

# 50 Years of Shaping Corporate Social Responsibility

2017 Annual Report



**Hypertherm®**

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# Corporate social responsibility at Hypertherm

We believe any long-term sustainable business is value creating, not just for financial stakeholders, but also for customers, suppliers, employees, communities, and the environment.

Hypertherm's vision is to be the agent of innovation in industrial cutting operations globally, working together as a company of Associate-owners to make positive change, create shared value and bring out the full potential of every Associate.

We believe our triple-bottom line management approach, to positively balance people, profits, and the planet, makes our business stronger for the long term. We engineer technologies, products, services and solutions that provide superior value to our customers, our Associate-owners, and our planet. At Hypertherm, we embed this strategic and transformational stewardship approach across all aspects of our work.



*Cover photos, volunteering through the years, from left to right. Top row: Hypertherm's Information Systems Team at Zack's Place in Vermont; The Robotic Software Team supports a Montreal food bank. Middle: The first Philanthropy Team Adopts a Road; China Associates green-up in Shanghai; Upper Valley Associates at the Prouty; North American Associates green-up a beach. Bottom: Hypertherm's Technical Publication Team collects cans of food; A former Associate helps at the Upper Valley Haven; and Associates in Brazil paint a playground.*



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# 1965

## Our first invention

### *A cashew nut sheller*

Although Dick Couch is well known for inventing a better plasma cutting process, his start as an inventor began with something else: a cashew nut sheller. Officially known as U.S. Patent 3,605,843, granted to Professor Emeritus Robert Dean and Richard Couch, it is the very first patent that hangs on a patent wall at Hypertherm.

Barely out of his teens, Mr. Couch's motivation was driven by two values that continue to drive Hypertherm today: his concern for the individual and environment. While on a trip to Africa, Mr. Couch learned that cashews belong to the same family as poison ivy and are quite hazardous. A toxic oil lines the inside of the shell and when shelled by hand, as was done by African workers, would burn the skin.

In addition to the harm it caused, Mr. Couch was concerned with something else: waste. Workers shelling by hand were not able to isolate the oil, then considered a profitable commodity within the automotive industry. As a result, the oil was getting thrown away with the toxic shells.

Mr. Couch's solution then was to design a machine that could shell the cashews while keeping the oil and nut apart. Seen here with fellow Thayer student Ephraim Aniebona, he returned to Dartmouth College in 1965 and began work on a shelling machine under his professor's tutelage.

The apparatus he came up with involved the creation of a controlled explosion. The device would place pressure on the unshelled cashew causing the nut and shell to break apart and exit the machine along two different trajectories before landing in two separate containers. The engineering behind the sheller was deemed a success and in 1971, after winding its way through the U.S. Patent Office, Mr. Couch's first patent was awarded.

Read the original article from the Spring 2017 issue of Dartmouth Engineer Magazine at <https://thayer.dartmouth.edu/magazine/inventions-cashew-nut-sheller/>



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# Letter from Dick Couch, co-Founder, Chairman of the Board

In 1968, Bob Dean, a professor at the Thayer School of Engineering at Dartmouth College, and I founded Hypertherm in a small garage in Hanover, NH. This is not made up and we have the picture. I was an engineer and Bob was a professor; we quickly learned that we were not optimum candidates for venture funding. It was mostly Bob who persuaded friends and family to invest a total of \$68,000 in our idea.

The beginning years of the company were purely focused on survival. We had an idea about making plasma cutting into a better industrial process. Plasma cutting was used to cut stainless steel, and only stainless steel. Alternative cutting processes were so bad, plasma was the only choice. Our thinking was that if we could improve the edge quality when cutting mild steel, we would greatly expand the potential market for plasma cutting.

From the outset, Hypertherm embraced the core values of shared rewards, respect for the individual, and respect for the environment. It took us eight long years, but in 1976, we made our first profit and shared our first cash profit-sharing distribution with all Associates. We also established a no layoff policy, which was borne out of observing our competitors go through periods of hiring and firing during cyclical business fluctuations. We believed, and still believe, that we as Associates of Hypertherm are members of one team and that together we can weather the up and down cycles that occur.

I remember a panel I was on maybe thirty years ago where I argued for considering success in more dimensions than purely increasing shareholder value. The other panelists were focused on shareholder return on investment as the primary objective. However, I have come to feel strongly that respect for the individual and respect for the environment are the key determinants of increasing shareholder value. These are not altruistic goals but are necessities for achieving success.

In 2001, my wife Barbara and I established an Employee Stock Ownership Plan at Hypertherm. A little more than 12 years later, our Associates acquired 100 percent ownership of the company. The increase in value of Hypertherm created by our Associates is shared with all Associates. Barbara and I hope this sets the stage for the next fifty years of growth as a model of employee ownership and a triple bottom line.



*Dick Couch*

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# Letter from Evan Smith, President and CEO

I joined Hypertherm in 1992, so my tenure here spans only a little more than half of the 50-year journey. When I started, the company vibe was still pretty spartan, with duct tape holding down the carpet and the smell of plasma cutting infusing the air. We were in the middle of a recession, and while the start-up survival fears were in the past, there was still some of that sense of existential urgency. There were no profits to share that year, and yet there was a \$100 bill in an envelope from Dick and Barbara for every Associate at year-end – and no layoffs.

The values formed and refined in the start-up crucible before my arrival were not yet written down or formally introduced, but were understood by all and reinforced and lived out in daily decisions and actions more than words. And though we were still humble in presentation and scale, the commitment to each other and the aspirations to have an impact on the world and to be a model for a better way to run a business were writ large.

In the 26 years since 1992, I've been as much witness as actor in the blossoming of those humble values and big aspirations. As our means have increased, so has our impact. Our field of vision has expanded from the enterprise and our industry to our communities and the wider world. The growth and quality of our commitment to a greater purpose have outpaced even our boldest dreams. I'm enormously proud of and grateful to the Hypertherm pioneers who put us on this trail and to the trailblazers throughout our organization who keep us moving forward.



A handwritten signature of Evan Smith in black ink. The signature is stylized, starting with a large 'E' and ending with a long, horizontal stroke.

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# Letter from Jenny Levy, V.P. Corporate Social Responsibility

Our 50th Anniversary has brought countless stories of Hypertherm's legacy out of the woodwork. I always knew that our Co-Founder Dick Couch's first awarded patent was a "nut cracker." What I didn't know, as you have surely read in the first page of this report, was that it was an innovation to solve a worker safety issue with the additional hope of improving economic opportunity. My first reaction to learning this was, "Of course!" When I started as an Associate here in 2004, I experienced the ever-present value system of Hypertherm, bringing the words hanging on the wall to life. Within my first months of joining, I heard: "No one comes to work to get hurt," while part of a safety walk through; "You now own this company too" as I received profit sharing; "We serve our community because it will make us all stronger" as my team gathered supplies for a family in need; "Let's take a walk to brainstorm this and we'll get some steps in too" as I started a meeting with a co-worker.

Our Associates come to work at Hypertherm, and build long careers here, in large part because they have found a company that truly aligns with their personal values. We have a fifty-year foundation of proving that a company which creates positive impact on our people, our communities, and our planet is more successful. It's not altruism; it's creating shared value. Hypertherm's philosophy is why I joined the company as well.

