certain soil is interesting for FENI when its nickel content is above 0.9% and then it is named "ore". The maximum nickel content in the soil is 2.2%. The ore used in FENI is with average 1.5% Ni content.

Another important parameter in the ore is its moisture content (its humidity). This humidity (which is actually water) varies from 10% to 35%.



Typical composition of the ore

2. But this soil is particular because it contains some valuable elements such as iron (Fe) and nickel (Ni) ... that give the name to our company: FENI Industries



4. FENI brings ore from everywhere (Indonesia, Philippines, Guatemala, Turkey, Albania and Macedonia).

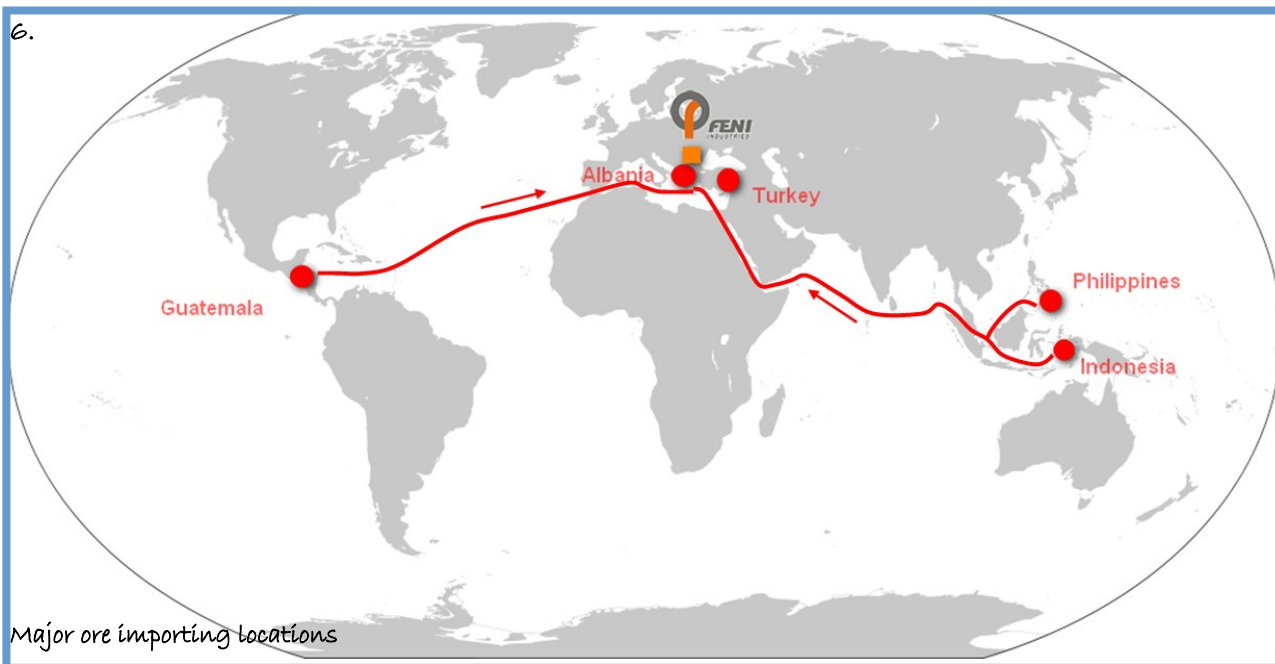


5. In 2012, the group Cunico Resources that Feni Industries in Macedonia and NewCo Ferronickel in Kosovo belong to, acquired one mine in Guatemala. First quantities of ore were mined in September and reached Thessaloniki Port in December.



(1) This process description is for pedagogical purposes only. The presented figures and processes reflect the reality but might be simplified for the sake of comprehension.

6.



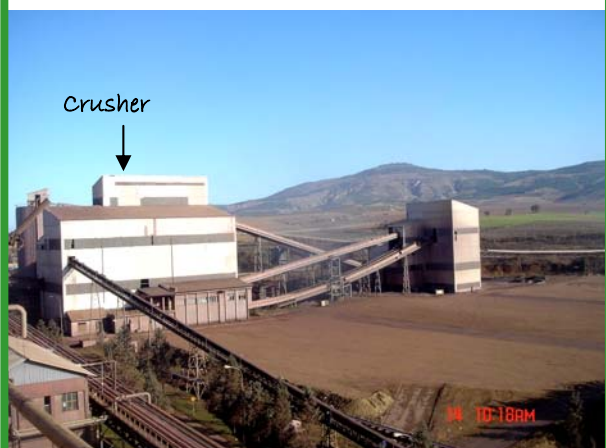
7. All these foreign types of ore are transported in large vessels (boats) from 10 000 to 50 000 tons (50 000 tons is equivalent to 2 000 trucks of 25 tons).



