

## UN Global compact COP

### Statement by the CEO

NIBE Industrier AB (NIBE) is a Swedish company, with its roots in the southern province of Småland, which has a long-standing tradition of manufacturing products for both household and commercial use.

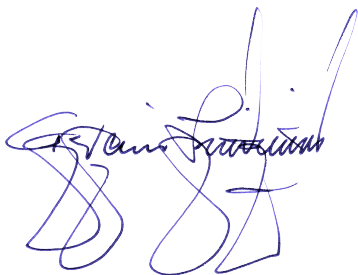
Our vision is to create world-class solutions in sustainable energy. We offer the market high-quality, innovative energy-efficient products and system solutions. Our achievements are largely attributable to our corporate culture, which is based on an entrepreneurial spirit and a passion for business, where healthy profitability and continuous growth are the key factors for success.

I am pleased to confirm NIBE's support of the United Nations Global Compact in the areas of human rights, labor rights, environmental protection and anti-corruption.

Our Sustainability Program reflects the ten Principles of the United Nations Global Compact. We have identified our prioritized sustainability issues and follow our performance on these issues systematically. We communicate sustainability performance on a yearly basis and follow the sustainability reporting standard set by GRI.

In the Communication on Progress we describe our actions to continuously improve the integration of the Global Compact and its principles into our business strategy and daily operations. We also commit to share this information with our customers, employees, suppliers and other stakeholders.

Attached you find our Sustainability report for 2015 where we describe our efforts and commitments towards the ten principles and a more sustainable future.



Gerteric Lindquist

CEO, NIBE Industrier AB

2016-10-05



– world-class solutions in sustainable energy



## 2015 Sustainability Report

## 2015 in figures

**MSEK 13,243**  
Net sales

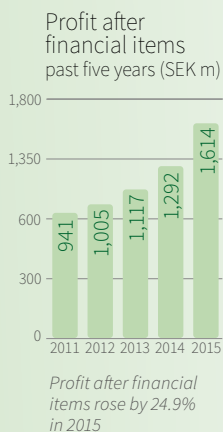
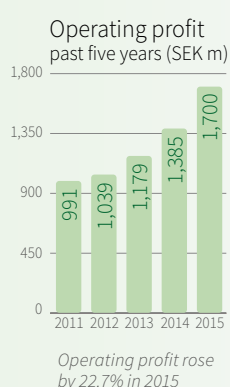
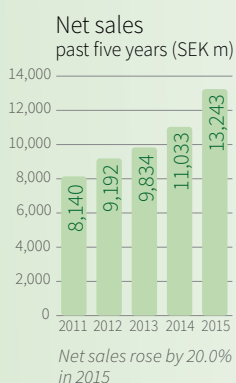
**MSEK 1,700**  
Operating profit

**12.8%**  
Operating margin

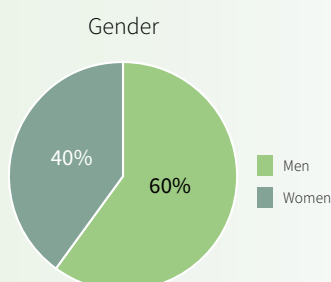
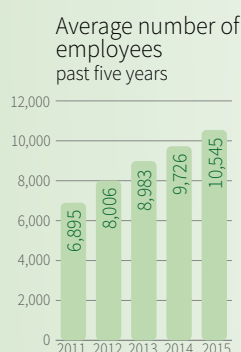
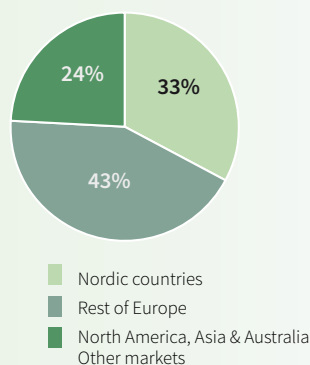
**MSEK 1,614**  
Profit after net financial items

**12.2%**  
Profit margin

**10,545**  
Average number of employees



Group sales by geographical region



NIBE is a Swedish company with its roots in the southern province of Småland and head office in Markaryd. The company has a tradition going back many years of manufacturing products for both household and commercial use, and is a leader in the manufacture of products for indoor climate comfort, heating and applications for energy efficiency.

Entrepreneurship and a passion for doing business, investments in product development and corporate acquisitions have led to significant expansion of the Group, which now has sales of SEK 13 billion.

Through its three business areas, with more than 10,500 dedicated employees in 21 countries, NIBE helps bring energy efficient technology to Europe, North America, Asia and Australia.

Each business area has its own operational management team with overall responsibility for profits.

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

NIBE's 2015 Annual Report covers trademarks, ownership, changes in structure and size, geographical market presence, and a detailed account of financial results and key figures.

## About this report

Our sustainability report is published annually and summarises the sustainability efforts and achievements for the full 2015 calendar year for NIBE Industrier AB. The previous 2014 report was published in May 2015.

The report includes all Group companies (see page 95 in the Annual Report) with regard to economic and social impact. Reporting of environmental impact is limited to the 42 production companies as listed on page 27.

We rate this report as corresponding to the GRI G4 level "Core". The report has not been externally audited. Page 24 shows a GRI index containing references to additional information.

The report may contain statements that are forward-looking and therefore subject to risks and uncertainties beyond NIBE's control. We would like to point out that the fulfilment of these statements may differ, and readers should not attach undue weight to these statements.

For more information, visit [www.nibe.com](http://www.nibe.com)

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## 1

### Results and achievement of targets

Our four Group sustainability targets are linked to four of our focus areas: Managing natural resources, Care for people, Conserving natural resources and care for the environment.

## 2

### Challenges and opportunities

Changes in the world around us bring opportunities as well as challenges. Climate change is increasing the demand for our eco-friendly products, while at the same time we see a challenge in shifting the market and our entire product portfolio towards fossil-free technology.

## 3

### Sustainability governance

Here we explain the division of responsibilities, organisation and decision-making process for our sustainability efforts, as well as the general principles and guiding factors that govern what we focus on.

## 4

### Our business model

NIBE's business model is decentralised and builds on strong brands with forward-thinking product development, creating value for customers through high-quality functionality and lower operating costs and for society through lower energy use and less CO<sub>2</sub> emissions.

## 5

### The market

Our three business areas offer a wide range of products that meet modern-day requirements, helping us achieve a leading position in many market segments. By being proactive and forward-thinking, we intend to drive the market towards better technology and a smaller carbon footprint.

## 6

### Our sustainability focus areas

We have identified six areas of focus for our continuing sustainability efforts. By targeting our efforts on these focus areas, we create the conditions to maintaining our profitability and making positive contributions to society.

## 7

### GRI index

The report contains a table with all reported indicators specified according to the GRI standard.

*Please help us improve our report.*

If you have any comments on this report or want to give us general feedback, please write to [sustainability@nibe.com](mailto:sustainability@nibe.com)



## Climate and energy issues are part of our core business

Our vision is to provide world-class sustainable energy solutions. By using renewable energy and a more efficient use of energy, our products can help make a fossil-free society a reality. By maintaining our profitability, we can continue to have a positive impact in the local communities where we operate.

For NIBE it has long since been natural to contribute to a sustainable society in the ways we can. As our mission is to provide sustainable energy solutions, the climate and energy issue is always in the core of our business. Some of our products can accelerate the transition to independence of fossil fuels by utilising renewable energy in various applications. Other products help make machines and equipment more energy efficient, thus contributing to the reduction of total energy requirements.

Yet other products must eventually be phased out and replaced with even better, more climate-friendly products. The climate threat and a growing population are the external factors that affect us the most: The global community thus needs to use less climate-changing energy totally even though there are more people. This presents a huge challenge that must be met sustainably, yet it also brings us great opportunities.

Today, nearly 50 per cent of our sales come from products that are rated as low carbon economy (LCE) products. We want to increase this percentage to at least 60 per cent over the next five years. One short-term hindrance to meeting our goals is low gas and oil prices, which might make our customers hesitate to invest in new renewable energy technologies.

In 2015, we had several product launches that took us another step forward as a global provider of innovative energy solutions, and we continued our focus on research and development. In addition to our high-tech laboratory in Markaryd, during the year we inaugurated an advanced development laboratory in Kasendorf, Germany.

Our activities by definition adversely affect the environment, and we are continuously working to minimise and improve them using a systematic approach. In 2015, we came even closer to our goal of having our production companies environmentally certified – two more companies received their ISO 14001 certificates. The remaining 20 are working to obtain their certificates in 2016.

In the best of worlds, the overall environmental benefits of our products in use would be greater than the adverse environmental impact of our operations. With the help of more life-cycle analyses of our products, we hope to tip the scale over to the positive side in the future.

A key area is our own working environment. In 2015, we improved our accident frequency from 10.6 to 8.5 per million hours worked. We are also continuing, with full force, to boost our efforts so that we can minimise risks, prevent injuries and increase safety for our employees.

Since 2014, NIBE has been a member of the UN Global Compact and has thus committed itself to living up to the 10 basic principles of responsible and sustainable business practices. Just as we recognise the need to work sustainably and comply with internationally accepted guidelines, we recognise the need to ensure a sustainable supply chain. That is why we are intensifying our efforts to assess suppliers against our criteria, based on the UN Global Compact's 10 principles.

We have made much progress in our sustainability work in 2015, and we feel we are on the right path. Having gained in-depth insights, we now aspire to raise the bar and do even better. That is how we will work from 2016 onwards.

A handwritten signature in blue ink, appearing to read 'Gerteric Lindquist'.

