



Corporate Social Responsibility
2012 Annual Report



Corporate Social Responsibility Report 2012

Summary Letter from Barbara Couch

VP, Corporate Social Responsibility



In 2011, Hypertherm published its first Corporate Social Responsibility (CSR) Report and committed at that time to providing an annual update on how we are progressing against short- and long-term strategies and goals – to be open and transparent with you, our Associates, customers, business partners and our communities at large. We are solid in our commitment to social and environmental responsibility and we continue to advance our corporate citizenship efforts. This report is designed to invite you in to see how our work in this space is progressing.

Financial success for Hypertherm goes hand in hand with our commitment to CSR. Making money and doing good things in the world are not mutually exclusive. We believe we can enhance business profitability while creating value for society. This is often referred to as “shared value.” Our focus in this area is not simply an act of altruism – we believe there are compelling business reasons for being socially and environmentally responsible. We are building stronger communities and creating a more dedicated and engaged

workforce. We have also found that optimizing our use of natural resources not only conserves those resources for future generations, but saves us money in the short term.

Hypertherm’s CSR strategy is deeply rooted in our mission and core values and aligned with our culture. As you see in our mission statement below, Associate well-being, community and the environment are key elements of our mission, in addition to providing the best products and service to our customers. These themes are interdependent of one another, and all require focus if we are to be successful. Thus, they are embedded in our mission, strategies and tactics.

Our CSR strategy covers four main areas: Ethics and Integrity, Our Workplace, Community Engagement, and the Environment.

Ethics and Integrity

Ethics and integrity always come first. From our operations to our treatment of people in every geographic region where we do business, we maintain a zero tolerance for unethical behavior. We hold all Associates accountable to our Code of Ethics and Business Conduct. There are things in life that cannot be compromised and the standards of ethics we hold our Associates accountable to is one such example.

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To provide our Customers with the best metal cutting products and services in the world, to promote the well-being and development of our Associates, and to enrich our communities and environment.

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Our Workplace

Providing for the well-being and development of our Associates are not simply words found in Hypertherm's mission statement. They are words that come to life every day, every moment at Hypertherm.



Hypertherm strongly believes in sharing the financial success of the company with all of our Associates, reflecting the fact that we are all in this together. We have a long-standing commitment to shared rewards with profit sharing at the end of the year. In 2001, Hypertherm became an ESOP company to deepen our shared rewards and develop long-term wealth creation potential for our Associates' retirement.



We are constantly investing in workforce development and have an Organizational Development team focused purely on talent management and development. We created the Hypertherm Technical Training Institute (HTTI), a multi-million dollar training facility designed to address the need for skilled CNC machinists in our region. A nine-week course is open to anyone inside or outside of Hypertherm. Students are paid during training, and qualified

graduates are offered jobs at Hypertherm. Graduates also earn college credits, a first-time accomplishment for most.

Wellness at Hypertherm is a top priority, and keeping Associates well and safe to the best of our ability continues to be a key strategic initiative. We believe that the most effective means toward achieving the healthiest population possible is through individual empowerment – the power for each of our Associates to make good choices and live life well. We do all that we can to support our Associates in taking responsibility for their health. We provide the tools, resources, space, encouragement and incentives so they may assume this responsibility. Our Associates are our most valuable asset and a key differentiator for us in the marketplace.

We stand firm in our belief that no Associate should be injured at work. Our goal is zero workplace injuries/illnesses. Safety excellence at Hypertherm starts with a high level of Associate engagement. Hypertherm has fully committed to the goal of exceeding the requirements of OSHA's Voluntary Protection Program (VPP) for all manufacturing locations. The VPP is a cooperative effort with OSHA,

based on Associate involvement in the development of outstanding safety management systems. To date, OSHA has approved six of Hypertherm's major manufacturing locations for participation in the VPP program at their highest "Star" level.

Measures of workforce engagement are often cited to have a high correlation to business results and sustained organizational success. We believe this to be true. We take workforce engagement seriously and measure it annually. We strive to be a great place to work, and Hypertherm was once again recognized in 2012 as a Best Place to Work in New Hampshire.

