

NIBE

– world-class solutions in sustainable energy



Creating sustainable value

Report on environmental and social responsibility 2012

NIBE

NIBE Industrier is an international heating technology company. Operations are organised around three business areas – NIBE Energy Systems, NIBE Element and NIBE Stoves.

The NIBE Group has more than 9,000 employees in Europe, North America and Asia.

Each business area has its own operational management with responsibility for results. Issues that concern the Group as a whole, such as strategies, financing, corporate acquisitions, financial control and HR policy, are coordinated and regulated through the parent, which is a listed company.





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NIBE Energy Systems



Indoor comfort and heating solutions

NIBE Energy Systems has a wide range of products to provide end-users in single-family homes, multi-family properties and other large premises with solutions for indoor climate comfort, hot water and space heating. Over the years the range has developed from a handful of fairly basic heating products to numerous hi-tech concepts for heating, cooling, ventilation and heat recovery.

2012

Net sales, SEK m	5,901.1
Growth, %	18.3
Operating profit, SEK m	810.8
Operating margin, %	13.7
Average number of employees	3,088

NIBE Element



Industrial partner with customised solutions

The NIBE Element product range comprises components and solutions for measuring, controlling and electric heating applications. Various technologies are used to produce heating elements and resistors that serve a wide variety of purposes in many different industries and items of equipment. NIBE Element also manufactures large numbers of customised solutions.

2012

Net sales, SEK m	2,336.8
Growth, %	10.0
Operating profit, SEK m	151.3
Operating margin, %	6.5
Average number of employees	4,231

NIBE Stoves



A wide selection of wood-burning stoves for different heating needs

The NIBE Stoves product range comprises value-for-money, wood-burning stoves in many different versions and styles. Customers can always be sure to find a model that will meet their needs for comfort and complement the character of their home. All the stoves incorporate technical solutions to ensure efficient combustion, and many carry the Nordic Swan ecolabel. NIBE Stoves also offers complete chimney solutions.

2012

Net sales, SEK m	1,064.4
Growth, %	- 7.7
Operating profit, SEK m	115.8
Operating margin, %	10.9
Average number of employees	680

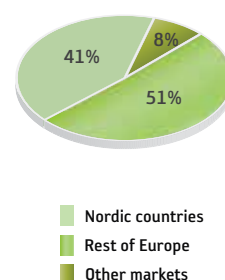
Net sales	Operating profit	Operating margin	Profit after net financial items	Profit margin
SEK 9,192.3 m	SEK 1,041.3 m	11.3%	SEK 1,007.6 m	11.0%

The year in figures

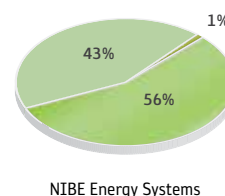
		2012	2011	Change
Net sales	SEK m	9,192.3	8,139.8	13 %
Growth	%	12.9	25.0	- 12.1 % point
Operating profit	SEK m	1,041.3	991.3	5 %
Profit after net financial items	SEK m	1,007.6	941.2	7 %
Investments	SEK m	477.5	3,815.2	- 87 %
of which in existing plant & machinery	SEK m	251.5	333.4	- 25 %
Gross margin	%	15.3	15.6	- 0.3 % point
Operating margin	%	11.3	12.2	- 0.9 % point
Profit margin	%	11.0	11.6	- 0.6 % point
Capital employed	SEK m	9,360.8	9,337.5	0 %
Equity	SEK m	4,926.0	4,487.2	10 %
Return on capital employed	%	11.8	16.0	- 4.2 % point
Return on equity	%	15.8	19.9	- 4.1 % point
Return on total assets	%	9.5	12.3	- 2.8 % point
Asset turnover	times	0.79	0.96	- 18 %
Equity/assets ratio	%	42.6	38.2	4.4 % point
Proportion of risk-bearing capital	%	47.2	43.2	4.0 % point
Operating cash flow	SEK m	767.8	786.7	- 2 %
Net debt/EBITDA	times	2.5	3.0	- 17 %
Interest cover	times	11.1	10.7	4 %
Interest-bearing liabilities/Equity	%	90.0	108.1	- 18.1 % point
Average number of employees		8,006	6,895	16 %

Please refer to page 54 for definitions.

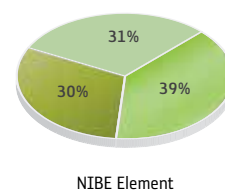
Sales by geographical region



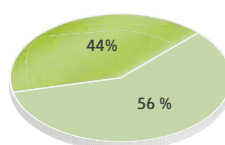
Business area sales by geographical region



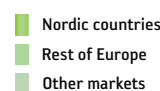
NIBE Energy Systems



NIBE Element



NIBE Stoves



Acquisition of

- remaining 1.3% stake in the Schulthess Group AG, Switzerland
- 70% stake in Akvaterm Oy, Finland
- element operations of Springfield Wire Inc., USA
- 60% of shares in the Stovax Heating Group Ltd, UK (2013)
- Eltwin Group, Denmark (2013)

Annual General Meeting

The Annual General Meeting of shareholders will be held at NIBE in Markaryd in Sweden on Wednesday 15 May 2013 at 17.00 (5pm).

Financial information

The complete annual report and call to the AGM are sent to all shareholders unless they have informed the company that they do not wish to receive any written information.

The annual report is also published on our website www.nibe.com.

Dividend

The Board of Directors proposes that the Annual General Meeting approve a dividend of SEK 2.00 per share for the financial year 2012, corresponding to a total payout of SEK 220.5 million. If this proposal is accepted, it is anticipated that the dividend will be despatched from Euroclear Sweden AB on Thursday, 23 May 2013.

CEO's comments on the year



Welcome to NIBE's third Sustainability Report, "Creating sustainable value". In the report you will meet a corporate culture that is built on a genuine entrepreneurial spirit with the aim of generating good profitability and long-term value for our stakeholders. Our culture is, however, well balanced by a responsible approach to environmental and social issues as well as to business ethics. In this respect "Our Business Principles" and "Our Values" go hand in hand.

I am convinced that NIBE's philosophy and our product programme, with its focus on sustainable energy solutions, are well suited to the times in which we are living. Let me give just one example of this: towards the end of 2012 the Swedish Energy Agency published the results of extensive tests of the various ground-source/geothermal and exhaust-air heat pumps available on the domestic market. The findings clearly demonstrate that our heat pumps perform best in the vast majority of benchmark tests and offer homeowners the best value for money. This is an important endorsement of our long-term commitment to product development, and it also confirms that our efforts are bearing fruit.

In this Sustainability Report you will find examples of how our manufacturing plants are working with everyday environmental, safety and quality issues – in many cases not only showing very good results for an individual unit, but also contributing to the performance of the Group as a whole.

Parallel with this, our product developers are involved in many projects aimed at creating competitive products. Sustainability issues are, of course, factored into this process as developers make every effort to reduce the amount of raw materials, phase out hazardous chemicals, improve recyclability, minimise emissions and/or improve a product's energy efficiency. You will find plenty of examples of NIBE products from all of our business areas that contribute to a better environment.

Among other steps towards greater sustainability that we took in 2012, I would especially like to mention the following:

- We made the decision to purchase "green electricity" for our European operations, thus significantly reducing our overall carbon footprint.
- We continued to roll out and implement the NIBE Code of Conduct, "Our Values", throughout the Group's operations worldwide.
- We practised what we preached, for example, by improving energy efficiency, phasing out fossil fuels and continuing to install heat pumps or other sustainable energy solutions at our plants.
- We took an active part in society and our local communities, for example, through various joint activities with schools and technical universities.
- We took the initiative to move from reporting at Level C according to GRI Guidelines to reporting at Level B.

Sustainability work at NIBE has my full backing, and during 2013 we will be focusing on sustainable energy solutions, the implementation of ISO 14001, business ethics, and health and safety in the workplace, in addition to incorporating sustainable development into our business strategy.

Markaryd, Sweden – April 2013

A handwritten signature in blue ink, which appears to read "Gerteric Lindquist". The signature is stylized and fluid, with some overlapping loops and a long, sweeping tail.

Gerteric Lindquist
Managing Director and CEO

Sustainability is integral to our corporate strategy

Taking responsibility for people and the environment is an integral part of NIBE's corporate strategy. Our overarching goal is to create profitable growth and value added for our stakeholders. To ensure the long-term sustainability of this objective, we never compromise on issues relating to the environment, product quality, working conditions and our corporate social responsibility. Sustainability is firmly rooted in the NIBE Group's long and proud tradition of responsible entrepreneurship.

Governance of sustainability issues

NIBE's governance of sustainability issues includes the following key areas:

Our Values

"Our Values" is a document that lays down guidelines and defines a code of conduct for responsible entrepreneurship. Available in 14 languages, "Our Values" forms a framework for all our business operations and applies equally to all NIBE employees, wherever they are in the world. Everyone employed by the NIBE Group received their own copy in 2012. Issues relating to the natural and working environments, quality and communication are also covered by our corporate policies.

Policies

Policies on issues, such as the environment, health and safety, quality and communication are implemented worldwide. These, in turn, form guidelines for more detailed policies to be implemented in the various Group companies.

Legal compliance

We are firmly committed to maintaining high standards in our management of environmental, health, safety, product and social issues, with local laws and regulations constituting the minimum accepted level. Within the framework of our management systems, we frequently monitor com-

pliance with current legislation and systematically evaluate the development of government policy instruments.

Precautionary principle

There are both opportunities and risks associated with issues relating to sustainable development. To minimise risks we adopt a proactive approach, systematically analysing the risks inherent in areas such as the environment, the working environment and quality, taking the necessary technical and organisational measures and training those concerned where necessary.

Sustainability Report

We report our sustainability performance in accordance with the guidelines laid down by the Global Reporting Initiative, GRI. We communicate sustainability issues through our annual Sustainability Report, our web-pages and newsletters, as well as through direct contacts with various stakeholders

Dialogue with stakeholders

Our activities impact in different ways on different stakeholder groups. Two important aspects of our sustainability work are to be receptive to the wishes and opinions of others and to make our information as clear and transparent as possible. At Group level we communicate with the capital markets and mass media. At individual company level, we communicate with customers, suppliers, local authorities and the company's near neighbours.

Leadership

In order to maintain transparency, leadership roles and responsibilities at management and board level have been clearly defined. Sustainability issues are managed as an integral part of operations at all levels in the company.



