



GCE GROUP

SUSTAINABILITY REPORT 2017



Gas Control Equipment

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Sustainability Report for GCE Group for the financial year 2017, prepared in accordance with Chapter 6 Section 12 of the ÅRL.



INTRODUCTION BY CEO

This Sustainability report summarizes the actions taken for sustainability during 2017 as well as the status of our key indicators. We have conducted our first employee survey as a first step to become an employer of choice and to ensure we have sufficient prevention in place regarding corruption to emphasize our non-acceptance in this area.

Our GCE brand carries a long tradition and heritage. It stands for high engineering skills and technical expertise. In our continuous work to develop GCE many of our employees point out that our heritage and knowhow are strengths that we should maintain and emphasize. Another observation is that GCE needs to evolve to be recognized as a modern brand. To achieve sustainable and profitable growth, we must continue to focus on satisfying our customer needs, which continue to evolve with the emergence of connected technologies in the applications we serve. We must also continue to engage and develop our employees to maintain a high level of competence.

Our strategic goals have evolved. Healthcare related applications are fast growing worldwide driven by demographics and economic development and we want to capture this potential for additional growth by increasing our focus on this segment. We will continue in parallel to develop smart solutions for the various industrial and scientific applications which constitute the largest part of our business. We will go forward with transforming GCE's culture with Lean/ Six Sigma methodologies to shorten our lead times, while improving service level and quality. Our supply chain will evolve with the aim to prioritize local production in Europe, North America and China depending on where our customers buy the products. These fundamental changes will enable us to better satisfy our customers, therefore supporting a sustainable development.





Another aspect of our change is the visible addition of the strategic target to become an employer of choice with engaged employees. We are now entering the fourth year of our Lean Sigma transformation, an inclusive philosophy and continuous improvement methodology encouraging every employee to improve internal processes and reduce variations. It is a joy to visit production and see all the improvements between each visit! This clearly illustrates that we are making significant progress in engaging and empowering our employees.

Each one plays a key role in the success of GCE and the transformations we are aiming for. Our employees interact with our customers and suppliers, develop and manufacture our products on a daily basis and contribute daily to build a dynamic GCE culture. The employee survey gave us valuable feedback on what we are already good at and where we need to focus to reach our wanted position as employer of choice. This was taken into account by Management at all levels of the organization to improve where we had to.

Some aspects of our strategy do not change and among them is our committed focus on safety and ethical business practice. Manufacturing safe products to protect their users and ensuring that our employees work in a safe environment is a top priority. Our Product Managers, as well R&D and Production teams never compromise on the safety of our products, which we expect to always exceed local standards. We take equally seriously safety at work and endeavor to never place our employees in harm's way.

Finally, we strive to systematically apply Ethical business practices. This commitment has been and will continue to be a corner stone of GCE's business practice both internally and in external business dealings. We encourage our business partners and employees to report unethical behavior to enable investigation and possibility to stop any unacceptable behavior should it occur.

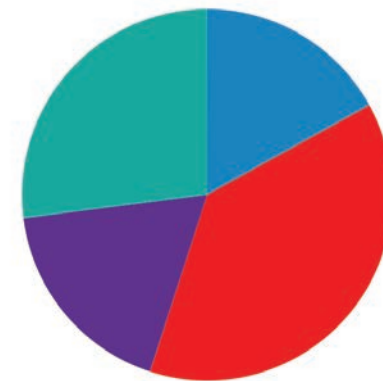
BUSINESS MODEL

GCE Group sell products worldwide and is the leading company in the field of gas control equipment in Europe and is involved in the development and manufacturing of all types of equipment for pressure and flow control of high pressure gases, including gas welding and gas cutting products, medical gas equipment, cylinder valves for highpressure gases and high purity equipment for special gases.

