



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.

*Continued*

**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.**



# Corporate Social Responsibility Report 2012

## Summary Letter

### 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.

Continued

# Corporate Social Responsibility Report 2012

## Summary Letter



### 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,

Barbara Couch

# Volunteering

The Hypertherm Community Service Time Program, launched in 2003, embodies the inclusive culture at our Associate-owned company. All Associates, regardless of their geographic location or position within the company, are given twenty-four hours of paid Community Service Time (CST) each year to volunteer at nonprofit organizations. By giving Hypertherm Associates paid time off to do community service work, we build stronger communities and more compassionate Associates.

Associates are able to choose which nonprofit organizations they want to support with volunteer time. The groups they choose and the activities they partake in are as diverse as our Associates. Activities can include helping with Lego and robotic teams, teen mentorship, literacy reading programs, youth sports team coaching, weatherizing mobile homes, trail maintenance, staffing crisis hotlines, painting homeless shelters, stocking food bank shelves, cooking meals at soup kitchens, cleaning animal shelters, and dozens more.

The year 2012 was a record-breaking year with Hypertherm volunteers serving 14,500 hours in the community across the globe.

With participation in the program among US-based

Associates reaching 78 percent in 2011 the management team increased paid CST hours per Associate to 24 hours annually beginning in January 2012. Our Associate engagement in 2012 reached a record level with 86% of US-based Associates volunteering. Service included team events and individual Associates volunteering in every region where Hypertherm has a major presence.

A standard part of every new hire orientation week is now an afternoon of community service. We often have three different groups out at the same time volunteering to paint, organize, or cook. This is a way to show the importance of volunteering and reflect how it is embedded in our culture.

Some of our teams are called upon for their professional expertise. For example, our Talent Acquisition team helps local students by conducting mock interviews, reviewing resumes, or giving tours of our workplace. Our engineers speak at high schools to promote careers in engineering and manufacturing. Associates serve on the boards of many nonprofit organizations and volunteer on their own time.

In 2013, our goal is for 80 percent of our global Associates to use CST.



2012 was a record-breaking year with Hypertherm volunteers serving 14,500 hours in the community across the globe.

Continued



# Volunteering

## Global Community Service Time – Management Team Europe, Kroeven, Roosendaal

“During the European Management Team Kaizan Planning week our leader thought it would be a good idea to have a break in the proceedings to clear our minds and help us to recalibrate our thought processes. So he arranged a CST event for the morning of 12th Sept to paint and renovate the bicycle shed and fence at the Kroeven, a home that provides care for mentally and physically disabled children.

We had a great time! It was a truly rewarding experience to all work together on something completely different and proved to be a fantastic Team Building event.

The children and the staff at the Kroeven were really happy and appreciated that we had taken the time to help out with this project.”

**Consumables Sale Leader, Europe Region**



“It was a truly rewarding experience to all work together on something completely different and proved to be a fantastic Team Building event.”

Continued

# Volunteering

## Global Community Service Time – Marketing and Technical Service, Azcapotzalco, Mexico

“It was early morning on Friday June 29th. After being lost for a while in one of the hundreds of Mexico City neighborhoods, I finally reached my destination: an Public Elementary School in Azcapotzalco. I met with the rest of the Mexico team.

No, we didn't go there to teach, but to repair and paint the school front gate as part of 2012 community service. At the beginning we said: this job should be a walk in the park. But reality bites, so as the hours went by we realized that the job would take us more time than expected....and it did! It actually took us two and half days to finish.

We enjoyed this activity, the first one we performed as a team. I may say on behalf my team mates and myself, that it was a very fulfilling and fun experience.”

**Hypertherm Sales Associate**



“I may say on behalf my teammates and myself, that it was a very fulfilling and fun experience.”

Continued



# Volunteering

## Global Community Service Time – North America Sales Team, Fort Myers, Florida

On Monday January 9, 2012, twenty two volunteers from Hypertherm went to Brightest Horizons Child Development Center, a United Way Partner Agency, to sand, finish and repaint the doors at the Center in Harlem Heights. The building, over 50 years old, has a fresh look thanks to the time and talent of these volunteers.

“A project this size would have never been completed in time without the commitment of Hypertherm employees,” said the Executive Director at Brightest Horizons, a non-profit organization that provides educational and developmental care for children of low income working families. “We love the opportunity to do something special for others and work together as a team,” said Kim Smith of Hypertherm. “We are spread out across the country and opportunities like this allow us to come together, roll up our sleeves and do something fun that helps others.”

**Tina Parsons, Executive Director at Brightest Horizons**



“A project this size would have never been completed in time without the commitment of Hypertherm employees.”



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# Volunteering

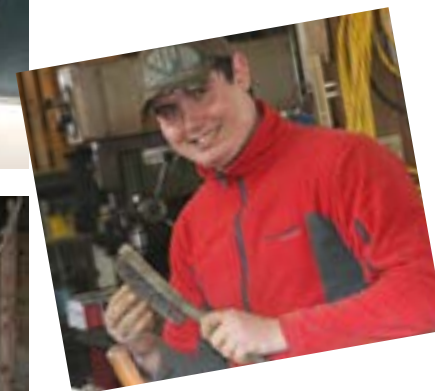
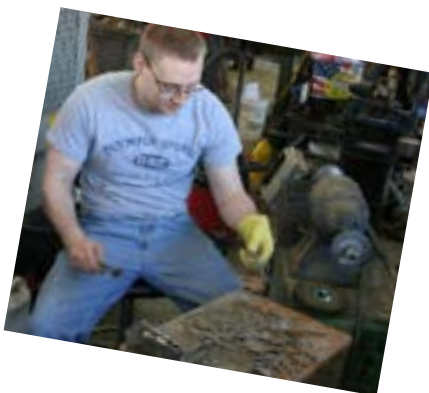
## Community Service Time – Machine Operators, Technicians and Engineers, Bethel, Vermont – Upper Valley Strong and Miller Machining

Miller Machining in Bethel, Vermont was badly hit by the Hurricane Irene and all of the tools, dies and machines were completely buried in mud. The business owner of Miller Machine reached out to Upper Valley Strong as he was in need of volunteers who knew about machines, tools and dies to help with cleaning the mud and muck off of his parts and equipment. Upper Valley Strong is a group of organizations working together to get Upper Valley citizens affected by Tropical Storm Irene back on their feet.

A team of 1st, 2nd and 3rd shift machine operators, technicians, and engineers, some of which had never used Community Service Time before, got to work.

On March 6th and March 7th the team set out to clean tools and machines so Miller Machinery could get back to the same level of business as before the Hurricane.

The project was a great success and Miller Machine is back in business.



“A project this size would have never been completed in time without the commitment of Hypertherm employees.”

Continued

# Volunteering



1st, 2nd and 3rd shift machine operators, technicians, and engineers, some of which had never used community service time before, got to work.



Continued



# Volunteering

## Community Service Time – Production Associates, Lyme, New Hampshire – Upper Valley Land Trust (UFLT)

“A belated, but heartfelt THANKS to all of you for helping out at the Lyme Hill Conservation Area last Friday! It was great fun to share some laughs and hard work with all of you, and as you know, we accomplished a great deal! I’m sure by now you know we couldn’t have done it without you all! It was a great day. We here at UFLT sincerely appreciate the effort and energy you each expended personally, and we are grateful to the Hypertherm Associates as a whole for helping keep the Upper Valley a truly remarkable community!”

**Director, UFLT**



“We are grateful to the Hypertherm Associates as a whole for helping keep the Upper Valley a truly remarkable community!”

Continued



# Volunteering

## Community Service Time – Mechanized Systems Engineering Team, Lebanon, New Hampshire – Lebanon Recreation Department

“Rick and I, and the rest of the Recreation and Parks Dept would like to extend our sincere thanks to you and Hypertherm for your volunteer time with us over the past two days. Your efforts transformed our play spaces from the ugly to the beautiful. As we are striving to create play and open spaces that are attractive, safe, and inviting to the public, we are doing so with decreasing budgets. Your sweat equity makes it possible. At the end of the day we are able to stand back and see dramatic improvements, and feel comfortable knowing that the quality of our playground surfacing is back up to standards.

You were able to accomplish the work of several more volunteers thanks to the quality of your effort. I'll take two or three Hypertherm volunteers working hard like you did over seven or eight others offering half the effort any day!”

**Lebanon Recreation Director**



“I’ll take 2 or 3 Hypertherm volunteers working hard like you did any day!”

