

A SUSTAINABLE NOBIA

Nobia has a fundamental responsibility to maintain and develop a sustainable business throughout the value chain. Sustainability initiatives are based on the Group’s economic, environmental and social impact. Key figures and focus areas are defined at Group level, with work on social environmental and ethical issues integrated into all units and functions.

VALUE CHAIN

6. Use

Nobia’s products are to meet applicable environmental aspects. A fundamental strength is that products mainly consist of wood, which is a renewable resource. In addition, 18 different coloured kitchen series are eco-labelled.

1. Product development

Environmental issues are evaluated in the process of designing new products. In choosing materials, Nobia endeavours to avoid unnecessary environmental impact during the lifetime of the product.

2. Sourcing

A large part of Nobia’s total offering comprises purchases goods and components. Suppliers are inspected and audited based on guidelines for environmental, health and safety, and social and ethical aspects.



5. Sales

Nobia’s sales to consumers are conducted through own and franchise stores and through retailers. Products are also sold to professional customers. Business methods always comply with generally accepted business practice.

4. Transportation

Nobia’s products are distributed to customer by truck. Optimising freight loads is a key element of the work on ensuring high cost efficiency and reducing emissions of greenhouse gases.

3. Manufacturing

Nobia’s kitchen manufacturing, surface treatment and installation impact the local environment at the production facilities. However, the overall environmental impact of the manufacturing process is relatively small.

Responsibility throughout the value chain

The impact of the operations varies over the value chain. Activities depending on the type and scope of the impact are initiated to reduce negative consequences and thereby responsibly develop a sustainable business. For example, environmentally conscious decisions are made about choices of materials, suppliers are audited and activities initiated to reduce carbon emissions from production and transportation.

Advances in recent years

Nobia has a long tradition of working on local environmental issues. The company is governed by laws and regulations for Swedish limited liability companies listed on Nasdaq Stockholm and has operations in Europe that are also subject to European laws and rules. In recent years, advances have been made toward a more unified Nobia in all functions and operations in the Group. As part of these developments, the reporting of sustainability issues has improved.

Nobia has prepared a Sustainability Report based on GRI since 2012. The Sustainability Report applies the Global Reporting Initiative’s G3 Guidelines and is a Level C self-assessment. The report has not been subject to review or audit by an external party.

Environmental data, measurements and key figures are collected from all of Nobia Group’s production units at least once per year, and Group management receives reports on trends in these indicators twice a year. However, environmental data from the supplier chain is not reported.



Key events in 2014

- Nobia's CO₂ emissions per produced cabinet declined 6 per cent.
- Two production facilities in Austria received ISO certification.
- A programme for employee development in production and logistics was started.
- The number completed supplier audits amounted to 42.
- The divestment of Hygena will reduce future transportation needs.

CARE OF EMPLOYEES

Nobia's product development, manufacturing, sales and distribution are mainly conducted in Europe. Most of the company's activities are therefore conducted in countries where people have generally made progress in the areas of business ethics, human rights and labour conditions. Nobia's employees and partners are expected to observe the principles described in the company's Code of Conduct in their daily activities.

Joint processes and governing documents

Processes have become more aligned and shared in pace with the consolidation of Nobia. A central policy that all employees and partners are expected to follow is Nobia's Code of Conduct. The Code of Conduct is available on the Group's intranet, translated into seven languages, and on Nobia's website.

To ensure compliance with the Code of Conduct, an anonymous communication channel has been established for employees who want to report suspected breaches of the Code. Nine incidents were reported through this communication channel and subsequently handled in 2014.

Nobia also has other policies for specific areas of sustainability, such as an operating purchasing procedure and a forest policy for wood suppliers.

Employee development

As part of the development towards a unified Nobia, employee performance evaluations are held in which individual goals and development plans are produced. The process commenced with salaried employees, and was established for employees in production and logistics in 2014.

For employees in production and logistics, a programme for operational and employee development named Nobia Production and Logistic System was introduced. The programme is based on the employee and leadership and contains guidelines and lean tools. The aim is to strengthen, engage and motivate employees to improve processes and reduce the risk of accidents in the operations.

Many of the Group's units also offer internal skills development so that employees can learn about products, sales, design and drawing systems. These courses are managed by the Training Academies of each brand. The focus in 2014 was directed to developing local sales schools and offering employees sales, product and leadership training via e-learning.

Safe workplace

Nobia works according to a vision of zero accidents in the workplace and work-related injuries. Preventive measures are taken to minimise the risk of accidents, injuries and sickness absence. Workplaces are inspected on a regular basis to ensure a safe work environment and that the necessary equipment is in place. The number of workplace-related accidents during the year was 101 (80).