Our Values

The Code of Conduct – "Our Values" – constitutes the framework for our business ethics and sustainability work. The code comprises the following key points:

- Respect for human rights
- Good working conditions
- Reduced environmental impact
- Sound business ethics
- Requirements on suppliers
- Product quality and product safety
- Social commitment
- Transparency

Our Values can be downloaded at www.nibe.com/Our-Values

Standards and guidelines

NIBE complies with or works in accordance with a number of internationally recognised standards, guidelines and principles. Group guidelines and policies are based on international conventions and initiatives, for example those endorsed by ILO, OECD and UN.

Quality management and environmental management work are carried out within the framework of the certified international systems ISO 9001 and ISO 14001 respectively (where compliance in both cases is compulsory for all manufacturing units) and, when so required by customers, in accordance with the occupational health and safety standard, OHSAS 18001. We have access to more than 70 internal environmental auditors, who conducted almost 40 environmental audits during the year. In addition, our plants were audited by third-party ISO 14001 auditors on 14 occasions in 2012. ISO 14001 is currently being revised prior to the publication of a new version of the standard in 2015. As NIBE has a close relationship on the Swedish reference committee for the update, this means that we will have early access to details of any planned changes in requirements.

Entrepreneurship

– with a strong culture of sustainability

The entrepreneurial spirit that permeates NIBE, as demonstrated in the passion for doing business and the satisfaction that accompanies the responsibilities of ownership, is one of the main factors driving the company's growth. Good entrepreneurship also holds the key to opening up future opportunities by constantly arousing curiosity, inspiring creativity and commitment, and motivating employees to take a greater share of ownership in the companies for which they work.

The traditional values we hold dear here in the southern Swedish province of Småland – thriftiness, common sense, honesty, perseverance, simple solutions and a long-term outlook – will never go out of fashion. This makes our corporate culture resilient, regardless of the state of the economy or wherever in the world we choose to operate.

While sustainability and sustainable value creation are relatively new terms, the concepts they represent have always been part of the way we work at NIBE. Wise use and careful husbanding of nature's resources have always come naturally to us. Combined with our business idea of developing energy-efficient products, this makes sustainability and sustainable value creation cornerstones of our approach to business. And, as the figures so clearly show, we have taken a number of steps in the progress we are making towards greater sustainability.

Driving the sustainability work are the requirements from Group management that every company must set its own targets for energy and water consumption, emissions to air, waste management, health and safety

in the workplace, etc. to help support the positive development of NIBE's key performance indicators. NIBE companies are also required to implement ISO 14001, a process that newly acquired companies need to complete within a maximum of 36 months.

World-class solutions in sustainable energy

NIBE Energy Systems, NIBE Element, and NIBE Stoves are all united under the shared vision of creating world-class solutions in sustainable energy. On page 9 are just a few examples of how these business areas realise this vision and of the sustainability threats and opportunities identified by management.

NIBE Energy Systems

NIBE Energy Systems is a market leader for heat pumps in Europe and one of Europe's major manufacturers of water heaters and other energy-efficient products for heating and cooling that are set apart by their distinctive eco-friendly features. The mission of NIBE Energy Systems is to supply homes and other buildings with products that provide domestic hot water and ensure a comfortable indoor climate. Over the years the range has developed from fairly basic heating products to hi-tech solutions for heating, cooling, ventilation and heat recovery.

NIBE Element

NIBE Element is one of the leading international manufacturers of components and solutions for measuring, controlling and electric heating applications. NIBE Element's mission is to supply both manufacturers and users of components and systems within these three areas with solutions that improve the customer's competitive position. The market consists of two main groups: OEM (Original Equipment Manufacturing), where our product is used as a component in the customer's own product, and Industry, where the element is used primarily in the customer's own manufacturing process.

NIBE Stoves

NIBE Stoves is the European market leader in wood-burning stoves. The business area's mission is to supply the market with attractively designed, value-for-money solid-fuel stoves and chimney systems developed and manufactured with genuine concern for the natural environment.

Development of world-class solutions in sustainable energy

1990s

- ISO 14001 and ISO 9001 implemented at the Markaryd site.
- Environmental key indicators are introduced.
- Environmental section in the Annual Report.
- Our Basic Principles are introduced.

2000s

- Improvements through systematic work
- Major sites certified according to ISO 14001 and ISO 9001.
- Statement concerning business ethics.
- Quality and environmental requirements on suppliers are implemented.

2010

- Implementation of a Group-wide reporting system for sustainability issues.
- Sustainability Report according to GRI application level C.
- Energy efficiency projects at several units.
- "Our Business Principles" and "Our Values" are launched.
- Enhanced environmental and quality requirements in the supply chains.

Business Area	Contribution to world-class solutions in sustainable energy	Opportunities	Threats
NIBE Energy Systems	Expertise in heat-pump technology for households, large properties and industry. Other products include water heaters, wood-burning boilers, ventilation plants and district heating substations. Combinations of heat pumps with solar panels are available. Examples of products see p. 16-19.	Growing interest in energy-efficient heat pumps. Expanding market for energyefficient cooling equipment is growing.	New laws, government decisions, energy taxes, etc. with a short-term perspective. New technologies outside our current areas of expertise.
NIBE Element	Elements for hybrid vehicles, wind turbines and more efficient use of energy in process and offshore industry. Examples of products see p. 16-19.	Energy technology is a globally expanding market, e.g. wind power. Demand for products that improve energy efficiency.	New technologies outside our current areas of expertise. Higher raw material costs. Downturn in engineering industry.
NIBE Stoves	Energy efficient wood-burning stoves with low emissions. Continual improvements of products' performance. Examples of products see p. 16.	Growing interest in society in renewable energy. Favourable new decisions relating to energy and the environment. Very large export market.	New government energy policies with insufficient time for product adaptations. Local authority restrictions on air emissions from wood-burning products.

2011

- Manufacturing sites must be certified according to ISO 14001 and ISO 9001.
- Audits at manufacturing sites based on criteria in Our Values.
- Crisis Management Guideline is implemented.

2012

- Sustainability Report according to GRI application level B.
- Two thirds of the manufacturing sites now audited based on criteria in Our Values.
- 25 companies certified according to ISO 14001.
- Acquired companies are required to establish plans for the implementation of "Our Values", ISO 14001 and ISO 9001.

2013

- Group-wide sustainability objectives are introduced.
- All manufacturing companies are audited with respect to Our Values.
- Guidance for Environmental Due Diligence Audits is implemented.

Stakeholder dialogue

NIBE is a company with a global presence, so our performance and strategies are monitored by many different stakeholders, including:

- customers, consumers and suppliers in many countries
- approximately 8,000 co-workers in more than 20 countries
- the capital market – shareholders, investors, analysts, banks and other interested parties
- society at large – our near neighbours, authorities, mass media, schools and universities.

Our activities impact in different ways on different stakeholder groups. Two important aspects of our sustainability work are to be receptive to the wishes and opinions of others and to make our information as clear and transparent as possible. At Group level we communicate with the capital markets, and mass media. At individual company level, we communicate with employees, customers, suppliers, local authorities and the company's near neighbours.

Customers and consumers

Customers in many sectors of industry are increasingly placing various environmental and social requirements on NIBE companies. In 2012 around two thirds of the companies reported that they were required to comply with sustainability criteria such as phasing out certain chemical substances, issuing product declarations, implementing environmental management systems and complying with their customers' codes of conduct. Approximately one third of the companies were also audited for compliance or assessed in some other way during the year. You can read more about the quality of our products and services and the interface with users on p. x.

Employees

In 2012 the focus for communication with employees was on "Our Values". All employees in twelve of the NIBE Group companies received information about this during the course of 2012; we also reached a slightly lower proportion of employees at a further seven plants, and "Our Values" will be implemented at the remaining plants at a later date. Other examples of our dialogue with employees are described elsewhere in the Sustainability Report.

Authorities

Around 20 of the Group's production plants require environmental permits and these therefore maintain regular contact with the relevant supervisory bodies. The authorities carried out ten environmental inspections at our plants in 2012 and no major non-conformities were reported. Many of the facilities are also subject to regular inspection by the appropriate health and safety authorities: 14 such inspections were conducted in 2012, mostly with positive results. Two workplace accidents in Denmark triggered a more thorough inspection than usual.

Suppliers

Based on our own quality and environmental management systems, we make requirements of our suppliers in terms of their environmental, social and quality-related performance. These factors form part of our supplier assessments and are followed up through questionnaires, site inspections and audits. You can read more about our supply chain activities under the heading "Quality gives us a crucial competitive advantage".

Stakeholder group	Key areas	Activities in 2012
Customers and consumers	Product liability, product performance, quality, environmental performance, safety, code of conduct.	Dialogue during contacts with customers and during audits and assessments. Products supplied to end-users are evaluated with regard to their potential impact on personal health and safety throughout their entire life-cycle.
Employees	Health and safety, resource efficiency, talent management, compensation and benefits, sound business principles.	Training, information and dialogue.
Suppliers	Management of environmental, health and safety issues. Code of conduct. Raw material sourcing.	Supplier audits and assessments.
Owners and investors	Risk management and resource efficiency. Integration of sustainability issues into business operations.	Meetings with investors. Sustainability reports. Frequent reporting to the Board.
Society	Involvement in the community and in industry.	Involvement in the local community. Participation in industry initiatives. Contacts with schools and universities.
Authorities	Compliance with legislation.	Dialogue during visits and inspections by environmental, health and safety authorities.
NGOs	Carbon footprint, hazardous chemicals, use of energy and water, corporate social responsibility.	NIBE has not been approached by NGOs or actively taken any contacts with NGOs.

Environmental responsibility

NIBE has production plants in some 15 countries worldwide. In these factories we process metals and other materials, and weld, enamel, paint and assemble a large number of different products. All of these activities impact on the environment in one way or another.

Environmental aspects

Among the most important environmental issues for NIBE are:

- the use of natural resources (energy, water and various types of raw materials and components)
- the environmental and health hazards associated with chemicals
- emissions to air of climate-change gases and other pollutants
- the management of various types of waste.

Our indirect environmental impact is measured in terms of:

- our suppliers' activities
- the transportation of raw materials and finished products.

We see the actual use of our products as highly positive in an environmental context, as expressed in our vision of "world-class solutions in sustainable energy".