8. After discharging at the port of Thessaloniki, this ore is transported by trucks and railways to FENI plant in Kavadarci.



9. This ore is then crushed (stones are broken) before stockpiling. After this step, the size of the ore pieces is between 10 and 80 mm).





### Simple mathematics

In 2012, FENI produced 19 200 tons of nickel. With a nickel content in the ore of 1.5% and with moisture of 20%.

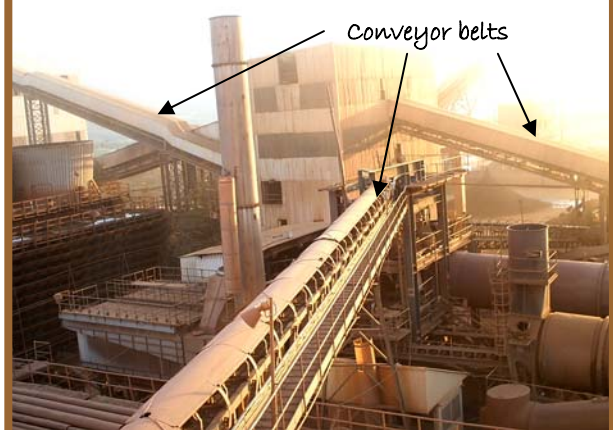
This means that it took:

$19\,200 / 1.5\% = 1.3$  millions of tons of dried ore, or  $1.3 / 80\% \text{ dry} = 1.6$  millions tons of wet ore. This is equivalent to a 200m high layer of ore that covers the surface of football stadium!

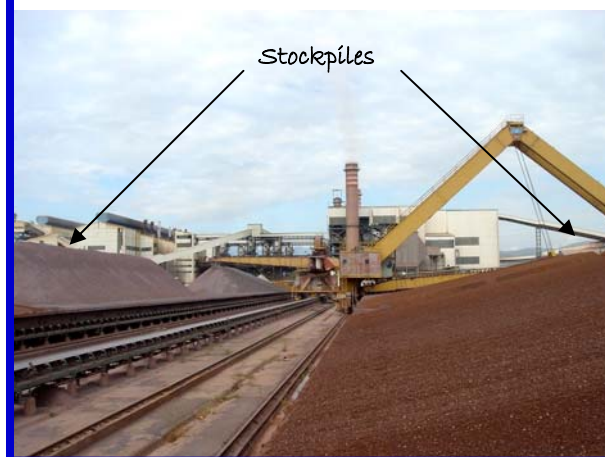
If 70% of the ore is transported by trucks,  $70\% \times 1.6$  millions = 1.1 million tons that are to be delivered by road to Feni to achieve this production.

If one considers that a truck has 25 tons capacity, this means  $1.1 \text{ million} / 25 = 45\,000$  trucks for 1 year (120 trucks / day).

**11.** In Feni Industries, there are approx. 12 kilometers of conveyor belts (excluding the belt from RZanovo Mine to the plant, which is 36km, one of the longest ones in Europe)



**10.** The ore is then stockpiled. This step allows to prepare a mixture with different types of ore with specific characteristics (mix of rich iron ore with rich nickel ore for example). The ore is then taken from the stockpile (reclaimed) and is conveyed through a conveyor belt.

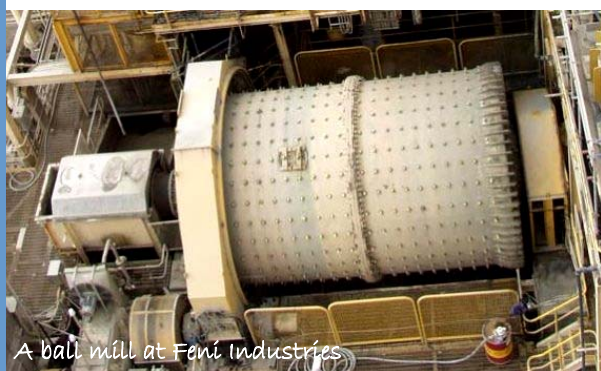


**12.** This wet ore, (humidity = 20% average) goes inside the driers. There are 4 driers in FENI. All driers are equipped with a burner, fed with mazout (crude oil). These burners produce a flame which maintains a temperature above 200 degrees C. At the outlet of the drier, the ore is dried (or nearly dried).