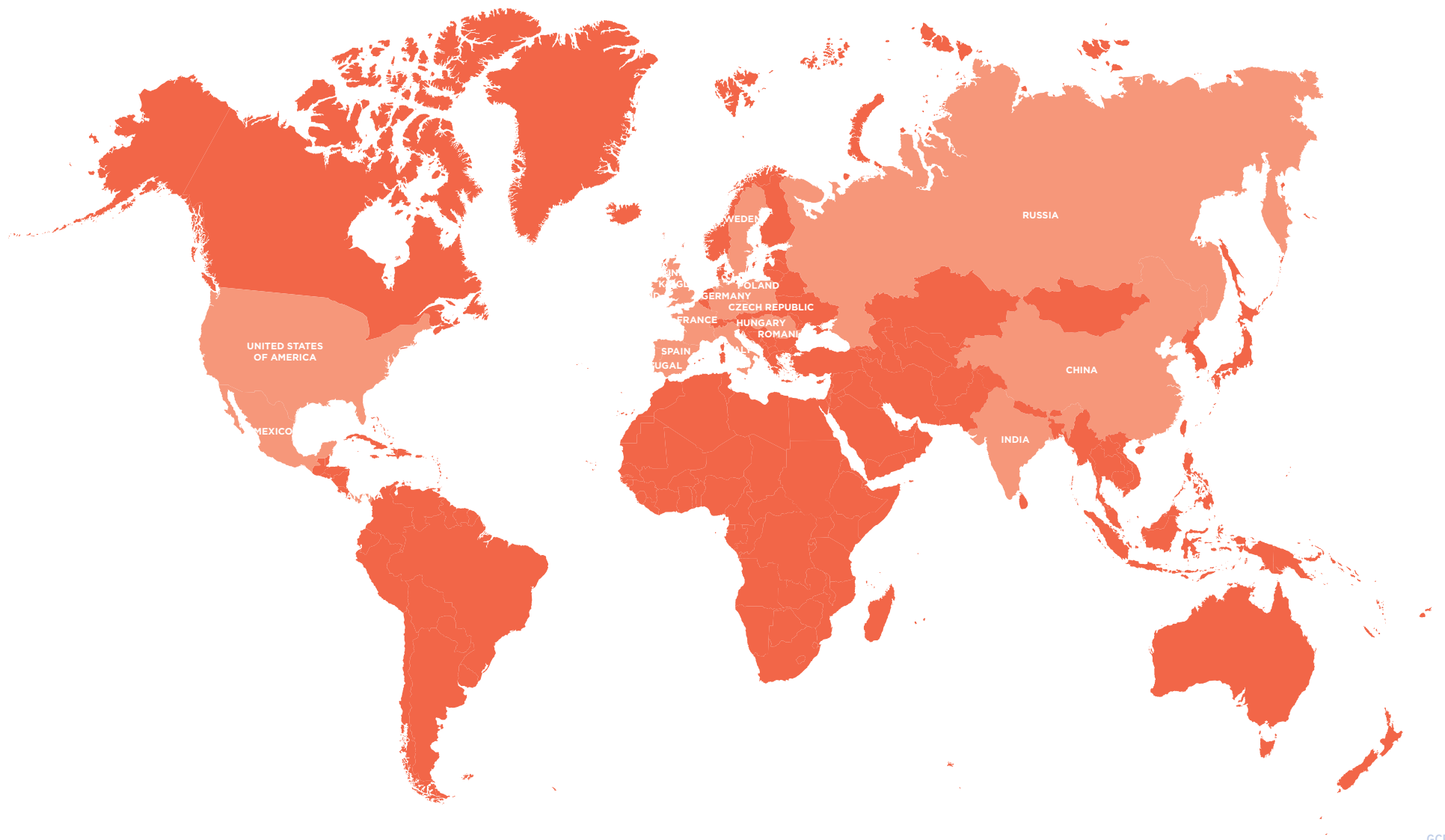
GCE operates on all European markets and are developing operations in other locations such as e.g. Russia, China, India, Northern Africa, Australia and South America. Local sales and supply companies are supported by centralized manufacturing units in the Czech Republic, UK and China, as well as a large central storage in the Czech Republic.

