Creating sustainable value

Report on environmental and social responsibility 2011
NIBE Industrier is an international heating technology company. Operations are organised around three business areas – NIBE Energy Systems, NIBE Element and NIBE Stoves.

The NIBE Group has more than 8,000 employees in Europe, North America and Asia.

Each business area has its own operational management with responsibility for results. Issues that concern the Group as a whole, such as strategies, financing, corporate acquisitions, financial control and HR policy, are coordinated and regulated through the parent, which is a listed company.
NIBE Energy Systems
NIBE Energy Systems is a market leader for heat pumps in Europe and one of Europe’s major manufacturers of water heaters and other energy-efficient products for heating and cooling both private homes and larger premises.

NIBE Energy Systems has a wide range of energy-efficient products that enable end-users in single-family and multi-family properties to choose a solution that best suits their needs with regard to indoor climate comfort and hot water. Our unique expertise, the breadth of the range and our ability to offer, for example, water heaters with a choice of three types of corrosion protection – stainless steel, copper or enamel – exemplifies our resolve to satisfy the personal requirements of each and every customer.

The range comprises eight product areas:
- heat pumps
- domestic boilers
- ventilation products
- district-heating products
- solar panels
- domestic water heaters
- cooling equipment
- washing machines and tumble dryers.

NIBE Element
NIBE Element is one of the leading international manufacturers of components and systems for electric heating applications and for resistors.

NIBE Element’s product range comprises mainly components and systems for electric heating applications and electric resistors.

The range includes nine distinct types of element technology that can, in principle, be used both for heating elements and for resistors across a broad spectrum of applications:
- tubular elements
- aluminium elements
- foil elements
- thick film elements
- PTC elements
- high-power elements
- open spirals
- heating cables
- ceramic elements

NIBE Stoves
NIBE Stoves is the European market leader in wood-burning stoves. The market comprises new and existing private homes and holiday homes.

The NIBE Stoves product range is based on products with a Scandinavian design that have been adapted to the needs and expectations of targeted foreign markets in terms of both styling and technology.

The range comprises seven product groups:
- wood-burning stoves, with metal exteriors or surrounds in soapstone, tiles, etc.
- masonry stoves
- cast-iron stoves
- tiled stoves
- wood-burning inserts
- chimney systems
- wood-stove accessories.
The year in figures

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
<th>Change</th>
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<tbody>
<tr>
<td>Net sales (SEK m)</td>
<td>8,139.8</td>
<td>6,511.5</td>
<td>25 %</td>
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<tr>
<td>Growth</td>
<td></td>
<td></td>
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<tr>
<td>Operating profit (SEK m)</td>
<td>991.3</td>
<td>796.1</td>
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<td>Profit after net financial items (SEK m)</td>
<td>941.2</td>
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<td>Investments (SEK m)</td>
<td>3,815.2</td>
<td>405.9</td>
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<td>of which in existing plant &amp; machinery (SEK m)</td>
<td>333.4</td>
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<td>Gross margin (%)</td>
<td>15.6</td>
<td>15.5</td>
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<tr>
<td>Operating margin (%)</td>
<td>12.2</td>
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<tr>
<td>Profit margin (%)</td>
<td>11.6</td>
<td>11.4</td>
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<tr>
<td>Capital employed (SEK m)</td>
<td>9,337.5</td>
<td>3,615.5</td>
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<tr>
<td>Equity (SEK m)</td>
<td>4,487.2</td>
<td>2,482.7</td>
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<tr>
<td>Return on capital employed (%)</td>
<td>16.0</td>
<td>22.2</td>
<td>- 28 %</td>
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<tr>
<td>Return on equity (%)</td>
<td>19.9</td>
<td>23.4</td>
<td>- 15 %</td>
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<tr>
<td>Return on total assets (%)</td>
<td>12.3</td>
<td>16.4</td>
<td>- 25 %</td>
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<tr>
<td>Assets turnover times</td>
<td>0.96</td>
<td>1.31</td>
<td>- 26 %</td>
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<tr>
<td>Equity/assets ratio (%)</td>
<td>38.2</td>
<td>48.2</td>
<td>- 21 %</td>
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<tr>
<td>Proportion of risk-bearing capital (%)</td>
<td>43.2</td>
<td>50.9</td>
<td>- 15 %</td>
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<tr>
<td>Operating cash flow (SEK m)</td>
<td>786.7</td>
<td>620.8</td>
<td>27 %</td>
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<tr>
<td>Net debt/EBITDA times</td>
<td>3.0</td>
<td>0.7</td>
<td>325%</td>
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<td>Interest cover times</td>
<td>10.7</td>
<td>11.8</td>
<td>- 9 %</td>
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<tr>
<td>Interest-bearing liabilities/Equity (%)</td>
<td>108.1</td>
<td>45.6</td>
<td>137 %</td>
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<td>Average number of employees</td>
<td>6,895</td>
<td>5,945</td>
<td>16 %</td>
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Sales by geographical region

Acquisition of
- operations in Thermtec Ltd, UK
- Element Division of Electrolux Professional AG, Switzerland
- remaining 25% stake in CJSC EVAN, Russia
- 98.7% stake in the Schulthess Group AG, Switzerland
- Element Division of Emerson Electric Co, USA
- 10% stake in Enertech Global LLC, USA
Welcome to NIBE’s report “Creating Sustainable value”. In the report we present the Group’s performance in terms of the GRI (Global Reporting Initiative) indicators concerning environmental, social and economical responsibility. The aim is to present our strategy and achievements in a straightforward, transparent and informative way for interested parties. The report should be seen as a platform for dialogue with business partners, investors, employees and other stakeholders.

While sustainability and sustainable value creation are relatively new terms, the concepts they represent have always been part of the way we work at NIBE. Careful use and husbanding of nature’s resources has always come naturally to us. Combined with our business idea of developing energy-efficient products, this makes sustainability and sustainable value creation cornerstones of our approach to business.

In 2011 we undertook a comprehensive update of the Group’s work on sustainable development. The review resulted in a new Code of Conduct and new policies in a number of key areas. The guidelines were collated under ‘Our Values’, which – together with ‘Our Business Principles’ – form an integral part of ‘Sustainable Value Creation’. ‘Our Business Principles’ and ‘Our Values’ have now been made available in 14 languages to reach all of our employees. In addition, senior management staff in all of the Group’s companies invested much time and effort in 2011 in informing all employees about the content of these documents and their implication for our day-to-day work.