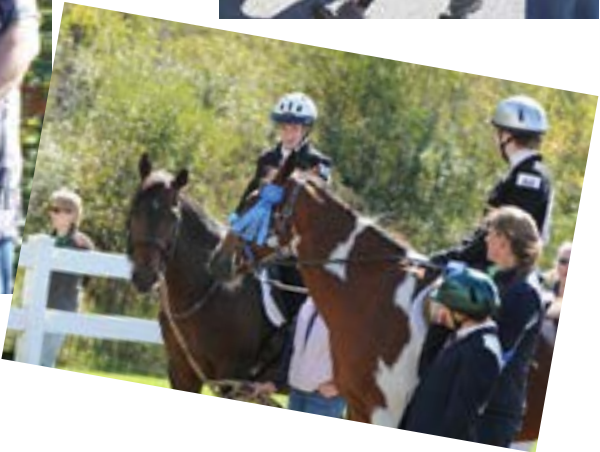
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# Volunteering

## Community Service Time – Hanover, New Hampshire – Special Olympics

Fifty Hypertherm Associates manage the Upper Valley Special Olympics Fall Games. From sign ups to opening ceremonies to the bowling and equestrian events to awards; Hypertherm volunteers and their families make it possible for athletes to compete and enjoy themselves.



Continued



# Volunteering

Community Service Time – Hanover,  
New Hampshire – Special Olympics



Continued



# Volunteering

Community Service Time – Hanover,  
New Hampshire – Special Olympics



“Hypertherm volunteers and  
their families do it all.”



Continued



# Volunteering

## Community Service Time – 3rd shift Manufacturing Associates, Hartford, Vermont – Upper Valley Haven

In partnering with the Haven we finally were able to have a night time CST project. Under the cover of darkness our volunteers stocked and organized the food pantry, sorted clothing donations, baked fresh breakfast treats for residents and guests and cleaned the pantry's top to bottom.

“What a great crew this was!! Every time I went down they were working very hard; washing walls, sorting clothes, baking yummy smelling goods, and doing floors. The place looks and smells great! They had great senses of humor, and were very diligent about keeping the noise down so as to not wake up family shelter guests upstairs.

They stayed until 4:30 am, when they ran out of things to do. I went down three times and not once did I see anyone not working very hard-with smiles on their face!

I thanked them profusely when they left, they really were awesome!”

### Hixon Shelter night staff



“What a great crew this was!! Every time I went down they were working very hard.”



Continued



# Volunteering

## Community Service Time – Manufacturing Associates, Bridgewater, Vermont – Habitat for Humanity

Hurricane Irene destroyed many homes including this one, in Bridgewater, Vermont, where the family was forced to move out until the house could be repaired. One of the first projects included removing and recycling a steel roof. Hypertherm volunteers used a Hypertherm Powermax plasma cutter to cut up the roof into smaller sections for recycling.



Continued



# Volunteering

## Global Community Service Time – Global Sales Conference Attendees, Hanover, New Hampshire – David's House

During a week-long global sales conference, a team of international Associates decided to give their time on a Sunday to volunteer to help with some tasks at David's House. David's House provides a home-away-from-home and support for families with children receiving treatment through Children's Hospital at Dartmouth-Hitchcock Medical Center in Lebanon, N.H. Since opening its doors in 1986, David's House has served over 12,000 families from around the world.

The team spent the morning staining the playground structure and activity area which is provided for the children to play on, and also tidying up the garden. The group included Associates from the Netherlands, Italy, Australia, Germany and England.

"It was a great team building experience and we all benefited from hearing the story behind David's House. We would like to participate in such an event again."

**Europe Sales Leader**



Continued

# Volunteering

**Community Service Time – Hanover based Associates from many teams, Quechee, Vermont – Vermont Institute of Natural Science (VINS)**

Hypertherm provides twenty volunteers for Fall and Spring Clean-up Days. There are many repeat Associates with this project, as soon as we put the sign up list out there it starts to fill up. We also started to help with trail work projects in addition to the seasonal clean-up days.

“A heartfelt note of thanks for the great work your Hypertherm Associates did for VINS last Wednesday on our Nature Center Spring Clean-Up Day. The VINS Nature Center now looks terrific and is ready to go for the 2012 season. Without Hypertherm’s help, we wouldn’t be able to say that for many more weeks. Your support is greatly appreciated. Thanks for all you do for VINS and our community.”

**John Dolan, President, VINS**



“A heartfelt note of thanks for the great work your Hypertherm associates did for us on our Nature Center Spring Clean-Up Day.”

Continued



# Volunteering

**Community Service Time – Hanover-based Associates from many teams – Croydon, New Hampshire – YMCA Camp Coniston**

“In April, staff from Hypertherm Inc. of Hanover volunteered at Coniston for a week of service. The volunteers were instrumental in helping us clean up the grounds and facilities after the harsh winter. Thanks to their time and hard work, camp looked incredible for our Centennial Celebration weekend, and in welcoming campers for our 100th summer of camping in June. We look forward to hosting more Hypertherm volunteers for work projects this fall.”

**Camp Coniston newsletter**



Continued



# Volunteering

## Community Service Time – Hanover, New Hampshire Associates

On Earth Day Hypertherm held a very popular bat house building project where Associates built bat houses to help restore the bat population locally. Associates from many teams built bat houses that were delivered to many non-profits in the area.



Continued

# Volunteering

Community Service Time – Hanover,  
New Hampshire based Associates –  
Norris Cotton Cancer Center (NCCC)

“How do we LOVE Hypertherm??  
Let me count the ways!

Your Gold Wheel sponsorship,  
motivated Prouty Team, and  
AMAZING volunteers, are three  
that come to mind.

The tasks that this year’s GREAT  
group Hypertherm of volunteers  
took on are some of our most vital  
and challenging ones. We are  
enormously grateful to you all and  
hope that your experience was a  
good one.”

Volunteer Coordinator



“How do we LOVE Hypertherm?? Let me count the ways!”



Continued



# Volunteering

## Community Service Time – Hanover, New Hampshire – Children's Hospital at Dartmouth (CHaD)

Hypertherm Associates showed up in force to support the 2012 CHaD half marathon, 5K run and family fun walk fundraiser. There were 79 Hypertherm Heroes who raised just under \$5,300 for the Children of CHaD, and more who volunteered to support the event.



Continued

# Volunteering

## Community Service Time – New London, New Hampshire

“Thank you so much for organizing a fantastic team of Hypertherm Associates for The Fells outdoor projects. It was wonderful to see them! Our Education Director and Landscape Director repeatedly said how fantastic they all were. Please pass on our deepest thanks to them for ‘covering so much ground’! I am so thrilled that Hypertherm has this great partnership with The Fells.

The crew was fantastic! No only did they complete all of the trail work that needed to be done, they also helped us with some important spring landscape tasks, such as grooming along the entire length of the driveway down to the Main House (1/4 mile), cleaning out the drainage culverts and even re-setting the rock headwalls at the drainages. Everyone worked hard and had a great sense of humor as we went about the day.

Our sincere gratitude to Hypertherm for providing The Fells with enthusiastic and hard-working volunteers. Their help enables us to accomplish some important work that greatly improves our site and enhances the experience of



visitors who come to The Fells. (Many hikers have remarked on the excellent condition of the Carriage Road Trail, following the work done by Hypertherm volunteers in the autumn of 2011.)”

**Executive Director, The Fells**

“Our sincere gratitude to Hypertherm for providing The Fells with enthusiastic and hard-working volunteers.”

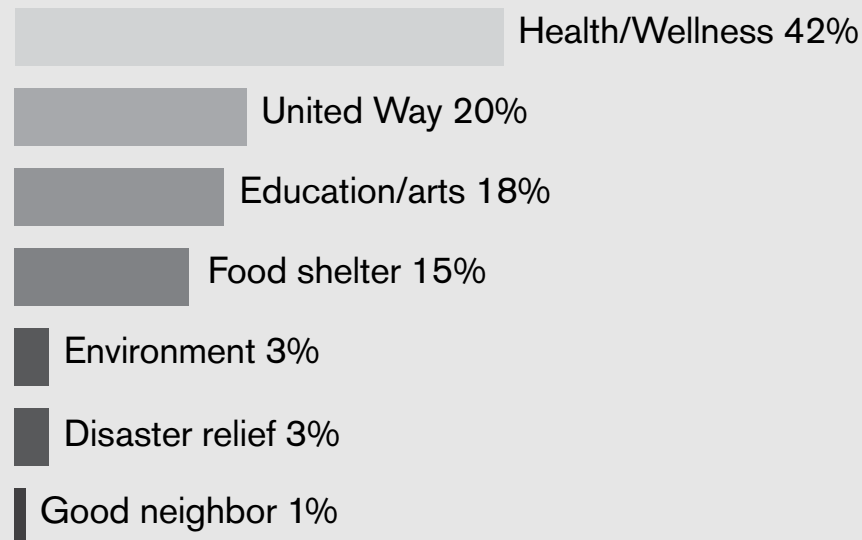


## The Hypertherm HOPE Foundation awards grants to the communities in which we work and live.

The Hypertherm Owners' Philanthropic Endeavors (HOPE) Foundation experienced another record year for grant applications in 2012. The HOPE Foundation is a 501(c)3 organization established in 2010 to complement our Community Service Time (CST) program. Volunteer Associates

comprise the HOPE Team and make grant allocation decisions on behalf of the Foundation. Our model for giving considers the needs of the community, Hypertherm's corporate values and business interests, and the interests of our Associates.

