



# Corporate Social Responsibility

2014 Annual Report



## Letters from our leaders



Future-looking manufacturers must continually re-invest to maintain healthy supply and workforce ecosystems. Even more broadly, I believe that long-term sustainable businesses must be fundamentally and broadly value-creating – not just for our financial stakeholders, but also for our customers, suppliers, employees, communities, and the environment. Every day, each of these stakeholders grant us and daily renew our “license to operate.” *We must be a force for good.*

At Hypertherm we’re 100% Associate-owned so our shareholders live in the communities where we operate and share the environment that we help shape. They’re also increasingly invested in the impact their company has on the wider world where our customers make their home. Indeed, our community and environmental initiatives are the number one driver of positive Associate engagement at Hypertherm. *We have the drive to be a force for good.*

Our corporate strategies increasingly embrace the idea that, in a slower-growth world, our greatest value-creating opportunities with our customers lie in the improvement of efficiency and the elimination of waste. These opportunities are abundant not just in our customers’ value streams, but also in the supply chains that connect us. Hypertherm possesses the technologies, the intellectual and human assets and the reach to be an agent of innovation in our served industries. *We have the power, opportunity and commitment to be a force for good.*

I thank you for joining us and supporting us in this mission.

A stylized, handwritten signature in black ink, appearing to read 'Evan'.

**Evan Smith**

Chief Executive Officer

At Hypertherm we fulfill our mission to enrich our communities and environment by embedding it across our entire organization. Our supply chain is stronger because we have integrated the principles and measures of social and environmental sustainability into it. Our operations are leaner because every team is measuring and reducing their environmental impacts. Our products and services to our customers are more innovative as we build shared value. Our Associates are healthier and more engaged and compassionate because we each receive the tools and support we need.



We are making progress on this long-term journey to transforming how we grow and add value to our business, the community, and the environment. The passion and engagement of all of our global Associate-owners at Hypertherm is exactly the renewable fuel we need to meet and overcome the global challenges ahead. I am so grateful and inspired to be a part of a company of owners who collectively believe we are here to build a better world through the work that we do.

The commitment we have made to aggressive goals and inspiring vision tests us daily – sometimes we succeed and sometimes we fall short, but we always learn. We know we have a long way to go. We are committed to sharing our journey. I hope you read this report and share ideas with us for where there are opportunities to improve, collaborate and find new paths forward.

A stylized, handwritten signature in black ink, appearing to read 'Jenny'.

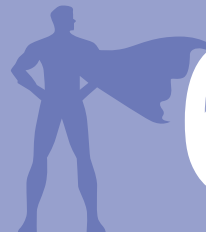
**Jenny Levy**

Vice President,  
Corporate Social Responsibility

Click on a fact to learn more

81% of Associates  
volunteer

Highly  
engaged  
workforce



61 green  
champions

2,848  
students



involved  
in STEM  
activities  
funded by  
HOPE



Values  
in action

core values that guide us

100% ethics  
training  
completed by all Associates



Product energy  
efficiency

73



Associates enrolled in  
on-site primary care

12 Associates

make grant  
decisions for the  
HOPE Foundation



Recycling



to support our 2020  
zero waste goal

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# Community engagement

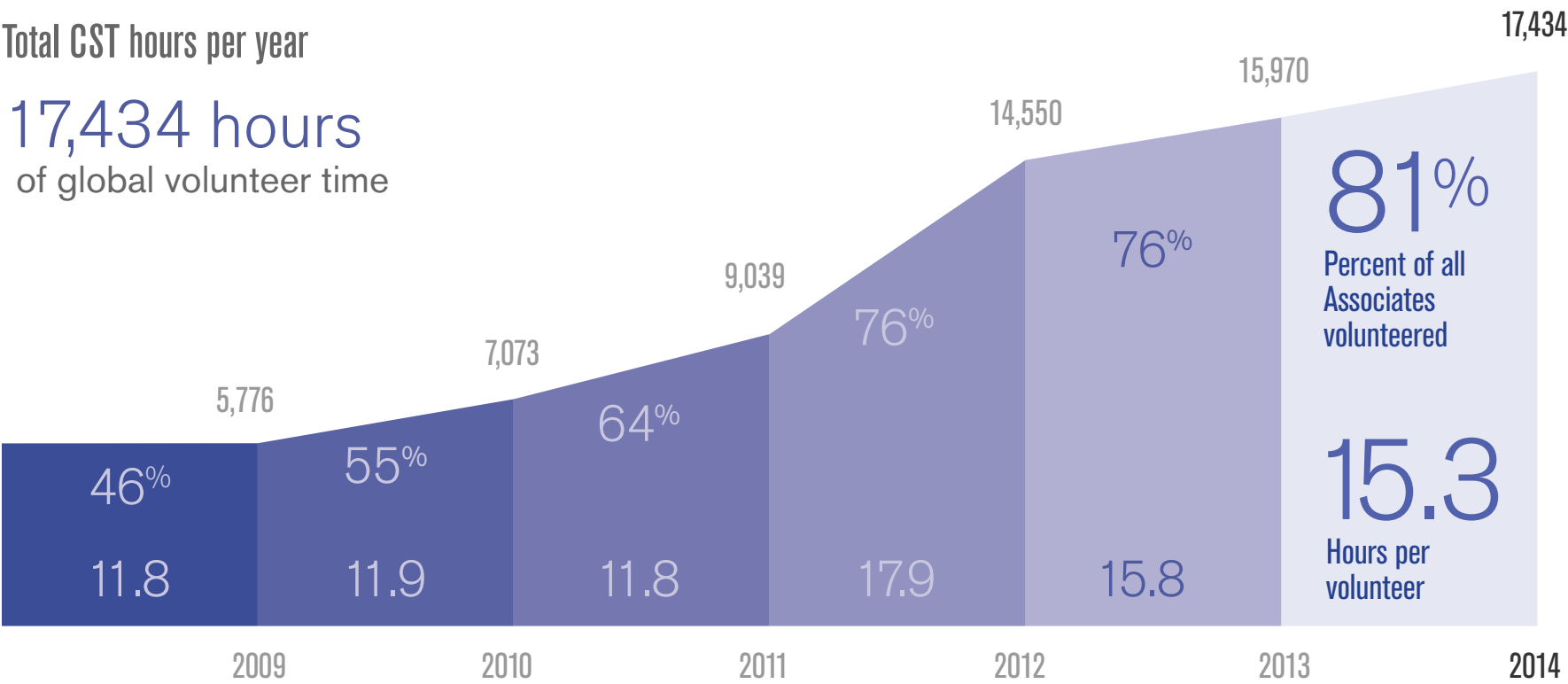
We are all closely inter-connected to the global communities where we live and work. We strive to make a positive difference in those communities through our leadership as a values-driven corporation and through our volunteerism as a compassionate group of Associates. Every Hypertherm Associate receives 24 hours of paid volunteer time every year that we are encouraged to use as we choose. Many of us serve above and beyond those levels. Our collective long-standing desire to respond to the needs of the community grew to new depths in 2014.