Other issues during 2011 that I would like to highlight are:

• The unique feature of our products is primary to save energy and thereby reducing the carbon footprint of ten thousands of private homes and many multi-occupancy dwellings and other premises. We therefore strive to improve the performance and quality of our products, as well as the efficiency of the manufacturing methods. The result of the work is good for our business and for the environment.

• We have increased the effort to implement ISO 14001 at all manufacturing plants and another six plants were certified in 2011. I am convinced the environmental management systems will help to be systematic in our approach to be as resource efficient as possible.

• We are practising what we preach and at a number of plants we have replaced fossil fuel for heating of buildings with heat pumps and introduced renewable energy sources. In combination with energy saving measures this support our long-term strategy to reduce our own carbon footprint.

Finally, I would like to put focus on all the measures that are taken at our plants to reduce risks at the workplaces and congratulate Backer in Sösdala for 750 working days without an accident.

Markaryd, Sweden – April 2012

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

Our corporate values
By following the guidelines in a number of key areas as laid down in our corporate values, we can:

• Contribute to the sustainable development of society, including quality of life aspects such as good health and social welfare.
• Meet the expectations of our stakeholders.
• Comply with relevant laws and appropriate international codes of conduct.
• Integrate the concept of corporate social responsibility into the work of the entire concern and apply it in our dealings with co-workers, customers, suppliers and other stakeholders.

Responsibility and governance
To be able to manage, control and follow up the sustainability activities and performance we utilize the following elements that forms the “NIBE sustainability tool-kit” (see figure on p.8)

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

• Respect for human rights – the underlying principle here is respect for our employees and their human rights.
• Good working conditions – the underlying principle is to maintain a high standard in the working environment at all the Group’s manufacturing plants and to contribute to the personal and professional development of employees.
• Reduced environmental impact – applying a holistic view of environmental work in everything from product development activities and choice of materials to transport, product functionality and recycling at the end of the product’s useful life.

Sustainable development creates added value

The booklet Our Values are available in 14 languages and is distributed to all NIBE employees.
• Sound business ethics – guidance on matters such as honesty, decency, corruption, conflicts of interest, competition law and transparency.

• Requirements on suppliers – underlining the need to work with suppliers who are prepared to comply with our code of conduct, quality criteria and business principles.

• Product quality and product safety – the underlying principle is to pay due regard to all factors with a bearing on the quality, safety and environmental adaptation of our products.

• Social commitment – the underlying principle is, wherever possible, to become involved in the local community in the cities and regions where we are active.

• Transparency – the underlying principle is to ensure that all our communication is open and honest and to observe the appropriate laws, rules and norms.

Policies
We have produced a number of policies on issues such as the environment, health and safety, quality and communication. These form the basis for the local business management systems implemented in the various Group companies.

Legal compliance
NIBE’s business operations are surrounded by a massive bulk of legal requirements. It is our ambition to maintain high standards in our environment, health, safety, quality and social management, where local laws and regulations are the minimum accepted level. We frequently monitor the compliance with current legislation and systematically evaluate the development of government policy instruments.

Precautionary principle
We apply the precautionary principle in our operations by systematically assessing, managing and communicating the environmental, economic and social risks associated with the Group’s activities.

Sustainability Report
We aim to maintain open communications with the local community, authorities and other stakeholders. We support our local community through cooperation with relevant organizations and local government on issues that are strategically important to us, or where we can make a difference in the community. We communicate sustainability issues through the Sustainability Report, through our webpages and newsletters, and by direct contacts with different stakeholders.

Dialogue with stakeholders
As a part of the processes of application for environmental and other licenses our facilities consult stakeholders. We also maintain a dialog with shareholders, regulatory authorities, financial analysts and the media. Customers and employees make their needs, expectations and interests heard through meetings, appraisal interviews and surveys. We also actively participate in the life of the local communities in the countries where we operate.

Leadership
In order to maintain transparency leadership roles and responsibilities at management and board level have been defined. Sustainability issues are managed as an integrated part of operations at all levels in the company. Roles and responsibility are specified in the site-specific management systems (ISO 14001, ISO 9001, OHSAS 18001).

Standards and guidelines
NIBE complies, or works in accordance with, a number of internationally recognized standards, guidelines and principles. Our guidelines and policies are based on international conventions and initiatives (e.g., ILO, OECD and UN). Standards of special interest for environment, quality and the working environment are ISO 14001, ISO 9001, ISO 26000 and OHSAS 18001.

Key to our environmental ambitions is obtaining ISO 14001 certification for our production plants. Work on this is in progress at several sites, and we aim to have most of our operations certified. A further six units were certified in 2011, bringing our total of ISO 14001-certified plants to nine. A handful more companies are currently looking at certification within the next 6 to 18 months. We have access to a number of internal environmental auditors, who between them performed more than 30 environmental audits during the year.
Our activities impact in different ways on different types of stakeholder. One important part of our sustainability work is to be receptive to the wishes and opinions of others and to make our information as clear and transparent as possible. At Group level we communicate with the capital markets, and mass media. At individual company level, we communicate with employees, customers, suppliers, local authorities and the company’s near neighbours. We have identified the stakeholder groups below as particularly important in terms of our environmental and social responsibility.

Customers
Sustainability has become increasingly important in the supplier chain, especially for companies like ours, which has some of its production facilities in developing countries. In 2011, for example, our customers have made demands relating to phasing out certain chemical substances, declarations that our products meet the criteria laid down in specified environmental legislation, the introduction of environmental management systems, and evidence of our social responsibility work. It has become relatively common for customers to follow up such demands through questionnaires, site visits and audits. Approximately one third of our production plants were subject to this kind of follow-up in 2011.

Authorities
Our production plants that require environmental permits are in regular contact with the relevant supervisory bodies. The authorities carried out seven inspections at our plants in 2011 but found nothing of consequence to report. The majority of the Group’s facilities are also subject to regular inspection by the appropriate work environment authorities. Nine such inspections were made in 2011; by and large, the verdict was positive, although in one or two cases the inspectors ordered improvements to be made with regard to safety and risk analyses.

Employees
The main emphasis of communication with employees during the year was to provide additional information about ‘Our Values’ and to discuss how to turn words into actions. Our ambition has been to reach every employee with this information, and all units now have access to the material in their own language.

Shareholders and investors
We expanded the scope of our communication about sustainability issues during the year, partly to make things easier for market analysts, fund managers and other stakeholders, since many investors now include sustainability issues in their analysis of a company’s overall performance. NIBE has been audited in several such contexts and in 2011 we also reported our performance to the Sustainable Value Creation Initiative. The results showed improvements in some areas compared with previous years, but pointed to shortcomings in others, such as following up the sustainability performance of our suppliers and providing more information about social responsibility.

