NIBE

– world-class solutions in sustainable energy

Sustainability report 2013
CEO's comments on the year

In a challenging operating environment in 2013, the Group’s sales increased by 7%, while its operating margin improved to 12% and profit margin to 11.4%. Through methodical efforts to adapt fixed costs, create a high level of flexibility in production capacity and further develop productivity, both NIBE Energy Systems and NIBE Element have succeeded in improving their operating margins and NIBE Stoves managed to retain the previous year’s level. Meanwhile, all three business areas have stepped up the rate of product development, which has resulted in a considerable number of product launches.

Sustainability and sustainable value creation are concepts that have gained a footing in our collective consciousness as the extent of resource wastage and environmental contamination has become more evident in the world. NIBE’s success and competitiveness depends on, and is closely intertwined with, the society in which we operate. By considering the needs and challenges of society, financial success is generated in a manner that creates sustainable value for our stakeholders and for society.

The concept of sustainability is, of course, not new to us at NIBE, although we have perhaps had a more commonplace approach to the issue by always being frugal and careful with the use of available resources. The fact that we also combine this fundamental approach with our mission of developing world-class solutions in sustainable energy makes the concepts of sustainability and sustainable value creation completely clear and natural.

In 2013, we made progress in many areas and I would like to highlight the following aspects:

- Continued innovation and product development – Creating world-class sustainable energy solutions is paramount to us. As presented in this Sustainability Report, NIBE’s product portfolio is continuously evolving with more and more energy and climate smart products and services. Good for the environment and for NIBE’s business strategy.

- We live as we preach – At the plants we continued to install our own heat pumps and implement many activities that save energy and reduce the emissions of carbon dioxide. In Europe we continued to buy “green electricity” from certified sources.

- No compromises on health and safety – Aside from technical solutions and personal protection equipment, safety efforts are about changing the mindset and behaviour of our employees, guiding them to understand what constitutes safe practices at their workplaces.

- Activities in the value chain – Complying with quality, environmental, social and ethical requirements from customers is part of the daily work at NIBE’s units. I am convinced that we are well prepared to meet even more demanding requirements in the future. Another important step is that our companies are more and more active upstream in the value chain. By doing this we clarify “Our Values” for the suppliers and during 2013 more than 550 assessments of key suppliers were carried out.

- Sustainability targets – We have now introduced a set of Group-wide targets concerning energy efficiency, implementation of ISO 14001, health and safety, and other areas. This will certainly further propel NIBE’s sustainability efforts in a positive direction.

NIBE has embarked on a continuous journey towards sustainable development. We will take both small and big steps forward, and there will be success stories and there will also be mistakes made. The important thing is that we constantly take actions in our ambition to become even more sustainable and are transparent with what we are doing. This will be beneficial for NIBE’s stakeholders and support the business strategy.

Finally, I would like to thank my colleagues at NIBE all over the world for their many contributions to helping us build a sustainable company in 2013. Good luck with the ongoing journey!

Markaryd, Sweden – April 2013

Gerterik Lindquist
Managing Director and CEO
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Creating sustainable value

Our vision is to create world-class solutions in sustainable energy by delivering long-term value for customers, employees, shareholders and the world around us. We have a long-standing tradition of pursuing a responsible approach to doing business and our sustainability strategy helps us generate both customer benefit and value through a sustainable mindset.

Sustainability strategy
NIBE’s sustainability strategy is founded on “Our Business Principles” and “Our Values”. All these elements interact to create a successful company that handles financial, social, ethical and environmental aspects in a responsible manner.

To secure continued positive development for the company in the future it is important to understand the link between financial return and creating value for people and the environment. Global macro trends, such as population increase, improved living standards, scarcity of resources and climate change, affect the environment in which we operate our business.

Taking on these challenges reveals new opportunities for developing efficient approaches, innovation and growth. This is achieved within the following areas:
- Stakeholders and society – raising awareness at all levels, from suppliers to customers, to pave the way for solutions that are even more sustainable.
- Products and markets – offering resource-efficient products for consumers all around the world.
- Employees and operations – encouraging employee involvement in continual environmental and safety improvements.

A journey towards the future
Over the past few years, all manufacturing units in the Group have undergone training in our sustainability strategy. The management teams of each company have then supported and improved compliance within these areas. We are also improving follow-up and understanding of “Our values” among our suppliers, who are an important part of this work.

In 2013 we enhanced internal communication in the Group in several areas via our recently launched intranet, “NIBE ONE”.

Kenneth Magnusson, Chief Sustainability Officer

Sustainability targets
- Increase energy efficiency.
- ISO 9001 and 14001 will be introduced at all production plants by 2016.
- Increased focus on products that offer environmental benefits. Hazardous substances in products will be phased out.
- Work with systematic supplier assessments will be further developed.
- Reduction in the number of workplace accidents. System for action to be taken in the event of “near miss” incidents in the workplace.

Sustainable Group
If we use resources more efficiently we can reduce both our environmental impact and our costs.

Maintaining good control of our business saves us money and reduces the risk of corruption and problems relating to working environment and quality. Our reputation as a sustainable company makes us an attractive employer with staff who has pride in their work. Customers and consumers are demanding sustainable products and services, and our sustainability work enables us to help our customers achieve their own ambitions in this area. NIBE products also help achieve energy-saving targets and fulfill requirements for the environmental certification of buildings.

New ambitious sustainability targets
In 2013 we adopted a number of new sustainability targets in order to raise our sights in this area. These targets relate to use of resources, supplier monitoring and social responsibility. Measurable targets make it easier for us to understand the contribution that our sustainability work makes to profitability. Measurability also has an intrinsic value – if it can be measured, it can always be improved.

We also aim to further strengthen our market positions and continue to generate opportunities for value creation and growth. Half of our sales stem from products and services that make a direct contribution to reducing the environmental impact of consumers and industries. Other products are being constantly enhanced to protect the environment and boost sustainability. This provides a firm basis from which to fuel growth within existing and new sustainable product areas.
Strategies and governance
Sustainability strategies and governance

For us it is essential to do the right things and do things the right way. NIBE’s governance of sustainability issues has therefore focused on these key aspects.

Global drivers
By analyzing the macro trends and trends, we capitalize on these drivers to create long-term sustainable growth.

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

ISO 26000
International initiatives
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 the ILO, OECD and UN. A backbone of our sustainability work is ISO 26000 – international guidelines on how to manage social responsibility issues.

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.
Our Values

The booklet “Our Values” lays down guidelines and defines NIBE’s 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.

Sustainability Report

Since 2010 we report the 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 webpages and newsletters, as well as through direct contacts with various stakeholders.

Certified management systems

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.

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.

Board of Directors NIBE Industrier AB

NIBE Industrier AB Sustainability Council
Senior Executives Sustainability
Local Boards Local Sustainability Coordinators Local Environment, HR, Sustainable, Quality, Security

Leadership

In order to maintain transparency, leadership roles and responsibilities at the management and board levels have been clearly defined. Sustainability issues are managed as an integral part of operations at all levels of the company. The Group Sustainability Council provides guidance on overall activities, and specialists at NIBE’s headquarters carry out site visits and audits to evaluate the performance of all units in the Group.

Dialogue with stakeholders

NIBES’s aim is to furnish shareholders, customers, suppliers, and other interested parties, with relevant information to provide a basis for an accurate assessment of the Group. Different stakeholders are continuously monitoring our performance, for example:
- Industrial customers, consumers and suppliers in many countries.
- Actors on the capital market.
- Around 9,000 employees on four continents.
- Neighbours, schools, environmental authorities and other representatives of local communities.
Our Business Principles

NIBE’s management philosophy is available in 14 languages, “Our Business Principles”. The booklet describes our eight principles that provide the impetus for continued profitable growth.

These principles are the glue that holds the NIBE Group and all of its employees together. Creating an awareness of our management philosophy is crucially important when we recruit employees or acquire companies. At NIBE, we believe there should never be any doubt about the principles that underpin our work and permeate the working environment that new employees are joining.

Eight success factors

- Good profitability
- High productivity
- Aggressive product development
- Quality in everything
  - focus on the customer
- Market-oriented expansion
- Committed employees
- Firm focus on three core businesses
- A long-term approach

Objectives

NIBE Industrier’s overriding objective is to combine strong, sustainable growth with healthy profitability, thus creating growth in shareholder value, providing an interesting and stimulating workplace for employees, and attracting satisfied customers who value the peace of mind that NIBE offers. In addition, NIBE’s role in society as a whole must be characterised by transparency, responsibility and a commitment to contributing to sustainable development.
Sustainable governance

The main purpose of all leadership at NIBE is to guarantee the Group’s commitments to all of its stakeholders – shareholders, customers, suppliers, lenders, the community and employees – commitments that are expressed in the company’s targets and strategies.

