

Hypertherm®

2018 Annual Report

Corporate Social Responsibility



Our Progress

Corporate Social Responsibility



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.

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Cover: Leaders taking a break from strategic planning to volunteer at Creative Living Solutions, an organization for adults with differing abilities.

President's

Message

Evan Smith, President and CEO

Hypertherm's 50th anniversary fell roughly in the middle of 2018, making the year a natural fulcrum between past and future.



The opening statement of this report describes "[a] long-term sustainable business," which for us now relates both to the lessons of proven sustainability over the past half-century and to the challenges of continuing sustainability for the next. As that statement goes on to say, we believe that any long-term sustainable business must create value well beyond its financial stakeholders. For most of the first 50 years, those stakeholders were relatively familiar, largely concentrated in our founding community, and mostly built on a single business. In the next 50 years, we are already well on our way to a future as a multi-company, multi-national enterprise.

As such, we at Hypertherm are not just endeavoring to fulfill our social mission as we find ourselves today, but to build a foundation of social practice that is scalable, transferable and adaptable to a more diverse, pluralistic and global enterprise, while remaining true to the core, universal values on which the company has been built. This is our expanded vision and will be the wider

business sustainability test against which we will measure ourselves at our 100th anniversary.

In the pages that follow, you will find evidence of important continued progress in 2018 on our core social responsibility practices and infrastructures, but also of an increasing emphasis on those needed for the more global, diverse, multi-cultural, multi-community enterprise we are rapidly becoming. These include the ownership culture and governance model that increasingly define us.

I'm enormously proud of the people and the passion at Hypertherm that bring our mission to life and continue to take it to new places. We're further inspired by our customers, partners, neighbors, friends and broader stakeholders to do still better.

“ We believe that any long-term sustainable business must create value well beyond its financial stakeholders. ”

Watch video with Evan Smith

Greetings

Jenny Levy
Vice President, People, Community, & Environment



While celebrating our company's 50th anniversary in 2018, we reflected upon our greatest accomplishments and quickly pivoted to focusing on our greatest opportunities in the 50 years ahead. Our common denominator has always been and continues to be our indelible commitment to our Core Values, which declare how we do business and drive us toward our true north. This Corporate Social Responsibility annual report is just as much a report on how we live those Core Values.

We lived our value of *Community Leadership* when our Associates across the globe volunteered nearly 26,000 hours and Associates on our HOPE teams allocated philanthropic funding to more than 100 nonprofits. We lived our value of *Environmental Stewardship* by reducing, reusing, or recycling 98.2% of our waste streams. We lived our value of *Respect for the Individual* by furthering our commitment to Inclusion and Diversity, redefining our leadership expectations and talent processes, and becoming the first designated Recovery Friendly Workplace in New Hampshire. We lived our value of *Personal Growth and Development* with the global rollout of our wellness rewards program, by keeping our safety record on track at world class levels and expanding access to our college tuition reimbursement program. Finally, we lived our value of *Honesty and Integrity* by creating a dedicated Ethics and Compliance committee to ensure we continue to meet and exceed our commitments.

I personally have the honor of now serving as executive sponsor of what is classically defined as Human Resources and Corporate Social Responsibility. At Hypertherm, entwining our values and strategies for our people, our community, and our environment is a reflection of our enduring triple bottom line mission. Continuing our legacy of driving excellence and innovation over the next 50 years will be fueled by our enduring commitment to our Core Values, our ability to engage all global Associate-Owners in this work, and the ways in which we leverage our partnerships with our customers, partners, suppliers, and communities.

Jenny

“ At Hypertherm, entwining our values and strategies for our people, our community, and our environment is a reflection of our enduring triple bottom line mission. ”

Global company Global values

In 2018 we strengthened the global reach of our Corporate Social Responsibility programs. Teams around the world are now Greener Cuts certified, thereby reducing their environmental impacts. We broadened our philanthropic impact by formally creating regional HOPE teams in countries where we have a business presence. These teams work within their communities to better understand the needs and engage with appropriate organizations through volunteering and grantmaking. Across the globe, all our locations have a philanthropic budget which they allocate to their communities' greatest needs.

We are proud of the thoughtful decision-making the regional HOPE teams have made around the world.



Our Community

at a glance:



Greetings

Barbara Couch, HOPE Foundation president



Last year members of the extended HOPE Foundation embarked on the exercise of reviewing our mission, vision and guiding principles. The last review was about seven years ago and a lot has happened since then. What started as a refresh exercise soon turned into a major rewrite. When taking the time to reflect on the work of the HOPE Foundation today, we found our current mission statement fell short of all HOPE has come to be.

This exercise was an example of inclusion at its best. Members of the HOPE Foundation Board and the Associate led HOPE Team, as well as the HOPE Communications Committee, all contributed their voices. The final document, following many weeks of tweaking and refining, proudly shows the fingerprints of all. We are excited to share our mission, vision, and guiding principles with you here.

Mission: Enriching our Associate-Owner communities as a catalyst for collaboration and compassion, inspiring solutions for sustainable positive change.

Vision: Everyone can thrive in a community where our Associate-Owners live and work.

Guiding principles:

- We ground everything we do in our mission and values.
- We strive to generate measurable and sustainable positive change.
- We believe in telling our stories, leading by example and inspiring others.
- We empower Associate-Owners.
- We work with compassion, pride and joy.
- We treat our community partners with respect. Always.

- We harness the power and responsibility of the funds entrusted to us. Every dollar matters.
- We explore and seek innovation through continuous improvement. We imagine possibilities.
- We respect teamwork and collaboration, embracing equity, diversity, and inclusion.
- We multiply our impact by combining time and treasure.

A mission statement should clearly describe why an organization exists, its value, and purpose. The mission statement on the left does that well. And I am a firm believer that guiding principles need to be authentic. They should accurately reflect the behaviors of the group standing behind them. Our guiding principles could not be any closer to the truth in describing the behavior of the HOPE Team and Foundation.

We will continue to bring these words to life in the years ahead as we work together to achieve the vision we set for ourselves.