Gerteric Lindquist  
Managing Director and CEO

# 1 Targets and achievements

We have a number of Group-wide targets linked to our focus areas. These targets are monitored regularly for each business area and plant. The results are reported annually in the form of key figures.

Target	Description	Target achievement																								
<b>Development of sustainable products</b> <i>Greater positive environmental impact of our products</i>  The target is for 55% of our sales to consist of LCE** classified products by the end of 2017.	In 2015, 10 of our total of 25 product groups were included in the FTSE LCE index.  Of our total 2015 sales, 49% (45) consisted of FTSE LCE-classified products.	<b>Percentage LCE-classified products (%)</b> <table><tr><th>Year</th><th>Percentage LCE-classified products (%)</th></tr><tr><td>2011</td><td>43</td></tr><tr><td>2012</td><td>45</td></tr><tr><td>2013</td><td>43</td></tr><tr><td>2014</td><td>45</td></tr><tr><td>2015</td><td>49</td></tr></table>	Year	Percentage LCE-classified products (%)	2011	43	2012	45	2013	43	2014	45	2015	49												
Year	Percentage LCE-classified products (%)																									
2011	43																									
2012	45																									
2013	43																									
2014	45																									
2015	49																									
<b>Care for people</b> <i>Safe workplaces</i>  Our long-term goal is zero accidents, of course. The target for 2016 on 9 accidents per million hours worked was achieved in 2015. We have therefore updated the target to an accident rate of less than six accidents per million hours worked by the end of 2018.	The result in 2015 was 8.5 (10.6) accidents per million hours worked. This is a decrease of 28 accidents compared with 2014.  Our work includes increasing the proportion of companies that have management systems for health and safety, performing more risk analyses and preventive work with better incident reporting.	<b>Number of accidents/million hours worked</b> <table><tr><th>Year</th><th>Number of accidents/million hours worked</th></tr><tr><td>2011</td><td>13.5</td></tr><tr><td>2012</td><td>14</td></tr><tr><td>2013</td><td>10.6</td></tr><tr><td>2014</td><td>10.6</td></tr><tr><td>2015</td><td>8.5</td></tr></table>	Year	Number of accidents/million hours worked	2011	13.5	2012	14	2013	10.6	2014	10.6	2015	8.5												
Year	Number of accidents/million hours worked																									
2011	13.5																									
2012	14																									
2013	10.6																									
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2015	8.5																									
<b>Managing natural resources</b> <i>Management systems</i>  All of our production companies must have certified management systems for ISO 9001 (quality) and 14001 (environment) before the end of 2016. Recently acquired companies have two years in which to become certified. Companies with fewer than 10 people working in production are exempt from the certification requirement.	Three certificates were issued in 2015: two for ISO 14001 and one for ISO 9001. This means that 23 certificates must be issued in 2016 for 20 companies, out of a total of 41, if we are to reach our target. We assess that there is a good probability of achieving the target.	<b>Certified management</b> <b>Number of companies certified</b> <table><tr><th>Year</th><th>ISO 9001</th><th>ISO 14001</th><th>Total</th></tr><tr><td>2011</td><td>22</td><td>0</td><td>22</td></tr><tr><td>2012</td><td>23</td><td>0</td><td>23</td></tr><tr><td>2013</td><td>26</td><td>0</td><td>26</td></tr><tr><td>2014</td><td>33</td><td>0</td><td>33</td></tr><tr><td>2015</td><td>37</td><td>0</td><td>37</td></tr></table>	Year	ISO 9001	ISO 14001	Total	2011	22	0	22	2012	23	0	23	2013	26	0	26	2014	33	0	33	2015	37	0	37
Year	ISO 9001	ISO 14001	Total																							
2011	22	0	22																							
2012	23	0	23																							
2013	26	0	26																							
2014	33	0	33																							
2015	37	0	37																							
<b>Care for the environment</b> <i>Improved energy efficiency</i>  We want to reduce energy use in our own plants by investing in more efficient new technology. The target is to reduce energy use by 30% measured in MWh per MSEK of sales by 2020 compared with 2013.	Use per SEK of sales has decreased to 12 (14) MWh per MSEK. In 2015, energy surveys were conducted at four companies, and the target for 2016 is to conduct energy surveys at a further five companies.  We are gradually working to include all of our plants in the programme for reduced energy use.	<b>Power consumption (MWh/Mkr)</b> <table><tr><th>Year</th><th>Power consumption (MWh/Mkr)</th></tr><tr><td>2011</td><td>16</td></tr><tr><td>2012</td><td>14</td></tr><tr><td>2013</td><td>14</td></tr><tr><td>2014</td><td>14</td></tr><tr><td>2015</td><td>12</td></tr></table>	Year	Power consumption (MWh/Mkr)	2011	16	2012	14	2013	14	2014	14	2015	12												
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2011	16																									
2012	14																									
2013	14																									
2014	14																									
2015	12																									

\*\*FTSE LCE™ (Financial Times Stock Exchange Low Carbon Economy) is a quantitative model that is specially designed to form the basis for investors in assessing companies' performance in the transition to a low carbon economy. Companies have to disclose the proportion of their sales that come from classified product groups, and comparisons are made over time for each sector. The index is still in the development stage.



# 2 Challenges and opportunities

Like all international companies, NIBE operates in a global context that we must constantly monitor and evaluate. We have to see both risks and opportunities in the constant changes taking place, and adapt our strategy accordingly to create as much value as possible.

## Population growth and larger cities

According to UN calculations, the population of the earth will have grown from 7.3 billion in 2015 to 9.7 billion by 2050. During the same period, more and more people will move to big cities. Today, half the world's population lives in cities, and by 2050 it is estimated that this figure will be 80%.

The same estimates show that some parts of the world can expect to reach a higher standard of living and longer life expectancy, while conflicts and social ills may increase to the opposite effect in other places.

Overall, these changes will bring significant challenges in developing sustainable cities and infrastructure.

Our products and solutions can contribute to sustainable development by meeting the needs of the future, today. In this way, we can create new opportunities as well as value for society.

## Global ambitions

Since the climate summit in Paris last year, there is a global agreement to limit global warming to no more than two degrees Celsius. To achieve this, greenhouse gas emissions must be reduced by 70% by 2050 compared with the level in 2010.

The world's ambition to reduce greenhouse gas emissions means business opportunities for us because our products and solutions increase energy efficiency and the use of renewable energy.

Buildings accounts for roughly 40% of total global energy consumption and emits

nearly a third of all greenhouse gases. So, by helping reduce the climate impact of buildings we can make a big difference. We can see an increasing need for creating energy solutions for buildings, including creating a pleasant indoor climate and access to hot water, without generating local emissions of air pollutants and contributing to a the carbon footprint.

At the same time, we see sluggishness in the transition to fossil-free technology. This may be due to uncertainty about new technologies and unwillingness to change due to established systems offering low oil and gas prices.

It is our hope that there will be sufficient incentives and political instruments available for bringing about a swift enough transition to a climate-neutral society.

## A fossil-free Sweden

In addition to the global approach established at the climate summit in Paris, the goal of creating a fossil-free Sweden has been communicated by Swedish politicians, and more countries have been asked to follow suit.

Making progress on climate change, in addition to changed behaviours and simpler regulations, requires investing in research to find innovative solutions in several areas.

The transport sector is regarded as one of the greatest challenges. The operation of both public transport and private vehicles requires energy optimisation. Energy use needs to be switched from fossil fuels to re-

newable sources. In this area, NIBE can already offer applications for electric cars and energy optimisation. Research and development in energy efficiency and renewable energy covers a wide range of activities, and in our opinion we stand at the forefront of our industry.

We see it as a challenge to gradually shift our product portfolio to someday supporting 100% fossil-free technology.

## Increasing social unrest

Climate change, with its profound impact on society and the social unrest arising from conflicts and lack of natural resources, increases the risk of instability in the market.

We have to remain aware of the risks when we plan future activities, especially when it comes to use of raw materials and expansion into new markets.

## Emissions from wood-burning

A large number of installed stoves and wood-fired boilers exist that use an old technology with a lower combustion rate. These lead to emissions of particulate matter, carbon monoxide and volatile organic compounds. We see an opportunity to gradually replace them with our modern products that feature efficient combustion and lower emissions. At the same time, we see a risk that new regulations may limit wood burning regardless of performance.

*(For a detailed description of NIBE's risk management, see the Annual Report pp. 64-65)*



# We want to contribute to a better world



One of the biggest challenges involved in achieving a global sustainable community is to reduce emissions of greenhouse gases and slow down the rate of climate change. NIBE operates in an industry that can accelerate the transition to lower energy consumption and a higher proportion of renewable energy. Through our products, we want to help the world be a better, more climate-adapted place.

If we are to do this successfully, without losing competitiveness and long-term profitability, we need to continuously evaluate our global context and adapt our strategy accordingly.

Factors we have identified as having an impact on us are population growth, urbanisation, higher living standards and longer life expectancy in large parts of the world. This will make it even more important to have climate-adapted solutions for heating, cooling, ventilation and energy

use to prevent climate change from accelerating. Handled correctly, this could mean new business opportunities for us as our products are able to help meet these needs.

At the same time, we can see how climate change has a negative impact on political stability and social conditions. Shortages of certain raw materials and declining availability of natural resources increase the risk of market turbulence.

