

NIBE

– word-class solutions in sustainable energy



Sustainability report 2014

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Our mission – *world-class solutions in sustainable energy*

Sustainability is not new to us at NIBE. We have a tradition of responsibility and innovation, and we develop products and services that contribute to energy savings in society. However, the high expectations of customers and the business environment that we now encounter with regard to sustainability certainly are new. This is something that we welcome. We lay the foundations for our mission - developing world class solutions in sustainable energy - by pursuing a dialogue with our customers, and by keeping abreast of the legislation that impacts us and our customers.

The year 2014 was eventful. We invested in continued innovation and product development in order to be at the forefront of sustainable customer solutions. For example, the first innovative system solutions for air/air-heat pumps that provide energy savings for single-family detached homes with electric heating systems were launched.

Our customers should always feel confident that we take responsibility for sustainability. We therefore report transparently regarding how we meet the sustainability targets we have set in relation to key issues. In 2014, we prioritised energy saving actions, the firm establishment of our values and business principles and the ensuring of our sustainability standards in the supply chain.

In all three key areas, the targets were met according to plan:

- With respect to energy-saving actions, we continued, for example, to install heat pumps at NIBE's facilities. Currently, there are approximately 110 heat pumps that save energy and reduce our climate impact.
- We signed the UN's Global Compacts principles for responsible business and launched a group-wide whistle blowing service in order to be able to effectively follow up compliance with our ethical guidelines.
- In order to ensure that our sustainability standards are met in the supply chain, we evaluated over 1,200 suppliers in relation to the environment, working environment and social responsibility.

The results in 2014 clearly show that our focus on innovation and sustainable product development, together with our ambitious sustainability targets, really pays off. Our knowledgeable and committed employees are a prerequisite for ensuring that the increasing customer demand for sustainable products and system solutions is met. I am therefore proud to present the results of this year's sustainability efforts, created by more than 10,000 employees in over 20 countries.

Markaryd, Sweden, April 2015

Gerteric Lindquist
Managing Director and CEO

"We lay the foundations for our mission - developing world class solutions in sustainable energy - by pursuing a dialogue with our customers, and by keeping abreast of the legislation that impacts us and our customers."



Kenneth Magnusson,
Sustainability Manager

Creating sustainable value

NIBE's vision is to create sustainable world-class energy solutions and to deliver long-term value to our customers. Our values, taken together with ambitious sustainability targets, provide us with a strong platform from which to offer safe and energy-smart products.

Good business ethics

Our customers should always feel confident that our products are made in a responsible way that safeguards people and the environment. NIBE's principles for sustainable growth and responsible business are defined in our values. The values provide guidance in eight business-critical areas for all our companies and our business partners.

Continuous implementation and monitoring of the values is crucial for success. Our values are available in 14 languages. In a number of areas, e.g. the environment, health and safety, quality and communication, the values are also supplemented by detailed policies and guidance. All production companies have conducted training in Our Values in order to be able to uphold high ethical standards. The management in the respective companies are in charge of implementing the values and ethics issues, and for ensuring that improvements are realised.

- **UN Global Compact.** In 2014, NIBE signed the UN's principles of responsible business. The principles cover the areas of human rights, labour, the environment and anti-corruption. Through its cooperation in Global Compact, NIBE confirms its commitment to compliance with the ten principles through its entire value chain. NIBE also undertakes to provide information in its annual sustainability report for Global Compact about progress that has been made.

- **Our Working Methods.** The new Our Working Methods guidance document was prepared in 2014 and will be distributed to all employees in 2015. The brochure describes how we will best make use of our existing conditions in the form of physical premises, capital, cooperation among employees, materials and machinery.
- **Whistle blowing.** We launched a whistle blowing service in 2014 in order to be able to monitor compliance with our values in an effective manner. The whistle blowing service provides all employees with the possibility to openly or anonymously report a suspected breach of our values.
- **E-learning in anti-corruption.** NIBE has zero tolerance regarding corruption. In 2014, we prepared educational materials in order to increase knowledge and communicate the management's expectations in relation to action against corruption. The associated training will be conducted in 2015.
- **Governance in quality, environmental management and safety areas.** Quality and environmental management governance is carried out in the context of certified international systems, ISO 9001 and ISO 14001. All production companies follow these standards and it is our goal that all the companies should all be certified. For production companies with customer demand, we work in accordance with the working environment standard OHSAS 18001.

Our values

Respect for human rights

The underlying principle is that we show 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 of the Group's plants and to contribute to the personal and professional development of employees.

Reduced environmental impact

We believe that a holistic view of environmental work should guide us in everything from product development activities, manufacturing and choice of materials to transport, product functionality and the potential for recycling at the end of a product's useful life.

Sound business ethics

Our core approach comprises honesty, decency, zero tolerance of corruption, avoiding conflicts of interest, respecting competition law and striving to provide transparency.

“Our Values are available in 14 languages and forms a framework for all our business operations.”



We take responsibility for our supply chain

Our suppliers and business partners play an important role in creating confidence among our customers. We work continuously to encourage our cooperation partners to act in the way that NIBE wants to do business. In total, we have evaluated over 1,200 suppliers in relation to the environment, working environment and social responsibility. Over 2,000 suppliers have been evaluated in the area of quality. This means that over 90 per cent of purchased value has been evaluated in relation to quality.

In order to increase the focus on the supply chain, we have started the implementation of a new joint system for evaluating suppliers within our focus areas of the environment, the working environment, social responsibility and quality. In 2015, the system will be launched for the companies with the highest purchase value in the group.

Ambitious sustainability targets give rise to constant improvements

It is important for NIBE to understand how global sustainability challenges impact us. This includes understanding the increased risks we are facing, as well as how we can contribute to solving sustainability issues.

According to the International Energy Agency, energy requirements will increase by 40 per cent by 2035, not least because of population increase and improved living standards. Our response to this development is to continuously improve the energy efficiency of our products. NIBE also promotes development in the field of renewable energy.

Climate changes are a critical issue that the world is facing today. NIBE contributes to combating climate change by investing in new, innovative technology and products.

We have defined ambitious and measurable sustainability targets in relation to our key indicators in order to manage and monitor that we live up to our customers' expectations.