Ever grateful,

Barbara

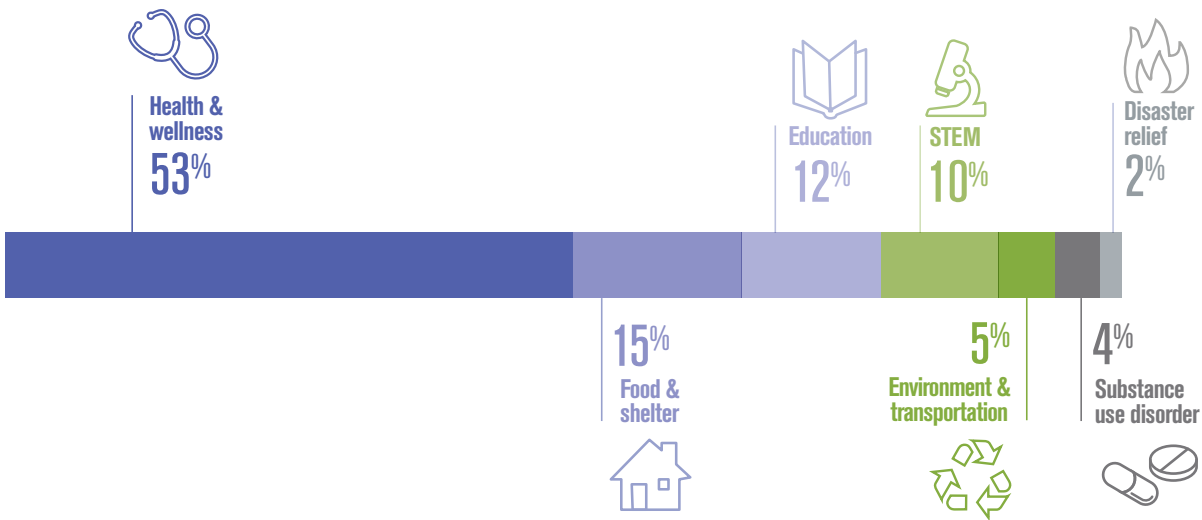


HOPE Foundation

The Hypertherm Owners' Philanthropic Endeavors (HOPE) Foundation was founded in 2010 to formalize our long history of philanthropic giving. In the United States, we formed the foundation as a 501c3 public charity. We appreciate our growing donor base made up of our Associates, former Associates, Hypertherm board members, the HOPE Foundation board and the broad public who want to contribute to our work. The HOPE Foundation continues to broadly fund needs across many focus areas and has two strategic funding areas: our ongoing SHAPE for STEM program and our work to bring awareness to and prevent substance use disorders. In these two areas especially, we combine our philanthropic funding with volunteering and our corporate core competencies for greater positive impact.

Our democratic funding model is unique as we have Associates throughout Hypertherm diligently reviewing grants and making funding decisions. Our HOPE teams work proactively with nonprofit strategic partners to define and meet their greatest opportunities. Through roundtables, site visits and service on nonprofit boards, our team deepens its knowledge of the many nonprofits in our communities. In 2018, the HOPE Foundation hosted a day long work session on board governance and fundraising led by a national expert. Attendees included executive directors and board members, many of whom were Hypertherm Associates, from 85 nonprofits. We continue to receive great feedback on how this training provided valuable tools for use in boardrooms across our community.

2018 Grant allocation by focus area



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
Evan Smith
Hypertherm Inc.
Nick Sanders*

Donations less than \$10,000

David Agan
Bruce Altobelli*
Amazon Smiles
Martha Barron
Robert Beckley
Megan Blood
Aaron Brandt
Nick Brattan
George Caccavaro
Paul Catalano
Brian Cavanaugh
Stacey Chiocchio
Kim Cooper
Jeffrey Cornish
Mike Daly
Beth Danyluk*
Ted Dawson
Gordon Ehret
Wayne Elliott*
Rain Flanagan
Rusty Fowler
Tyler Frink
Gail Gentes
Nicholas Hamilton
John Heald
Lori Hibner
Craig E Humphrey
Hypertherm Community Garden
Johnnie Jones
Lisa Judd
Stephanie Kadlec
Erin Kay
Rob Kay
Bob Kingman

Dave Knapp
Kronos Corporation
Lisa LaBombard
Travis LaHaye
Dave LaPrade*
Liepold
Rich Lettieri
Jennifer Levy
Janis Lucas
Eugene Mallozzi
Carol Marsh*
Brandon Mason
Rob Masson
Melanie Matulonis
Brandi McGuire
Brad Meyer*
Nini and Robert Meyer
Jim Miller
Hannah Neidorf
Network for Good from Facebook
Peter A. Officer*
Oluwatoyin Oke
Sandra Ordway
Peter Orzechowski
Jeffrey Page
Brian Peront
Kevin Powers
Ryan Ray
Chloe Richards
in Honor of Barbara Couch
Codie Rockwood*
Allen Rogers
Benjamin Rogers
Nancy Sansevere
Shane Selmer
Mike Sportsman
Mike Sundstrom
Richard Sweet
Sarah Swift
Craig Thayer
Robin Tindall
John Vogel
Peter Volanakis
Robert (Bubba) Von Baltzer*
Art Young*

*Member of the Couch Circle



Couch Circle Members

Honoring retiring Associates donating to the Hypertherm HOPE Foundation in 2018

Bruce Altobelli
Sustaining Member
Carey and Melissa Chen Endowment
Sustaining Member
Beth Danyluk
Russell Edwards
Sustaining Member
Wayne Elliott
Dave LaPrade
Sustaining Member
Carol Marsh
Brad Meyer
Sustaining Member
Peter A. Officer
Sustaining Member
Codie Rockwood
Sustaining Member
Nick Sanders
Sustaining Member
Robert (Bubba) Von Baltzer
Phil and Mae Winslow
Sustaining Member
Vict and Jennifer Ying
Sustaining Member
Art Young
Sustaining Member

Community Service Time

85%
CST Participation

We make an immediate investment in our core value of Community Leadership by including volunteering during every new hire orientation, when Associates are first learning about our corporate priorities, our values and our culture. Through our ongoing Community Service Time (CST) benefit, in which Associates receive 32 hours of paid time off to volunteer, we see volunteering throughout the world. Volunteering happens on any given day in the United States, Canada, Mexico, Brazil, the Netherlands, Italy, Singapore, China and other countries where our Associates live and work. Dozens of our Community Service Time Champions are supporting Associates and nonprofits around the world and are helping connect Associates on their teams to volunteer opportunities.

