



Corporate Social Responsibility 2016 Annual Report

"When Associates are engaged, they feel a connection with their team and their company. An engaged team is productive, positive and driven."

Beth Horstmann
Lead Assembler

Hypertherm®

LETTERS FROM OUR LEADERS



During 2016, Hypertherm changed its brand platform from “Cut with Confidence” to “Shaping Possibility.” The catalyst was something greater than the normal marketing-driven refresh. Recognizing key changes over the past decade in our long-term ownership (becoming 100% Associate owned in 2013) and our long-term aspirations and sense of purpose, we felt it important that we tell the world not just what we do, but also who we are and what we stand for.

“Shaping Possibility” is something we strive to do for our customers with our industrial cutting solutions, literally helping customers give shape to their products and fulfill their business objectives. In a more aspirational sense, “Shaping Possibility” also refers

to our ambition to shape the world around us for the better – certainly through innovation and our collective impact applied to transforming industry, but also to shaping better jobs, richer communities and a more sustainable world. These are our bold goals, defining who we are and what we stand for.

I’m proud that, again in this past year, the Associates of Hypertherm have continued to take these goals beyond aspiration into practice and impressive progress in our business, our communities and our wider world. I’m also grateful to all of you who continue to offer us inspiration and partnership on this shared journey.

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

Evan Smith

Chief Executive Officer

Hypertherm has always been driven by the core belief that relentless focus on the needs of our customers, Associates, communities, and environment will drive business excellence. By engineering the interconnection of these principles throughout our business, we have shaped a corporate culture that has unlocked remarkable opportunities and achievements and redefined what is possible.

By all accounts, 2016 was a record year. A record of nearly 85% of our Associates served their community in ways they each chose for an average of more than two working days per volunteer. We helped a record 9,800 students in our region to engage in STEM-related activities through school tours of our manufacturing facilities, support of robotics teams, and engagement with makerspaces, to name but a few. Our Associates gave to a record number of nonprofit organizations through the Hypertherm HOPE Foundation. We diverted a record amount of waste from the landfill through improved partnerships with our supply chain and our sponsorship of a regional recycling center. We set product efficiency records, by developing our newest products to higher environmental standards, and as a result helped our customers reduce their own impacts. Our Associates had record engagement with our wellness initiatives, including those receiving their primary care at our onsite medical clinic.

It is the empowered drive, creativity, and compassion of our Associates that are delivering these results. As you will read in this year’s report, together, we have the power to be a force for good. Together, we are shaping a stronger company, family of Associates, community, and environment.

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

84% of Associates
volunteer

83%
favorable workforce
engagement

100%
Associate owned

1,113
green improvement
ideas implemented

9,800
students

involved
in STEM
activities
funded by
HOPE

We work
together
as owners to secure Hypertherm's future

100% ethics
training
completed by all Associates

19,846
hours volunteered
by Associates

100%
of electricity offset with
renewable energy credits

339
Associates and their families
enrolled in primary care

12 Associates
make grant
decisions for the
HOPE Foundation

2.5% of waste
to landfill





I AM SHAPING COMMUNITY ENGAGEMENT

HOPE



"I am proud to be a third shift Community Service Time Champion. I am passionate about helping those in need, so I work hard to inspire my fellow Associates to give back to our community through volunteering."

Ariel Leclerc-Vanesse

Machine Operator II – New Hampshire

I AM SHAPING COMMUNITY ENGAGEMENT

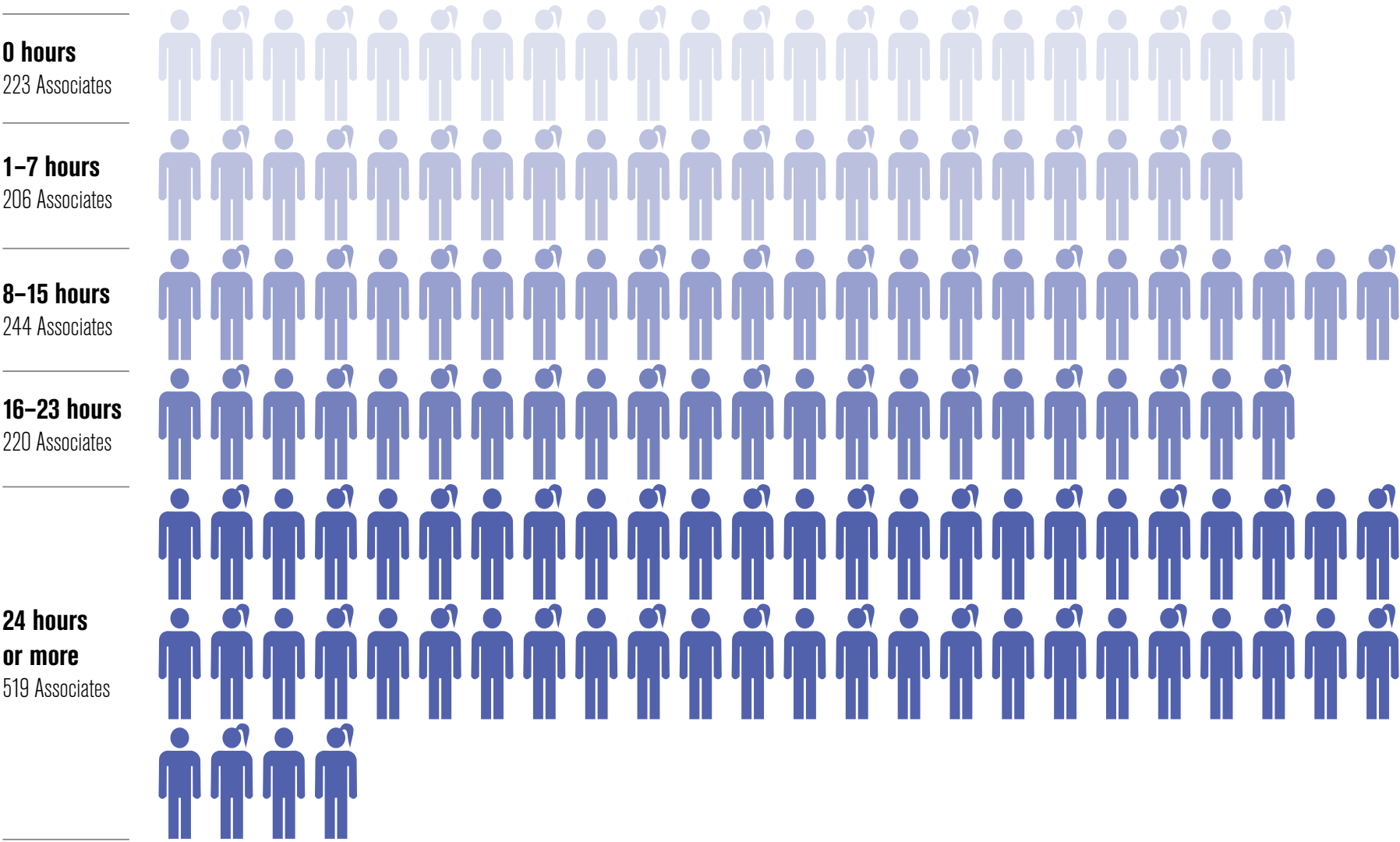
Our history of community service at Hypertherm goes back decades. It starts when an Associate walks in the door with an afternoon spent volunteering during New Hire Orientation, and continues throughout their time at Hypertherm with paid time off for Associates who want to volunteer.