## 2014 Community Service Time (CST)

Total CST hours per year

**17,434 hours**  
of global volunteer time



See what some of our Associates had to say about their community service:



**Michelle Pereira**  
Customer Service,  
Hypertherm Brazil

“Community Service is an opportunity to help others. It’s a way to get closer to the problems of our society by being a part of the solution and sharing our abilities to the benefit of people. Promoting CST is a pleasure for me, engaging the others to be involved and available to support volunteer activities, showing possibilities and enabling actions. Solidarity is love on the move. It’s contagious. We need to let it infect us.”

Hypertherm Associates  
volunteered in  
**15**  
countries



“ Since cooking at the Haven Hixon House each month, nothing has made more of an impact to make me well-grounded than helping people, helping really good people. ”

**Scott DeFreitas**  
Procurement, Hypertherm US



On October 16, 2014, Hypertherm Korea took part in volunteer activities that support experiential learning activities for kindergarten in BUSAN BAEHWA SCHOOL FOR THE DEAF.

**Henry Park**  
Technical Service, Hypertherm Korea



“ I love volunteering because it is so empowering to see the difference you can make in another’s time of need. Hypertherm’s encouragement to spread this feeling to Associates and the community is largely what makes our company so special. With Hypertherm and the HOPE Foundation, we have been given the unique opportunity to try new things and develop our individual passion projects. It has been completely rewarding to help others discover the joy of reaching out and paying it forward! ”

**Allison Walshire**  
Sales, Hypertherm Waterjet, US

The Hypertherm Owners' Philanthropic Endeavors (HOPE) Foundation combines financial funding with the thousands of hours we volunteer to accelerate the positive impact we hope to have in our communities. A group of diverse Associates from across our organization are empowered to make the funding decisions for the Foundation.



I have the privilege and honor of presiding over the HOPE Team and [HOPE Foundation](#). When we created the HOPE Team and launched our Community Service Time program in 2003, we had no idea how powerful it would be in defining the culture at Hypertherm. Corporate Social Responsibility, specifically philanthropy and volunteerism, are the biggest drivers of engagement at Hypertherm.

The model we embraced in 2003 was to decentralize our philanthropic giving. Rather than senior executives owning the philanthropy budget, we placed our philanthropic dollars in the hands, hearts and minds of a group of 12 diverse and representative Associates, each serving a 6-year term. Also, by encouraging and enabling our worldwide Associates to volunteer in their communities, we not only strengthen those communities but our Associates as well. They return to the workplace with a renewed sense of purpose and self. And that's good for Hypertherm, too.

It is with equal amounts of pride and gratitude that I serve the HOPE Team and HOPE Foundation.

**Barbara J. Couch**  
President, HOPE Foundation

## 2014 HOPE highlights

87 grants awarded to nonprofit partners

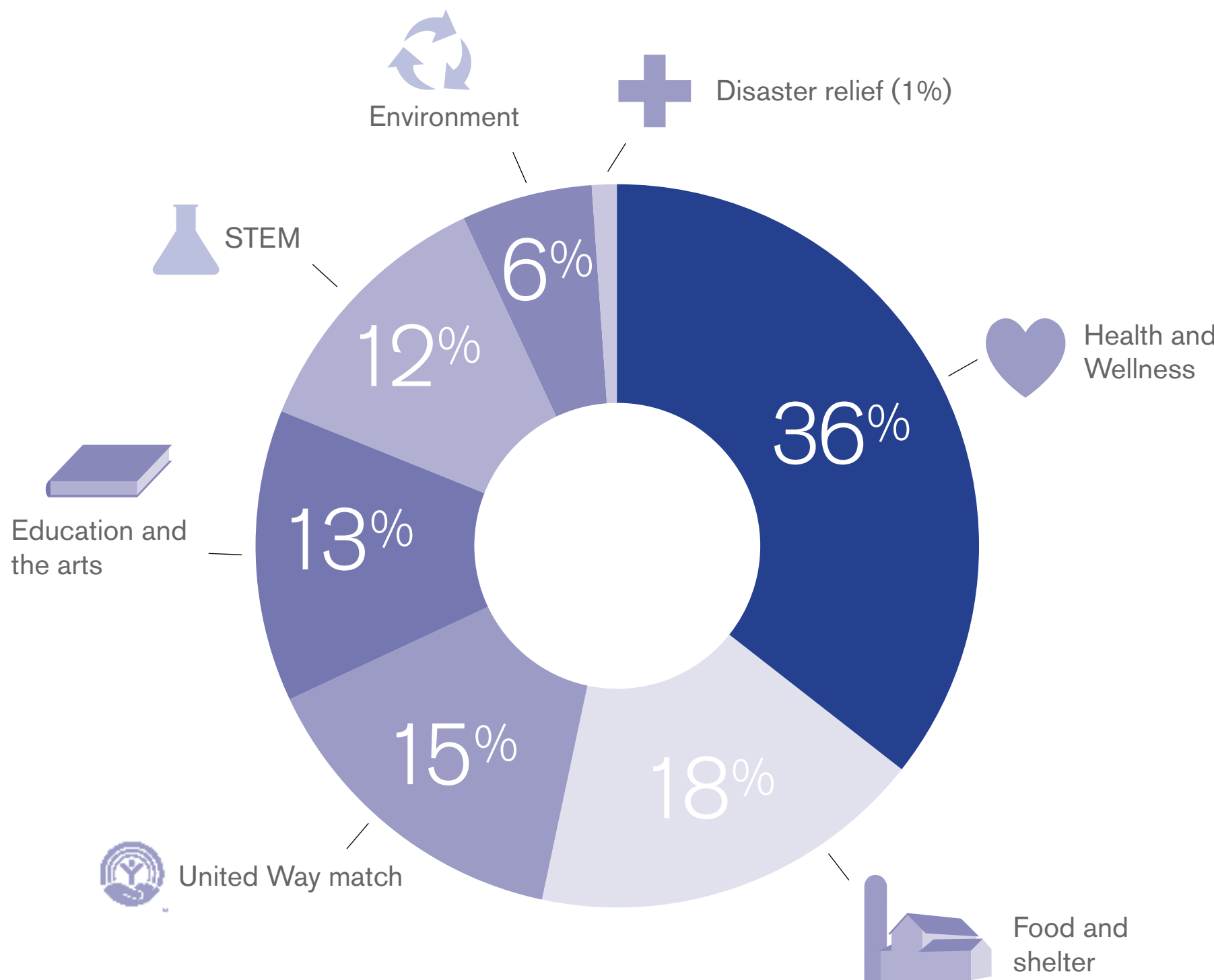
12 Associate-owners across Hypertherm have made all the funding decisions for the HOPE Foundation