Community Engagement

Community engagement is inclusive of corporate philanthropy, contributions of expertise and volunteerism.

Corporate philanthropy: The Hypertherm HOPE Foundation (Hypertherm Owner's Philanthropic Endeavors) touched more lives in 2012 than ever before. Grants were made to nearly 100 organizations to support education, the arts, food, shelter, health and the

environment. Hypertherm's charitable donations are decided upon by a group of representative Associates, who volunteer their time to this effort, and they take their work very seriously. They seek to understand the most significant needs of the communities where our Associates live and work and then align those to the interests of Hypertherm and our Associates. It is at this intersection where strategic philanthropy takes place.

Sharing expertise:

The Associates of Hypertherm see it as their responsibility to share their experiences, expertise and skills with others and that shows up in several different forms. Many of our Associates serve on local, state and national boards; members of the Senior Leadership Team are deeply engaged in the community. Associates in the engineering community mentor students and help ignite a passion for STEM. We invite public school boards and school teachers into our workplace to help them understand what advanced manufacturing looks like today. We enjoy sharing our best in class practices with businesses near and far – we believe it is the right thing to do.

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Volunteerism:

We give our Associates paid time off (Community Service Time or better known as CST) to volunteer in the communities where they live and work. In 2012, Hypertherm Associates volunteered 14,500 hours in communities across the globe. Nearly 80% of our Associates participate proudly in this program. We know that when Associates have the opportunity to give back and help others, they return to the workplace with a renewed sense of purpose and fulfillment. They become more engaged Associates while building stronger communities. While many organizations are grateful for Hypertherm's financial donations, they are equally grateful for the hearts, hands and minds that are doing good deeds in the community.

Environment

It is critical to our success to reduce the environmental impact of everything we do. With limited resources in the world, we need to be vigilant in our efforts to be responsible consumers. Reduce, reuse, recycle, reclaim. We hold deeply the belief that

our products can be sourced, designed and manufactured in ways that are good for people and the environment.

In 2012, we made significant strides toward our 2020 environmental goals. By organizing cross-organization working groups of Associates to drive projects on both zero landfill waste and electricity efficiency, we accomplished remarkable savings of over 130,000 pounds of landfill waste and 1,300,000 kWh throughout our operations. Our single largest carbon savings project came from transitioning 15% of our outbound freight from air to ocean transport. We also started purchasing the renewable generation of 100% of our electricity through Green-e Certified renewable energy credits. These are some powerful accomplishments but our work ahead is still vast as we continue to reduce our impacts across our entire global value stream.

Finally, all of us at Hypertherm share a deep sense of pride in our newest LEED-certified manufacturing facility that opened in October 2012. This facility is the first of its kind in our area, helping to display

the possibilities of deploying greener and healthier building practices, while thriving as an industrial manufacturer and high technology research and development company.

I hope you will take the time to read our complete report. There are exciting things happening at Hypertherm in all of these areas I've mentioned. I am so proud of our Associates, who not only understand what it means to be socially and environmentally responsible, but genuinely live their lives that way – every single day. If not for them, none of this would be possible.

Thank you for taking the time to read our report. We welcome your comments.

Sincerely,

A handwritten signature in black ink that reads "Barbara".

Barbara Couch







Environmental footprint

Footprint data

2012 is our third year of reporting our footprint data and allows us to see stronger directional trends. While our 2020 environmental sustainability goals are generally driven around metrics tied to our sales and product volume, we also strive for the ideal of absolute impact reduction. We report both here.

Our scope 1 emissions continued to decline on both an absolute and intensity basis. We enacted more HVAC setbacks, our new building has a high overall R-value, and our sales feet in North America continues to migrate toward more fuel-efficient vehicles.

Our scope 2 emissions saw a dramatic reversal in 2012 due to our commitment to the purchase of Green-e Energy certified renewable energy credits. We started purchasing Clean Source energy from a National grid mix and exceeded the kWh we actually used in 2012, thereby bringing our carbon intensity below zero.