In 2016 we experienced a record number of Associates utilizing their paid volunteer time to serve our communities around the world. In small part this is because of demand. More nonprofits are asking us for help. However, another aspect of this is tied to Associate choice. Associates get to decide where they want to volunteer. In choosing organizations they are passionate about, the work becomes more meaningful leading to a durable positive impact for all involved.

We believe so strongly in this model that we expanded our Community Service investment, going from 24 to 32 hours in 2017. Our hope is this will help Associates, and even retired Associates, many of whom continue to serve, make recurring volunteer commitments, further deepening the effectiveness of their work.



Depth of Associate volunteering in 2016



One Associate icon equals 10 actual Associates.

I AM SHAPING COMMUNITY ENGAGEMENT



“As owners, we’ve made caring for our community a priority and non-profits are beginning to recognize Hypertherm as a strategic partner.”

Rain Flanagan

*Senior Developer – New Hampshire
Chair of the HOPE Team*

I AM SHAPING COMMUNITY ENGAGEMENT



The mission of the HOPE Foundation is to partner with organizations and engage in activities that strengthen and create sustainable positive change in the communities where our Associates live and work. I have the privilege of witnessing this in our communities on a daily basis. From the stories I hear to the places I visit, the impact of our paid Community Service Time program and the Foundation's grant dollars are visible and tangible. In 2016, our 12 HOPE Team members reviewed some 150 community grants. This was not a simple task as many of the grants were lengthy, each requiring its own due diligence and research. Thoughtful questions were asked and answers sought as these selfless volunteers carefully stewarded the dollars entrusted to them.

The Hypertherm HOPE Foundation was established as a public charity intended to be inclusive of donations from Hypertherm Associates past and present and members of the communities served. The Foundation developed strategies in 2016 for ensuring at least a third of its value is created by funders in addition to Hypertherm Inc., a requirement for public charities. You will read in other sections of this report our focus on STEM and substance use disorders. Our strategic focus in these areas allows us to make a sustainable impact while contributing to our public charity status, as well. In addition, because the HOPE Foundation has practically no overhead, we are able to put 100% of our dollars to work. I could not be more proud of the HOPE Team and Associates of Hypertherm for their work in these areas. I am also grateful to the HOPE Foundation Board, who continues to encourage us to be bold in our thinking and to take audacious steps in growing the Foundation in ways that preserve its public charity status.

As President of the HOPE Foundation, I can assure you we will be true to our mission and remain steadfast in our commitment to change the world around us and make it a better place. While we can't change the whole world, we can change the part that is within our reach.

A handwritten signature of Barbara J. Couch in black ink.

Barbara J. Couch

President, HOPE Foundation

Thank you to our donors

Donations greater than \$10,000

- Couch Family Foundation
- Carey and Melissa Chen Endowment
- Hypertherm Associate Contributions to the United Way Campaign
- Nini and Robert Meyer
- Nick Sanders
- Vict and Jennifer Ying

