



Corporate Social Responsibility



Summary letter from Barbara Couch, VP, Corporate Social Responsibility

Corporate Social Responsibility at Hypertherm includes a focus on the following:
Ethics and integrity, Communities, Supply chain, Environment, and the Associates.
Each of these areas is covered in more depth within the full report.

In 2011, Hypertherm published its first Corporate Social Responsibility (CSR) Report. At that time, we committed to providing an annual update on our progression against short- and long-term strategies and goals – to be open and transparent with you, our Associates, our customers, our 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 is progressing.

In 2013, we continued on our journey of embedding our CSR objectives into our business functions, processes and performance goals. Our focus on creating shared value for society, the environment and our business is reflected in our commitments: from investing in the development and well-being of our Associates, to supporting the communities where our Associates live and work, from reducing our own environmental footprint to partnering with our suppliers to help reduce theirs. These commitments are called out in our mission statement and corporate values. I am extremely proud of our organization as I witness these commitments come to life every day at Hypertherm.

Our mission

To provide Customers with the world's leading industrial cutting solutions, to promote the well-being and development of our Associates, and to enrich our communities and environment.

Ethics and integrity

We believe that ethics, integrity and good governance are the foundation of our business. They underlie all else we do. Our Code of Ethics and Business Conduct sets expectations for every Associate at Hypertherm to behave with ethics and with integrity at all times. Through regular training with 100% participation, Associates are given the knowledge needed to make the right decision when confronted with ethical dilemmas. There are things in life that cannot be compromised, and the standards of ethics to which we hold our Associates accountable are one such example.

We stay current with best practices in CSR through shared learning. Having key relationships with CSR organizations at state and national levels allows us to deepen our understanding of the most important CSR concerns and considerations. We use these learnings to inform our business strategies. We reach out to businesses around the globe – businesses that lead in CSR, and we are humbled by all there is yet to learn.



Barbara J. Couch
VP, Corporate Social Responsibility

Community engagement

Hypertherm has a long-standing commitment to making a positive contribution to the communities where our Associates live and work. We use our talent, time and financial resources to help build thriving, prosperous communities that improve people's lives and support our business. In 2013, 76% of Hypertherm Associates volunteered their time an average of 64 hours volunteered each work day. While many organizations we talk to aspire to this level of participation, our number fell short of the 80% goal. We have measures in place to achieve 80% in 2014, which include focusing more on international opportunities for community engagement.

Through our HOPE (Hypertherm Owners' Philanthropic Endeavors) Foundation, we contributed to 97 different organizations in the communities where Associates live and work. Our strategic areas of focus included health and wellness, education, food and shelter, and the environment. In 2013, we also set as a strategic goal to expose, excite and engage students in STEM (science, technology, engineering and math) experiences. This is not only relevant to the future workforce at Hypertherm, but to the nation at large.

Our Senior Leadership team at Hypertherm walks the talk. They serve on national, state and local boards. Members of the team are actively involved on national industry boards, the National ESOP Association, the United Way, the Thayer School of Engineering, the Dartmouth Hitchcock Hospital, NH Businesses for Social Responsibility, the Governor's Council for Advanced Manufacturing Education, state STEM efforts and ReThink Health to name just a few.

Environmental stewardship

We put forth continued efforts to understand our impacts on the environment from both our individual and organizational behaviors. By understanding the impacts of our products, our operations and our supply chain, we not only reduce our negative impacts, but we create opportunities for greater efficiencies as well. Our

aim is to embed environmental sustainability into each business and functional team and process and into every business decision made by our Associates around the world. As you will see on our dashboard in the details of this report, we have set ambitious reduction goals for waste, energy and carbon to be achieved by the year 2020.

In 2013, Associates from across our organization managed projects that diverted 70,000 pounds of waste from the landfill. We also worked upstream to prevent waste from coming into Hypertherm. By partnering with suppliers on reusable packaging to eliminate waste, we also realized quality and productivity improvements.

By 2020, we want to deliver sales using 30% less energy than we did in 2010, our baseline year. Teams from across our organization are driving energy conservation projects, accumulating 2,000,000 saved kWh in the last two years alone. With the addition of our new facility coming on line, we saw a decline in our efficiency in 2013. We are now 3% more efficient than our baseline year, and we have to make significant progress to achieve our goal.

The largest contributor to our decline in carbon impacts continues to be our commitment to purchasing renewable energy credits for 100% of our U.S. electricity consumption. In 2013, we became an EPA Green Power Partner and additionally qualified for the Green Power Leadership Club, one of only six companies nationwide from the "Industrial Goods and Services" sector. On the local front, we continue to promote, incent, and reimburse Associates who carpool and travel by van or mass transit to and from work. This has had a significant measurable impact on our carbon footprint.

And, finally, our newest facility, which opened in Lebanon, NH in 2012, received LEED Gold Certification in 2013 from the U.S. Green Building Council, the first of its kind in the state of New Hampshire. We welcome all to our new facility.

Supply chain

As you will read further in this report, in 2013 our relationships with our suppliers began to include sustainability in addition to cost, quality, delivery and service. We expect our business partners to meet the same standards of ethics and sustainability that we set for ourselves. In 2013, we started a dialogue with key suppliers in an effort to work on these standards together. We piloted a set of "Sustainable Supplier Criteria" as a way to begin the dialogue. We see this as an opportunity to share best practices and learn from one another in addition to meeting criteria. It's a partnership.

Our Associates

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 and take shape every day at Hypertherm.

Hypertherm believes in sharing the financial success of the company with all of our Associates, reflecting the firmly held belief that we are all in this together. We have a long-standing commitment to shared rewards, as illustrated by our annual profit-sharing program, distributing an equal percentage of salary to all Associates who have been with the company for six months or more. Certainly the biggest news of 2013 was the announcement that Hypertherm became a 100% ESOP. Hypertherm, as a 100% Associate owned company, deepens our commitment to shared rewards and provides the opportunity for long-term wealth creation for our Associates.

Our deep investment in workforce development is not all altruistic. We must invest in our people if we are to achieve our mission and vision. In 2013, Associates received an average of 25 hours of training and development. The Hypertherm Technical Training Institute (HTTI), a facility designed to address the training needs for CNC machinists in our region, graduated 23 new Associates in 2013. The newly hired Associates are immersed in nine weeks of paid training and, upon completion, receive a certificate in Advanced Machine Tool Technology with 28 college credits.

Our associates' well-being at Hypertherm is a strategic priority, and we do all that we can to keep Associates healthy and safe. We believe that the most effective means toward achieving a healthy and safe work environment is through individual empowerment – empowering all Associates to make good choices and take responsibility for their health and safety. We provide the tools, resources, spaces, encouragement and incentives so that can happen. Our Associates are our most valuable asset and a key differentiator for us in the marketplace. Their health, safety and well-being are critical to our success.

We stand firm in our belief that no Associate should be injured at work. Our goal is zero workplace injuries/illnesses. Our accident frequency rate at Hypertherm is 1.0, well below the national average for our industry, but nonetheless, we aspire to do better and have strategies in place to achieve that goal.