Environmental legislation

The development of national and international environmental legislation has a significant impact on NIBE's operations and products, not only in terms of the need for environmental permits for a number of the manufacturing plants, but also as far as the environmental performance of our products is concerned. For this reason we regularly evaluate developments in any applicable legislation to ensure that we comply with current requirements and can prepare for future changes in legislation. The EU's chemicals legislation REACH and the Ecodesign Directive, which aims to improve energy efficiency in Europe, are of particular interest. Other legislation that affects several of our plants includes producer responsibility programmes (for packaging waste, for example), the RoHS and WEEE Directives, CE labelling and MSDS (see Glossary for definitions).

Under the terms of the Swedish Environmental Code our plants in Sweden require a permit to operate or must notify the relevant supervisory authorities of their operations. None of these manufacturing facilities plans to renew its permit or report any changes to its operations in 2013. Units in other countries require an environmental licence or must show compliance with similar requirements in accordance with the relevant national legislation. All plants that are obliged to do so hold a valid permit, and we expect no major changes with regard to this situation in the near future. Roughly a dozen units will make minor routine updates to their permits.

In most instances each unit submits regular reports to the relevant supervisory authorities, who also conduct inspections. No breaches of the Environmental Code were registered by the Group in Sweden in 2012. Certain breaches were, however, registered in Poland, relating to factors that included noise, levels of lead and emissions into the atmosphere. In the Czech Republic limits concerning discharges of pollutants to wastewater were breached. There were no major fines or sanctions for non-compliance with laws and regulations.

Risk assessments

We carry out environment-related risk assessments. These cover, for example, the effects of new environmental legislation, changes in customer requirements, climate change, soil pollution and the presence of hazardous substances. In 2012 no changes were made to existing environmental legislation that increased the risks faced by NIBE, no new risks that related to our operations were identified and there were no major emissions or accidents at our plants that had a negative effect on the environment.

Soil pollutants have been reported at three of the Group's sites (in Denmark and the Czech Republic) and the authorities in Sweden have classed the Group's plants in Markaryd as "moderate risks" in terms of soil pollution in accordance with the Swedish Environmental Protection Agency's method for the inventory of contaminated sites, MIFO.



In 2012 a brand new heat-pump array was installed at the Heat-pump Plant in Markaryd. The array produces 180 kW of heat from energy taken partly from five 160-metre deep boreholes and partly from the outside air with the aid of six NIBE AMB air collectors of around 20 kW each. Energy is also recovered from the air used when function-testing products as part of the manufacturing process.

It is not possible, however, to estimate the extent of any future costs associated with these risks. In all known cases, it has been confirmed that the NIBE Group cannot be held responsible. Underground storage tanks are present at 12 of the sites; in most cases the tanks contain fuel oil for heating of the buildings. During 2012 no significant spills to soil and groundwater were registered.

Asbestos is present in roofing materials and in a few equipment installations at a handful of production plants but, as the risk of exposure is deemed low, no clean-up work is planned in the near future. A low concentration of polychlorinated biphenyls (PCBs) is present in a transformer at one plant. No special action needs to be taken, however, apart from marking the equipment with warning signs.

One of the production plants may be at risk of flooding as a result of climate change and is therefore protected by a special concrete wall. None of the manufacturing plants are located close to areas that are classified as diversity rich, or are subject to ecological restrictions.

Products that contribute to sustainable development

The Sustainability Report contains numerous examples of the environmental features of NIBE's products (see p. 16-19). Examples not only include products that improve energy efficiency and permit a greater use of renewable energy sources, but also components that contribute to making household and industrial applications safer and more energy efficient.

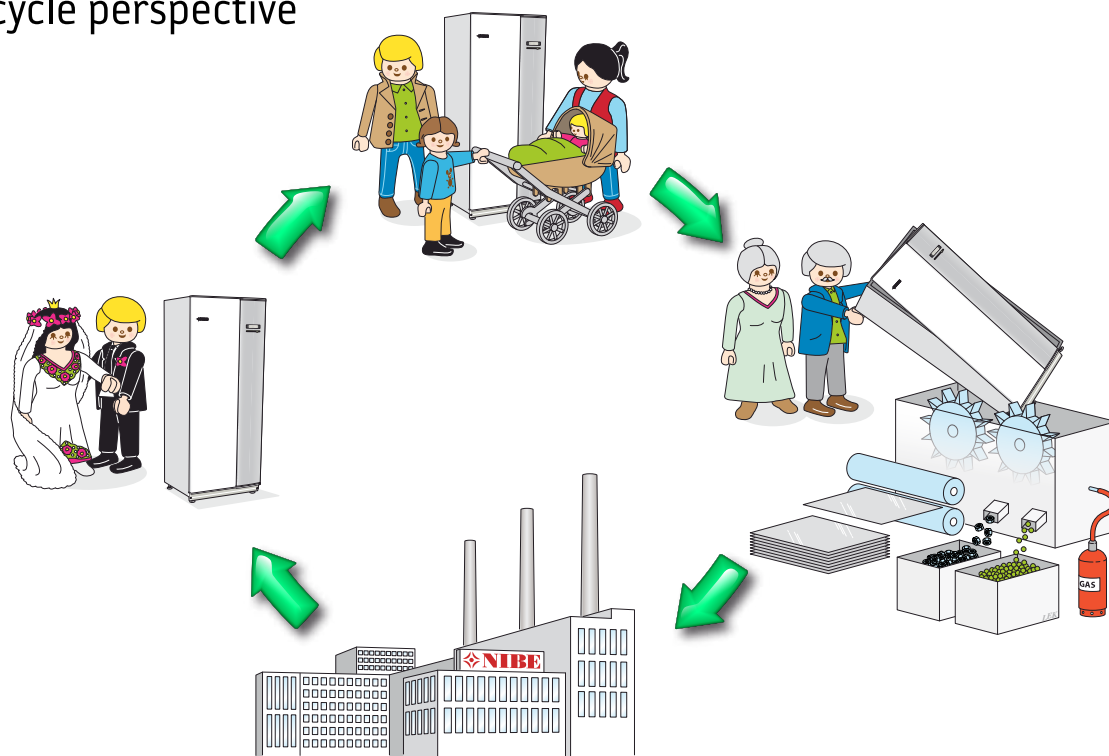
Ground-source/geothermal heat pumps and exhaust-air heat pumps from NIBE Energy Systems help to reduce dependence on carbon-based fossil energy sources while improving energy efficiency and heating economy in many different types of property.

NIBE Stoves markets a number of wood-burning stoves that bear the Nordic Swan Ecolabel. This guarantees that the environmental performance of these products is even better than required by general regulations, and that the products themselves are manufactured in an environmentally responsible way. Ecolabelling also requires incremental improvements to a product's environmental credentials over the years. We meet these requirements by continually improving the energy efficiency of our stoves and reducing their emissions to air.

NIBE Element's resistors are used in many applications related to renewable energy and improving energy efficiency. A new type of resistor is a key component in the latest generation of wind turbines. Other resistors are used in frequency converters that control the speed of electric motors and thus enhance their energy efficiency.

During the year, we have put additional focus on certain of the environmental aspects of our products, for example, optimising the use of raw materials, phasing out of hazardous materials, and developing methods to facilitate the recycling of the products at the end of their life. One such example is an investigation into the potential for recycling the components in a heat pump.

Life-cycle perspective



Sooner or later a heat pump needs replacing. When that happens, it is important to dispose of the product in an efficient and environmentally responsible way. With the help of Stena Recycling AB we have conducted dismantling tests on a selection of our new products in order to assess their recyclability.

The purpose has been to evaluate the products from a total life-cycle perspective and to work out how best to deal with the different types of materials. Particular interest has focused on just how large a proportion of the products can be recycled. To optimise the recycling potential of a product, it is important to make sure that it can be dismantled in a practical way and that this results in as few residual materials as possible. The test results will be used when establishing the parameters for the design, construction and production of new products.

In the first stage of the test the heat pump is dismantled manually and the cooling medium and oils are dealt with. The product is then fed through a fragmentation plant and the various fractions obtained are separated using a variety of techniques. Metals and other materials recovered can then be recycled as industrial raw materials.

The test results showed a very high level of recyclability for our heat-pump components. More than 99% of the materials could be re-used in one form or another. This exercise did, however, indicate the potential for providing easier access to certain components during the dismantling stage, and for reducing the number of composite components in order to facilitate fragmentation.

NIBE has chosen “green electricity”

No less than 80% of the electricity NIBE uses is “green electricity” and almost half of the Group’s energy needs are met from renewable sources. Using these forms of energy helps to radically reduce carbon dioxide emissions.

The electricity that NIBE buys in Europe comes with a guarantee of how and where it has been produced. These “Guarantees of Origin” are the result of an EU Directive promoting the use of energy from renewable sources (2009/28/EC).

The guarantees given require energy companies to declare their energy mix by detailing the sources they have used to produce the electricity supplied. Each NIBE unit that buys “green electricity” receives written confirmation of its origin.



Environmental performance

Reduced energy consumption

More production plants mean an increase in overall energy use, and in 2012 energy consumption rose to 130 GWh (2011: 111). However, the Group Key Performance Indicator (GWh/MSEK sales) shows a positive downward trend. About 60% of our energy needs were met by electricity and district heating and the remainder by fossil fuels and biofuels. By purchasing electricity from renewable sources we took an important step towards increasing the Group's use of renewable energy (see p. 13). In all, close to 50% of NIBE's energy needs are currently met by biofuels, wind power, solar power and electricity produced from hydropower.

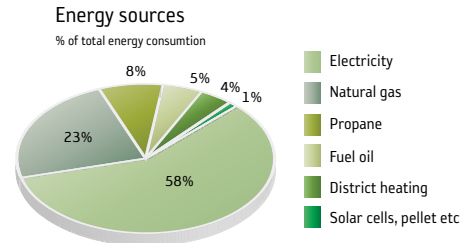
A majority of the Group's operations are planning, or already working on, energy-saving projects. Examples of these actions include:

- installation of systems to monitor and control energy consumption (in buildings, equipment, drying ovens, furnaces, etc.)
- ongoing work to install heat pumps in our factories and other premises; almost 100 heat pumps are currently installed at ten of the production plants
- installation of more energy-efficient equipment (new compressors, transformers, drying ovens, furnaces, etc.) and electric units to replace hydraulic equipment
- improved production planning and shutdown of machinery and ventilation during idle time
- recycling of heat from the production process to heat facilities
- upgrading lighting systems and introducing LED lamps or low-energy bulbs
- improved insulation of buildings, doors and windows.