Donations less than \$9,999

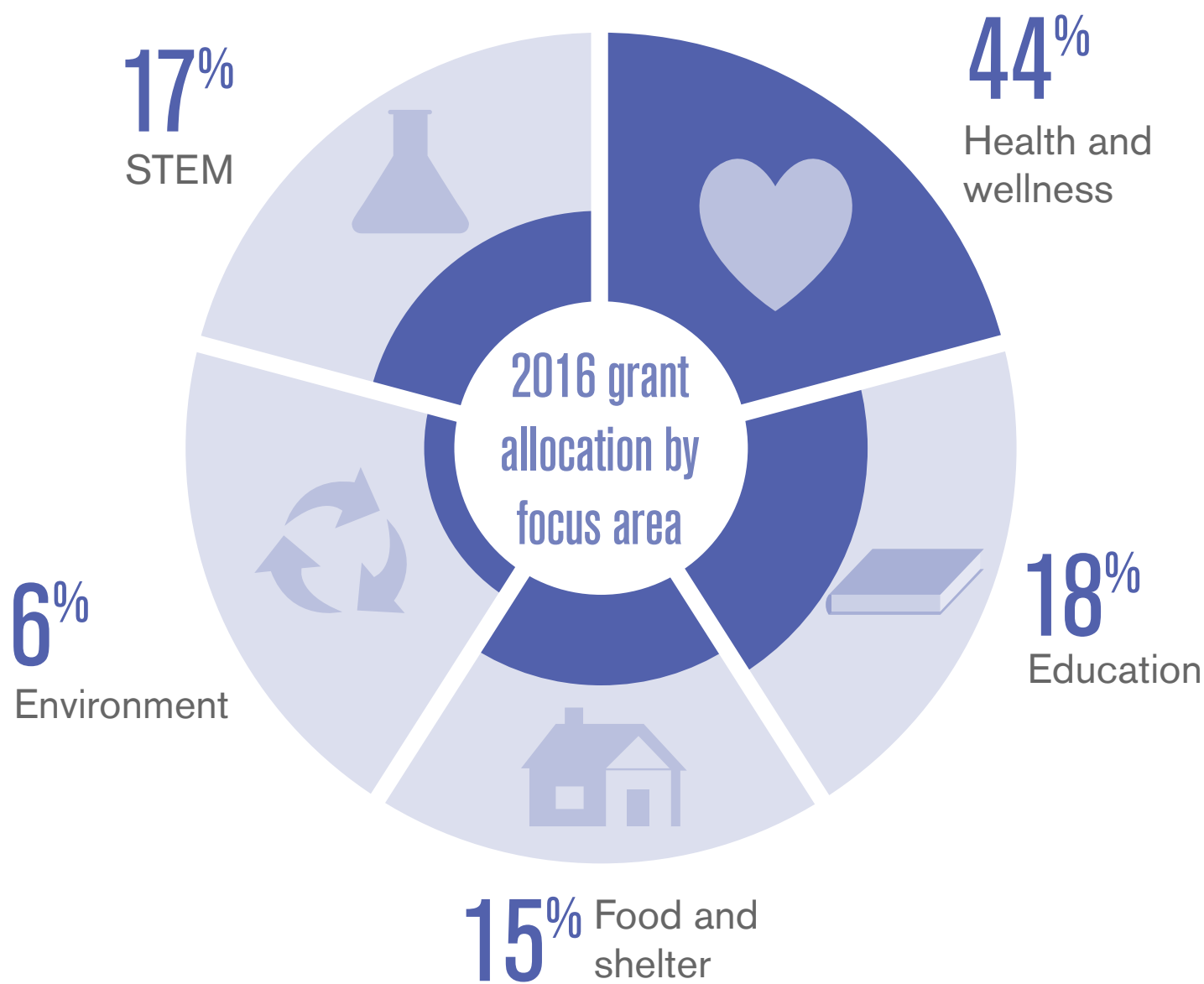
- Aaron Brandt
- Amazon Smile Funds Designation
- BKD LLP in Honor of Carey Chen
- Chloe and Mark Richards in honor of Barbara Couch
- Craig Humphrey
- Darlene Behren
- David and Diana Walker – GAWDA Gives Back
- Evan Smith
- Fred Clark Sr. in memory of Bob Clark
- Gordon Ehret
- Hypertherm garden donations

- Hypertherm pancake breakfast fundraiser
- Jenny Levy
- Jim Miller
- John Heald
- John Vogel
- Kevin Powers
- Lori Hibner
- Mark Becker
- Mark Hartness
- Mike Foley
- Rain Flanagan
- Rich Lettieri
- Ross Smith
- Zheng Duan and Lin Chu

I AM SHAPING COMMUNITY ENGAGEMENT

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.

The HOPE Foundation continues to broadly fund needs across many focus areas. In 2016 we continued to additionally support two strategic focus areas. The first is our ongoing SHAPE for STEM program described subsequently in this report. The second was developed in response to a statewide crisis. We created a Substance Use Disorder task force to fund programs in support of drug education, awareness and sustained recovery.



2016 HOPE highlights

132 grants awarded to nonprofit partners

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

75 Associates involved in leading our corporate philanthropy efforts (HOPE Team, committees, and champions)

I AM SHAPING STEM

I organize and participate in STEM activities to break the walls of stereotypes and educate the younger generations that they can be anything they want to be no matter their gender, race, size, or handicap. My goal is to let them know there are more options open to them so they do not have the long path I took to achieve the career I love.

Brenda Melius

Staff Engineer – New Hampshire

Hypertherm is a high-technology manufacturer with a long history of innovation in our engineering, operations, and service areas. As such, it is of great strategic importance to us that upcoming generations are engaged and capable in all areas of Science, Technology, Engineering and Math (STEM).

Our SHAPE (Students and Hypertherm Associates Partnering for Education) for STEM program has served students by funding grants for a number of STEM related activities including Lego Robotics teams. In addition, we have worked to expose students to STEM in the workplace by hosting job shadows and internships, and also mentoring students. Our Associates are highly engaged in supporting these programs and as a business in 2016 alone we hosted more than 900 students in our facilities for educational tours, job shadows and hands-on workshops.





I AM SHAPING THE ENVIRONMENT



"I have worked hard for years with my large team to get them all on board with Hypertherm's green initiatives for teams. First we became one leaf certified, then two leaf and now we are working on our three leaf certification. It has not been easy but I am proud of the progress we have made."

Tina Wakefield

Assembler III – New Hampshire

I AM SHAPING THE ENVIRONMENT

"I look at our every day production processes and find ways that we can do more with less."