The operations are focused surrounding four different business areas, which are Cutting and Welding technology, Valves, Healthcare and Central Gas Systems. The GCE Group is associated with numerous leading trademarks within respective business area, of which some trademarks are local and others global.

Corporate responsibility is a key feature for the values driving the GCE Group. This is obtained in the corporate strategy by combining the environmental, social and economic factor in the day-to-day business.



● Healthcare ● Cutting & Welding Tech. ● Valves ● Central Gas Systems



SUSTAINABILITY

GCE issued the first version of Social Responsibility policy in 2011. The latest update was in 2017 when a section on social media was added and the environmental section was more clarified. The Social Responsibility policy covers both internal policy and supplier requirements. By extending the policy to our suppliers the potential effect and achievement is significantly increased.

Sustainability must include the three pillars: Environment, Economic and Social. GCE uses the definition of sustainable development from Brundtland commission of United Nations in 1992:

Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs.

GCE has selected three focus areas for the Social Responsibility policy and sustainability efforts:

- The safety of our products and in the workplace.
- Ethical workplace and business practices.
- Usage and recycling of material.

GCE products are made to control gases that can be flammable, toxic or cause violent reactions. Health related GCE products are used in emergency, hospitals and home care. GCE products must be safe to operate regardless of application and therefore is Safety of product and in production a prioritized focus area. All products and processes are analyzed to identify and minimize risks. Employees are trained in how to avoid risks for their own safety as well as for the end user and patient.





GCE aims to have an open work environment, free of discrimination, bullying and harassment. Corruption as well as taking or receiving bribes in any form is not accepted. In the employee survey a number of employees have answered that they experienced being victims of discrimination or harassment; however no cases have been reported in a manner that allows investigation. Judging by the amount of witnesses coming forward in the #metoo campaign 2017 it would be naive to believe that harassment or discrimination does not occur in GCE. In 2017 it was established a possibility to anonymously report actual or suspected cases of unethical behavior directly to top management.

GCE designs, produces and sells gas control equipment. The physical product is the core of what we do and ensuring efficient usage of material is very important to us. We define efficient usage of material in GCE as follows.

REDUCE - Less material used means less raw or recycled material with need of being processed and transported. GCE has reduced material usage through design and packaging optimizations as well as implementation of hot forging technology resulting in less material being wasted to get the final shape, i.e. less scrap.

REUSE - Allows material that is already extracted and processed to continue to be used without additional energy usage for reprocessing. In GCE component pallets and boxes are reused mainly within GCE but also between selected suppliers and GCE.

RECYCLE - Material that cannot be reused shall preferably be recycled to reduce need for new raw material being extracted or produced. In GCE scrap metal is sold for recycling, and separation. Recycling of other material, as paper and plastics, is done to the extent it is practically possible.

CORRUPTION

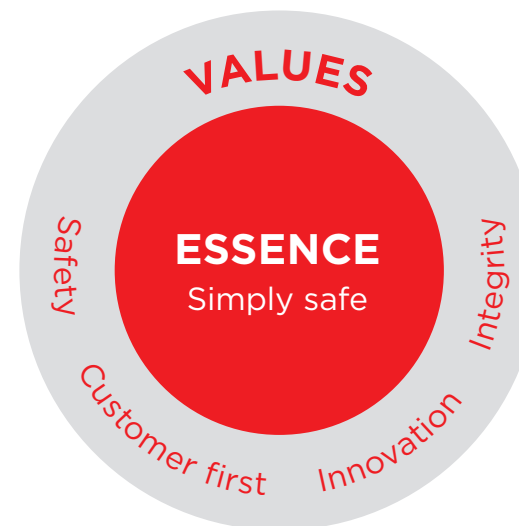
Integrity is one of GCE's core values and we strive for open and honest business practice in all our internal and external dealings. Integrity and ethical business practice has been in our policy for several years. During 2017 GCE has made a rebranding and a review of our brand values. It was concluded that our policy to not accept unethical business practices is an important selling point with customers and many parts of the world, not least in Asia. Integrity and our belief in long term relationships built on trust and respect, where corruption in any form has no place, remains as a core value. It is the responsibility of each managing director of a legal GCE unit to make sure that the values and policies are known and understood. This includes define, document and show our stand on ethical business practice to ensure local rules regarding authorization, accounting, entertainment for company business and reimbursement for travel. The rules must be defined in such way that a system of internal controls provides reasonable assurance that the uses of company assets are restricted to the best interest of the company.