75 Associates involved in leading our corporate philanthropy efforts (HOPE team, committees, and champs)





# 2014 grant allocation by focus area



## Volunteer stories from one of our partners

COVER Home Repair and the ReCover Store's mission is to build community and foster hope through cooperation and fellowship among all home repair and reuse participants. COVER Home Repair works together with low-income homeowners and volunteers to provide urgently needed home repairs that keep people warm, dry, and safe in their home.

Our Associates volunteer the last Friday of every month.



“ For the past eight years I have spent my CST volunteering for COVER in White River Junction. Between COVER's weatherization and building programs I have humbly witnessed the tangible needs homeowners have. The privilege is mine to be welcomed into someone's home taking steps to help them improve their living space or help them have a warmer and drier winter. ”

**Dave Knapp**

Engineering Laser, Hypertherm US

“ I view CST as one of the special benefits offered by Hypertherm. It is a great win-win-win; the Associates get to make a tangible difference in the community and work alongside Associates they may be meeting for the first time, the partner organizations gain valuable help beyond monetary donations, and the beneficiaries receive support for their personal situations. Working with COVER allows me to get outside and use my building skills to provide quality shelter for families who are truly thankful for the difference it makes in their everyday lives, a very rewarding experience each and every time. ”

**Ken Woods**

Engineering Laser, Hypertherm US

“ When I describe to friends why Hypertherm is special I always talk about Community Service Time. There are so many ways to give back to the community, but my favorite way is working on COVER projects. The best reward is seeing how grateful the homeowners are for the work we have done. ”

**Roger Hanks**

Engineering Light Industrial Systems, Hypertherm US

“ Our relationship with Hypertherm is a critical part of COVER achieving our mission. We depend on the monthly Hypertherm work crews to volunteer on COVER sites to repair homes and keep low-income homeowners “dry, warm, and safe.” The Hypertherm crews are the best about getting the task done while making strong connections with homeowners. They see the big picture and advance the whole of COVER's mission – fostering hope and building community. We are so grateful for our long-standing partnership with Hypertherm that not only includes passionate volunteers but also generous funding support from the HOPE Foundation. ”

**Rob Schultz**

Executive Director, COVER Home Repair



# Environmental stewardship

We are relentless about embedding our triple-bottom line mission across all areas of our organization. The health of our planet, the engagement of our people, and the robustness of our profits are entwined. As we reduce our impact on the environment, we see our business and our communities getting stronger. This is transforming how we work, what products we deliver to the world, and who we build business partnerships with.



## Environmental sustainability dashboard for 2020

We have set goals to mark our achievements along our journey to address our greatest negative environmental impacts across the life cycle of our work.

Click on a goal to view our progress



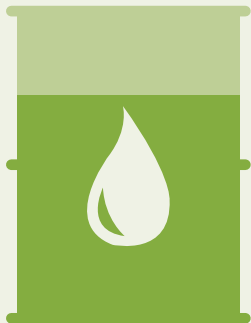
	Waste	Energy efficiency	Carbon impacts
Our products	<div>100%</div> <div>All of our new products are reusable, recyclable, or properly reclaimed at the end of their useful life</div>	<div>20% </div> <div>Improve the energy efficiency of our product portfolio by 20%</div>	<div>20% </div> <div>Decrease 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></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 footprint

Even as a privately owned company we choose to share our environmental impact data because, frankly, as an industrial manufacturer we have a large impact. We believe that transparency will build understanding and inspire more collective action. We have made many decisions and support programs that aim to decrease our impact, such as building a LEED Gold manufacturing facility, purchasing renewable energy credits for 100% of our U.S. energy consumption, and incentivizing low impact commuting choices.

## Scope 1 (Oil, propane, fleet)

Our scope 1 emissions have fallen from our prior year and 2010 baseline year. We have focused on sealing the envelopes of our buildings, installing better controls, and transitioning to lower carbon factor heating sources, such as propane instead of fuel oil.



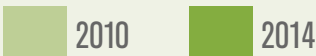
## Scope 2 (Electricity)

Our scope 2 emissions from electricity are net negative due to our continued commitment to purchasing renewable energy credits for all of our U.S. energy consumption. Our absolute kWh consumption decreased from 2013 despite increased manufacturing volume. This was achieved through organization-wide efficiency efforts.



## Scope 3 (Travel, commute, logistics, installed base)

Our scope 3 emissions intensity continued to improve versus our 2010 baseline. We have seen the largest absolute and intensity based improvement from our global logistics network. Our low impact commuting programs continue to drive those impacts down. We continue to innovate when it comes to our largest contribution to scope 3 emissions which are products in use.