We have defined sustainability targets within the following areas:

- Exploitation of resources
- Monitoring of suppliers
- Social responsibility

Half of our products and services contribute directly to our customers' reduced energy use and climate impact. All our products are constantly evaluated and optimised in order to protect the environment and increase sustainability. This is a stable basis from which to develop new and improve existing customer options within the current and new products areas.

Responsible purchasing

We are to work with suppliers who are prepared to comply with our Code of Conduct, quality criteria and Business Principles.

Product liability

Our underlying principle is to pay due regard to all factors which have a bearing on the quality, safety and environmental adaptation of our products.

Social commitment

Our underlying principle is, wherever possible, to become involved in the local communities where we have a presence.

Transparency

Our underlying principle is to ensure that all our communication is open and honest and to observe the appropriate laws, rules and standards.

Development of world-class solutions in sustainable energy

1990s

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

2014







- Implementation of whistleblower system.
- Continued adaption to GRI G4 Guidelines.
- E-learning system for the Group.
- Second round of sustainability audits at NIBE units.
- New edition of Our Values
- Preparation of Our Working Methods
- Signing of Global Compact


2015 – 2016

- Group-wide education in business ethics
- Group-wide system for supplier assessment
- Increase knowledge of responsible purchasing
- Increased focus on action plans for risk areas in the group
- Energy audit
- Implement management systems for Health and Safety
- Planning of support in Social responsibility



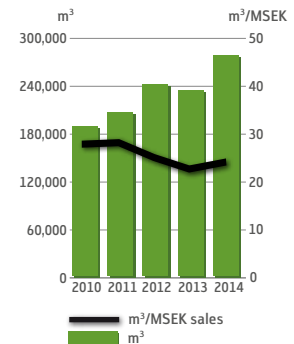
Group-wide targets

| Area | Targets | Current position | Trend |
|--|--|--|---|
| Energy | Energy efficiency will increase. 20% less energy consumption (GWh/SEKm) than in 2013, to be achieved by 2020. | Energy efficiency improvement measures are underway in many plants and include conversion to LED lighting, better insulation, installation of heat pumps and recycling energy in the ventilation air. Energy audits will be performed at all manufacturing companies by 2016. |  |
| Our Values Our Business principles | All employees and business partners must be aware of and comply with Our Values and Our Business Principles. | Our Values and Our Business Principles have been updated. We now have a better follow-up system for the companies' sustainability reporting. A whistle-blowing system for anonymous reporting has been implemented. Buyers, sales representatives and managers are trained in anti-corruption via e-learning. |  |
| Quality management systems and environmental management systems | ISO 9001 and ISO 14001 will be implemented in all production units during the course of 2016 at the latest. | About 50% of the companies are ISO 14001 certified and 87% are ISO 9001 certified. The plan is that remaining companies will gain certification by 2016. |  |
| Products | Higher proportion of products that benefit the environment. Hazardous chemicals in products will be phased out. | Improved procedures for REACH and RoHS in product development and supplier evaluation are being implemented. Evaluation of refrigerants. |  |
| Safe workplaces | The number of workplace accidents must decrease. The first interim target is to reach LWC* 1.8 in 2016. <small>*LWC (lost workday case) = number of accidents entailing at least one day of sick leave/200,000 hours worked.</small> | Incident reporting systems are continuing to be introduced and are in place at more than 85% of the companies. |  |
| Suppliers | Systematic supplier assessments will be further developed in terms of quality, environment and social responsibility. | A joint risk assessment system and system support are being implemented. |  |

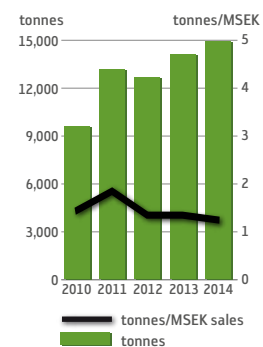
 As planned.
  Not as planned, actions identified.
  Not as planned.

The Group's four key figures

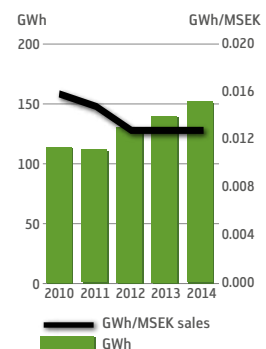
Water consumption



Waste



Energy consumption



Carbon dioxide emissions



Sustainable added value for our customers

Our business idea is to offer our customers high quality, innovative and energy efficient products and system solutions. Our focus on sustainability at all stages allows us to meet and exceed customer expectations.

Customer satisfaction spurs us on

Satisfied customers are crucial to us and we monitor and develop our activities as a result of a continuous dialogue with our customers. Customer surveys in 2014 covered issues such as delivery precision, complaints and product quality. The results of the customer surveys were positive. Our customers appreciated the quality and function of the products. For products delivered to end customers, the effects relating to personal safety and health were also evaluated, with positive results.

Our products contribute to improved safety

We ensure compliance with EU directives and other legislation relating to substances that may affect human health, the climate or the environment in order to ensure that we develop safe products. We design products pursuant to stringent safety requirements and phase out substances that may be harmful. We impose the same requirements in relation to our suppliers.

The group's products are delivered with product, service and safety information and some products also have a content and waste declaration. In order to ensure that the installation and use of the products is carried out safely, we offer assistance such as training for installers of our heat pumps.



"In our corporate development and internationalisation strategy, exemplary business ethics, clear values and good working conditions constitute increasingly important core foundations of business development. Our customers' confidence in us as a supplier is based on how we live up to this and is crucial to our future success."

Kjell Ekermo
Business Area Manager NIBE Energy Systems



Sustainable products

Our products must be resource-efficient and contribute to a reduced climate impact. A high level of safety awareness and risk analyses are prerequisites for never compromising with regard to safety.

Our products contribute to reduced energy use

Heat recovery. We manufacture ventilation units for heat recovery in ventilation systems.

Heat exchangers. We manufacture heat exchangers to take advantage of and recover heat in different systems. Typical applications for heat exchangers are heat pumps, remote heating plants and industrial processes.

Frequency control. By using frequency control of electric motors in applications, our customers achieve optimal energy use and cause reduced loads on electrical grids.

