

**Hypertherm®**

**Corporate  
Social  
Responsibility**

2019 Annual report



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# Corporate Social Responsibility

# Our progress

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 our impact on 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.

# SUSTAINABLE DEVELOPMENT GOALS

In 2015, the United Nations defined global sustainable development priorities and goals for 2030. More than 1,500 companies provided input and guidance along with all UN member states. These Sustainable Development Goals explicitly call on businesses to apply innovation to solve issues impacting peace and prosperity for people and the planet. Companies are asked to contribute by weaving the goals into their core activities and then communicate transparently about the results. Using the SDGs as a framework, the United Nations believes companies can identify future business opportunities, enhance the economic benefit of corporate sustainability work, strengthen stakeholder relations, prepare for upcoming policy changes, and stabilize societies and markets. The underlying philosophy is that businesses cannot succeed in societies that fail.

Hypertherm began considering how it could best support the SDGs in 2019. We started with an interactive training for our leaders. The Corporate Social Responsibility (CSR) team then examined our operations, our products, and our mission and values to determine the areas of closest alignment between our work and the global goals. This led to Hypertherm officially prioritizing Goals 1, 3, 8, 12, and 13.

Teams were encouraged to link their plans and goals with the SDGs. Thirty-one teams aligned their Green Business Indicators with one or more of the five goals. Education continued throughout the year and the CSR team began prioritizing work to target the adopted goals. In 2020, we are continuing to educate Hypertherm Associates about the SDGs and are creating a set of 2030 internal goals inspired by, and aligned to, the SDGs. Throughout our report we note additional SDG impacts in our work.







**Evan Smith**  
President and CEO

# Values anchored

It is remarkable to reflect on the evolution and progress of our Corporate Social Responsibility (CSR) strategy over the past 10 years of reporting – the structure that has developed and the goals achieved. It is even more striking to look at our CSR journey in conjunction with our strategic growth over time. For more than 50 years, Hypertherm has taken a values-anchored approach to business growth and strategy. Moving forward, our commitment to align CSR initiatives to the Global Reporting Initiative Standards (GRI Standards) and the United Nations' Sustainable Development Goals (SDGs) provides a robust structure to continue to align our growth strategy with core values.

The CSR goals and accomplishments documented in this report are integral to the achievement of our enterprise vision and strategy, intentionally connecting the enterprise's fortunes to how we are addressing the critical challenges that exist in the world around us. Making our CSR priorities and goals front and center also helps connect our Associate owners to the societal and environmental issues that are a critical and growing priority with our customers, partners, and communities.

Hypertherm closed on its largest acquisition to date in April 2019, welcoming the OMAX team in Washington State to the Hypertherm family. Even in our acquisition strategy, we seek to align with similar values-based cultures presenting the opportunity to increase our combined positive impact in the world. In a very short period of time, OMAX Associates have already experienced Hypertherm's values in action and have helped us grow still stronger, broadening our collective impact.

Even though it is the 2019 CSR report that follows here, acknowledgement of current-year COVID-19 pandemic and racial justice crises is unavoidable in this moment, with their tests of our priorities and convictions as corporate citizens. Using our core values as guideposts, the Hypertherm team has demonstrated resilience and constancy through the early stages of the pandemic, weighing not just business continuity, but also our leadership role and needs in the community. We have also accelerated our exploration and actions to address the systemic discrimination that persists in our society.

The road ahead seems particularly steep today, but Hypertherm has repeatedly proven its deep reservoir of capability, hope, and collective commitment in addressing both longstanding and newly emergent challenges. I have great confidence we will rise even higher, meeting the moment.



**Jenny Levy**  
Vice President, People, Community, and Environment

# Strong foundation

This 2019 report of our Corporate Social Responsibility (CSR) strategies at Hypertherm marks our tenth communication. When we first shared our work in 2010, we focused on two key areas: community engagement and environmental stewardship. Our most significant accomplishments in that first reporting year laid the foundation for continued transformation. Today, I'm proud to say that our longstanding commitment to this work has grown to heights we could not imagine then.

In 2010, 66% of our Associates volunteered in their communities for a total of 7,000 hours. In 2019, 85% of our company served almost 28,000 hours. Formed in 2010, our HOPE Foundation today funds more than 100 organizations and has deepened our strategic underwriting partnerships in the areas of STEM and Substance Use Disorders. An evolving group of volunteer Associates built this strategic community work into nationally renowned models that we share openly with other employers and industry associations.