*"By delivering long-term value to our customers, we can also maintain good profitability and thus make a positive contribution to society," says Kenneth Magnusson, Chief Sustainability Officer*

Examples of NIBE's product types	Climate benefit	Customer benefit
Heat pumps	Renewable energy Reduces energy consumption by up to 80%	Clean and easy Lower costs
Solar products	Renewable energy	Lower costs Microgeneration of power can produce revenue
Heat exchangers	Optimisation and recovery of energy Reduces demand for supplied energy	Clean and easy Lower costs for energy use
Components	Enhances energy efficiency in products Contributes to fossil-independent technology	Better products with lower energy consumption Lower costs for energy use
Wood-burning stoves	Heating with renewable energy	Heating and well-being

## LCE – Low Carbon Economy

FTSE LCE™ (Financial Times Stock Exchange Low Carbon Economy) is a model that is specially designed to form the basis for investors in assessing companies' performance in the transition to a low carbon economy.

The valuation is based on a quantitative rating system consisting of 8 sectors and 60 subsectors, where fixed criteria must be met in order to be included as a product that can be said to support a low carbon economy.

The aim is for investors to gain access to a basis for evaluating business development and value from this perspective. It also

acts as a means to actively increase portfolio exposure to companies pursuing climate benefit and reduce investments in fossil-dependent companies.

Companies disclose the proportion of their sales that come from classified product groups, and comparisons are made over time for each sector.

FTSE LCE covers about 9,000 publicly listed companies and provides data via a web-based application.

The index is still in the development stage and therefore changes somewhat from year to year.

## NIBE and LCE

NIBE has reported to the FTSE LCE index for a number of years, and sees it as a way to measure how much of our sales consists of products that support a conversion to fossil-free technology.

Currently, 10 out of 25 product groups are included in the index, representing 49% (45) of sales in 2015.

Our goal is for 55% of our sales to consist of LCE-classified products by the end of 2017.



# Vision, mission, objectives and strategy

## Vision

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Our vision is to create world-class solutions in sustainable energy.

## Mission

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Our mission is to offer the market high-quality, innovative energy-efficient products and system solutions through our three business areas. This work builds on the NIBE Group's wide-ranging capabilities in product development, manufacturing and marketing.

## Target

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Our overriding objective is to combine strong, sustainable growth with healthy profitability, creating value for shareholders. We also aim to be an interesting and stimulating workplace for employees and have satisfied customers. Our operations will be characterised by openness and responsibility.

## Strategy

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We have divided our strategy into seven different focus areas in order to clarify our approach and methodology.

### Profitability

is maintained through:

- ▶ Faster growth than competitors
- ▶ Optimising costs and capital
- ▶ High levels of value added
- ▶ Reducing the use of resources and increasing recycling
- ▶ Brand-building
- ▶ Positioning on several continents
- ▶ Internal and external benchmarking
- ▶ Synergy effects of completed acquisitions.

### Growth

will occur through:

- ▶ Increasing our market share in selected markets
- ▶ Investments in new products and technology
- ▶ Strategic acquisitions of strong brands and products that complement our range in selected markets.

### Competitiveness

is strengthened through:

- ▶ Rapid pace of product development
- ▶ Manufacturing high-quality products specially developed to reduce environmental impact
- ▶ Continuous mechanisation and automation in production
- ▶ Flexible wage systems
- ▶ Standardisation, modularisation and the coordination of components
- ▶ Economies of scale within purchasing and production
- ▶ Products with modern design, high performance and good quality
- ▶ Professional, objective marketing with an international appeal
- ▶ High quality
- ▶ Continue digitalisation in all product areas.

### Sustainability

will characterise product development and manufacturing, choice of materials, transport, product functionality and recycling at the end of a product's useful life.

### Sincerity and an ethical attitude

will apply to both internal relations and external relations with shareholders, customers, suppliers, authorities and society in general.

### Customer satisfaction and peace of mind

is our constant goal, to be achieved through:

- ▶ A broad range of products
- ▶ Optimum product solutions tailored to each individual customer
- ▶ The best service and customer support
- ▶ High quality
- ▶ Competitive prices.

### Employee commitment

is strengthened through:

- ▶ Training and organisational development
- ▶ Further development of key employees
- ▶ A stake in the Group.

# 3 Sustainability governance

Our operations are very much governed by the legislation of the countries in which we operate. We are subject to national environmental legislation and health and safety legislation, and also to directives such as RoHs, REACH and Ecodesign. Our position is that legislation must be complied with by a good safety margin and that we should be transparent in our dealings with public authorities.

## Organisation and division of responsibilities

NIBE's Board of Directors bears the ultimate responsibility for ensuring that risks are managed and sustainability work meets the requirements of public authorities, shareholders and other company stakeholders.

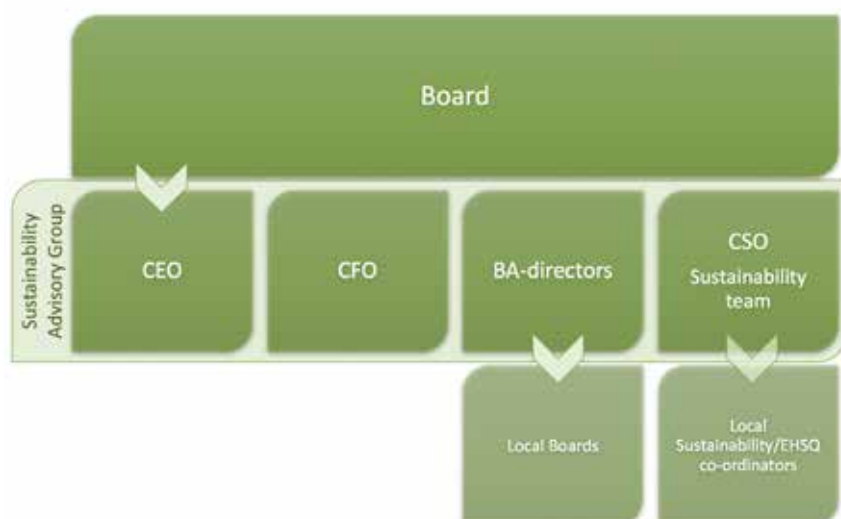
The management team of each company is responsible for operational sustainability work at the local level and for compliance with Group guidelines.

These managers report to the business area managers in each area. The central sustainability team regularly visits companies in

the Group to monitor compliance with common policies and guidelines.

The sustainability manager is responsible for the work at a strategic level and reports on sustainability issues to the Board at the Group and business area levels in connection with strategy meetings and similar occasions.

The sustainability council, consisting of the CEO, business area managers, CFO, sustainability manager and sustainability controller, meets regularly to follow up on results, analyse risks and take decisions on the continued sustainability work.



## Stakeholder dialogue

We have a long history of dialogue with key stakeholders that has proved effective.

Our most important stakeholder groups are customers, employees, suppliers, local residents, financial institutions, investors, public authorities and trade associations. The areas identified as top priority by our stakeholders are financial stability, product safety, business ethics, health and safety, and statutory compliance.

We can see a growing interest in areas such as sustainable transport, human rights, reduced climate impact and reduced environmental impact from our production processes.

Results from meetings, correspondence, surveys, interviews and other channels of communication are collected as part of the basis for our materiality analysis.

## Materiality analysis

We believe that the foundation for continuing our business is long-term growth and profitability.

These in turn depend on how accurately we gauge macro events and adapt our business to the times, yet without compromising our values.

We have weighed our economic, social and environmental impact on the wider world against our stakeholders' expectations of us and have assessed the outcome.

This has resulted in several important conclusions that determine what we focus our sustainability efforts on and how we maintain positive developments.

Our most important issues are listed to the right. Pages 13-23 describe our six focus areas within sustainability that these aspects have resulted in.

## UN Global Compact

For an international company, national legislation is sometimes insufficient when it comes to creating consensus and common guidelines for the entire Group as needed.

We have committed to adhere to the UN Global Compact as a commonly accepted platform of mutual principles that can be applied equally by all our companies, partners and suppliers, wherever they are in the world.



## Our operation

Our most important values and standpoints are also summarised in three brochures:

- Our Values
- Our Business Principles
- How We Work

Together they constitute a common toolbox of principles that form the basis for our conduct and our decisions in all situations.

The brochures are translated into 14 languages and are a mandatory part of the introduction of new employees.



Our Values and Our Business Principles can be downloaded from [www.nibe.com](http://www.nibe.com)

## Priority issues

- Profitability and financial stability
- Safe products
- Energy-efficient products
- Climate-adapted products
- Satisfied customers
- Attractive employer
- Good working environment
- Reduced environmental impact
- Business ethics, compliance
- Reduced use of natural resources
- Sustainable supply chain
- Reduced impact from transport
- Phasing out hazardous chemicals
- Less waste, more recycling
- Increased product recycling rates
- Transparency
- Diversity and equal opportunities
- Taxes

# 4 Our business model

The NIBE Group's business model is decentralised and builds on strong brands, forward-thinking product development and market-adapted products, creating value for customers through high-quality functionality and lower operating costs and for society through lower energy consumption and smaller carbon footprint. We serve the global market through 70 independent companies in three business areas: Energy Systems, Element and Stoves.

The three business areas manufacture products and solutions in 25 different product groups under 52 brands. In total, NIBE has some 50 production facilities and a geographical presence in 21 countries throughout Europe, North America and Australia.

We have a growth strategy with a target of average year-on-year sales growth of 20%.

We will achieve this target through a combination of organic growth of 10% and through acquisitions.

Internal efforts to raise efficiency, combined with our rigorous cost control meas-

ures and a safe work environment, will guarantee persistently healthy margins.

Our corporate philosophy, with its focus on energy savings and sustainability, is an important prerequisite for continued growth in today's society.

## NIBE Energy Systems

The **Energy Systems business area** has products that consist mainly of systems for indoor climate and water heating. The products are distributed either to wholesalers or directly to installers. Other partners include architects, project planners, consultants and energy advisors.