In 2012, the HOPE Foundation donated to 96 different nonprofit organizations across all of the following focus areas:



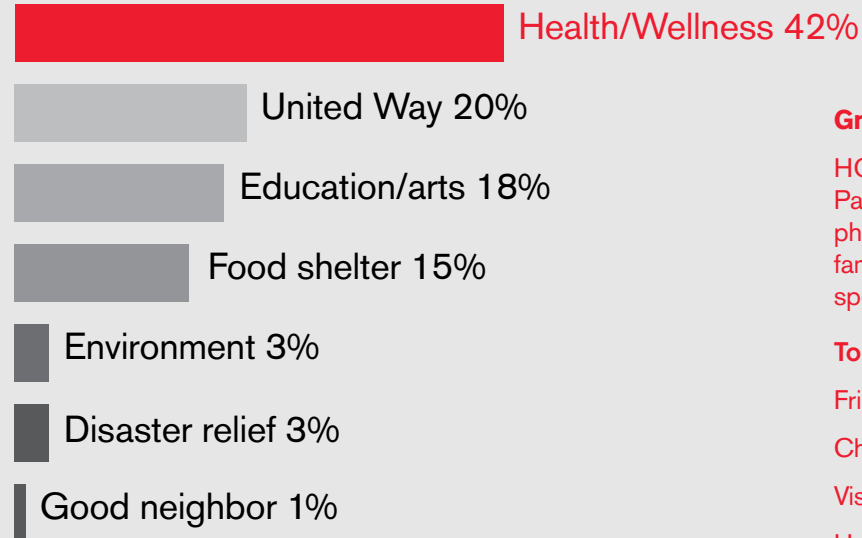
**HOPE** FOUNDATION



HYPERTHERM OWNERS' PHILANTHROPIC ENDEAVORS

Grant examples

The Hypertherm HOPE Foundation awards grants to the communities in which we work and live.



**Grant example:**

HOPE sponsored The Upper Valley Trails Alliance's Passport to Winter Fun program which promotes physical activity and the outdoors to children and their families. Kids get rewards for the number of days they spend 60 minutes or more getting active.

**Top grant recipients included:**

Friends of Norris Cotton Cancer Center  
Children's Hospital at Dartmouth (CHaD)  
Visiting Nurse Association & Hospice of VT/NH  
Headrest

**HOPE** FOUNDATION

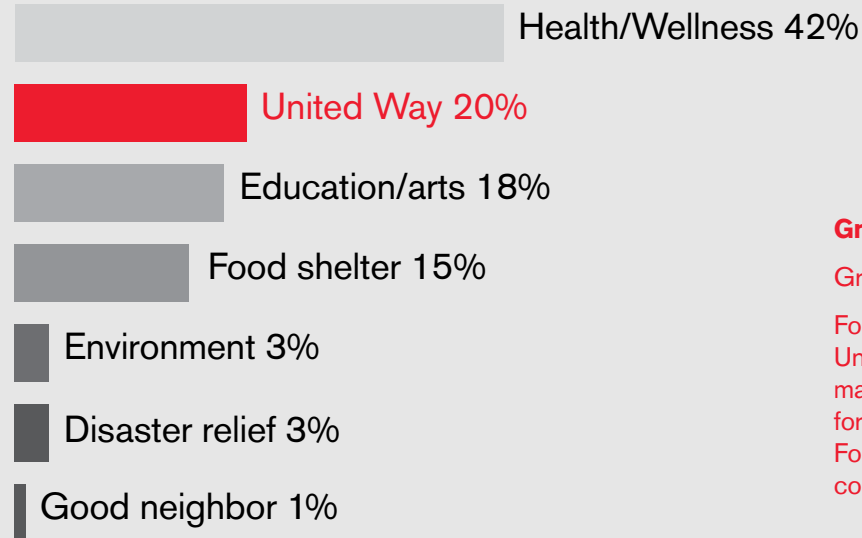


HYPERTHERM OWNERS' PHILANTHROPIC ENDEAVORS

Grant examples



The Hypertherm HOPE Foundation awards grants to the communities in which we work and live.



**Grant example:**

Granite United Way

For years, we have supported the mission of the United Way and its partner agencies; they are making our communities stronger and better places for us all to live and work. Hypertherm's HOPE Foundation matches 100 percent of Associate contributions to the annual United Way campaign.

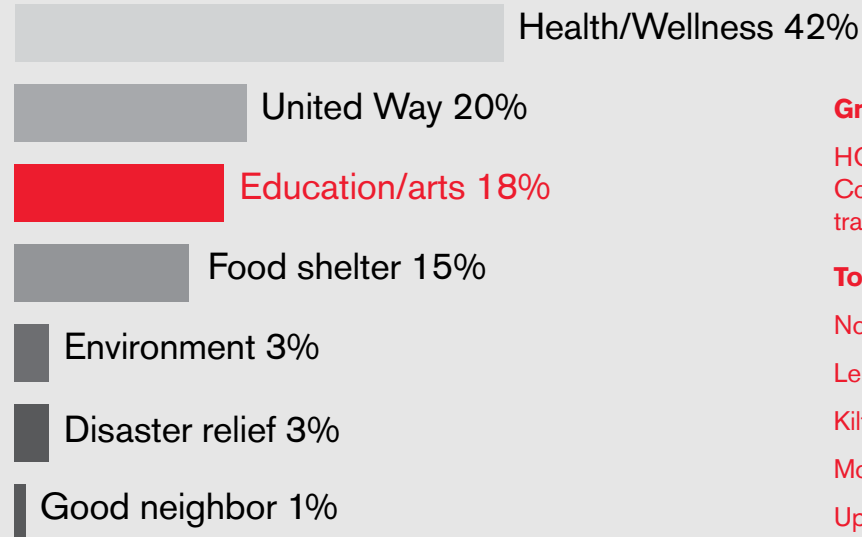
**HOPE** FOUNDATION



HYPERTHERM OWNERS' PHILANTHROPIC ENDEAVORS

Grant examples

The Hypertherm HOPE Foundation awards grants to the communities in which we work and live.



**Grant example:**

HOPE's grant supported the operating funds of Windsor County Partners Mentors for Youth to help recruit, match, train and support mentoring partnerships.

**Top grant recipients included:**

Northern Stage

Lebanon Opera House

Kilton Public Library

Montshire Museum of Science

Upper Valley Business and Education Partnership

**HOPE** FOUNDATION

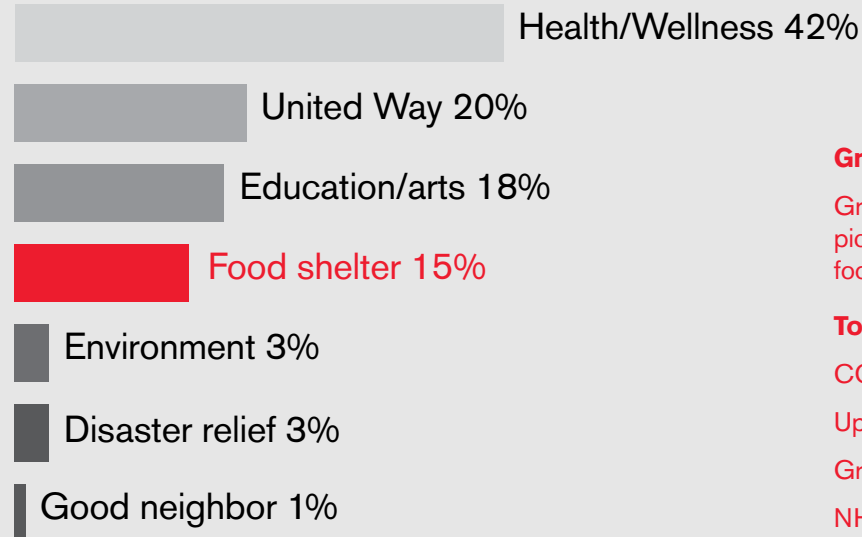


HYPERTHERM OWNERS' PHILANTHROPIC ENDEAVORS

Grant examples



The Hypertherm HOPE Foundation awards grants to the communities in which we work and live.



**Grant example:**

Grafton County Senior Center started a dedicated pick-up and delivery program for donated food, bringing food more efficiently to needy elders.