Business development

Nobia's employee survey, MyVoice, was launched in 2013 in the Scandinavia part of the Group and in central Group functions. The survey was carried out in the entire Group in 2014. The results will form a basis for continuous improvements in the working climate, responsible business conduct, leadership, teamwork, customer value, efficiency, motivation and performance management.

Talent management

Wherever possible, Nobia tries to apply internal recruitment and internal promotion. The identification and development of internal talent is key to the Group's continued success. The Group has a centrally controlled talent-management process, where some 400 individuals have been assessed with the objective of identifying leadership potential, development requirements and future succession solutions.

Leadership development

A Group-wide programme, the Nobia Leadership Acceleration Programme, was conducted during the year. One feature of this programme was that Group management selected a number of real-life challenges faced by Nobia and that formed the basis of project work. Also, more than 80 managers at Nobia were offered training in such fields as project management and change management.

CARE OF THE ENVIRONMENT

Nobia's overall environmental impact is relatively minor, in terms of both products and manufacturing processes. Nevertheless, the company strives to reduce its environmental impact by restricting the use of hazardous chemicals, conserving resources, introducing more efficient heating systems and optimising transportation.

Nobia's environmental impact primarily arises from manufacturing, surface treatment, installation and kitchen transportation. Focus areas for environmental activities, to which selected indicators are linked, have been defined at Group-level, although the activities are integrated with the operations of each business unit. Nobia also endeavours to ensure that the products it sells meet the needs of customers as well as complying with all applicable environmental aspects.

Environmental certification and guidelines

The Nobia Group's products are manufactured at 13 plants in seven countries, and all facilities meet the environmental requirements that apply in each country. Nobia's activities that are subject to a permit in Sweden are described in more detail in the Financial overview on page 30. All production facilities, except for one plant in Norway, hold ISO 14001 environmental management systems certification, which entails an annual review of environmental impact, the establishment of new targets and development of specific action plans.

Environmental activities and focus areas

Environmental activities at Nobia are delegated and integrated into the operations of each business and production unit. Targets, direction and priorities are determined at Group level. The units then translate these into their own environmental targets and activities based on the Group-wide directives.

A number of areas were identified at Group level as priority focus areas for environmental activities:

- CO₂ emissions – transportation, heating and electricity for manufacturing.
- Energy consumption – both electricity and heat consumption.
- Choice of materials – wood and chemicals.
- Surface treatment – use of water-based paints and emissions from solvents.
- Waste – recycling and reduction.
- Packaging – volumes and types of materials.

Greenhouse-gas emissions

Greenhouse-gas emissions are mainly caused by heating and cooling buildings, and electricity use in manufacturing. To reduce both costs and environmental impact, Nobia strives to continuously introduce modern systems for cooling, heat recovery and ventilation.

Greenhouse-gas emissions also arise through the transportation of raw materials and kitchen products, and through employee business travel. About 5 per cent (5) of Nobia's total expenses are attributable to transportation, making this a key focus for resource optimisation. Surveys and analyses of transport flows are implemented in close collaboration with logistics companies but also with the assistance of external experts, to identify

economic and environmental benefits. Freight load optimisation can help reduce both costs and emissions of green-house gases. Another focus area is high-quality and delivery reliability, since error-free deliveries are positive both for environmental reasons and for Nobia's customers. Compared with previous years, average delivery reliability was the highest ever in 2014.

Nobia's CO₂ emissions per produced cabinet declined 6 per cent in 2014. CO₂ emissions per cabinet reduced mainly due to activities to cut emissions that resulted in, for example, fewer days requiring heating, but also due to warmer weather.

New targets for energy consumption and transportation for 2015 were adopted to reduce costs and carbon emissions.

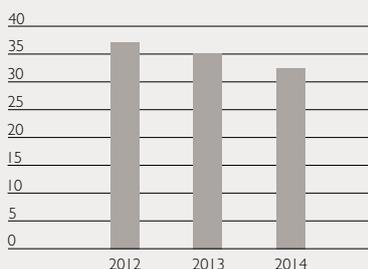
Energy consumption

Electricity and electricity consumption is another prioritised area in Nobia's environmental initiatives. Electricity and energy are used mainly to operate production equipment, ventilation, fans, lighting, and to heat and cool buildings. Costs for electricity and energy account for less than 1 per cent (1) of Nobia's total expenses. Efforts to reduce electricity and energy consumption include training and involving employees in conserving resources. Other measures include replacing old equipment with energy-efficient alternatives and equipping fans with frequency converters and heat recovery units.