## NIBE Element

The **Element business area** manufactures components and systems for heating, monitoring and control, and has two main customer groups: one in which the product is part of the customer's product and the other in which the product is included in the customer's own production process.



## NIBE Stoves

The **Stoves business area** manufactures stove products that reach the end customer through specialised and construction retailers. They provide product exposure in stores as well as installation and service.



# Value at every step

NIBE's mission is to create world-class sustainable energy solutions. We accomplish this by providing the market with high-quality products and system solutions that use the latest and most environmentally adapted technology to achieve a comfortable indoor climate, while reducing energy use and minimising the carbon footprint.

By offering long-term value to our customers, we will also be able to maintain a healthy profitability. Our profit makes it possible to develop even more intelligent solutions, to attract and retain qualified employees and to contribute to a positive change– both for our employees and for society as a whole.



PRODUCT DEVELOPMENT

**We create value by developing innovative products** and solutions that meet the highest demands for energy and resource efficiency.

In 2015, 10 out of 25 product groups were classified as “low carbon economy” products (see p. 7). This is equivalent to 49% of our sales, or SEK 6.5 billion.



PURCHASING

**We buy from suppliers** who share our values, principles of business ethics and high aspirations in terms of sustainable development.

In 2015, we created value for our suppliers by purchasing direct materials for approximately SEK 5.4 billion.



PRODUCTION

**In the production process great value is created** when responsibility, professional competence and excellence interact to produce high-quality products for a demanding market.

In 2015, sales per employee were SEK 1.25 (1.13) million, an increase of 11 %.



TRANSPORT

**We strive to transport both materials** and employees in a way that takes the greatest possible consideration of people as well as the environment.

In 2015, we paid just over SEK 270 million to external shipping companies.



PRODUCT USE

**NIBE's products are designed to create long-time value** for our customers and end users by a reliable functionality and low energy costs to the benefit for both the economy and the environment.

A family living in an ordinary Swedish house with oil heating using 3 m<sup>3</sup> of oil each year saves about SEK 26,000 annually in heating costs if they switch to a geothermal heat pump. And they reduce CO<sub>2</sub> emissions from eight tonnes to virtually zero



RECYCLING

**Reuse and recycling is a part of our** product and producer responsibilities. In this way we take advantage of the material value of products, saves resources and reduces waste.

# 5 The market

Our three business areas complement each other well, and thanks to a wide range of products that meet modern-day requirements, we are able to maintain a strong position in the global market. By being proactive and forward-thinking, we intend to drive the market towards better technology and a smaller carbon footprint.

## NIBE Energy Systems

We are the market leader in the USA, Canada, the Nordic region, Germany, Switzerland, Austria, the Netherlands, Poland and the Czech Republic in the heat pumps market segment. We have a good market presence with heat pumps on a number of other European markets such as France and the UK.

The five largest European heat pump markets (France, Germany, Sweden, Switzerland and the UK) have enjoyed relatively stable growth, with the Swedish market growing most during the year. Market growth in Eastern Europe has also been stable.

With the uncertainty associated with the price of electricity, gas and oil, the heating industry has come to focus on energy efficiency and better environmental performance in general instead of investing fully in product development for renewable energy. This applies to several European markets and delays the shift to new technology.

Awareness of the need for and benefit of efficient new energy solutions for buildings is growing fast, and we look forward to a clearer, more ambitious energy policy as regards renewable energy.

We see great potential in this market and we therefore continuously develop our product range to align with this trend.

## NIBE Element

The European market has continued to develop positively, including in southern Europe. The North American and Asian markets have also developed positively. The market for our product areas tends to keep pace with national industrial development and thereby with GDP growth.

The growing interest in energy efficiency and sustainability means new opportunities for us.

Market areas that are affected positively include wind power, heat pumps, rail transport, and hybrid and electric vehicles.

We have launched several products in the energy sector that are linked to renewable electricity from solar and wind energy and that have strengthened our market position within the energy sector.

Our technical solutions for controlling and regulating electric motors and components based on heat pump technology promise good growth as they contribute to further enhancing efficiency in these applications.

## NIBE Stoves

Demand for stove products is determined primarily by the economy, which affects disposable household income.

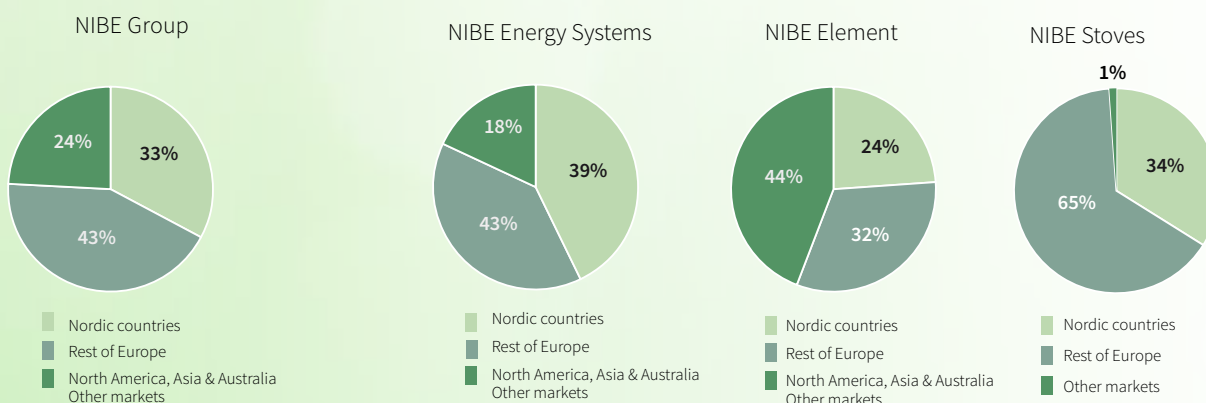
Demand is also affected by energy prices and new construction of single-family homes. Logically it is more economical to install a complementary heat source when the prices of other energy sources such as electricity, gas and oil are high. Currently, the prices of oil and gas are low, which means that the driving factors are primarily comfort and wellbeing.

The three major energy sources for stoves are wood, gas and pellets. In Europe, products for traditional wood-burning are sold in most countries.

There is a strong tradition of using gas in the UK, Ireland and the Netherlands because there are extensive gas supply networks, with the result that gas-fired stove products are popular.

We have a positive outlook for the Stoves business area, noting several new, modern products and an increase in newly constructed buildings

## Sales by geographical region





# 6 Our sustainability focus areas

Our strategic sustainability focus areas aim to create a clear framework and direction for our sustainability work. Based on our business strategy and our values, combined with business environment factors and global objectives such as the Sustainable Development Goals\*, we have analysed what are our most significant sustainability issues. We have weighed the result up against what our stakeholders expect of us and what creates long-term profitability and growth.

In the dialogue with our most important stakeholder groups, who are customers, employees, suppliers, owners, financial institutions, investors, public authorities and trade associations, we are able to distinguish a number of priority areas such as profitability, financial stability, product safety, business ethics, health and safety and compliance with legislation. We can also see growing

interest in areas such as sustainable transport, human rights, reduction in climate impact and reduction in environmental impact from our products

Our six strategic focus areas in sustainability are grounded in our business strategy, our materiality analysis and the goals we have in terms of sustainable development.

In addition to the views that emerged in the dialogue with our

stakeholder groups, we have considered external factors and global objectives that affect us, such as our Sustainable Development Goals. This resulted in a materiality analysis in which six strategic sustainability focus areas were identified.

These areas form the basis of the goals we established and the key indicators we follow and use to govern our activities.

\*See further information at <https://sustainabledevelopment.un.org/topics/sustainabledevelopmentgoals>

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# Development of sustainable products

**In product development, we apply the precautionary principle and work to reduce environmental impact and climate impact throughout the life cycle. We must constantly challenge ourselves to find solutions that can contribute to a faster transition to a fossil-free society.**

## Product development

A major part of our product development involves creating globally competitive products made with respect to the environment and contributing to sustainable development, without compromising on quality or performance.

Requirements for the various industries and technologies differ significantly in terms of performance and standards. We have therefore invested in modern laboratories with well-developed testing facilities, where we collaborate closely with our customers to ensure that the products meet standards and requirements.

The Group's most advanced, modern development laboratory at our German subsidiary AIT in Kasendorf opened in 2015. Together with NIBE Energy System's high-tech development laboratory in Markaryd,

we have continued to strengthen our technological competitiveness in Europe.

To meet international market requirements, we continually recruit highly trained engineers with specialist expertise within our priority business areas.

The international exchange and collaboration between the product development teams at our different companies show a noticeably positive effect on the development of new products.

### The Ecodesign directive and LCE

Our product development teams work according to a number of EU directives, such as Ecodesign, REACH and RoHs. We continuously strive to reduce the amount of material in the products and to phase out substances that appear on restriction lists.

We employ extensive resources to develop our wood-fired products' combustion technology to minimise the environmental impact of their exhaust gases.

We therefore consider it a positive development that the EU has introduced new common requirements concerning limit values for the efficiency and emissions of local wood-burning stoves. The requirements will be fully effective starting in 2022. With a few exceptions, our products already meet these future requirements.

The Ecodesign directive has been in force since 2005 and has gradually been extended to include more product groups.

The requirements, created using life-cycle assessments, eliminate the worst products on the market from an energy consumption perspective. The requirements can also apply to other characteristics, such as noise, product life or information requirements related to hazardous substances.

It is positive for the entire industry to finally have clear rules for product development based on high standards and uniform test methods. This will result in even better products and lower environmental impact.