**Top grant recipients included:**

COVER Home Repair

Upper Valley Haven

Grafton County Senior Center

NH Food

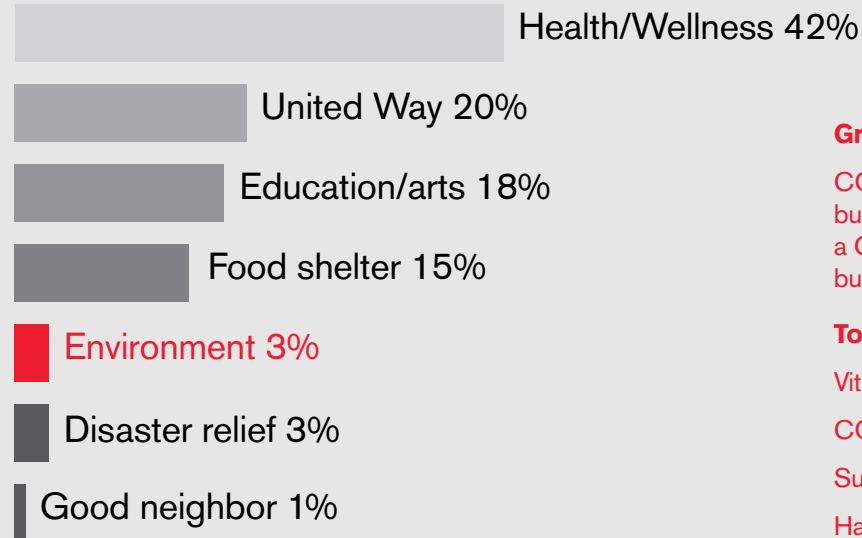
**HOPE** FOUNDATION



HYPERTHERM OWNERS' PHILANTHROPIC ENDEAVORS

Grant examples

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**Grant example:**

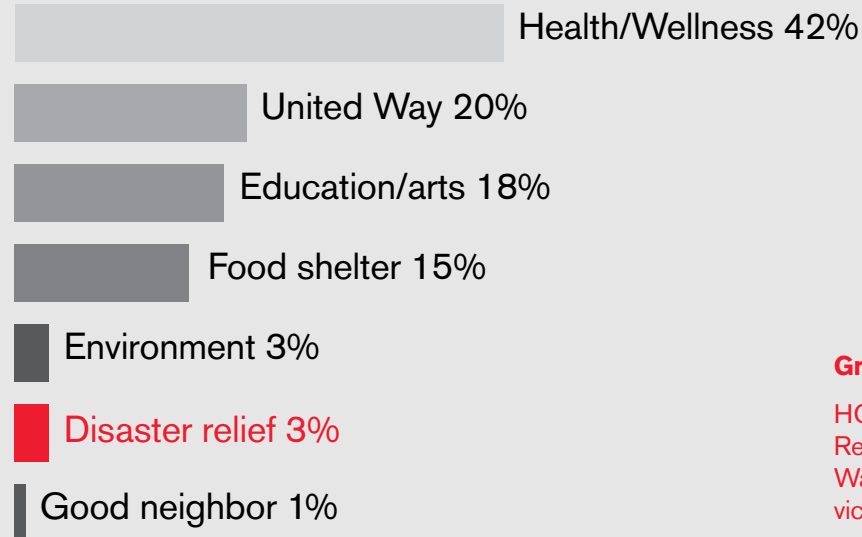
COVER Home Repair had done an energy audit of their building in White River Junction, VT. HOPE provided them a Green Grant to contribute toward the insulation of their building and the replacement of their roof.

**Top grant recipients included:**

Vital Communities  
COVER Home Repair  
Sustainable Energy Resource Group (SERG)  
Hanover Conservancy



The Hypertherm HOPE Foundation awards grants to the communities in which we work and live.



**Grant example:**

HOPE donated to the American Red Cross and Granite United Way to provide flood relief to victims of tropical storm Irene.

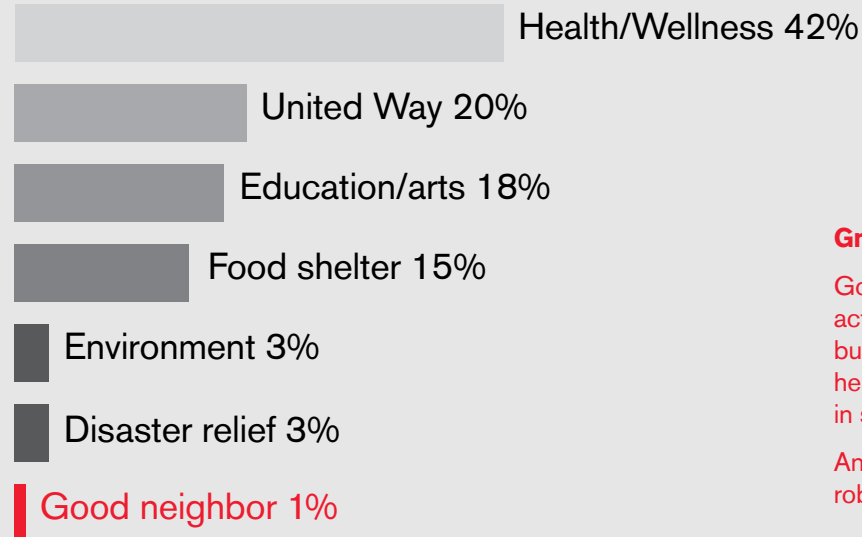
**HOPE** FOUNDATION



HYPERTHERM OWNERS' PHILANTHROPIC ENDEAVORS

Grant examples

The Hypertherm HOPE Foundation awards grants to the communities in which we work and live.



**Grant example:**

Good Neighbor grants are small donations to local activities, such as to Sharon Elementary School to help build raised beds for classroom vegetable gardens to help feed, educate, and enable the students to be involved in sustainable projects.

Another example was support to the Thetford Academy robotics team to go to Washington, DC.

**HOPE** FOUNDATION



HYPERTHERM OWNERS' PHILANTHROPIC ENDEAVORS



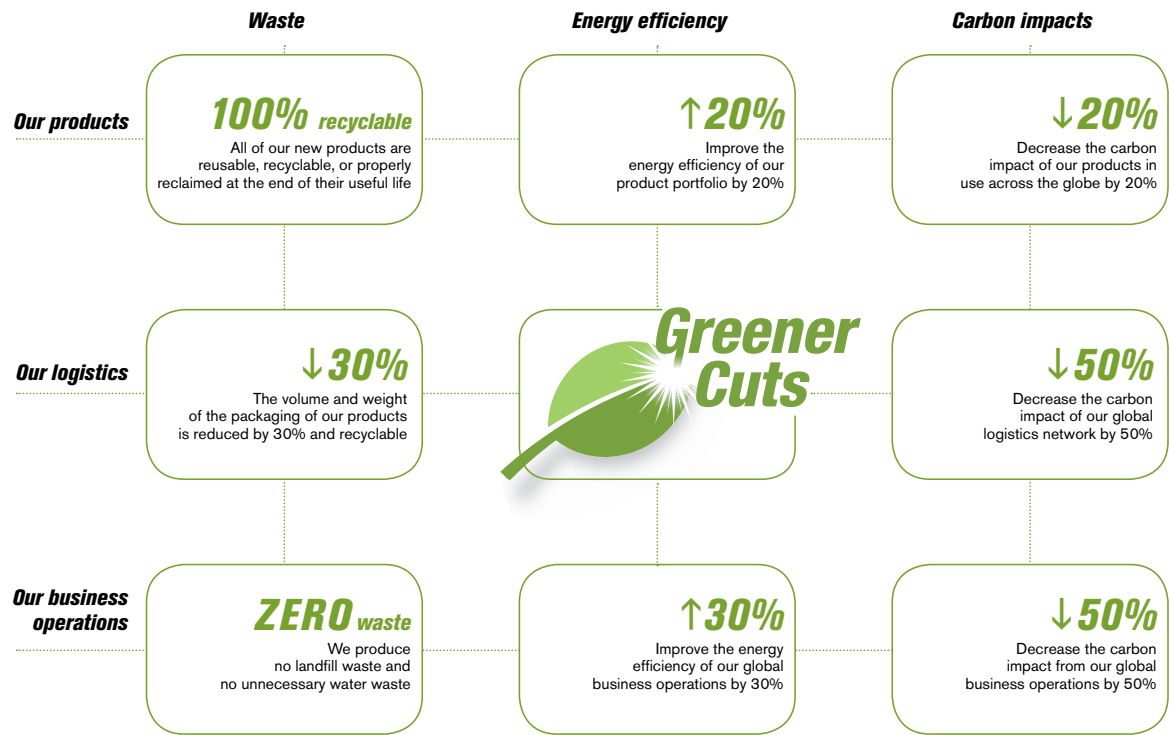
# Environmental stewardship

Our vision for our environmental stewardship is clear: Hypertherm needs to and can reduce our impacts on the environment and our warming climate and in so doing can also save costs, reduce long-term risks, and make ourselves a stronger leader, partner, and employer. Over our 45 year history we've achieved those same benefits from our focus on lean-six sigma quality management, safety culture, shared rewards and ownership, and technology patent innovations to name a few. Like most businesses, we have a huge opportunity to manage our business in an environmentally efficient way and there's still a lot of work to do.

In 2010, we engaged stakeholders across our organization in looking at where our greatest impacts are and where we have the greatest opportunity to improve. That work resulted in a set of environmental sustainability goals for our organization to achieve by 2020 that are aggressive, yet attainable.