NIBE’s Board of Directors bears the the overall responsibility for strategies and control in the area of sustainability.

NIBE has a Group Function in charge of sustainability led by the Chief Sustainability Officer who reports to the CEO. Apart from sustainability aspects, the Function is also responsible for NIBE’s Sustainable Risk Management and Crisis Management. The Sustainability Group Function drafts proposals regarding policies and principles for governing the sustainability efforts, in addition to drafting the objectives and action programs at the Group level. The functions also coordinates and follows up the Group’s initiatives and objectives in the environmental and social areas.

In the Sustainable Council which is led by the CEO and includes all NIBE Executives, the approved strategies are broken down into specific targets and activities to ensure compliance with the sustainability strategy. The Council also follows up on performance and sustainability reports.

Local Boards in Group companies are responsible for managing the strategic work and action plans in order to meet the sustainability objectives in the local companies.

Board of Directors NIBE Industrier AB

| NIBE Industrier AB Sustainability Council | Senior Executives | Sustainability |
| Local Boards | Local Sustainability Coordinators | Local Environment, HR, Sustainable, Quality, Security |

Development of word-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” is introduced.

2000s
- Improvements through systematic work.
- Major sites certified according to ISO 14001 and ISO 9001.
- Statement concerning business ethics.
- Quality and environmental requirements are placed on suppliers.

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.

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 Guidelines” 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.
- Twenty-five 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”

2014
- Implementation of whistleblower system.
- Full adaption to GRI G4 Guidelines.
- E-learning system for “Our Values”.
- Second round of sustainability audits at NIBE units.
Global drivers

The world continues to evolve at a rapid pace, making it more important than ever for the NIBE Group to be informed and have an understanding of our global operating environment. As part of our business and sustainability strategies, we continually analyze macro trends and regional variations to assess their impact on our Group and seek new business development opportunities.

Population growth

Today over seven billion people live on the planet. By 2025 the United Nations' Population Fund expects there to be eight billion people and nine billion before 2050.

Half the world's population already lives in cities; urbanization rates by region, however, are not uniform. The 50 percent milestone will be reached in Asia in 2020, but Africa will not be urbanized at this level until about 2035.

These trends are driving an urgent and growing need for addressing the social and environmental challenges of congestion and pollution, and providing sustainable energy solutions for regions at different stages of development.

Resource scarcity

As a result of the growing global economy and world population, an increasing number of people are now sharing the planet's natural resources.

Energy Access to energy has become a strategic issue in many countries. The International Energy Agency (IEA) predicts that the need for energy will increase by 40% by 2035, which will probably entail higher costs and, in some cases, an energy shortage. As an energy consumer, this is an important issue for NIBE and we continuously work to enhance energy efficiency. New technology is not only resource-efficient but usually also generates fewer emissions and less waste. NIBE is also driving development in the area of renewable energy.

Water The UN predicts that two-thirds of the world's population may live in areas with water shortages by 2025. Access to water is critical for people, industry and agriculture. NIBE production operations are dependent on access to water and we are working to achieve our ambitious goals for efficient water usage.

Human capital The economic progress of the world's emerging markets and increasingly knowledge intensive business in mature markets are resulting in an increased need for skilled labor and management. At NIBE, we invest in the development and training of our employees and take a strategic approach in meeting our future requirements for competent leaders.
Climate change
Climate change is one of the most critical environmental and social issues facing the world today. Authorities are setting targets to reduce CO₂ emissions as well as fluorinated greenhouse gases and the private sector is expected to play its part. NIBE combats climate change by investing in new technology, efficiency enhancements and helping consumers and industry convert to a low-carbon economy and technology with new efficient and innovative products.

Improved living standards
At the same time as the world's population is growing, higher living standards due to economic growth in some parts of the world create more possibilities in a lot of areas. Some of these areas are comfort solutions for hot water and heating living spaces. This creates favourable growth opportunities with sustainable solutions.
Stakeholders and society
NIBES's aim is to furnish shareholders, customers, suppliers and other interested parties with relevant information to provide a basis for an accurate assessment of the Group. Different stakeholders are continuously monitoring our performance.

**Stakeholders and Society**

**Customers and consumers**
In 2013 around two-thirds of the Group units reported that they were required by their customers to comply with sustainability criteria. There is a strong focus on risks with hazardous chemicals and compliance with legislation such as REACH and RoSH. A number of customers ask for environmental product declaration, for example, IMDS in the automotive industry. Implementation of ISO 14001 and compliance with the customers' Codes of Conduct are other important areas. Approximately one-third of the Group companies were also audited for compliance or assessed in some other way during the year.

**Social commitment**
Our companies play an active part in the communities where we have a presence, through open house days, study visits, cooperation with schools and universities as well as sponsorship in sport, health care and culture.

In 2013 our plants were visited by several thousand people and we had a great deal of contact with schools and universities. We participate in development and education projects in partnership with universities in several countries. The projects can relate to automation, increasing the efficiency of a product or we may be able to offer opportunities for internships and degree projects. We also sponsor a number of local events.

**Business ethics**
Issues relating to business ethics are a natural topic in discussions with employees. Part of the Group’s Sustainability Report involves conducting a survey of how the companies work to prevent corruption. The results indicate that:

* The guidelines on anti-corruption detailed in “Our Values” are followed both internally and in relationships with suppliers.
* Particular attention is paid to payments and restrictions regarding gifts and hospitality.
* We adopt a zero tolerance approach to bribery but are well aware that the Group has operations in several high-risk countries as regards corruption.

In 2013 we drew up Group-wide guidelines for gifts and hospitality.

No incidents relating to bribery were registered in 2013. Tackling corruption is an area that requires persistent effort for some considerable time, regardless of which country NIBE operates in now and in the future.

We have begun introducing a Group-wide whistleblower policy, which includes a confidential helpline for reporting irregularities.

**Human rights**
Under the banner of “Our Values” we focus on strengthening our human rights and business ethics efforts. We encourage diversity and disassociate ourselves from all forms of discrimination. On the whole, 2013 was a very positive year, but there were a couple of cases of discrimination that resulted in employees having to leave.
Dialogues with the stakeholders

The table provides an overview of the main interested parties, key areas and activities during 2013. More detailed information is found elsewhere in the Sustainability Report.

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<th>Activities in 2013</th>
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<td>Product liability, product performance, quality, environmental performance, safety,</td>
<td>Dialogue during contacts with customers and during audits and assessments. Products</td>
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<td></td>
<td>product declarations and Code of Conduct.</td>
<td>supplied to end-users are evaluated with regard to their potential impact on personal</td>
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<td></td>
<td></td>
<td>health and safety throughout their entire life-cycle.</td>
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<tr>
<td>Employees</td>
<td>Health and safety, resource efficiency, talent management, compensation and benefits as</td>
<td>Training, information and dialogue. Work in safety committees and task forces.</td>
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<td></td>
<td>well as business ethics.</td>
<td>Sustainability a standing item on the agendas at Board meetings at NIBE’s companies.</td>
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<tr>
<td>Suppliers</td>
<td>Management of environmental, health and safety issues. Code of conduct. Raw material</td>
<td>Increased focus on supplier audits and assessments.</td>
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<td></td>
<td>sourcing.</td>
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<tr>
<td>Owners, creditors and</td>
<td>Risk management and resource efficiency. Business ethics. Increased focus on the</td>
<td>Meetings with investors. Sustainability reports.</td>
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<td>investors</td>
<td>connections between sustainability (threats and opportunities) and NIBE’s business</td>
<td>Frequent reporting to the Board.</td>
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<td>strategy.</td>
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<td>Society</td>
<td>Community and industry involvement.</td>
<td>Being a good neighbour. Participation in industry initiatives. Contact with</td>
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<td></td>
<td></td>
<td>schools and universities. Participation in research projects.</td>
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<tr>
<td>Authorities</td>
<td>Compliance with legislation. Identification of the impact of upcoming legislation.</td>
<td>Dialogue during visits and inspections by environmental, health and safety</td>
</tr>
<tr>
<td></td>
<td></td>
<td>authorities.</td>
</tr>
<tr>
<td>NGOs</td>
<td>Carbon footprint, hazardous chemicals, use of energy and water as well as social</td>
<td>NIBE has not been approached by NGOs or actively taken any contacts with NGOs.</td>
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<td></td>
<td>responsibility.</td>
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Transparency and communication

We endeavour to be open in relationships with our stakeholders and we pay close attention to their views and wishes. At the Group level we communicate with the capital markets and media. Each company has contact with customers, suppliers, authorities and other segments of society that are interested in our operations.