Control and optimised operation of heat pumps. Heat pumps are used in industry to harness the thermal energy in industrial processes. *NIBE Uplink* is a new and effective tool that provides full control of a heat pump in a property regardless of where one is located at the moment. *Smart Price Adaptation* provides heat pumps with information about the next day's electricity prices. The prices and the expected heating and hot water requirements are then used to automatically control the heat pump and optimise its operation, which contributes to lower energy costs and, in the longer term, to less environmental impact.

New generation of boiler. In 2014, we launched boilers that meet energy-saving standards of the future. The products have an intelligent control mechanism for the boiler, which optimises energy consumption. Our new domestic hot water heat pumps designed for heating only of hot tap water use the heat in the ambient room air or outdoor air to produce hot water in an energy efficient manner.

Our products contribute to reduced greenhouse gas emissions

Vehicles with renewable power sources. For passenger cars as well commercial vehicles, new models that use alternative and renewable power sources are continuously being introduced. NIBE contributes to the development by providing, for example, elements for preheating batteries and resistors that utilise braking energy.

Heat pumps. Heat pumps are used to heat anything from large industrial buildings to single-family detached houses and for the heating of air in tumble-dryers. Heat pumps use renewable energy and can offer a drastic reduction in energy consumption compared to conventional heating solutions. As a result, carbon dioxide emissions are also reduced.

Applications for railways. There are many different applications from NIBE within the field of rail traffic. One example is a control box that controls and monitors the temperature on train tracks. Energy efficiency increases with effective control and management of the temperature. Weather forecasts are received online, after which heat to electrical pipe elements that keep the switches ice-free is automatically managed and controlled, thereby contributing to reduced risks and fewer delays in the winter.

Fireplace stoves and pellet boilers. Firewood and pellets are renewable energy. Lighting a fire in a stove or pellet boiler is therefore carbon dioxide smart. NIBE offers products with good combustion technology that further reduce the environmental impact.

Heat pumps for environmentally rated buildings. The environmental rating of buildings is increasing. There are several reasons for this, such as an increasing number of property owners wanting to document quality assurance of their buildings because of, among others things, stringent requirements from multinational companies. Another reason is that the banks grant more advantageous borrowing terms in relation to environmentally rated buildings. NIBE contributes to ensuring environmentally rated buildings through the provision of our efficient heat pumps.

Our products contribute to a sustainable energy supply

Wind power. NIBE develops and manufactures resistors for ensuring an even power supply from wind turbines and provides heating equipment for different applications in the turbines.

Solar power. Solar power is currently the most environmentally friendly alternative for heating. Our solar installations contribute to fulfilling customers' heating requirements.

Remote heating. We have manufactured remote heating substations for a long time and today provide substations for both single-family detached houses and commercial properties with large power requirements. Remote heating is produced mainly from bio-fuels and the resulting smoke is cleaned efficiently in large boilers. Remote heating can be combined with heat pumps to provide an even heat supply.

Woodburning stoves with environmental label. NIBE Stoves markets a number of woodburning stoves that bear the Nordic Swan Ecolabel. This guarantees that the environmental performance of these products is even better than required by general regulations and that the products themselves are manufactured in an environmentally responsible way. Ecolabelling also requires improvements to a product's environmental performance over the years.



Our history and business philosophy is characterised by long-term and sustainable patterns of behaviour. Our products and solutions often contribute to increased sustainability and reduced environmental impact by contributing to reduced energy consumption. It is also our goal that our own production facilities and businesses should be top-notch with respect to sustainability.



Christer Fredriksson
Business Area Manager NIBE Element

At the forefront of sustainable refrigerants

On 1 January 2015, the new regulation on fluorinated greenhouse gases came into force. This is an EU-wide regulation that will regulate the use of refrigerants with a greenhouse effect.

NIBE currently has products in its range that feature both natural refrigerants with a low Global Warming Potential (GWP)-factor and synthetic refrigerants with a higher GWP-factor. External decisions and our responsibility to reduce activities with an impact on the climate mean that we continue to work on developing products that have natural refrigerants. Technology for conversion to natural refrigerants is currently limited but developments within this area have been afforded increased priority in recent years. New cooling components are being developed and we cooperate with component developers to obtain access to the most recent technology. We also have a close cooperation with our suppliers regarding the development of new synthetic refrigerants with a lower GWP. In order to be at the forefront of development, and in order to be able to define requirements and monitor the market, we work within the group in a cross-sectional working team. The results of the work in 2014 were positive.

High recycling rate for heat pumps

Sooner or later, heat pumps need to be replaced. It is then important to dispose of the old product in an efficient and environmentally responsible manner.

With the help of Stena Recycling, we carried out dismantling tests on a selection of our new products in order to assess their recyclability. The test results showed a very high degree of recycling of material from our heat pump components. Over 99% of the material can be recycled in one form or another.

More information about our sustainable products is available in our annual financial report..

Read also on our website www.nibe.com

Our committed employees

NIBE's committed and knowledgeable employees are the basis for creating sustainable value for our customers. Our long-term focus on updating of skills is based on a trusting relationship and long-term customer partnerships.

Updating of skills

Meeting customer expectations is based on our employees' competence and commitment. The updating of skills is prioritised and is a key factor for success. In 2014, the number of training hours doubled compared with the year before. Over 126,000 training hours were completed, representing approximately 13 hours per employee. Trainee-programs are available in several of our companies and we also offer training programmes in cooperation with schools.

Employee appraisal interviews are important for drawing up individual development plans. These interviews are conducted in approximately half of our facilities. Around 3,600 employees participated in these appraisals in 2014, which is a substantial improvement compared to previous years.

Health and safety

We never compromise with regard to health and safety. Our working environment activities are systematic and focus on preventative measures and training. In 2014, six of the group's companies were certified pursuant to the international working environment standard OHSAS 18001.

Since 2010, the number of workplace accidents has decreased. In 2014, over 85 per cent of the companies had implemented a system for reporting incidents and accidents. The most common causes of damage were accidents when using machinery, or involving falls or heavy lifting. NIBE has designed a central incident reporting system for reporting serious incidents in order to be able to disseminate knowledge and work effectively with prevention in all the companies. The central incident reporting system will be implemented in 2015.