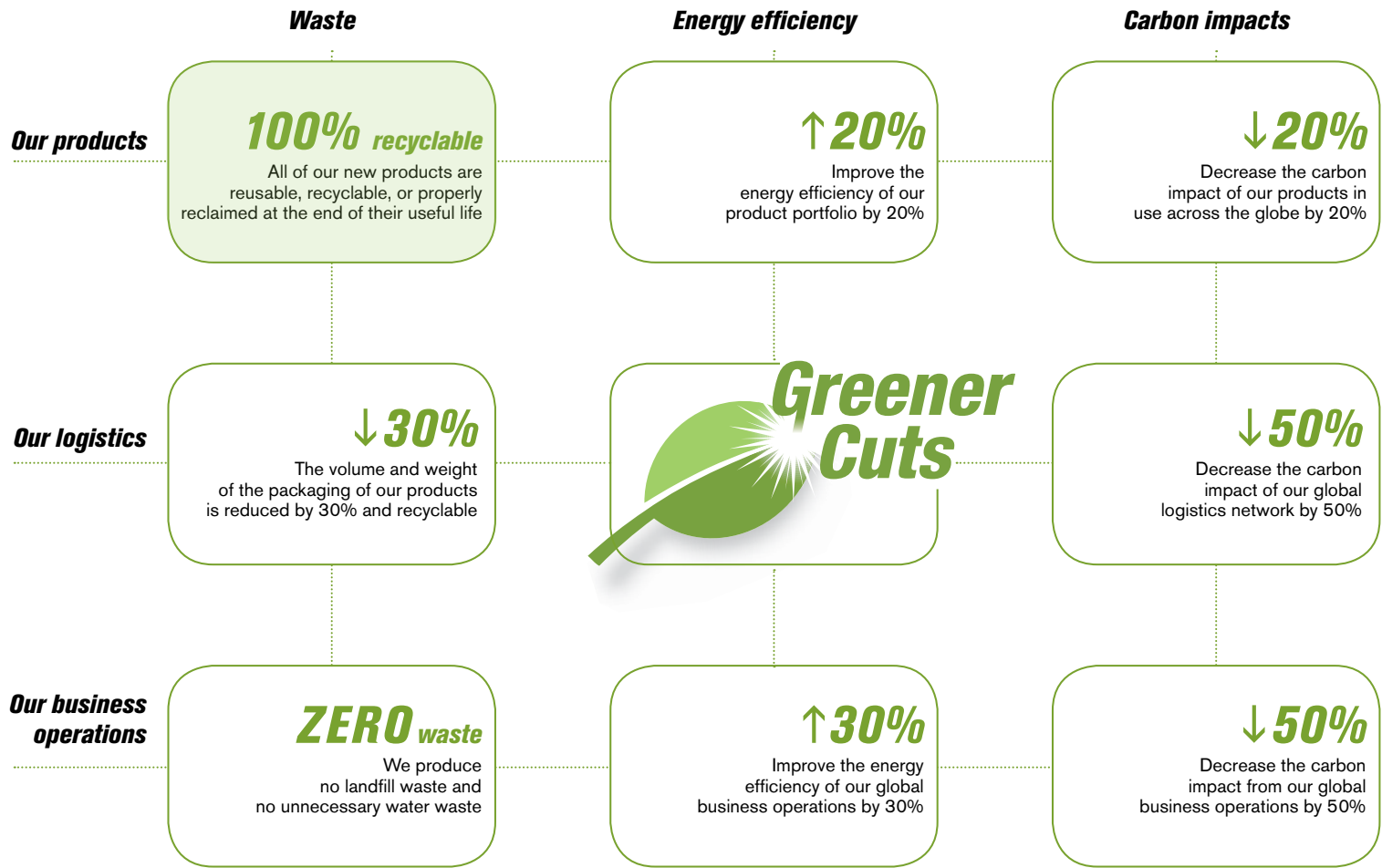
We provide an update here for the work accomplished in 2012 behind each effort on our dashboard.

## Environmental sustainability dashboard for 2020



2012 updates

# Environmental sustainability dashboard for 2020



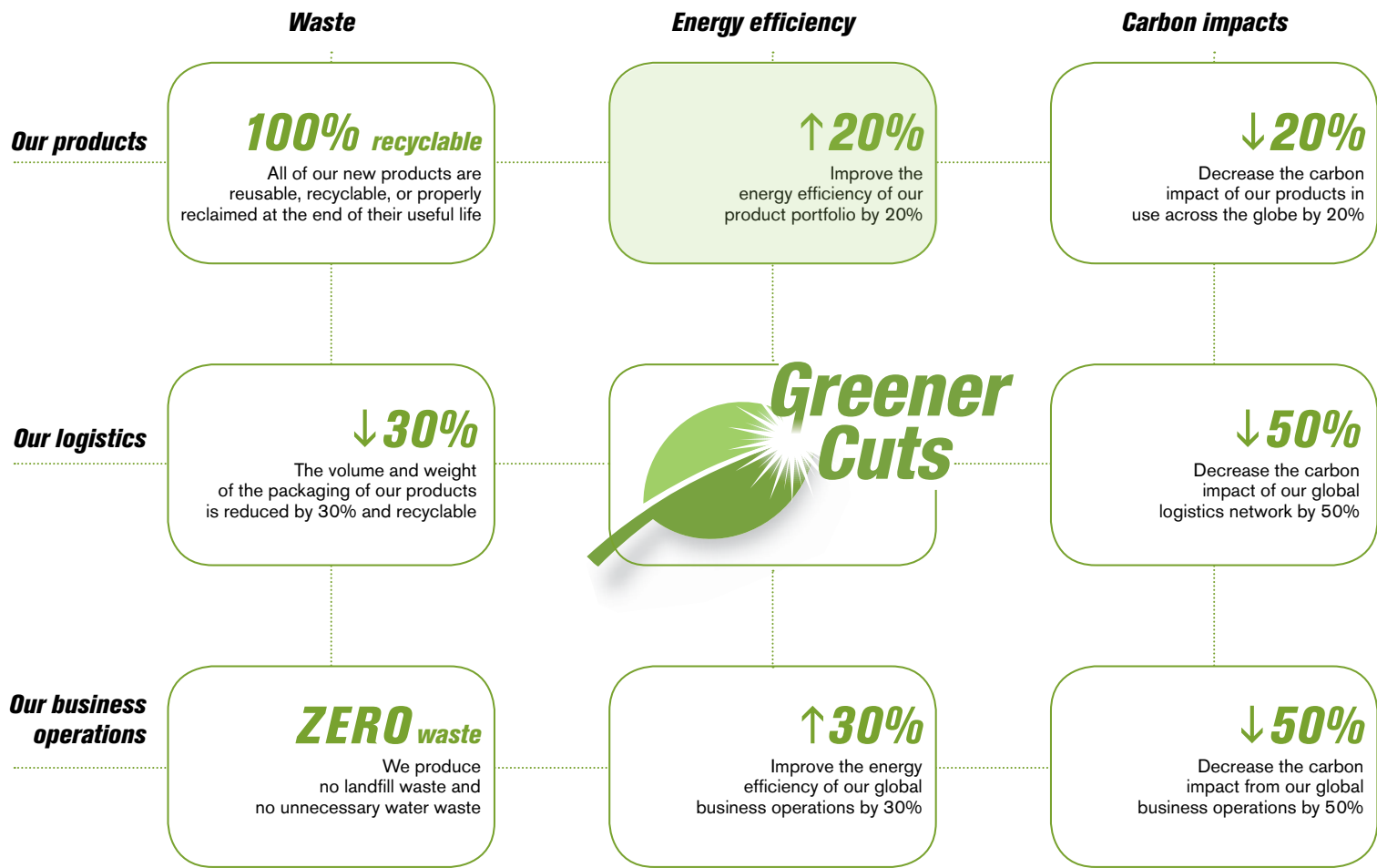
Product – waste

Our new products are lighter than their predecessors and require fewer parts and natural resources to manufacture. This also means less needs to be recycled or managed at the end of a product's life. Of our 2012 new product introductions, the MAXPRO200 is 14% lighter than the MAX200 and has 60% fewer parts in the power supply.