The engagement of our workforce is a strategic priority at Hypertherm. We strive to be a "Great Place to Work" on state, national and global levels. Engagement is a reflection of our Associates' emotional and rational commitment to their job, their team, and to the company as a whole. We measure engagement annually. Hypertherm's 2013 Associate engagement scores placed us among the top 10% of all companies surveyed by our survey firm with CSR being the leading driver of engagement. Hypertherm was recognized as the number one "Best large company to work for in NH" by Business NH Magazine. While we are proud of this recognition, we know there is more we can do to improve engagement and, thus, it continues to be a strategic priority.

Conclusion

In closing, I hope you can sense how deeply committed we are to improving lives, communities and the environment. We continue to be energized by the opportunities that lie ahead. Please take the time to read the complete report where we cite challenges in addition to successes and what we've learned from year to year.

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 what I have shared with you would be possible.

Thank you for taking the time to read our 2013 CSR report. I welcome your comments.

Sincerely,



Barbara Couch

Ethics and integrity

Last year, more than 100 new Hypertherm associates participated in an ethics conversation as part of new hire orientation. The sessions brought together a diverse group of Associates from varying parts of the organization to discuss the role of ethics and integrity in everyday life at Hypertherm.

Through the discussion of two separate “ethical dilemmas,” the group worked through the short- and long-term implications of each particular choice and how it might impact them, fellow Associates, the greater community and our customers. This conversation and its outcomes helped all new Associates appreciate and continue to build our ethical foundation.

100% 
Associates completed
ethics training

A group discusses ethical dilemmas during a session of Ethics training.

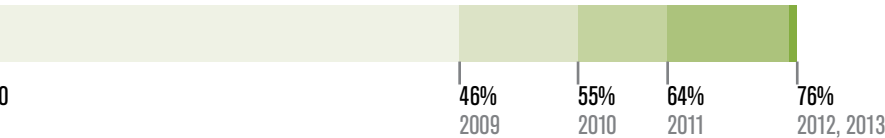


Community engagement

2013 Community Service Time (CST)

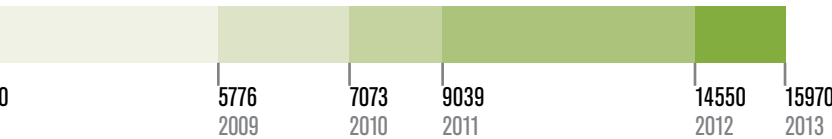
Percentage of Associates volunteering

76% of all Hypertherm Associates, globally, volunteered



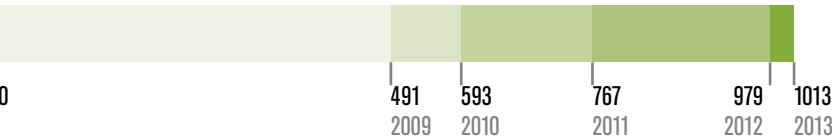
Total CST hours

15,970 hours of global volunteer time*



Associates volunteering

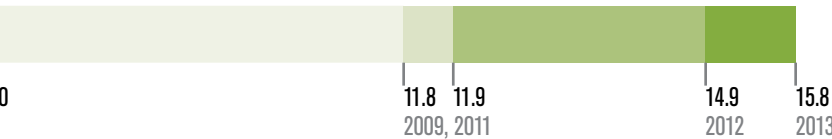
1,013 Associates volunteered in 2013



Average hours per volunteer

Associates who volunteered averaged

15 hours per person of volunteering



Additional data

On average, Hypertherm volunteers collectively gave 64 hours each working day in 2013

353 Associates used all 24 available hours of volunteer time

90% of Associates are proud of the way Hypertherm supports our communities

*These hours only include paid volunteer hours. We currently do not track the hundreds of hours of volunteering done on Associate's own time, outside of work hours



Community engagement, cont.

Hypertherm's community engagement is grounded in our volunteerism. On any given day, a Hypertherm Associate is volunteering somewhere in the world. Their work is aided by Hypertherm's Community Service Time program, which provides each Associate with 24 hours of paid time per year to volunteer when and where they can.

Let's look at a typical day in December. A group of Associates spent their morning at a food pantry preparing the shelves for families coming in that afternoon. Two Associates traveled to Hypertherm's many New Hampshire buildings to collect and deliver Toys for Tots donations, while a third Associate drove to an elementary school to spend 40 minutes reading with their 2nd grade book buddy. A different Associate left work early to attend a meeting at a home away from home for families with hospitalized children, and instead of heading into the machine shop at 11 p.m., a 3rd shift-team painted the community kitchen at a senior center. And this was just one day!

In total, more than 1,000 Associates volunteered in 2013, making it a record year for Hypertherm. We volunteered a combined 15,970 hours, or an average of 15 hours per person, in every region where we have an office. This is quadruple the number of volunteer hours we saw just five years ago. In addition, 353 Associates used all of their 24 hours of allotted time with many serving more than that on their own time. Dozens of Associates serve on Boards of non-profits and others serve ongoing weekly service commitments.

Our volunteering had both a remarkable impact on our Community and our Associates. We see our Associates build compassion for others, and we see communities transformed by their generosity of spirit.

Members of the Esse-A team in Italy volunteer to set up tents for a local non profit event.



Community engagement, cont.

A volunteer's story

One of our recruitment specialists, Melanie, became a mentor to a 12 year old girl in 2012 through Windsor County Partners (WCP). "When I was planning my CST for the year, I knew I wanted more of a longer term commitment and the opportunity to build a relationship over time. I was previously involved in a children's literacy program and very much enjoyed spending time with a child as their mentor and seeing firsthand their increased reading capabilities each week. The feeling of being a mentor was enriching, and I knew I wanted to experience that again on a longer term basis. I chose to become involved with WCP because I believed so strongly in their mission statement, 'Through mentoring, Windsor County youth will realize their potential as healthy, responsible decision makers.' I had originally requested to be paired with a 6- to 8-year-old girl, I am more comfortable working with that age. However there was an impressionable 12-year-old girl in desperate need of a mentor; she was close to failing seventh grade. Hesitantly, I said yes, despite my fears of the 'dreaded' middle school years. If I was going to make a positive impact on a child, this was the right time. My greatest fears? Sharing personal details about my life and being emotionally vulnerable. What if we didn't connect?"

"This 'kid,' who was at risk for not graduating is now a 14-year-old honor student and preparing for high school next year. Looking back on all of our ventures: fishing, art projects, baking, playing with our dogs, to name a few, I am thankful for the personal growth and maturity I have gained by mentoring and being a stable presence in her life. What wasn't I prepared for in this whole experience? As an only child, feeling like a true 'big sister' and seeing the positive changes in her life (grades, behavior, attitude). No amount of money or public recognition has ever given me that same amount of satisfaction."



Melanie volunteering with her mentee at the Lucy Mackenzie Humane Society, Woodstock, VT.

Hypertherm HOPE Foundation

The Hypertherm Owners' Philanthropic Endeavors (HOPE) Foundation was founded in 2010 to complement our Community Service Time (CST) program. Combining financial funding with the thousands of hours we serve accelerates the positive impact we hope to have in the community.