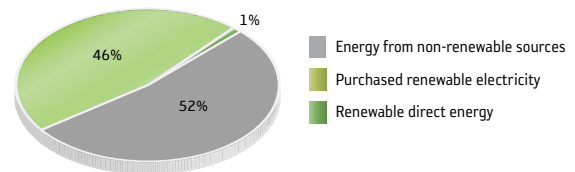
Water

Aquisitions, increased production volumes and changes to production methods have led to an increase in water consumption. In 2012 we used approximately 240,000 m³ (2011: 205,000 m³) of water. Approximately 98% (99%) of this water was supplied by municipal waterworks. Closed systems for cooling water have been installed at several factories to reduce overall water consumption. To date, around ten plants have established detailed plans for reducing their water consumption.

Discharges to wastewater consist mainly of organic matter and nutrients from sanitary facilities and the cleaning of premises. Factories and other premises are connected to municipal or similar wastewater treatment plants. Measurements carried out at some plants during the year confirm that discharges of pollutants to water are below the permitted levels.



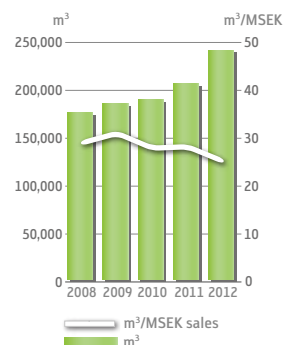
Renewable energy in NIBE



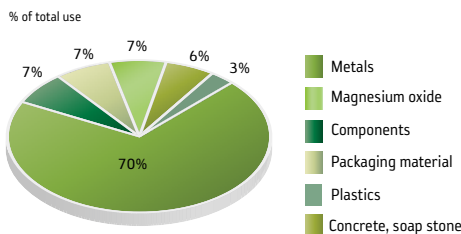
Energy consumption



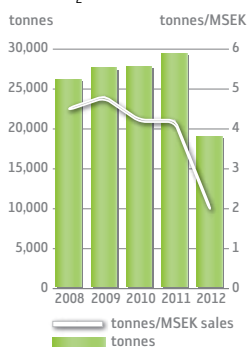
Water consumption



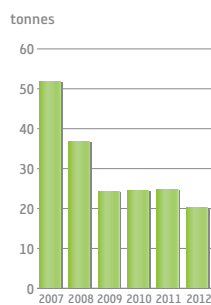
Overview of major materials used at NIBE



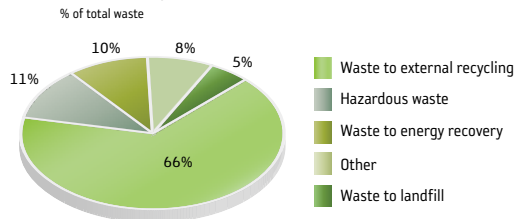
CO₂ emissions



VOC emissions



Waste categories



Waste



Raw materials, components and chemicals

Large quantities of raw materials, composites, components, chemicals and packaging materials are used in the Group's plants every year. Metals such as stainless steel, iron, cast iron and brass constitute the overwhelming majority of these materials. Significant quantities of magnesium oxide are used as a raw material in the production of heating elements. We also use approximately 2,000 tonnes of plastics per year, mostly in the form of polyurethane insulation for electric water-heaters and other products. Other significant raw materials include wood, concrete, soapstone, enamel, cardboard and insulating materials.

To reduce risks in our own operations, and also to comply with the environmental requirements made on us by our customers, we pay particular attention to the use of hazardous chemicals during the manufacturing processes and in the final products. In the context of the REACH and RoSH Directives we provide our customers with information about hazardous materials, for example in the form of product declarations.

Some 6 tonnes of trichlorethylene and other chlorinated hydrocarbons are used to degrease metals, but solvent-free technology has already been or will be introduced at a number of plants. In all, we used approximately 300 tonnes of paint, glue and adhesives in 2012; around 85% of the paints and coatings are solvent-free.

Emissions to the atmosphere

Despite increases in the number of plants and rising production volumes, we have significantly reduced our total carbon footprint thanks to our purchases of green electricity and the installation of heat pumps in several plants. Emissions of carbon dioxide in 2012 totalled approximately 19,000 tonnes (2011: 29,000 tonnes), of which around 45% (75%) were indirect emissions from purchased electricity.

The transportation of raw materials, finished products and people is another factor that contributes to overall CO₂ emissions, but as yet no figures are available for this. Measures have been taken at some plants to reduce the environmental impact of transport by coordinating shipments, avoiding unnecessary transports, rationalising travel for service personnel, and purchasing vehicles that are more fuel efficient.

Emissions of volatile organic compounds (VOCs) totalled approximately 20 tonnes (24 tonnes). Emissions of sulphur dioxide and nitrogen oxides (mostly from the use of fuel oil) were around 8 tonnes (8 tonnes). Ozone depleting chemicals (HCFCs) are used in air-conditioning equipment and in the testing of heat pumps. In 2012, 46 kg of the total installed amount of 840 kg was emitted to the atmosphere.

No complaints were received in 2012 about emissions of particulate matter or odours from the plants.

Waste

Waste volumes fell slightly in 2012. Material and energy recycling levels rose and now correspond to more than 75% of the total volume. Most of the material recycled in 2012 consisted of metals. In 2012 waste totalled roughly 12,640 tonnes (2011: 13,100 tonnes), of which hazardous waste comprised about 1,400 tonnes (1,600 tonnes). At NIBE in Markaryd the amount of hazardous waste was reduced following the introduction of a new pre-treatment process in the paint shop.



Comfort, convenience and peace of mind – 24/7 all year round

A pleasant indoor climate is something we take for granted at home today. The old adage “my home is my castle” says it all: home is a place where the feel-good factor is paramount. Combined with good economy and the reassurance of knowing the products in your home are safe, this promotes genuine quality of life. NIBE is always close at hand to bring comfort, convenience and peace of mind to our modern homes.



The kitchen – the heart of the home

Many of the appliances in today's kitchens, from toasters and coffee makers to ovens and dishwashers, incorporate components produced by NIBE Element.

Hot water – always on tap

With children in the family, you always need plenty of hot water. So it feels good to be able to rely on a constant supply from a NIBE Energy Systems water heater, fitted with heating elements from NIBE Element.

Welcomingly warm floors

Water-borne underfloor heating combined with heat pumps from NIBE Energy Systems make floors warm enough for children to play on and scamper around barefoot indoors all year round.

Help around the home

The washing machine is in almost daily use in many family homes and, just like the tumble-dryer and heated towel rail, it includes several components made by NIBE Element.



Cosy up to a wood-burning stove

There's nothing cosier than relaxing in front of a wood-burning stove. Our highly efficient combustion technology also saves you money and, by using heat from a renewable energy source, you can help to save the planet, too.

A pleasant indoor climate

A heat pump from NIBE Energy Systems is easy to use no matter which technology you choose. It's an energy-efficient solution for domestic heating that is kind to family finances while taking good care of the environment for future generations. Complement your heat pump with a wood-burning stove from NIBE Stoves and you can enjoy the best of both worlds.



We heat and cool properties that present a big challenge

Bigger buildings require a bigger investment in heating and indoor climate comfort. NIBE offers various alternatives for large properties such as apartment blocks, industrial and agricultural premises, hotels, churches and even stately homes. NIBE can offer a host of solutions for excellent indoor comfort all year round in a single large property or several smaller ones with a shared source of heating.

Multi-family homes in the Netherlands

New residential properties in Gorinchem in the Netherlands provide a good example of how NIBE's concept solutions work in practice. Each home has its own heat pump that produces warm or cool air on demand and hot water all year round, but all share access to a central control and monitoring function.

State-of-the-art solution in an English stately home

Heat pumps combined with solar panels have solved the heating problems at Newton Hall, one of England's 18th-century Grade II-listed houses. This new solution has replaced the old oil-fired heating, cutting overall heating costs for the owner and greatly improving comfort throughout the entire building.

Heat pumps keep the ICEHOTEL cosy

Fourteen heat pumps at the ICEHOTEL in the far north of Sweden heat some 30 separate buildings with a total floor space of around 5,000 square metres. Since 2000 these installations have saved the hotel's owners millions of kronor compared with the cost of running alternative solutions.

Spanish pool switches to solar panels and heat pumps

The pools at the Monte Rojo holiday complex on Gran Canaria used to be heated by oil. This work is now done by an array of 45 solar panels and four heat pumps from NIBE Energy Systems. The new set-up has slashed heating costs by 90%. It is so efficient that the pay-back time is a mere four years or so.





We have solutions for measuring, control and electric heating

NIBE Element is a partner to many companies in many industries, developing and manufacturing components and systems for measuring, control and electric heating that offer various solutions for a host of specific applications.



Constant need for tubular heating elements

NIBE has been manufacturing tubular heating elements for many years. Clients have a huge variety of needs for heating solutions for special areas, cables, electric cabinets and surfaces that must remain ice-free. The manufacturing processes for tubular elements are constantly evolving as new applications and new functions in new sectors of industry ratchet up the pace of development.

In-car comfort generates new applications

Today virtually all types of vehicle make use of electric heating and element technology in many different ways. Heated wing mirrors, engine pre-heaters and a warm driving seat are no longer considered a luxury – not even for the farmer who spends many hours a day in his tractor. Heated cameras for ice-free night vision improve safety for drivers of heavy goods vehicles. And a new innovation from NIBE is heated windscreen wipers, which will also most likely become a standard feature on tomorrow's cars and lorries.



Reliable rail traffic in winter

NIBE provides solutions for many different applications in the rail industry. One example is the control cabinets that measure and monitor the temperature along railway tracks. Weather forecasts are transmitted online, automatically activating and regulating electric heating elements that keep railway switch points free of ice, helping trains to run to schedule even in the depths of winter.

Resistors with many applications

NIBE resistors are used for controlling and regulating the action of industrial robots, lifts and electric motors across a broad spectrum of industries.



Products that help improve energy efficiency

It is natural for NIBE to play a key role in international ambitions to pursue a path of sustainable development. Today one of the main objectives in most companies' product development activities is to make more efficient use of energy, not only in the products they develop, but also throughout the production process itself.