2012 updates



# Environmental sustainability dashboard for 2020

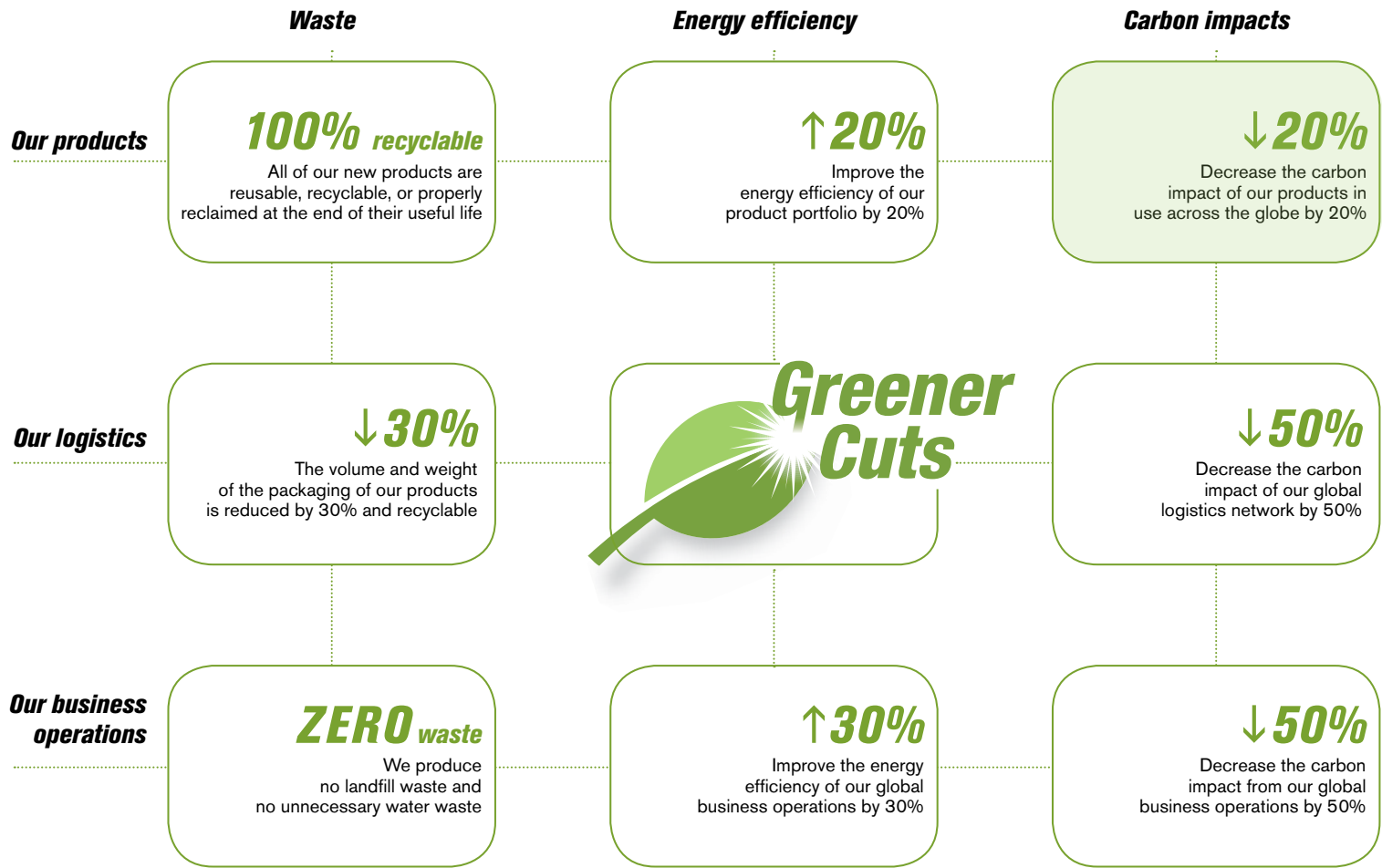


Product – energy

Hypertherm's power supplies are engineered to deliver industry leading energy efficiency and productivity with power efficiency ratings of 90% or greater and power factors up to 0.98. This means our end users can cut more parts and use less electricity. The new MAXPRO200 is 26% more energy efficient than its predecessor on 1" mild steel, as measured by inches cut per kWh. The Powermax105 is 24% more efficient than its predecessor on 1 1/4" mild steel.

2012 updates

# Environmental sustainability dashboard for 2020



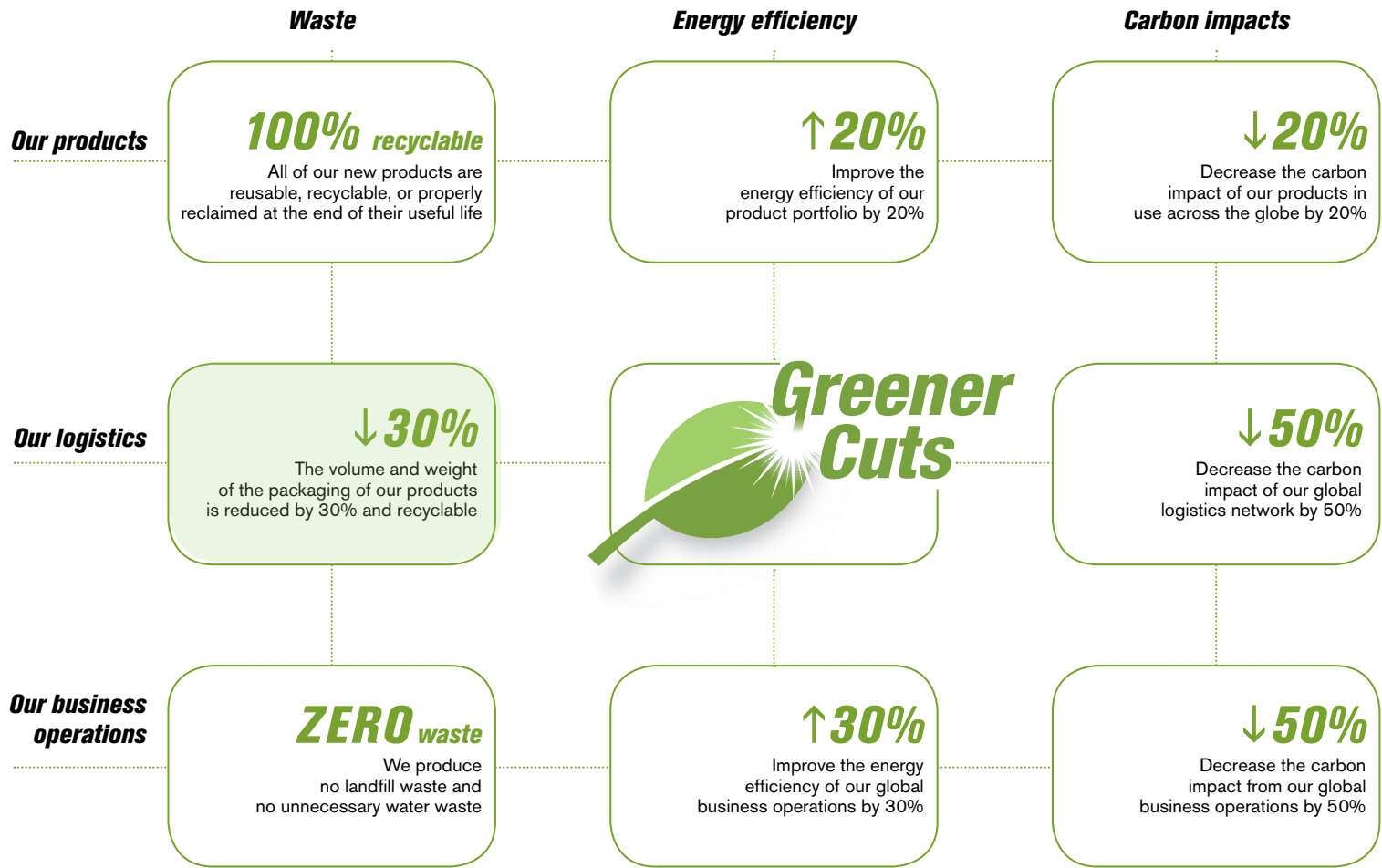
Product – carbon

The energy efficiency improvements we are making to our power supplies mean our machines require less energy generation to support them. We encourage our end users to generate or purchase renewable, therefore low or no carbon, electricity. In 2012 Hypertherm started conducting Life Cycle Analyses (LCA) of our products so we can understand and manage where the greatest environment-harming carbon effects are coming from across the life of our products.