The Group’s Communication Policy states that our Code of Conduct and relevant laws and standards are to be followed. It also outlines how communication with various stakeholders is to be carried out.

There were no deviations in 2013 from laws or regulations relating to market communication.
Based on our own Quality and Environmental Management Systems and Our Values, we place demands on 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 sustainability audits.

During 2013 approximately 550 suppliers were assessed concerning quality aspects. Environmental, health and safety aspects were included in around 500 of the assessments. Social aspects were covered in approximately 430 assessments of suppliers.

**Supplier Manual**
NIBE has provided a Supplier Manual for many years. In 2013, the manual was updated, including a reinforcement of sustainability criteria. The manual includes requirements concerning quality, environmental health and safety and use of substances. NIBE’s “Our Values” is also included, meaning suppliers must meet the same requirements as the Group’s own operations.

**Communication**
Upstream in the value chain we have increased the efforts to inform our suppliers about “Our Values”, the quality policy and our specific requirements. Follow-up by questionnaires, site visits, and formal audits is an integral part of the process to ensure quality in every step.

**Quality guarantee**
“Our Values” states that NIBE will maintain a high standard with regard to sustainable development and this principle applies to our business partners as well.

We impose a number of technical requirements on our suppliers to guarantee the quality of the raw materials and components supplied. Requirements relating to suppliers’ environmental and workplace health and safety efforts are equally important, along with social conditions at their production plants.

During 2013 we took further steps to identify critical suppliers, to improve the procedures for checking incoming items and to evaluate suppliers. In 2013 around 550 suppliers were evaluated with respect to quality aspects. As shown in the figure, NIBE is more and more active upstream in the supply chain. Focus lies on quality aspects, but environmental and social aspects are gaining ground.

**Procurement value by geographical region**
As a globally operating Group, our corporate responsibility has expanded to more and more encompass the entire value chain, including our supply chain. Our risk assessments based on the regions of origin allow us to limit our total procurement value in high-risk countries.

**Group supply value by geographical region**

**Supplier assessments**

- **No. of companies that perform supplier assessments**
- **Quality**
- **Environment**
- **Social responsibility**

**Number of manufacturing companies in the NIBE Group that carry out supplier assessments**
Choice of direction and priorities – a materiality analysis

Defining and communicating materiality helps us focus our efforts on aspects that deliver the value to our business and most important to our stakeholders. The global drivers have impact to NIBE Business opportunities and threats and are an essential part in the assessment.

In 2013 we started to worked systematically to gain an understanding of our sustainability issues and their potential impact on our business revenue, compliance and reputation to our stakeholders.

The matrix will serve as valuable input for the process of preparing improvements on our sustainable strategy and objectives. We will be validating our assessments through consultations with internal and external stakeholders in the process and promote the materiality process to going forward.

Materiality analysis process

Defining the criteria
Listing significant business aspect areas.

Selecting the areas
Identifying environmental, social and economic areas that are or might turn out to be relevant for NIBE and its stakeholders.

Describing the areas in detail
Defining the risks and opportunities by area.

Analysing
Arranging the areas in relationship to each other using the materiality matrix.

Areas
1. Economic result
2. Customer satisfaction
3. Product safety
4. Business ethics
5. Health and safety
6. Legal requirements
7. Sustainable products
8. Attractive employer
9. Resource efficiency
10. Waste
11. Supply chain
12. Substances i hazardous in products
13. Social engagement
14. Transports
15. Diversity and human rights
16. Climate change
17. CO₂ emissions
18. Biodiversity
Products and market
This is NIBE

A global organisation with 70 companies and sales on four continents

NIBE is a Swedish company with its roots in the southern province of Småland, which has a tradition going back many years of manufacturing products for both household and commercial use. Entrepreneurship and a passion for doing business, investments in product development and corporate acquisitions have led to significant expansion of the Group, which now has sales of some ten billion Swedish kronor.

NIBE is listed on the NASDAQ OMX Stockholm Exchange, Large Cap list, with a secondary listing on the SIX Swiss Exchange.

Operations are pursued through three different business areas with approximately 9,000 employees in Europe, North America, Asia and Australia. Each business area has its own operational management with responsibility for profits.
Brands in the NIBE Group
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 energy efficiency 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.

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

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.

Hot water – always on tap
You always need plenty of hot water with children in the family. So it feels good to be able to rely on a constant supply from a reliable NIBE water heater and heating elements.

Welcomingly warm floors
Water-borne underfloor heating combined with heat pumps from NIBE 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.

A pleasant indoor climate
A heat pump from NIBE is easy to use no matter which one 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.
We heat and cool properties that present a big challenge

Larger buildings require a bigger investment in heating equipment 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.

Air heats up aviation institution in Estonia
The Aviation Academy trains aviation specialists in Estonia. The building's modern architecture is reminiscent of an aircraft propeller and really catches the eye when seen from above. Six air/water heat pumps heat the building using ventilation, radiators and underfloor heating, while also producing hot water. With the cost recovered in about six years, this heating solution is an excellent example of how environmental adaptation and financial benefits go hand in hand.

Lithuanian spa gives energy
The guests at Grand SPA Lietuva can relax and boost their energy levels in a stunning, immaculate setting on the hillside of the popular recreational resort of Druskininkai in southern Lithuania. The region enjoys a mild climate, as well as exceptionally clean air. Geothermal heat pumps and air/water heat pumps supply the facility with a pleasant indoor climate and hot water without polluting the beautiful surroundings in any way.

Swedish Biltema expands
Swedish hardware store Biltema is expanding significantly in Sweden and expects to double in terms of size and sales within the next four to five years. This level of expansion requires a careful approach to costs and the environment. NIBE geothermal heat pumps to both heat and cool properties provide a cost effective and eco-friendly solution. Moreover, free cooling is becoming increasingly important for owners of commercial properties.

Green hotel in Budapest
Hotel Stáció is a four-star hotel complex connected to Budapest International Airport. The complex has been awarded the title “Green Hotel” as it satisfies EU environmental requirements, which include stipulations regarding heating and cooling. Three geothermal heat pumps, which use the groundwater as a source of heat, supply heating and cooling and also heat the tap water, as well as the hotel's swimming pool.
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.

In-car comfort generates new applications
Today virtually all types of vehicles 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. Heated cameras for ice-free night vision improve safety for drivers of heavy goods vehicles. Warm handles for scooter drivers are another example of increased comfort. And a new application from NIBE is heated windscreen wipers, which are highly likely to become a standard feature on tomorrow’s cars and lorries.

Reliable rail traffic in winter
NIBE provides solutions for many different applications within rail transport. 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.

Constant need for tubular heating elements
NIBE has been manufacturing tubular heating elements for a number of 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 vehicles 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. Heated cameras for ice-free night vision improve safety for drivers of heavy goods vehicles. Warm handles for scooter drivers are another example of increased comfort. And a new application from NIBE is heated windscreen wipers, which are highly likely to become a standard feature on tomorrow’s cars and lorries.
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.

**Wind turbines**
The 21st century has seen a surge in the number of new wind farms on land and offshore. The technology is being constantly developed to improve reliability and efficiency. NIBE Element acts as a development partner to the industry, supplying heating equipment for the nacelles and hardware to ensure a more consistent power supply to the grid.

**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 hybrid vehicles by developing new elements for pre-heating batteries and resistors that can make use of the energy generated when braking.

**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.

**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.
Added sustainable value for the customer

The quality of our products and services is a key factor in our competitiveness and NIBE’s Quality Policy provides guidance – in both short- and long-term perspectives. Continual improvement is a key word and we aim at all times to meet and, where possible, exceed our customers’ needs and expectations. NIBE has a clearly defined policy for communicating and marketing products that reflects the relevant applicable laws and standards as well as the Group’s Code of Conduct.

Sustainable products

In practice, our vision “World-class solutions in sustainable energy” means that many of our products help make more efficient use of energy and therefore reduce emissions of carbon dioxide.

We put a considerable amount of effort in our research and development into improving existing products and developing new products that offer environmental benefits, as this is where the potential lies for future growth. Product development guidelines can be found in our Quality and Environmental policies.

Additional EU directives and other legislation will continue to affect the Group’s products in the future. One current example is the Ecodesign Directive, which has had a great impact on our products. The directive imposes minimum requirements in relation to a product’s energy efficiency and aims to improve its environmental performance throughout its entire life cycle. Legislation regarding hazardous substances in products (REACH, RoSH) will also remain significant for NIBE.

