

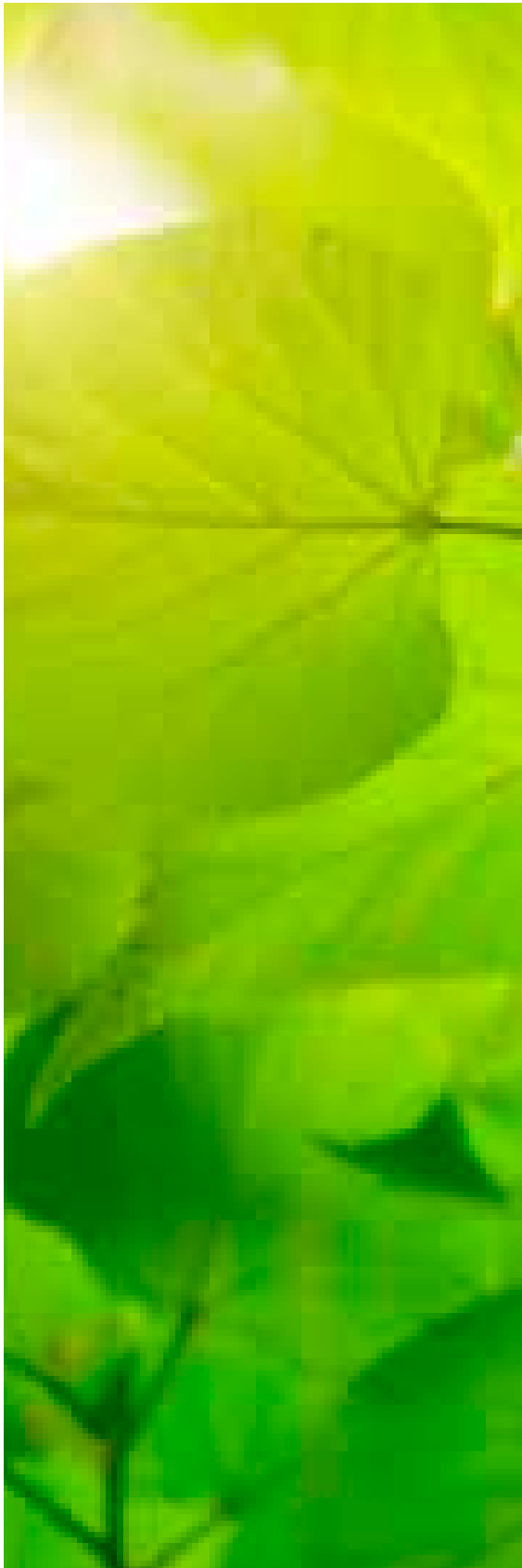
NIBE

– world-class solutions in sustainable energy



Creating sustainable value

Report on environmental and social responsibility 2010



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Creating sustainable value

We have been delighted to see public debate in large parts of the world focusing more and more on sustainability and sustainable value creation in recent years. Put simply, there is a growing realisation that the Earth's resources are finite and that we need to look after them for the sake of both present and future generations. For us, with our roots in the stony soil of southern Sweden and with the efficient use of energy as our overriding objective, this all seems obvious, and we have long wondered why it has taken so many years for sustainability to appear on the global agenda.

Attempting to predict future priorities, trends and growth areas is extraordinarily difficult, as everyone knows, but it is a pretty safe bet that sustainability and the creation of sustainable value will remain high on the agenda for the foreseeable future. We believe that NIBE is very well placed to meet these challenges in terms of both products and corporate culture. Developing, manufacturing and marketing resourceefficient products are ultimately about efficiency at every level – or, in NIBE's own words, consistently high productivity.

When choosing materials and components, we give careful consideration to factors such as quality, weight, environmental impact and transport distances to avoid compromising the functionality and environmental credentials of our products from the very outset. The product development process itself must be characterised by consistent commitment to make products even more efficient, even more customer-friendly and even simpler to install, while still maintaining a firm focus on extending every product's life cycle. The ultimate objective for our products is that their high quality and exceptional performance will ensure a long life span, and that as many components and materials as possible can be recycled when the time eventually comes for a product to be replaced.

The manufacturing process needs to be built around short throughput times, high flexibility and genuine qualitymindedness, in modern production facilities that are pleasant and safe to work in and that have minimal allround impact on the environment. We believe that the physical proximity of product development to production is a very important factor in achieving all of these aims.

Our marketing must be responsible and include information about how our products can contribute to a sustainable future. After all, the unique feature of our products is that their primary function is to save energy, so helping to curb climate change.

In 2010 we conducted a review of the corporate guidelines and policies relating to the environment, corporate social responsibility and business ethics. The updated guiding principles are now brought together under the heading of "Our Values". In addition to that, to ensure greater consistency and comparability in our sustainability reporting, we made the decision to report our performance in accordance with the international standard, Global Reporting Initiative (GRI). The initial result, as you can read in more detail further into this Sustainability Report, is that we currently meet the criteria for GRI level C.

Markaryd, Sweden – April 2011

Gertie Lindquist
Managing Director and CEO

This is NIBE

NIBE Industrier is an international heating technology company. Operations are organised around three business areas – NIBE Element, NIBE Energy Systems and NIBE Stoves – all united under a shared vision: to create world-class solutions in sustainable energy.

The NIBE Group has more than 5,900 employees and carries out business operations 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 financing, corporate acquisitions, financial control and HR policy, are coordinated and regulated through the parent, which is a listed company.



NIBE is at the heart of every modern home.



NIBE Element

NIBE Element is the market leader in Northern Europe and a leading international manufacturer of components and systems for electric heating applications and for resistors. The market is composed of industrial users and users of components.



NIBE Energy Systems

NIBE Energy Systems is a market leader in the Nordic region and holds a leading position in Northern Europe in its main focus areas of heat pumps and electric water heaters for private homes and larger premises. The market is composed of the RMI sector (Renovation, Maintenance, Improvement) and the construction of new homes and other properties.



NIBE Stoves

NIBE Stoves is a market leader in the Nordic region for wood-burning stoves, and in the front rank of leading manufacturers in the rest of Europe. The market is composed of private homeowners in the new and existing housing market and in the holiday homes sector.