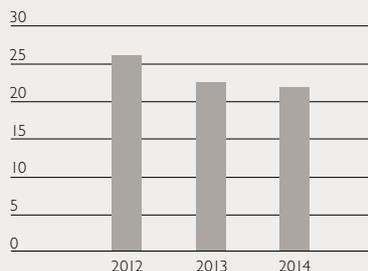
Materials

Wood and wood products in the form of chipboard and MDF are main components in Nobia's products. During the year, the amount of wood, chipboard and MDF

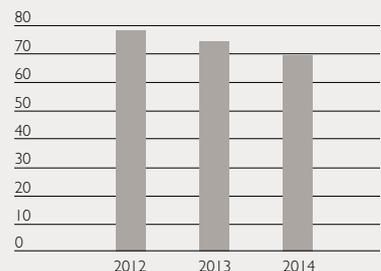
Greenhouse-gas emissions, heating and manufacturing, thousands of tonnes CO₂



Greenhouse-gas emissions, transportation, thousands of tonnes CO₂



Energy consumption, electricity, GWh



amounted to some 184 thousands of tonnes (182). Nobia endeavours to increase the proportion of wood materials certified by the Forest Stewardship Council (FSC), which amounted to 37 per cent (37) in 2014.

Nobia's suppliers of wood and wood products are mainly based in Europe, but also in Asia. All wood suppliers are informed about the Group's sustainable forest management policy and must sign a timber declaration containing requirements relating to: compliance with forest legislation, known origin and details of source, and not illegally harvested timber, not wood from intact natural forests or high conservation value forest, not forest materials from protected areas, not timber from plantations in tropical and sub-tropical regions and not wood from tropical trees except those certified by the Forest Stewardship Council (FSC).

Emissions of solvents to air

The reduction of solvents is a key issue in Nobia's environmental work. Solvents are mainly used in surface treatment, and when cleaning painting facilities. Initiatives to reduce the use of solvents include replacing them with water-based and UV-tempered surface coatings and reducing the number of changeovers in production equipment, which reduces the amount of cleaning required and raises productivity. In 2014, the percentage of water-based and UV-tempered surface coatings totalled about 51 per cent (58).

Waste

Timber pallets, corrugated board, shrink-wrap and plastic tape are the main components of the packaging materials used by Nobia. About 84 per cent (82) of this

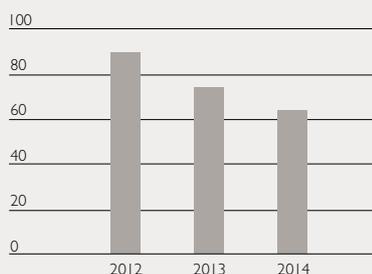


Marbodal Lindö

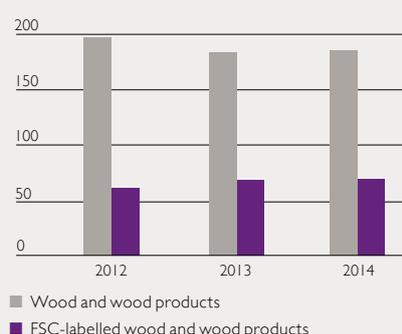
packaging materials is recyclable. A certain amount of waste is produced from the manufacture of products, primarily in the form of timber pallets, and plastic packaging and corrugated board from materials received. This waste is sent for recycling or combustion. Other types of waste include paint, oil and residue from cleaning, which are sorted for combustion or for landfill. During the year, wood waste amounted to about 21 thousands of tonnes (20). The amount of waste excluding wood waste was about 8 thousands of tonnes (7), of which some 58 per cent (49) went to external recycling, about 34 per cent (44) to landfill or incineration and about 8 per cent (8) comprised hazardous waste.

Eco-labelled products. Several of Nobia's Nordic brands and products carry the Nordic Ecolabel. Many doors and cabinets in the Marbodal, Norema and Sigdal ranges are inspected and certified according to the Nordic Ecolabel scheme and contain a minimum amount of hazardous chemicals. The assessment is based on a lifecycle analysis, in which the environmental impact of each product group is evaluated according to certain criteria, including energy consumption, water consumption, chemicals and waste.

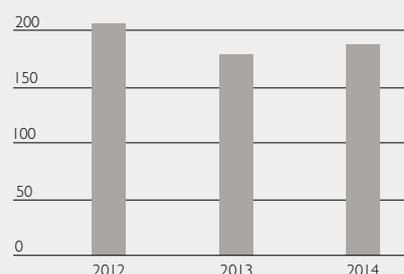
Energy consumption, heating, GWh



Use of materials, wood, thousands of tonnes



Emissions of solvents, tonnes



**ETHICAL
BUSINESS**

Nobia's most important stakeholders are employees, customers, partners, suppliers and shareholders. Through responsible business, Nobia creates value for its stakeholders.

Employees At the end of 2014, Nobia had 6,925 (6,544) employees in 13 countries. Employment terms comply with national laws, regulations and collective agreements and are in line with Nobia's remuneration policy. In 2014, payroll expenses amounted to SEK 2,385 million (2,240).

Partners Nobia has a large network of franchisees and retailers that conduct their business activities using Nobia's concepts and products.