2012 updates



# Environmental sustainability dashboard for 2020



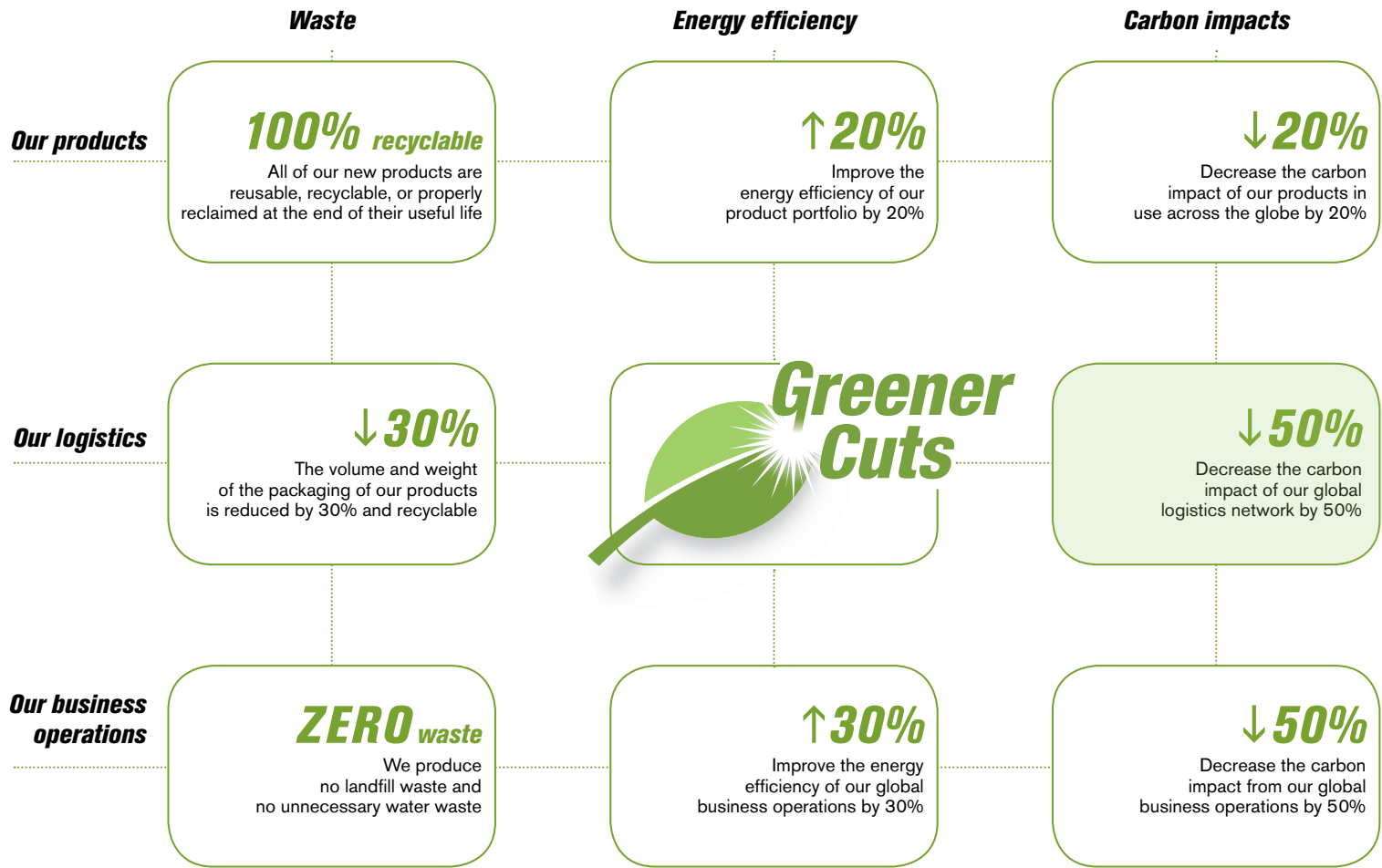
Logistics – waste

In our pursuit of lighter and more recyclable packaging at times we grapple with tradeoffs. In 2012 we replaced the polyurethane foam packaging for our Powermax power supplies with a completely recyclable molded, corrugated inserts. However, this new packaging is 1 to 4 pounds heavier, depending on the shipment, than its non-recyclable predecessor.

There were no tradeoffs when our Order Fulfillment team found a 39% lighter pallet and corrugate sleeve system that not only saves us over \$200,000 per year, between material and freight costs, but also eliminates over 80,000 lbs of carbon per year.

2012 updates

# Environmental sustainability dashboard for 2020



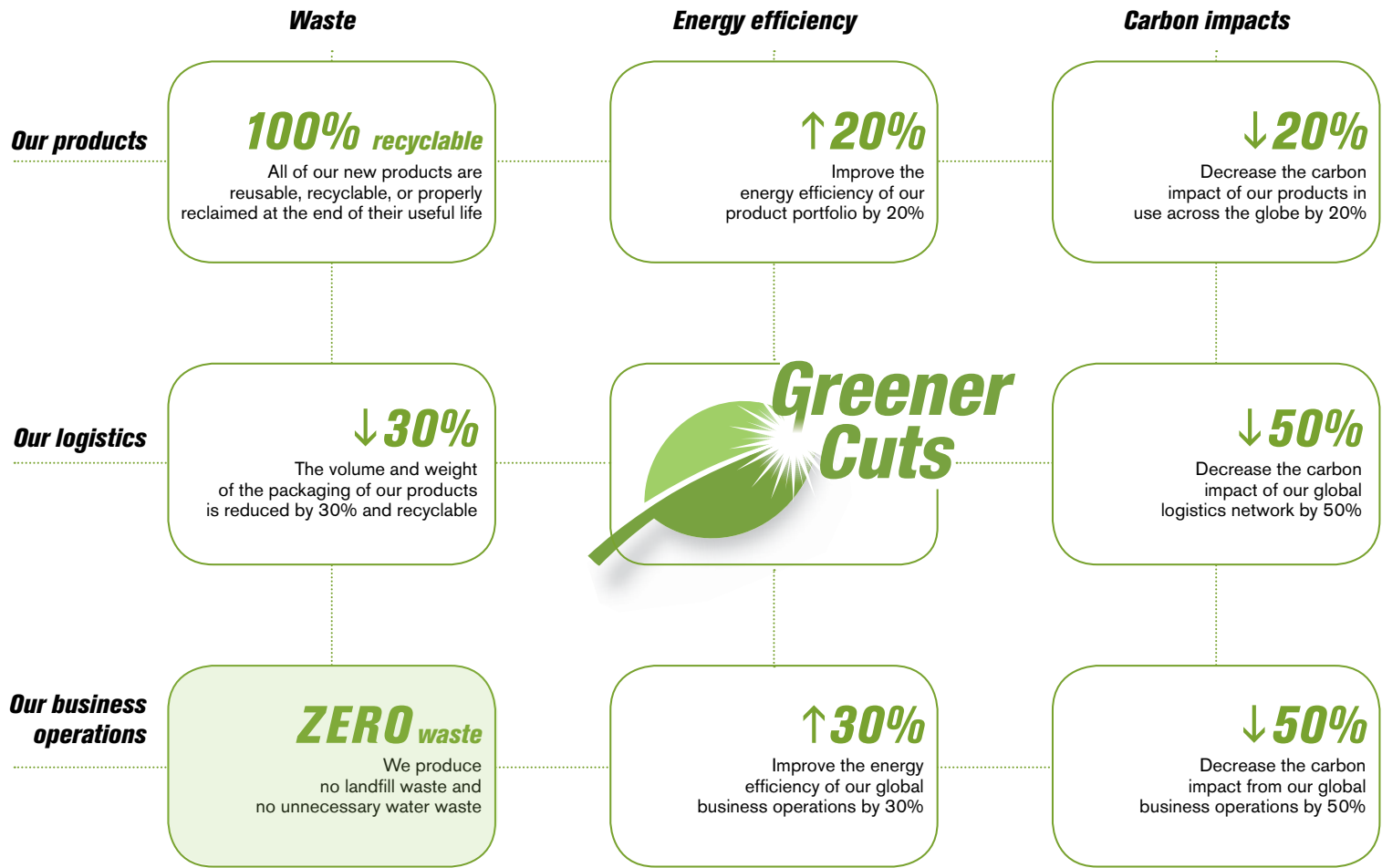
Logistics – carbon

To take carbon out of our logistics network we need to do any combination of the following: make our shipments lighter, ship via lower impact modes of transportation, shorten the distances we ship. In 2012 we managed to transition 15% of our transported weight to ocean freight from air freight. Ocean freight is a 20:1 carbon factor improvement compared to air freight.