Products that offer environmental benefits

Our existing product range includes several examples of products and services with good environmental performance

**Uplink save traveling**

Ground-source/geothermal heat pumps, air/water heat pumps and exhaust air heat pumps from NIBE Energy Systems reduce dependence on carbon-based fossil energy sources while improving the energy efficiency and heating economy in properties. The web-based service NIBE Uplink also improves environmental performance. Property owners can use this service to monitor their heat pumps remotely and adjust the indoor temperature according to their needs.

**Energy efficiency with resistors**

NIBE Element’s products are used in applications within renewable energy and energy efficiency. A new type of resistor is a key component in the latest generation of wind turbines. Other products include frequency converters that control the speed of electric motors, thus enhancing their energy efficiency.
The new highly effective ECT inverter from Eltwin can generate energy savings of up to 80% compared with traditional frequency converters to control motors.

Vacuum-brazing products have been supplied to the world’s largest particle physics laboratory, CERN (the European Organization for Nuclear Research) in Switzerland.

For resistors, which have a broad area of use, the trend towards more energy efficient system solutions has opened up several new applications, as they are often integral features of these systems. Greater use of electric motors in place of hydraulic operation also generates an increased need for resistors.

Since electric motors are high energy consumers for many products and plants, they will also need to be made more efficient. Through Eltwin we are able to offer inverter controlled functions for electric motors, which drastically reduces energy consumption.

Products for energy efficiency

Customer satisfaction surveys

NIBE offers a very broad portfolio of products and has a global market and a global base of suppliers. This means that we need to be active both upstream and downstream in our value chain. Concerning quality aspects, the outcome of customer satisfaction surveys in 2013 was mainly very positive. This included, for example, factors such as delivery precision, claims and the overall quality of the product. Customer satisfaction is, of course, crucial to us and we are therefore continually improving internal development, production and marketing processes. We will continue to develop quality assurance methods that support us in our drive to achieve zero errors in our production processes.

Specialist technologies

In our units we also have access to certain specialist technologies, which can be used outside element and resistor applications. For example, vacuum-brazing technology, which is traditionally used in medical applications, can also be successfully applied in the production of plate heat exchangers, primarily for heat pumps. Foil element technology, too, is developing in new directions, including use in a variety of aerials and antennae.
Ecodesign is on our agenda
Environmental improvements were made to several of our products in 2013, for example:

- Newly developed heat pumps that use propane as a refrigerant instead of substances that contribute to ozone depletion and that impact the climate (HCFC).
- Newly developed products that are used in clean technology, such as heating elements in new technology (pyrolysis) for recycling rubber tyres.
- Increased use of recycled material in products, reduced energy consumption, improved insulation, phasing out of certain hazardous chemicals, and products that are easy to dismantle and recycle.

Low emissions
All combustion involves emissions to a greater or lesser extent, which impacts on the environment and human health. NIBE Stoves has a long-standing tradition of product development and invests heavily in improving combustion technology in the products to optimise efficiency and minimise their environmental impact. Demand for our products will increase in future, which will require even greater efficiency and lower emissions. However, the demand for large glass surfaces makes it difficult to maintain good combustion while keeping the glass free from soot. This is a challenge for us and something that we focus on during the development process. Our vision of the “future stove” is a nicely designed stove for bio-based fuel with very low emissions of particulates to the atmosphere.

Sustainable solutions from NIBE
NIBE Elements’ innovative development of products offers sustainable solutions to customers, for example:

- Heat pump modules designed for recovering waste heat in commercial equipment.
- Thick film elements for heaters that are integrated into systems for vehicle emissions control.
- Resistors to ensure a consistent power supply from wind turbines and resistors for hybrid vehicles. Resistors for frequency converters to reduce electricity consumption.
- Electronic control for domestic boilers to reduce electricity consumption. Complete control of heating for railway points, which drastically reduces energy consumption.
- Electronic control of electric motors. Components and solutions for more efficient heat pumps.

NIBE Element supplies a number of products for electric and hybrid vehicles.

NIBE Element can now offer heat-pump modules for use in industrial processes and commercial products such as dishwashers for professional kitchens.

Danish Lotus has a wide range of both free-standing stoves and inserts. The Prio series is a traditional wood stove and in 2013 a new version was launched, featuring a sandstone surround.
Product stewardship
Product stewardship is paramount to us and 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. In 2013 no breaches of product information regulations were identified.

Safe products
The right quality in our products and services is a key factor in our competitiveness and a strong reason for choosing NIBE. To achieve this, the Group’s Quality Policy is a key feature throughout all parts of the business. Opinion surveys conducted in 2013 revealed that customers have a positive image of product quality and functionality.

Products supplied to end-users are evaluated with regard to their potential impact on personal health and safety. The evaluation is carried out with the aim of making improvements throughout the entire life cycle of a product, including product development, manufacturing and type-approval processes, and recycling.

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. No breaches of product information regulations were reported by NIBE units in 2013.

Type approved
We only sell products that are type-approved for their respective market. There were no reports in 2013 of incidents where NIBE companies failed to comply with good practice or contravened any rules in this area.

At the beginning of the year, NIBE acquired 60% of the Stovax Heating Group. The product range comprises both classic English free-standing stoves and large, modern inserts, as shown above. The company also has a broad range of stoves and inserts for gas and electric stoves used mainly for decorative purposes, which has added new product categories to the NIBE Stoves business area.
Heat pumps help save energy in society

The International Energy Agency (IEA) has identified heat pumps as a key technical advance in reducing the risk of extensive climate change. According to statistics from the Swedish Environmental Protection Agency, the shift in methods used to heat homes in Sweden has contributed to a 75% reduction in emissions of greenhouse gases related to energy consumption in Swedish buildings.

**Annual energy saving**

There are over one million heat pumps in use in Sweden today. Heat pumps are installed in more than one in two homes. The annual energy saving in these heat pumps amounted to 12 TWh in 2013. This calculation is based on the number of heat pumps of each type used in Sweden in 2013.

In 2013 Swedish heat pumps contributed to an energy saving of 12 TWh

**Nuclear electricity production**

The energy saving achieved by heat pumps in Sweden exceeded Oskarshamn nuclear power plant’s entire production for 2013, which amounted to 11.7 TWh. The energy saving contributed by heat pumps in Sweden in 2013 corresponds to 9% of the country’s total electricity consumption.

In 2013 Oskarshamn nuclear power station produced approximately 12 TWh

**Boosting renewable energy**

In 2013 the Swedish heat pumps supplied almost 11 TWh of renewable energy. That is 20% more than all the energy produced by wind power in 2013 (9.9 TWh). The increased use of heat pumps is boosting consumption of renewable energy by almost 1 TWh a year.

In 2013, Swedish heat pumps supplied renewable energy totalling 11 TWh

**Reducing heating costs**

In 2013, households’ and companies’ heat pumps helped reduce heating costs by about SEK 19 billion. The calculation is based on SCB’s statistics on electricity prices for homes with electric heating (161 öre/kWh).

In 2013, heating costs decreased in 2013 by around SEK 19 billion

How much is 1 TWh?

- Domestic electricity to supply roughly 200,000 homes for one year
- Enough to run all Sweden’s trains, underground trains and trams for five months

The above calculations are based on statistics provided by the Swedish Energy Agency, Swedish Environmental Protection Agency, Swedish Heat Pump Association and Statistics Sweden, along with our own estimates.
Product development

To meet the international market’s expectations in terms of energy efficient, environmentally sound and cost-effective turnkey solutions for heating and indoor comfort, we are continually recruiting highly trained engineers with specialist expertise within our priority business areas. We also have our own inhouse trainee programme.

Product development process

The development of new market-adapted and competitive products is a highly significant success factor for our business.

To meet the international market’s expectations in terms of energy efficient, environmentally sound and cost-effective turnkey solutions for heating and indoor comfort, we are continually recruiting highly trained engineers with specialist expertise within our priority business areas.

International exchanges and partnerships between our various R&D businesses also has an increasing impact on the development of new products.

Despite the economic downturn of the past few years we have continued to expand our R&D resources and have further consolidated our reputation for technically competitive solutions in Europe.

We have also invested in a completely new laboratory at ait-deutschland in Kasendorf, which will be officially opened in spring 2014.

Work is also underway in our R&D units to integrate cutting-edge European heat-pump technology with North America’s traditional use of ducts to distribute both heating and cooling.

Continual improvement process

Continual improvements are also essential to achieve the goals we have set for ourselves to integrate of innovative solutions into high-quality, eco-friendly, easy-to-use products with an appealing design.