Hybrid vehicles

The market is witnessing a constant stream of new models of private cars and commercial vehicles that are able to run on alternative fuels. NIBE is playing its part in helping to improve the energy efficiency of these so-called hybrid vehicles by developing new elements for pre-heating batteries and resistors that can make use of the energy generated when braking.

Wind turbines

The 21st century has seen a surge in the numbers of new wind farms on land and offshore. The technology is being constantly developed to improve reliability and efficiency. In many instances NIBE Element acts as a development partner to the industry, supplying heating equipment for the nacelles and hardware to compensate for fluctuations in power production.

Offshore industry

NIBE has been supplying the offshore industry for many years with products such as explosion-proof heating elements. Now, as the oil exploration industry itself also aspires to make more efficient use of energy, NIBE is contributing to these efforts by developing products that improve the control of drilling vessels and provide efficient heating systems for oil rigs.

Heat-pump modules for frequency control

Heat pumps have also begun to make their mark in industry. By utilising in-house expertise in heat-pump technology NIBE Element can now offer heat-pump modules for use in industrial processes and commercial products such as dishwashers for professional kitchens. Heat-pump modules improve the indoor environment while reducing energy consumption. Frequency-controlled compressors in the heat pumps optimise energy output and reduce strain on the local electricity grid.



Social responsibility

NIBE is an international company with co-workers in more than 20 countries on three continents, so it is hardly surprising that our 8,000 or so employees are rooted in different cultures that do not always share the same values. For this reason, we place great emphasis on informing employees – existing, new and those who join us as a result of corporate acquisitions – about our corporate values and the factors behind our success.

Co-workers in an international organisation

The average number of full-time equivalents for the year was 8,006 (2011: 6,895): of these 84% (80%) worked in countries other than Sweden. While we remain committed to maintaining strong, competitive production facilities in Sweden and other high-cost countries, we are also investing in plants in regions where costs are generally lower, such as Eastern Europe, China and Mexico. It is here that we manufacture those products that are subject to the stiffest competition, but we also see these regions as attractive growth markets for our products.



NIBE is becoming an increasingly global company, particularly after having made some major strategic international acquisitions in recent years. Today NIBE has co-workers in many parts of the world. Here Schulthess laboratory technicians in Switzerland are testing new components.

Competence and commitment

To develop our business and our products we need co-workers with the right skills, the relevant experience and a real sense of commitment. As it is crucial for us to attract, retain and develop co-workers of the right calibre, our ambition is to make sure we are positively perceived as an employer who offers generous opportunities for personal and professional development. We set our sights high and demand a great deal of our employees. In return, they enjoy freedom with accountability, a work

ethos characterised by common sense and a straightforward approach to problem-solving, plus excellent career opportunities. Factors like these explain our low incidence of sickness absence, low staff turnover, high levels of staff loyalty – and the constant stream of applications from job-seekers.

Sickness absence

In 2012 sickness absence in the Group averaged 4.9% (5.0%). The figures for both short-term and long-term absence are relatively low at between 2–3%. While staff turnover has risen slightly over the past three years, it still remains comparatively low.

Working environment

Work environment hazards in our production plants tend to be related to exposure to noise, dust, chemicals, heavy lifting, repetitive strain and industrial injuries. We do our utmost to provide a good working environment by maintaining high technical standards, providing personal safety and protective equipment, conducting risk assessments, taking measurements, providing training, and phasing out chemicals that are hazardous to health and the environment. There are formal Safety Committees at 80% of our production facilities.

During the past year almost half of our units have been inspected by the relevant authorities. The inspection results were generally excellent, but the need for certain corrective measures was pointed out in a handful of facilities. Our own workplace surveys and risk analyses were carried out at more than 25 units during the year to identify hazards such as exposure to dust, noise and solvents.

Six of the Group's companies have implemented the occupational health and safety standard, OHSAS 18001.

Accidents at work

In 2012 a total of 179 (143) accidents at work resulting in more than one day's absence were reported. Lost Work Cases (LWC). These accidents resulted in a total of 3,192 (2,598) Lost Work Days (LWD). The most common causes of injury were accidents on the way to or from work, those involving production equipment, machines and equipment, and injuries as a result of falling, slipping, heavy lifting and repetitive strain. One accident involving a contractor was reported during the year. Around half of the companies have implemented systems to record workplace incidents (near misses).

Accidents at work	2012	2011	2010
Lost Work Cases	179	143	214
Frequency*	2.8	2.9	4.9
Lost Work Days	3,192	2,598	4,167
Severity**	49	54	96

* LWC/total worked hours x 200,000

** LWD/total worked hours x 200,000

Approximately 20 (10) cases of work-related illness were registered in 2012. The cases were related to musculoskeletal diseases, eye injuries, hearing impairments and allergies.

Training and education

We train co-workers in a variety of technical skills, production techniques and quality-control procedures. Training sessions are often led by our own

instructors with their unique mix of experience and company-specific expertise – a cost-effective way to spread knowledge and equip co-workers with the skills and attitudes we need to meet the future. In 2012 these initiatives amounted to almost 75,000 hours of training, which corresponds to approximately nine hours per employee.

Training in environmental, work environment and safety issues took place at most of the Group's production facilities and averaged just over 2 (3) hours per employee.

Performance and career development reviews

Formal performance appraisal reviews are conducted at around two third our plants; almost 1,000 employees took part in these reviews in 2012.

Salary levels/collective agreements

The same rules and values apply to all Group units. Rates of pay comply with national legislation, are pitched above local minimum wages and fully reflect market conditions. In 2012 salaries and other remuneration in NIBE, excluding social contributions, amounted to SEK 1,872 million.

The NIBE Code of Conduct acknowledges every employee's right to be represented by a trade union or other employee representative, and to collective bargaining and agreements. The extent to which workers in the various units are covered by collective agreements varies from 0 to 100%, depending on local conditions in the countries in which we are active. All employees are covered by collective agreements at most of the plants in, for example, Sweden, Finland, Switzerland, China, Norway, Czech Republic and Poland.

Human rights

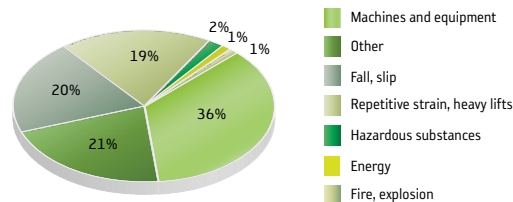
We encourage diversity and disassociate ourselves from all forms of discrimination, as clearly stated in "Our Values". There were no reported cases of discrimination during the year. Work to inform co-workers about our code of conduct has started on a broad scale and will continue. Responsibility for these matters lies with the management of each individual company.

Social commitment

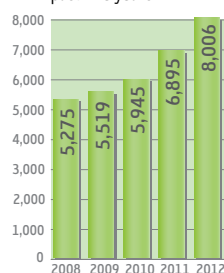
NIBE plays an active part in the communities where we have a presence, through open days, study visits, cooperation with schools and universities, and sponsorship, primarily of activities that encourage young people to become involved in sport and culture. Of particular importance are the projects and collaborations with universities and technical colleges. In 2012 more than 1,000 students visited our plants. At some 15 plants students, mostly from technical universities, were invited to participate in development projects, conduct thesis work and practise their skills in a variety of jobs.

In addition, NIBE staff take an active part in many local events and development projects. Over the past year we have sponsored numerous local sporting and cultural activities as well as various health initiatives. Several thousand people have also taken up invitations to visit our different units. And a handful of companies have been active in publicising NIBE's sustainability work to external stakeholders.

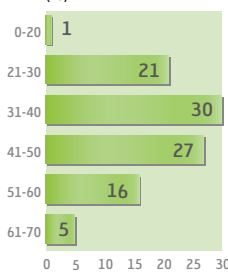
Causes of workspace accidents



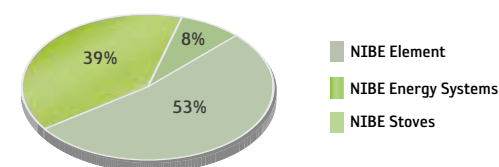
Average number of employees past five years



Age structure of the workforce (%)



Employees – by business area



Key ratios	2012	2011	2010
Average number of employees	8,006	6,895	5,945
- administrative staff	% 32	31	29
- production staff	% 68	69	71
- men	% 68	67	65
- women	% 32	33	35
Average age	yrs 40	39	39
Average length of employment	yrs 8.1	7.3	7.7
Workforce turnover	% 7.0	5.9	4.6
Number of graduates	801	753	636
Proportion of employees			
- in Sweden	% 16	20	22
- abroad	% 84	80	78
Sickness, short-term	% 2.8	2.6	2.1
Sickness, long-term	% 2.1	2.4	2.7

Quality gives us a crucial competitive advantage

The quality of our products and services is a key factor in our competitiveness and a strong reason for choosing NIBE. Our quality policy applies to every aspect of our activities and is a guiding principle in our systematic approach to continuous improvement. We endeavour at all times to meet and, where possible, exceed our customers' needs and expectations.

As part of our work to create value added for customers, develop our leadership culture and pave the way for a process of continuous improvement, we have focused over the past year on making sure that all employees are familiar with and comply with the Group's policies and code of conduct as described in "Our Values".

Feedback from the various customer surveys we conducted in 2012 was overwhelmingly positive about our products and quality levels. However, the replies we received also enabled us to identify potential improvements in areas such as customer relations.

Continuous improvements

Our quality targets are developing very positively and we can see continuous improvements in all areas of the company. We are firmly focused on customer satisfaction and on improving our internal processes for development, production and marketing, and we will continue to develop quality assurance methods that support us in our drive to achieve zero errors in our production processes.

Product liability

Our products are delivered with the relevant information about product functionality, servicing and safety, and also in some cases with a declaration of contents and details relating to disposal at the end of the product's useful life. Where appropriate, we offer training for installation engineers to ensure maximum safety when installing and using our products. No breaches of product information regulations were reported by NIBE units in 2012.

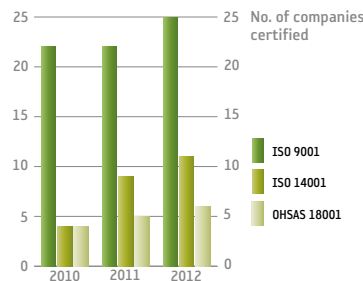
All products supplied to end-users are evaluated with regard to their potential impact on personal health and safety throughout their entire life-cycle, from product development to manufacturing and type-approval processes, operational use and, ultimately, recycling. While this work significantly reduces the safety risks linked to our products, we have had reason to address a number of such issues during the year, which has resulted in several new safety initiatives and precautionary measures.