Volunteer Associates from a wide variety of areas within our company comprise the HOPE Team and make grant allocation decisions on behalf of the Foundation. Empowering these Associates with funding decisions embodies the shared ownership culture that is fundamental to Hypertherm.

In 2013, the HOPE Foundation donated to 97 different organizations across seven impact areas.

We initiated a new grant focus area in 2013 to expose, excite, and engage youth in Science, Technology, Engineering, and Math (STEM) fields. This is an area that poses a significant opportunity in our region and taps into deep passions and core competency among Hypertherm Associates. We were able to initiate a multi-year grant to fund the School Partnership Program provided by the nearby Montshire Museum of Science. The program is dedicated to enriching and connecting elementary school teachers in rural school districts with improved inquiry based learning skills.



Hypertherm volunteers retrieve trash from the Connecticut River during the annual Source to Sea cleanup event.

HOPE Foundation, cont.

Perspectives from HOPE team members

“Volunteering on the HOPE team has been a great way for me to collaborate with my peers and learn about all aspects of funding an organization – from determining whether goals are measurable, to finding the most efficient use of volunteer time. It’s less about the money we give away and more about helping organizations meet their goals.”

– Rain Flanagan

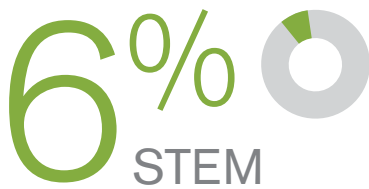
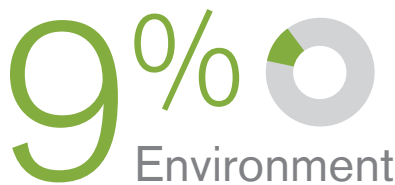
“Being on the HOPE team is an amazing opportunity to give back to the community, which has provided my family and me with the foundation for growth. It gives us the ability to better understand local strengths and opportunities, as well as a voice in the support of local organizations. This opportunity is truly an honor and has certainly shaped who and where I want to be in the future.”

– Colin Parker

“The strength of the HOPE team comes from the diversity of its members. We come from many different communities, representing a broad range of interests and experiences. Whether we are discussing health and wellness, arts and education, or STEM opportunities, there is always a HOPE team member with experience or knowledge to contribute. We ask questions, challenge each other, and learn from each other’s experience. The end result is always a thoughtful and informed funding decision.”

– George Caccavaro

2013 Grant Allocation by focus area



HOPE Foundation, cont.

2013 Grant Allocation by focus area



HOPE provided ongoing operating support for David's House, a home away from home for families of children receiving treatment at the Children's Hospital. Keeping families fed, rested, and nearby helps children, who are undergoing treatment, and their families through a difficult time.

Top grant recipients included:

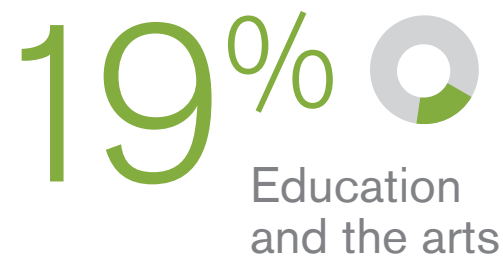
- Friends of Norris Cotton Cancer Center
- Children's Hospital at Dartmouth (CHaD)
- Visiting Nurse Association and Hospice of VT/NH
- Headrest

Spring cleaning of the play structures at David's House.



HOPE Foundation, cont.

2013 Grant Allocation by focus area



The HOPE Team in the Lockport, NY offices of CAM Solutions awarded a grant to Camp Happiness. This is an enriching day camp experience for people with intellectual or physical disabilities in the Niagara region.

- Top grant recipients included:
- Enfield Public Library
 - Northern Stage
 - Upper Valley Business Education Partnership
 - Global Campuses Foundation



Students enjoying the Youth Education Series at the Lebanon Opera House.

HOPE Foundation, cont.

2013 Grant Allocation by focus area



Several of our 2013 United Way Campaign champions made this video on their own to educate and help motivate others to give.

HOPE Foundation, cont.

2013 Grant Allocation by focus area



HOPE continued to support Claremont Soup Kitchen by providing funds to help purchase needed food and hygiene products for the soup kitchen and food pantry.

Top grant recipients included:

- COVER Home Repair
- Upper Valley Haven
- Grafton County Senior Center
- Claremont Soup Kitchen



Sorting through donations in the clothing room at the Upper Valley Haven.

HOPE Foundation, cont.

2013 Grant Allocation by focus area



HOPE awarded a multi-year grant to the Mascoma Greenway project from the Recreation Department in the City of Lebanon.

Top grant recipients included:

- City of Lebanon, NH - Recreation
- Good Neighbor Health Clinic
- Vital Communities
- COVER Home Repair



Clearing the trail of the Greenway project in Lebanon, NH.

HOPE Foundation, cont.

2013 Grant Allocation by focus area



HOPE initiated a multi-year grant with the Montshire Museum of Science to support their School Partnership Initiative. The Initiative is a long-term effort designed to strengthen the capacity of small, rural schools to offer a high-quality K-8 science education.



A 1st grade student enjoying a hands-on exhibit at the Montshire Museum.

HOPE Foundation, cont.

2013 Grant Allocation by focus area



HOPE gave ongoing support to the long-term recovery efforts of Upper Valley Strong, a collaboration of organizations working together to get Upper Valley citizens affected by Tropical Storm Irene back on their feet.



One of many homes flooded during Tropical Storm Irene that needed to be rebuilt.

Environmental stewardship

Hypertherm has a triple-bottom line mission that clearly positions our focus on delivering shared value for people, planet and profit. Over the last few years, we have embedded environmental stewardship across our organization as part of a strategic and transformational approach to doing our work.

We have seen that when the principles of corporate social responsibility are embedded across our organization it brings deeper meaning and value to our business and leverages people's passion and engagement. Our environmental initiatives have become a source of Associate pride and impact reduction for our planet. Our environmental initiatives are a driver of innovation and leadership, not just for our products but for the shared value we hope to deliver to the world.

With this vision, we have been driving efforts into all areas of our business and engaging our entire value stream – into our supply chain, throughout global operations, and down through our installed base. A vision means nothing without solid and steady execution. We strive to empower the organization, globally. In this section of our report we walk through updates on our 2020 environmental stewardship goals, explain our footprint, and describe how we are trying to transform our business operations, our supply chain, and our product performance.














It is imperative that our business and others like us reduce our impacts on the planet. We need to use fewer natural resources and have less impact. In so doing, we will build a stronger business and a better world.

A rain garden at our LEED Gold manufacturing facility in Lebanon, NH.



Environmental stewardship, cont.