AJ Fry
Machine Operator II – New Hampshire

Reducing the environmental impact of everything we do is critical to our success at Hypertherm as we consider it part of our mission to enrich our communities and the environment. Stewardship is deeply ingrained in our values as an Associate-owned company. As we reflect on 2016, we see fantastic progress in many areas and difficult challenges in others. Growing a business, while simultaneously reducing its impacts, is a journey that takes collective ingenuity, commitment, and passion. We are fortunate to have engaged Green Champions on every team, and support from all levels of the organization. Nonetheless, there are areas where we must do better. In achieving our 2020 goals and looking beyond, we are transforming our business and contributing to global solutions.

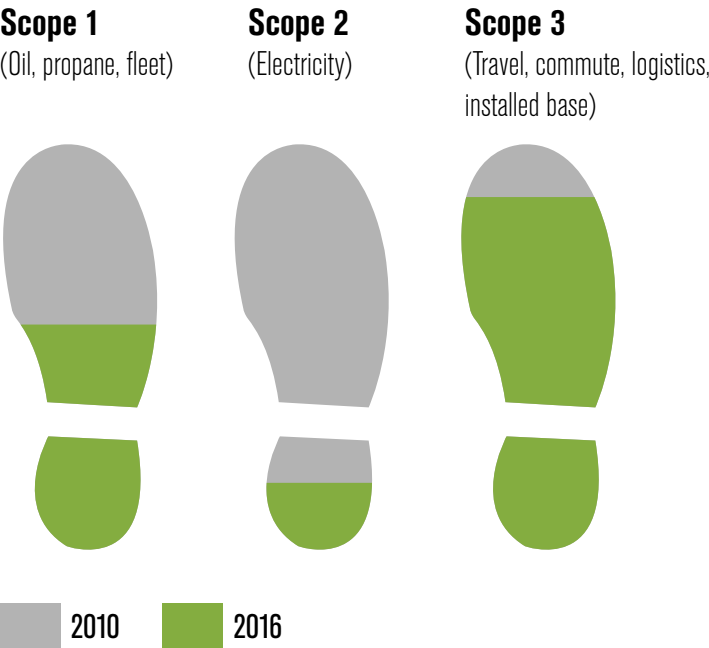
I AM SHAPING THE ENVIRONMENT

We choose to be transparent about all our environmental impact data to build understanding and to drive and inspire action inside and outside our industry. In 2016, we continued to purchase renewable energy credits for all our U.S. Energy consumption, making our electricity footprint net-negative. We also strive for efficiency across all our production and office areas.

In 2016, our Waterjet Team moved into a new building that is 40% larger, provides a fourfold increase in research and development capacity, and unlike the old facility, operates 24/7. While necessary for our Waterjet Team to efficiently meet current and future business needs, the impact to Hypertherm is an increased energy footprint. The combination of more space, more R&D labs, and systems like a water recycler designed to save millions of gallons a year, means the new facility uses nearly 2.5 times more energy than the older, smaller facility. For Hypertherm, the end result is a 6% drop in our overall energy efficiency for 2016, and an even steeper path to climb if we are to meet our 2020 goal of a 30% increase in energy efficiency. Still, we are committed to relentlessly pursuing waste and digging deeper to find those harder efficiency gains across the entire operation.

Commuting impacts were reduced by 7% from an intensity perspective. We credit this progress to our commuting incentives program, education, and awareness. Our outbound logistics impacts benefited from our new distribution center, which has allowed more consolidated shipments and use of ocean freight. Logistics impacts are down 36% on an absolute basis, since 2010.

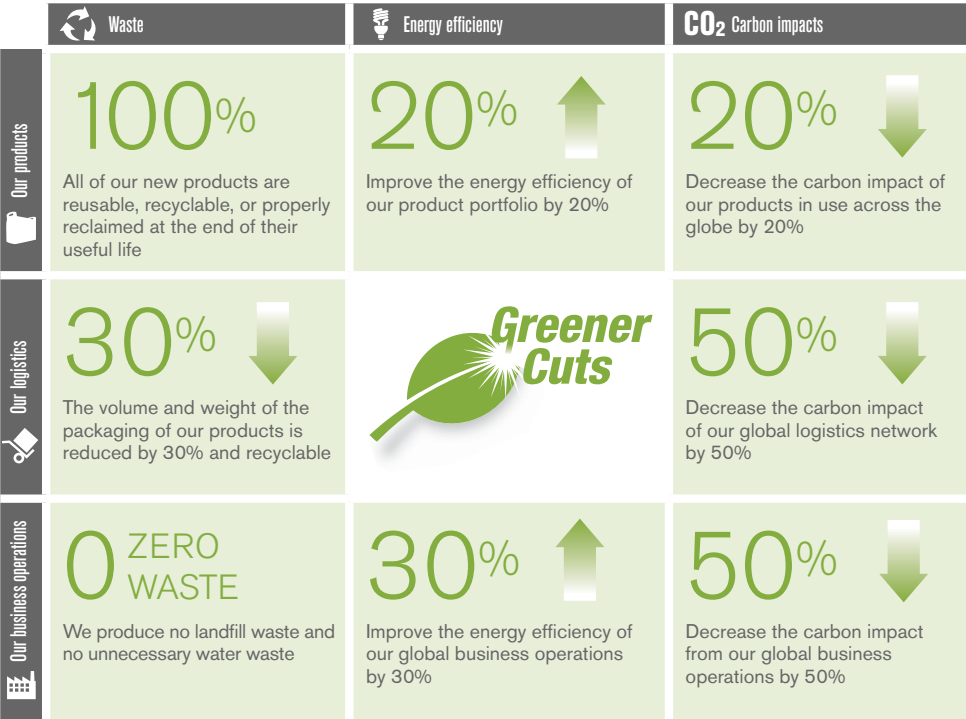
Environmental footprint



Emissions intensity reduction.