**13.** Leaving the drier, the dried ore goes through conveyor belts to the milling department. The dried ore, with a max size of 1 cm enters through a rotating cylinder together with more than 100 000 iron balls (each balls is approx. 800 grams). The ore is pulverized i.e. milled with the help of the moving balls. After milling, the size of the ore (granulation) is between 300 and 30 micrometers (80% @ 300 micrometers). This is also the reason why the ore needs to be dried. If it is not dried, the ore cannot be pulverized.



A ball mill at Feni Industries



Inside a ball mill - drawing

**16.** Pellets have a diameter below 2 cm. They are now named "green pellets" (even though they are brown), contrary to "red pellets", as they are called when they come out from the rotary-kiln.



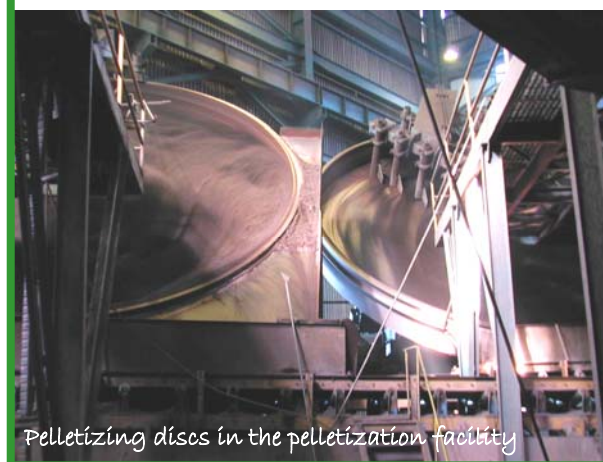
Green pellets

**14.** After milling, this fine dried ore (called 'nickel concentrate') goes into a mixer. This equipment mixes this fine ore with water and bentonite (clay, used as a 'glue'). This 'paste' then goes through a long conveyor belt to the main building of the plant, which starts with a pelletizing facility.



Pelletizing plant

**15.** The paste of ore (ore + bentonite + water) next goes on the pelletizing discs (pelletizers). There are 6 pelletizing discs in FENI. Being caught by the rotation movement of the disc, the paste of ore agglomerates more and more and small balls of ore are created (called 'pellets'). By agglomeration, the mass of these pellets increases rotation after rotation. When the pellet reaches a certain mass, only by the effect of centrifuge power (the force which is occurring on rotating objects and that tends to eject this object outwards), this pellet is ejected from the disc.

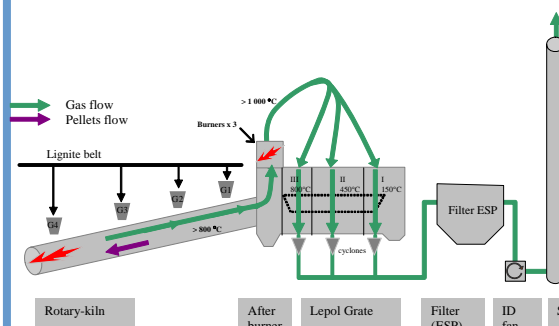


Pelletizing discs in the pelletization facility

17. These green pellets go next into the system Lepol Grate—Rotary-kiln.



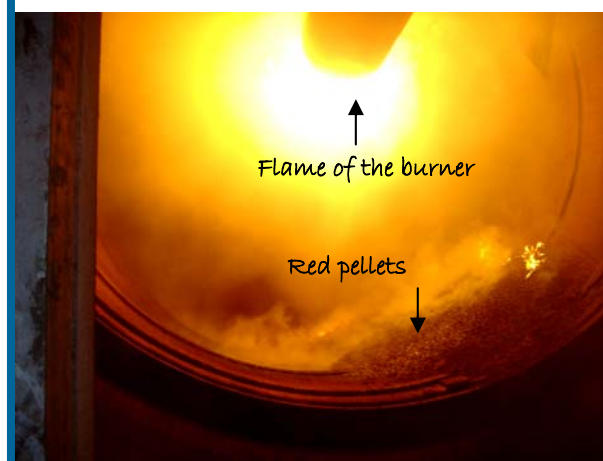
18. Green pellets first go on a chain which moves inside the Lepol Grate (it is like the pellets are going inside a tunnel where the temperature is increasing from 150 degrees C at the inlet, up to 800 degrees C at the outlet of this tunnel).