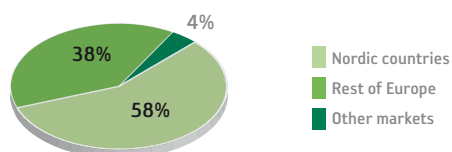
The year in figures

	2010	2009	Change	
Net sales	SEK m	6,511.5	5,751.2	13 %
Growth	%	13.2	- 1.0	1,420 %
Operating profit	SEK m	796.1	631.3	26 %
Profit after net financial items	SEK m	745.1	560.9	33 %
Investments in non-current assets	SEK m	405.9	217.9	86 %
of which in existing plant & machinery	SEK m	166.2	145.3	14 %
Gross margin	%	15.5	14.6	6 %
Operating margin	%	12.2	11.0	11 %
Profit margin	%	11.4	9.8	17 %
Capital employed	SEK m	3,615.5	3,709.0	- 3 %
Equity	SEK m	2,482.7	2,190.0	13 %
Return on capital employed	%	22.2	16.8	33 %
Return on equity	%	23.4	20.2	16 %
Return on total assets	%	16.4	13.1	25 %
Assets turnover	times	1.31	1.16	13 %
Equity/assets ratio	%	48.2	45.7	6 %
Proportion of risk-bearing capital	%	50.9	48.6	5 %
Operating cash flow	SEK m	616.3	748.5	- 18 %
Interest cover	times	11.8	7.3	61 %
Interest-bearing liabilities/Equity	%	45.6	69.4	- 34 %
Average number of employees		5,945	5,519	8 %

The year in brief

- ▲ Net sales rose to SEK 6,511.5 million (2009: SEK 5,751.2 million)
- ▲ Profit after net financial items rose to SEK 745.1 million (SEK 560.9 million)
- ▲ Earnings after tax rose to SEK 553.1 million (SEK 412.1 million)
- ▲ Earnings per share totalled SEK 5.84 (SEK 4.36)
- ▲ The Board of Directors proposes a dividend of SEK 1.75/share (SEK 1.30/share)
- ▲ Acquisition of
 - Lotus Heating Systems A/S, Denmark
 - 50% stake in ABK AS, Norway
 - Lund & Sørensen A/S, Denmark

Group sales by geographical region





Sustainable development is part of our corporate culture



We at NIBE work to create added value for our stakeholders – but without compromising on our commitment to quality, sustainable development and corporate social responsibility. The values we embrace are based on international conventions and guidelines, but more importantly, they are also deeply rooted in NIBE's long and proud tradition of responsible entrepreneurship.

Our Values

In 2010 we conducted a thorough review of the NIBE Group's values and policies relating to the environment, corporate social responsibility and business ethics. We drew particularly on relevant international guidelines and the recently published ISO 26000 standard, Guidance on Social Responsibility. The review resulted in a number of new guiding principles that we have brought together under the heading of "Our Values". These guiding principles clearly state that NIBE takes responsibility for the impact that its business activities and products have on society and the natural environment.

By living Our Values we:

- ▲ contribute to sustainable development, including good health and social well-being;
- ▲ meet the expectations of our stakeholders;
- ▲ comply with the relevant laws and appropriate international codes of conduct;
- ▲ integrate the concept of corporate social responsibility into the work of the entire Group and apply it in our dealings with co-workers, customers, suppliers and other stakeholders.

Our Values encompass guidelines across a range of subjects, which are described below. Readers with a particular interest in this area are also referred to our homepage and the downloadable document "Our Values".

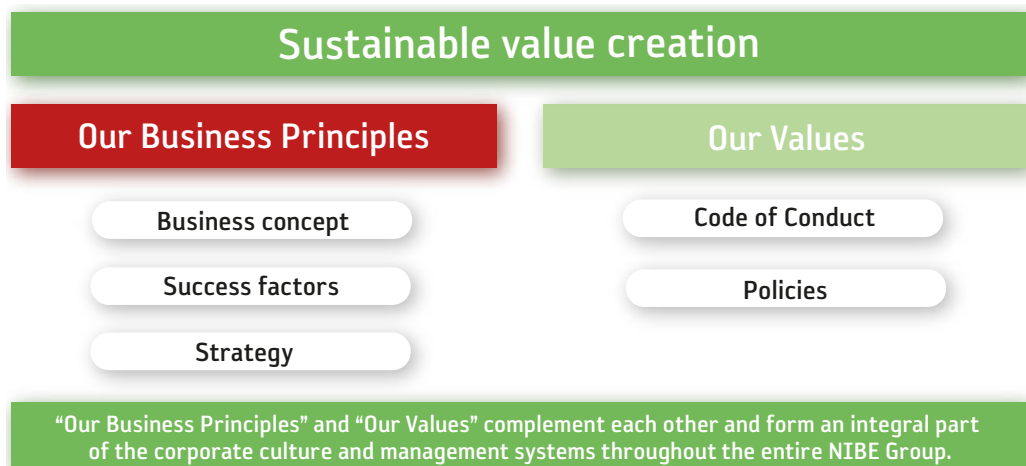
Corporate governance

Effective corporate governance at NIBE is based on responsibility, transparency, ethical behaviour, respect for the law and dialogue with stakeholders.

Responsibility towards shareholders

Responsibility towards shareholders includes protecting shareholders' investments and endeavouring to ensure a sustainable and continuously improving return on investments.

“ For a company with roots in the rural south of Sweden, sustainable development is a natural step to take. ”



Code of Conduct

The NIBE Group’s Code of Conduct, together with the rules for corporate governance and Group policies, constitutes the framework for our business activities. The Code applies to all company employees, managers and directors, regardless of geographical location, and comprises the following key points:

- ▲ Respect for human rights – the underlying principle here is respect for our employees and their human rights.
- ▲ Good working conditions – the underlying principle is to maintain a high standard in the working environment at all the Group’s manufacturing plants and to contribute to the personal and professional development of employees.
- ▲ Reduced environmental impact – applying a holistic view of environmental work in everything from product development activities and choice of materials to transport, product functionality and recycling at the end of the product’s useful life.
- ▲ Sound business ethics – guidance on matters such as honesty, decency, corruption, conflicts of interest, competition law and transparency.
- ▲ Requirements on suppliers – underlining the need to work with suppliers who are prepared to comply with our code of conduct, quality criteria and business principles.
- ▲ Product quality and product safety – the underlying principle is to pay due regard to all factors with a bearing on the quality, safety and environmental adaptation of our products.
- ▲ Social commitment – the underlying principle is, wherever possible, to become involved in the local community in the cities and regions where we are active.
- ▲ Transparency – the underlying principle is to ensure that all our communication is open and honest and to observe the appropriate laws, rules and norms.

Policies

The Code of Conduct establishes the NIBE Group’s fundamental values and provides a summary of its main policies. Our policies on issues such as the natural and working environments, quality and communication form the basis for local management systems that are implemented in the various Group companies.

Our guidelines and policies are based on international conventions and initiatives (e.g., ILO, OECD and UN).

Sustainability Report

Following a proposal from the Board of Directors, the NIBE Group has chosen to report its sustainability performance with reference to the Global Reporting Initiative (GRI). During 2010, we built up a system to collate detailed information from all our production plants relating to the natural and working environments, social conditions and other parameters, such as business ethics and involvement in the local community. The reporting principles are presented on p. 17. A self-assessment on p. 18–21 explains how the GRI indicators at the C level are reported.

Global Reporting Initiative (GRI)

GRI, a set of normative international guidelines for reporting sustainability performance, is used by more than 1,800 organisations worldwide.

The purpose of GRI is to create consistency and comparability in sustainability reporting in order to make it easier to assess and compare companies’ performance in the areas of social, environmental and economic responsibility.