NIBE installed several safety solutions in 2014. For example, machinery was equipped with safety devices, lifting equipment was purchased and travellers were installed to facilitate the movement of products.

Apart from technological solutions and individual protective equipment, the safety efforts relate to changes that result in even safer working procedures. Working environment measurements are carried out, for example, in relation to chemical products, lighting and dust exposure. The training efforts relating to the environment and working environment totalled approximately three hours per employee over the year.



At NIBE Stoves, we constantly refine and develop the technology in our products in order to continuously provide an environmentally sound range of products for all types of fuels. The manufacturing is efficient, with minimal environmental impact in a working environment where safety, honesty, openness and good ethics are a matter of course."



Niklas Gunnarsson
Business Area Manager NIBE Stoves

Many of our facilities were inspected regularly by workplace health and safety authorities. In 2014, 19 inspections were carried out. The results were predominantly positive. The minor deviations that were highlighted have been corrected.

A workplace with equal opportunities. We value the diversity among our employees. Men and women of different ages should have the same development opportunities. We have zero tolerance for harassment and discrimination.

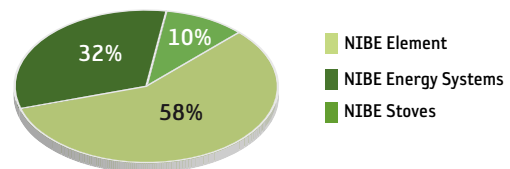
Our business is male dominated and we are working continuously to increase the recruitment of female employees in the area of technology and in management positions. The proportion of female employees is currently 38 per cent. The proportion of women on the group's board is 17 per cent. There are no women on the group executive committee.

NIBE's values provide each employee with a right to be represented by a trade union or other form of employee representative in collective negotiations and contracts. The extent to which employees in the different companies are covered by collective agreements varies depending on local conditions in the countries where we have operations.

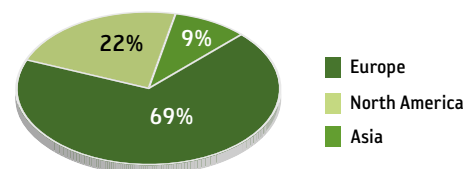
| Key figures | 2014 | 2013 | 2012 |
|---------------------------------|-----------|-------|-------|
| Average number of employees | 9,726 | 8,983 | 8,006 |
| Percentage administrative staff | % 31 | 30 | 32 |
| Average age | years 40 | 40 | 40 |
| Proportion of women | % 38 | 36 | 32 |
| Average length of employment | years 8.5 | 8.6 | 8.1 |
| Workforce turnover | % 7.8 | 7.4 | 7.0 |
| Number of graduates | 1,209 | 966 | 801 |
| Number of employees in Sweden | % 12 | 13 | 16 |
| Sickness, short-term | % 1.9 | 2.6 | 2.8 |
| Sickness, long-term | % 2.0 | 2.4 | 2.1 |

The average sickness absence declined in 2014. The breakdown between long-term and short-term absence were at approximately the same level as the previous year.

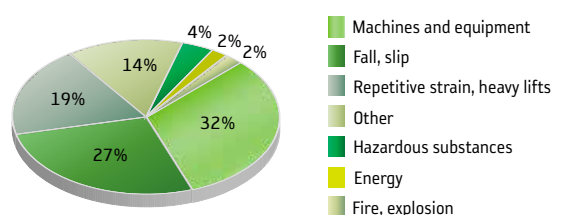
Employees per business area



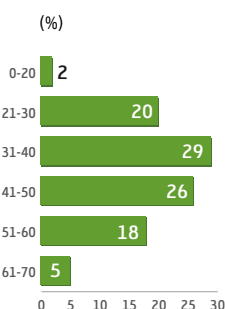
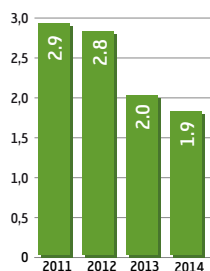
Employees per continent



Causes of workplace accidents



Number of accidents (LWC) Age distribution



Responsible production

Our customers should always feel confident that our products are manufactured in a responsible way. Systematic and preventive efforts with a focus on constant improvement yield results.

Resource efficiency and environmental considerations

In 2014, NIBE invested SEK 20 million in measures relating to the environment and working environment. The main part of the investments was made within the areas of energy efficiency and improved working environment.

Certified management systems are an important component for systematically improving the efforts within the areas of quality, the environment, and health and safety. It is our aim that ISO 9001 quality certification and ISO 14001 environmental certification should be carried out in all the production companies by no later than 2016. Currently, approximately 80 per cent of the companies are certified according to ISO 9001 and half the companies according to ISO 14001. In 2014, approximately 100 inspections were carried out.

Focus on energy usage

Measures to increase energy efficiency in our production companies are prioritised and measures that were implemented in 2014 included:

Energy efficiency in buildings and equipment, for example

- Improved insulation
- Switch to more energy efficient machines, ovens, lighting, compressors and ventilation systems
- Recycling of heat from process cooling
- Use of own heat pumps. We continue to install heat pumps at NIBE's facilities and there are currently approximately 110 heat pumps in use, which save energy and reduce climate impact
- Shutting down of equipment and ventilation systems during non-production time
- Training programmes

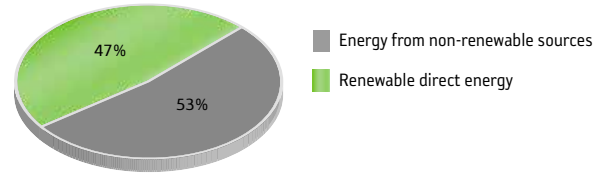
Energy audit. Three of our companies shall conduct an energy audit pursuant to a new EU directive. We have adopted a decision that another 12 of the production companies with the highest energy consumption will also conduct the energy audit finding order to identify possibilities for improving energy efficiency.

More efficient transportation. Over the year, we took measures to reduce the environmental impact of transportation. A few examples include the coordinating of transports, rationalising of trips for service staff, increasing the use of video conferences and buying more fuel efficient vehicles. Audits of carbon dioxide emissions from transports are conducted in several companies.