The progress and challenges shared in this report are reflections of the legacy of our relentless pursuit of strong, positive corporate leadership. Our responsibility to our Associates, our communities, and our environment remains central to all our business decisions. It is upon this strong foundation that we also pursue new forms of corporate responsibility. For the first time in this report, we are sharing our work to break stigma around Substance Use Disorders and our drive to increase our inclusion and diversity.

The 1,400 Associates at Hypertherm today feel, more than ever, the tremendous opportunity that our two co-founders created for us in 1968 and the deep honor that Dick and Barbara Couch bestowed upon us with 100% ownership in 2013. This legacy both grounds and fuels us as we face the challenges and opportunities ahead.



A handwritten signature in black ink that reads "Jenny". The script is elegant and cursive, with a large, flowing 'J' and a simple 'y'.

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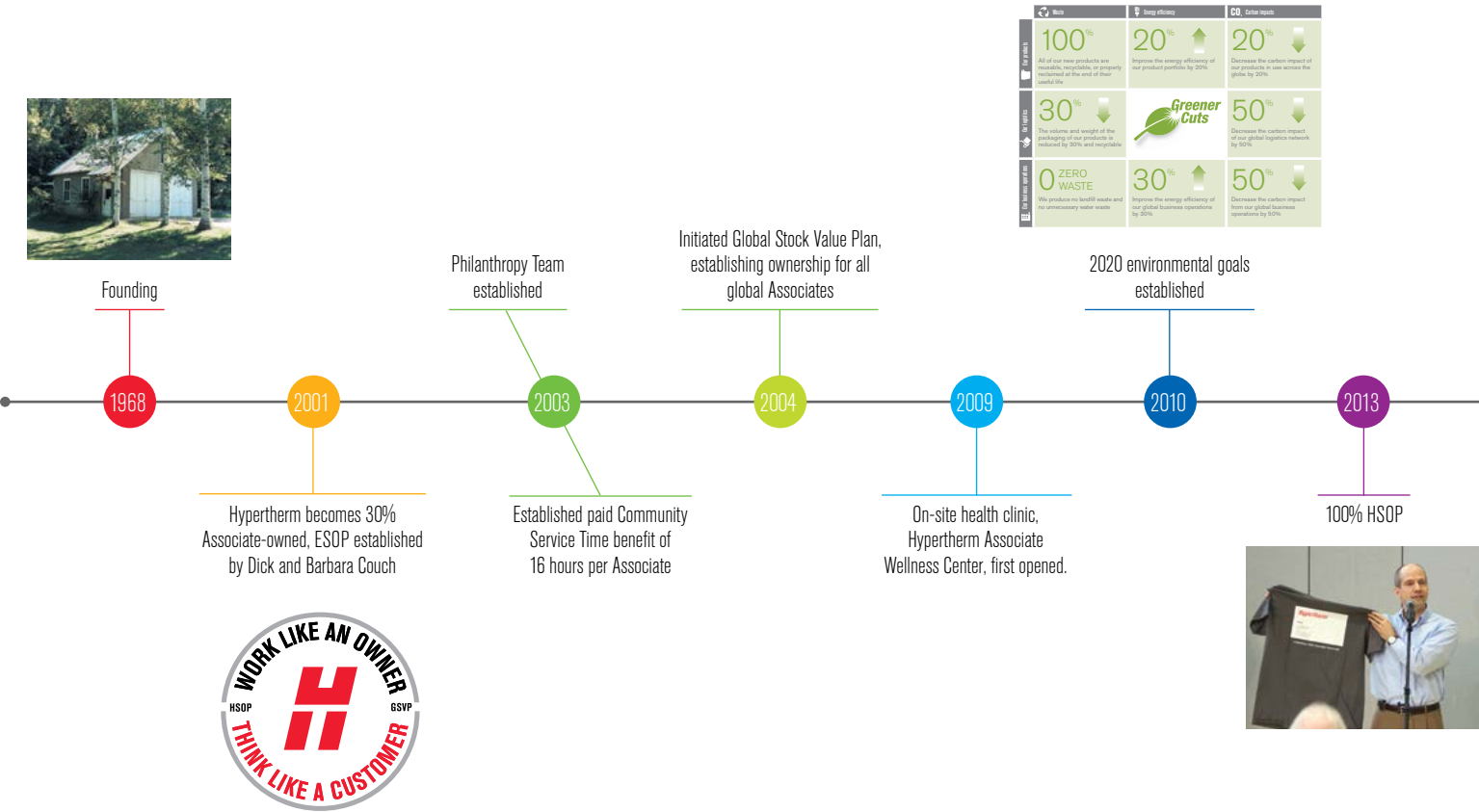
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# Letter from Barbara Couch, HOPE Foundation president

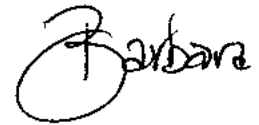
This being the year of Hypertherm's 50th Anniversary and a major milestone for Dick, I too have taken pause to reflect on those earlier years with the company. While a lot has changed, for sure, some things have not. Our values, for example, have remained constant. The values that guided Hypertherm during those first several years in the garage are the same values that are with us today.

In 1976 when Hypertherm finally became profitable, Dick chose to share the profits with the Associates who had been by his side during those first struggling eight years. And thus, Hypertherm profit sharing was launched. "Shared rewards" became a stated corporate value and remains so today. And while shared rewards were certainly important to our Associates, Dick understood that when Hypertherm did well, sharing with our communities was necessary too. It was important to him at that time to reach beyond our four walls to support the communities where our valuable Associates lived, worked, and raised their families. So, during those early years we found ways to build stronger connections to community. Well before we launched our formal Community Service Time program, we partnered with schools and mentored children, we cooked and served community dinners to our marginalized neighbors, we supported nonprofits doing great work, and we made the decision to match all United Way donations. As the company grew, we wanted to be certain all Associates around the globe had equal opportunities to serve and give back to the communities where they lived and worked, so we formalized Community Service Time (CST) in 2003 allowing all Associates paid time off to volunteer. We also created what was then called the Philanthropy Team and now the HOPE Team, empowering Associates to assume responsibility for Hypertherm's financial gifting decisions. While Corporate Social Responsibility (CSR) had not been defined yet as a functional team, we were functioning as responsible corporate citizens. We were living out our values.

So, let's fast forward to today. We've created the HOPE Foundation, institutionalized 32 hours of paid Community Service Time (CST) per Associate, and built out our Corporate Social Responsibility Team. In addition, we've provided millions of dollars' worth of grants to thousands of nonprofits, and tens of thousands of volunteer hours throughout the years. You will also read in this report the extraordinary progress we are making through our strategic focus on STEM and Substance Use Disorders, both initiatives born out of the HOPE Team.

But we will never forget our origins when Dick espoused and role modeled volunteerism and philanthropy. He put Hypertherm on the map not only because of his relentless focus on innovation, but because of his steadfast attention to the values he deemed important. I am so proud of our global Hypertherm family who take these values – shared rewards, community citizenship and environmental stewardship – beyond the imaginable and place them into practice every day. These are not simply words on paper, but the way we live our lives at Hypertherm. Sharing, caring, and giving back.

A lot has changed in Hypertherm's 50 years. Our values have not.