Creating sustainable value

Our Values Environmental responsibility Social responsibility Quality

Stakeholder dialogue

At Group level, communication with stakeholders is aimed chiefly at the capital markets, employees and authorities. At individual company level, communication takes place with employees, customers, suppliers, regulatory bodies and the company's neighbours. As far as the environment and corporate social responsibility are concerned, we have identified the following key stakeholder groups:

Customers

Since we manufacture products for electric heating, indoor climate comfort and solid-fuel stoves, our customers in industry, the construction industry and the retail trade frequently make demands of us with regard to the environmental impact of our products and production methods. In 2010, the majority of our production units reacted to these environmental demands, introducing environmental management systems, phasing out certain chemical substances and certifying compliance with European regulations such as RoHS, REACH and WEEE. The most important communication channel is direct contact with clients, for example in connection with R&D work or when clients review or evaluate our performance in the fields of quality control, environmental responsibility and social responsibility. Over the past year, customer reviews of our sustainability performance were conducted at roughly one third of our plants.

Employees

Internal communication on sustainability issues is channelled through Environmental and Safety Committees and via newsletters, staff magazines and notice-boards. Units that have introduced environmental management systems communicate with employees through these channels.

Authorities

It is relatively common for representatives of various authorities to visit our units to discuss matters relating to the natural and working environments.

Shareholders and investors

Investors are increasingly interested in sustainability assessments. Big institutional investors frequently combine a risk analysis assessment with environmental and social parameters, while various specialist funds choose to invest in companies that lead the way on sustainability. NIBE has, for example, been audited by the Sustainable Value Creation Initiative, which published a report in 2010. The audit showed high levels of performance in some areas but pointed to a number of others where control mechanisms and reporting need to be improved.

Suppliers

We make requirements on our suppliers in terms of their own environmental and social performance. These are followed up through supplier assessments, questionnaires, flying inspections and audits. In 2010, roughly one in four of our plants carried out some form of follow-up on suppliers' sustainability work.

Society

Each of our production units is part of the local community and maintains regular contacts with local schools and universities. In 2010, almost 900 pupils and students visited our plants, and around a quarter of our units are involved in co-operation and development projects with local schools and universities. NIBE provides financial support for a raft of social activities, ranging from sponsoring sporting and cultural events to support for sick family members (China) or people with disabilities (Poland).



Practising what we preach

Our own premises boast one of the largest geothermal heating systems so far assembled that uses our products. Some 23,500 m³ of our new solid-fuel stove production facility is heated using geothermal heat pumps. What is unique about the system, a 540 kW installation consisting of nine separate geothermal heat pumps, is that it also provides free cooling. On hot days, the system is "reversed", and surplus heat

from the building is pumped down into the boreholes, recharging them for later use.

"The installation saves us around two million Swedish kronor a year compared with the cost of conventional heating and air conditioning," says Henrik Axelsson, Production Technology Manager at NIBE Stoves.

“ We have moved up a gear as far as the Group's environmental work is concerned. ”

Environmental responsibility

Our environmental policy commits us to a process of continuous improvement in which we comply with legal and other requirements, make effective use of natural resources, reduce our impact on the environment, minimise risk and offer the market environmentally adapted products. We can point to many successes in what we have achieved for the environment, but there are also areas where much still remains to be done.

Systematic environmental work

Environmental work is one of the cornerstones of NIBE's long-term commitment to sustainable development. The main emphasis here is on reducing the environmental impact of production facilities, but also on developing the positive environmental aspects already evident in many of the Group's products. Responsibility for environmental work is delegated to the business areas, where the managers for the individual companies and production units are responsible at local level.

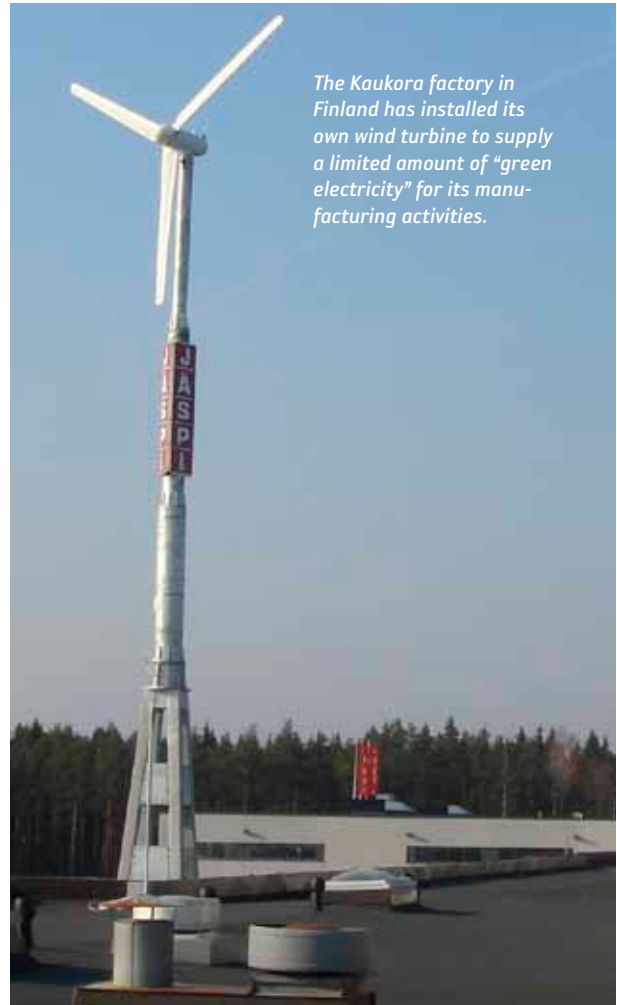
A key tool in our environmental work is the ISO 14001 environmental management system. Work to introduce this system has been given high priority, and the aim is gradually to secure ISO certification for all units. At the time of writing, NIBE Energy Systems and NIBE Stoves (Sweden), Backer OBR (Poland), Metro Therm (Denmark) and Kaukora (Finland) are already certified, with three more units preparing for certification in 2011.

Environmental aspects

With production units in 14 countries, the Group identifies environmental and health and safety issues as a major concern. Production methods include metalworking, welding, casting, enamelling, painting and assembly. This means that the most significant direct environmental impacts of our activities are energy consumption, the use of metals and other raw materials, the management of chemicals hazardous to the environment and/or human health, emissions of pollutants and greenhouse gases, and the disposal of waste products. The activities of our suppliers, the transportation of raw materials and finished products, and the in-service use of our products are examples of some of the more important indirect aspects of our environmental impact.

Environmental legislation

NIBE complies with environmental and labour laws and regulations in the countries in which it operates. The Group's plants in Sweden require a licence, or a notification, to operate under the country's Environmental Code, and compliance is monitored through measurements and regular inspections, with the results reported to the relevant regulatory authorities. Most units in other countries have an environmental licence for some or all of their activities. In 2010, approximately one third of our plants were inspected for compliance with



The Kaukora factory in Finland has installed its own wind turbine to supply a limited amount of "green electricity" for its manufacturing activities.

environmental legislation and more than half for compliance with work environment legislation. The inspections revealed no serious breaches. Nevertheless, there is room for improvement in several areas, such as noise, the storage of chemicals and methods for investigating industrial injuries.

Operations are also affected by environmental legislation relating to the attributes of the products themselves, and we work continuously to meet the requirements of the relevant legislation.