Market requirements vary and the ambition is to meet different preferences with a basic concept that nevertheless offers the potential for market adaptations. Our two specialist R&D centres for heat pumps in Sweden and Germany respectively are widely regarded as world-class.

The development process can be divided into four key stages:

- Identification of market needs
- Project implementation
- Market launch
- Follow-up

In each stage there are a number of sustainability aspects that must be identified and assessed.

Product development will be characterised by:

- Improved efficiency and reduced energy consumption
- Maximised use of renewable energy
- Improved control options (remote communication/control)
- Convertibility (heating in winter/cooling in summer)
- Recyclability/environmental adaptation
- Continual improvements in design
- Better all-round economy

A completely new generation of air/water heat pumps within the monobloc category as a complement to the range of air/water heat pumps for larger properties. The unique feature of these products is the use of propane as a refrigerant, which is eco-friendly and has a low GWP, Global Watt Potential.
A heatpump’s life cycle

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 conducted dismantling tests on a selection of our new products in order to assess their recyclability.

In the first stage of the test the heat pump is dismantled manually and the refrigerant 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 reused in one form or another.

There is more interest from stakeholders in different environmental performance analyses. We have started to work with evaluate different tools for presenting LCH footprints to meet future requests and demands.
Employees and operations
Social responsibility

8,983

In 2013, the average number of employees was 8,983 (8,006), of which 87% (84%) were based outside Sweden. In high-cost countries we concentrate on innovative development units and production plants with a high degree of automation and rationalisation. In countries with lower cost levels we focus on efficient manufacturing of products that are exposed to stiff competition. At the same time our presence in these areas is very important in light of the fact that they also constitute potential growth markets for our products.

Tough requirements and good development opportunities
We expect our employees to work hard and produce good results. We also offer freedom with responsibility, we value common sense and simplicity and we try to avoid unnecessary bureaucracy. We provide plenty of opportunities for career development and many of our employees stay with us for a long time. While staff turnover has risen slightly over the past three years, it still remains comparatively low. We also receive a lot of applications from individuals wishing to work at our units.

Gender equality
Our business is male-dominated and the proportion of female employees is 36% (32). The percentage of women on the Group Board of Directors is 17% (17), and 0% (0) in Group management. During the year, nothing emerged to indicate that we had infringed any guidelines relating to gender equality.

Training and education
The priority for us is to have people who show commitment and who have the right skills. That is why every year we provide a significant number of training sessions, often with the help of specialists from among our own employees. In 2013 these sessions amounted to more than 65,000 hours (75,000) of training, which corresponds to approximately seven hours per employee. Training and education on such subjects as the environment, working environment and health and safety corresponded to roughly 3 hours (2) per employee. In some of our companies we offer apprenticeship programs and also offer special education programs in close relationship together with schools.

Employees by business area

Employees by continent

Average number of employees past five years

Age structure of the workforce (%)
Salary levels
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 2013 salaries and other remuneration, including social contributions, amounted to SEK 2,459 million (2,301).

Key ratios

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average number of employees</td>
<td>8,983</td>
<td>8,006</td>
<td>6,895</td>
</tr>
<tr>
<td>Percentage administrative staff</td>
<td>% 30</td>
<td>32</td>
<td>31</td>
</tr>
<tr>
<td>Percentage women</td>
<td>% 36</td>
<td>32</td>
<td>33</td>
</tr>
<tr>
<td>Average age yrs</td>
<td>40</td>
<td>40</td>
<td>39</td>
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<tr>
<td>Average period of service yrs</td>
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<td>8.1</td>
<td>7.3</td>
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<tr>
<td>Workforce turnover</td>
<td>% 7.4</td>
<td>7.0</td>
<td>5.9</td>
</tr>
<tr>
<td>Number of graduates</td>
<td>966</td>
<td>801</td>
<td>753</td>
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<tr>
<td>Proportion of employees in Sweden</td>
<td>% 13</td>
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<td>20</td>
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<tr>
<td>Sickness, short-term</td>
<td>% 2.6</td>
<td>2.8</td>
<td>2.6</td>
</tr>
<tr>
<td>Sickness, long-term</td>
<td>% 2.4</td>
<td>2.1</td>
<td>2.4</td>
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</tbody>
</table>

Policies

The Code of Conduct is a statement of the NIBE Group’s fundamental values and provides a background to the main policies. Group policies on the natural and working environments, quality and communication form the basis for local policies that are implemented in individual Group companies own environmental, quality and work environment management systems.

The commitments in the policies drawn up by the individual companies must never fall below the standards established in the Group policies.

Performance and career development reviews

Formal performance appraisal reviews are conducted at around half of our plants; almost 1,300 employees (1,000) took part in these reviews in 2013.

Our Values

NIBE employees around 9,000 people in 20 countries, all of whom bring a wealth of experiences and knowledge from different cultural backgrounds. In “Our Values” we highlight the importance of a shared approach to issues concerning respect for human rights, health and safety and the application of sound business ethics principles. The ethos behind “Our Values” is applied in the same way all over the world, and in 2013 the Group’s managers continued to communicate these fundamental principles to our employees. We are convinced that a responsible approach to business strengthens the brand, boosts our reputation and profitability and makes NIBE an attractive employer.
Health and safety

We work preventively with issues relating to health and safety. Examples include risk analyses, work environment surveys, refresher courses and work with production plant safety committees. Our own workplace surveys and risk analyses were carried out at some 25 units during the year to identify hazards such as handling of chemicals, lighting and exposure to dust.

Certified management systems for working environments (OHSAS 18001) are in place at six of the companies and cover eight plants. Many of the units are regularly inspected by the work environment authorities and some 15 inspections were carried out in 2013. The outcome of the inspections was mainly positive, however a few minor irregularities were noted, relating to such issues as fire risks, noise and exposure to chemical substances. Corrective measures have already been taken or are underway.

In 2013 a total of 147 (179) accidents at work resulting in more than one day’s absence were reported (Lost Work Case; LWC). The accidents resulted in 3,241 (3,192) lost workdays (Lost Work Days; LWD).

The most common causes of injury were accidents involving machines and equipment, heavy lifting and repetitive strain as well as cuts and injuries as a result of falling or slipping. Around 60% (50) of the companies have implemented systems for recording workplace incidents ("near misses").

In 2013 four cases (20) of work-related illness were registered. The cases were related to muscular and skeletal diseases.

<table>
<thead>
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<th>2013</th>
<th>2012</th>
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<tr>
<td>Lost Work Cases</td>
<td>147</td>
<td>179</td>
<td>143</td>
<td>214</td>
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<tr>
<td>Frequency*</td>
<td>2.0</td>
<td>2.8</td>
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<tr>
<td>Lost Work Days</td>
<td>3,241</td>
<td>3,192</td>
<td>2,598</td>
<td>4,167</td>
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<td>Severity**</td>
<td>32</td>
<td>49</td>
<td>54</td>
<td>96</td>
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</tbody>
</table>

* LWC/total worked hours x 200,000
** LWD/total worked hours x 200,000

Improved conditions with safe machines
Safe machines and equipment at all facilities are an essential part of creating a safe environment. NIBE works to continually develop its management of existing and new machines to improve the conditions necessary to ensure a safe work environment.
Environmental responsibility

NIBE has operations in around 20 countries worldwide. In manufacturing plants we process metals and other materials, weld, enamel, paint and assemble a large number of different products. We acquire raw materials and components from thousands of suppliers and ship finished products all over the world. All of these activities have an impact on the environment.

**Significant direct environmental aspects for NIBE are:**
- The use of natural resources such as energy, water, raw materials and components.
- Environmental and health hazards associated with the use of chemicals.
- Atmospheric emissions of greenhouse gases and other pollutants.
- Generation of solid and liquid waste.

**Main indirect environmental aspects include:**
- Environmental issues that are a result of the supplier activities, products and services.
- Transportation of raw materials and finished products.
- The use of NIBE’s products and services. This is mainly a positive aspect as many of the Group’s products contribute to reductions in energy use, increases in the use of renewable fuels and reductions in the emissions of greenhouse gases.

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.

Certified management systems create credibility

Certified management systems are one of the core components of NIBE’s strategy for the continual improvement of our quality work. It goes without saying that we apply the same approach to environmental, health and safety issues. Currently 25 companies are certified according to ISO 9001 and another 15 plants according to ISO 14001 and OHSAS 18001. Working with these standards has been a positive experience and we can confirm that risks and costs are declining and that the standards contribute to raising confidence among our stakeholders. During the coming years we will continue to implement certified management systems.
Energy consumption
A cold winter in some parts of the world, additional manufacturing plants, and higher production volumes caused a rise in energy consumption in 2013 to 143 GWh (130). On the positive side, a number of actions were taken to increase energy efficiency. This affected the Group Key Performance Indicator (GWh/SEK million sales) which remained unchanged.