Conflict of interest, or perceived conflict of interest, can result in suspicion of corruption or unfair competition both internally and externally. It is against GCE policy to employ family members, other relatives or close friends as well as setting up an organization structure where family members are reporting directly or have other reliance's. This rule also applies to external business practice, for example relations to customers, suppliers and consultants.

RISK ASSESSMENT

To assess the risk of corruption, the following assessments has been made:

- Review of level of activities in countries with high ranking according to Corruption Perception Index issued by Transparency International
- Discussion with managing directors and sales representatives of risk markets as well as purchasing
- Review of risks of internal corruption





Review of GCE sales to countries with highest perceived corruption shows that GCE have sales in 21 of the 50 countries with the highest rating, and with half the 99 highest rated countries. GCE has offices in 2 of the 50 countries with the highest perceived corruption and 5 among the 99 highest rated countries. GCE's strongest markets are in Europe, which do not include any of the 99 countries at risk. However, the 5 risk countries where GCE has offices are markets with strategic opportunity to grow. Russia and China have relatively high perceived corruption and are markets where GCE has sales, production and suppliers. Within Europe, GCE have sale transactions with all countries with the highest perceived corruption as well as offices in several of these countries. Czech Republic, where the biggest GCE site is located, including sales, production and suppliers, is one of the countries with highest perceived corruption in Europe.

CONCLUSION

GCE operates in countries with high risk of corruption, however discussions with representatives of sales and purchase concludes that suggestion of unethical business practice is rare even if it occurs. No indication of corruption in GCE has been identified, but it was agreed that a more detailed guideline to prevent corruption was needed. The already existing Social Responsibility Policy clearly defined that unethical business practice is not acceptable, but further definitions and responsibilities was needed and on December 1st 2017 GCE's Anti-corruption Anti-Bribery guideline was released.

An internal review confirmed that GCE already has policies regarding signature powers, double signatures and application of grandfather principle but also identified the need to strengthen policies regarding cash handling, small purchases and detailed signature routines in some countries. No evidence of corruption has been found in 2017. The actions taken are to reduce risk, increase transparency and, together with the Anti-Corruption Anti-Bribery guideline, strengthen the Integrity value in our ethical business practice.

EMPLOYEE SURVEY

The engagement and development of employees is important to GCE for a number of reasons. High technical knowledge and ability to provide customers with solutions for their needs are central competitive advantages in GCE. To maintain this we need to develop knowledge carried by the employees. During the past years GCE have reorganized by strengthening the Business Areas and restructure the Supply chain to Value streams. Since there was no employee survey before the change it is not possible to compare satisfaction before and after. However, one aim of the survey is to examine whether the organizational structure is clear and efficient. The labor market is tough in some markets and competition for employees is getting harder. It is increasingly important to be an employer of choice.