LCE stands for low carbon economy and refers to products that meet defined criteria developed by the FTSE (see page 7) to value companies based on how well they manage their conversion to fossil-fuel independence and lower CO<sub>2</sub> emissions.

We intend to increase the number of products in our range that use renewable energy, with a target of 55% of sales coming from LCE-classified products by 2017.

In 2015, 49 (45 %) % of our total sales consisted of FTSE LCE-classified products.

*Electric cars reduce dependence on fossil fuels and can also even out the demand for electricity, since they can be recharged at off-hours when little electricity is being used.*





### Energy needs cut in half with new solution

Magdeburg Verkehrsbetriebe (MVB Tramline) in Germany has chosen a green way to keep their 283 switches on the local tramway ice-free during the winter. A complete system from NIBE's Danish company, SAN Electro Heat a/s, will reduce energy needs by 50%, or about 400 MWh, each year.

Six strategically located weather stations provide local weather information every hour, with a three-hour forecast that can be accessed from a PC, tablet or smart phone.

The entire system can be controlled remotely, and any errors can be reported automatically so that they can be corrected before they become a traffic problem. This will help reduce disruptions and improve the level of service. And it will increase confidence in public transportation, perhaps even getting more people to leave their cars at home.



## Products that are needed

We manufacture products in which energy efficiency is the hub that everything revolves around. One example of a ground-breaking product is a heating unit for installation in electric cars. The purpose of the product is to heat the battery pack and thus improve battery performance during charging and use.

### Heat or cold from facades

Another ground-breaking project that NIBE is involved in is an EU project called BASSE. BASSE stands for Building Active Steel Skin, and is about steel facades that are active in gathering and storing heat or cold. BASSE builds on existing systems and replaces the usual sandwich panels in new buildings and renovations. The derived heat or cold can be used directly in a building, or be stored in accumulator tanks, to regulate the building's indoor climate.

Other companies, such as Tata Steel and Dow Chemicals, are also project partners. A demo building has already been constructed in Bilbao, Spain. Read more at [www.basse-eu.com](http://www.basse-eu.com).



### NIBE Uplink™ remotely controls and monitors

With the help of the internet and NIBE Uplink™, a homeowner or operating technician can get a quick overview and current status of a heat pump or an installation.

Through accurate, transparent data, the heat and hot water levels can be effectively controlled from anywhere in the world via the internet. If there is a malfunction an alarm is sent via e-mail, minimising problems and downtime. NIBE Uplink™ works on a smart phone, tablet or PC and gives the user great freedom and full control.



# Care for people

We must do our best to ensure that no one is injured or taken ill by their work. Our workplaces must be characterised by diversity, gender equality, good working conditions and open dialogue. Our customers must feel secure in the knowledge that our products are safe and manufactured responsibly.

Our employees have a variety of experience and knowledge and represent different cultures, but they all share our common values of respect for human rights and good principles of business ethics. We are convinced that a responsible approach to business strengthens the brand, boosts our profitability and makes NIBE an attractive employer.

In 2015, we had an average of 10,545 (9,726) employees, of whom 88 (88) % worked for companies outside Sweden. This means an increase in the number of employees of 8.5% year-on-year, a result of both organic growth and the acquisition of new companies.

Collective agreements cover 57% of our employees.

## Competency management and careers

Our operations are knowledge-intensive and our products are under continuous development. This requires a stable influx of new expertise and good working conditions so that employees thrive and want to stay.

It is important for the employees to be committed and continuously make use of the opportunity to develop their skills. In 2015, we completed the Our Values training and also held a course in business ethics and anti-corruption. A total of 212,000 (124,000) hours of training were conducted in 2015. This is equivalent to an average of 20 (13) hours per employee.

We expect employees to work and perform well. We also offer freedom with responsibility, value common sense and simplicity, and try to avoid unnecessary bureaucracy.

Positions that require particular expertise can often be filled by internal applicants as a result of well-planned skills development and career planning. We provide plenty of opportunities for career development and many of our employees stay with us for a long time. In 2015, we conducted performance appraisals with 59% of our employees and in the same period employee turnover decreased to 6.8 (7.1) %.

## Young people are important to us

We offer internships and opportunities to carry out development projects and conduct studies at our plants.

In Kasendorf, Germany, AIT-Deutschland GmbH initiated the AIT-Young project to attract an increased number of well-educated, talented young people to apprenticeships at the company. In addition to receiving vocational training, the young people grow personally by taking responsibility. They also hone their social skills and work methods by being part of independent project groups that market the apprenticeships to new applicants via the internet and social media.

The concept has proved very successful, resulting in higher-quality applicants, satisfied young people and greater media attention. The company also won the 2015 Training Award (Ausbildungspreis 2015) as the best company for apprentices in its region.

## Reduced number of accidents

We are working to improve our safety culture in the Group and are aiming for the obvious goal: Zero accidents. The accident rate fell to 8.5 (10.6) accidents per million hours worked. This means that we have already achieved the interim target for 2016 by a good margin. Consequently, we have defined a stricter target of maximum six accidents per million hours worked by the end of 2018.

The most common causes of accidents are related to machinery, tools and manual handling. We will make special efforts to enhance knowledge and reduce the risks within identified areas.

We had to pay a fine equivalent to SEK 12,500 because of deficiencies in the working environment at one of our Chinese plants. Otherwise, no fines or legal actions were reported.

## Leadership development

A growing organisation needs good managers, and NIBE has therefore invested in a programme for leadership development. In 2015, 24 managers took part in the programme.

Participants gain increased self-awareness and new tools for becoming more secure and efficient, and become better prepared to take on new assignments in the future.

## Ethics training gave positive results

A new course on ethics and anti-corruption was launched in 2015. Roughly 900 employees have already completed the course, and the results overall have proved very successful.

“We have succeeded in communicating our values and our business principles, and they have been well received throughout the Group. There have been no problems,” says Kenneth Magnusson, CSO of NIBE.



Carl Huber, VP, WaterFurnace quality department in North America

*“I received concrete guidance on how to act”*

“But we noticed that many people still felt unsure about how they should actually behave. We needed concrete guidance with practical examples. So that’s why we created this web-based ethics course.”

The course is now available in 14 languages, and about 3,000 salaried employees in 18 countries will take it. Of these, about 30% have completed the course so far.

Carl Huber, who attended the training at WaterFurnace in North America, says that “it offered concrete guidance on how to act” to feel secure in relationships with suppliers and others.

Even for those who already possess the theoretical knowledge, it helps to refresh it with practical examples and exercises.



### Our customers and end users

Our end-customers include families with small children who plan to build houses with geothermal heating and solar panels, large hotel complexes that need climate-control systems or industrial companies that need components for their products. And almost anyone in between.

Although they may have very different needs, our customers all have one thing in common: They want to be satisfied customers.

Customers should be able to expect that what they have bought from us will deliver as promised. Our products must be safe and reliable to use and they must function for a long period of time. Our care for people, our responsibility as a supplier and our pride in the high-quality products we make mean that we go to great lengths to ensure that our customers really are satisfied with their purchases.

### Added value for customers

Most of our products for heating buildings add value for our customers, in addition to their basic functions, by reducing energy use and thus reducing variable costs. Their increased energy efficiency also reduces total carbon dioxide emissions.

We strive to help our customers choose the optimum solution for their needs in terms of both cost and the environment.

### Proven satisfied customers

Nearly 70% of the companies in the Group conduct regular customer satisfaction surveys and other surveys focusing on individual customer opinions.

The latest customer survey, which includes NIBE Energy Systems within NIBE AB, shows that 89% of our customers are very satisfied and have rated us as six or seven on a seven-point scale. This gives an average rating of 6.4, up from 6.0 compared with 2012. We

get the most criticism on the availability and accessibility of our administrators, and that is something we are working to improve.

In 2015, we had two product recall cases due to safety defects and four cases where the customer received a new product because of repair costs that were too high. About 10 cases concerning products that resulted in water damage or smoke damage were reported and fixed. No cases of misleading advertising were reported.

## “We save 23,000 kronor a year!”

When Peter and Sofia’s old oil-fired boiler called it quits, they chose a geothermal heat pump from NIBE. They were mainly interested in reducing their heating costs and moving away from oil heating. But the fact that they could monitor and remotely control the heat pump easily from their phone or tablet, and that it could warm up their pool, convinced them.

After careful consideration and reflection, they decided on the NIBE F1255-16 geothermal heat pump. The ability to connect via NIBE Uplink, a system that monitors, controls and issues warnings about breakdowns, was a clear benefit. The model also has several complementary accessories such as a connection for heating a swimming pool.

Another major reason was its variable speed control, meaning that it adapts to the environment and the output required. During the past year, the new geothermal

heat pump saved the family about SEK 23,000 in heating costs.

That is hard to beat, except for maybe one thing:

“Slipping into the pool’s 28-degree water on a September evening,” says Peter with a big smile.

We are finding that an increasing number of new customers are just like Peter and Sofia: well informed, with relevant requirements and careful about what they choose.





# Eltwin in Poland wins first prize in the 2015 awards for safest employer

Eltwin was established in 1976 and has three plants in Denmark and Poland. The company develops electronic components for automation and custom solutions for control and regulation.

Eltwin's Polish plant has 50 employees and produces electronic sensors, used in a variety of appliances in households and industry, as well as sensors for measuring conditions like humidity, temperature, pressure and smoke. As Kim Ström Sørensen explains, "Three years ago, we set the goal of becoming a role model for workplace health and safety and raising the standard above the level of current legislation in Denmark. Since then, we've been working through safety committees and a good dialogue

between managers and employees to report dangerous conditions, minimise risk, create safe work practices and provide good protective equipment."