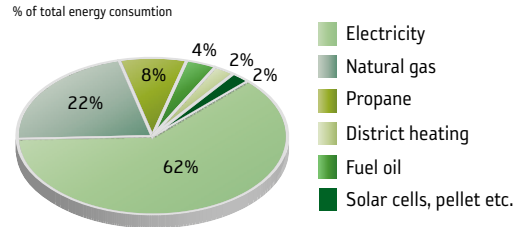
Renewable energy. Approximately half of NIBE's energy demand is met using renewable sources. 70 per cent of the electricity used by NIBE is green. We buy green power for our production companies in Europe, which has substantially reduced our carbon dioxide emissions. In addition to green power, biofuel, solar and wind power are used at several of NIBE's production companies.

Phasing out of chemical products. We have reduced the use of substances that are hazardous to the environment and to people in our manufacturing processes and in our finished products. In order to reduce environmental and health risks, we continue to reduce the use of solvents. In total, we used approximately 430 tons of paint and adhesives in 2014. Approximately 85 per cent of the paint and coatings we use are free of organic solvents. This is a 15 per cent increase from 2013. There are plans to replace a handful of chemical products in the future work in order to further reduce such risks.

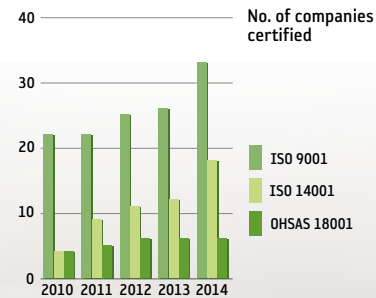
Renewable energy



Energy sources

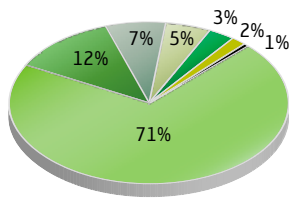


Certified management systems



Overview of major materials

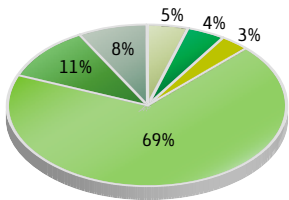
% of total use



- Metals
- Packaging material
- Magnesium oxide
- Enamel, concrete, soap stone
- Plastics
- Components
- Paint, glue etc.

Waste categories

% of total use



- Waste to external recycling
- Hazardous Waste
- Waste to incineration with energy recovery
- Waste to landfill
- Other
- Waste to incineration without energy recovery

Effective use of water. Water is used primarily for sanitary purposes, cleaning, cooling of ovens and other equipment, and to test products. The largest consumption is in factories in China, where the employees' housing is also included in the consumption. Several companies have implemented measures during the year to reduce their water consumption, for example low-flush WCs and closed systems for cooling water.

Emissions to wastewater consist mainly of organic material and nutrients from sanitary facilities and cleaning. Factories and other premises are connected to municipal or private sewage treatment plants. Approximately ten production companies have monitoring programmes for their wastewater generation. The measurements showed that emissions of pollutants to water were below permitted levels.

Use of materials. We buy large quantities of raw materials and materials for our production. In order to reduce our costs and our resource usage, we are working to optimise the use of the purchased raw materials. This work has led to a reduced amount of waste in relation to total usage. For some products, we have also set targets to reduce their weight.

Handling of waste. In 2014, the amount of waste we generated amounted to 15,900 tons, which is somewhat higher than in the previous year. This was due to increased production. Fractional parts are now redirected in order to reduce hazardous waste and landfills and the amount of waste per turnover is decreasing.



Minimisation of risks

In order to prevent accidents and breaches of legal requirements, risk analyses are carried out at plants globally. The local boards of all group companies are responsible for handling risks and reporting to business area managers and in some cases to NIBE's board. The local companies are in charge of drafting action plans and the self-monitoring of their sustainability risks. The analyses include aspects such as assessments of the consequences of altered environmental legislation, changing customer requirements, climate change, soil pollution and the occurrence of hazardous substances in production and products.

At least every third year, NIBE's sustainability team visits production companies to assess compliance with our values and with our sustainability targets.

A description of the most substantial risks impacting NIBE's ability to meet targets and how they are handled is presented on pages 64 and 65 of the 2014 Annual Report. During the year, no new risks were identified, including risks as a consequence of amended environmental legislation. NIBE had no uncontrolled emissions or accidents involving an environmental impact.

Legal requirements. The EU's Reach chemicals legislation and the Ecodesign directive, which aim to improve energy efficiency in Europe, are of particular interest to NIBE. Other legislation impacting several of our production companies includes:

- The WEEE Directive regarding waste electrical and electronic equipment
- The Battery Directive
- The Packaging Waste Directive
- RoHS (the Restriction of Hazardous Substances Directive) regarding hazardous substances in electronics
- CE product labelling for sale of products in the EEA area
- The CLP Regulation for classification and labelling of chemical products
- The REACH Regulation on chemical products
- The EU Directive regarding energy audits

The environmental legislation of different countries entails that we sometimes require environmental permits and that our operations may be subject to regulatory reviews. Environmental permits or other types of permit are held by 23 production companies. Some companies must renew their permits annually. One company must renew its permit in 2015 because of increased production and two must renew their permits because of more stringent regulatory requirements in the relevant country.

Several production companies report regularly to relevant regulatory authorities. As a part of this process, the authorities carry out more or less frequent inspections. In 2014, ten facilities were inspected. No major deviations were identified.

In total, there were a couple of breaches of environmental legislation during the year. In Poland, emission threshold values for atmospheric emissions were exceeded. In Denmark, the threshold values for pollutants in wastewater were exceeded. Some minor fines were paid in 2014.



Our community involvement

Energy and the climate are key global issues. NIBE wants to contribute in these areas with innovative solutions. We do this by, for example, sharing our experiences and our cutting edge expertise for efficient energy solutions. Thousands of people visited us during the year, and we have a close cooperation with schools and universities.

Cooperation with universities and schools

We participate in development and educational projects with universities in several countries. The projects can relate to product development, testing, internships and thesis projects. Such collaboration affects approximately 20 of our companies.