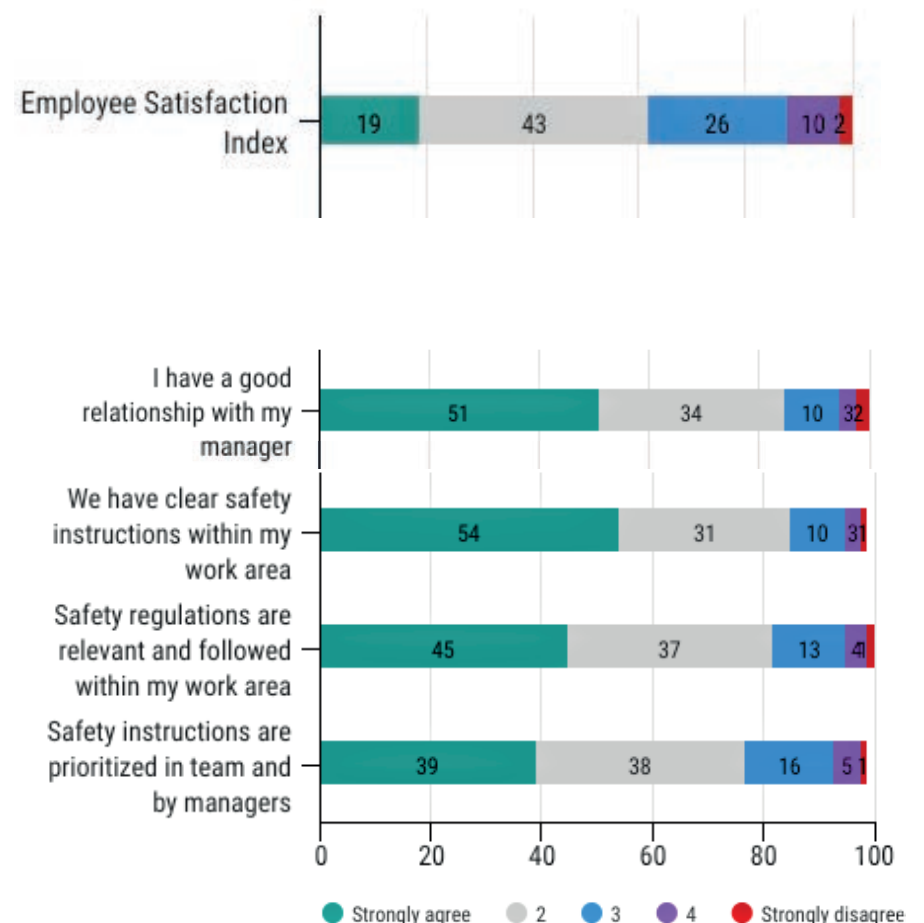
RESULT

The overall Employee Satisfaction Index is 3.67 on a 5 point scale. This is average compared to benchmark. The satisfaction is lower among blue collars than white collars, and there is a bigger variation between departments and countries than between the Business Areas.

The overall answer rate was 79%, which is good comparing to benchmarks. The answer rate was higher for white collar employees than blue collar, 66%, which is quite low. Discussions with the blue collar employees indicate that the low answer rate can be due to not trusting the anonymity of the answers and feeling that the survey will not change the situation.