About 62% (60) of the utilized energy was based on electricity and district heating and the remainder on fossil fuels and biofuels. In Europe we continued to purchase electricity from renewable sources and this means that 80% of the overall consumption of electricity is based on GoD certificates for renewable energy. Currently 48% (50) of NIBE’s energy needs are met by the use of biofuels, wind power, solar power and electricity produced from hydropower.

Environmental performance

Measures to increase energy efficiency at our plants are prioritized and actions during 2013 included;

• **Buildings and equipment** – Improved insulation and replacement of less energy-efficient machinery, furnaces, lighting, compressors and ventilation systems.

• **Awareness programmes** – Improved production planning, training programmes for employees and shut down of equipment and ventilation during idle time.

• **Use of own heat pumps** – We continue to install heat pumps at NIBE’s facilities and currently there are around 110 heat pumps (100) that save energy and reduce our carbon footprint.
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.

In addition to metals and metal oxides, we use significant amounts of composites, components, chemicals, paint, plastic and packaging materials. Approximately 2,000 tonnes of plastics were used during the year. The dominating plastic is polyurethane that is used in insulation for electric water heaters and other products. Around 10 tonnes of recycled plastics were used during 2013. Other important raw materials are wood, concrete, soapstone, enamel, cardboard and various insulating materials. In a life-cycle perspective many of our raw materials and components can be recycled.

Around 30 tonnes of solvents were consumed in 2013, where 6 tonnes (6) of trichloroethylene and other chlorinated hydrocarbons were used to degrease metals. To reduce environmental and health risks, solvent-free technology is planned to be introduced at four of the units. In all, we used approximately 400 tonnes (300) of paint, glue and adhesives in 2013; around 70% (85) of the paints and coatings are free from organic solvents.

We have focused on the use of hazardous chemicals during the manufacturing processes and in the finished products. In the context of the REACH and RoSH Directives, and IMDS for the automotive industry, we provide our customers with information about hazardous materials, for example in the form of product declarations. In total there are a handful of chemicals that are selected for substitution, or other risk reducing measures.

Water issues

In 2013 NIBE's units consumed around 236,000 m$^3$ (240,000) of water where 98% (98) was supplied by municipal waterworks. Water is mainly used for sanitary purposes, cleaning, cooling of furnaces and equipment and for testing of certain products. Closed systems for cooling water have been installed at several factories to reduce overall water consumption. To date, more than ten plants have concrete plans for further reduction of the water footprint.

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. Around ten units have wastewater monitoring programmes and measurements during the year confirmed that discharges of pollutants to water were below permitted levels. At one plant the limit for concentration of phosphorous in wastewater was exceeded.
Waste

The reported volume of waste rose in 2013, which was due to increased production volumes and additional manufacturing units, but also to improved methods for registering the weight of waste. In 2013 the amount of waste was 14,050 tonnes (12,640), of which hazardous waste comprised about 1,300 tonnes (1,400). Material and energy recycling levels correspond to 76% (75) of the total volume and most of the material recycled in 2013 consisted of metals. Around half of NIBE’s units have introduced detailed targets to reduce the amount of scrap and waste.

Waste categories

<table>
<thead>
<tr>
<th>Waste categories</th>
<th>% of total use</th>
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<tbody>
<tr>
<td>Waste to external recycling</td>
<td>9%</td>
</tr>
<tr>
<td>Hazardous Waste</td>
<td>7%</td>
</tr>
<tr>
<td>Waste to incineration with energy recovery</td>
<td>3%</td>
</tr>
<tr>
<td>Waste to landfill</td>
<td>5%</td>
</tr>
<tr>
<td>Other</td>
<td>67%</td>
</tr>
<tr>
<td>Waste to incineration without energy recovery</td>
<td>9%</td>
</tr>
</tbody>
</table>

Emissions to the atmosphere

NIBE’s carbon footprint has been reduced in recent years. The purchase of GoO certificates for renewable electricity, which at the moment can only take place in Europe, has significantly lowered the Group’s carbon dioxide emissions. In addition to that, energy efficiency measures at the production plants are also helping to reduce our carbon footprint and we practice what we preach by installing more than 100 heat pumps at our plants. Biofuel, solar and wind power are used at several units.

During 2013 the Group’s total carbon dioxide emissions increased and this is mainly attributable to indirect emissions from purchased electricity at units acquired outside Europe. Emissions in 2013 totalled approximately 22,100 tonnes (19,000), of which around 53% (45) were indirect emissions from purchased electricity.

The transportation of raw materials, finished products and people is another factor that contributes to overall carbon dioxide emissions, but as yet no comprehensive figures are available for this. However, at NIBE AB a monitoring scheme was introduced during 2013, which demonstrated that 2,500 tonnes of carbon dioxide were emitted during the transport of 25,200 tonnes of goods. At almost half of the units, measures were taken to reduce the environmental impact of transports. Some examples are coordinating shipments, avoiding unnecessary transports, increasing the use of “milk runs”, rationalising travel for service personnel, increasing the use of video conferences and purchasing company vehicles that are more fuel efficient.

The emission of volatile organic compounds (VOCs) was 30 tonnes (20) during 2013. Emissions of sulphur dioxide and nitrogen oxides (mostly from the use of fuel oil) were around 11 tonnes (8). Ozone depleting chemicals (HCFCs) are used in air conditioning equipment and in the testing of heat pumps. In 2013, 27 kg total amount of installed 870 kg was emitted to the atmosphere. One complaint from neighbours regarding particulates and welding fumes was registered in 2013.
Management of risks

We conduct environment-related risk assessments and apply the precautionary principles. This includes, for example, the effects of new environmental legislation, changes in customer requirements, climate change, soil pollution and the presence of hazardous substances.

In 2013, 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.

Underground storage tanks are present at 11 of the sites. In most cases the tanks contain heating oil, gas or wastewater.

During 2013 no significant spills to soil or groundwater were registered. Soil pollutants have been detected at two sites in Denmark and one site in the Czech Republic. The plants in Markaryd are classified in terms of the risk of soil pollution according to the Swedish Environmental Protection Agency’s method (Mifo) for the inventory of potentially contaminated sites. The risk was classified as “moderate” and at present no intrusive investigations are foreseen. Overall it is not possible to fully estimate the extent of any future costs associated with the known or unknown pollution of soil and ground water. In all known cases, it has been confirmed that the NIBE Group cannot be held responsible for remediation actions.

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. Another plant is located closest to a river with some risk of flooding. None of the manufacturing plants are located close to areas that are classified as diversity rich or are subject to ecological restrictions.

Legal requirements

The development of national and international environmental legislation has an important 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, CLP and MSDS regarding labelling and risk information for chemicals (see Glossary for definitions).

Swedish Environmental Code

Under the terms of the Swedish Environmental Code our Swedish plants require a permit to operate, or must notify the relevant supervisory authorities of their operations. Around 20 units in countries outside Sweden hold an environmental licence or other type of permit. None of these manufacturing facilities plan to renew permits or report any major changes to its operations in 2014. Roughly 10 plants are for various reasons not required to apply for environmental licences.

Frequent inspections

It is common that the permitted units submit regular environmental reports to the relevant supervisory authorities. As a part of this process the authorities conduct more or less frequent inspections. In 2013, ten plants were inspected and no major non-conformances were identified. Overall there were a couple of registered non-compliances with the environmental legislation during the year. In Poland, emission limits concerning noise, levels of lead and emissions into the atmosphere were breached. In Denmark limits concerning discharges of pollutants to wastewater were exceeded. There were no major fines or sanctions for non-compliance with environmental laws and regulations.
Economic responsibility

The NIBE Group’s commitment to sustainability combined with its stable financial foundation make NIBE an attractive business partner, as well as allowing us to manufacture products that help consumers to be more environmentally responsible. Our goal is to grow financially together with our customers, employees, suppliers and the society as a whole.

2013 in brief
In 2013 sales increased to SEK 9,833.6 million (9,192.3), and profit after net financial items rose to SEK 1,117.4 million (1,005.4). Earnings after tax increased to SEK 858.0 million (763.5). During the year 60 percent of the shares in Stovax Heating Group Ltd, UK and all the shares in the Danish Eltwin Group were acquired.

Environmentally-related investments and costs
In 2013 NIBE invested approximately SEK 19.5 million (2012: SEK 20 million) in measures relating to the environment and working environment. The majority of the investments were made in equipment for energy efficiency and improved working environment.