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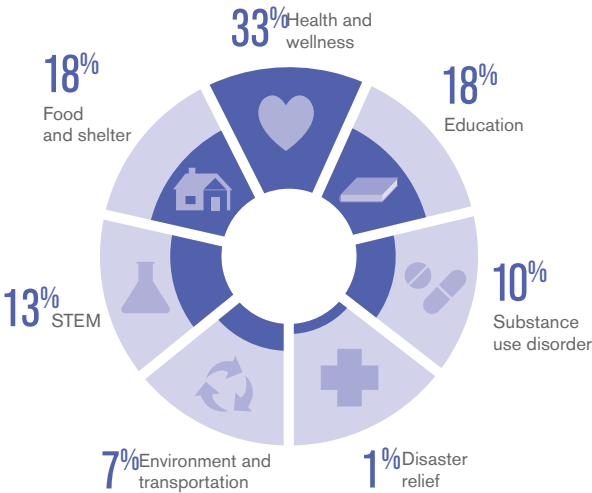
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HOPE Foundation

The Hypertherm Owners' Philanthropic Endeavors (HOPE) Foundation was founded in 2010 to formalize our long history of philanthropic giving. For decades we funded many nonprofits in our region in New Hampshire. Initially, those decisions were made by our Founder and a few senior leaders until that same group broadened the decision making to a diverse set of Associates in 2002. This started a more democratic model that reflects our Associate-ownership and remains a powerful engine for our global philanthropic giving today.

Our funding strategy has evolved from reactive check-writing to focused community impact investment areas with a dozen formalized strategic partnerships. Associates from across Hypertherm make all philanthropic funding decisions. At our New Hampshire headquarters, the twelve-member HOPE team works proactively with nonprofit strategic partners to define and meet their greatest opportunities. Across the globe, all our locations have a philanthropic budget which they allocate to their communities' greatest needs.

The HOPE Foundation continues to broadly fund needs across many focus areas and more specifically in two strategic funding areas: our ongoing SHAPE for STEM program and our Substance Use Disorder Task Force. In these two areas especially, we combine our philanthropic funding with volunteering and our corporate core competencies for greater positive impact.



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# Thank you to our donors

### Donations equal to or greater than \$10,000

- Carey and Melissa Chen Endowment\*
- Couch Family Foundation
- Hypertherm Associate Contributions to the United Way Campaign
- Hypertherm Inc.
- Nick Sanders\*

### Donations less than \$10,000

- Chris Acker
- Amazon Smile Funds Designation
- Mark Becker
- Darlene Behrens
- Dennis Borowy
- Aaron Brandt
- Christine Cavanaugh
- Chloe Couch in Honor of Barbara Couch
- Jeff Deckrow
- Douglas Devers
- Zheng Duan
- Sarah Dwyer
- Russell Edwards\*
- Gordon Ehret
- Wayne Elliott\*
- Rain Flanagan
- Paula Flanders
- Mike Foley
- Gail Gentes
- Anastasia Glavas
- Oliver Goettsche
- Mark Hartness

- John Heald
- Lori Hibner
- Mike Hoffa
- Craig Humphrey
- Hypertherm Community Garden Donations
- Hypertherm Lost and Found
- Annette Jewell
- Jennifer Johnson
- Bob Kingman
- Travis LaHaye
- Jack Lee
- Ann Leger\*
- Rich Lettieri
- Jennifer Levy
- Tia Liu
- Jamie Lowrie
- Bill Lynn
- Reese Madden
- Brenda Mahoney
- Eugene Mallozzi
- Carolyn Maloney
- Erin Martin
- Nini and Robert Meyer
- Brad Meyer\*
- Jim Miller
- Steven Moody
- Jane Moss
- Hannah Neidorf
- David Noort
- Peter Officer
- Kevin Powers

- Elizabeth Rice
- Nicholas Rosenberg
- Christine Shores
- Sue Shykula
- Sharron Smardon\*
- Evan and Sam Smith
- Sandra Smith-Ordway
- Christopher VanderNoot
- John Vogel
- Donni Weaver
- Gregory Wilson
- Phil and Mae Winslow\*
- Randall Woodward
- Thomas Woodward

\*Member of the Couch Circle



### Couch Circle Members

*Honoring retiring Associates donating to the Hypertherm HOPE Foundation*

- Carey and Melissa Chen Endowment, Sustaining Member
- Russell Edwards, Sustaining Member
- Wayne Elliott
- Ann Leger
- Brad Meyer, Sustaining Member
- Nick Sanders, Sustaining Member
- Sharron Smardon
- Vict and Jennifer Ying, Sustaining Member
- Phil and Mae Winslow, Sustaining Member

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# Community Service Time

Our dedication to caring for the community stretches back 50 years. Though not a formal program, our early Associates still took time to volunteer. The seed for the community service model in place today was actually planted a few decades ago. Founder Dick Couch and his wife Barbara, while attending educational symposia on corporate volunteering, were inspired to formalize something that Hypertherm Associates had been doing for years on their own. That program, officially launched in 2003, provided all Associates with 16 hours of paid volunteer time. Additionally, Associates could choose where and how they wanted to volunteer.

It is amazing to see the growth and depth of our service program since. During our inaugural program year 73 of the 700 Associates working at Hypertherm at the time volunteered for 739 hours. Our collective dedication to serving the community grew and in 2012 we increased the benefit to 24 service hours per Associate, reaching 13,594 hours volunteered that year. In 2017 we once again increased our paid volunteering benefit to 32 service hours per Associate and this next level of available service time unleashed a surge in our service, achieving a record year: more than 86% of our Associates served across 5,313 separate volunteer instances in 20 countries. Our Associates volunteer their time and talents across a spectrum of community needs – from physical labor to time in classrooms to terms on nonprofit Boards. A few decades ago only our Founder and one or two other senior leaders served on Boards. In recent years we held two internal Board readiness trainings and now have dozens of Associates serving on Boards across our communities.

At the end of 2017, nearly fifteen years after the creation of our Community Service Time program, Hypertherm Associates have served 138,949 hours in their communities. Many Associates serve above and beyond their paid service time. Our Associates dedicate their time and talents to serving the community and our company, building pride, engagement, and positive impact for all.



# 1980

Our 50th Anniversary gives me reason to take a walk down memory lane to 1980 when I started here. Hypertherm Associates have always supported the communities they live in through volunteer work. In the years before we had a formal CST program, the spirit of giving back to the community was very alive at Hypertherm. During the Christmas holiday season, teams would adopt a family and buy gifts for a specific family. It was like filling Santa's sleigh for an entire family. I remember being a member of the Hypertherm crew participating in Green Up Day. Dick and Barbara always embraced the spirit of giving and embedded this philosophy into the Hypertherm culture.

# 2003



As a natural progression of Hypertherm's spirit of giving, in 2003 we were fortunate to receive the benefit of having paid CST time. We all have an opportunity to take time away from our normal work day to support our community and many wonderful organizations. While the formal CST program provides easy access to opportunities to volunteer, I believe Hypertherm's culture has always supported the spirit of giving and provided support to the communities we live in.

I feel very fortunate to be a part of a company who has embraced community service from the very beginning.