Environmental sustainability dashboard for 2020

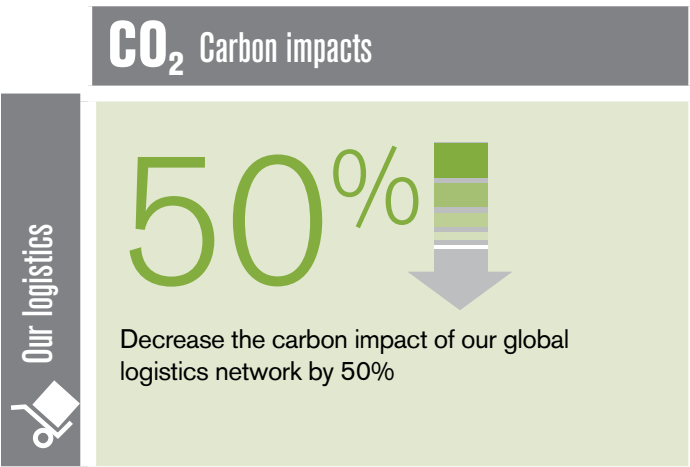
	 Waste	 Energy efficiency	 CO ₂ Carbon impacts
 Our products	<div>100%</div> <div>All of our new products are reusable, recyclable, or properly reclaimed at the end of their useful life</div>	<div>20%</div> <div>Improve the energy efficiency of our product portfolio by 20%</div>	<div>20%</div> <div>Decrease the carbon impact of our products in use across the globe by 20%</div>
 Our logistics	<div>30%</div> <div>The volume and weight of the packaging of our products is reduced by 30% and recyclable</div>		<div>50%</div> <div>Decrease the carbon impact of our global logistics network by 50%</div>
 Our business operations	<div>0 ZERO WASTE</div> <div>We produce no landfill waste and no unnecessary water waste</div>	<div>30%</div> <div>Improve the energy efficiency of our global business operations by 30%</div>	<div>50%</div> <div>Decrease the carbon impact from our global business operations by 50%</div>

Environmental stewardship, cont.

Environmental sustainability dashboard for 2020



The new carrying case for the Powermax30® XP is now made from 100% recyclable materials – eliminating one-half ton and 630 cubic feet of non-recyclable waste annually.



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 2013, our carbon impacts were reduced by 6% due to the lighter weight of new products. While we still shipped almost 12% of our freight by ocean, this was a decrease from 2012. Processes at our new distribution center in Brazil required mostly air freight during the first year, while we increased our ocean freight to our Europe and China distribution centers by 43%. We are closing in on our 2020 goal, ending 2013 at 54% of 2010 baseline impacts.

Environmental footprint

2013 is our fourth year of reporting our footprint data and allows us to continue to understand directional trends, which are still decreasing from 2010 – our baseline year. 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 business footprint in 2013 was greatly impacted by the expansion of our physical plant. We added a new 165,000 square foot, LEED Gold, manufacturing, office, and training facility in New Hampshire which created a step increase in some of our environmental impacts.

Our scope 1 emissions rose in 2013 from the prior year, which was driven completely by fuel increases. Heating degree days rose by 17% and our square footage of space increased by over 26%.

Our scope 2 emissions from electricity are net negative due to our continued commitment to purchasing renewable energy credits for all of our US energy consumption. Our actual kilowatt per hour consumption increased over 2012, again due to our new facility. Our intensity of electrical use also increased for the same reason, but is still more efficient than 2010.

The absolute impacts within our scope 3 emissions generally rose in 2013 from 2012 and from our baseline year in 2010; however, their intensity metrics declined. We are being more efficient across the board with our environmental impacts, including our scope 3 areas. Of particular note is our decline in absolute logistics impacts (discussed in our business operations section), 24% lower than in our baseline year.

Our landfill waste continues to decline as a percentage of our total waste. While our goal is zero landfill waste, we have more than halved our rate, from 12.6% in our baseline year to 6.2% in 2013.

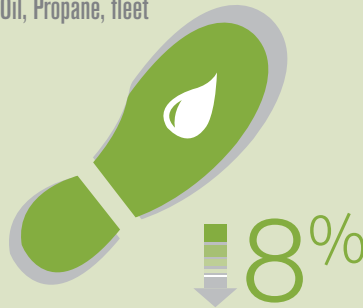
The absolute amount of landfill waste has also declined by 28% from 2010 and 4% from 2012. This is steady progress, but still 153 tons of landfill waste that we must eliminate.

Impacts	2010 metric tons CO _{2e}	2013 metric tons CO _{2e}
Scope 1:		
Oil and propane	763	1098
HT Fleet	634	635
Scope 2:		
Electricity	5,638	-930
Scope 3:		
Business travel	1,437	1,480
Commuting	3,689	4,779
Logistics	85,519	29,691
Products in use	303,864	373,016
Water waste	gallons	gallons
Process water discharge	8,430,112	2,167,423
Sanitary water discharge	2,159,408	1,994,027
Solid waste	tons	tons
Landfill trash	211	153
Cardboard recycle	173	174
Wood recycle	63	130
General recycle	14	118
Copper recycle	1,250	1,444
Other metals recycle	300	514
Hazardous waste	47	55
Compost	0	33
Landfill rate	12.6%	6.2%

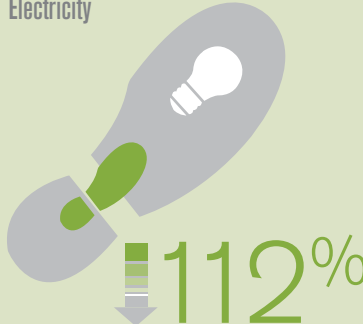
Based upon improved reporting and analysis standards, we have updated our commuting impacts from 2010 and 2013. All of these footprint numbers are not third party verified and reflect our impacts to the best of our measurement ability at this time. They may be revised for accuracy in the future.

2013 2010

Scope 1 Oil, Propane, fleet



Scope 2 Electricity



Scope 3 Travel, commute, logistics, installed base



Green business operations



915,043

Miles saved in 2013
through low impact
commuting benefits

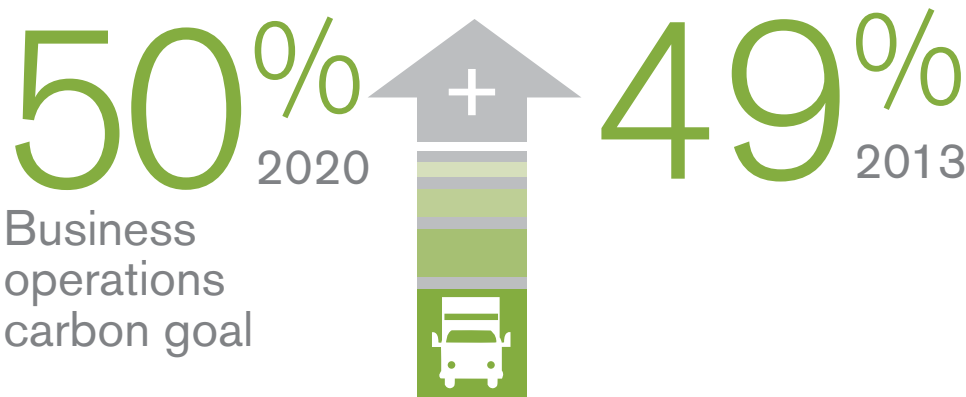
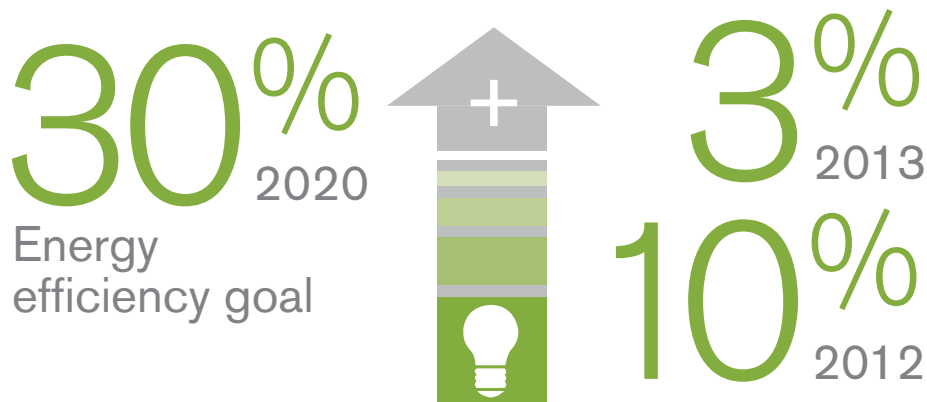