As 2014 is our fifth year of reporting our footprint data, we see a clear directional trend. That trend shows a marked decrease from our 2010 baseline year. While our 2020 environmental sustainability goals are generally driven by metrics tied to our sales and product volume, we also strive for the ideal of absolute impact reduction. We share both in this report.

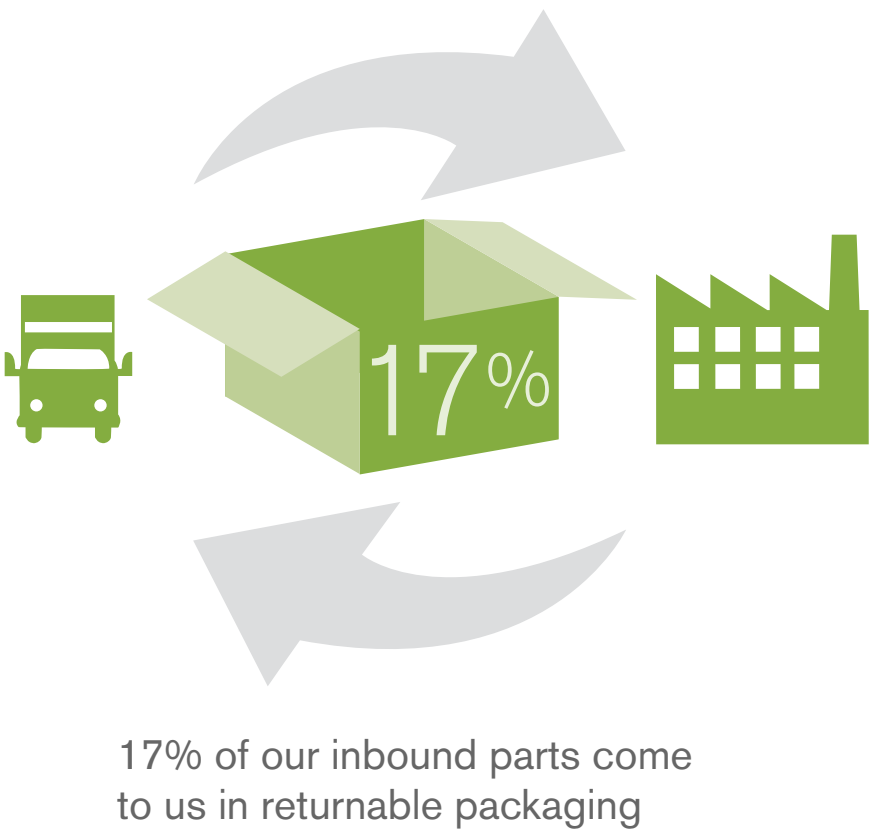
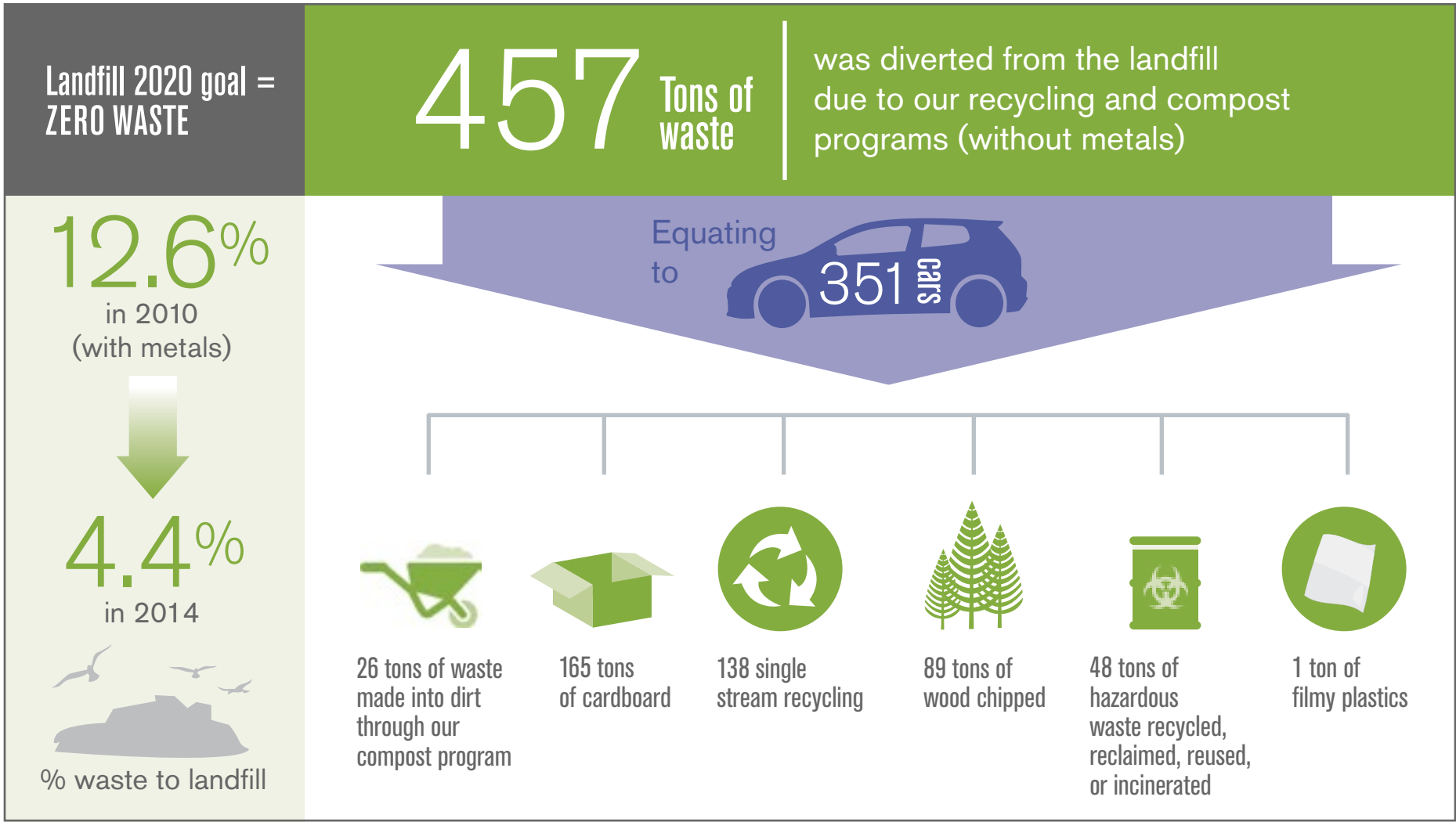
Our process water discharge improved as a result of a closed-loop water cooling tower system in our newest facility. This process reuses water for the cutting processes in our R&D labs.