– Codie Rockwood, Logistics Manager

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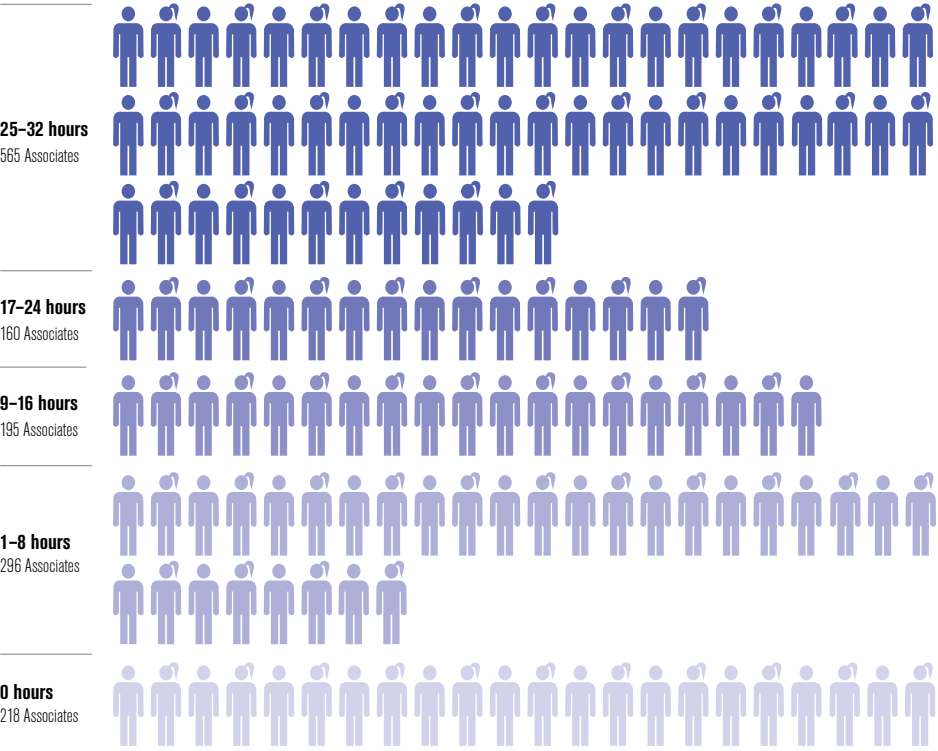
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Depth of Associate volunteering in 2017

We believe the combination of volunteer time with grant monies from the HOPE Foundation delivers impactful support to our global communities. Over 86% of Associates volunteered for a total of 25,601 hours in 2017. Here's a look at the depth of our Associate volunteer time in 2017, by the numbers:



One Associate icon equals 10 actual Associates.

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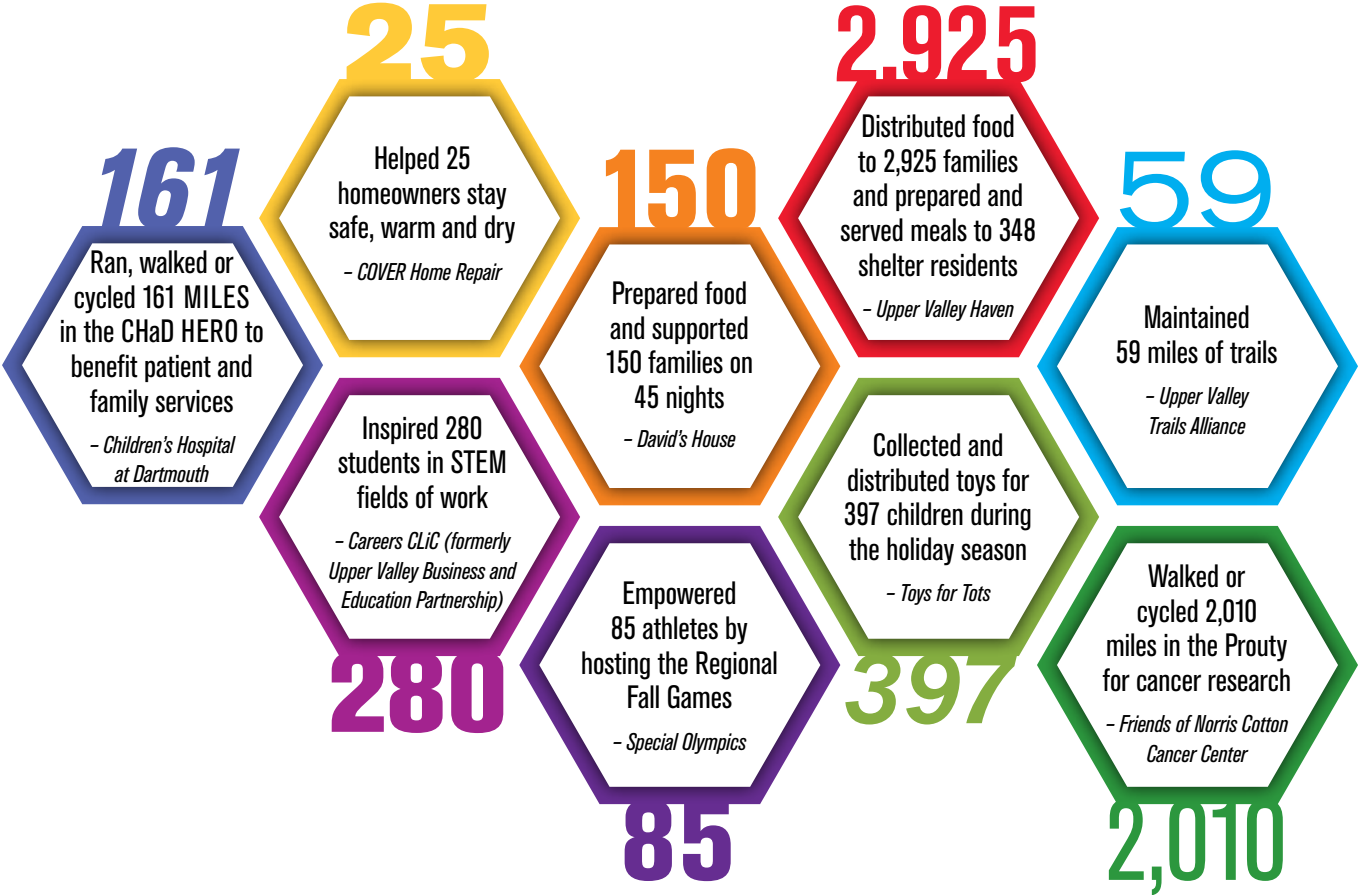
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Here's a look at some of what our volunteer time accomplished last year.





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# Substance Use Disorders (SUD) Task Force

In 2015 we created a Substance Use Disorders (SUD) Task Force. Led by Hypertherm Associates committed to supporting education for prevention and methods for sustaining and supporting recovery, the task force guides the work of both the HOPE Foundation and awareness building within Hypertherm.

The HOPE Foundation has created a strategic funding focus area for SUD, focused on providing grants to organizations and projects addressing this need. The SUD Task Force has done significant outreach and relationship building to understand needs and build partnerships. This has created the opportunity for several innovative grants that are making a positive impact in the lives of our community members to be funded by the HOPE Foundation.