2012 updates



# Environmental sustainability dashboard for 2020

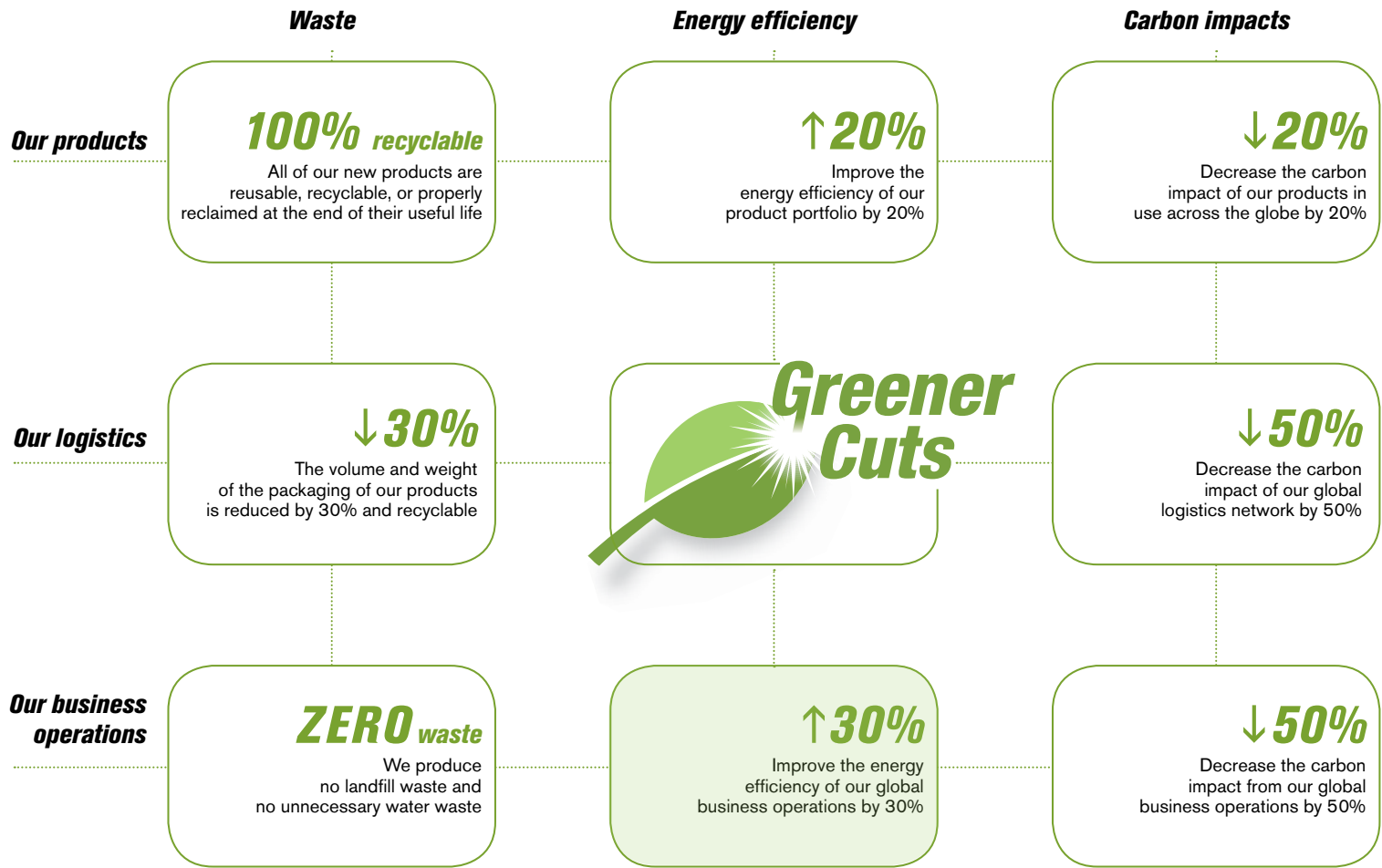


## Business Operations – waste

In 2012 the Zero Waste Working Group, made up of representative Associates from across our operations, managed projects that eliminated 134,000 pounds of waste from the landfill. We increased our focus on working with our supply chain to eliminate landfill waste from entering our operations. We started composting organic waste and made dirt out of 45,000 pounds of waste instead of sending it to the landfill.

2012 updates

# Environmental sustainability dashboard for 2020

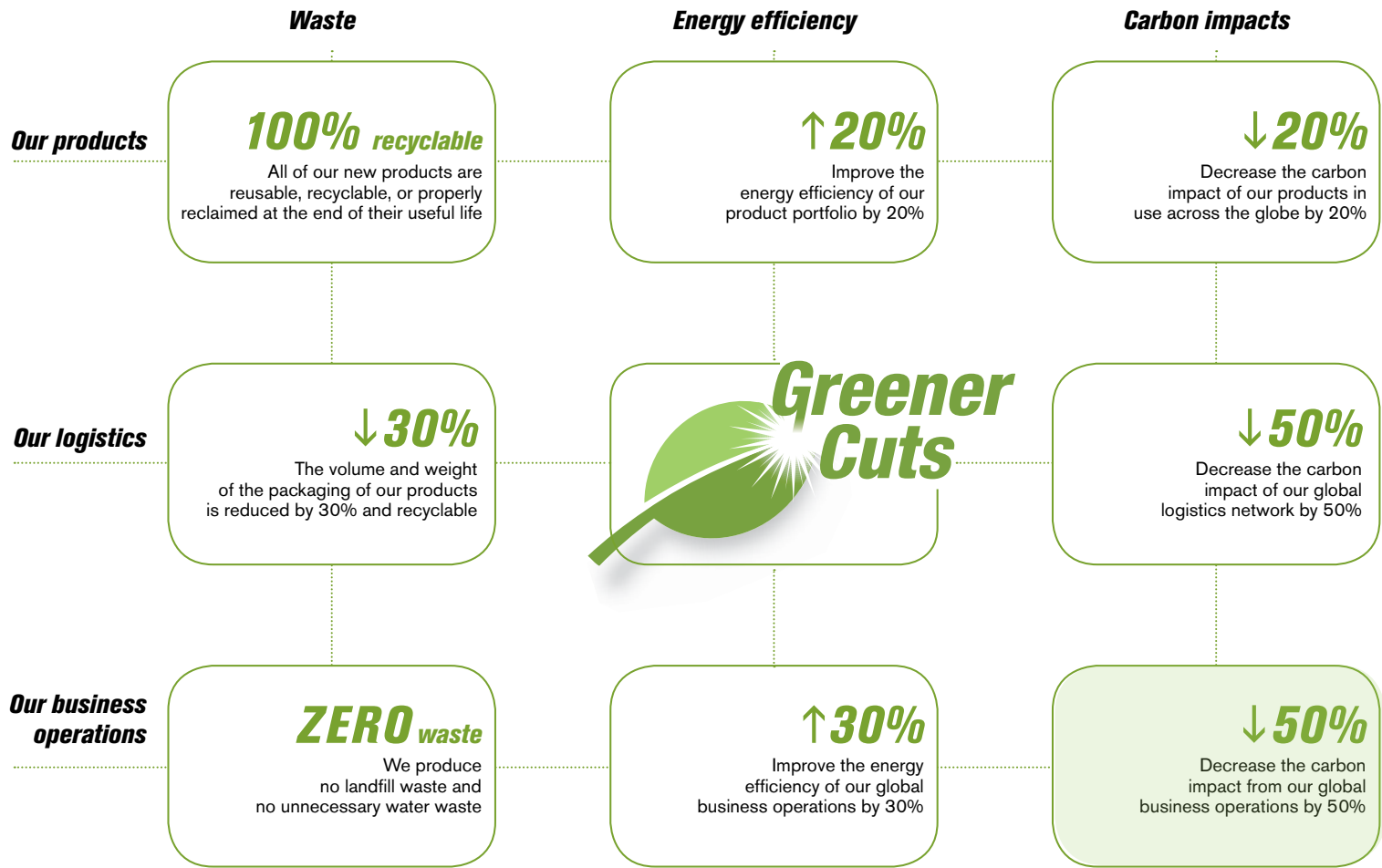


Business Operations – energy

In 2012 the Electrical Efficiency Working Group, made up of representative Associates from across our operations, managed projects that saved 1,100,000 kWh. We successfully converted one of our largest manufacturing spaces to LED lighting to save over 200,000 kWh per year. [www.ledesigngroup.com/docs/case-studies/hypertherm-lightingcase-study.pdf](http://www.ledesigngroup.com/docs/case-studies/hypertherm-lightingcase-study.pdf)

2012 updates

# Environmental sustainability dashboard for 2020



## Business Operations – carbon

This goal is an index of the carbon we generate from our electricity, heat, sales fleet of cars, business air travel, and commuting. We made two significant strides forward in 2012. The first was, in May, we started purchasing the renewable generation of 100% of our electricity as Green-e® certified Clean Source energy from wind, biomass and small hydro. The second came from the environmental saving of our Low Impact Commuting Benefit Program through which we incentivize the driver of a carpool and bike or walk commuters, provide free tokens on a commuter bus route, and a \$500 incentive for the acquisition of a 48 point or higher vehicle according to greenercars.org. Our Associates saved the carbon equivalence of 33 trips around planet Earth.



# 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 <sub>2e</sub>	2011 metric tons CO <sub>2e</sub>	2012 metric tons CO <sub>2e</sub>
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<sub>2e</sub>/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

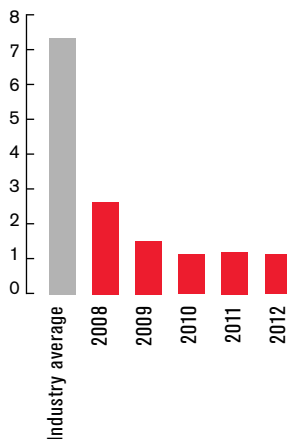
improving the level of safety and wellbeing for our Associates.

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



New facility























New facility









New facility







New facility



New facility





Please contact us with questions or comments: [Barbara.Couch@hypertherm.com](mailto:Barbara.Couch@hypertherm.com) or [Jenny.Levy@hypertherm.com](mailto:Jenny.Levy@hypertherm.com)  
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