The environmental sustainability goals we set in 2010, targeted for completion in 2020 and for final summation in next year's report, have been the true north for our organization. We now have a dedicated team and dozens of green champions across our global organization committed to this work. We built and operate in a LEED Gold certified facility in New Hampshire. We have created a regional recycling center that has helped bring our landfill waste down to less than 2% of our total waste, and we have enabled other companies on their waste reduction journey. We now deliver our environmental impact data according to the Global Reporting Initiative Standards, the most trusted measure for sustainability reporting.

Since 2010 we have broadened our CSR reporting to include our Associates, a significant part of our accomplishments shared here. Five of our facilities have achieved OSHA's VPP Star status. Our Hypertherm

Technical Training Institute, founded 15 years ago, is now approved for GI Bill on-the-job training and apprenticeship programming. We have also formalized our long-standing commitment to our core value of Respect for the Individual in the Inclusion & Diversity strategies we have built in the last several years. Our partnerships with organizations such as Creative Workforce Solutions have enabled us to hire dozens of adults with prior barriers to employment.

In all these areas we have built upon our strong foundation laid over our 52-year history. As we close out the decade, we are seeking broader partnerships outside our own "four walls" to achieve higher impacts for our Associates, in our communities, and for our planet. With that expanding work it makes sense to connect to the United Nations' Sustainable Development Goals. An ever-higher purpose energizes our Associates; and aligning our work at Hypertherm with that of all nations and like-minded companies and organizations is a guide for our next decade of hard work. You will see those connections throughout this report.

As I write this letter to you in 2020, this past decade seems even further away, yet we hold our values and principles ever closer. The clarity of our commitment to Associate health and well-being, community leadership, and serving our customers has informed the guiding principles we have needed through the COVID-19 pandemic. We are particularly called to accountability in building societal conversation around long-standing structural racism and inequalities. In our role as an organization, we look to where we are falling short and must ensure we are anti-racist. The foundation of our CSR strategy – community citizenship, philanthropy, and our Associates – provides the bedrock for our connection and partnership with the communities and world around us. That inspires me for the decade of work ahead.







## Our community

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**Barbara Couch**  
**HOPE Foundation President**

# We can all be philanthropists

**H**OPE stands for Hypertherm Owners' Philanthropic Endeavors and philanthropic endeavors were abounding in 2019. To ensure a shared understanding of philanthropy, here are some common definitions.

A definition from the dictionary is "the desire to promote the welfare of others, often expressed by the generous donation of money to good causes." People who often come to mind under this definition are Bill and Melinda Gates or Warren Buffett. These are great people who have created great wealth and who have chosen to give a portion of that wealth to support the social good. Yes, these are philanthropists making a positive difference in the world, but I would argue it is not the amount we give that makes us philanthropists; it is the sacrifice we make that matters. A person donating \$100 to a favorite charity may require a greater sacrifice than another person donating \$1 million to their chosen charity. It is all relative and I call both these acts philanthropic. We saw this ring true during our 2019 United Way drive when 409 Associates donated \$126,861 through the campaign. Philanthropy is fueled by the power of many.

Another definition of philanthropy is "the act of giving yourself to others without wanting anything in return." A powerful example here that comes to mind is of the Hypertherm spouse who donated her kidney to a young stranger in need because he was a match. And the Associates who continuously, time and time again, anonymously donate their vacation time to Associates in need. Are these not the acts of philanthropists?

A third definition of philanthropy is one of "volunteerism, the principle of donating time, talent, and energy for the benefit of others." Hypertherm Associates volunteered 27,828 hours through community service time in 2019 and most Associates volunteer personal time far beyond that. From stocking food pantry shelves to delivering food to the shut-in elderly, from preparing community dinners to mentoring young children, from painting the homeless shelter to cleaning debris from the Connecticut River. Are not these acts of philanthropy, too?

And perhaps most importantly, and what we have witnessed in these most recent times, are heroic acts of front-line workers. These are people who show up on the job because they see their place in this world as bigger than themselves. It is not about them; it is about caring and providing for others. From healthcare workers, to grocery store clerks, from day-care providers to first responders. Hypertherm was considered an essential business and our Associates came to work during the height of the pandemic to manufacture essential products for our customers. I would call all these acts philanthropic.