100% 

We purchase renewable
energy credits for 100% of our
US energy consumption

86% 

Of Associates are proud of Hypertherm's efforts to
reduce our business impact on the environment



Green business operations, cont.

We strive to engage all Associates in our collective journey to reduce the negative environmental impact of our business. While 2013 marked an expansion of our focus along our value stream outward from our own operations to our suppliers and to our installed base (both areas discussed elsewhere in this report), we also continued to drive significant change within our own operations.

Associate and organizational engagement with environmental stewardship

Our work and any of our success is propelled by dedicated Associates driving forward our core value of environmental stewardship. We have dozens of Green Champions throughout our organization focused on lowering our environmental impact. All teams set Green Business Indicators to track key efforts. Last year, half of Hypertherm teams became "One Leaf Greener Cuts Certified." This internal classification system contains twelve environmental goals, standards, and procedures. Every team has some form of environmental impact measurement and strategy integrated into their annual operating plan. In addition, we have dozens of Associates engaged in cross organization working groups that manage impact reduction projects.

Annually, Hypertherm has used an outside firm to measure engagement of our Associates and help us understand what drives engaged and productive work behaviors. The 2013 results indicated that 86% of Associates take pride in our efforts to reduce our business impact on the environment.



Associates checking
reliability test results.

Green business operations, cont.

Our path to zero landfill waste

Any kind of waste, whether recycled or sent to a landfill, is a signal that we used unnecessary natural resources, time, energy, and expense. Our ultimate goal is to generate no waste, but in the meantime our goal for 2020 is to generate no waste that will end up in a landfill.

In 2013, Associates from across our organization managed projects that diverted 70,000 pounds of waste from the landfill. That's the equivalent weight of 27 Honda Civics. In part, we found improved destinations for our waste, such as composting more items and finding recyclers for our filmy plastics. We also worked upstream to prevent waste from entering Hypertherm. Our packaging engineers, new roles within Hypertherm, continue to work with suppliers on reusable packaging that eliminates the need for recycled or landfilled waste and improves quality and productivity. By the end of 2013, 9% of our inbound materials were in returnable packaging. One returnable solution saved over 1,100 corrugated boxes, 600 plastic bags, 6,600 box cuts, and 180 hours of material handling labor.

We made small but steady progress in 2013 diverting waste from the landfill. Six percent of all of our waste went to the landfill. When our high quantity of recycled metals from our machinery operations are removed from the picture, 24% of our remaining waste was landfilled. A marked improvement from our baseline year in 2010 when 42% of that portion of our waste was landfilled.

Our largest opportunities involve educating our Associates about proper composting and recycling disposal, and expanding our new non-rigid plastics recycling program across all buildings. In addition, we need to address challenges presented by a few exotic materials that are difficult to recycle.

Our path to 30% energy efficiency improvement

By 2020, we want to deliver sales with 30% less energy than we did in 2010, our baseline year. This will save us significant expense and reduce our burden on the energy grid. We finished 2013 3% more efficient than 2010, a step backwards from 2012 when we ended the year 10% more efficient. Our 2013 reversion of progress was entirely due to our facility expansion.

Our newest facility received LEED Gold certification from the US Green Building Council, the first of its kind in the state of New Hampshire. There are significant energy saving features in our new building. While the new building expanded our occupied square footage in New Hampshire by 26%, our overall energy efficiency only worsened from 2012 by 7.8%.

Our Associate working groups continued to drive efficiency improvements in this area as well, reaching a total of 933,000 kWh conserved in 2013 and bringing our two-year savings tally to over 2,000,000 kWh. We reaped the largest savings from retrofitting older HVAC rooftop units, installing high efficiency lighting, and scheduling high-energy consuming machines to run only when needed.

Our path to 50% carbon impact reduction

The largest contributor to our decline in carbon impacts continues to be our commitment to purchasing renewable energy credits for 100% of our US electricity consumption. In 2013, we became an EPA Green Power Partner and additionally qualified for the Green Power Leadership Club, one of only six companies nationwide from the "Industrial Goods and Services" sector. We are committed to continuing our investment in renewable energy development.

We continued to reduce the high impacts from our collective business commuting in 2013 through a set of expanded Low Impact Commuting incentives that saved 915,000 miles, the equivalent of a single occupancy vehicle being driven almost 37 times around the Earth. The largest investment we made in this area was underwriting a new public bus route to connect the roads where we have our main buildings in New Hampshire to the rest of the bus network. We believe strongly in supporting public transportation for our Associates and the Community at large. Unfortunately, despite our investment in this area, we did not see high ridership and made the difficult decision to discontinue service early in 2014. Fortunately, our vanpool program is showing more promise. We started two vanpools for second- and third-shift Associates living in a high-density community about 30 miles away from Hypertherm. So far, this program is proving a good way to reduce the commuting impact of Associates working non-traditional hours. However, the highest environmental savings continued to come from carpoolers. We began incentivizing carpool drivers in 2012. Last year, we made modest changes to the program and had almost 300 Associates take advantage of this benefit. In 2014, we will expand this benefit in hopes of expanding carpools, a more viable option than public transportation in our rural area, to incentivizing both drivers and riders of a carpool. Eighteen Associates acquired low emission commuting vehicles through our rebate benefit, bringing the total to 43 Associates to date.

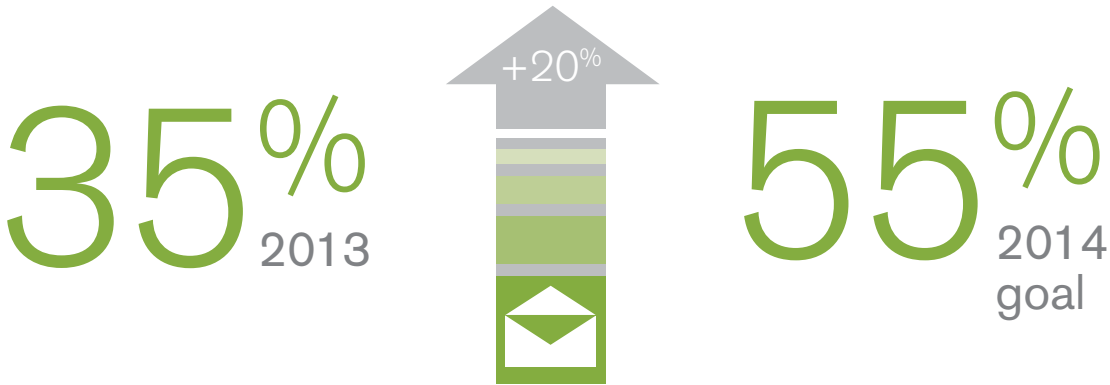
Supply chain

Our vision for becoming a better corporate citizen includes expanding the principles of managing to a triple bottom line approach across our entire value stream. It starts upstream with our supply chain and continues through the use of products. Recent research from Trucost, an environmental consultant, shows that for the “Industrial Goods and Services” sector in which Hypertherm is categorized, 30% of a company’s impacts come from its own direct operations and 70% come from its supply chain.