One notable example is Sweden's first polytechnic for heat pump engineers. There has been a lack of qualified heat pump engineers for many years, so NIBE developed this vocational education in collaboration with the relevant municipality. NIBE contributes by providing, for example, laboratory equipment and heat pumps with which the students can work. The second fully subscribed class recently started the course.

An active role in the development of our industry sector

During the last decade, energy issues have come into focus and political decisions regulate, to a great extent, the market conditions in different technology areas. The ability to influence and predict amended legislation is becoming increasingly important. In recent years, NIBE has increased its involve-

ment in these issues and today we are an active member of the organisations that are prominent in the heat pump industry's business activity monitoring and lobbying of authorities. NIBE has several key positions in EHPA, the European Heat Pump Association, and in national industrial organisations.

NIBE also participates actively in the international standardisation process that regulates the heat pump industry. This work creates a framework for influencing industry conditions in different markets. NIBE has thus created preparedness for future changes and has strengthened the company's ability to adapt its product portfolio to changing conditions in the market.

We sponsor a number of local events which primarily support children-related and sporting activities. For example, we support organisations that work with children with special needs and sick children, and organisations involved in work against drug abuse. We support youth fire services, road safety programmes, children's culture, schools and local cultural events. We also support local sporting events and sports clubs in locations where we have operations.

The educational initiative between NIBE and Markaryd High School has attracted national attention. Director General Thomas Persson of the Swedish National Agency for Higher Vocational Education visited the school and met with NIBE representatives.



This is NIBE



NIBE is a global group of companies that provide sustainable energy solutions. We have operations and sales on five continents.

We are a Swedish company with a long tradition of manufacturing energy solutions and heating systems for both households and commercial use.

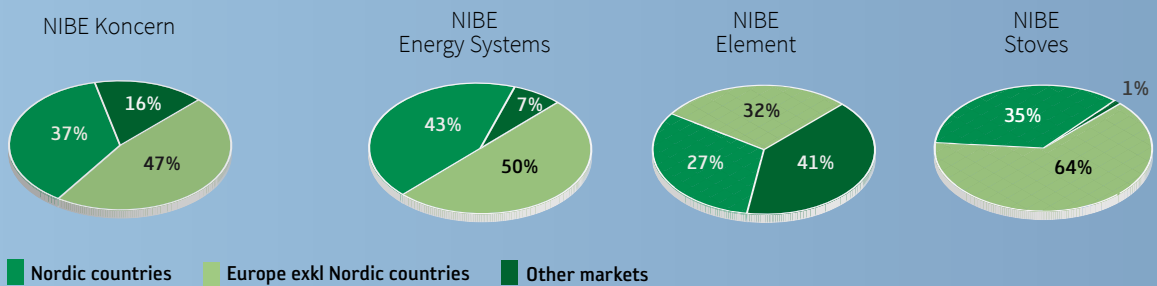
NIBE is represented in 50 markets globally by partners and subsidiaries. The company's operations are conducted in the three different business areas NIBE Energy Systems, NIBE Element and NIBE Stoves. Over 10,000 employees work at NIBE.

Each business area has its own operational management with its own profit responsibility.

NIBE currently has a turnover of eleven billion SEK and is listed on the Large Cap and Nasdaq OMX, with a secondary listing on the SIX Swiss Exchange. NIBE Industrier AB is subject to the Swedish Companies Act and Swedish listing rules and accordingly complies with the Swedish Code of Corporate Governance.



Sales by geographical region



Sustainability governance

NIBE's targets and values express our commitment in relation to our stakeholders. NIBE's board has the overall responsibility for sustainability governance.

NIBE has a Sustainability Team which is in charge of the group's commercial sustainability work and ensuring that NIBE generates sustainable added value for our customers. This work is led by the Sustainability Manager, who reports to the Group CEO.

The Sustainability Team drafts guidelines for managing the sustainability work and defines targets and action programmes relating to NIBE's key sustainability indicators at the group level. The Sustainability Team coordinates and also reviews compliance with the group's sustainability targets and

is in charge of risk and crisis management relating to the area of sustainability.

Local boards in all group companies are in charge of the management of the strategic work and drafting action plans with the objective of meeting the sustainability targets in the local companies.

Managing Director and Group CEO: Gerteric Lindquist

Chairman of the Board: Arvid Gierow



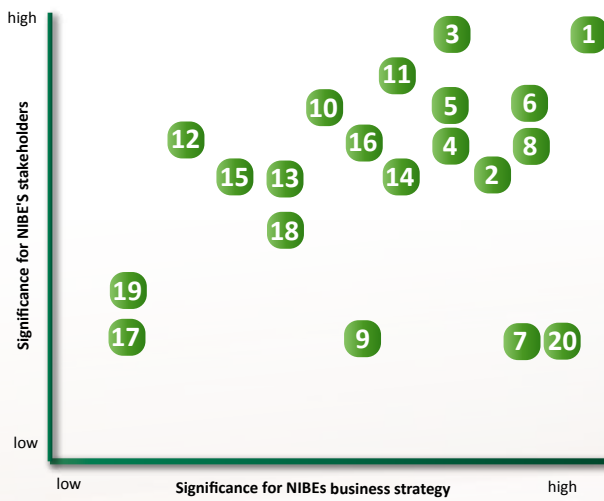
Materiality analysis

NIBE's prioritised stakeholders are customers, employees, suppliers, owners, society in general, authorities and NGOs. The decision making process relating to the content of the report is based on a materiality analysis in which we identify and prioritise, as a result of a dialogue with our stakeholders, our business critical sustainability issues. We work systematically to ensure we have up to date knowledge about how and where sustainability issues impact on our business, and follow up the outcomes of our actions.

The results of this year's stakeholder dialogues show that issues regarding financial stability, product safety, good busi-

ness ethics, health and safety, legislative compliance and sustainable products are the highest priorities for our stakeholders. In the report, we describe the work carried out and the results achieved in these areas.

Areas in which we have seen an increased interest from the stakeholders compared with previous years, and where we are thus directing our efforts in particular, are: sustainable transportation, responsibility for human rights, phasing out of harmful substances in products and reduced climate impact. We are also seeing an increased focus on activities in hazardous areas and conflict zones as well as tax issues.