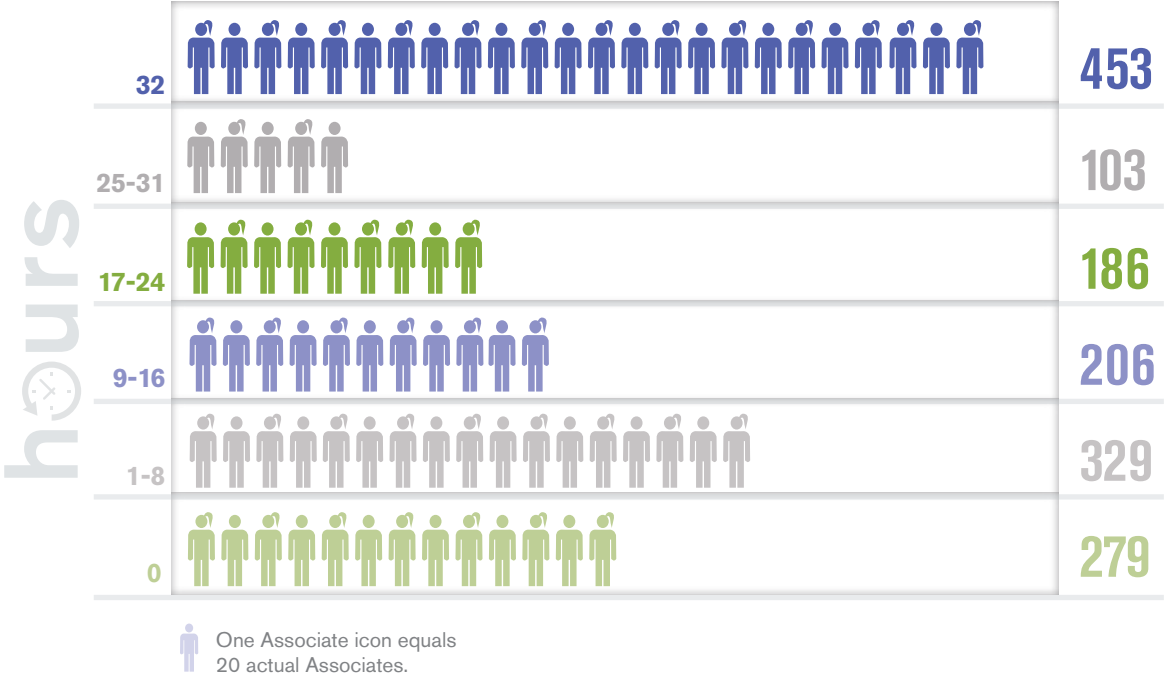
Our strategy is working. Last July, 50 years after our founding and 15 years after we began formally tracking volunteer hours in 2003, we celebrated

our 150,000th hour of community service time. By the time the end of the year arrived, Hypertherm Associates had served 164,906 hours in the community. In addition, we celebrated our corporate anniversary with the launch of a global “50 projects in 50 days” campaign. We more than met that goal, completing 56 projects.

In 2018 we experienced 5,424 instances of Associates choosing to volunteer at an organization that is important to them, using 55% of our total available benefit hours. We have seen an increase in the number of Associates serving on boards, teams volunteering together, and Associates signing up for recurring volunteer commitments. We believe when Associates dedicate their time and talents to serving the community it will build pride, engagement, and positive impact for all.

Depth of Associate volunteering in 2018

We believe the combination of volunteer time with grant monies from the HOPE Foundation delivers impactful support to our global communities. Over 85% of Associates volunteered for a total of 25,957 hours in 2018. Here’s a look at the depth of our Associate volunteer time in 2018, by the numbers:



Last July, 50 years after our founding and 15 years after we began formally tracking volunteer hours in 2003, we celebrated our 150,000th hour of community service time.



our
volunteers

25,957 TOTAL
hours
2018 Community Service Time

20.9 average
hours
per Associate

50 projects in 50 days

In honor of our 50th Anniversary, the Community Service Time Participation Committee challenged our Associates to complete 50 projects in 50 days. We more than met our goal, volunteering for 2,453 hours and completing 56 projects. Below is a glimpse at how our 289 participating Associates volunteered.

Our Asia Pacific Team shops for a food donation to Food from the Heart, a Singapore based nonprofit.

ESSE A. Associate volunteering with the Italian Red Cross.

An Associate in New Hampshire delivers food and visits seniors as part of Meals on Wheels.

Our Light Industrial Engineering Team builds bridges at Smith Pond in Enfield, New Hampshire.

Our Procurement Team builds a bridge with the Upper Valley Land Trust.

Hypertherm's Accounting Services Team cooks dinner at David's House, a home away from home for families of children receiving medical care.

Associates work to create nesting boxes for New Hampshire's Wood Duck population.

A team of New Hampshire-based Associates work on trails in partnership with the Upper Valley Trails Alliance at the Montshire Museum in Vermont.

Community impact

Here's a sampling of what Hypertherm volunteers accomplished last year.