Environmentally-related risks

In recent years, there has been an upsurge of interest in the introduction of new environmental legislation and other measures to prevent environmental degradation and rehabilitate damaged environments. This reflects greater awareness of the risks relating to climate change, the environmental impact of suppliers' activities, social conditions at suppliers' factories, and the danger that products may become less attractive to consumers if they cannot show sound environmental credentials. NIBE undertakes continuous assessments of these and associated risks.

New environmental legislation, particularly EU legislation, has a direct effect on the company's activities and products. The European Union's regulations on chemicals, REACH and the Ecodesign Directive are typical examples. We monitor developments in these fields and adapt our activities as necessary.



Creating sustainable value

Our Values **Environmental responsibility** Social responsibility Quality

Soil pollution has been confirmed at three plants, and further investigations and clean-up operations are being conducted. The costs involved have been relatively modest during the past year (< SEK 100,000).

Asbestos has been detected in some roofing materials and in certain installations in a handful of production plants. No known sources of PCBs have been detected.

There were no uncontrolled emissions or accidents in 2010 with a negative impact on the environment.

One of the Group's production facilities is at risk of flooding and has therefore been protected by a concrete embankment.

Reducing environmental impact

The NIBE range includes many products that are designed to reduce environmental impacts and build on increased interest in energy and climate issues.

- ▲ A brand new generation of ground-source/geothermal heat pumps has been launched in recent years, and in 2010 a new generation of exhaust-air heat pumps was also introduced that complies with the new Swedish building standards. These products have been developed to further improve energy efficiency and reduce heating costs.
- ▲ Following acquisition of the solar heating specialist Sol & Energiteknik, work is taking place on a number of projects to combine our innovations in geothermal technology with solar power with a view to reducing consumers' heating costs even further.
- ▲ NIBE Energy Systems is taking part in the biggest ever geothermal heating project in Sweden (and one of the biggest in Europe): 500 homes in 52 apartment blocks will be heated using heat pumps in an initiative that aims at extracting 3.5 million KWh from the bedrock every year.
- ▲ There is growing interest in the potential for combining heating and free cooling, especially among commercial

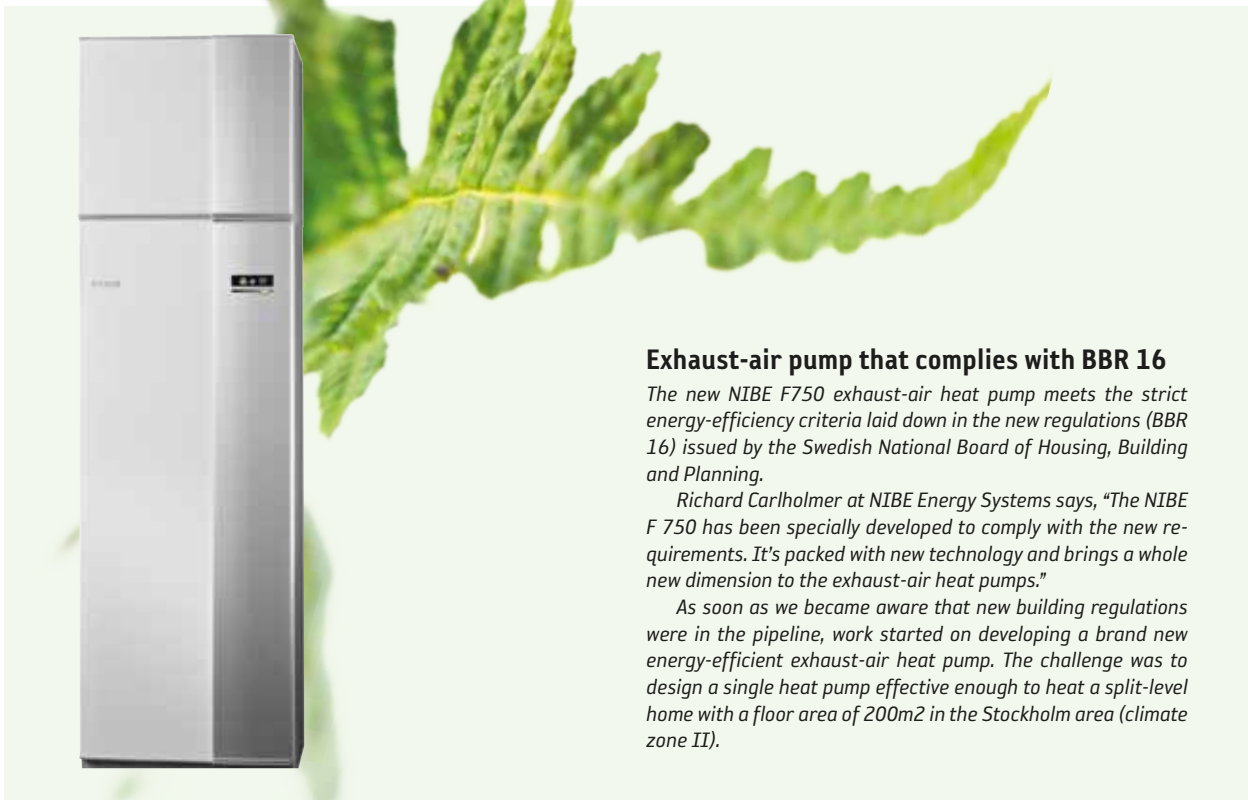
enterprises, many of which have already installed a NIBE geothermal system capable of producing both heat and cool air.

- ▲ A number of wood-stoves from NIBE Stoves have been awarded the Nordic Swan mark in recognition of the fact that their environmental performance is even better than the criteria stipulate and that the entire production process takes place under environmentally adapted conditions.
- ▲ As a subcontractor to industry, NIBE Element often collaborates closely with its customers on development projects to create an end-product that combines an extended useful life with lower energy consumption.

Environment and economy

Many of the Group's environmental projects are aimed at reducing the use of natural resources, for example, by reducing water and energy consumption or by making more effective use of certain materials. The approaches adopted and the initial investments made vary from plant to plant, but experience has shown that, more often than not, what is good from an environmental point of view is also good from a financial point of view.

In 2010, NIBE invested approximately SEK 16 million in measures related to the natural and work environments. The biggest single investments were made in equipment to improve the work environment, energy efficiency measures, and measures to phase out the use of trichloroethylene in degreasing shops in Sweden and Poland. Other environmental and work environment costs for the year totalled SEK 14 million, of which around half relates to the cost of waste management. Administration of natural and work environment activities accounted for approximately one third of the costs for 2010. Savings reported during the year arising from environmental improvements totalled approximately SEK 2 million.



Exhaust-air pump that complies with BBR 16

The new NIBE F750 exhaust-air heat pump meets the strict energy-efficiency criteria laid down in the new regulations (BBR 16) issued by the Swedish National Board of Housing, Building and Planning.

Richard Carlholmer at NIBE Energy Systems says, "The NIBE F 750 has been specially developed to comply with the new requirements. It's packed with new technology and brings a whole new dimension to the exhaust-air heat pumps."

As soon as we became aware that new building regulations were in the pipeline, work started on developing a brand new energy-efficient exhaust-air heat pump. The challenge was to design a single heat pump effective enough to heat a split-level home with a floor area of 200m² in the Stockholm area (climate zone II).