1. Economic result
2. Customer satisfaction
3. Ethics
4. Health and safety
5. Legal requirements
6. Sustainable products
7. Attractive employer
8. Resource efficiency
9. Waste
10. Supply chain
11. Substances i hazardous in products
12. Social engagement
13. Transports
14. Human rights
15. Climate change
16. Co₂ emissions
17. Biodiversity
18. Diversity
19. Risk areas and conflict zones
20. Taxes

Stakeholder Dialogues

Our goal is to actively listen to and retrieve information from shareholders, customers, suppliers and other stakeholders to get relevant information to prioritize which aspects we should focus on.

The table provides an overview of the main interested parties, key areas and activities during 2014. More detailed information is found elsewhere in the Sustainability Report.

| Stakeholder Dialogues 2014 - an overview | | |
|---|---|---|
| Stakeholder Group | Area | Activities 2014 |
| Customers and consumers | Product responsibility, the product's performance, quality, environmental performance, safety, product declarations and codes of conduct. | Dialogue during contacts with customers and during audits and assessments. Products delivered to end users evaluated with respect to their potential impact on human health and safety throughout the lifecycle of the product. |
| Employees | Health and safety, resource efficiency, competencies, leadership, compensation and benefits and corporate ethics. | Training, information and dialogue. Employee surveys, work in safety committees and working groups. Sustainability is a standing item on the agenda at board meetings in the NIBE companies. |
| Suppliers | The suppliers' management of environment, health and safety issues throughout the chain. Code of conduct. | Increased focus on supplier audits and assessments. |
| Owners, lenders and investors | Risk management and resource efficiency. Business ethics. Increased focus on the correlation between sustainability risks (threats and opportunities) and NIBE's business strategy. | Meetings with investors. Sustainability reports. Frequent reporting to the board. |
| Society | Industry involvement. Being a good neighbour. Participation in industry initiatives. | Contact with schools and universities. Participation in research projects. Study visits. |
| Authorities | Compliance with legislation. Identification of the effects of future legislation. | Dialogue during visits and inspections of environmental, and health and safety authorities. |
| NGOs | Carbon footprint, hazardous chemical products, energy use, climate change, water and social responsibility. | Signed Global Compact. Defined targets and reporting of sustainability performance. |



About the Sustainability Reporting

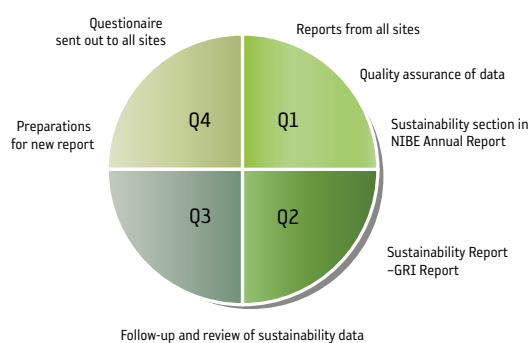
At NIBE we want to transparently describe the work we do to develop and offer products and services that are safe to use and contribute to reduced environmental impact. The report covers sustainability work carried out in 2014 in all the production group companies except the companies acquired in 2014. In total, 38 companies have contributed to this report.

| Bolag | | |
|----------------|---------------------------------|--|
| Country | Company | Location |
| Sweden | NIBE AB | Markaryd |
| | Backer BHV Calesco | Kolbäck |
| | Backer BHV | Sösådal, Tjörnarps |
| Denmark | Danotherm Electric A/S | Rødovre |
| | JEVI A/S | Vejle |
| | KVM-Conheat A/S | Vissenbjerg |
| | SAN Electro Heat A/S | Græsted |
| | Metro Therm A/S | Helsingør |
| | Genvex | Haderslev |
| | Eltwin | Risskov |
| Finland | Kaokora Oy | Raisio, Turku |
| | Loval Oy | Loviisa |
| | Oy Meyer Vastus AB | Monnikylä |
| | Akvaterm Oy | Kokkola |
| Norway | Høiax AS | Fredrikstad |
| | Norske Backer AS | Kongsvinger |
| Austria | KNV Energietechnik GmbH | Schörfling am Attersee |
| Switzerland | Backer ELC AG | Teufenthal |
| | Schultess Maschinen AG | Wolfhausen |
| Germany | Alpha InnoTec GmbH | Kasendorf |
| Czech Republic | Backer Elektro CZ a.s. | Hlinsko |
| | DZ Drazice - Strojirna s.r.o. | B. Nad Jizerou |
| | Backer Eltop s.r.o. | Miretice |
| Italy | Backer FER s.r.l. | S. Agostino |
| Netherlands | Sinus-Jevi Electric Heating B.V | Medemblik |
| Poland | Backer OBR Sp. z.o.o. | Pyrzyce, Warnice, Stargard Szczecinski |
| | NIBE-BIAWAR Sp. z.o.o. | Bialystok |
| | Northstar Poland Sp. z.o.o. | Trzcianka |
| | Eltwin | Szczecin |
| Spain | Backer Facsa S.L. | Aiguafreda |
| UK | Heatrod Element Ltd | Manchester |
| | Stovax Group | Exeter |
| China | Backer HTI | Shenzen |
| | Backer Springfield | Shenzen |
| Mexico | Backer Alpe | Monterey, Toluca |
| | Backer EHP | Nuevo Laredo |
| | Springfield Wire de Mexico S.A | Nuevo Laredo |
| Russia | CJSC Evan | Nizhny Novgorod |

Reporting Principles

NIBE complies with the guidelines defined in the international standard Global Reporting Initiative G4 - Core.

Each production company provides data in accordance with the group's questionnaire regarding sustainability reporting, and each facility manager is responsible for the quality of the information provided. Data is compared with information from previous years and is verified by means of sampling. The emissions of carbon dioxide from indirect energy, primarily power, are calculated using the international standard Greenhouse Gas Protocol (GHG Protocol) and include information which is available in countries where NIBE has operations.