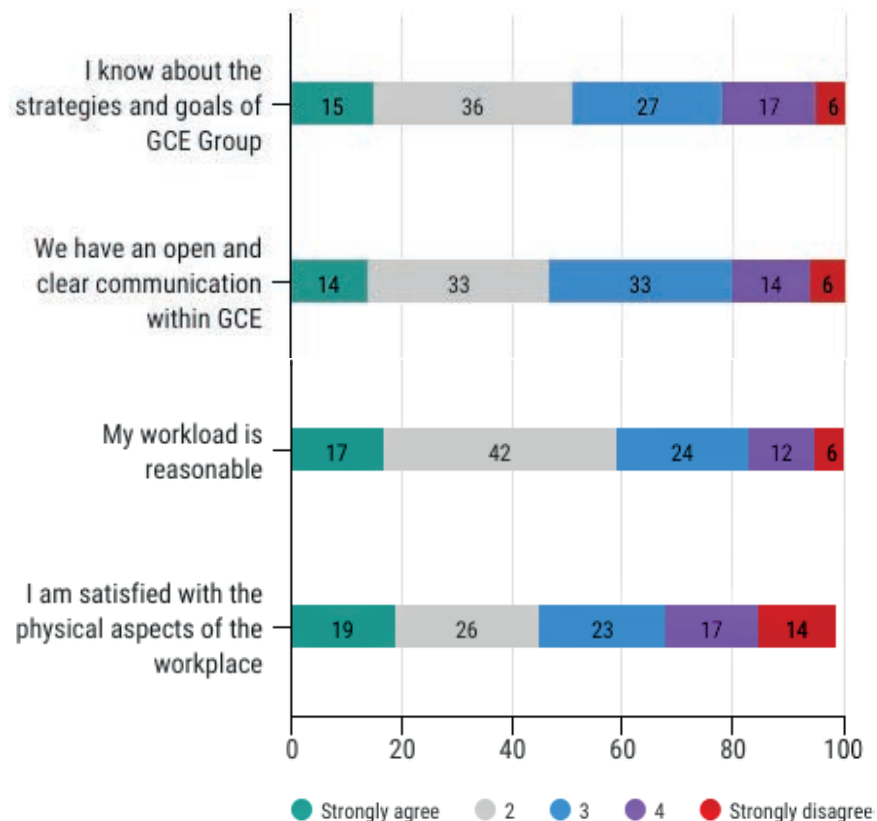
Identified strengths and improvement areas vary for different parts of the group. Safety is an overall strength; this is also one of the key values and focus areas within GCE. A majority of employees had appraisal and development discussions with their respective managers during 2017, and they find that time spent to prepare, conduct and follow up performance review is adequate. The survey also shows that most employees have good relationships with their immediate manager.

All answers in percent (%)



NEXT EMPLOYEE SURVEY

is planned in March 2018. It will follow up the effects of actions and identify future actions. Questions and action planning will be similar to 2017, but updated based on feedback.



Communication and deployment of strategies and targets needs improvement. Many employees do not know the strategic direction of the company and how their work contributes to the success of the company. This is partly due to communication and deployment where the information gets stuck in different levels of the company. The Goal Deployment Process, GDP, which has been used the last three years, needs to be further explained and implemented.

Communication is overall good compared to benchmarks, but is still an issue within and between some functions and countries. Several employees have answered that they have a very high workload. Work environment is a concern in some areas due to noise and temperature level. Satisfaction of compensation level and assessed compensation compared to market is relatively low. In these areas, high scores are in general never expected, but some countries have significantly lower scores compared to benchmark.

ACTIONS

Each manager is responsible to communicate and discuss the result with his or her team in order to identify actions. In several teams this has led to regular meetings where communications of news and results, as well as potential improvements are topics on the agenda. Compensation benchmark has been presented and a review of structure, content and communication of compensation has been made in some countries. The first issue of a Group Internal Magazine, containing success stories, financial result and news in general, was distributed to all employees in GCE Group in the beginning of December 2017. The Group Internal Magazine will be issued 6 times per year.

Regarding the GDP 2018, communication support material has been made to further explain the strategic and tactic targets and why they are important to GCE. The material is mainly intended to support area managers when presenting the group targets for their teams.

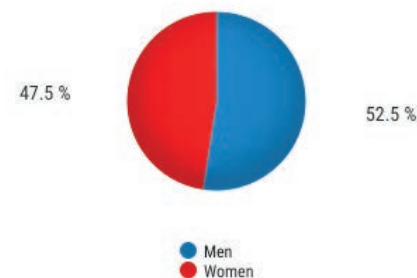
KEY PERFORMANCE INDICATORS

All figures are for GCE Group in total. GCE has a total number of 894 employees worldwide with a relatively even division between genders.