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.



	2010 metric tons CO ₂ e	2015 metric tons CO ₂ e	2016 metric tons CO ₂ e
Absolute impacts			
Scope 1:			
Heating fuels	763	986	987
Fleet	634	594	594
Scope 2:			
Electricity	5,638	-2,073	-1,909
Scope 3:			
Business travel	1,437	1,509	1,350
Commuting	4,303	4,944	5,345
Outbound logistics	39,226	24,772	25,120
Products in use	566,213	740,158	770,380
Water (gallons)			
Process water discharge	8,430,112	2,514,543	2,327,603
Sanitary water discharge	2,159,408	1,958,658	3,486,443
Solid waste (tons)			
Landfill trash	211	47	56
Cardboard recycle	173	143	165
Wood recycle	63	79	56
General recycle	14	46	46
Copper recycle	1,250	1,547	1,494
Other metals recycle	300	541	611
Hazardous waste	47	36	34
Compost	n/a	41	45
Filmy plastics	n/a	32	19
Reuse	0	56	98
Landfill rate	14%	2.2%	2.5%

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.

I AM SHAPING BUSINESS OPERATIONS



"We view all of these materials as resources. These have value to someone and we will find a use for them."

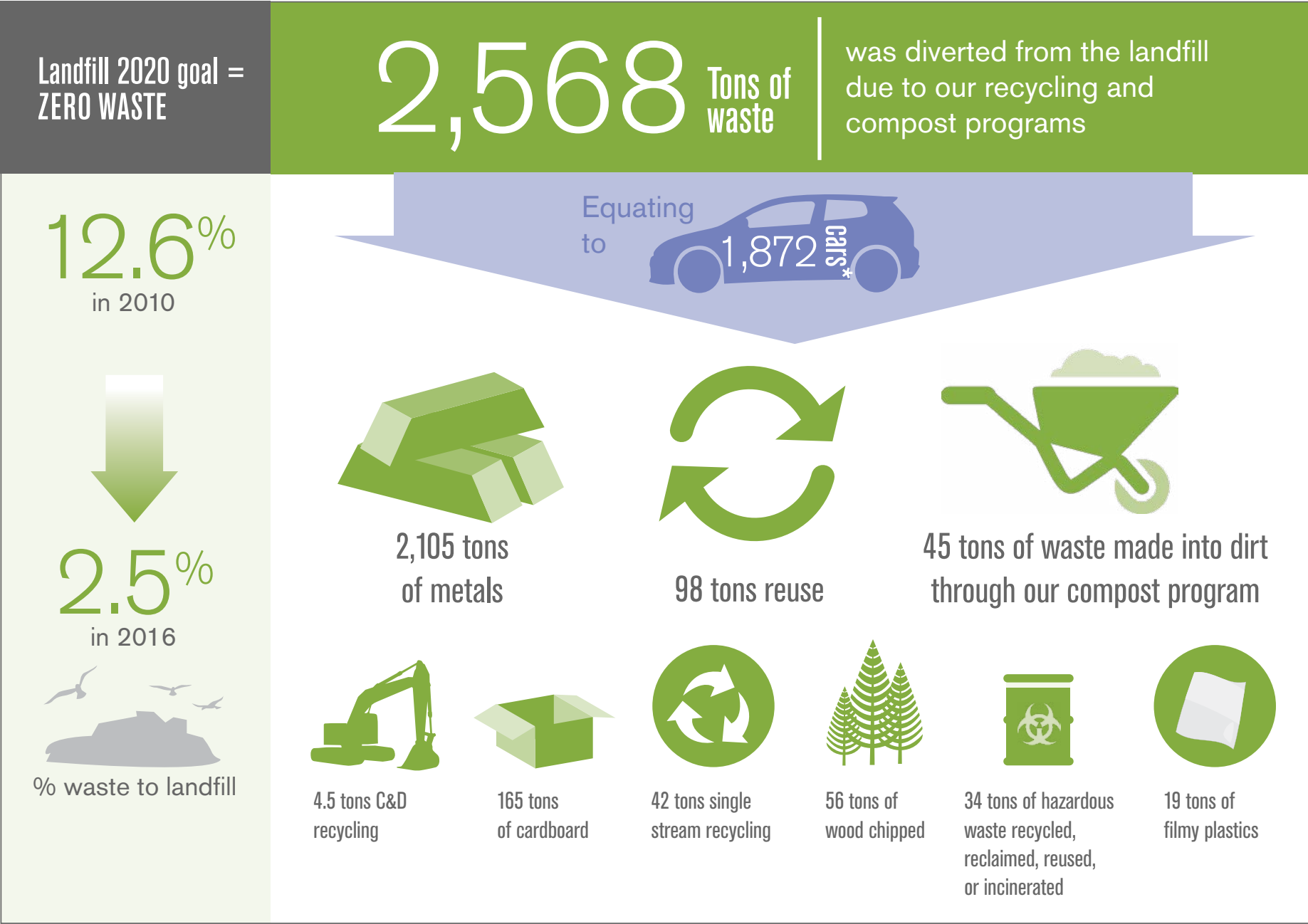
Eric Moulton

Facilities Technician III – New Hampshire

I AM SHAPING BUSINESS OPERATIONS

When it comes to our operational environmental goals, the most dramatic improvement is our waste to landfill number. Through a partnership with Casella Resource Solutions, we have moved waste streams up the waste hierarchy by finding ways to recycle, reuse, and even eliminate items previously sent to the landfill. This project, begun in 2015, is a true team effort with Hypertherm providing building space and Casella providing their expertise to create a “resource cooperative.” Area businesses consolidate their waste with ours, creating enough scale to make the transport and sale of these items into commodity markets a viable endeavor. As a result of this regional cooperation, several products we once paid to dispose of have found markets for reuse, and now bring in significant revenue. We now have 20% of waste streams (by weight) going to reuse, a result of close collaboration between Hypertherm’s production and procurement teams, and the team at Casella. Our packaging initiatives continue to drive waste reductions as well, with 27% of our inbound parts using returnable packaging.