Our landfill waste continues to decline as a percentage of our total waste and is getting closer to our goal of zero. Our primary target has been eliminating waste upstream from our supply chain partners. We now look to reuse what used to be waste, such as recirculating crates and pallets to extend their useful lives.

Impacts	2010 metric tons CO <sub>2</sub> e	2014 metric tons CO <sub>2</sub> e
Scope 1:		
Heating fuels	763	945
Fleet	634	653
Scope 2:		
Electricity	5,638	-2,616
Scope 3:		
Business travel	1,437	1,521
Commuting	4,303	5,077
Outbound logistics	39,226	28,056
Products in use	303,864	449,059
Water (gallons)		
Process water discharge	8,430,112	1,118,564
Sanitary water discharge	2,159,408	2,672,683
Solid waste (tons)		
Landfill trash	211	108
Cardboard recycle	173	165
Wood recycle	63	89
General recycle	14	138
Copper recycle	1,250	1,715
Other metals recycle	300	452
Hazardous waste	47	50
Compost	n/a	29
Landfill rate	12.6%	4.4%

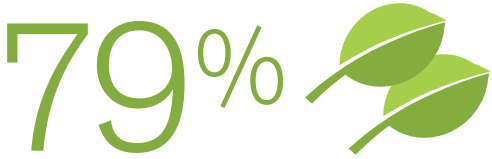
All of these footprint numbers reflect our impact to the best of our measurement ability at this time. These numbers are not third party verified and may be revised for accuracy in the future.

# Green business operations



We purchase renewable energy  
credits for 100% of our U.S.  
energy consumption

We measure a team’s engagement  
in our Environmental Stewardship  
initiatives through our internal  
Greener Cuts Certification system.