Maintained 59 miles of trails
– Upper Valley Trails Alliance

Prepared food and supported
180 families on 79 nights
– David's House

Distributed food to 3,150
families and prepared and
served meals to 348 shelter
residents
– Upper Valley Haven

Inspired 284 students
in STEM classrooms
– Careers CLiC

1,710

Walked or cycled 1,710 miles
for cancer research and
patient services
– Prouty

59

284

180

3,150

450

Collected and distributed toys
for 450 children during the
holiday season
– Toys for Tots

84

Empowered 84 athletes by
hosting the Regional Fall
Games
– Special Olympics

37

Helped 37 homeowners
stay safe, warm and dry
– COVER

206

Ran, walked or cycled 206
miles to benefit patient and
family services
– CHaD

“ The Upper Valley Haven deeply appreciates our Hypertherm volunteers. They are an integral part of our programs and have done everything from stocking our food shelves during the holidays and providing monthly dinners to our adult shelter to deep cleaning the grime off the floors in our children's services area. They have painted, organized, cooked, cleaned, stocked and raked. We could not offer the level of service we do without their assistance. ”

Amber Johnston
Director of Education and Volunteer Services, Upper Valley Haven

Substance Use Disorders

In 2015 the HOPE Foundation created a Substance Use Disorders (SUD) task force, led by Hypertherm Associates committed to supporting education for SUD prevention and methods for sustaining and supporting recovery. The task force guides the work of both the HOPE Foundation and awareness building within Hypertherm. Years later we continue to build on our early learnings and deepen our commitment to this strategic focus area through HOPE Foundation funding in the community. In addition, we continue to implement significant changes to how we approach the challenge of supporting Associates in recovery. One example is our support of Headrest's Opportunity to Work program. We not only philanthropically funded this new initiative but also welcomed program participants to Hypertherm as new Associates.

In 2018 we were designated as an early adopter of the statewide Recovery Friendly Workplace program. We worked to increase empathy and reduce stigma by hosting a Recovery Coach Training class for Hypertherm Associates. These trained Associates volunteer to help connect those seeking, or in, recovery to available resources. By creating a safe environment for our Associates, we have been able to understand the personal stories of Associates sustaining recovery. We were proud to be the subject of a Washington Post article about the importance of supporting those in recovery while at work. This article was syndicated to dozens of media organizations, appearing in the Valley News, Boston College's Center for

Corporate Citizen's Media Monitor, and other outlets, enabling us to share our experience with other businesses nationwide. We look forward to learning from our partners who provide the important services to those in recovery and continuing to help other businesses on this journey.

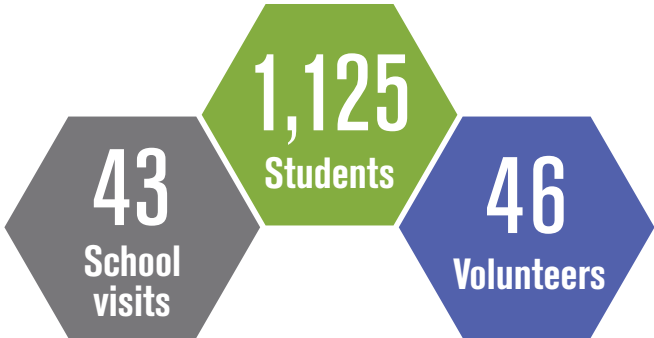


» **For more info**
The Washington Post
Hypertherm Associate
Kenny Sawyer shares his
personal recovery journey.

SHAPE for STEM

As a high-technology manufacturer with a long history of innovation in our engineering, operations, and service areas, it is critical to us that upcoming generations are engaged and capable in all areas of Science, Technology, Engineering and Math (STEM). Hypertherm's SHAPE for STEM program connects our Associates to students in a multitude of ways. Our Associates are highly engaged in supporting our program. In 2018 we engaged more than 1,000 students either at Hypertherm or in the classroom. Through our educational tours, cutting demonstrations, hands on activities, job shadow days, February Vacation Camp for middle school students, and mentoring outreach, we regularly have students within our company walls.

In 2018, in collaboration with another area manufacturer, we formed a high-tech manufacturing and engineering program bringing in 16 students from two high schools. The students were here daily for an entire semester of programming while earning high school credits. In addition, New Hampshire students had the opportunity to earn college credits as part of the Running Start program. On April 10, we held a Girls Technology Day where we focused on inspiring and igniting STEM careers for 55 female high school students. On October 12, with sponsorship from Kronos Technologies, we took part in National Manufacturing Day by hosting 65 middle school students from a school which hadn't been able to visit us before. If a school is not able to travel to us, they are able to view our virtual tour on our website, so their students can still learn about careers in STEM.



In 2018 we engaged more than 1,000 students either at Hypertherm or in the classroom.



Our Environment

at a glance:

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Environmental stewardship

This 2018 report marks the first year of working toward adherence to the criteria of the Global Reporting Initiative (GRI), the world’s most widely used sustainability reporting framework. This year, we are reporting both waste and energy data in reference to applicable GRI standards. In prior reports, we have used different units and have included energy use from leased buildings and subcontractors, which is not aligned with GRI standards. For this reason, we are also including data in this 2018 report that is comparable to prior years, both in terms of units used and including leased buildings.

The following material references Disclosures 302-1 from GRI 302: Energy 2016 and 306-2 from GRI 306: Effluents and Waste 2016 for each standard used. Emission factors and conversion factors used are from the U.S. EPA and the U.S. Energy Information Administration (USEIA) websites. Waste disposal method is determined from information provided by the waste disposal partner.

Last year also marked the addition of an Environmental Analyst to our team. We have thoroughly reviewed all data, updated emission factors, and applied standards and recommendations from the GRI reporting framework and applied these improvements retroactively to 2010. These changes are reflected below.