Within Hypertherm, we are working to address the need to increase empathy and reduce stigma. We have shared personal blogs from Associates who have had family experiences with SUD, created resource web pages, placed posters and wallet cards throughout our buildings, welcomed guest speakers during our Wellness Week, held a public narcan training, and opened our doors so organizations working to address SUD could host community meetings and trainings.

All of this work contributes to our goal of Hypertherm becoming a recovery supportive workplace.



*These education resource cards are placed in all our NH restrooms.*

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# SHAPE for STEM

In our 50th year we reflect on the growth of our commitment that upcoming generations are inspired, engaged and capable in all areas of Science, Technology, Engineering, and Math. We have always had a close relationship with the nearby Thayer School of Engineering at Dartmouth, our co-founder's alma mater. In 2016 we created our more formal SHAPE (Students and Hypertherm Associates Partnering for Education) for STEM program which supports programs for middle and high school students.

With HOPE Foundation grant funding we sponsor Lego Robotics teams and other STEM-related programs that expose, educate, and excite youth in our communities around STEM both during and after school. We have many Associates who volunteer with these same teams as coaches or mentors.



We have created a robust school tour program in which students visit our facilities and cutting labs and interact with Associates throughout the organization. In 2017 alone, we hosted more than 600 students for educational tours, job shadows, and hands-on workshops. We continued to host high school students at our summer institute and middle school students during our February Vacation Camp. In 2018, we will kick off a semester long internship program in collaboration with another area manufacturer and two high schools.

In addition, we've created a virtual tour so students and teachers unable to visit in person can still experience the great STEM-related work going on at Hypertherm as part of a continued effort to reach more students in our SHAPE for STEM program.



*Students experience STEM first hand through engineering activities (top) and hands-on plasma cutting (bottom).*

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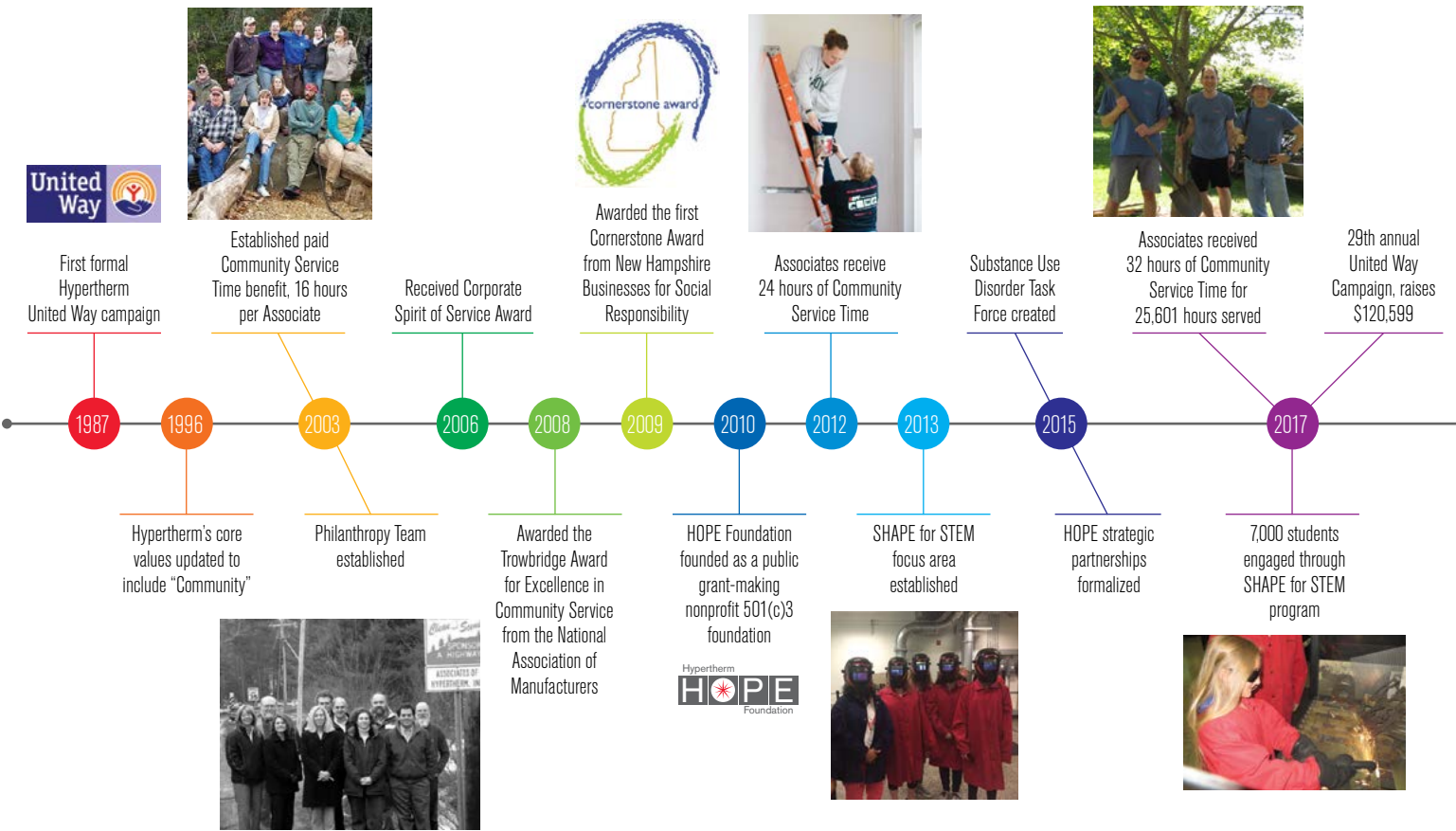
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# Environmental stewardship overview

Fifty years ago, with our founders in a two-car garage, our environmental impacts were small. Now in 2017, with more than 1,400 Associates in multiple sites throughout the world and a global installed base of customers, we have a deep responsibility and desire to manage our business to benefit people, planet, and profit. We know this business approach builds greater success and resilience. Three years remain to achieve our aggressive 2020 Environmental Sustainability Goals, making 2017 a year of collaboration, continuous improvement, and innovation around reducing the impact of everything we do. We continue to focus on reducing the impact of our products, logistics, and operations.

## Environmental footprint

- Scope 1**  
(Oil, propane, fleet)
- Scope 2**  
(Electricity)
- Scope 3**  
(Travel, commute, logistics, installed base)



2010 2017

Emissions intensity reduction.