Suppliers
Based on our own quality and environmental management systems, we make requirements of our suppliers in terms of their environmental, social and quality-related performance. These issues form part of our supplier assessments and are followed up through questionnaires, site inspections and audits. In 2011, roughly one in four of our companies carried out some form of follow-up on suppliers’ sustainability work.

Society
We maintain close contacts with local schools and universities, non-profit organisations and other institutions in the communities where we have factories and offices. In many instances we provide financial or other support. In 2011 almost 1,000 pupils and students visited our plants, and around a dozen of our units are involved in more extensive social responsibility activities, such as providing opportunities for undergraduate degree projects, practical work experience and vocational education.

Stakeholder dialogue
Environmental responsibility

Environmental work is one of the cornerstones of our long-term commitment to sustainable development. Offering products that reduce dependency on fossil fuels and lower greenhouse gas emissions is a key part of our business concept. We are also committed to working systematically to minimise the environmental impact of the Group's purchases of raw materials and components, and of our own production processes and goods transport.

Environmental aspects
The Group has production facilities in 16 countries and is thus affected by many environmental, safety and health aspects. Our production methods include metalworking, welding, casting, enamelling, painting and assembly, all of which impact on the environment in their own way. Key environmental aspects for NIBE to consider are, above all:

- Energy use and the use of other natural resources.
- Use of chemicals.
- Emissions of climate-change gases and of other atmospheric pollutants.
- Generation of various types of waste.
- Environmental impact of suppliers’ activities.
- Transportation of raw materials and finished products.
- Environmental impact of our subcontractors.
- Use of our products (which, by and large, can be described as a positive impact on the environment).

Environmental legislation
Environmental legislation affects NIBE in many different ways, both in terms of conditions for production operations and the environmental characteristics of our products. We regularly analyse developments in such legislation to comply with current requirements and to 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 legislations that affects several of our plants are producers responsibility schemes (e.g. for packaging waste, WEEE Directive) RoHS Directive, CE labelling and MSDS (see Glossary and definitions).

Our plants in Sweden require a permit or a notification to operate under the Swedish Environmental Code, and reports are regularly submitted to the supervisory authorities. Most units in other countries have an environmental licence that covers all or part of their activities. All plants that are obliged to do so hold a valid permit, and we expect no major changes in the near future. In the coming years around one third of the plants plan to update their existing environmental licences.

The results of internal and external checks in 2011 to assess compliance with environmental legislation were generally favourable. At one plant in Poland, however, there were breaches of licence conditions that included noise and emissions of volatile organic compounds (VOCs) into the atmosphere. The monetary value of fines and sanctions was non-significant.

A new heating solution for compressors used in, for example, heat pumps. The heater extends the life of the compressor by avoiding starts when the oil in the crankcase is cold.
Environment-related risks
We continually assess risks in various environmental areas. These assessments concern issues such as the consequences of new environmental legislation, new customer requirements, climate change, soil pollution and the presence of hazardous materials in buildings and installations. No additional requirements regarding environmental legislation were identified for 2011.

Oil leaked into the surrounding land from a production plant in Denmark, but the area has now been remediated after the spill. Soil pollution had been detected earlier at four other plants and investigations are on-going. In all known cases, the pollution was caused by the previous owners of the properties and we are thus not responsible for the original spills. 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.

Environment-related opportunities
The purpose of our products is primarily to save energy and thereby reducing the overall carbon footprint in society. In all NIBE’s business areas we see opportunities that are related to the increased environmental awareness in society. Here is an example on how NIBE Energy Systems views environment-related opportunities:

As part of our ambition to develop all-round solutions that meet every imaginable customer need with regard to hot water and a pleasant indoor climate, we are convinced that our future product range must 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.

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

In 2011 NIBE developed a more powerful family of heat pumps for commercial properties. The NIBE F134S will be launched in spring 2012.
Environment performance

We continually follow up NIBE’s environmental performance in several areas. Below is an overview of the significant parameters and comments on changes made since previous years.

Energy consumption
In 2011 our energy consumption totalled 111 GWh (114 GWh). About 60% was indirect energy (i.e. electricity purchased on the open market and district heating) and the rest was direct energy (fossil fuels). Heat pumps have been installed at seven of our plants; in total there are close to 60 heat pumps at our manufacturing facilities. The heat pumps generate substantial energy savings and increase our utilization of renewable energy. In addition to this four plants use solar energy, bioenergy and windpower.

More than half of the Group’s operations are planning, or already working on, energy-saving projects. Examples of actions are:
- Installation of new furnaces that consume less energy.
- Upgrading of lighting systems and introduction of low-energy bulbs.
- The utilization of heat pumps.
- Shut-off of machinery and ventilation during idle time.
- Improved insulation of buildings, door and windows.

Water
In 2011, water consumption amounted to about 205,000 m³ (188,000 m³). About 99% the water is supplied by public sources. Closed systems for cooling water have been installed at several factories, reducing overall water consumption. The increased water consumption was mainly a consequence of increased production volumes.

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

Materials and chemicals
Significant quantities of raw materials, composites, components, chemicals and packaging materials are used in the Group’s plants every year. Metals are dominating and include stainless steel, iron or cast iron, and brass. Magnesium oxide is a significant raw material in the heating elements. We use large quantities of plastics per year, mostly in the form of polyurethane insulation for electric water-heaters and other products. Other major materials include wood, concrete, soapstone, enamel, cardboard and insulating materials.

We are keen to minimise our use of chemicals, both to reduce risks in our own operations and to reflect the environmental demands made on us by our customers. Trichlorethylene and other chlorinated hydrocarbons are still used to degrease metals, although modern solvent-free technology has recently been introduced at two production plants and further plants are now preparing to switch. Of all paint, glue and adhesives used during 2011 around 85% are solvent-free.
Emissions to the atmosphere
Emissions of carbon dioxide, which is a greenhouse gas, were approximately 29,000 tonnes in 2011 (27,700 tonnes), of which more than 75% (60%) were indirect emissions from electricity purchased on the open market. Production volumes were higher than in previous years, leading to a slight increase in carbon dioxide emissions. Emissions vary according to how electricity is produced. They are higher in countries where a large portion of the electricity is produced from coal than they are where electricity is generated by hydropower or nuclear fuels. Rising production volumes and more production plants have led to an increase in the amount of energy used, yet there has only been a marginal rise in our CO\textsubscript{2} emissions over the past few years. This is attributable, in part, to the phasing out of fuel oil and the installation of heat pumps at a number of facilities.