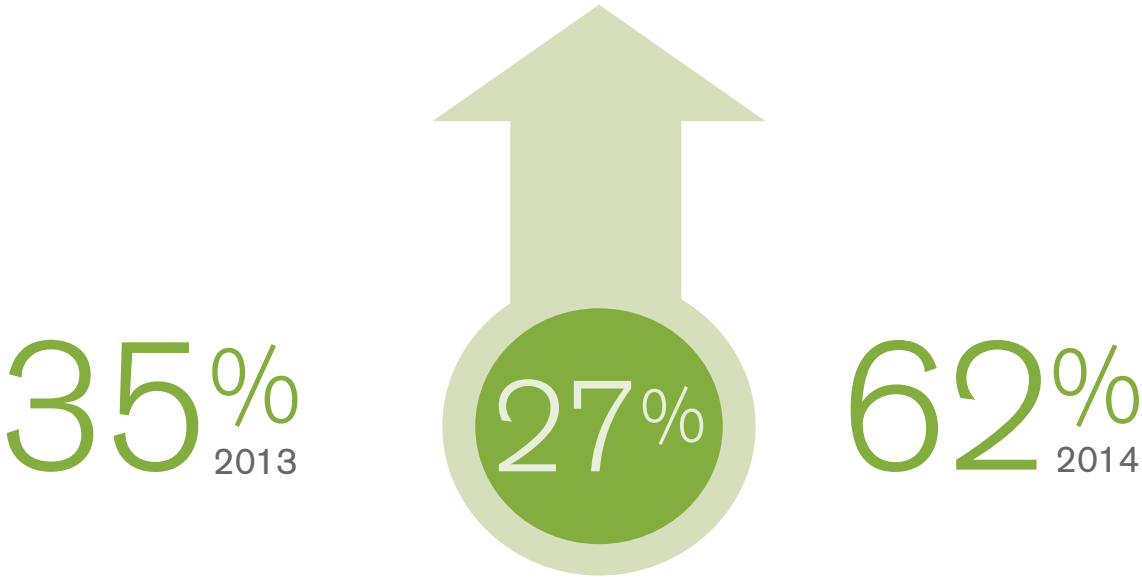


Of our teams are leaf certified

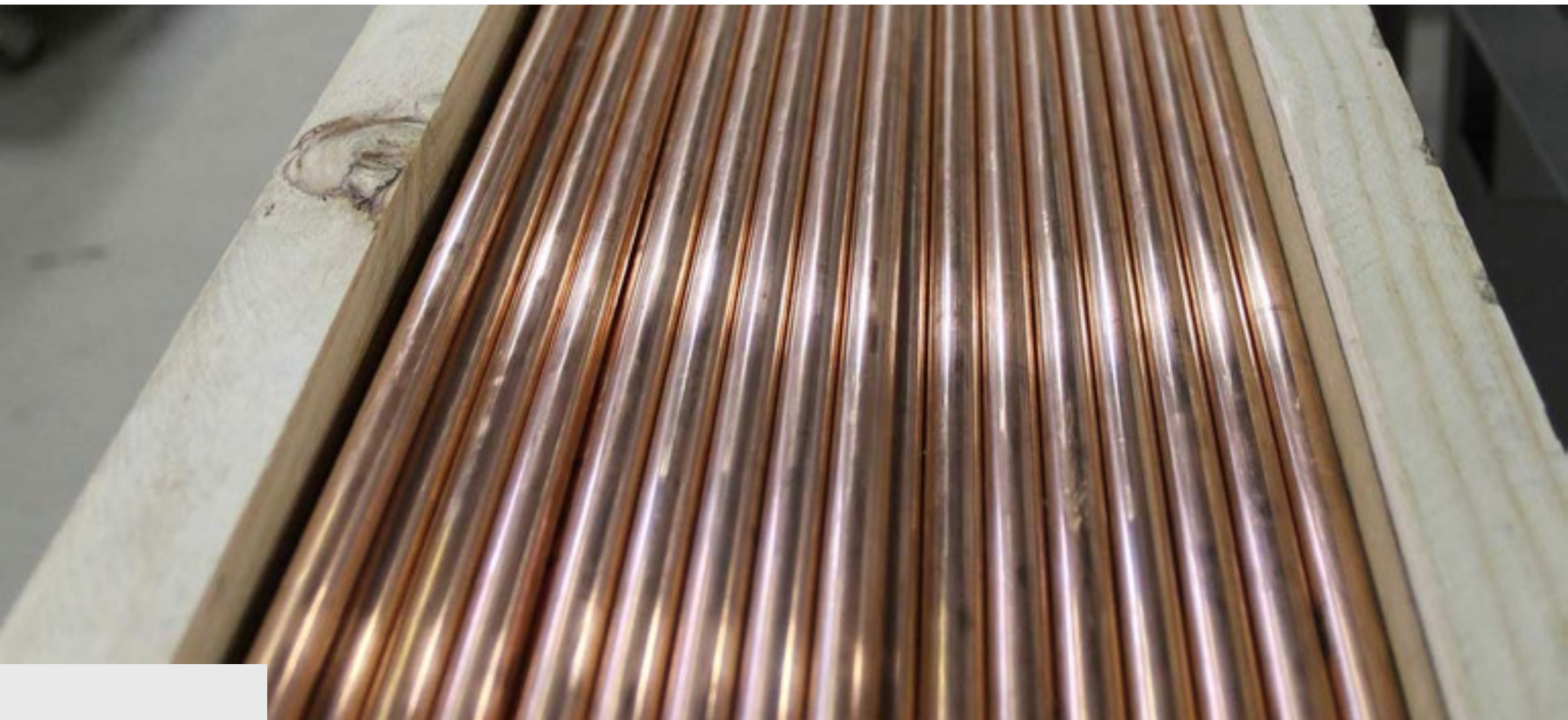


# Supply chain

We want to put our money where our mouth is. As such it's important that we manage our entire business value stream to a triple bottom line for long-term success and resiliency. In 2014 we collaborated with our suppliers through an integrated scorecard that links our traditional quality, delivery, and partnership metrics with social and environmental sustainability metrics. Our ongoing conversations with our supply chain partners have greatly expanded our learning and the collective impact we all have on managing industry in a more sustainable way.



Direct material suppliers under sustainable procurement management goal



# Environmental products

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

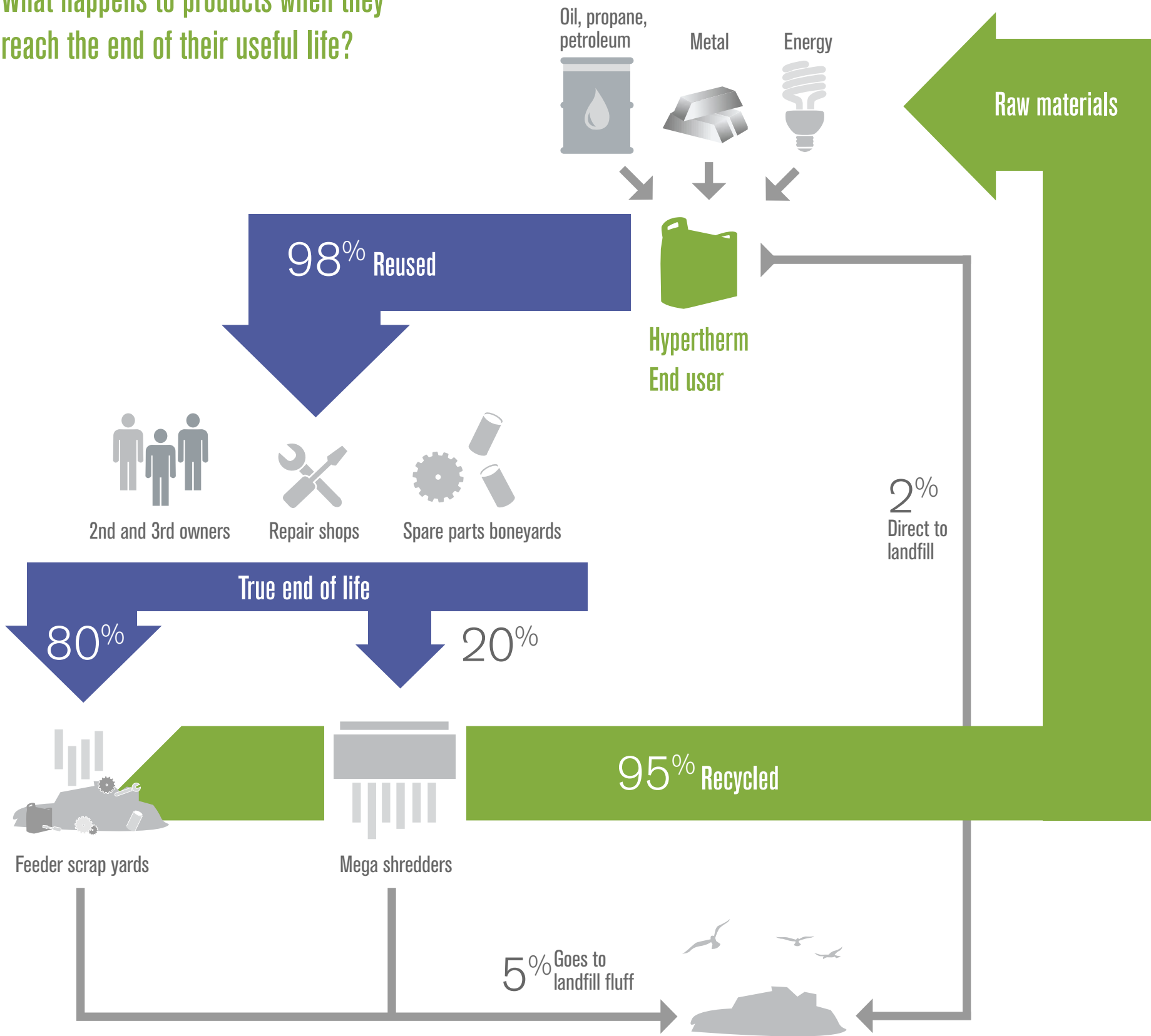
In 2014, we embarked on a project to understand this key question:

What happens to products when they reach the end of their useful life?