Our supply chain is diverse with hundreds of suppliers providing us with critical materials for the manufacture of our products – from copper bars to computer boards and sheet metal to machined consumables. We partner with suppliers who share our values. We look for suppliers who are committed to reducing their environmental impacts, improving the lives of their employees and community, and growing a profitable business.

In 2013, we started a program to help us understand the impacts and opportunities upstream among our suppliers. We piloted a set of “Sustainable Procurement Criteria” with a portion of our supply chain representing 35% of our company’s direct material spend. Our hope is this ongoing initiative will help us learn from our supply chain partners and enable the sharing of best practices. We only ask for data also collected and managed by Hypertherm. This includes energy consumption, waste profile, community engagement practices, and the suppliers safety record. By collecting this information over the long-term, we hope to bring visibility to leadership examples and areas of opportunity among us all.

Merely asking these questions and bringing up the topic of sustainable business practices has already deepened our supplier relationships. Take for example, E.J. Basler, a family-owned machine shop in Illinois. Through our discussions with the leadership team at Basler, we learned more about their internal leadership rotation program, a model we admire. They learned about our purchase of 100% renewable energy credits and now also buy 100% of their energy on the renewable market – bringing our mutual net carbon emissions from energy down to zero.

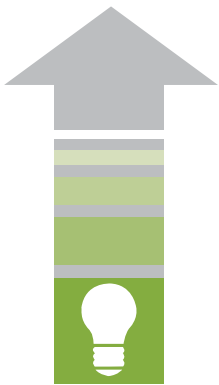


2013 Direct material suppliers under
sustainable procurement management goal

Environmental products

2020 environmental goal

20%
2020
Energy efficiency goal



Efficiency increase over previous product model

26%
MAXPRO200®



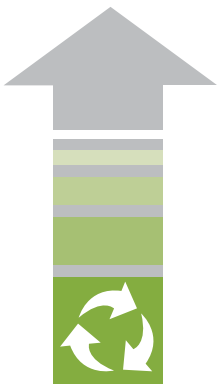
24%
Powermax105®



54%
Powermax30® XP



100%
2020
Recyclability goal



100%
MAXPRO200®



100%
Powermax105®



Environmental products, cont.

When it comes to our cutting products, Hypertherm is fortunate to have a dominant share of the market. This leadership position poses an opportunity to reshape the environmental impacts of the global metal cutting market.

The carbon emissions of our installed base are 40x greater than our direct and indirect (EPA scope 1 and 2) environmental impacts combined. This sobering fact resulted the setting of three aggressive goals a few years ago. We have given ourselves until 2020 to make products that are:

- 100% recyclable and properly recycled or reclaimed at the end of their useful life
- 20% more energy efficient
- Contributing 20% fewer carbon emissions

These and related metrics are now embedded into all new product development projects by our cross-organizational engineering team.

Cutting efficiency

Just as the efficiency of a car is based partly on its miles per gallon rating, our products are now measured by how many inches they can cut on a kilowatt hour of electricity. We want our end users to maximize their overall productivity with minimal costs and environmental impacts. Our new products are fulfilling that goal. For example, the operating cost of our new MAXPRO200®, released in 2013, is 2.5 times lower than the system it replaced. Part of this savings consists of a 26% increase in cutting efficiency as measured in inches per kWh. In addition, the power factor is improved by 12%, saving our customers money and creating 12% more power output for every unit of power supplied to the machine.

We engineered similar gains with our Powermax105® air plasma system. It is 24% more efficient (inches per kWh) than its predecessor as is our new Powermax30® XP, which boasts a 54% increase in cutting efficiency and a power conversion efficiency of 92%.

Material efficiency

The most environmentally sustainable goal of a durable goods manufacturer like Hypertherm is to produce a machine that lasts forever. While we have products still operating in the field after decades of use, we recognize the need to plan for the eventual end of life of those products. With that in mind, we have a two-part vision for the lifecycle of our products. The first is to engineer products that are 100% recyclable, which means choosing materials and components that have ongoing value. The second is to ensure our products are actually recycled (100% of the time) at their end of the useful life. To do this, we need to understand global waste stream practices and possibilities.

As with our cutting efficiency goal, we are making meaningful progress here as well. The MAXPRO200 is 14% lighter with a 60% part count reduction compared to its predecessor, and although exempt from the regulation, it is the first 100% RoHS compliant product in our mechanized family of plasma products. Total mechanized power system weight reductions for 2013 amounted to more than 4 million pounds of material that we never made, never shipped, and never needed to discard.

In 2013, we sent our MAXPRO200 to recycling experts for a teardown analysis. The objective was to understand where we might improve the recyclability or ease of recyclability of that product. The analysis showed a recyclability rate of 100%. While a good early sign of success, we will now continue to assess all our products and define specific changes necessary to accomplish our 2020 goal.

We also want to reduce the number of consumables used in our systems and are making meaningful progress in this area as well. For example, a MAXPRO200 electrode will cut seven times more metal than the older style electrode available for its predecessor, the MAX200. Consumable life for the Powermax30 XP is 2x longer. Even the carrying case for the Powermax30 XP is made of 100% recyclable materials, whereas its predecessor contributed more than 1,000 pounds of non-recyclable foam annually to our customers' waste streams.

The lifecycle analyses we conducted in 2012 on two key products continue to fuel strong early work in addressing our highest impact life cycle stages. Our ProNest® CAM software now allows users to target greater plate nest efficiencies and choose greener cutting process choices that optimize energy consumption and reduce plate scrap for the cut job at hand.

Safety

Safety is a continued focus as we work to ensure no Associate suffers an on-the-job injury. Our goal of safety excellence starts with a high level of Associate engagement. Our Associates all work together as a team to create the safest workplace possible.

This culture of Associate involvement and teamwork is present at all levels of our organization. Associates, safety team members, leaders, our ergonomist, health care staff, and engineers all work together in the interactive design of workplace enhancements to improve the overall well-being of Associates. We recognize the personal safety and health of each Associate is of primary importance. No person should ever be injured at work, and in 2013, we're proud to have posted an accident frequency rate of 1.0, far below the industry average of nearly 5 incidents per 100 full-time workers on the job for one year.