Transportation of raw materials, finished products and people also contributes to CO\textsubscript{2} emissions, but there are as yet no figures available for this. Measures have been taken at some plants to reduce the environmental impact of transport by coordinating shipments and generally raising the bar for our transport partners’ performance in terms of environmental impact and health and safety.

Emissions of volatile organic compounds (VOCs) were unchanged at approximately 24 tonnes (24 tonnes). The emissions of sulphur dioxide and nitrogen oxides (mostly from the use of fuel oil) were around 10 (10) tonnes. Ozone depleting chemicals (HCFC) are used in air condition equipment and in the testing of heat pumps. During 2011, 122 kg was emitted to the atmosphere. One complaint was received in 2011 about emissions of particulate matter from one of the plants.

Waste
In 2011 waste totalled roughly 13,100 tonnes (9,570 tonnes), of which hazardous waste comprised about 1,600 tonnes (783 tonnes). The recycling of solid waste accounted for 63% (70%) of total waste. Most of the recycled material consisted of metals. The increase in waste is explained by higher production volumes and more reliable reporting procedures.
Our products contribute to a better environment

The NIBE range includes many products that contribute to a better environment and our heat pumps, wood-stoves and elements have an important part to play in a society where issues relating to energy use and the climate are increasing in importance all the time. Thanks to our dedicated research and development work we are able to continually improve the performance and energy efficiency of our products.

We have launched a new generation of ground-source/geothermal heat pumps and a new generation of exhaust-air heat pumps that comply with new Swedish construction standards. These products were developed to further improve energy efficiency and thereby reduce heating costs. Activities are under way in the form of a number of projects to combine ground-source and geothermal heating technology with solar power to reduce heating costs for consumers even further. Our range also features a number of products that use solar power directly to heat water for houses and holiday homes.

NIBE Energy Systems is involved in numerous geothermal heating projects for commercial, farming and industrial properties. There is growing interest in combining heating and free cooling, and many commercial enterprises are installing our integrated geothermal heating and free cooling systems.

NIBE Energy Systems has devised a spreadsheet for detailed simulations of energy consumption and energy costs based on data provided by the business area’s customers. This makes it easier to dimension heat pumps, giving customers heating systems optimised to their needs that are as economical as it is currently possible to be. In the product range you will also find products that contribute to reduced energy losses in district heating systems.

NIBE Stoves has invested in eco-labelling, so some of its wood-burning stoves are marked with the Nordic Ecolabel (The Nordic Swan). The environmental performance of these products is even better than what is required by general regulations and the products themselves are manufactured in an environmentally sound way. The energy efficiency of wood-burning stoves has shown an impressive improvement over the years. (see figure on p 15)

As a subcontractor, NIBE Element often works closely with customers to develop an end-product that lasts longer and uses less energy. One current example is NIBE’s involvement in developing a kiln for pyrolysis of old tyres. Recycling through pyrolysis is less environmentally hazardous than other methods; the residual product has a high content of carbon and oil – both of which can be separated and then reused. Other examples include elements for dishwashers with reduced energy consumption and electrical heating unit for electrical cars.

Resistors produced by NIBE Element are used in many applications related to renewable energy and the improvement of energy efficiency. A new type of resistor is a key component in the new generation of wind turbines, where it used to stabilise the turbines’ operation. Other resistors are used in frequency converters that control the speed of electric motors and thus enhance their energy efficiency.

Switching to renewable energy

Sweden is leading the transition to renewable energy, and heat pumps are an important part of this process. The changeover has been quite remarkable, and in 2008 there were more heat pumps combined with a water-borne system in Sweden than in any other country. This has led to significant environmental gains, clearly illustrated by the fact that since the 1990s, Sweden’s consumption of oil and electricity for heating has fallen by 70 percent and 20 percent respectively.

The EU has decided that, by 2020, 20 percent of Europe's energy supply is to come from renewable sources and the efficiency of energy consumption is to improve by 20 percent, so many countries are now looking at Sweden’s achievements.

The success of Swedish heat pumps is well known in Europe; Sweden leads the field and is widely considered to possess the greatest technical experience – in the continent’s coldest climate.
Wood is often burned for heating homes and for cooking all over the world. Burning wood and other biofuels is a climate-smart heating method and it also provides a reliable back-up source of heating when primary energy supplies are cut off.

Burning wood is carbon neutral, so it does not add to the greenhouse effect. To use the planet’s resources even more sparingly, it is important to select a new, efficient wood-burning stove, replacing older models that have a lower rate of heating efficiency.

People realised long ago that burning wood on an open fire is very inefficient and requires large amounts of fuel. When tiled stoves were introduced more than 200 years ago, they greatly improved the efficiency of burning wood by utilising much more of the heat in the flue gases than open fireplaces can do. Today many people install a wood-burning stove as an extra source of heat and for the atmosphere of cosiness it spreads. Modern wood-burning stoves are very different from their predecessors in terms of energy efficiency and environmental values. This development is reflected in products made by NIBE Stoves, as the pictures and the timeline below show.

The windpower sector is a growing market for NIBE Element, both for heating solutions and resistors. NIBE Wind Components is responsible for coordinating activities in this product area.

### Improving the energy-efficiency of wood-stoves

#### Handöl
- **Handöl 11**
  - Wood consumption: 6 kg/h
  - Heating efficiency: 20%
- **Handöl 2**
  - Wood consumption: 4 kg/h
  - Heating efficiency: 40%
- **Handöl 9**
  - Wood consumption: 3 kg/h
  - Heating efficiency: 65%

#### Contura
- **Contura 556**
  - Wood consumption: 2 kg/h
  - Heating efficiency: 75%
- **Contura 357**
  - Wood consumption: 1.3 kg/h
  - Heating efficiency: 78%
Social responsibility

NIBE is an international company with operations and production facilities in 19 countries on three continents, so it is hardly surprising that our employees are rooted in different cultures that do not always share the same values. We have taken account of this in ‘Our Values’, where respect for individuals and social responsibility are integrated into day-to-day work and put into practice in our dealings with one another as co-workers.

International group
With growing numbers of employees outside Sweden, NIBE is becoming an increasingly international employer. Following major acquisitions during the year, there were approximately 8,000 NIBE Group employees by the end of 2011. The average number of full-time equivalents for the year was 6,895 (5,945): of these 80% (78%) worked in countries other than Sweden. Although we are now very much an international company, we have succeeded in maintaining strong, competitive production facilities in Sweden and other high-cost countries by investing in measures to boost productivity and enhance efficiency. We have, however, also invested in plants in Eastern Europe, China and Mexico. Manufacturing costs are lower in those regions, so it is there that we produce products subject to the stiffest competition.