Overall

93%

of products by weight were recycled in North America\*



\*Percent based on interviews, sample size of 33. Data available on request. Contact [csr@hypertherm.com](mailto:csr@hypertherm.com)

# Safety

No one should get hurt while at work. Associates, safety team members, leaders, our ergonomist, on-site health care staff, and engineers all work together in the interactive design of workplace enhancements to continuously improve the level of safety for our Associates.

Like many other programs at Hypertherm, our safety model works in large part to high Associate awareness and engagement. Every single one of Hypertherm’s operational teams, no matter their global location, have established safety committees lead by a Safety Coordinator. Each team has independent meetings, tracks corrective actions, and conducts incident investigations and safety inspections, all with active senior management support. In addition, all Associates undergo annual safety training and receive personal protective equipment.

Our Associates are fully engaged and trust in the process which has led to a culture of early and frequent reporting of incidents. Associate reports of incidents (mostly near misses and first aid cases) have increased dramatically over the last few years, from 50 in 2007 to more than 200 in 2014.



## 2014 safety highlights

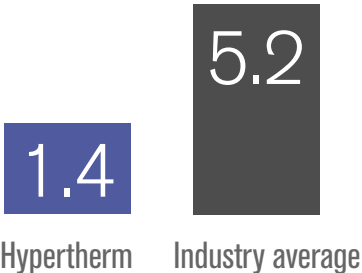
70 Associates who serve on a safety committee

200+ Associate reports of incidents (mostly near misses and first aid) demonstrating high awareness of potential safety challenges

6

out of our 8 U.S. manufacturing facilities are recognized as OSHA VPP Star Worksites

## Low accident frequency rate



In 2014 our accident frequency rate was 1.4, proudly below the industry average of 5.2, however above 2013’s record of 1.0. We experienced an increase in the frequency of relatively minor incidents related to ergonomic issues. We are addressing these issues with a revised comprehensive ergonomics training and evaluation initiative in 2015.



## Health and wellness

Hypertherm is committed to investing in Associate wellness and a healthy lifestyle. Healthy Associates are able to enjoy life and contribute to their company and community more.

# Live Life Well

Hypertherm Associate Wellness



The keystone to our wellness initiatives are our on-site wellness clinics staffed with medical personnel from the Dartmouth Hitchcock Medical Center. Our Hypertherm Associate Wellness Center (HAWC) offers primary care, chronic disease management, and acute medical care free of charge to all Associates, spouses, and dependents over the age of 16.



In addition to 24 hour access to our on-site fitness facilities, we offer free fitness classes for all three shifts. Classes include boot camp, TRX, yoga, meditation, Pilates, cardio conditioning, Insanity, and core strengthening. In 2014 we added fitness equipment to our New York and Minnesota offices to encourage and promote physical activity during the workday.



Our Associates organize and participate together in many athletic leagues, group fitness activities, and pick-up games, including road and mountain biking, outdoor and indoor soccer, ultimate frisbee, basketball, downhill ski racing, snowshoeing, X-country skiing, pond hockey, walking, running and table tennis. In 2014, we experienced a 64% increase in the number of Associates attending our on-site classes.



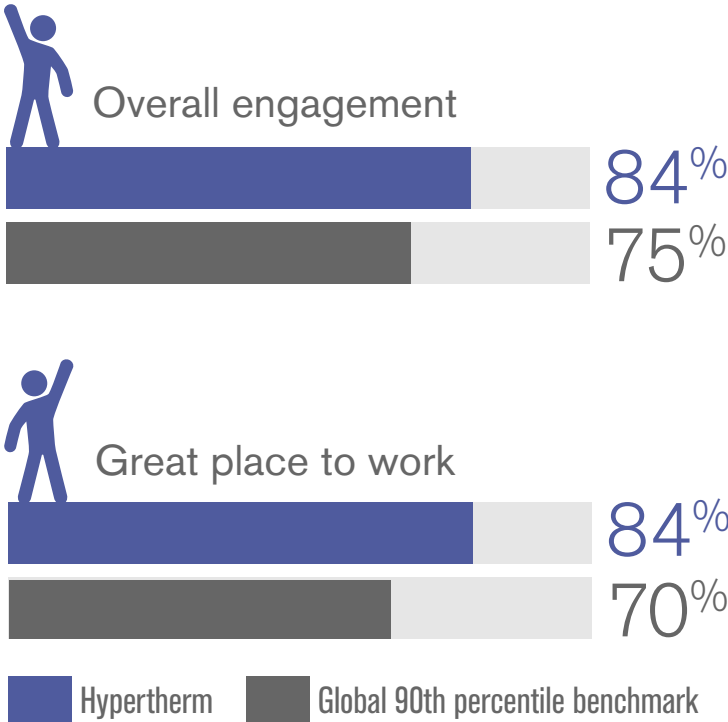
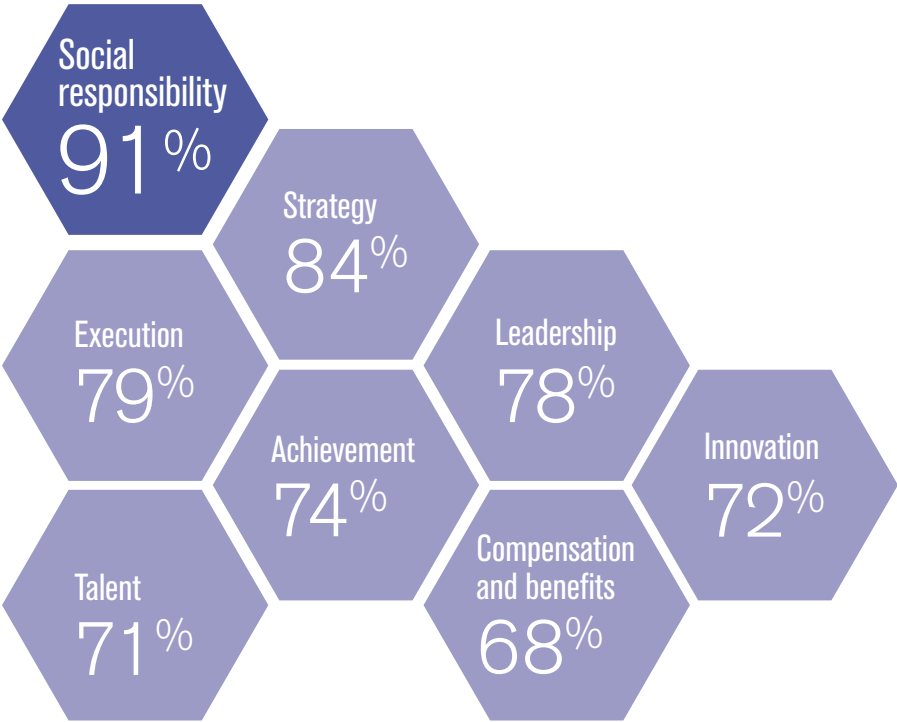
Healthy options in our vending machines and cafeterias are an important part of the wellness initiatives and are less expensive than unhealthy options. We offer an Easy Choice program in the cafeteria which clearly shows Associates the healthy food options on the menu. The cafeteria uses local ingredients when available.