Our scope 3 emissions saw the greatest gain from our global logistics. In 2012 we transitioned 15% of our global freight from air to ocean transport. Our Low Impact Commuting Benefit Program incentivized a record level of carpooling, bus riding, biking, and purchases of low emissions vehicles.

Impacts	2010 metric tons CO _{2e}	2011 metric tons CO _{2e}	2012 metric tons CO _{2e}
Scope 1:			
Oil and propane	763	715	642
HT Fleet	634	674	639
Scope 2:			
Electricity	5,638	5,943	-6,970
Scope 3:			
Business travel	1,437	1,722	1,643
Commuting	3,689	4,058	4,775
Logistics	85,519	95,694	60,509
Products in use	303,864	352,913	387,371
Water waste	gallons	gallons	gallons
Process water discharge	8,430,112	7,327,802	5,075,095
Sanitary water discharge	2,159,408	2,094,518	3,397,737
Solid waste	tons	tons	tons
Landfill trash	211	193	160
Cardboard recycle	173	207	182
Wood recycle	63	94	119
General recycle	14	52	119
Copper recycle	1,250	1,450	1,432
Other metals recycle	300	450	502
Hazardous waste	47	54	70
Compost		4	22
Landfill rate	12.6%	9.9%	6.4%

Based upon improved reporting and analysis standards we have updated our commuting impacts from 2010 and 2011. All of these footprint numbers are not third party verified and reflect our impacts to the best of our measurement ability at this time. They may be revised for accuracy in the future.

Proportional carbon intensity of our business operations (metric tons CO_{2e}/sales\$mm)

2010
2011
2012



Scope 1: Oil and propane, HT fleet



Scope 2: Electricity



Scope 3: Business travel, commuting

Our process water discharge improved as a result of a closed-loop water cooling tower system in our newest facility. This process reuses water for the cutting processes in our R&D labs.

We continued our efforts to minimize and migrate our waste streams away from the landfill with a full-scale single stream recycling process, composting, and heavy emphasis on supply chain packaging improvements.

Wellness

In 2012 we solidified our Wellness Vision: To encourage and recognize Associates for living healthier lifestyles, and develop solutions which are focused on promoting the well-being of Associates and their families. We also documented formal program goals for wellness:

- Establish a culture of wellness
- Keep healthy people healthy
- Improve the health of Associates with risk factors
- Confirm an organizational health measurement
- Slow the rate of increase in health plan costs

In 2012 we focused on building programs focused on key health risk factors as reported from our annual Health Risk Assessment.

Some key successes include:

- Tobacco Free: Hypertherm went Tobacco Free in all US locations in September of 2012. The announcement leading up to this transition was made in February of 2012. Since then, 23% of our tobacco-using Associates have ceased using tobacco products.

- Wellness Center: Our Associate Wellness Center staff focused on blood pressure management with Associates who were identified in higher risk categories. Over twelve months systolic blood pressure went down from 127.8 to 127 (.06% reduction) and diastolic blood pressure went down from 81.7 to 77.7 (5.2% reduction).
- Improving Cholesterol: Another program managed from our wellness center staff focused on improving cholesterol. We saw our average HDL ratio go down from 4.3 to 4.2 (4.8% reduction).
- Weight Management: Hypertherm offered a wide variety of weight management programs including a range of fitness classes from TRX to yoga, 10,000 steps challenge, a Biggest Loser competition, and health coaching. While we saw slight improvements in our obese population metrics, we still view this as a key opportunity to improve overall well being.



Safety

Hypertherm recognizes that the personal safety and health of each Associate is of primary importance. No Associate should ever be injured at work. Our objective is ZERO workplace injuries or illnesses.

Safety excellence at Hypertherm starts with a high level of Associate engagement, all working together as a team to help provide the safest workplace possible. In order to focus our efforts, Hypertherm has fully committed to the goal of meeting and exceeding the requirements of OSHA's Voluntary Protection Program (VPP) for all manufacturing locations. The VPP is a cooperative effort with OSHA, based on Associate involvement in the development of outstanding safety management systems.