Absolute impacts	2010 metric tons CO <sub>2</sub> e	2016 metric tons CO <sub>2</sub> e	2017 metric tons CO <sub>2</sub> e
Scope 1:			
Heating fuels	763	987	1,111
Fleet	634	594	450
Scope 2:			
Electricity	5,638	-1,909	-2,953
Scope 3:			
Business travel	1,437	1,350	1,660
Commuting	4,303	5,345	5,449
Outbound logistics	39,226	25,120	25,035
Products in use	566,213	770,380	709,879
Water (gallons)			
Process water discharge	8,430,112	2,327,603	1,270,588
Sanitary water discharge	2,159,408	3,486,443	2,015,507
Solid waste (tons)			
Landfill trash	211	56	29
Cardboard recycle	173	165	169
Wood recycle	63	56	66
General recycle	14	46	37
Copper recycle	1,250	1,494	1,640
Other metals recycle	300	611	496
Hazardous waste	47	34	33
Compost	n/a	45	92
Filmy plastics	n/a	19	16
Reuse	0	98	60
Landfill rate	14%	2.5%	1.8%

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

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# Environmental sustainability dashboard for 2020

	 Waste	 Energy efficiency	<b>CO<sub>2</sub></b> 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>



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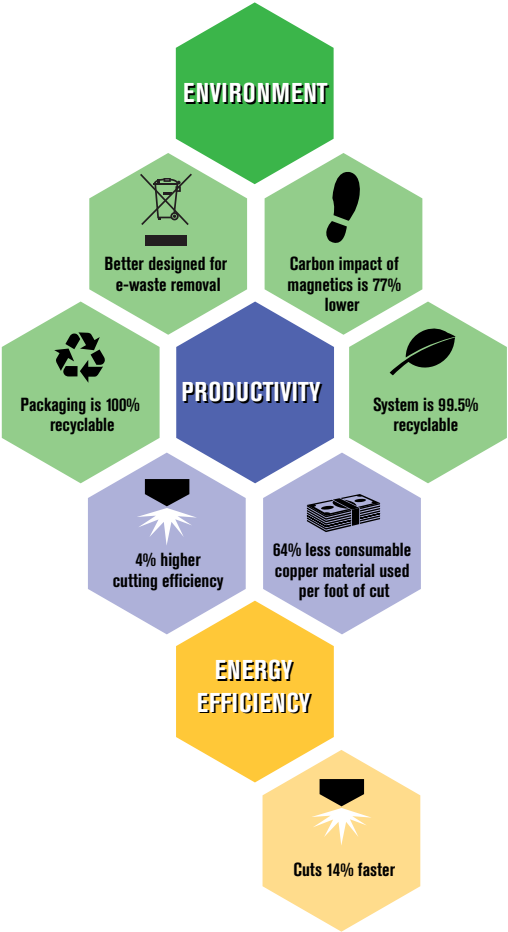
# XPR case study

In 2017, Hypertherm launched the XPR300®, the most significant advance in mechanized plasma cutting technology, ever. As they do with every product developed, our engineers applied Design for Sustainability principles to achieve reduced environmental impacts. Life Cycle Assessment has told us that the scrap produced when our customers cut products is the largest environmental impact. For this reason, our plasma process and software engineers teamed up to optimize the entire cutting process. Their goal: drive down scrap and with it, customer costs. The second largest environmental impact is the energy used by our systems, and this is something our engineers can, and have, directly improved. The XPR300 cuts 14% faster, and has a 62% higher power to weight ratio than its predecessor, the HPR260XD®. XPR consumables use 64% less material per foot of cut. The XPR300 is 99.5% recyclable and is shipped in 100% recyclable packaging. These achievements come alongside unmatched cut quality, increased cut speed and productivity, and a 50% reduced operating cost compared to the HPR technology.

The impact is even greater when compared to our earliest plasma systems. The XPR300 uses 76% less power and cuts 250% faster than our first mechanized power system, the PAC500 which was launched in 1972. The cutting efficiency of the XPR300, measured as square inches cut per kilowatt hour is 450% higher than the PAC500.



Design engineers and assemblers celebrate the completion of our first XPR300 X-Definition™ plasma system.



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# Logistics

With our new logistics center fully online, we are better poised to shift outbound logistics toward consolidated ocean shipments, and our goal of reducing our logistics carbon footprint by 50% is within reach. As of the end of 2017, 24% of shipments went by ocean, up from 10% in 2010, resulting in a 36% absolute carbon reduction since 2010, despite sales growth.



Associates at our Hanover logistics center.



36% in absolute carbon reduction since 2010



24% of shipments sent by ocean

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Sustainability dashboard

XPR case study

Logistics

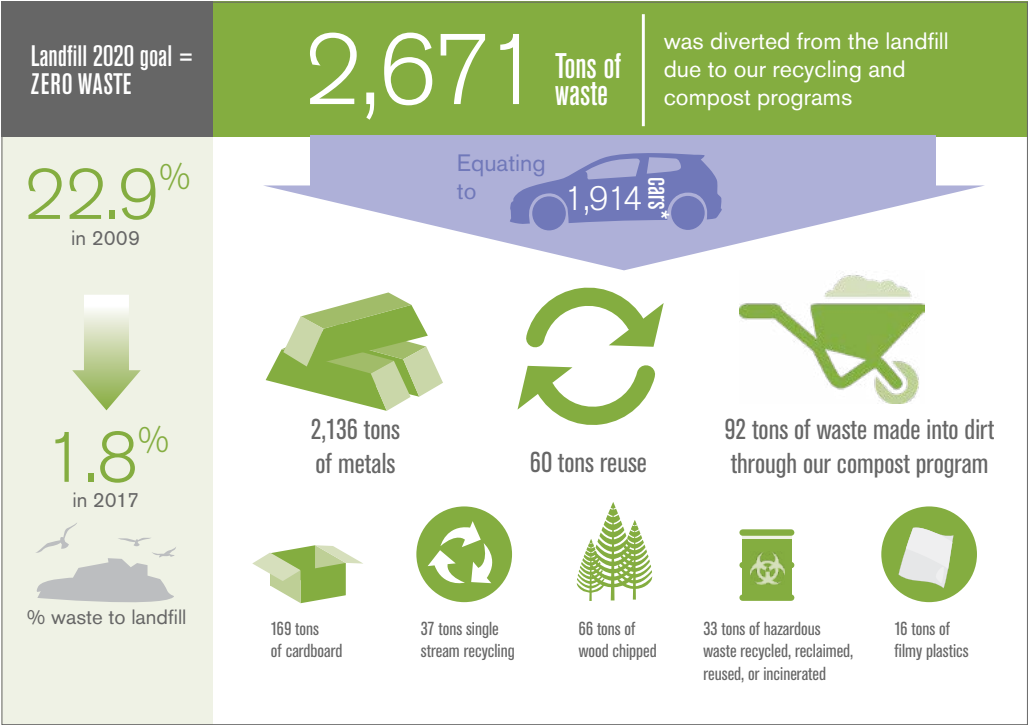
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# Green business operations

We continued our journey of embedding sustainability work into every aspect of what we do in 2017. With 63 trained Green Champions across all teams and all regions, we magnify our impact and benefit from the knowledge and work of subject matter experts in every corner of the organization. 2017 saw the first six teams achieve our stringent 3 Leaf Certification, during which they delved into understanding and communicating their teams' waste stream accuracy, further reduced energy use, challenged themselves to reduce commuting impacts, and shared learnings across the company. In addition to reduced environmental impacts, teams achieving certification experience camaraderie, the development of new skills, and increased positive engagement.



\*Equating to this many Honda Civics were diverted.



Members of our Light Industrial Systems Team achieve 3 Leaf Certification (top), while our South American Team celebrates 1 Leaf Certification (bottom).