However, we also see these regions as attractive growth markets for our other products. Our values and the factors behind our success are a constant focus of attention and we work hard to communicate these when recruiting, in our information updates for co-workers and whenever new employees join the Group via company acquisitions.

In 2011 all our employees in all countries have been updated in writing and through seminars about ‘Our Business Principles’ and ‘Our Values’ in an initiative that has been widely welcomed by employees from all cultural backgrounds.

An attractive employer
It is crucial for NIBE to attract, retain and develop employees of the right calibre, and our ambition is to make sure we are perceived positively as an employer who offers generous opportunities for personal and professional development. We set our sights high and demand a great deal of our employees. In return, they enjoy freedom with accountability, a work ethos characterised by common sense and a straightforward approach to problem-solving, and excellent career opportunities. These are some of the factors behind our low incidence of sickness absence, low staff turnover – and the constant stream of applications from job seekers. The average NIBE employee is under 40 years of age and stays with the company for more than seven years, and one in ten has some form of university education. Staff turnover for the NIBE Group is below 6%.

Sickness absence
In 2011 sickness absence in the Group averaged 5.0% (4.8). The figures for both short-term and long-term absence are relatively low at between 2 and 3%.

Working environment
NIBE is a manufacturing company so work environment hazards tend to be related to exposure to noise, dust, hazardous chemicals, heavy lifting, repetitive strain and industrial injuries. We endeavour to provide a good working environment through high technical standards and preventive measures that include risk assessments, measurements, training and safety inspections. There are formal Safety Committees at 90% of our production facilities.

Workplace surveys and risk analyses were carried out at 20 units during the year to identify risks such as exposure to dust, noise and solvents. Five NIBE plants are certified according to the OHSAS 18001 occupational health and safety standard.

Accidents at work
In 2010 a total of 143 (214) accidents at work resulting in more than one day’s absence were reported. The most common causes of injury were accidents involving machines and equipment (55%), heavy lifts and repetitive strain (20%), and injuries as a result of falling or slipping (13%). Six occupational accidents involving contractors were reported during the year. Approximately ten cases of work-related illness were registered in 2011. The cases were related to hearing impairment, allergies and diseases in muscles and skeleton.

Training and education
Many of our products have a high technical content that requires a great degree of awareness of the need for quality in the manufacturing process. For this reason we train employees in a variety of technical skills, production techniques and quality control procedures. Training sessions are often led by our own instructors with their unique mix of experience and company-specific expertise – a cost-effective way to spread knowledge and equip employees with the skills and attitudes we need to meet the future. In 2011 we offered a total of almost 85,000 hours of training, which corresponds to just over ten hours per employee.

Training in environmental, work environment and safety issues took place at virtually all the Group’s production facilities and averaged around 3 (6) hours per employee.

Performance and career development reviews
Formal performance appraisal reviews are conducted at the majority of our plants and in 2011 more than 1,000 employees were involved.

Salary levels/collective agreements
The same rules and values apply to all Group units. Rates of pay comply with national legislation, are pitched above the local minimum wages and fully reflect market conditions. The NIBE Code of Conduct acknowledges every
employee’s right to be represented by a trade union or other employee representative and to collective bargaining and agreements. The extent of coverage by collective agreements varies from 0 to 100%, depending on local conditions in the countries in which we are active. All employees are covered by collective agreements at about 25% of the plants. This applies mainly to the Group’s units in Sweden, Norway, Czech Republic and Poland.

Human rights
We encourage diversity and disassociate ourselves from all forms of discrimination as clearly stated in ‘Our Values’. There were no reported cases of discrimination during the year. Work to inform co-workers of our Code of Conduct, which commenced in 2011, will continue in the future. Responsibility for these matters lies with the management of each individual company.

Social commitment
NIBE plays an active part in the communities where we have factories and offices, co-operating with schools and universities, sponsoring sporting and cultural events, especially among young people, and participating in local events and development projects.

About on third of the plants hosted visitors from local schools, as well as more advanced students from universities. Several interesting thesis works were performed at our units. The plant in Sösdala participated in a project together with IIIEE (The International Institute for Industrial Environmental Economics) at Lund University. A team of international students evaluated the sustainability strategy and performance of Backer BHV and the site management was rewarded with a lot of useful information and ideas for future work.

Our corporate values take into account the fact that NIBE has co-workers from many different cultures on three continents.
Quality – a key competitive factor

The quality of our products and services is a key factor behind our competitiveness and a strong argument for choosing NIBE. Our quality policy applies to every aspect of our activities and is a guiding principle in our systematic approach to improvements in everything from development and production to marketing, sales and customer support. It is important that all employees see quality as their own personal responsibility and are committed to producing fault-free products and services.

Customer-oriented approach
Our ability to create value for our customers and to learn from any mistakes we make is founded on the commitment of our managers to create a culture at NIBE that focuses firmly on a process of continual improvement. To ensure customer satisfaction and continuously fine-tune our quality control procedures, we carry out regular customer surveys of selected products or customer segments. These surveys usually confirm that we meet customer demands and expectations, but we are still constantly taking new initiatives to achieve further long-term improvements in areas such as delivery reliability, product performance, product quality and customer support. We believe that quality improvements in every aspect of our operations will be crucial to our ability to continue to grow in an increasingly competitive market. In 2011 just over one third of our units conducted customer surveys. The feedback was mainly positive, with customers expressing complete satisfaction with NIBE’s products and services.

Supplier assessments
We work closely with our suppliers to ensure the quality of components and systems, assessing supplier performance in terms of quality and environmental and social responsibility, based on the guidelines that we have laid down. In 2011 we assessed a large number of suppliers in this way, particularly those working with the larger companies in the Group.

Continual improvements
Work on continual improvements is crucial to improving efficiency and delivery reliability and to enhancing quality and customer satisfaction. It is essential to respond quickly to internal quality problems and to customer needs. This work varies from unit to unit, but high priority is always given to problem-solving and to creating new best-practice methods through skills enhancement initiatives. We set quantifiable quality targets and seek to continually improve by establishing new strategic objectives. In addition, we regularly benchmark our performance against that of our competitors in order to learn from others and make sure we remain a market leader in our specialist fields.

Production environments and manufacturing equipment are continually being developed and improved, and staff receive extensive training in working methods, product functionality and performance.

Existing products are improved and new ones with innovative functions and/or enhanced performance characteristics are developed to secure our future position in the market.