"After our first visit from the National Labour Inspectorate, we got confirmation that we had achieved success, and so we continued using the same approach."

"In November 2015, the National Labour Inspectorate awarded us first prize as the safest employer. The awards ceremony took place at a gala at the royal palace in Warsaw on 25 November."

"We are pleased and proud that we received the award, not because we were preparing ourselves for a competition, but because we've worked hard and focused to achieve a good working environment for all our employees."



## Safe workplaces

Our aim is to have a business with no accidents. It is therefore gratifying to know that we improved our accident frequency from 10.6 to 8.5 per million hours worked in 2015. This means that we have already achieved our first interim target by a good margin. The new interim target is six accidents per million, to be reached by the end of 2018.

We are well positioned to achieve this target in view of all the initiatives being taken within the Group. Many companies have already made great progress, with safety audits, risk assessments, training, incident reporting and specific measures to improve the physical working environment. Several of the companies have also seen the connection between good housekeeping and improved health and safety performance, so several 5S projects were launched with positive results.

Some companies, such as Eltwin A/S, Backer Alpe Monterrey and WaterFurnace International, have set their internal targets to zero accidents, which is exemplary. Backer Facsa S.L. proves that this is a realistic target because they did not have a single accident in 2015.

Kaukora, which had 65 accidents per million hours worked in 2015, has appointed a dedicated resource with the experience needed to improve its working environment. The company has also installed TV screens throughout the facility showing reported incidents and reminders to work safely. We look forward to reporting their improved results next year.

As a Group, we will continue to pursue a healthy culture of safe workplaces and stable productivity. Our concern for people means that workplaces without accidents will remain in focus until we achieve this goal.



# Care for natural resources

Our operations shall with utmost care economize with natural resources. This means using less water and less raw materials as well as reusing and recycling more. Although we have already achieved a great deal, we want to improve still further throughout our value chain. Material use is a key issue for all our production facilities, while energy use is important even for companies that have only office and/or warehouse facilities.

## Materials

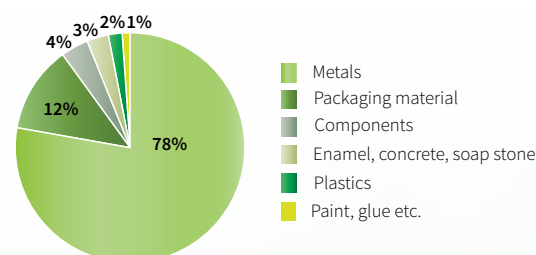
Metals such as steel, iron, copper and brass, as well as magnesium oxide, account for a total of 62,400 tonnes, or 76%, of our total input materials.

We do not currently have a sufficiently accurate basis for reporting the percentage of renewable materials.

We are also working on being able to measure how much is derived from recycled materials.

Wood, board plastics and steel are used as packaging materials. In 2015, we used 10,400 tonnes of packaging materials.

Overview of major materials % of total use



## Energy use

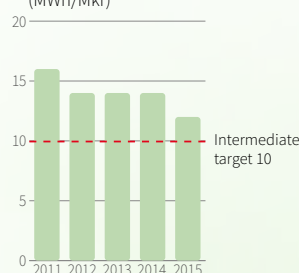
Direct energy use in 2015 amounted to 52 (54) GWh, of which 7 (6) % was from renewable sources.

We have started a programme to increase our proportion of renewable energy and reduce energy use. In 2015, we carried out four energy audits and, in 2016, five additional plants will carry out energy audits as the first stage of the programme.

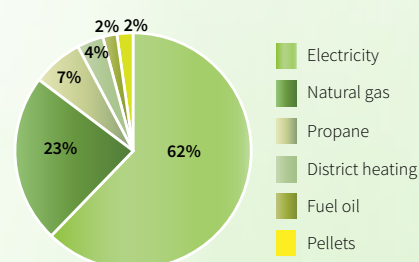
All of our purchased electricity is electricity from guaranteed renewable sources, which means that our carbon footprint is virtually zero for the biggest of our indirect energy sources. Indirect energy use amounted to 101 (97) GWh. Overall, 68 (47) % of our total energy use comes from renewable sources.

As part of our programme to increase the use of renewable energy, any use of fuel oil will be phased out from our properties by the end of 2017.

Power consumption (MWh/Mkr)



Energy sources % of total energy consumption

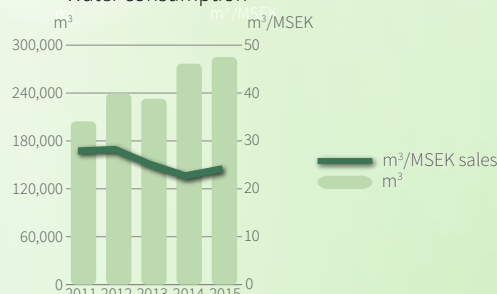


## Water use

We want to continuously see that we have systems for measuring and reducing water consumption where there is a shortage or may be a shortage of water.

In 2015, we used 285,450 (278,170) m<sup>3</sup> of water.

Water consumption



# Care for the environment

All our production units must have environmental certification and make continuous improvements to reduce their negative impact on the air, water and soil. We also focus on reducing waste, using less material and better materials, and phasing out harmful chemicals.

Our products have a mostly positive environmental impact when they are used, considering that they result in lower energy consumption and lower carbon dioxide emissions than their alternatives. End-of-life products must be dealt with correctly to ensure a maximum recycling rate. In our reporting of direct environmental impacts we include our production units. We don't have a basis for reporting the environmental impact of transportation and supplier activities as a result of our orders.

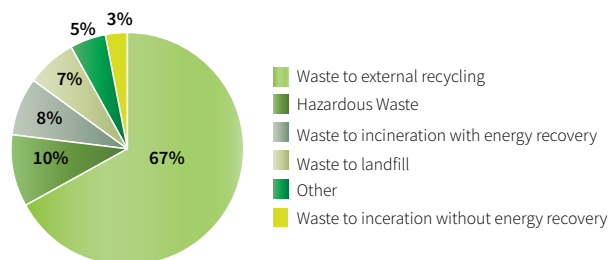
Our greatest direct environmental impact is from the use of raw materials, atmospheric emissions, discharges into water and waste. Our greatest indirect impact is from transportation and our suppliers' environmental impact as a result of our orders.

## Waste

In 2015, 16,800 (15,500) tonnes of waste were generated, of which 1,650 (1,620) tonnes were hazardous waste. We sent 1,360 (976) tonnes of waste to external landfills. In the countries in which we do not have very developed systems for recycling and incineration with energy recovery, we are working to find methods of reducing the volume of waste sent for disposal.

In total we were able to recover 75 (75) % of our waste, including 10 (10) % as energy recovery by incineration.

Waste categories % of total use



## Carbon dioxide emissions

Our total carbon dioxide emissions of 10,900 (26,300) are divided into direct emissions from our own production, 98 (49) %, and indirect emissions from production of the electricity and district heating we purchase, 2 (51) % . We are working on more complete reporting of carbon dioxide emissions from transportation.

## Chemicals

We follow applicable chemical legislation such as REACH and RoHs and work systematically with the substitution principle. We aim to reduce emissions of VOC and to use cooling liquids that are not ozone depleting or climate changing.

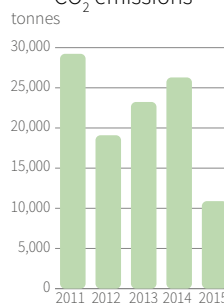
## Spillage and non-compliances

Continuous monitoring of our company's environmental performance and compliance with environmental legislation in the countries in which we operate is part of our environmental management systems.

We primarily work with preventive actions to avoid spillage and environmental non-compliances.

In 2015, no significant spillages or breaches of environmental permits were reported. Nor have any fines, injunctions or judicial trials been reported regarding breaches of environmental legislation or permits.

CO<sub>2</sub> emissions



*In 2015, operations emitted a total of 10,900 (26,300) tonnes of carbon dioxide, of which 2 (51) % were indirect emissions. The large decrease is due to the fact that we have only purchased guaranteed origin electricity from renewable sources.*



# Responsible purchasing

Our suppliers are evaluated according to international principles relating to human rights, working conditions and anti-corruption. This requires a deeper, more time-consuming analysis, but it is our gain in terms of lower risk of interruptions in material flow and events that may harm our reputation.

We have around 3,500 suppliers of direct materials with a total purchase value in 2015 of SEK 5.4 (4.6) billion.

We purchase the highest volumes from suppliers in Europe and Asia, and the categories representing the most value are metals and electronics.

We work very closely with a number of our suppliers, often developing components and parts for our products in co-development projects.

We set high requirements for our suppliers in terms of quality control, reliability of supply and environmental performance.

We also verify that our suppliers meet the requirements of the REACH and RoHS directives, and that they have procedures for control and traceability concerning so called conflict minerals.

Around 250 new suppliers were added in 2015. Of these, 226 were assessed against quality requirements, 38 against social requirements and working conditions, 49 against environmental requirements and 41 against health and safety requirements.

A new system for carrying out supplier assessments including all areas (quality, environment, working conditions and ethical principles) was introduced in 2015, and work on developing and introducing the new methods is expected to continue throughout 2016.

So far direct material purchasers in 19 of 42 producing companies, or approximately 45%, received the training in sustainability issues and the social requirements that are placed on our suppliers.

Our goal is to fully implement the new work method by the end of 2017, with the long-term goal that all our direct material suppliers must have undergone full assessment against our criteria.