There is a growing body of scientific evidence that shows philanthropy benefits the giver as much as the receiver. Researchers have found that philanthropy contributes to greater overall happiness, better health, and a heightened sense of connection to others. At Hypertherm we do not need scientific evidence to tell us these things. All we need to do is talk to Hypertherm Associates who give so generously of their time, talent, and treasure. Their stories are proof positive of this research.

It is my opinion anyone can choose to be a philanthropist, regardless of status or net worth. I would assert that here at Hypertherm most can embrace the title. Philanthropy may begin as something we do, but eventually it becomes who we are. It becomes the movement of our being. In 2019 and now well into 2020, philanthropic endeavors have been evident every day from Associates around the globe.

I would like to take this opportunity to thank all Hypertherm Associates, retirees, board members and the many friends of the HOPE Foundation whose selfless actions and good deeds are making a positive difference in the world. You are philanthropists, one and all.

*Barbara*







## HOPE Foundation



### Corresponding SDGs



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 501(c)3 public charity. The HOPE Foundation broadly funds community grants across Goal 1 (No Poverty), Goal 3 (Good Health and Well Being), Goal 4 (Quality Education), Goal 8 (Decent Work and Economic Growth), and Goal 13 (Climate Action). The Foundation currently has two strategic funding areas: our ongoing SHAPE for STEM program and our work to bring awareness to and prevent substance use disorders by supporting those in recovery. We strengthen our impact by combining our volunteer time, core business competencies, and giving from the Foundation.

Our inclusive process puts grant making in the hands of Associates throughout Hypertherm who diligently review grants and make funding decisions in their geographic area. Our HOPE Ambassadors and Champions work proactively with our strategic partners to define and measure goals meaningful to each nonprofit organization. We are proud to have many Hypertherm Associates using skills-based volunteering to serve on nonprofit boards. Through roundtables and site visits, our team deepens its knowledge of the many

nonprofits in our communities. On May 20, 2019, the HOPE Foundation hosted and sponsored a daylong workshop called Racism of the Well-Intended. This session, led by two trainers who have dedicated themselves to this topic, attracted 100 attendees representing every sector in our Upper Valley community. We received great feedback on the impact this had on attendees and the importance of supporting inclusion in our community.

Also in 2019, our HOPE Team and our HOPE Foundation Board began exploring the addition of a new strategic funding area to join our STEM and Substance Use Disorder programs. We held strategic work sessions to gain knowledge in the needs and opportunities related to adverse childhood experiences. We engaged with students volunteering from the Tuck School of Business at Dartmouth College to do additional research for us. Defining this new strategic focus area continues into early 2020 as we narrow our focus, define goals, and create a funding strategy.

As a public foundation, we are grateful to our growing donor base including our Associates, retirees, Hypertherm and HOPE Foundation board members, collaborative grants, and the broader public who support our work.

**Follow Hypertherm  
HOPE Foundation**

## Substance Use Disorders



### Corresponding SDGs



In 2015 we 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. Statistics show that more than 10% of adults in the USA struggle with SUD. This applies to our own Associates and the communities in which we live. We aim to respect and support people through their recovery journey. The task force guides the work of both the HOPE Foundation in our community and awareness building within Hypertherm. Through our commitment to Goal 8 (Decent Work and Economic Growth), to promote inclusive and decent work, and Goal 3 (Good Health and Well Being), to promote well-being for all, we continue to build on our early learnings and deepen our commitment to this strategic focus area.

As a designated Recovery Friendly Workplace, we regularly implement changes to how we approach the challenge of supporting Associates in recovery. We continue to support Headrest's Opportunity to Work program philanthropically and have welcomed eight program participants to Hypertherm as new Associates so far. Hypertherm participates in the Recovery Friendly Workplace Community of Practice, helping to develop module trainings that can be brought into the workplace. The goal is to increase empathy for those in recovery and reduce the stigma they often face. To help us, we hosted Recovery Coach

training for 30 Associates. We collaborated with Headrest on a pilot program to have a Licensed Alcohol and Drug Counselor (LADC) onsite in our New Hampshire facilities to support our Associates. We also implemented a safe drug disposal program in all our U.S. facilities.

In the broader community, the Associates from our SUD task force regularly work with other businesses to share what we have learned so we can grow the pool of Recovery Friendly Workplaces in our community. Hypertherm is represented on the Governor of New Hampshire's Recovery Friendly Advisory council and is the Business and Industry Association representative on the state of New Hampshire's Commission on Alcohol and other Drugs. Representatives from our task force presented our SUD work at the New England Regional ESOP Association Conference and the New England Equal Employment Opportunity Commission conference, where attendees learned about our approach to this challenging workplace issue. We aim to affect the greatest positive change by working with our partners and learning from others.