Product liability
Our products are delivered with the relevant information about product functionality, servicing and safety. Where appropriate, we even offer training for our customers to ensure maximum safety as regards the installation and operation of our products. Our products are also required to meet the demands of a number of EU directives and international safety regulations, and we make sure that we do this by confirming our compliance with the relevant standards. No serious breaches of health and safety legislation, product information regulations or product labelling standards were reported by NIBE units in 2011, and no fines or penalties were imposed.

The impact of our products on personal health safety are evaluated throughout the entire lifecycle of the product, from drawing board to destruction. During the past year we have taken a number of steps to improve product performance in these areas.

Market communication
The Group’s marketing departments are responsible for making sure that all marketing and communication in the form of advertising, sponsorship and PR is factual and conforms to the laws and regulations governing these areas. NIBE has a clearly defined policy for communicating with various stakeholders that reflects applicable laws, standards and the Group’s Code of Conduct. We monitor developments closely to make sure, for example, that we do not sell any products that are prohibited in certain markets. There were no reports in 2011 of incidents where NIBE companies failed to comply with good practice or broke any rules in this area.

Quality assurance
Quality assurance work at most production units complies with international ISO 9001 specifications. Approximately three quarters of our production units are ISO 9001 certified and in most instances quality systems are integrated into the overall business management system.

Process orientation in the management systems lays the foundations for customer-oriented development and improvement work. Product development is quality-assured by preventive measures, with control, verification and validation points from the earliest stages of the development process. The aim is for new products not only to be of high quality and meet legal requirements and criteria for safety, but also to exceed the needs and expectations of users. For this reason, our customers and suppliers are involved throughout the development process.
Quality assurance

NIBE Energy Systems
Stringent quality demands are placed on NIBE Energy Systems’ products, especially in the case of hi-tech functions and components. Components are tested repeatedly during manufacture to guarantee the quality of the end-product. We also carry out extensive functional tests prior to despatch to ensure full compliance with all functionality and safety requirements.

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

NIBE Element
As a subcontractor and supplier of components to industry, NIBE Element’s most important competitive advantage is the consistently high quality of its products. For this reason, all products are factory-tested before despatch. High levels of delivery reliability are also extremely important in this segment.

Working towards zero errors

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

Subcontractors
As a result of working closely with our subcontractors to raise our quality levels even higher, we have produced a Supplier’s Manual. In day-to-day work on continual improvements, much emphasis is laid on problem-solving and using new or improved production methods in accordance with the ‘best industrial standard’ concept.

Production
We achieve our high quality ambitions by implementing an approach that is designed to eliminate the risk of errors and defects. This includes inspections at various stages of the production process and support systems for production personnel. The intention is to prevent any sub-standard products from ever moving on to the next stage of production.
2011 was a successful year for NIBE with increased net sales and increased operating profit. Financial value was therefore generated for important groups of stakeholders, including the society. During the year we made substantial investments in energy efficiency measures and health and safety at the workplaces.

2011 in brief
NIBE’s net sales rose by SEK 1,628.3 million, or 25.0%, to SEK 8,139.8 million (6,511.5). Group operating profit totalled SEK 991.3 million, an increase of 24.5% on the figure of SEK 796.1 million reported for 2010. The operating margin was unchanged at 12.2%. Profit after financial items rose by 26.3% to SEK 941.2 million (745.1) to yield a profit margin of SEK 11.6% (11.4%).

Environment and economy
Investments, costs and savings
Environmental projects that aim to reduce the use of resources are under way at many of the Group’s sites. In 2011 NIBE invested approximately SEK 22 million (16) in new measures relating to the environment and the work environment. The largest investments were in measures for a safer work environment, greater energy efficiency and air emission abatement equipment.

Environmental and work environment costs totalled approximately SEK 16 million (14), of which around SEK 5.4 million comprised waste management fees. Administration costs for environmental and work environment measures were about SEK 4.9 million in 2011. Total energy costs at the production plants reached roughly SEK 79 million (SEK 75). The corresponding cost for water was SEK 3.2 million (SEK 3.4).

Our environmental efforts generated savings – particularly in the form of lower energy consumption as a result of heat-pump installations. Savings of SEK 1.7 million (2) were reported during the year, but this figure is not an accurate reflection of reality, as several units have yet to establish systems for reporting savings.

Financial value for stakeholders
NIBE’s business generates a financial value that is distributed among the various stakeholders. This includes, for example, employees, shareholders, creditors and society. During 2011, the Group had net sales of SEK 8,139.8 million. SEK 5,753.3 million was distributed according to the table.

<table>
<thead>
<tr>
<th>Stakeholder</th>
<th>Distributed value</th>
<th>Comments</th>
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<tbody>
<tr>
<td>Suppliers</td>
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</tr>
<tr>
<td>Employees</td>
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<td>Shareholders</td>
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<td>Dividend</td>
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<tr>
<td>Creditors</td>
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<td>Interest expenses</td>
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<tr>
<td>Society</td>
<td>249.7</td>
<td>Reported effective tax for the Group</td>
</tr>
</tbody>
</table>
Highlights during 2011

Our vision is to create world-class solutions in sustainable energy. During the the year, the NIBE plants created sustainable value by innovations, improvements of plants and products, implementation of ISO 14001, energy savings and many other things. Follow us around the world to learn more about some of the highlights.

Sweden
The plants in Sösdala and Tjörnarp were certified according to ISO 14001. All time high was recorded for working days without accidents (750 days). An energy survey was initiated at the plant in Kolbäck and their environmental license was renewed. At the plants in Markaryd, the production was increased but at the same time the energy and water consumption was reduced. Example of energy saving measures are: a new systems for compressed air, heat recovery from exhaust air, heat pumps and installation of energy-efficient lighting systems. Measures have also been taken to reduce the amount of waste, and, especially, waste that is disposed off at landfill. Finally, the Markaryd plants can show reduced water consumption.

Denmark
A new exhaust system was installed at the plant in Rødovre and energy-saving windows and lighting systems was installed. There was also a big increase in sales of resistors to wind turbines. A new gas furnace was installed at the plant in Vejle. The insulation of building was improved and actions were taken to improve ergonomics at the plant in Vissenbjerg. The plant also reports about an increasing demand on district heating. Noise reduction measures were taken at the plant in Helsinge. Further on, several actions were taken in the development of interfaces between solar power and water heaters. At the plant in Græsted actions were taken to reduce risks in the working environment.

Norway
A heat pump was installed at the plant in Fredrikstad. The work with eco-design of products was continued.