19. Pellets at the end of the Lepol Grate are 'falling' into the rotary-kiln. A kiln is a furnace and this furnace that turns slowly around itself. Due to a small inclination, at each turn (rotation) of the kiln, the pellets move forward towards the outlet of the kiln. The length of FENI's kiln is 75 m. It takes approx. 3 hours for the pellets to reach the outlet.



20. Inside the rotary-kiln, the temperature is above 800 degrees C. Huge flame is generated at the outlet. When pellets leave the rotary-kiln, they are red pellets (because of their incandescence).



22. This carbon participates in the pre-reduction (removes the oxygen from the ore so as finally to extract only the nickel and the iron). The nickel is reduced first, and then the iron. This pre-reduction is done in solid state, in the rotary-kiln, at relatively low temperature (< 1 000 °C). When the lignite (carbon) is in contact with the oxides of the ore, part of the oxygen from the ore is captured by the carbon (C), thus creating CO<sub>2</sub> which is emitted. The volatile part of the lignite also helps the combustion inside the kiln).

21. The temperature inside the kiln is also achieved using the combustion of lignite (coal) and mazout (heavy fuel oil), which are mainly carbon (C) based materials.



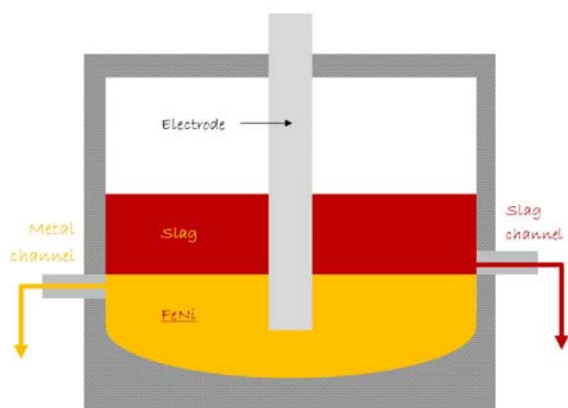


**23.** At the outlet of the rotary-kiln, the red pellets are dispensed into a container placed below the kiln. The container thus filled is lifted to the roof of the electric-furnace with a crane. If one touches these red pellets with a wooden stick, it will burn instantly.



Red pellets at the outlet of the rotary-kiln.

**25.** When the ore is in lava state, the nickel and iron present in the ore sink to the bottom of the furnace (because they are heavy), whereas the other elements ( $\text{SiO}_2$ ,  $\text{CaO}$ ,  $\text{MgO}$ , etc.) float above (they are lighter). This floating phase is called "slag". Slag is tapped out from one side of the furnace. The channel for discharging of slag is located higher than the channel for metal. This slag is removed separately from the metal.



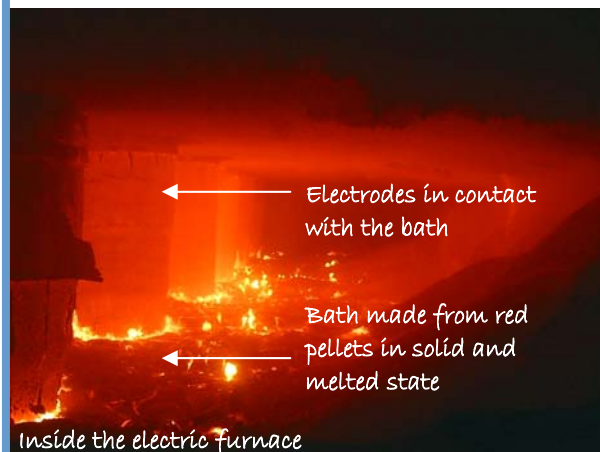
Simplified principle of the electric furnace operation

**26.** There are 2 electric-furnaces in FENI. These are very large facilities (35 m x 14 m). On the sides, they are lined with refractory bricks in order to resist heat above 1600 °C).