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# Ownership

Hypertherm co-Founder Dick Couch says the well-being of our Associates and shared rewards have been cultural cornerstones of Hypertherm since our founding in 1968. This belief system helped create the 100% Associate-owned company that exists 50 years later. Dick and his wife Barbara, President of the HOPE Foundation, had no intention of leaving the company, but with each passing year, they knew it was time to begin thinking about succession. Thus, the Associate Ownership journey began in 2001 when the first block of Hypertherm shares was sold to a newly created Employee Stock Ownership Plan (ESOP). Our HSOP (Hypertherm Stock Ownership Plan), as we call it, allows us to share rewards, ensures Associates maintain their jobs and maintains Hypertherm as an independently owned and managed company, adhering to its core Associate, customer, and community values. In 2013 Dick and Barbara and other stockholders sold the remaining Hypertherm shares to the HSOP, putting 100% of ownership in the hands of Associates. They believed the Associates of Hypertherm were best positioned to sustain the strong culture at Hypertherm and its relentless focus on technology, customer service, and our communities.

For 50 years, we have maintained our constancy of purpose, never wavering from our vision and values. We look forward to the next 50 years knowing many things will change but our vision and values will remain intact. As an Associate-owned company, we will continue to embrace our HSOP motto of, “Work like an owner. Think like a customer.”



100% Associate-owned



Hypertherm co-Founder Dick Couch and his wife Barbara celebrate 100% Associate-ownership.



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# Safety

Our safety program looks nothing like it did 50 years ago. Today it is a robust, comprehensive approach that encompasses all aspects of our business. One philosophy remains the same though: our belief that no one should get hurt at work.

Our path to safety excellence starts with a culture of worldwide Associate engagement and teamwork. All Associates, regardless of geographic location, work in the interactive design of workplace enhancements to improve our overall well-being and ensure the safest workplace possible. We emphasize proactive and preventative safety and focus on near-misses as much as actual first aid incidents or injuries.

To that end, we are happy to report that nearly all the 227 safety incident reports in 2017 were near-misses or first aid cases. This demonstrates our collective commitment to document and fix all potential and experienced workplace hazards.

In 2017, we also continued to focus on the reduction of ergonomic injuries, employing a new data driven ergonomic tool to evaluate each job on how it impacts various parts of our bodies by looking at the amount of force and repetition needed when completing an activity, and the posture required of our Associates when performing the work. The results are used to target engineering control opportunities and improve job rotation schedules.

Finally, we upgraded and combined safety standards into Hypertherm's lean audit program. As a result, our safety program is now completely integrated into our operations. Combined, these efforts continue to keep total recordable rates well below the 4.1 average for our industry. For 2017, our recordable rate amounted to 1.9, equal to what we saw in 2015, and one-tenth higher than the 1.8 recorded in 2016.

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Hypertherm U.S.  
manufacturing facilities  
are recognized as OSHA  
VPP Star Worksites



700 Associates are  
first aid trained

1.9

Hypertherm

4.1

Industry average

Our recordable  
rate was 1.9,  
well below the  
industry average.

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## Wellness

Promoting the well-being of Associates is an important part of our mission. It is something we've always believed in as we know a healthy Associate is a happier Associate. Even in our early years, when there were less resources, we still incorporated wellness into daily life as much as possible.

With the expansion of our headquarters in 1989, well-being took on more of a physical presence. We added a regulation sized outdoor beach volleyball court, a permanent basketball hoop in our upper parking lot, horseshoe pits, and a fitness room. Other constant staples in those years included a golf league, and moonlight snow shoeing.

Our programs have evolved through the years. As we've grown from one location to nearly two dozen around the globe, we've continued to invest in the physical wellness of our Associates. There are fitness facilities, equipment, or basketball courts in many locations; on-site fitness instructors for yoga, aerobics and TRX in our largest facilities; on-site massage therapy; running clubs; wellness programs and rewards; free flu shot clinics and on-site medical services provided in partnership with Dartmouth Hitchcock Medical Center.

We've also expanded our programs to ensure the mental and financial well-being of our Associates. All Associates have access to a confidential assistance program employing trained professionals to help during challenging times. We also work to help Associates obtain a healthier work-life balance, and offer programs to help Associates be better prepared for retirement.

We are continually looking for ways to enhance the culture at Hypertherm through optimizing our wellness programs. As we embark on the next 50 years, we will continue to look at ways that help us achieve our mission of promoting the well-being of our Associates.



*A group of Associates incorporate wellness into their work day with a game of volleyball outside our Hanover headquarters in the mid-70's (top). Associates grab their bikes for a weekend ride in support of the Prouty (bottom).*

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# Associate engagement

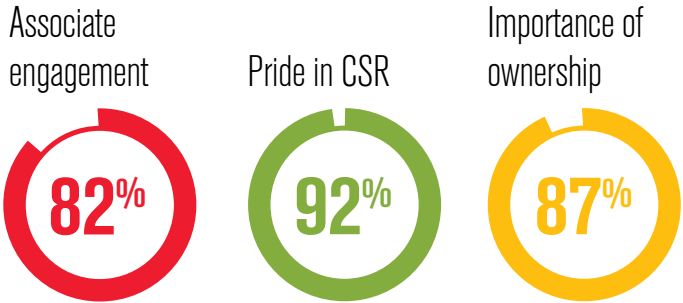
Since our start in a two car garage 50 years ago, Hypertherm has invested in cultivating a culture of respect, honesty and shared decision making. Fulfillment of our mission to promote the well-being and development of our Associates is dependent upon our highly engaged workforce. While the global 90th percentile norm for engagement among companies also measured by Gartner is 73%, Hypertherm's engagement rate stands at 82% for 2017. The percentage is even higher when looking at sustainability with 92% of Hypertherm Associates saying they are proud of our work in the area of Corporate Social Responsibility.

We are proud to be 100 percent Associate-owned as of 2014. In researching how other ESOP's include Associates in meaningful decision making, we learned about Problem Busters forums. The key to Problem Busters is participation by Associates that may not otherwise be included; therefore, we tap into unknown talent and expertise within the organization. It is a new extension of our continuous improvement culture, with these sessions generating innovative ideas and solutions for our customers, while providing our Associates the opportunity to network and interact with one another.

As one of our Associates explains, "Engagement is important because it means 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."



Associates brainstorm solutions during a Problem Busters session.



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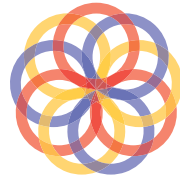
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## Inclusion and diversity



### Hypertherm Inclusion and Diversity

Hypertherm holds an enduring set of values, made stronger since every Associate owns the company and knows they share in creating the solutions needed to meet our challenges and the rewards that follow. Our legacy for bringing all Associates together to strengthen our company is strong. However, our company has changed greatly in fifty years – we now work across dozens of countries, serve customers in all global markets, and ignite all forms of talent to maintain our competitive advantage. These ever-changing dynamics have motivated us to continue to provide an exceptional working environment for all Associates, embracing and cultivating their diversity of thought, socioeconomic background, gender and racial identity, generation, and any other visible or invisible identity aspects.

Our vision is that Hypertherm is owned by the best and brightest from around the globe and that we work together towards our shared goals. We are working so that all Associate-owners have an equal opportunity to flourish, succeed and be their best and true selves at Hypertherm. Together as inspired and empowered owners, we are strongest.

Our primary focus is to build and leverage an inclusive workplace and a diverse workforce by integrating open, curious, respectful, conscious, and inclusive approaches throughout all aspects of our global business. In 2017, we brought all Senior Leaders through a workshop on unconscious bias and developed a new competency for “Inclusive Leadership.” We have learned valuable insights from holding listening group conversations with non-majority Associates and have started to evolve our approaches in areas such as career advancement and communication.