<table>
<thead>
<tr>
<th>Environmental costs (SEK m)</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environment and working environment</td>
<td>16.6</td>
<td>14.0</td>
</tr>
<tr>
<td>Energy</td>
<td>91.5</td>
<td>87.0</td>
</tr>
<tr>
<td>Water and sewerage</td>
<td>4.7</td>
<td>4.0</td>
</tr>
<tr>
<td>Environmental savings (SEK m)</td>
<td>12.4</td>
<td>2.5</td>
</tr>
</tbody>
</table>

Financial value for stakeholders
NIBE business operations generate financial value that is distributed among various stakeholders – not only employees, shareholders and creditors, but also society in general. In 2013 Group net sales totalled SEK 9,833.6 million (9,192.3); SEK 7,105.4 million (6,599.0) was distributed as shown in the table below.

<table>
<thead>
<tr>
<th>Stakeholder</th>
<th>Distributed value (SEK millions)</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2013</td>
<td>2012</td>
</tr>
<tr>
<td>Suppliers</td>
<td>4,103.9</td>
<td>3,803.8</td>
</tr>
<tr>
<td>Employees</td>
<td>2,459.5</td>
<td>2,299.1</td>
</tr>
<tr>
<td>Shareholders</td>
<td>220.4</td>
<td>220.5</td>
</tr>
<tr>
<td>Creditors</td>
<td>61.8</td>
<td>33.7</td>
</tr>
<tr>
<td>Society</td>
<td>259.4</td>
<td>241.9</td>
</tr>
</tbody>
</table>

The NIBE Group’s commitment to sustainability combined with its stable financial foundation make NIBE an attractive business partner, as well as allowing us to manufacture products that help consumers to be more environmentally responsible. Our goal is to grow financially together with our customers, employees, suppliers and the society as a whole.
NIBE around the world
NIBE around the world

NIBE’s vision is to create world-class solutions in sustainable energy. The commitment of management and employees at all our units is one of the most important driving forces to implementing this vision. Over the course of a year actions are taken all over the world to improve the performance of our products and processes, for example, application of innovative technology, phasing out of fossil energy, reduction of waste and energy saving measures. Join us on a tour of NIBE’s world to learn more about some of the highlights during 2013.

**Sweden**

<table>
<thead>
<tr>
<th>Company</th>
<th>Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>Backer BHV</td>
<td>Increased efforts to evaluate suppliers. Energy saving measures were implemented and employees were encouraged to use trains to commute to the job.</td>
</tr>
<tr>
<td>Calesco</td>
<td>Finalised an energy survey and took actions reduce energy consumption, for example, installation of more energy efficient lighting systems.</td>
</tr>
<tr>
<td>NIBE AB</td>
<td>Made heat pump assembly fully based on fossil free-energy. Actions were taken to reduce the amount of hazardous waste and waste to landfills. The water footprint was reduced by 50 percent by installing closed loop systems for testing of heat pumps.</td>
</tr>
</tbody>
</table>

**Denmark**

<table>
<thead>
<tr>
<th>Company</th>
<th>Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>Danotherm</td>
<td>Made all employees participate in first aid training and actions were implemented at the building to save energy.</td>
</tr>
<tr>
<td>KVM-Conheat</td>
<td>Improved insulation of buildings and improved ergonomics at the workplaces.</td>
</tr>
<tr>
<td>Metro Therm</td>
<td>Improved insulation of the warehouse, heat recovery in the assembly hall and improved ergonomics.</td>
</tr>
<tr>
<td>Genvex</td>
<td>Carried out risk analyses at workplaces and reduced the consumption of gas and electricity.</td>
</tr>
<tr>
<td>Jevi</td>
<td>Installed motion controlled lighting in the production areas, a new control system for heating and frequency-controlled air compressors.</td>
</tr>
<tr>
<td>SAN Electro Heat</td>
<td>Continued with efforts to replace trichloroethylene as a degreasing agent and took actions to reduce the energy consumption.</td>
</tr>
</tbody>
</table>

**Norway**

<table>
<thead>
<tr>
<th>Company</th>
<th>Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>Backer</td>
<td>Implemented a system that constantly monitors electricity consumption with the aim of reducing the use of fuel oil.</td>
</tr>
<tr>
<td>Høiax</td>
<td>Started to implement ISO 9001 and ISO 14001 and has assessed all production with regard to the RoHS Directive.</td>
</tr>
</tbody>
</table>

**Finland**

<table>
<thead>
<tr>
<th>Company</th>
<th>Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loval</td>
<td>Improved the cooling system which resulted in reduced water consumption.</td>
</tr>
<tr>
<td>Kaukora</td>
<td>Carried out risk analyses at their workplaces and implemented measurers to reduce physical strain. An 800 m heat source well was drilled for heating of the new laboratory building.</td>
</tr>
<tr>
<td>Akvaterm</td>
<td>Started implementing ISO 9001 and ISO 14001.</td>
</tr>
</tbody>
</table>

**Poland**

<table>
<thead>
<tr>
<th>Company</th>
<th>Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>Backer OBR</td>
<td>Built a new production hall, high storage warehouse and external infrastructure during 2012/2013. This investment is improving the work safety. Investment in construction of a water tank (170 m3) will result in better access to water during a fire. In addition to that, the tank can be used in the future for accumulation of surplus energy from the production processes.</td>
</tr>
<tr>
<td>Northstar</td>
<td>Invested in new racks in the stone factory and replaced old unsafe production equipment. A number of actions were taken to reduce energy consumption, for example, installation of heat exchangers.</td>
</tr>
<tr>
<td>NIBE-Biawar</td>
<td>Improved the separation of waste and implemented new procedures for the management of hazardous waste. Actions were taken to inform suppliers about NIBE’s Code of Conduct and policies.</td>
</tr>
</tbody>
</table>
Switzerland
Schultess in Wolfhausen continued with the implementation of the health and safety project. This resulted in a significant reduction in workplace accidents since 2011. Several measures were taken to reduce energy consumption and emissions of carbon dioxide, for example, replacing gasoline vehicles.

Russia
Backer ELC in Teufenthal settled down in their new location and some minor adjustments were made to the layout, machines and the health and safety arrangements.

Netherlands
Sinus Jevi in Medemblik carried out an annual risk analysis. Progress was made with the implementation of ISO 14001.

Czech Republic
DZD in Benátky Nad Jizerou continued with the development of energy saving products. Two gas boilers were replaced by a heat pump. All suppliers were informed about NIBE’s Our Values.

Eltop Praha in Miretice finalized the reconstruction of offices and the ammonia station.

Backer Elektro in Hlinsko improved the workplaces for spiral coiling and spotting. Electricity savings were achieved by the installation of a compensation unit in the transformer.

Italy
Backer FER in San Agostino upgraded the changing rooms for employees and took measures to improve the monitoring of gas consumption.

Spain
Backer Facsa in Aigüafreda reduced energy consumption. Measures included changing of thyristors in ovens, installation of additional light switches and installation of more energy efficient machinery.

Austria
KNV Energie-technik in Schörfling developed a more energy efficient heat pump controller.

Russia
CJSC Evan in Nizhny Novgorod they recycling of paper was improved and there was increased focus on medical examinations of employees. Energy saving lighting was installed.

UK
Heatrod Elements changed from nitrogen bottles to an in-house nitrogen processing. Extraction equipment was installed for all brazing operations.

Germany
Alpha InnoTec in Kasendorf, a new warehouse was constructed at LED lighting is fully utilized and the warehouse is heated by heat pumps.

Mexico
Backer Alpe in Monterrey reduced electricity consumption during peak hours and controlled air leaks from compressors throughout the factory.

Backer in Tlahuac was closed and all industrial type heat- ers were transferred to the Monterrey facility.

Backer in Toluca replaced ovens to reduce gas consumption and improved safety, for example, by installing sensors and guards at machinery.

Italy
Backer FER in San Agostino upgraded the changing rooms for employees and took measures to improve the monitoring of gas consumption.

Spain
Backer Facsa in Aigüafreda reduced Energy consumption. Measures included changing of thyristors in ovens, installation of additional light switches and installation of more energy efficient machinery.

China
Backer HTS in Shenzen optimized the design of the Flowthru Heater to reduce the thickness and thereby energy consumption.
Global Reporting Initiativ (GRI)
About the Sustainability Report

Purpose
The purpose of this report is to provide an overview of NIBE’s sustainability performance during the 2013 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. We have started to implement the GRI G4 guidelines, a process that will be continued during 2014–2015.