Finland
A new routine for communication and leadership was introduced at the plant in Raisio. At the plant in Turku heat pumps were installed to recover surplus heat from the production facilities. At the plant in Lovisa a new emergency plan was implemented, the waste disposal system was improved and risk analyses were carried out on presses. In Monnikylä a decision was taken to phase out trichlorethylene in 2012.

Poland
Backer OBR, with plants in Pyrzyce, Warnice and Stargard Szczecinski, took several actions of interest for environment and health and safety. For example, an environment-friendly method for cleaning was implemented in the production of tubular heaters, and the internal organization was modified to improve efficiency of Integrated Management System (Quality, Environment, Work safety). Tools were created to assess and visualize the state of health and safety of individual organizational units and the company as a whole. Finally, the implementation of the Backer OBR Code of Ethics - based on “Our Values” was started. At the plant in B. Nad Jizerou, ISO 14001 and OHSAS 18001 were implemented and solar panels and heat pumps were installed. In Bialostok ventilation systems were improved and safety at workplaces was improved. In Trzcinia wind turbines were installed to increase the movement of warm air in the production hall. Propane was replaced by natural gas in the Thermotte drying process and several action were taken to reduce the energy consumption.

Austria
In Schörfling am Attersee most of the energy used in production is generated from own sources (heat pumps, solar cells).
Russia
In Nizny Novgorod, the fourth stage of workplaces’ certification on working conditions was fulfilled. Periodic and preliminary medical examinations of workers, working with harmful and hazardous factors, were also fulfilled.

Netherlands
To reduce energy consumption, sensors for lighting were installed, and the heating system was improved, at the plant in Medemblik.

Czech republic
ISO 14001 was successfully implemented at the plant in Hlinsko and the water consumption was reduced. Crude petroleum for degreasing was replaced by an environment friendly detergent. ISO 14001 was also implemented at the site in Miretice.

Italy
A new ventilation system in the welding and brazing area was installed at the plant in San Agostino.

Spain
In Aguiafreda actions were taken to reduce the energy consumption, for example, new furnaces that consume less gas.

Switzerland
The focus of the plant in Aarau was the integration into the NIBE Group.

UK
In Manchester, the plant reduced dependency on gas space heaters, replaced furnace gas plant and extracted most of the brazing operations.

Mexico
At the plant in Tlahuac perchlorethylene was phased out. Electrical installations were updated and a new roof was installed. In Toluca, air emission abatement equipment was installed (dust filter, scrubber), electrical distribution system was updated, and new bathrooms and showers were installed.

China
At the plant in Shenzhen old furnaces were replaced with more energy-efficient ones.
Purpose
The purpose of this report is to provide an overview of NIBE’s sustainability performance during the calendar year of 2011, and, where practicable, provide a comparison to the performance during previous years. The report describes our impacts on our environment, people, our local communities and the economic contribution the company makes in the areas in which we operate. The aim is to provide a focused report that supports the needs of NIBE and our stakeholders.

Scope and boundary
The Sustainability Report covers performance relating to the environment, health, safety and social conditions at the production units worldwide. Operations that belonged to the Group for most of the fiscal year are reported. This means that the operations of the acquired Schultess Group, and other recently acquired companies, are not included in the report (except for number of employees and other information in the chapter “Social responsibility”).

A total of 31 (27) organizations throughout the world contributed to the report (see table). Some of the sites are shared by two companies and in these cases the sustainability data refers to the entire site. For some of the companies the sustainability data is aggregated from several sites. Sales offices and other units without manufacturing are not included in the report.

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.

In the case of carbon dioxide, sulphur dioxide and nitrogen oxide emissions resulting from the use of direct energy, conversion factors based on the energy content and quality of the fuel used are employed. Emissions of carbon dioxide from indirect energy (mainly electricity) are based on Greenhouse Gas Protocol Initiative (GHG Protocol) data that are available for the countries where NIBE operates. Figures for emissions of VOCs (solvents) are based on measurements at the plants where they occur, but in most cases VOC emission data is based on mass balance calculations. The report also includes VOC emissions from paints and lacquers, adhesives and glue. In the report for 2010 there was a mistake concerning the amount of consumed water. This has been corrected in the 2011 report. Contact person for the Sustainability Report is Lisbeth Hylander.

Global Reporting Initiative (GRI) index
The organisation GRI (Global Reporting Initiative) has drawn up voluntary global guidelines for how companies and other organisations should report on activities relating to the concept of sustainable development. GRI’s guidelines (version G3) place requirements on reporting sustainability data in terms of economic, environmental and social performance indicators. According to GRI, sustainability reporting should provide a balanced and reasonable picture of the organisation’s results within the field of sustainability, including both the positive aspects and the negative aspects. The GRI Guidelines are the most widely accepted and used standard for sustainability reporting with more than 2,000 companies around the world applying the guidelines.

GRI’s guidelines allow organisations to choose for themselves the level (C-A) at which they wish to report. NIBE has chosen to report in accordance with level C. GRI’s website (www.globalreporting.org) provides a full picture of the organisation and its guidelines for sustainability reporting. The tables show the degree to which NIBE meets the minimum reporting requirements in accordance with GRI G3 level C. The figures relate to averages and performance indicators in accordance with GRI G3. AR (Annual Report) refers to page numbers in the 2011 Annual Report. SR refers to the Sustainability Report. The GRI Index is found on pages 26 - 28.
### Manufacturing companies in the NIBE Group

<table>
<thead>
<tr>
<th>Country</th>
<th>Company*</th>
<th>Location</th>
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<tr>
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<td>Markaryd (3 plants)</td>
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<td>Backer BHV Calesco</td>
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<td>Russia</td>
<td>CJSC Evan</td>
<td>Nizhny Novgorod</td>
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</tbody>
</table>

* Not including companies that were acquired during 2011, e.g. sites previously belonging to the Schulthess Group.
# Profile

## 1. Strategy and analysis

<table>
<thead>
<tr>
<th>1.1</th>
<th>Statement from the President and CEO.</th>
<th>AR7, SR6</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.2</td>
<td>Description of key impacts, risks and opportunities.</td>
<td>SR11</td>
</tr>
</tbody>
</table>

## 2. Organisational profile

| 2.1–2.7 | Name of the organisation. Primary brands, products and services. Operational structure of the organisation. Location of organisation's headquarters. Countries where the organisation operates. Nature of ownership and legal form. Markets served. | AR18-37 SR4-5 |
| 2.8 | Scale of the reporting organisation. | AR5, SR10-11 |
| 2.9 | Significant changes during the reporting period. | AR12-13, SR24 |
| 2.10 | Awards received during the reporting period. | Not applicable |

## 3. Report parameters

### Report profile

| 3.1–3.4 | Reporting period. Date of most recent previous report. Reporting cycle. Contact persons. | SR24 |