*An Associate from our Light Industrial Systems Team assembles one of our Powermax air plasma systems.*



Without exaggeration, I can say Building Bridges [Hypertherm] training was enlightening. The insight into the experiences of those living within different tiers of socioeconomic

strata casts light on aspects of our communities that are otherwise quiet and often under-appreciated. As a leader, I now have a better understanding of day-to-day, or possibly hour-to-hour challenges of people on my team living in or coming from unstable social and/or economic environments and how those conditions can drive their priorities and values. I feel it makes us all stronger when given such insight into any cross-section of society, our own or any other.

*Matt Cattabriga  
Lead Assembler, Light Industrial Systems*

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## Ethics and integrity

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, a shared focus on excellence, and the guidance of our Code of Ethics and Business Conduct. Every new hire goes through training to answer four key questions: Why do ethics matter for a company? How are ethics part of Hypertherm's culture? How would I manage an unethical situation? What resources are available to me? The main takeaway is that each of us is responsible for promoting ethical business standards and practices, making good choices, and shaping future industry standards. We have a long history of holding ourselves and each other to the highest ethical standards. As a 100 percent Associate-owned company each of us takes our role of "owner" to heart in every decision we make.

2017 saw continued focus on ethics and integrity with an expanded conflict of interest/compliance questionnaire. Designed to obtain information regarding any actual or potential conflicts of interest, and to determine compliance with certain domestic and foreign laws, rules, and regulations, this form is completed annually by Directors, Officers, and more than 90 Associates who report to a member of our management team.



Photos, clockwise from top: Our Esse A Laser Team in Italy, Associates from our North America and Powermax product teams at a meeting in Lebanon; Technical training in Singapore; and Sales Associates collaborating in Lebanon.



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# Awards

## Wastewise Partner

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



## NHBSR Cornerstone Award

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



## Green Power Partnership, Leadership Club

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



## 2017 Ethical Corporation Award

Award finalist for Business to Business Partnership of the Year and Employee Engagement of the Year categories.



## 2017 Environmental Merit Award

Awarded by the EPA for making significant contributions toward preserving and protecting our natural resources, and ensuring New England remains a vibrant community with clean air, land, and water.



Though we didn't formally track corporate social responsibility until the early part of this century, our commitment to our Associates, the community and environment is rooted in our founding principles and as a result is something we've done for years and years. Though recognition was not our motivation, we are still humbled and honored by the awards we've received. Here are a handful of examples.

- 100 Best Companies to Work For, Fortune Magazine
- Americas Top 25 Small Manufacturers, Industry Week
- Excellence in Community Service and Corporate Social Responsibility, Communitas
- Corporate Spirit of Service, Corporation for National and Community Service
- LEED Gold Certification, US Green Building Council
- Spirit of New Hampshire Pillar Award, Volunteer New Hampshire
- Trowbridge Award for Excellence in Community Service, National Association of Manufacturers
- Workplace of the Year Award, Upper Valley Transportation Management Association
- World's Most Ethical Company, Ethisphere Institute

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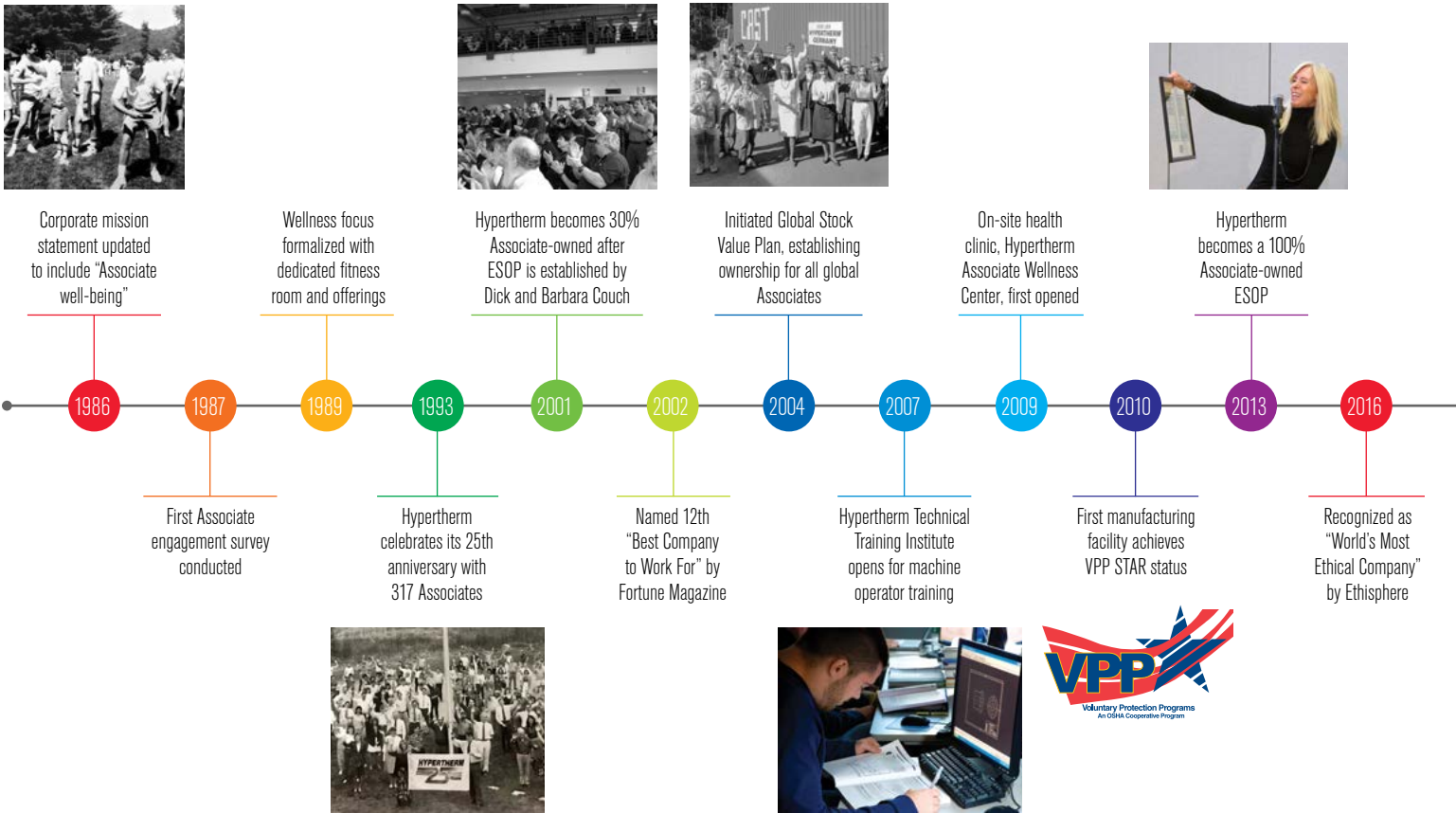
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**HELPING YOU  
SHAPE THE WORLD.  
SHAPING  
POSSIBILITY.**



PLASMA | LASER | WATERJET | AUTOMATION | SOFTWARE | CONSUMABLES

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