NIBE has a clearly defined policy for communicating with various stakeholders that reflects the relevant applicable laws, standards and the Group's code of conduct. We only sell products that are type-approved for their respective market. There were no reports in 2012 of incidents where NIBE companies failed to comply with good practice or contravened any rules in this area.

Quality assurance

The aim is for all units to be ISO 9001-certified and possess other relevant and market-specific certification. Most of the Group's manufacturing plants are already ISO 9001-certified.

Quality assurance and product liability procedures are regularly assessed by external auditors. In addition to ISO 9001 a number of companies are certified according to ISO 14001 and OHSAS 18001-



Supplier assessments

The quality performance of almost 1,000 suppliers was assessed in 2012. Assessment included areas such as environmental impact, working environment and corporate social responsibility. The larger companies in the NIBE Group lead the way in placing the relevant demands on suppliers and following up performance.



Our objective – zero errors

Product development

Every new product has to pass a number of checkpoints in the development stage, for example, in connection with project planning, when developing the product concept, and when validating the product and production process. The composition of the marketing concept is also checked. This proactive approach helps to prevent any problems and paves the way for delivering high-quality products with reliable, factual information at the agreed time.

Suppliers

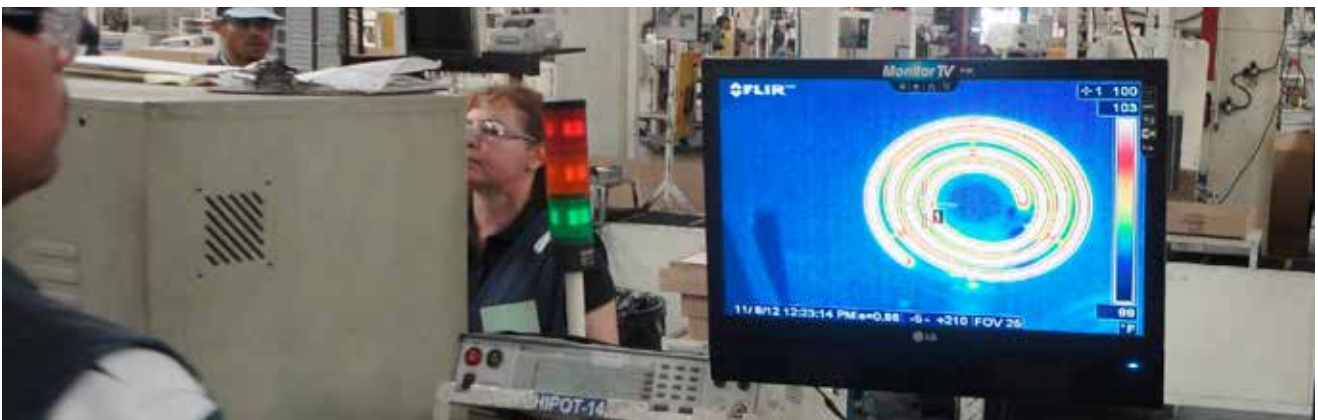
We work closely with our suppliers to make sure that components meet our stringent quality criteria. We also issue guidelines to suppliers defining their responsibilities with regard to quality, environmental impact and social responsibility, and we assess their performance in these areas.

Production

We build on our underlying principles for manufacturing and production to achieve our objectives in terms of profitability, customer satisfaction and competitiveness.

Getting things right from the start

We achieve our high-quality ambitions by implementing an approach designed to eliminate the risk of errors and defects. This includes conducting inspections at various stages in the production process and providing a variety of support systems for production personnel. The aim is to prevent any sub-standard products from progressing to the next stage of production. We are firmly committed to learning from any mistakes made and to using this experience to improve in other areas as well.



Nuevo Laredo is a city of around 375,000 inhabitants on the banks of the Rio Grande in the Mexican state of Tamaulipas. It is here that Backer EHP is located. The company has around 740 employees and manufactures heating elements for the industrial and household markets. Backer EHP has a strong focus on quality issues and has introduced programmes for operational excellence and the involvement of suppliers.

Working towards zero errors at Backer EHP

Operational Performance Excellence

“Our programme for Operational Performance Excellence helps us to produce high quality and competitively priced products for today's demanding markets,” says César Solís, Quality Director at Backer EHP. “We are working towards zero errors and have introduced a robust phase-gate process, which is essential for moving products to market more quickly and which helps us to take a proactive approach to avoid mistakes in processes and products prior to launching new products on the market.

“In essence, Performance Excellence is a set of tools that together support quality and customer satisfaction. Among these tools are lean manufacturing, 5S, project management, employee involvement, company-wide quality improvement and Six Sigma. Our intention is to use these tools to help improve our performance in every area of the business,” César explains.

“We have already seen many examples of how Performance Excellence has led to improvements such as reduced cycle times, reduced amounts of scrap, increased welding capacity and reduced rework on parts. We have also observed that quality assurance and reduced costs in most cases go hand in hand,” César concludes.

Partnerships with suppliers

Backer EHP seeks to develop partnerships with suppliers in the following areas:

- Commitment to zero defects so that all products shipped to Backer EHP will meet all specifications.
- Continuous improvement in the areas of quality, service and cost.
- Suppliers to maintain well-managed, financially sound, technically competent organisations.
- Ability to contribute expertise and enthusiasm in bringing new ideas and methodologies to the design and manufacture of our products.

Suppliers are required to fully comply with Backer EHP's Supplier Quality Manual, a document that communicates the company's quality policies and procedures. The aim is to achieve more effective collaboration. The ultimate objective is to fully integrate suppliers into Backer EHP's processes and, with their cooperation, to achieve a competitive advantage in the marketplace.

Economic responsibility

2012 in brief

In 2012 sales rose by 13% to SEK 9,192 million (2011: SEK 8,139 million), and profit after net financial items improved by 7% to SEK 1,007 million (941). Earnings per share were SEK 6.95 (6.87). The Board of Directors proposes an unchanged dividend for the year of SEK 2.00/share (2.00). NIBE made three international acquisitions in 2012 – in Denmark, Finland and USA.

Investments, costs and savings

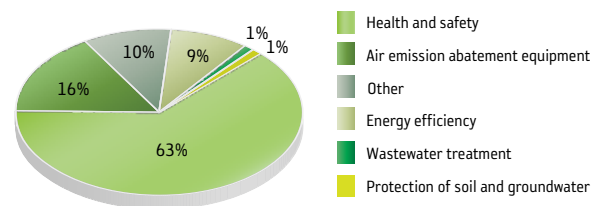
In 2012 we invested approximately SEK 20 million (22) in measures to improve our environmental performance and the working environment in our factories and offices. Almost two thirds of this total went into improvements to the working environment, but this still left a significant amount to finance energy-efficiency improvements and the installation of equipment to reduce particulate emissions into the atmosphere.

Environmental and work environment costs totalled approximately SEK 14 million (16), of which around SEK 6.0 million (5.4) comprised waste management fees. Administration costs for environmental and work environment measures were approximately SEK 4.7 million (4.9). The Group's total energy costs amounted to approximately SEK 87 million (79), while the costs for water and sewerage were SEK 4.0 million (3.2). Our environmental work generated savings of approximately SEK 2.5 million (1.7), thanks to improvements in energy efficiency, waste management and the more efficient use of materials.

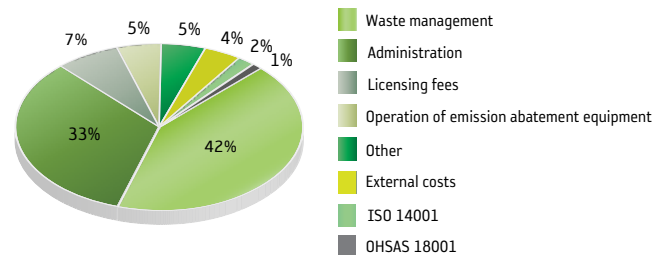
Financial value for stakeholders

NIBE business operations generate a financial value that is distributed among various stakeholders – not only employees, shareholders and creditors, but also society in general. In 2012 Group net sales totalled SEK 9,192.3 million (2011: SEK 8,139.8 million); SEK 6,599.0 million (5,892.3) were distributed as shown in the table below.

Environmentally related investments



Environmentally related costs



Stakeholder	Distributed value (SEK millions)		Comments
	2012	2011	
Suppliers	3,803.8	3,550.4	Raw materials and consumables
Employees	2,299.1	1,878.0	Salaries and benefits
Shareholders	220.5	164.1	Dividend
Creditors	33.7	50.1	Interest expenses
Society	241.9	249.7	Reported effective tax for the Group

Advanced test facility for heat pumps



Since December 2012 a highly advanced test facility for air/water heat pumps enables the simulation of all types of climate situations when conducting function tests. The test facility is located at the NIBE site in Markaryd, Sweden.



Highlights from the plants – 2012

Our vision is to create world-class solutions in sustainable energy. Over the past year NIBE plants have created sustainable value through innovative technology, improvements to plants and products, the implementation of ISO 14001, energy-saving initiatives and much more besides. Join us on a whirlwind tour of NIBE's world to learn more about some of the highlights.

Sweden

At the plants in Markaryd emissions of carbon dioxide were reduced by purchasing electricity from renewable sources and increasing the use of wood pellets. Energy consumption per manufactured product at the NIBE Stoves plant is showing a clear downward trend, and changes to a pre-treatment process in the paint shop have reduced the amount of hazardous waste. The plants in Sösdala and Tjörnarp continued to fine-tune their ISO 14001 systems and increased the number of supplier audits. Employees were encouraged to use local trains for commuting to and from work. An energy survey was conducted at the plant in Kolbäck.



Poland

Backer OBR, with plants in Pyrzyce, Warnice and Stargard Szczecinski, took a number of initiatives during the year. These included training sessions for all employees in "Our Values" and "Our Business Principles", while work went ahead on verifying strategic suppliers' compliance with the Ethical Code of Conduct. The introduction of a new sealing method using Teflon plugs helped to reduce the amount of hazardous waste. A new temperature control system at Pyrzyce reduced energy consumption and improved the indoor climate. In Trzcianka measures were introduced to increase the quantities of materials recycled. In Bialostok a stricter non-smoking policy was implemented, the central heating system was upgraded and external lighting was replaced with energy-saving bulbs. Management also started to implement the 5S methodology, and nickel-free enamel was introduced.