Purchases of indirect materials are currently entirely decentralised, and most purchases are made locally.

In the longer term, indirect material suppliers will also be subject to new assessment procedures.

## Improvements first and foremost

We want our suppliers to adhere to the internationally accepted principles to which we ourselves adhere and which are summarised in the 10 principles of the UN Global Compact on human rights, working conditions, the environment and anti-corruption.

If our suppliers do not live up to an acceptable standard in any of these areas, we first consider whether improvements can be made to reach an acceptable level, and we then consider whether we have to end our cooperation.



## Assessments and audits as the basis for improvements

NIBE's Czech companies, Backer Electro CZ and Eltop Praha, are a few of the companies that have made the most progress in methodically assessing suppliers. They use a well-developed programme for supplier assessments and written procedures for how they should be implemented. In addition to quality, delivery reliability and capacity, the programme includes environmental issues, working conditions, discrimination, ethical guidelines and supplier management.

Between five and ten suppliers who were assessed using standard questions are selected for audit each year. Nine audits were carried out in 2015 and six have so far been planned for 2016. The suppliers that will undergo an audit are selected based on the results of the assessment and on other factors, such as reported incidents, performance shortfalls, new suppliers or before starting new projects with existing suppliers.

So far the programme has assessed 53% of all suppliers, resulting in a number of action plans and improvement measures. The response from suppliers has generally been positive, and measures have been reported as completed on time.

## Supplier Days build strong relationships

Backer Heating Technologies (Shenzhen, China) has for two consecutive years successfully hosted a Supplier Day, at which it shares information with suppliers and creates strong relationships.

At the 2015 event, 110 people gathered under the theme "Stay Together", where values, working conditions and principles of business ethics were items on the agenda. All suppliers were encouraged to sign a Code of Conduct based on the agenda items.

An awards ceremony for best quality and best delivery reliability was also held, and five suppliers received the "Top 5 Quality Suppliers in 2015" award.

The event was greatly appreciated and will be organised each year with a variety of current topics.



# An ethical approach to business

We work to ensure that all employees, business partners and members of the Boards are familiar with and comply with our values. We must regularly evaluate the business transactions we make to ensure they are honest and respectful and are based on our values.

## Community engagement

In many places, we are a major employer and we take our role in local communities seriously. In order to contribute to the development of the local community, we give each company great freedom, within the framework of our values, to decide for themselves where to engage,

The Group's community involvement often has local ties and can include study visits, partnerships with universities or financial contributions to local activities in health, sport and culture.

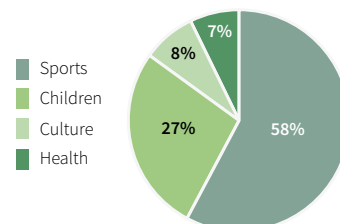
During the year, we also carried out a number of projects together with various universities in order to develop even better products.

Because we operate globally, we also want to engage in major issues that are close to our heart. Therefore, the Group has carefully chosen to provide financial support to SOS Children's Villages.

We see that our contribution can create value by providing homes and education for children which in turn improve overall living conditions.

Locally, the companies have disbursed SEK 750,000 for various smaller sponsorship projects, where 58% was spent on different sporting activities and 27% consisted of contributions to initiatives targeted to children and adolescents.

Sponsorship 2015



Happy employees from our US-based company WaterFurnace International Inc., who volunteered one weekend to assemble custom bikes at the Turnstone Center for Children and Adults with Disabilities. Thanks to their efforts, 10 children who were not able to ride regular bikes had their wishes to ride a bike come true.

## Human rights

We constantly monitor our operations for child labour, forced labour or substandard working conditions. We did not identify any cases or obvious risks in these areas in our own operations in 2015. A new diversity and equal opportunity policy will be introduced in 2016.

Our whistleblowing procedure worked well, and in 2015 we received a report of suspected non-compliance with our values. The matter was investigated and closed.

### Anti-corruption

It is clear from our values and ethical principles that we will not tolerate any forms of corruption. We have identified some corruption risks in our business relationships. The risks

regard B2B, and our salespeople in particular remain vulnerable. Anyone with external contacts must be observant, particularly in the contacts we have in the countries ranked by Transparency International as countries with a higher risk of corruption.

Our employees shall have the knowledge and tools they need to comply with the law in this area. A new course on ethics and anti-corruption was therefore launched in 2015. The course is available in 14 languages. About 3,000 salaried employees in 18 countries will take the course. Roughly 30% have already completed the course, and the results overall have been very successful.

The course provides firm, clear guidelines on how to act in relation to suppliers and others. It contains exercises and examples

that make it easier to identify risks and how to handle difficult situations successfully.

Next step is to launch systematic risk assessments to determine preventive measures in order to minimise corruption risks. We will also encourage improved incident reporting to further increase awareness of the risks.

In 2015, one case was reported where one of our sales representatives was subject to a corruption attempt by a customer. The case was investigated, confirmed, and led to termination of the business relationship with that customer.





*Woman threshing wheat in the traditional way.*



*Two women on their way to work.*



*Children with special needs receive instruction at the Children Learning Centre.*



*Dhapu Bai rocks her baby in a traditional Indian cradle.*



## Sponsorship in India

In 2015 we began cooperation with the organisation Hand in Hand, through which we have contributed to the start of new businesses by women in an Indian village.

NIBE has decided to sponsor a specific village project. The village is called Sunarkhedi, located in the District of Dhar in northwestern India. The project will run for two years, and aims to lift an entire village out of poverty.

A typical outreach village has between 1,000 and 2,000 inhabitants. In groups of 20, 100-200 women will, over the course of a year, receive education and training in entrepreneurship and saving money. They can then apply for small micro-loans for investments that need to be made in the company; loans are usually about SEK 1,000.

All children will go to school, and extensive hygiene, health and veterinary programmes will be implemented.

A special environmental programme will be carried out with a focus on waste management, water treatment and biogas. In addition, a civic centre will be built where the villagers will gain access to IT training, the internet and community information.

NIBE will receive continuous updates on the project's progress, what has been implemented and what remains to be done.



*Jamna Bai washes dishes outside the house.*

# 7 GRI index

NIBE has chosen not to have the report reviewed externally. According to our own assessment, the report represents the requirements for GRI G4 “In accordance” – Core. The GRI index makes reference to NIBE’s 2015 Annual Report (AR) and Sustainability Report (SR). All data refers to all the companies in the Group, unless otherwise noted.

GENERAL STANDARD DISCLOSURES		
Code	Description	Reference
<b>Strategy and analysis</b>		
G4-1	Statement from the most senior decision-maker of the organization	HR4
G4-2	Key impacts, risks, and opportunities	AR 64, SR6
<b>Organizational Profile</b>		
G4-3	Name of the organization	HR2
G4-4	Primary brands, products, and services	AR32, AR40, HR10
G4-5	Headquarter location	AR96
G4-6	Locations where the organization operates	AR95
G4-7	Nature of ownership and legal form	AR51
G4-8	Markets served	AR2-3
G4-9	Scale of the organization	AR2, SR2
G4-10	Number of employees	HR16
G4-11	Collective bargaining agreements	HR16
G4-12	Supply chain description	HR12
G4-13	Significant changes during the reporting period	HR 27
G4-14	Description of the precautionary approach	HR20, 14
G4-15	Externally developed economic, environmental, and social charters, principles or other initiatives	HR9
G4-16	Memberships of associations	AR22
<b>Identified Material Aspects and Boundaries</b>		
G4-17	Entities included in the organization's consolidated financial statements or equivalent documents.	HR27
G4-18	The process for defining the report content and the Aspect Boundaries and implementation of the Reporting Principles	HR9
G4-19	Material Aspects identified in the process for defining report content.	HR9
G4-20	The Aspect Boundary within the organization	See relevant section
G4-21	The Aspect Boundary outside the organization,	See relevant section
G4-22	The effect of any restatements of information provided in previous reports, and the reasons for such restatements.	None
G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries.	HR27
<b>Stakeholders</b>		
G4-24	List of stakeholder groups engaged by the organization.	HR9
G4-25	The basis for identification and selection of stakeholders with whom to engage.	HR9
G4-26	The organization's approach to stakeholder engagement	HR9
G4-27	Key topics and concerns that have been raised through stakeholder engagement	HR9
<b>Report profile</b>		
G4-28	Reporting period	HR2
G4-29	Date of most recent previous report	HR2
G4-30	Reporting cycle	HR2
G4-31	Contact point for questions regarding the report or its contents.	HR2
G4-32	The ‘in accordance’ option the organization has chosen and GRI Content Index for the chosen option	HR2
G4-33	The organization's policy and current practice with regard to seeking external assurance for the report	HR2, GRI index
<b>Governance</b>		
G4-34	The governance structure of the organization, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental and social impacts.	AR89-94, SR9
<b>Ethics and Integrity</b>		
G4-56	The organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics.	SR8, 9
<b>SPECIFIC STANDARD DISCLOSURE</b>		
<b>ECONOMY</b>		
<b>Economic performance</b>		
G4-DMA	Management approach	AR89
G4-EC1	Direct economic value generated and distributed	AR54, SR2
G4-EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	HR14
G4-EC3	Coverage of the organization's defined benefit plan obligations	AR68
<b>ENVIRONMENTAL</b>		
<b>Materials</b>		
G4-DMA	Management approach	SR18
G4-EN2	Percentage of materials used that are recycled input materials	The aspect is considered material, but not data available
<b>Energy</b>		
G4-DMA	Management approach	SR14, 15, 19
G4-EN3	Energy consumption within the organization	SR18
G4-EN5	Energy intensity	SR18
G4-EN7	Reductions in energy requirements of products and services	HR15