The table below show the degree to which NIBE meets the reporting requirements in accordance with GRI G4. AR refers to page numbers in the NIBE Annual Report 2014. SR refers to this Sustainability Report. Finally, we would like to stress that NIBE 's application of GRI G4 is still under development.

| | | | |
|---|----------------------------|--|----------------|
| Strategy and Analysis | | Emissions | |
| G4-1 Statement from the CEO | SR 3 | EN17 Direct greenhouse gas (GHG) emissions | SR 14-15 |
| Organizational Profile | | EN17 Other indirect greenhouse gas (GHG) emissions | SR 14-15 |
| G4-3 Name of the organization. | NIBE Industrier AB | G4-EN18 Greenhouse gas (GHG) emissions intensity. | SR 7 |
| G4-4 Primary brands, products, and services. | AR 32, 40, 46 | G4-EN19 Reduction of greenhouse gas (GHG) emissions. | SR 10, 14 - 15 |
| G4-5 Location of NIBES's headquarters, | Markaryd, Sweden | Waste | |
| G4-6 Number of countries where NIBE operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report. | AR 95 | G4-EN23 Total weight of waste by type and disposal method. | SR 7, 16 |
| G4-7 Nature of ownership and legal form. | AR 66 | G4-EN24 Total number and volume of significant spills. | None reported |
| G4-8 NIBE's markets and customers. | AR 2-3, SR 20-21 | Products | |
| G4-9 Scale of organization: | AR 2-3, | G4-EN27 Extent of impact mitigation of environmental impacts of products and services. | SR 8-11 |
| G4-10 Employees (contract, gender, region, variations, etc). | SR 13 | Compliance | |
| G4-11 Percentage of total employees covered by collective bargaining agreements. | SR 13 | G4-EN29 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations. | None |
| G4-12 NIBE's supply chain. | SR 4 | Transport | |
| G4-13 Significant changes during the reporting period regarding the NIBE's size, structure, ownership, or its supply chain. | SR 23 | G4-EN30 Significant environmental impacts of transporting products and other goods and materials, and transporting members of the workforce. | SR13 |
| G4-17 Entities included in NIBE's consolidated financial statements. Entities that are not covered by the sustainability report. | SR 22 | Overall | |
| G4-18 Process for defining the report content | SR 22-24 | G4-EN31 Total environmental protection expenditures and investments | SR 14 |
| G4-19 All the material aspects identified | SR 23 | Supplier Environmental Assessment | |
| G4-20 Whether the aspect is material within NIBE. | SR 23 | G4-EN32 Percentage of new suppliers that were screened using environmental criteria. | SR 4 |
| G4-21 Aspect boundary outside NIBE. | SR 23 | SOCIAL | |
| G4-22 Effect of any restatements of information provided in previous reports, and the reasons for such restatements. | SR 4 | Employment | |
| G4-23 Significant changes from previous reporting periods in the scope and aspect boundaries. | NA | G4-LA1 Total number and rates of new employee hires and employee turnover by age group, gender and region. | SR 13 |
| G4-24 List of stakeholder groups engaged by NIBE. | SR 24 | Health and safety | |
| G4-25 Basis for identification and selection of stakeholders with whom to engage. | SR 23 | G4-LA6 Type of injury and rates of injury, occupational diseases, lost days, fatalities. | SR 13 |
| G4-26 NIBE's approach to stakeholder engagement, | SR 24 | Training and Education | |
| G4-27 Key topics and concerns that have been raised through stakeholder engagement, | SR 24 | G4-LA9 Average hours of training per year per employee. | SR 12 |
| Report Profile | | G4-LA11 Percentage of employees receiving regular performance and career development reviews. | SR 12 |
| G4-28 Reporting period. | 2014 | Diversity and Equal Opportunity | |
| G4-29 Date of most recent previous report. | 2014-05-31 | G4-LA12 Composition of governance bodies and breakdown of employees per category with reference to indicators of diversity. | SR 13 |
| G4-30 Reporting cycle. | Annual | Supplier Assessment for Labour Practices | |
| G4-31 Contact point for questions regarding the report or its contents. | Kenneth. magnusson@nibe.se | G4 LA14 Percentage of new suppliers that were screened using labour practices criteria. | SR 4 |
| GRI Index | | Human rights | |
| G4-32 Compliance option NIBE has chosen. GRI Content Index. | Core | G4-HR3 Total number of incidents of discrimination and corrective actions taken. | None reported |
| G4-33 Policy and current practice with regard to seeking external assurance for the report. | No external verification | G4-HR4 Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated. | SR 4 |
| Governance | | Supplier Human Rights Assessment | |
| G4-34 NIBE's governance structure for sustainability aspects. | SR 21 | G4 HR10 Total number and percentage of operations that have been subject to human rights reviews or impact assessments. | SR 4 |
| Ethics and Integrity | | SOCIETY | |
| G4-56 NIBE's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics. | www.nibe.com | Local Communities | |
| INDICATORS | | G4-S01 Percentage of operations with implemented local community engagement.. | SR 18 |
| Economy | | Anti-corruption | |
| G4-EC1 Direct economic value generated and distributed. | AR 76 | G4-S04 Communication and training on anti-corruption policies and procedures. | |
| G4-EC3 Coverage of NIBE's defined benefit plan obligations. | AR 83-84 | G4-S05 Reported cases of anti-corruprtion | None reported |
| Environmental | | PRODUCT RESPONSIBILITY | |
| Material | | G4-PR1 Percentage of significant product and service categories for which health and safety impacts are assessed for improvement. | SR 8 |
| G4-EN1 Materials used by weight or volume. | SR 16 | G4-PR2 Number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products. | None reported |
| Energy | | G4-PR4 Number of incidents of non-compliance with regulations and voluntary codes concerning product and service information. | None reported |
| G4-EN3 Energy consumption within NIBE (direct). | SR 7, 14-15 | G4-PR5 Results of surveys measuring customer satisfaction. | |
| G4 EN4 Energy consumption outside NIBE (indirect). | SR 7, 14-15 | Market communications | |
| G4-EN6 Reduction of energy consumption. | SR 9-11, 14 - 15 | G4-PR7 Number of incidents of non-compliance with regulations and voluntary codes concerning market communications. | None reported |
| G4-EN7 Reductions in energy consumption in products and services. | SR 8-11 | | |
| Water | | | |
| G4-EN8 Total water withdrawal per source. | SR 7, 16 | | |



NIBE

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