Suppliers Nobia's purchasing function manages a total of about 825 suppliers, of which most are based in Europe and about 5 per cent (5) are in Asia. In 2014, the share of purchasing from low-cost countries was 15 per cent (14).

Shareholders Capital from shareholders finances the capital base, which is used to create value. In return, shareholders are entitled to returns and dividends. In 2014, dividends totalling approximately SEK 167 million were paid for the 2013 fiscal year.

Society Nobia contributes to economic development in the local communities in which the company operates. In 2014, Nobia paid income tax in various countries totalling SEK 194 million (159).

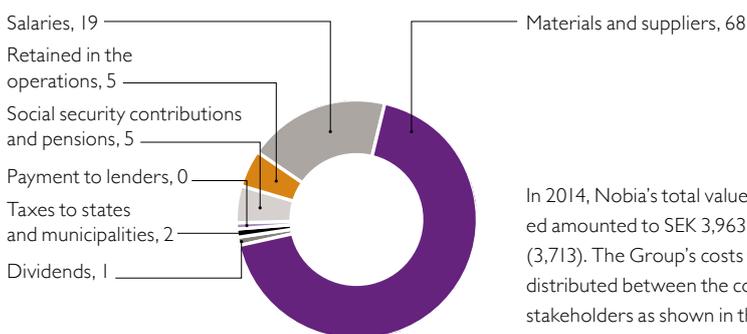
Value generated Nobia generates economic value for its stakeholders. Employees share this value through their salaries and other benefits, suppliers are paid for the purchases they make, customers receive high-quality kitchen products, countries and municipalities receive tax revenue, and shareholders receive dividends and returns on their shares. Some of the generated value also remains within the company and is used for investment and the development of new products. In 2014, Nobia's total value added, or net sales less costs for materials and services, amounted to SEK 3,963 million (3,713).

Responsible sourcing A large part of Nobia's total offering comprises purchases goods and components. Suppliers are inspected and assessed in accordance with the Group's guidelines for environmental, health and safety conditions, and social and ethical issues. All suppliers must comply with laws and requirements, the UN Declaration of Human Rights and Nobia's Code of Conduct.

Supplier-assessment responsibility lies with the Group's sourcing function and the results are followed up with each supplier. The assessment process aims to develop Nobia's suppliers and answer questions about quality and environmental management systems, products, social and ethical issues, and health and safety conditions. An assessment template with an internal rating system is used to grade the supplier. A low rating leads to corrective measures or not entering into a business relationship.

Audits of new suppliers and those considered high-risk are prioritised in this process. In 2013 and 2014, supplier audits focused on Asia and in 2014, a total of 42 suppliers (61) in different countries and in several product categories were audited.

Specification of the Group's costs as a percentage of net sales



In 2014, Nobia's total value added amounted to SEK 3,963 million (3,713). The Group's costs were distributed between the company's stakeholders as shown in the diagram.

SUMMARY

GRI indicators	Economic Performance Indicators, SEK m	2012 ¹⁾	2013	2014 ²⁾
EC1	Net sales	12,343	11,773	12,392
EC1	Operating expenses (materials and service)	8,775	8,060	8,429
EC1	Payroll expenses	2,351	2,240	2,385
EC1	Social security contributions and pensions	604	582	616
EC1	Taxes to states and municipalities	155	159	194
EC1	Payment to lenders	54	53	37
EC1	Dividends to shareholders	–	84	167
EC1	Retained in operations	404	595	564

Environmental Performance Indicators

EN1	Use of materials: Wood, thousands of tonnes	196	182	184
EN1	Use of materials: Packaging materials, kg/cabinet	1.4	1.2	1.4
EN2	Recyclable packaging materials, %	90	82	84
EN3	Energy consumption: Electricity consumption, kWh/cabinet	10.1	10.7	9.9
EN3	Energy consumption: Heating, kWh/cabinet	11.5	10.6	9.1
EN16	Greenhouse-gas emissions transportation, kg/cabinet	3.4	3.2	3.1
EN16	Greenhouse-gas emissions heating and manufacturing, kg/cabinet	4.8	5.0	4.6
EN20	VOC emissions, kg/100 lacquered details	5.1	3.8	3.6
EN22	Waste (excluding wood waste), kg/cabinet	0.9	1.1	1.1
EN22	Wood waste, thousands of tonnes	20	20	21

Social Performance indicators

LA1	Employees, average number	7,355	6,690	6,636
LA1	Proportion of women, %	31	31	32
LA7	Work-related accidents in production facilities, number	125	80	101
HR2	Audited suppliers and subcontractors, number	15	61	42

1) Including Optifit, that was divested in 2013.

2) Including Hygena, which was divested in 2015. Sustainability data from Rixonway Kitchens is not included.

For sustainability data by region and the GRI index, see www.nobia.com under Sustainable Business.