Green business operations



*Equating to this many Honda Civics were diverted.

I AM SHAPING PRODUCTS



"Engineers enjoy the challenge of designing a product that is better for the customer, easier to make, and that benefits the environment."

Shreyansh Patel
Staff Engineer – New Hampshire

Hypertherm's engineering mission is to develop innovative technologies, products, and solutions that provide superior value to our customers, our Associate-owners, and our planet. We take a multi-faceted approach to fulfilling this mission. This includes performing Life Cycle Assessment (LCA), using an internally developed Design for Sustainability Scorecard, and integrating sustainable design principles into every aspect of our work, from our supply chain to our operations, product design, end use, and disposal.

Since 2012, we have performed six product LCAs. These have delivered detailed information and guidance on how to design products and services that are more sustainable. This guidance can be applied over years to long term product and business strategies, allowing us to make both iterative and breakthrough changes. Our Design for Sustainability Scorecard allows engineers to assess design decisions in real time so that different outcomes can be weighed. Our newest air plasma product, the Powermax45 XP, which launched in 2016, was designed to these standards of environmental excellence.



“‘Work like an owner. Think like a customer.’ is the essence of the Hypertherm spirit, and Hypertherm is the first Associate-owned company in my career. I believe Associates are happy to be the owner and each Associate can take a proactive role in good idea contribution such as Business Process Optimization and cost savings opportunities. I do see it in our China Continuous Improvement Activity meetings in past years. To be an owner, probably also means ‘Boss wants me to do it but maybe I don’t know the reason. Just trust the boss.’ changed to ‘I want to do it because I believe it will benefit the company and myself as well.’ It is a great change in a company culture and Associate morale.”

Myron Jiang
Controller – Shanghai, China

I AM SHAPING OWNERSHIP

Hypertherm is a 100% Associate-owned company. We are not just Associates; we are owners who are driven by the same vision, values, and culture. Because we are 100% Associate-owned, customers, not investors, are our top priority. We make sure every product is built to the highest quality and our service is second to none. In addition, our no-layoff philosophy lets Associates stay focused on their jobs and ensures that we don't lose valuable knowledge, experience, and skills.

As owners, we are committed to making decisions in the best long-term interest of the company. We take pride in doing what is right for each other, our customers, our community, and our environment. Hypertherm continually provides ways for Associates to make a difference and to experience the fact that they own part of the company. This is accomplished not just through stock ownership but by placing all Associates on decision making teams to ensure they have a voice in the company. It inspires Associates to follow our motto, "Work like an owner. Think like a customer."



100% Associate-owned



I AM SHAPING SAFETY



“The Light Industrial Systems Team works together to make safety a priority because a safe working environment is no accident.”

Angie Blake

Lead Assembler – New Hampshire

I AM SHAPING SAFETY

No one should get hurt at work. Our goal is zero workplace injuries or illnesses at all of our global locations. Safety excellence at Hypertherm starts with universal Associate engagement. We have a workplace culture which promotes Associate involvement and teamwork to ensure the safest workplace possible.

All team members, regardless of geographic location, work in the interactive design of workplace enhancements to improve our overall wellbeing. We emphasize proactive and preventative safety and focus on near-misses as much as actual first aid or injuries. To that end, we are happy to report that 2016 was a record high year with 245 safety incident reports created. These were mostly near-misses and first aid cases, which demonstrated our collective commitment to document and fix all workplace hazards.

In order to focus our efforts, Hypertherm is fully committed to the goal of meeting and exceeding the requirements of OSHA's Voluntary Protection Program (VPP) for all of our manufacturing locations.

We are pleased to report that Hypertherm's seventh VPP Star Site, our new facility at 71 Heater Road, was certified by OSHA in 2016. In addition, Hypertherm was granted OSHA's "Regional Administrator's Award" for extraordinary contributions, commitment and leadership to the OSHA VPP program.

We continue to offer Associates the tools they need to respond to an emergency by offering First Aid training that includes showing Associates how to perform CPR and use AED machines. In total, we've trained more than 380 Associates in the past 3 years.

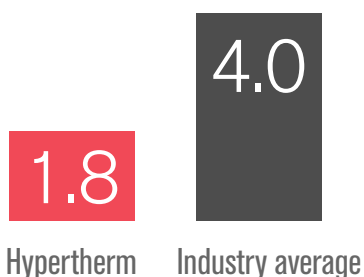
In the past 8 years alone, we are aware of 16 life-saving events carried out by Hypertherm Associates. Only four of those events took place at a Hypertherm facility. The remaining twelve events occurred in the community, allowing our Associates to save the lives of community members.

2016 safety highlights

100 Associates serve on a safety committee


245 safety reports of incidents

(mostly near misses and first aid cases) demonstrating our Associates' commitment to document and fix all workplace hazards (a new record for incident reporting.)



In 2016, Hypertherm's efforts continued to focus on reducing repetitive motion injuries. We worked to prevent such injuries by shortening the length of time spent on any one task, and also getting Associates aggressive physical therapy at the first sign of symptoms. These efforts reduced our total recordable rate from 1.9 in 2015 to 1.8 last year, placing us well below the 4.0 average for our industry.