Denmark

Energy savings were made after new equipment for pressurised air was installed at the plant in Rødovre. In Haderslev workplace risk assessments were carried out and energy-saving measures were implemented. Improvements were made to the insulation of windows and doors at the plant in Vissenbjerg. In Helsingør a number of measures were taken to improve safety at work, with several sections of the plant being renovated and improvements being made to ergonomics. The pressurised air system was also optimised to reduce energy consumption.



Austria

In Schörfling am Attersee a new heat-pump controller was developed, an innovation that will further improve the product's energy efficiency performance.



Norway

A "clean energy" contract was introduced at the plant in Fredrikstad.



Russia

In Nizhny Novgorod the certification of working conditions was finalised and, in conjunction with the introduction of medical examinations for workers, the insurance fee was significantly reduced. Emissions to air were identified and quantified as part of the unit's sustainability work.



Finland

In Monnikylä cooling water for the furnace is now being recycled. In Raisio management took steps to improve the waste collection system by engaging the services of just one operator for all types of waste. Measures to reduce sick leave were also introduced during the year. At the plant in Lovisa the final steps for certification according to ISO 14001 have now been taken and certification is planned for spring 2013.



Netherlands

An annual risk assessment was conducted at the plant in Medemblik.



Czech Republic

In Benátky Nad Jizerou research into the development of energy-saving products continued. In Hlinsko the warehouse and offices were renovated. Energy savings were achieved by upgrading the welding machine and by installing a compensation unit in the transformer. The amount of hazardous waste was reduced by 20% at the plant in Miretice.



Italy

A new heating system was installed at the plant in San Agostino.



Spain

In Aiguafreda several energy-saving initiatives were implemented, including a new electronic panel to save energy in the drying ovens, a compressor to save energy in the furnaces, and a system to minimise the energy needed to pump cooling water.



Switzerland

A health and safety project implemented at the Wolfhausen plant has reduced the number of workplace accidents. Various energy-saving and water-saving projects also led to positive results, and measures were taken to reduce the environmental impact of transport; for example, by investing in travel-planning software for service personnel and new diesel vehicles. The Aarau plant was relocated to Teufenthal during 2012. An energy survey is planned for the new site.



UK

In Manchester the furnace gas plant was replaced.



Germany

In Kasendorf the plant is now heated by heat pumps and the use of oil has been phased out. The success of tests using LED lighting has shown that this is another area where there is great potential for energy conservation.



Mexico

The plant in Tlahuac installed energy-saving lamps, launched a programme to further reduce energy consumption and implemented measures to reduce noise levels. In Toluca a new dust collection system was installed, the lighting and electrical systems were upgraded, and a number of initiatives were launched to improve health and safety at work. In Monterrey changes were made to the roof to make better use of daylight. At the plant in Nuevo Alredo Tamaulipas hydraulic machines have been replaced, systems have been installed to shut down equipment that is not in use, and energy use during peak hours has been reduced.



China

In Shenzhen work on developing environmentally adapted products has continued, and measures have been introduced to reduce the consumption of liquid gas.



About the Sustainability Report

Purpose

The purpose of this report is to provide an overview of NIBE's sustainability performance during the 2012 calendar year, and, where practicable, to provide a comparison with previous years. The report describes the impact that our business activities have on the environment, on people and on the local communities in the areas in which we operate, as well as the economic contribution the company makes to these communities and to society at large. The aim is to provide a focused report that meets the needs for information that are shared by both NIBE and our stakeholders.

Scope and boundary

The Sustainability Report covers NIBE's performance in areas relating to the environment, health, safety and social conditions at the Group's production units worldwide. The report comprises those operations that formed part of the Group for most of the fiscal year; this means that operations of the former Akvaterm Oy, Strukturgruppen AB and Springfield Wire companies (acquired late in 2012) are not included in the report. A total of 35 (2011: 31) organisations worldwide contributed to the report. The table below lists all the plants that constituted the NIBE Group at the end of 2012 and indicates whether or not they are included in the current Sustainability Report.

Reporting principle

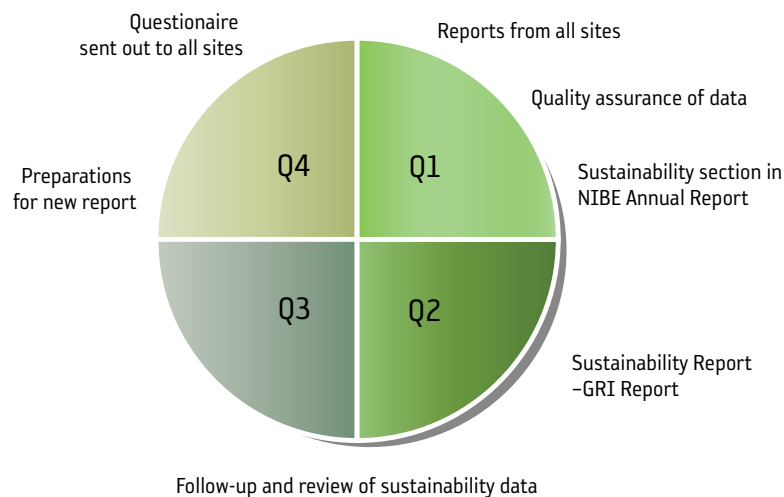
Each plant supplies data in accordance with the Group's questionnaire for sustainability reporting, and each plant manager is responsible for

quality-assuring the data provided. Data are compared with figures from previous years and are verified, by random sampling, against the plants' environmental reports to the authorities and data supplied in conjunction with the environmental reviews conducted in preparation for the implementation of ISO 14001. The annual reporting cycle is shown in the adjacent diagram.

In the case of carbon dioxide, sulphur dioxide and nitrogen oxide emissions resulting from the use of direct energy, conversion factors based on the energy content and quality of the fuel used are employed. Emissions of carbon dioxide from indirect energy (mainly electricity) are based on Greenhouse Gas Protocol Initiative (GHG Protocol) data that are available for the countries where NIBE operates. Figures for emissions of VOCs (solvents) are based on measurements at the plants where they occur, but in most cases VOC emission data is based on mass balance calculations. The report also includes VOC emissions from paints and lacquers, adhesives and bonding agents.

GRI

The content of the report has been compiled to meet the guidelines laid down in the GRI G3.1 Reporting Framework and aims to comply with Level B requirements. The report has been internally verified; our self-declared application level and GRI content index can be found on page x.



Manufacturing companies in the NIBE Group

Country	Company	Location	Number of employees	Sustainability Report
Sweden	NIBE AB	Markaryd (3 plants)	897	
	Backer BHV Calesco	Kolbäck	48	
	Backer BHV	Sösådal, Tjörnarp	260	
Denmark	Danotherm Electric A/S	Rødovre	64	
	JEVI A/S	Vejle	93	
	KVM-Conheat A/S	Vissenbjerg	44	
	SAN Electro Heat A/S	Græsted	60	
	Metro Therm A/S	Helsingør	104	
Finland	Kaokora Oy	Raisio, Turku	155	
	Loval Oy	Lovisa	172	
	Oy Meyer Vastus AB	Monnikylä	23	
	Akvaterm Oy	Kokkola	*	
Norway	Høiax AS	Fredrikstad	65	
	Norske Backer AS	Kongsvinger	40	
Austria	KNV Energietechnik GmbH	Schörföling am Attersee	29	
Switzerland	Backer ELC AG	Aarau	47	
	Schultess Maschinen AG	Wolfhausen	378	
Germany	Alpha InnoTec GmbH	Kasendorf	479	
Czech Republic	Backer Elektro CZ a.s.	Hlinsko	216	
	DZ Drazice – Strojirna s.r.o.	B. Nad Jizerou	278	
	Eltop Praha s.r.o.	Miretice	82	
Italy	Backer FER s.r.l.	S. Agostino	34	
	Reba	Milano	7	
Netherlands	Sinus-Jevi Electric Heating B.V.	Medemblik	20	
Poland	Backer OBR Sp. z.o.o.	Pyrzyce, Warnice, Stargard Szczecinski	1,073	
	NIBE-BIAWAR Sp. z.o.o.	Bialystok	342	
	Northstar Poland Sp. z.o.o.	Trzcianka	272	
Spain	Backer Facsa S.L.	Aiguafreda	50	
UK	Heatrod Element Ltd	Manchester	37	
China	Springfield Wire	Shenzen	*	
	Backer HTI	Shenzen	535	
Mexico	Backer Alpe	Tlahuac, Monterey, Toluca	310	
	Backer EHP	Nuevo Laredo	737	
	Springfield Wire de Mexico S.A	Nuevo Laredo	*	
Russia	CJSC Evan	Nizhny Novgorod	143	

* Acquired in 2012

	Included in Sustainability Report
	Not included in Sustainability Report

Global Reporting Initiative (GRI) index

The Global Reporting Initiative (GRI) organisation has drawn up voluntary global guidelines for how companies and other organisations should report on activities relating to the concept of sustainable development. GRI's guidelines (version G3.1) place requirements on reporting sustainability data in terms of economic, environmental and social performance indicators. According to GRI, sustainability reporting should provide a balanced and reasonable picture of the organisation's results within the field of sustainability, including both the positive aspects and the negative aspects. The GRI Guidelines are the most widely accepted and widely used standard for sustainability reporting. More than 5,000 organisations around the world apply the guidelines, and around 12,000 sustainability reports are disclosed on the GRI website.

GRI guidelines allow organisations to choose for themselves the level (A, B or C) at which they wish to report. NIBE has chosen to report in accordance with level B. The GRI website (www.globalreporting.org) provides a full picture of the organisation and the guidelines for sustainability reporting. The tables below show the degree to which NIBE meets the minimum reporting requirements in accordance with GRI G3.1 Level B. The figures relate to averages and performance indicators in accordance with GRI G3. References preceded by AR are to page numbers in NIBE's 2012 Annual Report. SR refers to the Sustainability Report.