Environmental performance

Energy consumption

Several energy-intensive processes, such as metalworking and heating materials in furnaces, are an essential part of our production line. Energy is also used for heating, lighting, compressors, ventilation and much more besides: 60% of our energy consumption in 2010 was indirect energy (mainly in the form of electricity purchased on the open market) and 40% was direct energy in the form of fuel oil, natural gas and propane. Overall energy use for the year totalled 114 GWh (2009: 102 GWh).

Increased production, more production plants and exceptionally cold winter weather in several countries contributed to the increase in energy consumption. Total energy costs for the Group's manufacturing plants in 2010 were approximately SEK 73 million.

Several of our units are working on or have already implemented energy-saving projects: fuel oil has been phased out at our plants in Sweden and Finland and replaced by heat pumps; several element-manufacturing companies have taken measures to reduce the energy consumption in their furnaces; and a number of plants have installed energy-efficient lighting and technology to recover heat from ventilation and cooling water.

Raw materials and chemicals

Significant quantities of raw materials and components are used in the Group's plants every year. In addition to over 50,000 tonnes of metal, more than two thirds of which is stainless steel, iron or cast iron, several thousand tonnes of brass and magnesium oxide are used, all important components in NIBE Element's products.

We are keen to minimise our use of chemicals, both to reduce risks in our own operations and to reflect the environmental demands made on us by our customers. We use around 2,000 tonnes of plastics a year, mostly in the form of polyurethane insulation for electric water-heaters and other products. Other major materials include wood, concrete, soapstone, enamel and insulating materials. Although more than 80% of our paints and coatings are solvent-free, our factories also used approximately 250 tonnes of solvents in 2010. Trichlorethylene and other chlorinated hydrocarbons are still used to degrease metals, although modern solvent-free technology has recently been introduced at two production plants and further plants are now preparing to switch.

Emissions to air

Emissions of carbon dioxide gas (CO₂), which has a direct impact on the climate, can be traced to our use of fuel oil, natural gas, district heating and electricity. Total CO₂ emissions for 2010 were 27,700 tonnes (2009: 27,400 tonnes), of which more than 60% was in the form of indi-

rect emissions deriving from the electricity that the Group purchased on the open market.

Emissions vary according to how electricity is produced. They are higher in countries where a large portion of the electricity is produced from coal than they are where electricity is generated by hydropower or nuclear fuels. Rising production volumes and more production plants have led to an increase in the amount of energy used, yet there has only been a marginal rise in our CO₂ emissions over the past few years. This is attributable, in part, to the phasing out of fuel oil and the installation of heat pumps at a number of facilities.

Transportation of raw materials, finished products and people also contributes to CO₂ emissions, but there are as yet no figures available for this. Measures have been taken at some plants to reduce the environmental impact of transport by coordinating shipments and generally raising the bar for our transport partners' performance in terms of environmental impact and health and safety.

Other emissions to air during 2010 totalled approximately 10 tonnes of sulphur dioxide and nitrogen oxides (mostly from the use of fuel oil) and approximately 24 tonnes of volatile organic compounds (VOCs) from paints, coatings and solvents. The installation of purification plants and the use of solvent-free paints have helped to halve emissions of VOCs over the past four years.

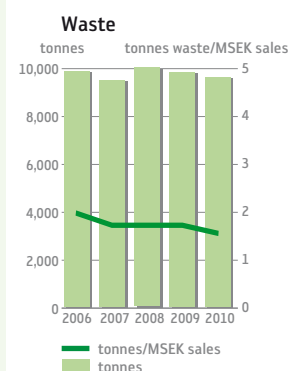
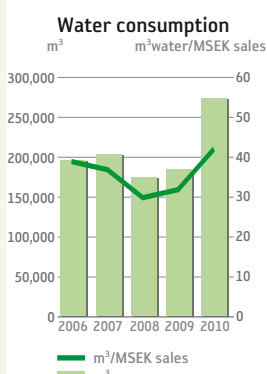
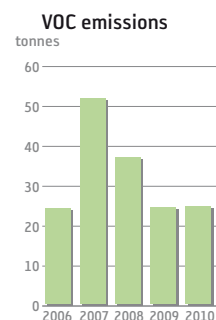
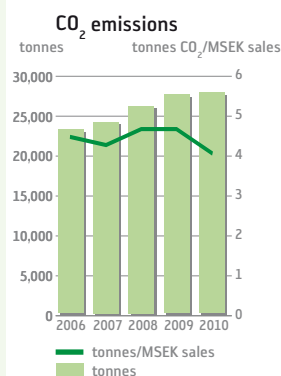
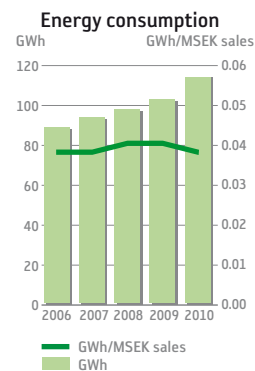
Water consumption

The Group used approximately 273,000 m³ of water in 2010 (2009: 183,000 m³). The increase is explained by increased production volumes, but also by the fact that water consumption from all units in China is now also included in the figure. Closed systems for cooling water have been installed at several factories, reducing overall water consumption.

Production facilities are connected to municipal or similar wastewater treatment plants. Measurements carried out at some facilities during the year confirm that emissions to water are below the permitted levels. The Group's total costs for water and wastewater treatment totalled SEK 3.4 million in 2010.

Waste management

The waste produced by the Group in 2010 totalled approximately 9,570 tonnes (2009: 9,790 tonnes), of which 783 tonnes were treated as hazardous waste. Despite the increase in production volumes, waste levels remain more or less constant thanks to efforts by many production plants to minimise waste. In 2010, more than 70% of solid waste, mostly metals, was recycled. Approximately 14% of waste was re-used as energy at external waste management plants, with only 7% going to landfill. The total cost of external waste management in 2010 was approximately SEK 6.8 million.





Social responsibility

With operations in 20 countries and a workforce of more than 5,900, NIBE is very much an international company. One of our guiding principles is to integrate the concept of corporate social responsibility into the work of the companies in the Group and put it into practice in our dealings with employees, customers, suppliers and other stakeholders.

The NIBE workforce

In 2010, nearly 400 people were recruited or joined the Group through acquisitions. The average FTE workforce over the year was 5,945 (2009: 5,519), of whom 79% (78%) worked outside Sweden. A constant focus on productivity in all areas means that we can maintain competitive production even in high-cost countries, though more than 20% of our total workforce is still employed in Sweden.

An international enterprise

With growing numbers of employees outside Sweden, NIBE is becoming an increasingly international employer. Our values and the factors behind our success are perceived as positive by the vast majority of people around the world regardless of their cultural background, and we work hard to communicate these when recruiting, in our information updates for co-workers and whenever new employees join the Group via company acquisitions.

In addition to maintaining competitive production plants in Sweden and other high-cost countries, we are also investing in manufacturing facilities in low-cost countries in Eastern

Europe and in China and Mexico. This is where we manufacture products that are subject to the fiercest price competition, but these countries are also interesting growth markets.