I AM SHAPING HEALTH AND WELLNESS



"Being physically strong has empowered me as a woman and as a mother. It has driven me to not only excel in the gym, but in all parts of my life. I quit smoking, I started eating, I went to college. I am driven to be the best role model I can be for my six year old daughter and for anyone who is afraid of making that first step towards a better life."

Jenn Rice
Assembler III – New Hampshire

I AM SHAPING HEALTH AND WELLNESS

Providing for the well-being and development of our Associates is at the core of our corporate mission at Hypertherm. We are committed to building a culture of wellness across our global company. Our collective efforts and focus on well-being produced positive results in 2016. There are strong indications that we are continuing to be and becoming an even healthier population.




- US medical plan spending down 6% from annual projections.
- FMLA claims trending down by 3% in the last 3 years.
- The cost of short term disability claims has dropped 21% in the last 3 years.
- The experience modification for our workers' compensation insurance continues to be at a world class level of 0.50, well below the average factor of 1.0 and the 0.75 considered excellent.
- Total number of Primary Care patients using our onsite clinic now stands at 339, an increase of more than 35% from the previous year, putting us ever closer to our goal of 400 primary care patients.
- Eighty percent of Hypertherm Associates are participating in our Virgin Pulse health incentives program; of those 84% are engaged on a weekly basis.
- More than 2.5 billion steps were tracked by Hypertherm Associates in 2016.



We are simultaneously improving the wellness of our Associates and our healthcare spending. While we are experiencing savings on healthcare related programs, the greater benefit is healthier Associates who miss less time from work and are more engaged while at work. As an Associate-owned company, helping Associates enjoy a more rewarding and meaningful life with improved well-being is something we strive for.



I AM SHAPING ASSOCIATE ENGAGEMENT

A man with short brown hair and blue eyes, wearing a blue and white checkered button-down shirt and dark trousers with a black belt, stands in front of a blurred background of green ferns. He is looking directly at the camera with a slight smile.

“Engagement is important because it means that every Associate is actively contributing to our collective goals. Having engaged and empowered Associates with a common purpose creates a powerful engine to achieve great success.”

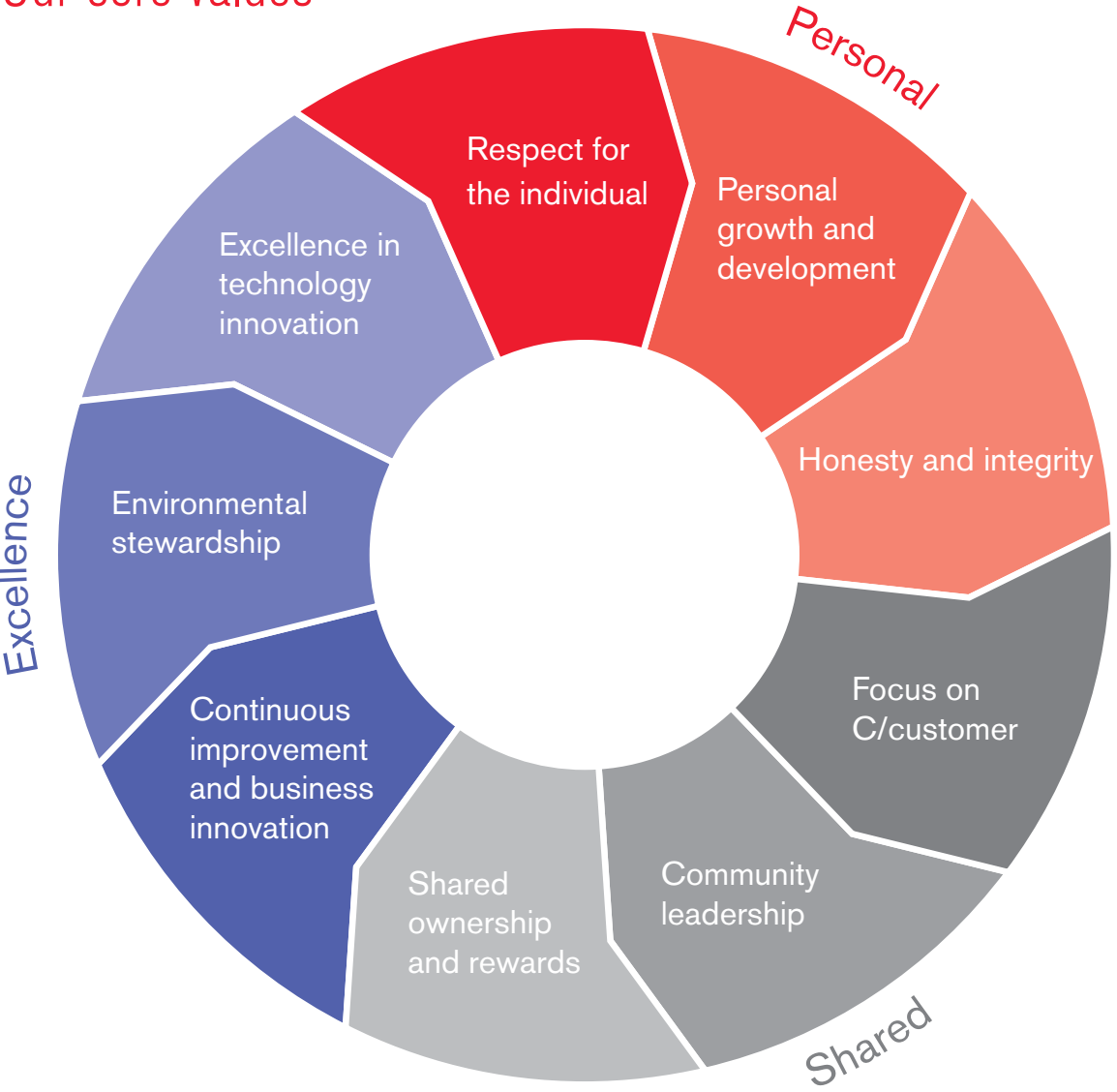
Nick Rosenberg

Business Team Leader – Lockport, New York

I AM SHAPING 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. We develop action plans at both corporate and team based levels to respond to the feedback Associates provide. We recognize the importance of Associate engagement and strive to create an environment where each Associate can contribute to their fullest potential.