**Video interview with  
Associate Matt McKenney  
on SUD at the annual  
ESOP conference.**



# SHAPE for STEM

## Corresponding SDG



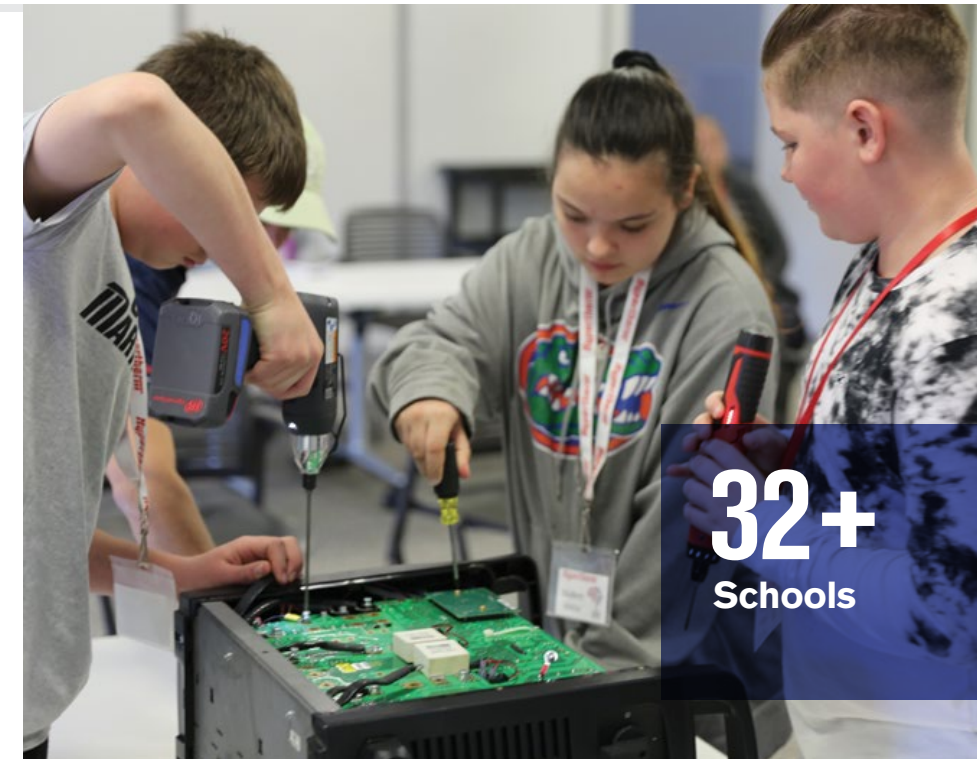
As a high-technology manufacturer with a long history of innovation in our engineering, operations, and service areas, it is critical to us that upcoming generations are engaged and capable in all areas of Science, Technology, Engineering and Math (STEM).

Hypertherm's SHAPE for STEM program commits to Goal 4 (Quality Education), ensuring inclusive and equitable quality education and promoting lifelong learning opportunities for all. We provide programs that give students access to our advanced manufacturing environment. Our Associates, as volunteers, are highly involved in

supporting our STEM program. In 2019 we engaged again with nearly 1,000 students either at Hypertherm or in the classroom. Through our educational tours, cutting demonstrations, hands on activities, job shadow days, camp for middle school students, mentoring outreach, and our career exploration panels, we are connecting with students. It is our hope that this connection will inspire and encourage an interest in advanced manufacturing activities. Our pilot High School Internship program occurred for a second time in 2019. This program, conducted in partnership with another



**942**  
Students



**32+**  
Schools

high-tech manufacturer, continues to be a robust program. Students from two high schools are in one of our respective facilities every school day for an entire semester. They earn credits toward high school graduation. Teams outside the Upper Valley are also taking part. Associates who work at our Minnesota location hosted a robotics team funded with a HOPE Foundation grant. Our team in Lockport, New York sponsored a weekly STEM youth mentoring program as well as a youth environmental science program.

On April 10, we hosted Girls Technology Day, collaborating with other businesses for a broader student experience. On November 9, we held an inaugural regional tournament for FIRST Lego Robotics welcoming eight teams and 300 guests to our facility for a day filled with the excitement of Lego robotics competition including core values and project evaluations.