Attractive employer

Because NIBE needs to attract, retain and develop people of the right calibre, we work hard to make sure we are perceived as an attractive employer and give our staff plenty of opportunity to develop. 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, and excellent career opportunities. This stimulates interest in work and leads to a low incidence of sickness absence, low staff turnover – and a constant stream of applications from job seekers.

Sickness absence

Sickness absence in the Group averaged 4.8% in 2010, of which just over half, 2.7%, was long-term absence. Short-term absence remains low and has fallen somewhat in recent years, while long-term sick leave is largely unchanged.

Working environment

NIBE adopts a precautionary approach to work environment hazards such as exposure to noise, dust, hazardous chemicals, heavy lifting, repetitive strain and industrial injuries. We endeavour to provide a good working environment through high technical standards and preventive measures that include risk assessments, training and safety inspections. There are formal Safety Committees at 85% of our production facilities.

365 accident-free days in Sösdala

The element manufacturing company Backer BHV in Sösdala reported zero industrial injuries resulting in sickness absence in 2010.

How did you achieve such a good result?

"Since 2005, we've taken a systematic approach to preventing accidents and we're now starting to reap the rewards," says Johan Miram, site manager. "To make employees aware of safety issues and achieve the results we want, we have been reporting risk factors, incidents and accidents for several years. "Everyone shares the responsibility for reporting risks, major and minor alike. The objective is to receive reports about at least ten newly identified risks every month, and then to eliminate these risks. "It is important to inform our employees and showcase the results of our preventive measures. It is also vital that safety work is vetted by management. That's why I personally follow up all reports and don't sign them off until I'm satisfied we've done a good job," Johan concludes.



“ Our Values apply to everyone at NIBE, no matter where in the world they work. ”



ties. Risk analyses were carried out at around half our production facilities in 2010. Workplace surveys were conducted at about ten sites and included assessments of exposure to dust, noise and solvents.

Workplace improvements were also made at several of our production facilities to help prevent work-related illnesses.

Accidents at work

A total of 214 accidents at work resulting in more than one day's absence were reported in 2010. The most common causes of injury were heavy lifting and repetitive strain, accidents involving machines and equipment, and injuries as a result of falling or slipping. Two occupational accidents involving contractors were reported during the year.

Training

Extensive training is carried out to make sure that we are well equipped with the skills and attitudes we need to meet the future. Training sessions are often led by our own instructors, who have a unique mix of expertise and experience. This approach is also cost-effective, as company-specific expertise comes into play. Training in environment, work environment and safety issues took place at about 90% of the production facilities in 2010 and averaged around six hours per employee.

We also enjoy fruitful cooperation on a wide variety of subjects with universities and colleges. NIBE offers interesting degree project placements and work placements as well as a popular trainee programme.

Salary levels and collective agreements

All the Group's production units are operated by Group companies. The units in developing countries are wholly owned subsidiaries run according to the same rules and values as the Group's other units. Rates of pay comply with national legislation, are pitched above the local minimum wages and fully reflect market conditions.

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.

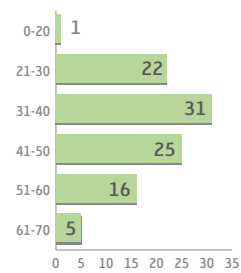
Human rights

We encourage diversity and disassociate ourselves from all forms of discrimination. There were no reported cases of discrimination during the (reporting) year.

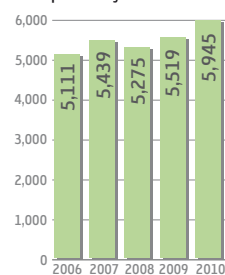
Diversity and gender equality

Work on equal rights within the Group is decentralised and conducted separately at each unit. We will intensify our efforts to inform employees about Our Values in 2011.

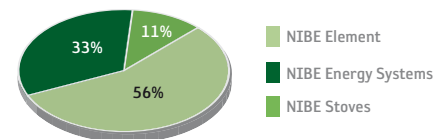
Age structure of the workforce (%)



Average number of employees past five years



Employees - by business area



Key figures	2010	2009	2008
Average number of employees	5,945	5,519	5,275
- administrative staff	% 29	29	27
- production staff	% 71	71	73
- men	% 65	65	66
- women	% 35	35	34
Average age	years 39	39	39
Average length of employment	years 7.7	7.8	7.7
Workforce turnover	% 4.6	5.9	9.5
Number of graduates	636	587	574
Employees - in Sweden	% 22	22	24
- abroad	% 78	78	76
Sickness, short-term	% 2.1	2.5	2.7
Sickness, long-term	% 2.7	2.9	2.6



Creating sustainable value

Our Values Environmental responsibility Social responsibility **Quality**

Developing quality at every stage

The quality of our products and services is a key factor behind our competitiveness and a strong reason for choosing NIBE. In 2010 we formulated a new Quality Policy that applies right across the organisation.

If we are to meet the quality needs, demands and expectations of our internal and external customers, our Quality Policy must be a common platform for all our work and the benchmark for every single employee. Equally important is that all employees view quality as their own personal responsibility and do their utmost to produce faultfree products and services.

Customer oriented quality

Our ability to create value for our customers, to learn from our constant efforts to raise quality levels and to act quickly to make improvements is founded on the commitment of our managers to create a culture at NIBE that always places the customer centrestage.

To ensure customer satisfaction and continuously fine-tune our quality control procedures, we carry out ongoing customer surveys in all our business areas. These surveys confirm that we consistently exceed our customers' demands and expectations. However, we regularly take new initiatives to achieve further long-term improvements in areas such as delivery reliability, product performance, product quality and customer support. We believe that these improvements will be crucial to our ability to continue growing in an increasingly competitive market.

Quality assurance

Quality assurance work is undertaken within the parameters of integrated quality management systems that meet ISO 9001 specifications for process structures that lay the foundations for a clear, customer-oriented development. At present, 85% of our production units are ISO 9001 certified. Product development is quality-assured by preventive measures that involve strict controls on the work carried out, with verification and validation from the earliest stages of the development process. The aim is for new products not only to be of high quality and meet legal requirements and criteria for personal safety, but also to exceed the needs and expectations of users. Our customers and suppliers are also involved throughout the development process.

As a subcontractor to industry, NIBE Element's most important competitive advantage is the consistently high quality of its products. For this reason, all products are factory-tested before despatch, and delivery reliability is consistently high.

The very highest quality is also a key prerequisite for products from NIBE Energy Systems, especially in the case of hi-tech functions and components that must always perform flawlessly for the end-user. Components are tested for compliance with our specifications before they leave our suppliers' premises and we then test them repeatedly during our own manufacturing processes to guarantee the quality of the end-product. Finally, we carry out additional, extensive functional tests prior to despatch to ensure that the products we supply to our customers meet all functionality requirements.

For NIBE Stoves, quality means not only design and performance, but also conformity with stringent technical component specifications and an impeccable finish: the outward appearance of these products is crucial to customer perceptions of quality.

We work very closely with our suppliers and sub-contractors.