# Associate engagement

What makes Hypertherm “tick” is the personal and collective passion and drive of our Associates. Together we cultivate a culture of mutual caring, respect, honesty and integrity that enables every Associate to be happy, healthy, and fulfilled by their work.

Every year we measure all dimensions of engagement. It reflects our emotional and rational commitment to the job, the team, and the company. We are proud to see our engagement continue to rise because we know we are fulfilling the second part of our corporate mission, which is to promote the well-being and development of our Associates.

In 2014, social responsibility was once again the highest positive rated engagement category by our Associates, as shown here. There is a sense of pride and commitment to Social Responsibility that has become an integral part of our Hypertherm culture.



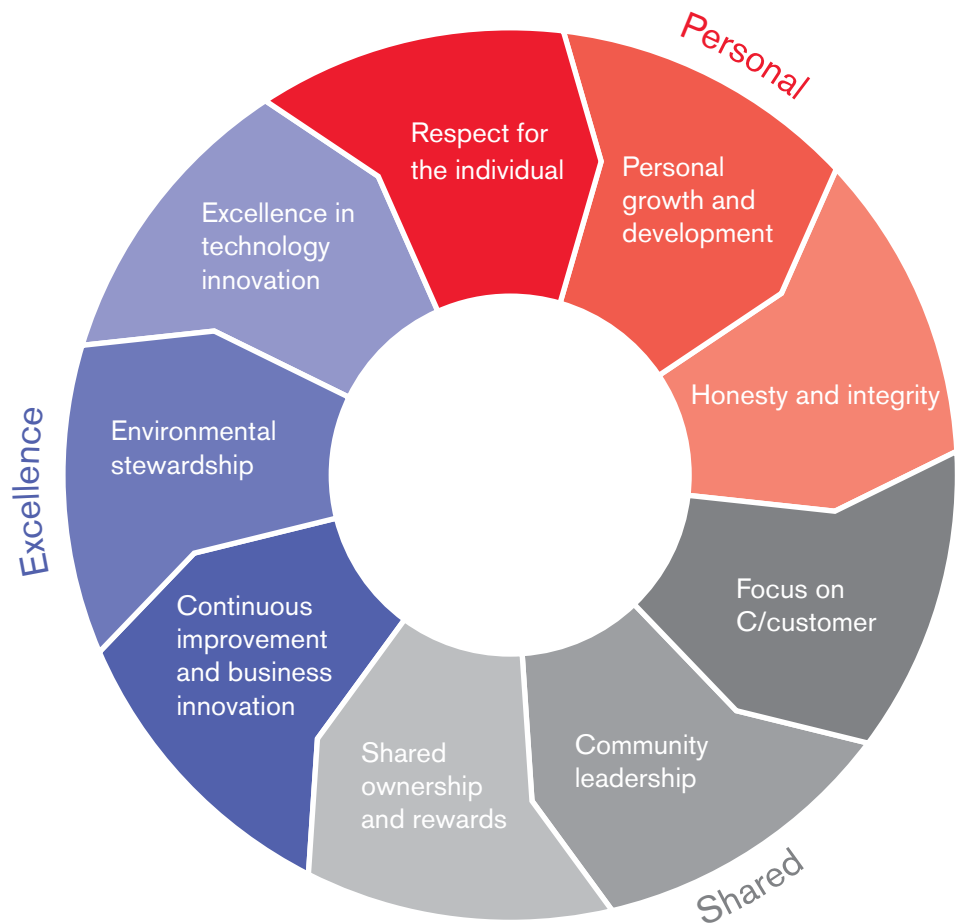
# Ownership

2014 was the first full year operating as a 100% Associate-owned company. We “work like an owner” and “think like a customer” as we strive to provide the very best products, service, and support for our customers.



As Associate-owners, we are committed to making decisions with the long-term horizon in mind. We take pride in doing what is right for each other, our customers, our community, and our environment. The responsibility that comes from owning our company drives us.

# Ethics and integrity



Our Code of Ethics and Business Conduct guides Associates in their journey to meet high ethical standards. Every new hire goes through training and discusses the ethical values we share as Associates. All Associates are retrained on our code and shared ethical values every other year.

Hypertherm was founded in 1968 on the same core values that continue to guide us today. Hypertherm culture is powered by the pride of each Associate, and a shared focus on excellence. Our values come to life in all that we do as Associate-owners.



# 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.

## Cornerstone Award Hall of Fame

for exemplifying the concepts of CSR

- New Hampshire Businesses for Social Responsibility

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## LEED Gold certification

for 71 Heater Rd

- U.S. Green Building Council

## 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.

## 3<sup>RD</sup> Best Large Company to Work For in New Hampshire

- Business New Hampshire Magazine



Please contact us with questions or comments:  
Jenny.Levy@hypertherm.com or Barbara.Couch@hypertherm.com  
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