Disclosure 302-1 from GRI 302: Energy 2016

	2010	2017	2018
Total Energy Consumption by Year (Gigajoules)			
Total Fuel (Non-Renewable)	11,741	18,130	16,944
Total Electricity	46,544	66,157	65,455
Total	58,285	84,287	82,399
Non-Renewable Fuel Consumption by Year (Gigajoules)			
Natural Gas	813	2,482	2,763
Liquefied Propane Gas	3,812	10,420	10,687
Heating Oil	7,116	5,229	3,494
Total	11,741	18,131	16,944

Disclosure 306-2 from GRI 306: Effluents and Waste 2016

Waste by Disposal Method (Metric Tons)	2010	2017	2018
Non-Hazardous Waste			
Reuse	0	77	98
Recycling	1,777	2,190	2,319
Composting	0	84	49
Landfill	191	26	44
Total Non-Hazardous	1,968	2,377	2,510
Hazardous Waste			
Recovery	13	25	20
Destruction or Treatment	3	0	3
Incineration	11	15	19
Landfill	5	18	3
Total Hazardous	32	58	45

Summary Carbon Footprint

Absolute Impacts	2010 metric tons CO ₂ e	2017 metric tons CO ₂ e	2018 metric tons CO ₂ e
Scope 1:			
Heating Fuels	767	1,103	1,012
Fleet	634	450	447
Scope 2:			
Electricity (Purchased) (Location Based)	6,048	6,109	6,295
Electricity (Market Based) (Net CO ₂ e)	6,048	0*	0*
Scope 3			
Business Travel	1,007	1,097	1,288
Commuting	4,244	5,507	5,218
Outbound Logistics	48,502	27,533	31,091
Products in Use	447,839	810,677	855,769
Water (gallons)			
Process Water Discharge	8,430,112	1,270,588	1,785,714
Sanitary Water Discharge	2,159,408	2,015,507	1,290,238
Solid Waste (metric tons)			
Landfill Trash	191	26	46
Cardboard Recycle	157	153	154
Wood Recycle	57	60	88
General Recycle	13	33	37
Copper Recycle	1,250	1,479	1,623
Other Metals Recycle	300	450	395
Hazardous Waste	32	58	45
Compost	-	84	49
Filmy Plastics	-	15	26
Reuse	-	77	98
E-Waste	-	-	4
Landfill Rate	9.8%	1.8%	1.8%

*Net CO₂e is zero due to purchase of Green-e Certified Renewable Energy Credits. These 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. The increase in industrial water use from 2017 to 2018 is due to an increase in product testing.

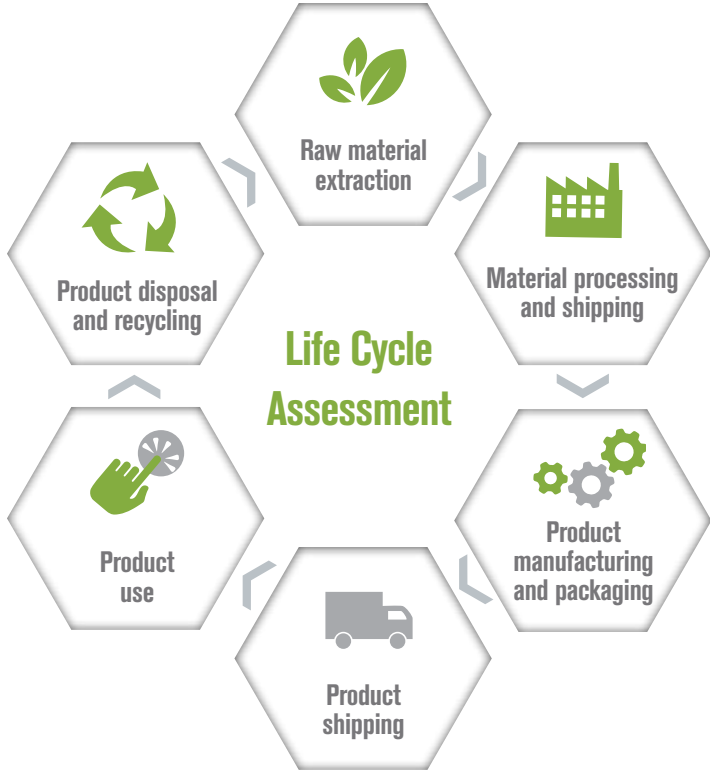
Life Cycle Assessment

Life Cycle Assessment (LCA) is the gold standard in understanding and improving the impact that products have on climate, people, ecosystems, water, and resources.

In 2012, we took the first steps necessary to assess the environmental impact of our products. Partnering with Long Trail Sustainability, life cycle sustainability experts, we first assessed our most popular mechanized plasma

cutting product, the HyPerformance® HPR260XD®. We continued learning about and improving our products' impacts through LCAs on products like our Powermax105 air plasma system, EDGE® Connect CNC, HyPrecision™ 50S waterjet cutting system, and Powermax45® XP. In addition, we assessed the comparative manufacturing processes of some of our inbound components, as well as

two new products. A big step was the application of LCAs during the technology development process, even before the product development process. This allows engineers and designers to compare the impacts of different designs and materials and to make substantive changes based on the results. Our learnings are now built into our new product development process.



The engineering mission at Hypertherm is to develop innovative technologies, products and solutions that provide superior value to our customers, our owners and our planet.



Customer scrap production and recycling

Through our Life Cycle Assessments, we discovered that the biggest environmental impacts from our products come from the scrap customers produce when cutting material. These impacts from scrap far outweigh other impacts, even when assuming all scrap is currently recycled. In 2018, we did several customer visits and research to better understand how we can eliminate and reduce scrap.

- Overall, we see the following opportunities:
- Education for customers as to the financial benefits of scrap reduction
 - Better, easier to use tools for quoting jobs and tracking, marking, and storing remnants
 - Default settings in our ProNest CAM software to achieve less scrap
 - More resources for creating saleable products from scrap

Low carbon commuting and support for electric vehicles

Since 2010, Hypertherm has supported various methods of low carbon commuting (LCC) through incentive, reimbursement, and subsidy. With an average Associate commute of 48-miles round trip, commuting is one of the largest contributors to our Scope 3 emissions. To date, our LCC program has saved Associates from driving 4,639,399 miles, keeping the equivalent of 90,895,109 pounds of CO₂ emissions out of the environment.

To stay current and adopt best practices, Hypertherm started to explore the installation of charging stations at our New Hampshire facilities in early 2018, something our European office in the Netherlands has had for years. After exploring best practices and available equipment, we chose to install two Level 2 (220 V) units as part of a


pilot program. Seven Associates with electric vehicles (EV's) volunteered to participate in the program and provide feedback on their experience including issues, improvements, and anecdotes on a weekly basis.