Continual improvement – part of everyday work

Staff from our production management, quality, purchasing, innovation and service departments meet regularly as part of the work of continual improvement. These meetings have become an important part of solving the day-to-day problems that arise.

"There's been a very positive mood in the organisation since we found what we feel is a systematic approach to the challenge of continual improve-

ment. In particular, meeting regularly like this facilitates cooperation, sharpens the focus on what needs to be looked at and helps the organisation as a whole to be more reactive," says Per Hansson, Unit Manager for the Heat Pump Centre in Markaryd, Sweden.

The work of solving practical problems has picked up speed over the past year as many units have instigated similar joint staff meetings.

“ Product development work is speeding up and products are becoming even better and more responsive to future needs. ”

tors to safeguard the quality of components and subassemblies. We also require them to follow certain guidelines and assess their performance in terms of quality and environmental and social responsibility.

Continual improvements

Sustained improvement work is crucial both to improving efficiency and delivery reliability and to enhancing quality and customer satisfaction, and we are constantly seeking ways to react more quickly to our customers' needs. The work itself varies from unit to unit, but high priority is always given to problem solving and to creating new best-practice methods through skills enhancement initiatives. We set quantifiable quality targets and seek to continually improve by establishing new objectives. In addition, we regularly benchmark our performance against that of our competitors in order to learn from others and to ensure that we remain a market leader in our three chosen segments.

Production environments and manufacturing equipment are continually being developed and improved, and staff receive extensive training in working methods and product functionality and performance. Existing products are improved and new ones developed to secure our future position in the market by raising customer expectations with regard to quality, dependability and product safety.

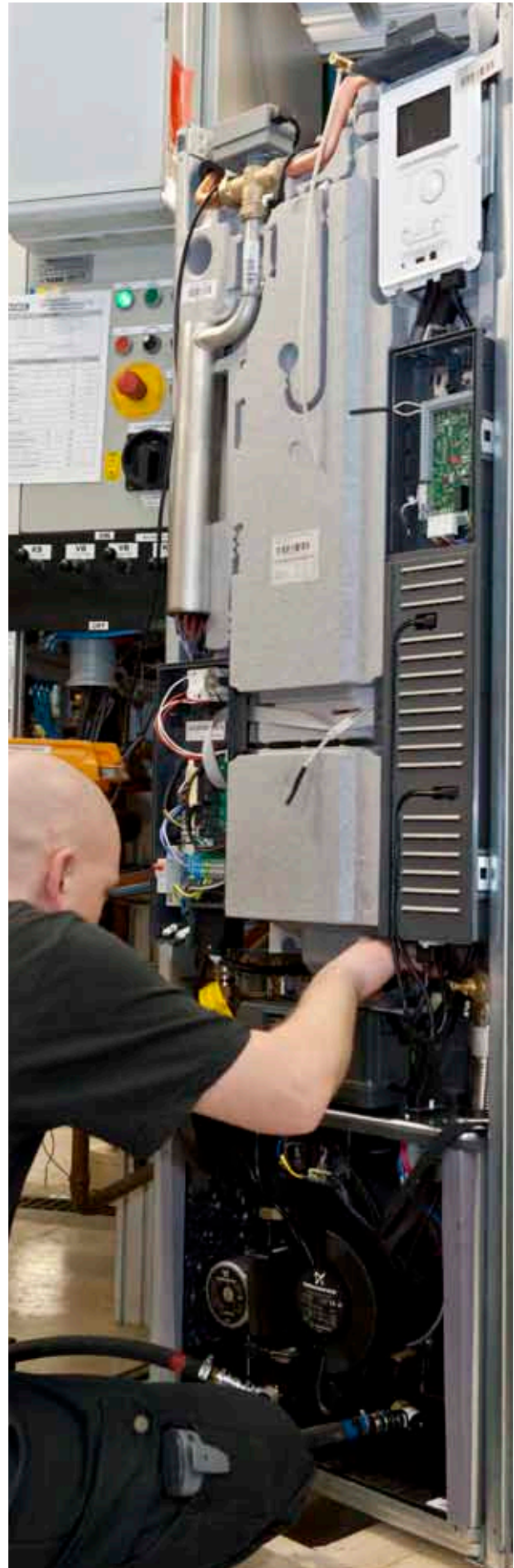
Product liability

We carefully evaluate every product's impact on health and safety at every stage of its life cycle, from development to disposal, and the results form the basis for improvements. There have been a number of instances during the past year when measures have been taken in connection with our duty of product liability. All NIBE products are delivered with the relevant information about product functionality, servicing and safety. Where appropriate, we even provide training for our customers to ensure that product installation and servicing are to a high standard. NIBE is also required to meet the demands of a number of EU Directives and international safety regulations, and we make sure that we do this by confirming our compliance with the relevant standards in the manufacturer's assurance. No serious breaches of health and safety legislation, product information regulations or product labelling standards were reported in 2010, and no fines or penalties were imposed.

Market communication

The Group's marketing departments are responsible for making sure that all marketing activities and communication in the form of advertising, sponsorship and PR conform to the laws and regulations governing these areas. NIBE has formulated a policy for communicating with various stakeholders that reflects the applicable laws, standards and the Group's Code of Conduct. We monitor developments closely to make sure, for example, that we do not sell any products that are prohibited in certain markets.

Extensive inspections and checks of all products are made before despatch to ensure flawless functionality and guarantee safety.



Highlights during 2010

Sweden

At the sites in **Markaryd** several measures were taken to improve environmental, health and safety performance, for example: improved environmental communication, heat recovery and ventilation projects, improved waste management, better **control** of chemicals and a system to report near-misses (risks) in the working environment. Automatic installed throughout the company. New environment adapted products were launched.

Trichloroethylene was phased-out from the **Sösådal plant**. The site is in the state of finalising the implementation of ISO 14001 and will go for certification in 2011.

Several measures were taken at the **Kolbäck** site to reduce energy consumption, for example, installation of geothermal heating with heat pumps.

Denmark

Metro Therm implemented several environment, health and safety measures, for example: New noise reduction walls in welding cabinets, restoration of the insulation facilities, and actions to improve safety and ergonomics. Several products were developed or improved, for example, small heat pump for domestic water, unit for solar panels connected to an existing electric water heater, intelligent thermostat for fulfilling ECO-Design directive, introduced solar systems and a wind-mill was installed for testing.

The insulation of buildings was improved at **KVM Conheat**.

Norway

Höiax introduced new lifting and handling devices in the production facilities.

Finland

At **Loval** a project to phase-out trichloroethylene was introduced. Work clothes and safety shoes and other safety devices are now mandatory for all personnel. At the shop floor good housekeeping practices have been implemented at the shop floor going on Energy-saving projects included installing of air pumps in the office and heating of the factory using circulating cooling water from brazing furnaces. This was done using three heat pumps.

Kaokora started to participate in a governmental research programme which aim is to improve the well-being in the working community. The solar collectors in the Raisio factory are heating the sanitary water. A small wind generator is heating the painting line oven. Kaokora launched a product called "Ecowatti" which is a hybrid-heating device for utilizing renewable energy. They also launched a new district heating application.