Inside the electric furnace (lining with bricks)

**24.** When the red pellets are charged inside the electric furnace, they first float on the surface. Then, because of the high temperatures (generated by electricity supplied through the electrodes that get in direct contact with the content of the furnace) pellets melt (become as volcanic lava) at a temperature of about 1600 °C



Inside the electric furnace

**27.** After tapping, slag is disposed at a slag dump located 2 km from the plant. Slag is inert material when it cools down. FENI succeeded to export a part of this slag in the last years. More than 3 500 tons of slag are removed from both electric furnaces, on daily basis..



Disposing slag at the slag dump

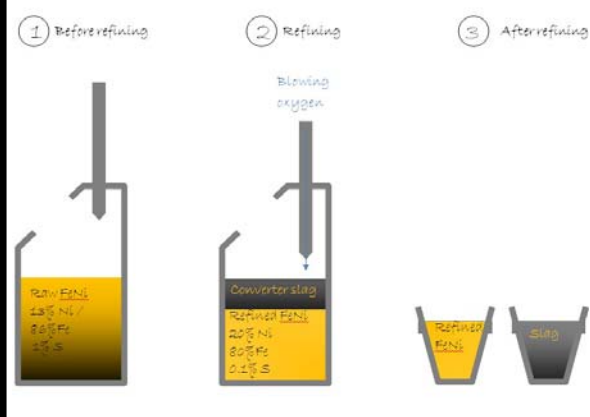


**28.** The metal from the electric-furnace (raw ferronickel) is “tapped” (discharged) using the metal channel on the other side of the furnace. This liquid metal (temperature 1500 °C) is poured in a ladle positioned below the furnace. This ladle has 1 metal tap capacity (approx. 40 tons of FeNi i.e. 5 tons of nickel). Usually, 10-12 taps are made each day (50-60 tons nickel or 400-500 tons FeNi)



Tapping (discharging) the metal

**30.** The raw ferronickel with 13%Ni needs next to be refined into ferronickel with approx. 20%Ni. This process is taking place inside the converter. Oxygen is blown inside the liquid raw ferronickel (lava). This oxygen is re-oxidizing a part of the iron, thus creating iron oxide (slag). This converter slag, floating above the liquid metal, is removed from the surface of the liquid metal by tilting the ladle of the converter. This removal of iron mathematically increases the nickel content. In this stage also de-sulfurization is made, by adding limestone.



**29.** A 100 tons “bridge-crane” then lifts the ladle full with liquid metal (the weight of the ladle and the charge is above 50 tons). The metal is then poured inside the converter.



**31.** The refined ferronickel (approx. 25 tons of FeNi per charge, so 5 tons of nickel i.e. 25 tons FeNi x 20%Ni = 5 tons nickel) is lifted with the same crane bridge and is poured inside the holding furnace. Final adjustments are made in this stage. Then, its composition is final and the metal, thus refined, is ready to be granulated.



Casting the ferronickel from the holding furnace

**32.** The liquid metal is poured inside a pool against a strong water flow. At the contact with the water, the liquid metal transforms into granules with a size of around 3 cm.



Granulation of the liquid metal

33. The ferronickel is then ready for export. It is delivered either in big bags or in bulk in containers.



FENI Granules

35. FENI's customers are located world-wide and appreciate FENI's ferronickel due to its very low level of impurity (ultra low carbon). Feni Industries, in the frames of Cunico Resources group, has become no. 4 producer of ferronickel in the world.