### Report scope and boundaries

| 3.5–3.8 | Process for defining report content. Boundary of the report. Any specific limitations on the scope or boundary of the report. Basis for reporting on joint ventures, subsidiaries, etc. | SR24-25 |
| 3.9 | Data measurement techniques and bases of calculations. | SR24 |
| 3.10 | Explanation of the effect of any re-statements of information provided in earlier reports. | SR24 |
| 3.11 | Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report. | SR24 |

### GRI content index

| 3.12 | Table identifying the location of the GRI indicators in the report. | This table |
| 3.13 | Policy and practice regarding external verification. | Self-declared |

## 4. Governance, commitment and engagement

### Governance

| 4.1–4.8 | Governance structure. Governance structure concerning sustainability issues. Chairman's position. Independent or non-executive members. Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body. Compensation to management. Processes to avoid conflicts of interest. Mission, values, code of conduct. | AR83-87, SR7-8 |

### Commitment regarding external initiatives

| 4.11 | The Group's handling of the precautionary principle | SR8, 10-11 |
| 4.12 | Externally developed codes, principles or other initiatives to which the Group subscribes or endorses voluntary | SR7-8 |

### Stakeholder engagement

| 4.14–4.17 | List of stakeholder groups. Basis for identification and selection of stakeholders. Approaches to stakeholder engagement. Key topics raised through stakeholder engagement. | SR9 |
## Performance indicators

### 5. Economic performance indicators (EC)

**Economic performance**

<table>
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<tr>
<th>EC</th>
<th>Description</th>
<th>Source(S)</th>
</tr>
</thead>
<tbody>
<tr>
<td>EC1</td>
<td>Direct economic value generated and distributed. Financial implications and other risks and opportunities due to climate change.</td>
<td>SR20, EC2, SR11</td>
</tr>
<tr>
<td>EC2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EC3</td>
<td>Coverage of the organisation's defined benefit plan obligations.</td>
<td>AR80-81</td>
</tr>
<tr>
<td>EC4</td>
<td>Significant financial assistance received from government.</td>
<td>Not applicable</td>
</tr>
</tbody>
</table>

### 6. Environmental performance indicators (EN)

**Materials**

| EN1  | Materials used by weight or volume.                                                              | SR12          |
| EN2  | Percentage of materials used that are recycled input materials.                                  | -             |

**Energy**

| EN3  | Direct energy consumption by primary energy source.                                              | SR12          |
| EN4  | Indirect energy consumption by primary energy source.                                            | SR12          |
| EN5  | Energy saved due to conservation and efficiency improvements.                                   | SR12, 14-15, 22-23 |

**Water**

| EN8  | Total water withdrawal by source.                                                                | SR12          |

**Emissions, effluents and waste**

| EN16 | Total direct and indirect greenhouse gas emissions by weight.                                    | SR13          |
| EN18 | Initiatives to reduce emissions of greenhouse gases and results.                                 | SR11, 16      |
| EN20 | NO\textsubscript{2}, SO\textsubscript{2} and other significant air emissions by type and weight. | SR13-15       |
| EN22 | Total weight of waste by type and disposal method.                                               | SR13          |
| EN23 | Significant spills.                                                                              | SR10          |

**Products and services**

| EN26 | Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation. | SR14-15, 18-19 |

**Compliance**

| EN28 | Fines and sanctions for non-compliance with environmental laws and regulations.                   | SR10          |

**Overall**

| EN30 | Total environmental protection expenditures and investments.                                     | SR20          |
7. Labour policies and decent work (LA)

Employment
LA1  Total workforce by employment type, employment contract and region. SR16-17

Labor/management relations
LA4  Percentage of employees covered by collective bargaining agreements. SR17

Occupational health and safety
LA7  Rates of injury and occupational diseases. SR16

Training and education
LA10 Average hours of training per year per employee. SR16

Diversity and equal opportunity
LA13 Composition of governance bodies and management. SR17

8. Human rights (HR)

Investment and procurement practices
HR2  Percentage of significant suppliers and contractors that have undergone screening on human rights. SR9, 18

Non-discrimination
HR4  Total number of incidents of discrimination and measures taken. SR17

Freedom of association and collective bargaining
HR5  Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk and actions taken. SR7-8

Child labour
HR6  Operations identified as having significant risk of incidents of child labour, and measures taken to contribute to the elimination of child labour. SR7-8

Forced and compulsory labour
HR7  Operations identified as having significant risk of incidents of forced or compulsory labour, and measures taken to contribute to the elimination of forced or compulsory labour. SR7-8


Community
SO1  Nature, scope, and effectiveness of any programmes and practices that assess and manage the impacts of operations on communities. SR9

SO3  Percentage of employees trained in organization’s anti-corruption policies and procedures. AR38, SR6

SO5  Public policy positions and participation in public policy development and lobbying. SR9

Compliance with laws and regulations
SO8  Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations. SR10

10. Performance indicators for products (PR)

Customer health and safety
PR1  Assessment of health and safety aspects of products SR18
Boundary
The boundary for a sustainability or corporate responsibility report refers to the range of entities whose performance is covered in the organization’s report.

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

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

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

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

Environmental management system
The part of the overall management system that includes the organizational structure, planning, activities, distribution of responsibility, practices, procedures and resources for developing, implementing, performing, reviewing and maintaining the organization’s environmental policy. ISO 14001 is used as the environmental management standard within the NIBE Group. Currently around 250,000 organisations all around the world are certified according to ISO 14001.

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

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

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

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

GWh
Gigawatt-hour, 1 billion watt-hours.

HCFCs
Substances that deplete the atmospheric ozone layer.

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 through 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 organization 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. Use of PCBs was prohibited in Sweden in 1972, but they are still present in the environment due to their long degradation time.

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

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

Stakeholder (interested party)
Is a party that can affect or be affected by the actions of the business as a whole. Could include employees, communities, shareholders, suppliers, customers, trade groups to name a few.

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

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

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

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

Work-related accident
A work-related accident is a sudden event related to work that gives rise to a wound or other physical injury. NIBE reports the number of work-related injuries that give rise to one or more days of absence, called Lost Work Cases (LWCs). The injury rate is then normed by stating the number of such injuries per 1,000 employees (LWC/1,000).

Work-related disease
A work-related disease is a disease caused by long-term exposure to a particular factor in the work environment. Such factors can include repetitive lifting or being exposed every day to solvent fumes.
NIBE is an international heating technology company with business operations organised in three business areas, NIBE Element, NIBE Energy Systems 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.