Poland

Backer OBR has improved the integrated management systems for environment, health, safety and quality. The internal communication has been improved and a monthly newsletter "Bactualności" has been introduced. Together with the customers, they started working on projects, taking into account the ecological needs of the market, for example, components

for wind miles, electric cars or heating pumps. The Safety Committee has - in addition to increasing safety of machinery and manufacturing processes - had a strong focus on improving employee satisfaction.

Northstar introduced the new product Quadro with very low emission of carbon oxide.

Nibe Biawar started a new enamel line with equipment using less gas and energy. A number of other actions were taken to reduce the energy consumption.

Russia

Health and safety was in focus at the **CJSC EVAN** plant. For example, medical examinations were carried out for employees with certain jobs.

Czech Republic

At **DZD** measures were taken to reduce the energy consumption, for example, warm water in change-rooms is now heated by solar panels and the new production hall is heated by heat pumps.

Backer Elektro introduced a more environmental adapted degreasing method. They also installed gas savers at spot welders and finishing operations.

Gas savers at welding machines were installed at **Eltop Praha**. Noise reduction measures were implemented.

Italy

Backer FER installed a generator for methane gas for the oven to reduce the use of hydrogen gas.

Spain

Backer Fasca reduced power consumption in the stoves and furnaces. They also installed more efficient lighting systems with motion detectors, timers and thermostats to heating systems and installed light bulbs with low energy consumption.

UK

The **Heatrod** facility introduced a programme to increase health and safety awareness, including noise surveys and risk assessment.

Mexico

At the plants in **Mexico** measures were taken to save energy.

China

SHEL Nibe reduced the tubular diameter to reduce the amount of material and waste. Actions were taken to optimize the package weight. More energy-efficient ovens were installed.

Global Reporting Initiative (GRI) index

The organisation GRI (Global Reporting Initiative) 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) 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 used standard for sustainability reporting with more than

1,800 companies around the world applying the guidelines. GRI's guidelines allow organisations to choose for themselves the level (C-A) at which they wish to report. NIBE has chosen to report in accordance with level C. GRI's website (www.globalreporting.org) provides a full picture of the organisation and its guidelines for sustainability reporting.

The tables show the degree to which NIBE meets the minimum reporting requirements in accordance with GRI G3 level C.

The figures relate to averages and performance indicators in accordance with GRI G3. AR (Annual Report) refers to page numbers in the 2010 Annual Report. SR refers to the Sustainability Report.





Profile

1. Strategy and analysis

1.1	Statement from the President and CEO.	AR7, SR3
1.2	Description of key impacts, risks and opportunities.	SR9-10

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.	AR5, 11, 31-48, SR4-5
2.8	Scale of the reporting organisation.	AR3, SR17
2.9	Significant changes during the reporting period.	AR8-9, SR 17
2.10	Awards received during the reporting period.	Not applicable

3. Report parameters

Report profile

3.1 – 3.4	Reporting period. Date of most recent previous report. Reporting cycle. Contact persons.	SR 17
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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.	SR17
3.9	Data measurement techniques and bases of calculations.	SR17
3.10	Explanation of the effect of any re-statements of information provided in earlier reports.	SR17
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	SR17

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.	AR12-15, 77-80 SR7
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Commitment regarding external initiatives

4.11	The Group's handling of the precautionary principle	SR9-10
4.12	Externally developed codes, principles or other initiatives to which the Group subscribes or endorses voluntary	SR6-7

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.	SR8
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Performance indicators

5. Economic performance indicators (EC)

Economic performance

EC1	Direct economic value generated and distributed.	AR67-68, 72, 75
EC2	Financial implications and other risks and opportunities due to climate change.	SR10
EC3	Coverage of the organisation's defined benefit plan obligations.	AR75
EC4	Significant financial assistance received from government.	Not applicable

6. Environmental performance indicators (EN)

Materials

EN1	Materials used by weight or volume.	SR11
EN2	Percentage of materials used that are recycled input materials.	-

Energy

EN3	Direct energy consumption by primary energy source.	SR11
EN4	Indirect energy consumption by primary energy source.	SR11
EN5	Energy saved due to conservation and efficiency improvements.	SR11, 16

Water

EN8	Total water withdrawal by source.	SR11
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Emissions, effluents and waste

EN16	Total direct and indirect greenhouse gas emissions by weight.	SR11
EN18	Initiatives to reduce emissions of greenhouse gases and results.	SR11, 16
EN20	NO _x , SO ₂ and other significant air emissions by type and weight.	SR11
EN22	Total weight of waste by type and disposal method.	SR11
EN23	Significant spills.	SR10

Products and services

EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	SR8, 10, 16
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Compliance

EN28	Fines and sanctions for non-compliance with environmental laws and regulations.	SR9
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Overall

EN30	Total environmental protection expenditures and investments.	SR10
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7. Labour policies and decent work (LA)

Employment

LA1	Total workforce by employment type, employment contract and region.	SR12-13
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Labour/management relations

LA4	Percentage of employees covered by collective bargaining agreements.	SR13
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Occupational health and safety

LA7	Rates of injury and occupational diseases.	SR12-13
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Training and education

LA10	Average hours of training per year per employee.	SR13
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Diversity and equal opportunity

LA13	Composition of governance bodies and management.	SR13
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8. Human rights (HR)

Investment and procurement practices

HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights.	SR8
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Non-discrimination

HR4	Total number of incidents of discrimination and measures taken.	SR13
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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.	SR13
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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.	SR6-7, 13
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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.	SR6-7
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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.	SR8
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S03	Percentage of employees trained in organization's anti-corruption policies and procedures.	-
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S05	Public policy positions and participation in public policy development and lobbying.	SR7-8
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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.	SR9
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10. Performance indicators for products (PR)

Customer health and safety

PR1	Assessment of health and safety aspects of products	SR15
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Glossary and definitions

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 (greenhouse effect).

Code of Conduct

Behaviour code for NIBE's employees. Supplemented by policies relating to the environment, workplaces and relations with suppliers.

Environmental aspects

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

Environmental management system

The part of the overall management system that includes the organizational structure, planning, activities, distribution of responsibility, practices, procedures and resources for developing, implementing, performing, reviewing and maintaining the organization'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. The corresponding measures taken with regard to health and safety in the workplace are also included. The costs reported include, among other items, administration and external consulting expenses, fees to authorities, costs for introducing and maintaining environmental management systems, costs for waste and charges for external inspections and audits.

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.

Global Reporting Initiative (GRI)

GRI is an organization working toward a method for overall reporting and assessment of an operation, including the social and environmental perspectives, as well as financial aspects.

GWh

Gigawatt-hour, 1 billion watt-hours.

HCFCs

Substances that deplete the atmospheric ozone layer.

Nitrogen oxides (NO_x)

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

PCBs

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

REACH

Chemicals legislation within the EU intended to ensure safer handling of chemicals. Chemical substances have to be registered for a certain use and particularly hazardous substances can be prohibited.

RoHS

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

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.

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.

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, called Lost Work Cases (LWCs). The injury rate is then normed by stating the number of such injuries per 1,000 employees (LWC/1,000).

Work-related disease

A work-related disease is an 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.

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