Unloading containers with FENI in China



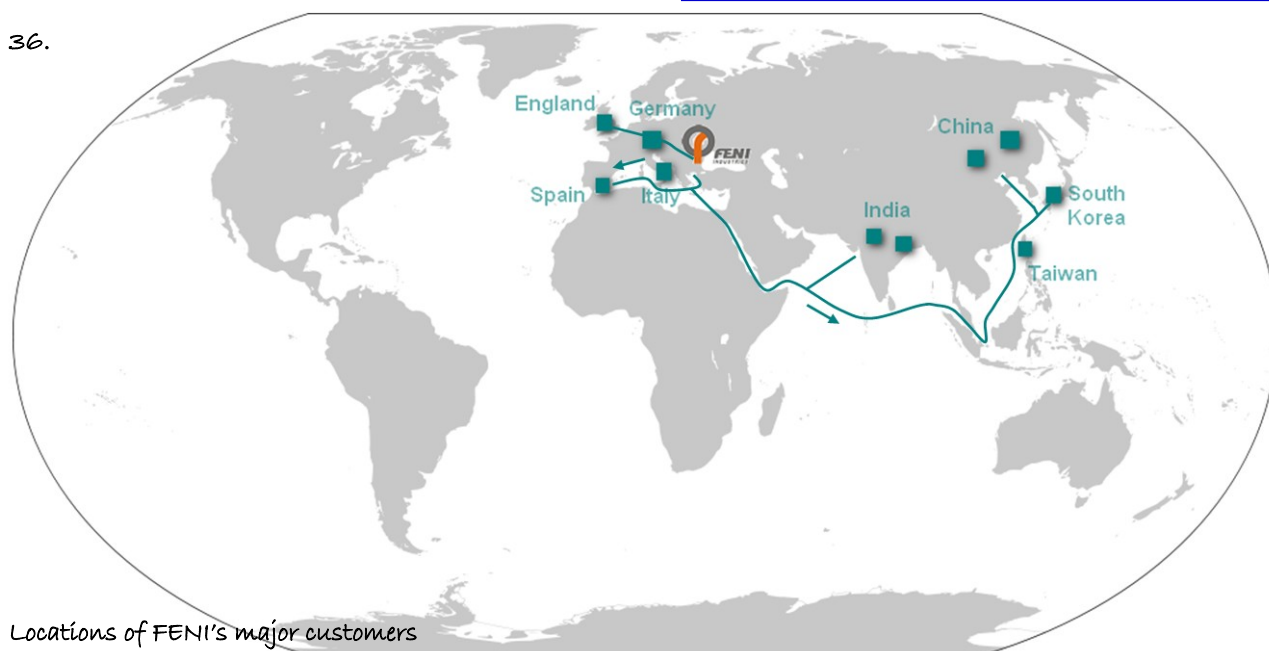
Ferronickel granules packed in big bags

34. FENI's product is used mainly for the production of steels and stainless steel. Steels are made by melting together a mixture of ferroalloys, such as ferrochrome, ferrosilicon, ferromanganese and ferronickel. The proportion of the different ferroalloys depends of the desired characteristics of the steel. Most often, the stainless steel contains 8% nickel. Nickel provides to the steel anti-corrosive feature. This explains why nickel is intensively used for all steels for medical and agro-alimentation purposes, as well as for aeronautics and high-technologies.

Various ferroalloys (and ferronickel) at a steel plant



36.



Locations of FENI's major customers



## GLOSSARY

**By-product:** A product generated along with the primary product;

**Carbon footprint:** The quantity of carbon emitted during all production stages;

**ERP:** Enterprise Resource Planning (software)

**Ethical behavior:** Ethics addresses morality issues. It refers to the rules or standards for right conduct or practice, especially the moral standards of a profession

**Ferronickel:** Alloy of iron and nickel with a nickel content usually between 15 and 60%.

**GHG:** Greenhouse Gases: Gases that due to the greenhouse effect could contribute to the global warming.

**IPPC:** Integrated Prevention Pollution Control

**Pyro-metallurgical:** Metallurgy using fire i.e. high temperatures (different from hydro-metallurgy which is using chemical process);

**Slag:** By-product from the ferronickel production.

**Social responsibility:** The responsibility of enterprises for their impact on society "(European Commission - 2011)".

**Stakeholders:** Individuals, communities or firms that are a subject of potential direct or indirect impact and interaction with Feni Industries and its business activities.

**Sustainable development:** Sustainable development refers to the development that satisfies the needs of the present generations without compromising with the ability of future generations to meet their own needs.



*Special gratitude to Olivier Desevedavy for being the engine and visionary in the preparation process of the CSR 2012 report.*

## Authoring

This report was prepared by the CSR team (Zorica Stavrova, Borka Petrovska, Ana Andova, Nadica Stavrova, Yuval Cohen, Gerasim Kujundziev, Viktor Trajkov and Olivier Desevedavy). Thanks also for the strong support from Ilija Vidikov, Ordanco Ristov and Nikola Dimitriev ... and for all employees that have participated with their statements.

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**Ferronickel granules**

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