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 Stovax Group, Eltwin A/S and Eltwin s.p.z.o.o (acquired in 2013) are not included in the report. A total of 36 (35) organisations worldwide contributed to the report. The table lists all the plants that constituted the NIBE Group at the end of 2013.

Reporting principles
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 above figure.

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 the 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.

Manufacturing companies in the NIBE Group

<table>
<thead>
<tr>
<th>Country</th>
<th>Company</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sweden</td>
<td>NIBE AB</td>
<td>Markaryd (3 plants)</td>
</tr>
<tr>
<td></td>
<td>Backer BHV Calesco</td>
<td>Kolbäck</td>
</tr>
<tr>
<td></td>
<td>Backer BHV</td>
<td>Sösdala, Tjörnarp</td>
</tr>
<tr>
<td>Denmark</td>
<td>Danotherm Electric A/S</td>
<td>Rødovre</td>
</tr>
<tr>
<td></td>
<td>JEVI A/S</td>
<td>Vejle</td>
</tr>
<tr>
<td></td>
<td>KVM-Conheat A/S</td>
<td>Vissenbjerg</td>
</tr>
<tr>
<td></td>
<td>SAN Electro Heat A/S</td>
<td>Græsted</td>
</tr>
<tr>
<td></td>
<td>Metro Therm A/S</td>
<td>Helsinge</td>
</tr>
<tr>
<td></td>
<td>Genvex</td>
<td>Haderslev</td>
</tr>
<tr>
<td></td>
<td>Eltwin</td>
<td>Risskov</td>
</tr>
<tr>
<td>Finland</td>
<td>Kaokora Oy</td>
<td>Raisio, Turko</td>
</tr>
<tr>
<td></td>
<td>Loyal Oy</td>
<td>Lovisa</td>
</tr>
<tr>
<td></td>
<td>Øy Meyer Vastus AB</td>
<td>Monnikylä</td>
</tr>
<tr>
<td></td>
<td>Akvatemr Oy</td>
<td>Kokkola</td>
</tr>
<tr>
<td>Norway</td>
<td>Haiax AS</td>
<td>Fredrikstad</td>
</tr>
<tr>
<td></td>
<td>Norske Backer AS</td>
<td>Kongsvinger</td>
</tr>
<tr>
<td>Austria</td>
<td>KNV Energitechnik GmbH</td>
<td>Schöfling am Attersee</td>
</tr>
<tr>
<td>Switzerland</td>
<td>Backer ELC AG</td>
<td>Teufenhal</td>
</tr>
<tr>
<td>Germany</td>
<td>Schultess Maschinen AG</td>
<td>Hilsenkö</td>
</tr>
<tr>
<td></td>
<td>Alpha InnovTec GmbH</td>
<td>B. Nad Jizerou</td>
</tr>
<tr>
<td></td>
<td>Casendorf</td>
<td>Mirecine</td>
</tr>
<tr>
<td></td>
<td>Kasendorf</td>
<td>S. Agostino</td>
</tr>
<tr>
<td></td>
<td>Milano</td>
<td>Milano</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>DZ Drazice – Strojírna s.r.o.</td>
<td>Medemblik</td>
</tr>
<tr>
<td></td>
<td>Etop Praha s.r.o.</td>
<td>Pyrzycz, Warnice</td>
</tr>
<tr>
<td>Italy</td>
<td>Backer FER s.r.l.</td>
<td>Stargard Szczeciński</td>
</tr>
<tr>
<td></td>
<td>Reba</td>
<td>Bialystok</td>
</tr>
<tr>
<td></td>
<td>S. Agostino</td>
<td>Trzcinia</td>
</tr>
<tr>
<td></td>
<td>Milano</td>
<td>Szczecin</td>
</tr>
<tr>
<td>Netherlends</td>
<td>Sinus-Jevi Electric Heating B.V.</td>
<td>Medemblik</td>
</tr>
<tr>
<td>Poland</td>
<td>Backer OBR Sp. z.oo.</td>
<td>Pyrzycz, Warnice</td>
</tr>
<tr>
<td></td>
<td>NIBE-BIAWAR Sp. z.oo.</td>
<td>Stargard Szczeciński</td>
</tr>
<tr>
<td></td>
<td>Northstar Poland Sp. z.oo.</td>
<td>Bialystok</td>
</tr>
<tr>
<td></td>
<td>Eltwin</td>
<td>Trzcinia</td>
</tr>
<tr>
<td>Spain</td>
<td>Backer Fasca S.L.</td>
<td>Szczecin</td>
</tr>
<tr>
<td>UK</td>
<td>Heatrod Element Ltd</td>
<td>Alguafreda</td>
</tr>
<tr>
<td></td>
<td>Stovax Group</td>
<td>Manchester</td>
</tr>
<tr>
<td></td>
<td>Exeter</td>
<td>Exeter</td>
</tr>
<tr>
<td>China</td>
<td>Backer HTI</td>
<td>Shenzhen</td>
</tr>
<tr>
<td>Mexico</td>
<td>Backer Alpe</td>
<td>Monterrey, Toluca</td>
</tr>
<tr>
<td></td>
<td>Backer EHP</td>
<td>Nuevo Laredo</td>
</tr>
<tr>
<td></td>
<td>Springfield Wire de Mexico S.A</td>
<td>Nuevo Laredo</td>
</tr>
<tr>
<td></td>
<td>Wiegand S.A de CV</td>
<td>Nuevo Laredo</td>
</tr>
<tr>
<td>Russia</td>
<td>CJSC Evon</td>
<td>Nizhny Novgorod</td>
</tr>
</tbody>
</table>
Global Reporting Initiative (GRI) Index

The 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 G4) set requirements for 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. If an organisation wishes to demonstrate that the report complies with the Guidelines, it must perform a self-assess-

ment of how GRI's Guidelines have been its in their sustainability report. NIBE has started to convert the report format from the previous GRI G3.1 at the B level to GRI G4 – a process that will continue throughout 2014-2015. We report under the Core option and have selected material aspects and associated indicators.

The tables below show the degree to which Nibe meets the minimum reporting requirements in accordance with GRI G4. (AR) refers to page numbers in the NIBE Annual Report 2013. SR refers to this Sustainability Report. Finally, we would like to stress that NIBE's application of GRI G4 is still under development.

G4-EN1 Materials used by weight or volume. SR 43
G4-EN2 Percentage of materials that are recycled input materials. SR 43

ENERGY

G4-EN3 Energy consumption within NIBE (direct). SR 42
G4-EN4 Energy consumption outside NIBE (indirect). SR 42
G4-EN5 Energy intensity SR 42
G4-EN6 Reduction of energy consumption. SR 42
G4-EN7 Reductions in energy consumption in products and services. SR 24-32

WATER

G4-EN8 Total water withdrawal per source. SR 43

EMISSIONS

G4-EN15 Direct greenhouse gas (GHG) emissions (scope 1). SR 44
G4-EN17 Other indirect greenhouse gas (GHG) emissions (scope 3). SR 44
G4-EN18 Greenhouse gas (GHG) emissions intensity. SR 44
G4-EN19 Reduction of greenhouse gas (GHG) emissions. SR 24-32, 44
G4-EN20 Emissions of ozone-depleting substances (ODS). SR 44
G4-EN21 NOx, SO2, and other significant air emissions. SR 44

EFFLUENTS AND WASTE

G4-EN25 Total water discharges by quality and destination. SR 43
G4-EN26 Total weight of waste by type and disposal method. SR 44
G4-EN27 Total number and volume of significant spills. SR 45

PRODUCTS AND SERVICES

G4-EN28 Extent of impact mitigation of environmental impacts of products and services. SR 24-32

COMPLIANCE

G4-EN29 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations. SR 43
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
**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. 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.

**CLP**
EU Regulation on Classification, Labelling and Packaging of chemical substances and mixtures.

**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, work-places 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.

**CSR/CR**
Corporate Social Responsibility and Corporate Responsibility are acronyms that are widely used to frame an organisation's environmental, social and economical responsibilities.

**Environmental aspect**
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 inclusion, siness, 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/HFCs**
Substances that deplete the atmospheric ozone layer.

**ISO 14001**
International standard relating to environmental management systems that was introduced in 1996. More than 300,000 organisations around the world are currently certified in accordance with ISO 14001. See also "Environmental management system".

**ISO 26000**
International guideline for social responsibility.

**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 (NOₓ)**
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.

**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.

**Whistleblowing**
The possibility for an NIBE employee to anonymously report misconduct, alleged dishonest or illegal activity.

**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 working environment. Such factors can include repetitive lifting or being exposed every day to solvent fumes.
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.