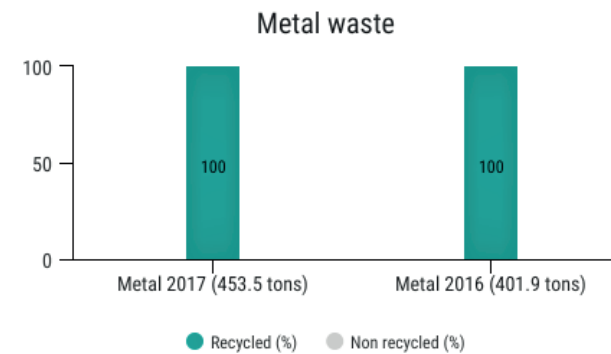
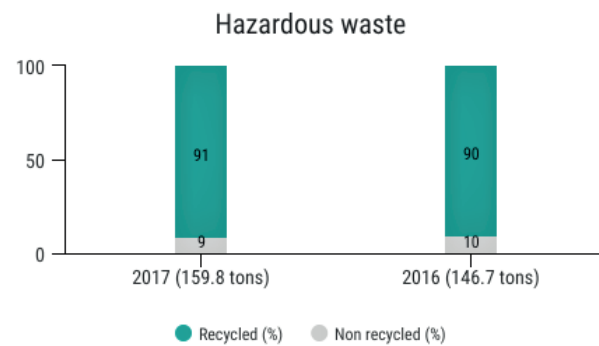
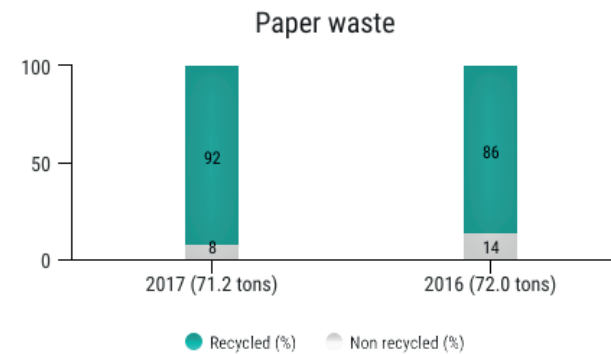
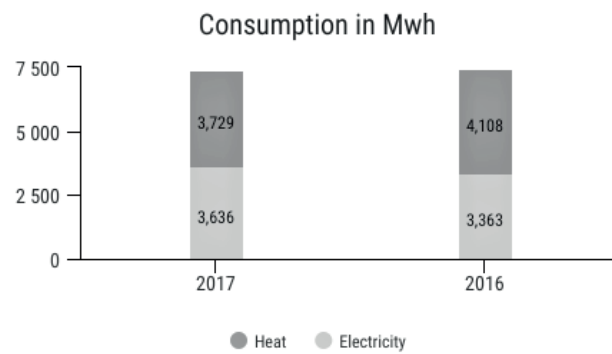
All occupational accidents, no matter if there is an injury or not, shall be reported by all group companies on a monthly basis, via statistical data entry in addition to the financial data. For accidents leading to loss of work time for the injured employee, additional comments are requested in order to follow up on the well-being of the employee and to prevent similar accidents to occur. Safety rounds are conducted according to local legislation in order to proactively prevent accidents.

Total hours worked are calculated as number of employees multiplied by 40 hours per week during 47 weeks of the year. The number of employees in 2017 is 894. The comparable number for 2016 is 882.

Total employees by gender



Description	2017	2016	Definition (ILO - International Labour Organization)
Number of fatal accidents	0	0	Fatal accident: Occupational accident leading to death
Number of occupational accidents (recordables)	39	45	Recordable Occupational accident: An event resulting in an injury or fatality (with or w/o lost time) which occurs at the work place or due to work occupation.
Number of occupational accidents (recordables) leading to loss of work hours	9	10	
Total hours worked	1 678 968	1 658 160	
Frequency rate	23.21	27.14	Frequency rate: Number of occupational accidents multiplied by one million and divided by the respective annual worked hours.
Severity rate	701	563	Severity rate: Amount of time lost per million hours worked



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