Profile		
1. Strategy and analysis		
1.1	Statement from the President and CEO.	SR6
1.2	Description of key impacts, risks and opportunities.	SR9,11-12; AR25,31,37,53
2. Organisational profile		
2.1 – 2.7	Name of the organisation. Primary brands, products and services. Operational structure of the organisation. Location of organisation's headquarters. Countries where the organisation operates. Nature of ownership and legal form. Markets served.	AR3-17
2.8	Scale of the reporting organisation.	AR4-5
2.9	Significant changes during the reporting period.	SR28-29; AR17
2.10	Awards received during the reporting period.	-
3. Report parameters		
Report profile		
3.1 – 3.4	Reporting period. Date of most recent previous report. Reporting cycle. Contact persons.	SR28-29
Report scope and boundaries		
3.5 – 3.8	Process for defining report content. Boundary of the report. Any specific limitations on the scope or boundary of the report. Basis for reporting on joint ventures, subsidiaries, etc.	SR28-29
3.9	Data measurement techniques and bases of calculations.	SR28-29
3.10	Explanation of the effect of any re-statements of information provided in earlier reports.	SR28-29
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	SR28-29
GRI content index		
3.12	Table identifying the location of the GRI indicators in the report.	This table
3.13	Policy and practice regarding external verification.	Self-declared
4. Governance, commitment and engagement		
Governance		
4.1 – 4.8	Governance structure. Governance structure concerning sustainability issues. Chairman's position. Independent or non-executive members. Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body. Compensation to management. Processes to avoid conflicts of interest. Mission, values, code of conduct.	SR7-8; AR18-19,81-86
Commitment regarding external initiatives		
4.11	The Group's handling of the precautionary principle	SR7,11-12
4.12	Externally developed codes, principles or other initiatives to which the Group subscribes or endorses voluntary	SR7-8
Stakeholder engagement		
4.14 – 4.17	List of stakeholder groups. Basis for identification and selection of stakeholders. Approaches to stakeholder engagement. Key topics raised through stakeholder engagement.	SR10

Performance indicators

5. Economic performance indicators (EC)		
Economic performance		
EC1	Direct economic value generated and distributed.	SR24
EC2	Financial implications and other risks and opportunities due to climate change.	SR9,12
EC3	Coverage of the organisation's defined benefit plan obligations.	AR66,68
EC4	Significant financial assistance received from government.	-
6. Environmental performance indicators (EN)		
Materials		
EN1	Materials used by weight or volume.	SR15
EN2	Percentage of materials used that are recycled input materials.	SR15
Energy		
EN3	Direct energy consumption by primary energy source.	SR14
EN4	Indirect energy consumption by primary energy source.	SR14
EN5	Energy saved due to conservation and efficiency improvements.	SR26-27
EN8	Total water withdrawal by source.	SR14
Emissions, effluents and waste		
EN16	Total direct and indirect greenhouse gas emissions by weight.	SR15
EN18	Initiatives to reduce emissions of greenhouse gases and results.	SR13
EN20	NO _x , SO ₂ and other significant air emissions by type and weight.	SR15
EN22	Total weight of waste by type and disposal method.	SR15
EN23	Significant spills.	SR12
Products and services		
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	SR12,16-19
Compliance		
EN28	Fines and sanctions for non-compliance with environmental laws and regulations.	SR11
Overall		
EN30	Total environmental protection expenditures and investments.	SR24
7. Labour policies and decent work (LA)		
Employment		
LA1	Total workforce by employment type, employment contract and region.	SR21; AR68
Labour/management relations		
LA4	Percentage of employees covered by collective bargaining agreements.	SR21
Occupational health and safety		
LA7	Rates of injury and occupational diseases.	SR20
Training and education		
LA10	Average hours of training per year per employee.	SR20-21
Diversity and equal opportunity		
LA13	Composition of governance bodies and management.	SR21

8. Human rights (HR)		
Investment and procurement practices		
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights.	SR22
Non-discrimination		
HR4	Total number of incidents of discrimination and measures taken.	SR21
Freedom of association and collective bargaining		
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk and actions taken.	SR7-8,21
Child labour		
HR6	Operations identified as having significant risk of incidents of child labour, and measures taken to contribute to the elimination of child labour.	SR7-8,21
Forced and compulsory labour		
HR7	Operations identified as having significant risk of incidents of forced or compulsory labour, and measures taken to contribute to the elimination of forced or compulsory labour.	SR7-8,21
9. Society performance indicators (S0)		
Community		
S01	Nature, scope, and effectiveness of any programmes and practices that assess and manage the impacts of operations on communities.	SR7,10
S03	Percentage of employees trained in organisation's anti-corruption policies and procedures.	SR7,10
S05	Public policy positions and participation in public policy development and lobbying.	SR7,10, Our Values
Compliance with laws and regulations		
S08	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	SR11
10. Performance indicators for products (PR)		
Customer health and safety		
PR1	Assessment of health and safety aspects of products	SR22



Glossary and definitions

Biofuel

Renewable fuel from wood and process residues.

Boundary

The boundary for a sustainability or corporate responsibility report refers to the range of entities whose performance is covered in the organisation's report.

Carbon dioxide (CO₂)

CO₂ is formed in all carbon combustion processes. The gas is released in substantial amounts when petroleum products are used. It is likely that atmospheric emissions of carbon dioxide increase global warming (the "greenhouse" effect).

Child labour

Refers to the employment of workers who do not meet the applicable national minimum legal age requirement.

Climate change

Also defined as global warming. Human activity contributes to the warming of the global environment and its resulting effects, which range from higher temperatures to eccentric weather patterns and melting of the ice caps.

Code of Conduct

Behaviour code for NIBE employees. Supplemented by policies relating to the environment, workplaces and relations with suppliers. The Code of Conduct and the policies are found in the booklet "Our Values".

Core indicators

Core indicators are the GRI indicators identified in the guidelines as being of interest to most stakeholders and assumed to be material unless deemed otherwise on the basis of the GRI reporting principles.

Environmental aspects

The parts of an organisation's activities, products or services that interact with the environment.

Environmental management system

The part of the overall management system that includes the organisational structure, planning, activities, distribution of responsibility, practices, procedures and resources for developing, implementing, performing, reviewing and maintaining the organisation's environmental policy. ISO 14001 is used as the environmental management standard within the NIBE Group.

Environment-related costs

These are costs related to measures for preventing, reducing or repairing environmental damage directly associated with operations. Corresponding measures taken with regard to health and safety in the workplace are also included. The costs reported include administration and external consulting expenses, fees to authorities, costs for introducing and maintaining environmental management systems, costs for waste, charges for external inspections and audits, etc.

Environment-related investments

These are investments in assets designed to prevent, reduce or repair damage to the environment associated with operations. The Corresponding investments made with regard to health and safety in the workplace are also included.

Freedom of association

Refers to the right of employees to lawfully join associations of their own choosing, peacefully associate, organise or bargain collectively.

Global Reporting Initiative (GRI)

GRI is an organisation working towards a method for overall reporting and assessment of an operation, including the social, environmental and financial aspects.

GRI principles

The GRI guidelines consist of principles to define report content and quality. The principles defining report content are: materiality, stakeholder inclusiveness, sustainability context, and completeness. The principles defining report quality are: balance, comparability, accuracy, timeliness, reliability, and clarity.

GWh

Gigawatt-hour, unit of energy measurement; 1 GWh corresponds to 1 million kWh.

HCFCs

Substances that deplete the atmospheric ozone layer.

ISO 14001

International standard relating to environmental management systems that was introduced in 1996. More than 270,000 organisations around the world are currently certified in accordance with ISO 14001. See also "Environmental management system".

Landfill

Solid waste material sent to a landfill.

MSDS

The Material Safety Data Sheet informs users of the hazards that are associated with chemical products.

Nitrogen oxides (NO_x)

Gaseous oxides formed during combustion processes as a result of the oxidation of nitrogen. Harmful to human health and the environment. Cause acid rain and eutrophication.

OHSAS 18001

An international occupational health and safety management system standard. It specifies the requirements that an organisation must meet when implementing a management system to address workplace risks to prevent injuries and ill health.

PCBs

Polychlorinated biphenyls are a group of industrial chemicals that are hazardous to health and the environment. The use of PCBs was prohibited in Sweden in 1972, but they are still present in the environment due to their long degradation time.

REACH

EU legislation intended to ensure safer handling of chemicals within the EU. Chemical substances have to be registered for a certain use. Particularly hazardous substances may be prohibited.

RoHS

Restrictions of Hazardous Substances. EU legislation restricting the use of certain substances that are hazardous to the environment and health.

Stakeholder (interested party)

A party that can affect or be affected by the actions of the business as a whole. Includes employees, communities, shareholders, suppliers, customers and trade groups, to name but a few.

Sulphur dioxide (SO₂)

Sulphur dioxide is formed when petroleum products are burned. SO₂ contributes to the acidification of lakes, streams and soil, and causes coniferous trees to shed their needles. Large concentrations in the environment are harmful to human health.

Sustainable development

"Development that meets the needs of the present without compromising the ability of future generations to meet their needs." (Brundtland Commission, 1987).

Volatile Organic Carbon (VOC)

Volatile Organic Carbons are a group of organic compounds that easily vaporize at room temperature. The occurrence of the volatile hydrocarbons in the atmosphere has an adverse impact on health and the environment, including formation of ground-level ozone.

WEEE

The Waste Electrical and Electronic Equipment Directive (WEEE) is aimed at reducing the amount of waste electrical and electronic equipment that ends up in landfill.

Work-related accident

A work-related accident is a sudden event related to work that gives rise to a wound or other physical injury. NIBE reports the number of work-related injuries that give rise to one or more days of absence; so-called Lost Work Cases (LWCs). The injury rate is then normed by stating the number of such injuries divided by the total worked hours x 200,000.

Work-related disease

A work-related disease is a disease caused by long-term exposure to a particular factor in the work environment. Such factors can include repetitive lifting or being exposed every day to solvent fumes.

Your view on our sustainability work

Please let us know what you think about our sustainability work, and don't hesitate to contact us for additional information about NIBE's performance and products.

Contact: kenneth.magnusson@nibe.se



NIBE is an international heating technology company with business operations organised in three separate business areas, NIBE Energy Systems, NIBE Element and NIBE Stoves. Our vision is to create world-class solutions in sustainable energy. Our mission is to offer energy technology products and solutions that combine high quality with innovation. This work builds on the NIBE Group's wide-ranging expertise in the fields of product development, manufacturing and marketing.

NIBE

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