The most prominent feedback was that Associates no longer had range anxiety and the need to make special charging arrangements. There were also requests for increasing and diversifying our charging infrastructure, which meant adding more charging units to our campus.

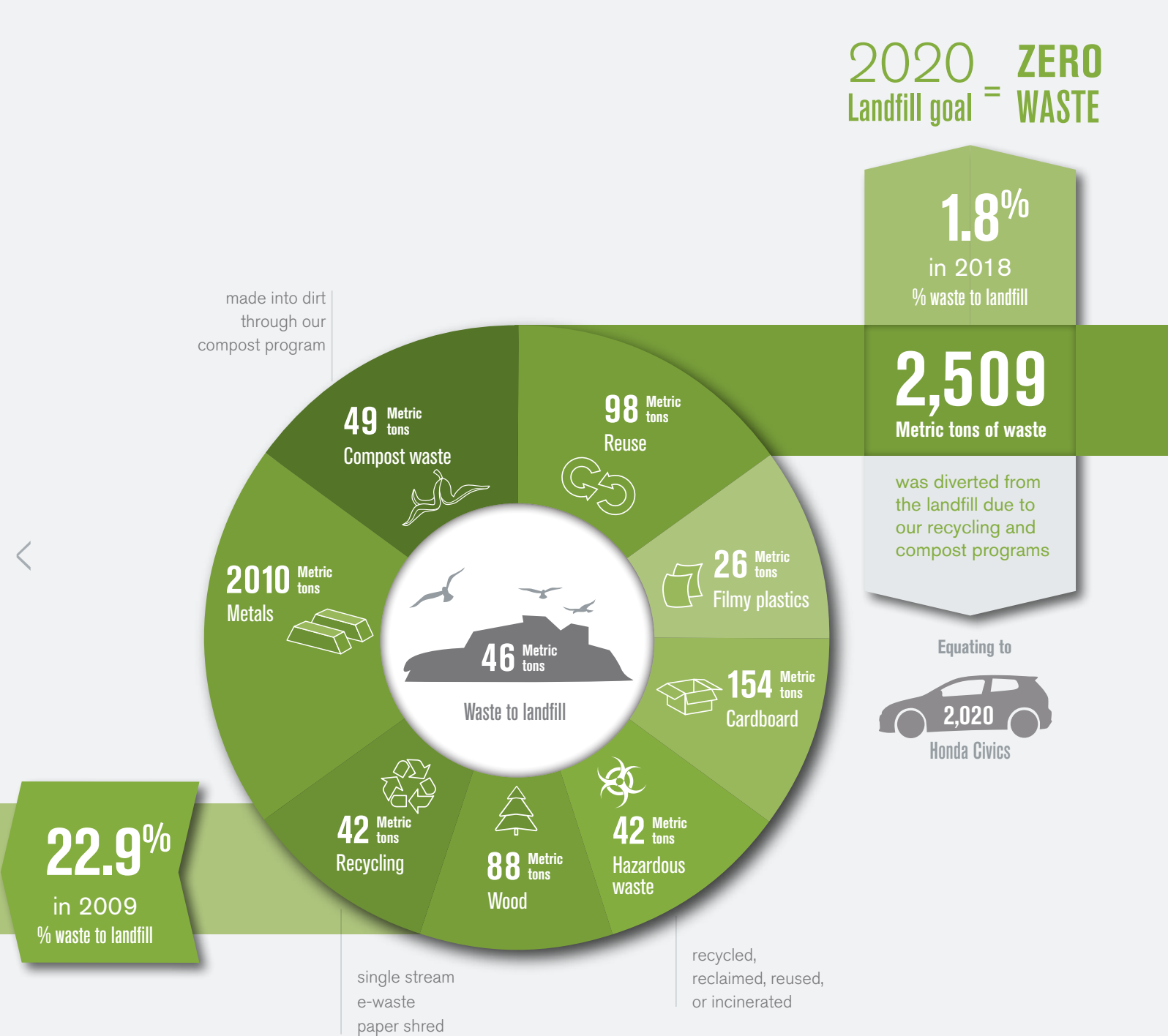
Since the completion of the pilot, we have added four more stations for a total of six chargers at four locations. We have since seen an increase in EV adoption, rising from seven registered vehicles to twelve.