In addition, last year we added four more facilities to the U.S. Department of Labor's OSHA Voluntary Protection Program. The program recognizes workplaces that operate outstanding safety and health management systems. The buildings join our Hanover headquarters and another facility just down the road as "Star" worksites, the program's highest level. A total of six, or exactly half, of our Upper Valley locations are now OSHA VPP "Star" sites.



Associates gather twice per shift for group stretch time as part of our ergonomics standards.

Associate engagement

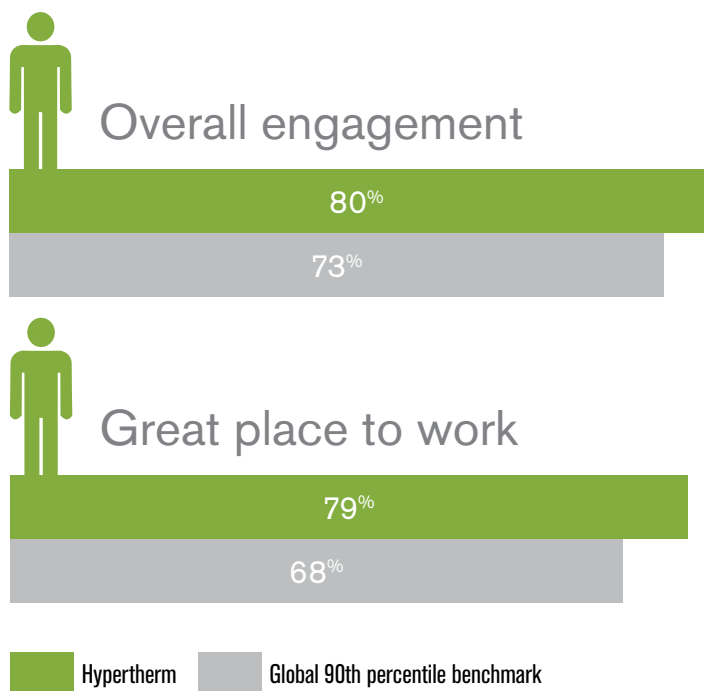
A critical part of Hypertherm's strategy year after year is to ensure Associates feel the company is a great place to work, and closely related to that, to maintain a highly engaged workforce. This is directly driven by the second part of our mission, which is to promote the well-being and development of our Associates.

We want our Associates to be happy, healthy and fulfilled by their work. To do this well, we know we need to impact all dimensions of well-being – including emotional, spiritual, physical, and financial. We do this by:

- Providing development opportunities so all Associates can enjoy career and personal growth
- Giving every Associate a real stake in the company through our Employee Stock Ownership Plan where we “work like an owner and think like a customer”
- Sharing rewards, including profit sharing at year end
- Offering a robust healthcare rewards program and an on-site medical clinic
- Supporting work-life balance and flexible work scheduling arrangements
- Providing employment stability through our no-layoff policy
- Nurturing a culture of mutual caring, respect, honesty and integrity

Engagement is also important to us, as it reflects a person's emotional and rational commitment to the job, the team, and the company. Hypertherm's 2013 Associate engagement placed us among the top 10% of all companies surveyed by our outside survey firm, and in most sub-categories, well above that. Our highly engaged workforce is a product of the culture we have created. It is one of achievement, reward, and collaboration. In addition to measuring engagement, we also ask our Associates if Hypertherm is a “Great place to Work.” In the last five years, we have consistently rated above the “high performance” benchmark for this question.

This graphic shows these two important annual measures, and Hypertherm is in continuous pursuit of improving these every year.

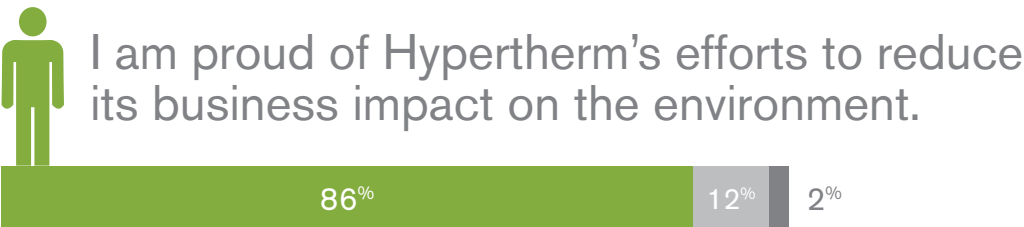
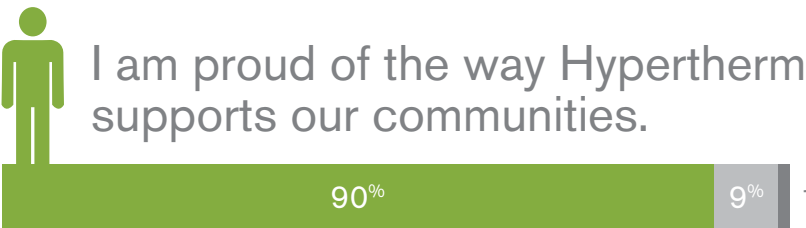
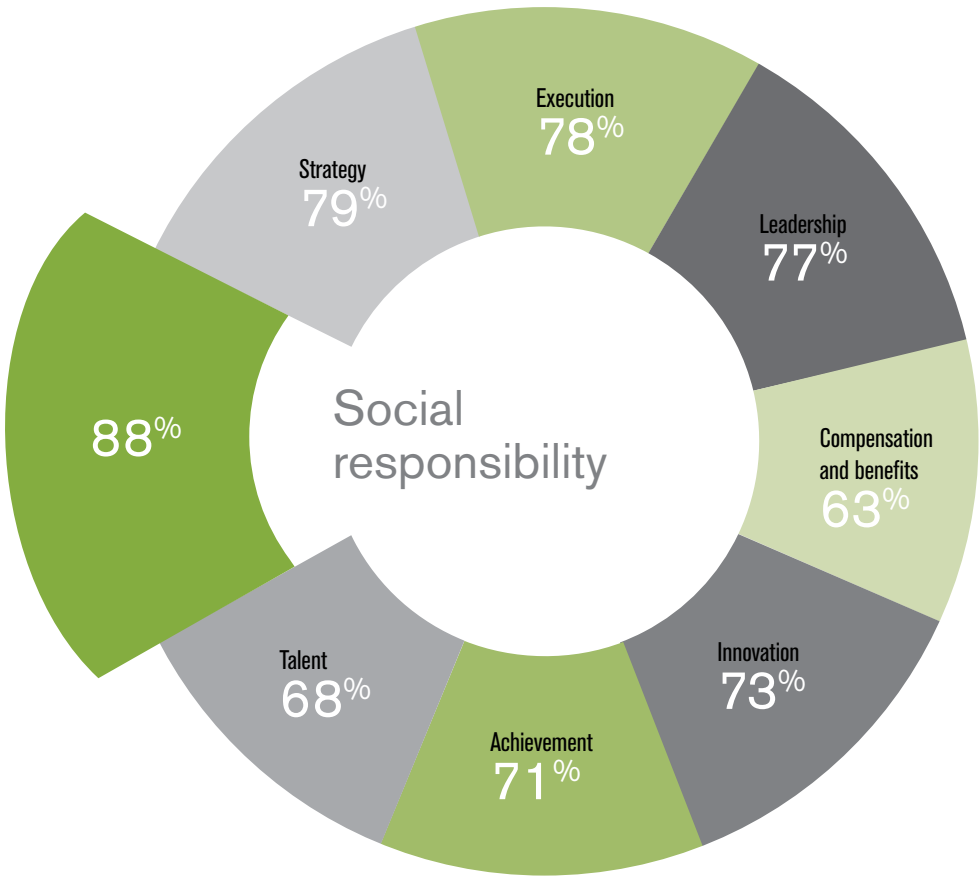


Associates celebrate our Best Large Company to work for in New Hampshire award.