Our core values

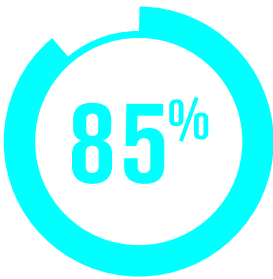


2016 survey results

Associate engagement



Great place to work




Pride in CSR



Importance of ownership



I AM SHAPING ETHICS AND INTEGRITY

A man with short brown hair, wearing a dark blue suit jacket over a light blue checkered shirt, stands in an office. He is smiling slightly and looking towards the camera. The background shows office cubicles, windows with greenery outside, and overhead fluorescent lights.

"It's important to me that I work for a company where ethics and ethical business conduct are genuinely valued as part of the way we do business. Hypertherm sets that tone from the top, which is reflected in our Associates' engagement in the work that we do."

Rob Starkey

Controller – New Hampshire

Our commitment to maintaining global compliance with our code of ethics and business conduct includes mandatory training for all associates on the day they join the company complemented by a more in depth discussion of our policies and expectations during on-boarding. In addition, on a bi-annual basis three levels of online courses and in-person leader training are delivered. This training was completed in 2016, and based on feedback from participants we updated our policy document and redesigned our ethics resource library to make the content more intuitive and accessible.

Our efforts are resulting in global recognition with Hypertherm once again named to the Ethisphere Institute's World's Most Ethical Companies list. The award recognizes excellence among companies who promote ethical business standards and practices internally, enabling managers and employees to make good choices, and shape future industry standards by introducing tomorrow's best practices today.

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.

NHBSR Cornerstone Award

Named to the Hall of Fame for our continued corporate social responsibility work and dedication to our Associates, community, and the environment.



NHBSR Partnerships for Innovation Award

Joint recognition to Hypertherm and Casella Resource Solutions for our work and innovation around industrial recycling and waste reduction.

2016 World's Most Ethical Company

Presented by the Ethisphere Institute for fostering a culture of ethics and transparency at every level of the company.

WasteWise Partner

Awarded by the Environmental Protection Agency (EPA) for management practices that promote the productive use/reuse of materials throughout their lifecycle.

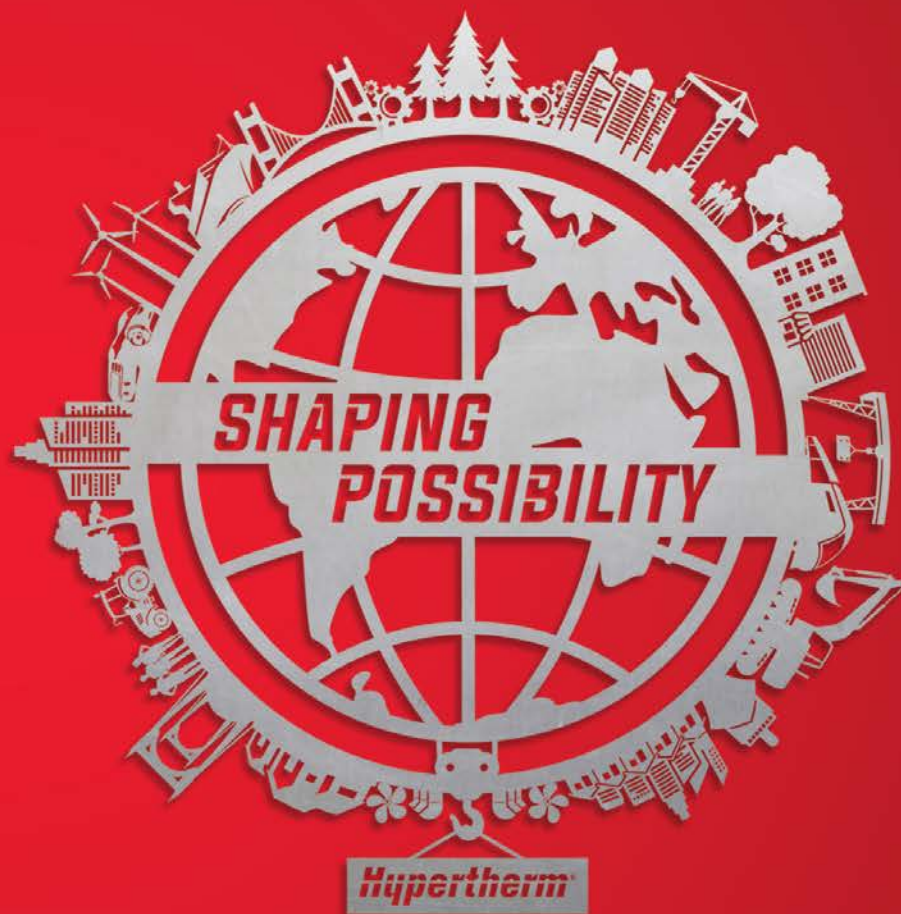


Green Power Partnership, Leadership Club

EPA designation for using 100% green power; one of only six Industrial Goods and Services companies to achieve Leadership Club status.



**HELPING YOU
SHAPE THE WORLD.
SHAPING
POSSIBILITY.**



PLASMA | LASER | WATERJET | AUTOMATION | SOFTWARE | CONSUMABLES

Learn more at:
www.hypertherm.com/csr

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