LCC program

has reduced CO₂ emissions by 90,895,109 pounds

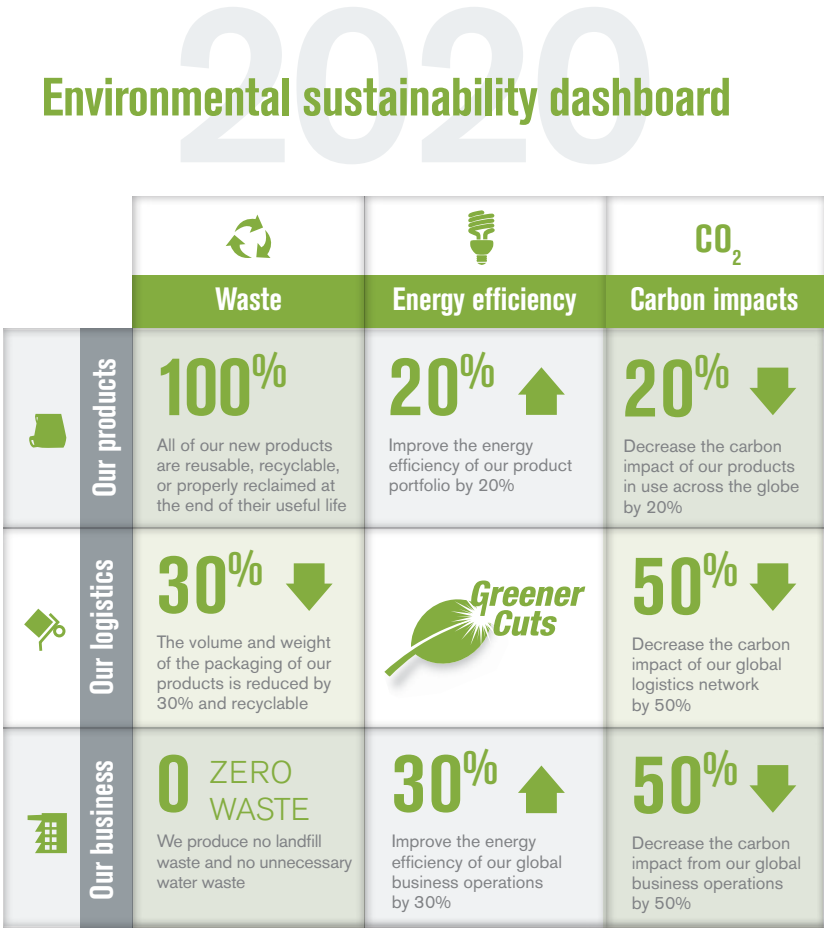


Green business operations



One, Two, and Three Leaf Certification

Throughout 2018, teams across our organization have continued and deepened their engagement in environmental sustainability initiatives. One marker of this is a team's achievement of our internal certification system at the One Leaf, Two Leaf, and Three Leaf levels. This year saw the One Leaf Certification of every regional team across Hypertherm, except China. Our Waterjet team in Minnesota, our Robotmaster® Team in Quebec, and our international teams in Europe, Mexico, Brazil, and Singapore have all come to understand and improve their electricity use, recycling, commuting, waste streams, and business travel. They have created and reported Green Business Indicators and tracked Green Continuous Improvement Activities, as well as interfaced with suppliers about incoming packaging waste. We now also have 34 teams that have achieved Two Leaf Certification and nine teams with Three Leaf Certification.



Nearly all teams at Hypertherm are now One Leaf certified, with many now working toward Two and Three Leaf certification.



- Projects resulting from team certifications include:
- The reuse of inbound packing materials for outbound dunnage
 - Method to reuse corrugated shipping containers with suppliers
 - Adoption of reusable rags at our manufacturing site in Italy
 - Addition of solar hot water for our locker rooms and café at our largest Hanover facility
 - Improved recycling streams
 - Increased use of our remote cutting center with live communication to reduce the need to travel for demonstrations
 - Creation of a lower impact travel guidance document

Our Associates

at a glance:



Ownership

Ownership is a unifying sentiment and top engagement driver across Hypertherm. It's been that way since 2001 when Hypertherm co-founder, Dick Couch, and his wife and business partner, Barbara Couch, transferred approximately one-third of their Hypertherm shares into an Employee Stock Ownership Plan (ESOP.) This process was completed in 2013, when the Couches sold their remaining Hypertherm shares, placing 100% of Hypertherm's ownership into the hands of Associates.

In doing so, the Couches sought to ensure the continuation of Hypertherm as an independent company living its core values and pursuing the long-term interests of its customers, Associates, and communities. Rather than focusing on short-term gains for far-off investors, Hypertherm's Associate-Owners are focused on building long-term customer relationships for our collective financial stability in keeping with our motto to "Work like an owner. Think like a customer."

Our belief and practice in Associate-Ownership is so strong, we strive to serve as a model for other employee-owned companies. Our active engagement and work with the New England Chapter of The ESOP Association led to our earning their "Best Employee Owned Company" designation in 2018. In addition, New Hampshire Governor Chris Sununu declared October 2018 as "Employee Ownership Month" while visiting our Heater Road facility.



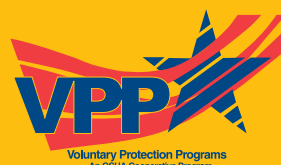
Associate-Ownership ensures the continuation of Hypertherm as an independent company living its core values and pursuing the long-term interests of its customers, Associates, and communities.

100%
Associate-Owned

5
of 6



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



Safety

Safety

Our recordable rate was 2.0, well below the industry average

2.0

Hypertherm

4.1

Industry average

In 2018, more than 285 safety incident reports were created. These incidents, mostly near-misses and first aid cases, demonstrate our collective commitment to document and fix all workplace hazards.

With a goal of zero workplace injuries or illnesses, all Hypertherm Associates, regardless of geographic location, work to develop workplace improvements to increase our overall well-being. We emphasize proactive and preventative safety and focus on near-misses as much as actual first aid incidents or injuries. In 2018, more than 285 safety incident reports were created. These incidents, mostly near-misses and first aid cases, demonstrate our collective commitment to document and fix all workplace hazards no matter how small.

In addition, we placed a great deal of focus on the reduction of ergonomic injuries, the primary cause of our incident rate. We accelerated the use of robotic technology to limit manually intensive repetitive motion jobs. Fifteen robots are now integrated into our production operations, including eight “collaborative robots” that do not need traditional machine guarding.

A professional ergonomist conducted evaluations for each of our production workstations, helping to inform job rotation schedules and implement

process improvements to lessen repetitive motion injuries. And finally, we worked to limit injuries through immediate intervention by on-site medical staff, our ergonomist, team leaders, safety coordinators, champs, and manufacturing process engineers.

Hypertherm’s incident severity rate as measured by an Experience Modification Rate (MOD Rate) continues to advance towards world class levels. If a company’s MOD rate is 1.0, they are average. We are proud to say our MOD rate is a low 0.6. We know our work is never done until no Associates are hurt at work.

100

Associates serve on a safety committee

Wellness

Hypertherm continues to invest in the wellness of our Associates as we know a healthier Associate is a happier and more productive Associate.

Our Virgin Pulse wellness tracking and rewards program now includes 100% of Hypertherm Associates around the world. Program results are continuously strong with 81% of Associates participating and 70% actively using the program at least once per week. This high engagement rate places Hypertherm near the top of Virgin Pulse’s client base.

While the top three areas of interest within this platform are Eating Healthy, Getting Active, and Sleeping Well, the continued focus of this program is to allow Associates to maintain or improve their health to enjoy the long-term rewards of life and being an Associate-Owner.

In addition, 2018 marked our 10th year operating the Hypertherm Associate Wellness Center. Operating out of two of our buildings, this on-site wellness center makes it convenient for Upper Valley Associates to improve or maintain their health. Employing a medical physician, physician’s assistant and nursing staff, the HAWC served 418 Associates and family members for primary care last year and continues to provide preventive care and support for unexpected medical issues.