Associate engagement, cont.

We also measure how Associates are feeling specifically about Social Responsibility within our engagement survey. The results continue to be a pleasant surprise, supporting our belief that our work within the community and our commitment to environmental sustainability is a key reason for our world-class levels of engagement.

In 2013, social responsibility was the highest rated engagement category by our Associates and was determined to be one of the top three drivers of positive engagement at Hypertherm, as shown in this chart. The category of Social Responsibility continues to be the one driver that increases year over year, regardless of our business conditions. There is, without a doubt, a sense of pride and commitment to Social Responsibility that has become an integral part of the Hypertherm culture.



Favorable Neutral Unfavorable

Here is what some of our Associates had to say in the 2013 engagement survey:

“Our CSR is a tremendous program that I find extremely rewarding.”

“Hypertherm’s emphasis on helping the community is impressive, helps the local environment, and motivates Associates.”

“It is a great honor to participate in so many community activities; it really is a great feeling to work at Hypertherm knowing the support that they give their Associates.”

“The company’s commitment to community service and the culture around us is excellent. It is something I’m very proud of.”

Wellness

Hypertherm demonstrates a strong commitment to promoting Associate wellness and healthy lifestyles. In 2013, we focused our wellness efforts at getting more Associates engaged with the Vitality wellness program. In addition, we worked to increase participation in company sponsored fitness classes and finalized plans to offer on-site primary care at the Hypertherm Associate Wellness Center.

At the end of December, there were 1,182 Associates participating in Vitality, which is 98% of our US based population. Vitality is a point based program, which educates, assists and motivates Associates and family members to engage in healthier lifestyles. Associates are given a Vitality age based on their biometric screenings and health review. At the beginning of 2013, Hypertherm's Vitality age was 6.5 years older than the actual age of our Associates. By the end of the year, the actual age was 5.2 years older, an improvement of 1.3 years.

Free wellness programs offered to Associates include fitness classes, Hypertherm sponsored athletic leagues, and wellness coaching. Our on-site exercise facilities provide a wide range of exercise equipment, as well as fitness classes offered at no cost. Classes offered include Pilates, TRX, yoga, Zumba, cardio conditioning and strength training. In 2013, there was a 30% increase in participation. More Associates are aware of the benefits of taking care of themselves by taking 30 minutes out of their day for themselves. Their overall health and quality of life improves by being active. In April 2013, Associates met a goal of keeping a piece of cardio equipment in use for 120 continuous hours. During the "Keep It Moving" Marathon, 144 Associates logged 693 miles and burned more than 66,000 calories.

The medical staff at the on-site Hypertherm Associate Wellness Center (HAWC) continued to offer quality service for Associates throughout 2013. Their services are offered free of charge to all Associates and minimizes missed time from work to see a medical professional. The utilization of the HAWC increased

16.7% in 2013. The HAWC provided 30 Shingles vaccinations to those more than 60 years of age and 508 flu shots to Associates and family members. In October, we announced plans to include primary care services at the HAWC beginning in the second quarter of 2014.



Associates work out during a lunchtime "Whittle the Middle" class.

Ownership

Associate Ownership is included in our CSR report for the first time ever. We think including it makes a lot of sense, as the engagement and commitment of our Associates is core to our CSR program. As owners, we care deeply about supporting the community and environment in which we live and work.

Last year was a remarkable year because we completed the transfer of all our common stock into an Employee Stock Ownership Plan. Previously, Hypertherm's ESOP, which we affectionately call the Hypertherm Stock Ownership Plan, held about one-third of our stock.

A new sign – produced with sustainable materials of course – now hangs in our newest building, proudly proclaiming our HSOP (or for our international Associates, Global Stock Value Plan) mantra “Work like an owner. Think like a customer.” In addition, an “Ownership” tree was planted near the main entrance of that same building to serve as a symbol of Hypertherm's commitment toward environmental stewardship and the sustainability of Hypertherm's Ownership culture.

In total, 121 Hypertherm Associates were welcomed into the HSOP last year on their one-year anniversary during a celebratory lunch with our Founder Dick Couch and our Vice President of CSR Barbara Couch. We also started the tradition of awarding “vesting” coins to Associates who achieved vesting status during the prior year. The first of these coins were awarded during our annual Ownership Month in October. The coins were designed by our Ownership Communications Team with help from Associates at the Hypertherm Technical Training Institute. Several other Associates then helped bring the coins to life by programming and running the machinery needed to create and personalize the coins.

Our annual “Owners Against Hunger” Food Drive also took place during Ownership Month.

Associates celebrate our Hypertherm Stock Ownership Program.

Associates collected a truckload of food for a soup kitchen in nearby Claremont, New Hampshire and donated nearly \$1,000 to The Haven, another local organization serving those in need. The money for that donation came directly from Associates who chose to donate the \$5 gift each Associate receives on their anniversary date to the drive.

Hypertherm offices outside of New Hampshire also participated. For instance, our CAM software team in New York delivered their collections to the Lockport Salvation Army and Soup Kitchen, while our waterjet team in Minnesota gathered a whopping 1,250 pounds of food in addition to cash donations for Second Harvest Heartland.

This is but a small example of the good we think Associate-ownership can do for the community. Because “we” own the company, we can make decisions that benefit both people and the planet instead of a far-off investor.

Learn more about our ESOP transition to 100% ownership.



2013 Awards and recognition

While the awards and recognition Hypertherm receives are gratifying, they are by no means the end game. They reinforce our beliefs and behaviors and inspire us to do more. The recognition Hypertherm received in 2013 is listed here.

Cornerstone Award Hall of Fame

(for exemplifying the concepts of CSR)

- New Hampshire Businesses
for Social Responsibility

LEED Gold certification

for 71 Heater Rd

- US Green Building Council

First recipient of their “Manufacturer of the Year Award”

recognizing exceptional recycling and waste management programs

- Northeast Resource Recovery Association

Outstanding Champion Award, Business

- Volunteer NH

Workplace Commuter Challenge Award

in the Macro size category

- Go Vermont, a collaborative
within the Vermont Agency
of Transportation

Best Large Company to Work For in New Hampshire

- Business New Hampshire Magazine.

Designated an EPA Green Power Partner and a member of the Leadership Club

Due to our commitment to buying renewable energy credits for 100% of our domestic electricity usage the EPA placed us in the Leadership club, one of only six companies in the “Industrial Goods and Services” sector, joining the likes of Herman Miller.

NH Business Committee for the Arts (NHBCA)

Award for our support of the Arts in the state of NH

- NH Business Committee for the Arts