Code	Description	Reference
Emissions		
G4-DMA	Management approach	SR14, 15, 20
G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1)	HR20
G4-EN16	Energy indirect greenhouse gas (GHG) emissions (Scope 2)	HR20
G4-EN18	Greenhouse gas (GHG) emissions intensity	HR26
Waste		
G4-DMA	Management approach	HR12, 20
G4-EN23	Total weight of waste by type and disposal method	HR20
G4-EN24	Total number and volume of significant spills	None
G4-EN25	Weight of transported, imported, exported, or treated waste deemed hazardous and percentage of transported waste shipped internationally	HR20
Products and Services		
G4-DMA	Management approach	SR14, 15
G4-EN27	Extent of impact mitigation of environmental impacts of products and services	SR14, 15
Compliance		
G4-DMA	Management approach	HR20
G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	HR20
Supplier Environmental Assessment		
G4-DMA	Management approach	SR21
G4-EN32	Percentage of new suppliers that were screened using environmental criteria	SR21
SOCIAL		
Occupational Health and Safety		
G4-DMA	Management approach	SR16
G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	SR16, 18
Training and Education		
G4-DMA	Management approach	SR16
G4-LA9	Average hours of training per year per employee by gender, and by employee category	SR16
Diversity and Equal Opportunity		
G4-DMA	Management approach	SR22
G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	SR26
Equal Remuneration for Women and Men		
G4-DMA	Management approach	Consolidated data is missing
G4-LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	
Supplier Assessment for Labor Practice		
G4-DMA	Management approach	SR21
G4-LA14	Percentage of new suppliers that were screened using labor practices criteria	SR21
HUMAN RIGHTS		
Non-discrimination		
G4-DMA	Management approach	SR22
G4-HR3	Total number of incidents of discrimination and corrective actions taken	None
Supplier Human Rights Assessment		
G4-DMA	Management approach	SR21
G4-HR10	Percentage of new suppliers that were screened using human rights criteria	SR21
SOCIETY		
Anti-corruption		
G4-DMA	Management approach	SR22, 16
G4-SO3	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	The aspect is considered material, but not data available
G4-SO4	Communication and training on anti-corruption policies and procedures	SR22, 16
G4-SO5	Confirmed incidents of corruption and actions taken	None
Competition		
G4-DMA	Management approach	SR9, 22, 23
G4-SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes	None
PRODUCT RESPONSIBILITY		
Product and Service Labeling		
G4-DMA	Management approach	SR10, 14, 17
G4-PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes	None
G4-PR3	Type of product and service information required by the organization’s procedures for product and service information and labeling, and percentage of significant product and service categories subject to such information requirements	HR14
G4-PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes	None
G4-PR5	Results of surveys measuring customer satisfaction	SR17
G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	None

## Summary of key indicators, 2011–2015

Employees	2015	2014	2013	2012	2011
Total number of employees	10,545	9,726	8,983	8,006	6,895
Europe (% of total employees)	65%	69%	71%	---*	---*
Asia (% of total employees)	9%	9%	10%	---*	---*
North America (% of total employees)	26%	22%	19%	---*	---*
Percentage of women	40%	38%	36%	32%	33%
Percentage of graduates	13%	12%	11%	10%	11%
Average age, employees	40	40	40	40	39
Employee turnover	7.1%	7.8%	7.4%	7.0%	5.9%
Total number of training hours	212,000	124,000	65,000	75,000	85,000
Accidents	2015	2014	2013	2012	2011
Accident rate per million hours worked	8.5	10.6	10.6	14.0	13.6
Europe (frequency)	11.8	14.6	11.7	14.9	10.1
Asia (frequency)	4.8	3.2	4.9	5.2	0
North America (frequency)	4.1	5.4	6.6	14.4	66.0
Total number of reported accidents	157	185	142	179	118
Europe (number)	122	152	110	141	82
Asia (number)	11	6	6	5	0
North America (number)	24	27	26	33	36
Percentage of employees represented on safety committees	94%	95%	---*	---*	---*
Sickness absence in percent	2015	2014	2013	2012	2011
Total sickness absence	4.2%	3.9%	5.0%	4.9%	5.0%
Distributed value (SEK million)	2015	2014	2013	2012	2011
Suppliers (direct materials)	5,420	4,600	4,100	3,800	3,550
Employees (Salaries and other remuneration)	3,300	2,710	2,460	2,300	1,880
Shareholders' dividends	300	260	220	220	160
Financiers (net financial expense)	90	95	62	34	50
Society (taxes)	377	310	260	240	250
Use of materials in tonnes	2015	2014	2013	2012	2011
Total use of material**	68,270	67,780	61,230	56,360	57,020
Metals and metal oxide	62,400	60,800	55,600	49,900	51,000
Enamel, cement, stone	2,810	4,140	3,030	4,150	3,930
Plastic	2,590	2,360	2,210	2,050	1,920
Additives such as glue and paint	418	430	403	294	217
Packaging materials	10,390	9,370	6,440	5,040	4,140
Energy use within organisation in MWh (excluding transport)	2015	2014	2013	2012	2011
Total energy use (excluding self-produced)	154,300	151,500	141,000	128,300	101,000
Non-renewable (oil, LPG, natural gas)	49,300	51,100	52,200	47,100	35,700
Renewable (pellets)	3,410	3,180	290	1,580	650
Purchased electricity and district heating	101,600	97,200	88,500	79,600	64,600
Self-produced energy (solar, wind, heat pumps)	2,500	1,700	---*	---*	---*
Direct CO <sub>2</sub> emissions (excluding transport)	2015	2014	2013	2012	2011
CO <sub>2</sub> emissions in tonnes	10,900	26,300	22,100	19,000	29,000
CO <sub>2</sub> intensity, tonnes of CO <sub>2</sub> /MSEK sales	0.8	2.4	2.4	2.1	4.2
Waste in tonnes	2015	2014	2013	2012	2011
Total waste volumes	16,800	15,470	14,230	13,340	0
of which tonnes to external recycling	10,907	10,331	9,431	8,717	7,814
of which tonnes of hazardous waste	1,647	1,623	1,261	1,400	1,389
Water use in m <sup>3</sup>	2015	2014	2013	2012	2011
Total, all sources	285,450	278,170	236,300	238,660	162,470
Groundwater	31,800	30,800	25,600	36,300	35,700
Municipal water	252,900	245,600	207,700	197,700	122,900
Surface water	400	466	3,000	4,000	3,900

\*Basis for reporting not available for these years. \*\*Basis for reporting in shares of renewable and non-renewable not available.

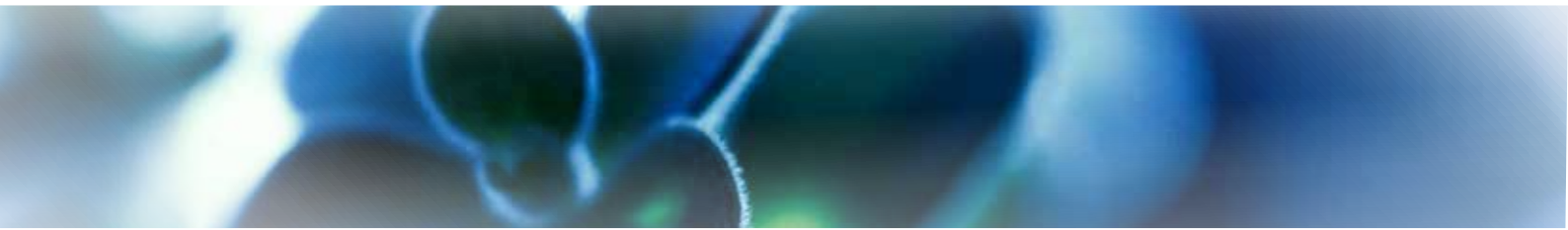
# Production companies included in accounting

The report includes all Group companies (see page 95 in the Annual Report) with regard to economic and social impact. Reporting of environmental impact is limited to the 42 production companies as listed below. There are no significant changes in scope and boundaries compared to previous reporting period.

Country	Company	Registered office
Sweden	NIBE AB	Markaryd
	Backer BHV Calesco	Kolbäck
	Backer BHV	Sösådal, Tjörnarps
Denmark	Danotherm Electric A/S	Rødovre
	JEVI A/S	Vejle
	SAN Electro Heat A/S	Græsted
	Metro Therm A/S	Helsingør
	KVM-Genvex	Haderslev
Finland	Eltwin	Risøvs
	Kaokora Oy	Raisio, Turku
	Loval Oy	Loviisa
	Oy Meyer Vastus AB M	onnikylä
Norway	Akvaterm Oy	Kokkola
	Høiax AS	Fredrikstad
	Norske Backer AS	Kongsvinger
Austria	KNV Energietechnik GmbH	Schörfliing am Attersee
Switzerland	Askoma AG*	Butsberg
	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
the 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 Elements Ltd	Manchester
	Stovax Group	Exeter
China	Backer HTI	Shenzen
	Backer Springfield	Shenzen
Malaysia	Askoma SDN BHD	Johor Bahru
USA	Enertech Global LLC*	Greenville, IL
	WaterFurnace International Inc.*	Fort Wayne, IN
Mexico	Backer Alpe	Monterey, Toluca
	Backer EHP	Nuevo Laredo
	Springfield Wire de Mexico S.A	Nuevo Laredo
Russia	JSC Evan	Nizhny Novgorod

\*Companies that has been added since the previous reporting period. Together the three added companies correspond to 10.5% of the total turnover.





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