We are continually looking for ways to enhance the culture at Hypertherm through optimizing our wellness programs and will continue to consider ways to help us achieve our mission of promoting the well-being of our Associates. We strive to support and empower every Associate to be physically, mentally, emotionally, and financially well.

Hypertherm continues to invest in the wellness of our Associates as we know a healthier Associate is a happier and more productive Associate.



Associate experience

Hypertherm Associates report consistently high engagement levels through our engagement and pulse surveys, particularly with respect to Corporate Social Responsibility and Associate Ownership. Associates demonstrate their pride through shared decision making, accountability as owners, individual service to the communities where they live and work, and a commitment to continuously improve our environmental sustainability practices.

While Hypertherm could rest on its laurels with engagement survey scores at global best in class levels, our dedication to our Associates means digging deeper and always looking for more ways to make Hypertherm an employer of choice.

Through analysis of prior survey data and research into industry best practices, we are now additionally focused on enhancing the five dimensions of the Associate Experience, as defined in research conducted by IBM and Globoforce.*

- **Belonging:** feeling part of a team, group, or organization
- **Purpose:** understanding why one's work matters
- **Achievement:** a sense of accomplishment in the work that is done
- **Happiness:** the pleasant feeling arising in and around work
- **Vigor:** the presence of energy, enthusiasm, and excitement at work

Hypertherm's Human Resources team now includes a dedicated Associate Experience function working on embedding and enhancing the five dimensions in each stage of the Associate Life Cycle from onboarding to retirement. Devoting resources to the development, measurement, and continual enhancement of the Associate Experience is a clear demonstration of Hypertherm's commitment to building a culture in which Associates thrive and achieve positive results for the organization and for themselves as owners.

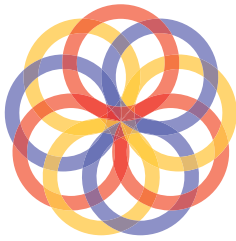
* The Employee Experience Index, IBM Corporation and Globoforce Limited, 2016, https://www.globoforce.com/wp-content/uploads/2016/10/The_Employee_Experience_Index.pdf



Associates demonstrate their pride through shared decision making, accountability as owners, individual service to the communities where they live and work, and a commitment to continuously improve our environmental sustainability practices.



Inclusion and diversity



Hypertherm
Inclusion
and
Diversity

Inclusion and diversity mission: We are committed to building an inclusive workplace and diverse workforce at Hypertherm. All owners have an equal opportunity to succeed and be their best and true selves. We accept, respect, and welcome differences because it makes us stronger.

At Hypertherm, we take an inclusion-first approach but have also developed approaches to build more diversity among our workforce. We have focused on inside-out approaches, working to embed inclusive thinking and diversity-focused change into current processes.

Our focus on inclusion has been directed toward building a stronger sense of belonging among all Associates. In 2018, we established a team dedicated to Associate Experience, and we continue to drive more inclusion awareness through training and specific leadership expectations. These efforts have been designed to initially address more invisible aspects of diversity with a heavy focus on socio-economic diversity, substance use disorders, and ability and barriers. We were proudly able to share some of these approaches at a 2018 national conference on workplace poverty solutions.

Our focus on building diversity has been embedded into our Talent Acquisition and Workforce Development strategies. This has opened our inbound talent pipeline to diversity-identified job boards, an internship and continuing college credit programming relationship with a highly diverse all women's college, and workforce placement partnerships with organizations supporting less visible dimensions of diversity. We have restructured our talent selection processes to support more diverse perspectives, diverse candidates, and structured decision making.

We look forward to furthering our commitment to Inclusion and diversity in 2019 with the launch of a dedicated global Associate-driven task force.

Ethics and integrity

As a 100% Associate-Owned company each of us takes our role of owner to heart in every decision we make, and we have a long history of holding ourselves and each other to the highest ethical standards.

Our core values include honesty and integrity, these are not just words but are the underpinning of a culture powered by the pride of each Associate, a shared focus on excellence, and guidance from our Code of Ethics and Business Conduct. Our framework for the prevention and detection of fraud and misconduct further commits us to ethical business practices within our worldwide operations.

As a 100% Associate-Owned company each of us takes our role of owner to heart in every decision we make, and we have a long history of holding ourselves and each other to the highest ethical standards. Every new Associate 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?

In 2018 we established an executive committee to enhance ownership of our ethics and compliance programs and to continuously improve and measure the effectiveness of those programs. We have continued to expand our conflict of interest/ compliance questionnaire, which now reaches more than 300 Associates and Board Members. In 2019 we will roll out the next version of our mandatory training to refresh and reinforce our commitment to best practices in ethical business standards.



“ I believe when you work for a company like Hypertherm, who truly values their Associates, there's a high sense of pride carried by the Associates. This sense of pride increases Hypertherm's chances to continuously foster success in the business world. ”

Christopher DePalo
Machine Operator, Light Industrial Consumables Team

Awards



America's Best Midsize Employers Forbes Magazine (2018)

Earning the number 30 spot among a ranking of the 500 Best Midsize Employers and the number 2 spot among Engineering and Manufacturing companies.



Business Innovator of the Year Leadership Award

Recognizing Hypertherm's commitment to improving the quality of life for people struggling with addiction in the Upper Valley Region of New Hampshire and Vermont.



Overall Champion New Hampshire Department of Education (2018)

Celebrating work to expose students to a real-world employment environment and allowing them to explore career fields in an authentic setting for a strong future workforce.



Environmental Protection Agency Wastewise partner (2018)

For promoting management practices that promote the productive use or reuse of materials throughout their lifecycle.



Green power partner EPA

Recognizing Hypertherm's use of 100% green power, one of 68 Industrial Goods and Services companies in the U.S. to achieve Leadership Club status.



Cornerstone Award Hall of Fame

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

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



PLASMA | LASER | WATERJET | AUTOMATION | SOFTWARE | CONSUMABLES

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