To participate, Hypertherm went through several rigorous five-day evaluations by teams of safety and health professionals. To date, OSHA has approved six of Hypertherm's major manufacturing locations for participation in the VPP program at their highest "Star" level. As evident from the chart at the right, Hypertherm's efforts have succeeded in

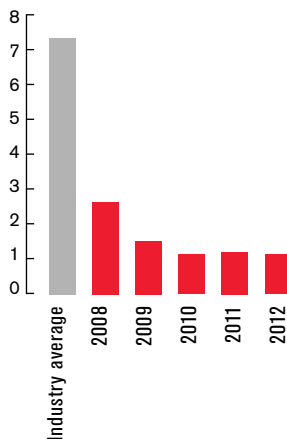
improving the level of safety and wellbeing for our Associates.

Hypertherm maintains an active First Aid team and members are trained in CPR, First Aid, AED and blood borne pathogens by certified on-site trainers. First Aid team members are present for all shifts (75 fully trained Associates) and 20 Associates are advanced First Aid personnel.

Hypertherm conducts detailed safety evaluations on an annual basis to ensure our programs, training, and procedures are effective in reducing accidents to the lowest possible levels. In addition, each area of our facilities receives a formal safety audit using a detailed and area specific inspection check sheet. Audit and inspection results are tracked using Hypertherm's safety tracking procedures (Safety Track) to ensure that findings are addressed in a very timely manner.

Hypertherm's culture promotes the reporting of any incident involving a near miss or an injury. Near misses, first aid and OSHA recordable incidents are the primary information utilized to analyze trends at Hypertherm.

**Recordable incident rate comparison
2008 – 2012**



In 2012, over 150 formal incident reports were logged and most of the incidents were at the near miss or first aid level. The incidents are analyzed and individual metrics are developed at the team level. Each team maintains metrics using a three month rolling average. These metrics are posted in each team's data board, reviewed at pre-shift meetings and presented during monthly Safety Council meetings, including members of the Senior Management Team.



New facility

At the end of 2012 we completed construction on our new facility in Lebanon, New Hampshire. We built this 160,000 square foot building to accommodate the growth of our operations needed to meet global demand for our products. Given our commitment to enrich the environment we chose to design and build according to the U.S. Green Building Council's Leadership in Energy and Environmental Design (LEED) green building certification program. At the time of this writing we had not received our final certification level. Building to LEED standards reduces our ongoing draw on natural resources and lowers our operating costs.

This new building follows our vertical integration business model, housing R&D labs to production where we have mixed model assembly line capability. This allows greater collaboration on product and production innovation as well as greater flexibility to meet global demand changes.

Here are only some of the most environmentally innovative features of our new building. Come visit us to see more.

- A closed loop re-circulating water cooling system saves approximately 50,000 gallons of fresh water per day (that's 1 Olympic swimming pool every 13 days)
- Porous pavement, rain gardens, and underground, slow release water storage tanks to minimize

flooding and feed rain to the groundwater where it fell

- A tight building envelope that includes 6" of foam insulation and 3rd party first-instance testing to keep our heating and cooling needs to a minimum
- A state of the art air ventilation system that increases outdoor air circulation by 30% over conventional buildings
- 77% recycled content structural steel, all cut with Hypertherm plasma

Our commitment to Associate well-being and development is reflected throughout the facility:

- Three workout rooms available 24/7 to our Associates
- An onsite Associate Wellness Center, staffed by Dartmouth Hitchcock Medical Center medical professionals
- State of the art training and meeting spaces, including a hands-on cutting technology center
- Next evolution workspace design with variable height desks, treadmill workstations, and gathering spaces throughout the building
- Daylight throughout our production and office areas thanks to 142 windows and 45 skylights



Please contact us with questions or comments: Barbara.Couch@hypertherm.com or Jenny.Levy@hypertherm.com
To learn more about Hypertherm's CSR strategies and initiatives please visit our website www.hypertherm.com/csr.
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