It is always our desire to remove barriers and ensure opportunities for every student to develop STEM skills and learn about STEM careers. As such, we collaborated with the Institute of American Apprenticeships to support a pilot program for high

school students in rural, underserved communities. That program, which began last fall, taught students about software development. It was conducted entirely online, with students receiving college credit upon completion.

Daily we learn about the needs in our community for our SHAPE for STEM program and look forward to our continued expansion as opportunities and bandwidth allows.

**Take our online virtual tour**



**175**  
Volunteers



# Community Service Time



### Corresponding SDGs

1 NO POVERTY

8 DECENT WORK AND ECONOMIC GROWTH

3 GOOD HEALTH AND WELL-BEING

13 CLIMATE ACTION

4 QUALITY EDUCATION

Our formal global Community Service Time (CST) program, which started in 2003, continues to grow with Associates spending more time volunteering every year. This commitment begins almost as soon as an Associate joins Hypertherm, during new hire orientation. Associates learn about our benefit of 32 hours of paid community service time and then head out to volunteer as a team. By volunteering in this way, Associates immediately become part of the investment Hypertherm makes in our community.

Our commitment to the community is a key driver of our positive engagement and culture. Associates around the world are supported by Community Service Time Champions who help make connections to nonprofits and project needs.

In 2019, we had 85% of Associates choosing to volunteer at an organization that is important to them, using 60% of our total available benefit hours. We have

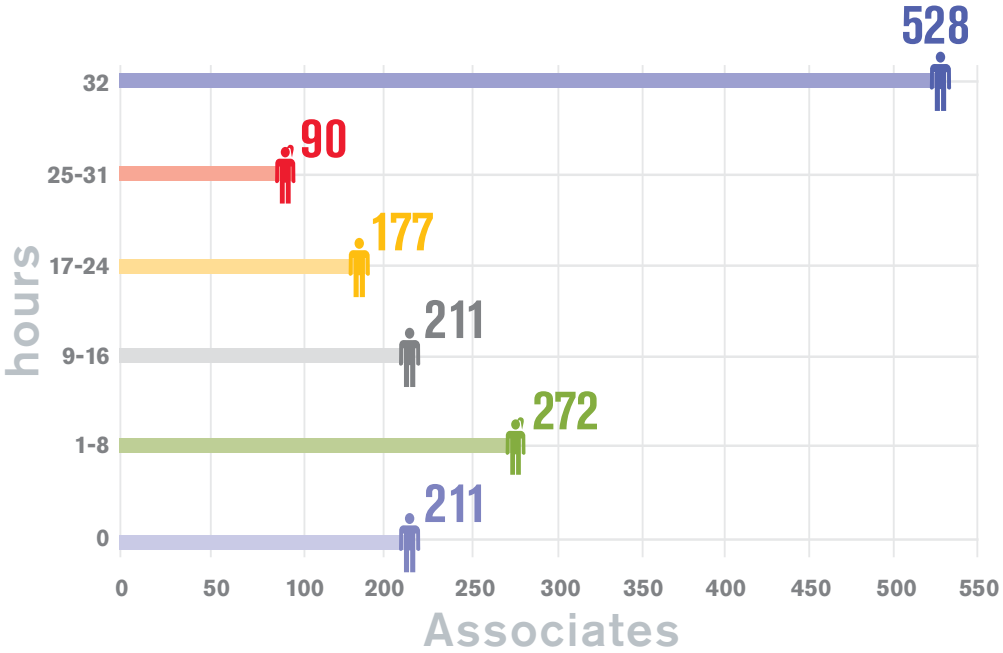
seen an increase in the number of Associates serving on nonprofit boards, teams volunteering together, and Associates signing up for recurring volunteer commitments. More than a third of Hypertherm Associates used all their allotted CST in 2019, and many served far beyond that on their own time. We believe when Associates dedicate their time and talents to serving the community it builds pride, compassion, and positive impact for all.

This year we implemented a new system for tracking volunteer hours by focus area. Now, in addition to knowing that Associates spent 27,898 hours volunteering in 2019, we have a better idea of where Associates are serving. What we found is that our focus areas tie directly to many of the Sustainable Development Goals, helping Associates worldwide see how their work is supporting global strategies.



85%  
Participation rate

### Depth of Associate volunteering in 2019

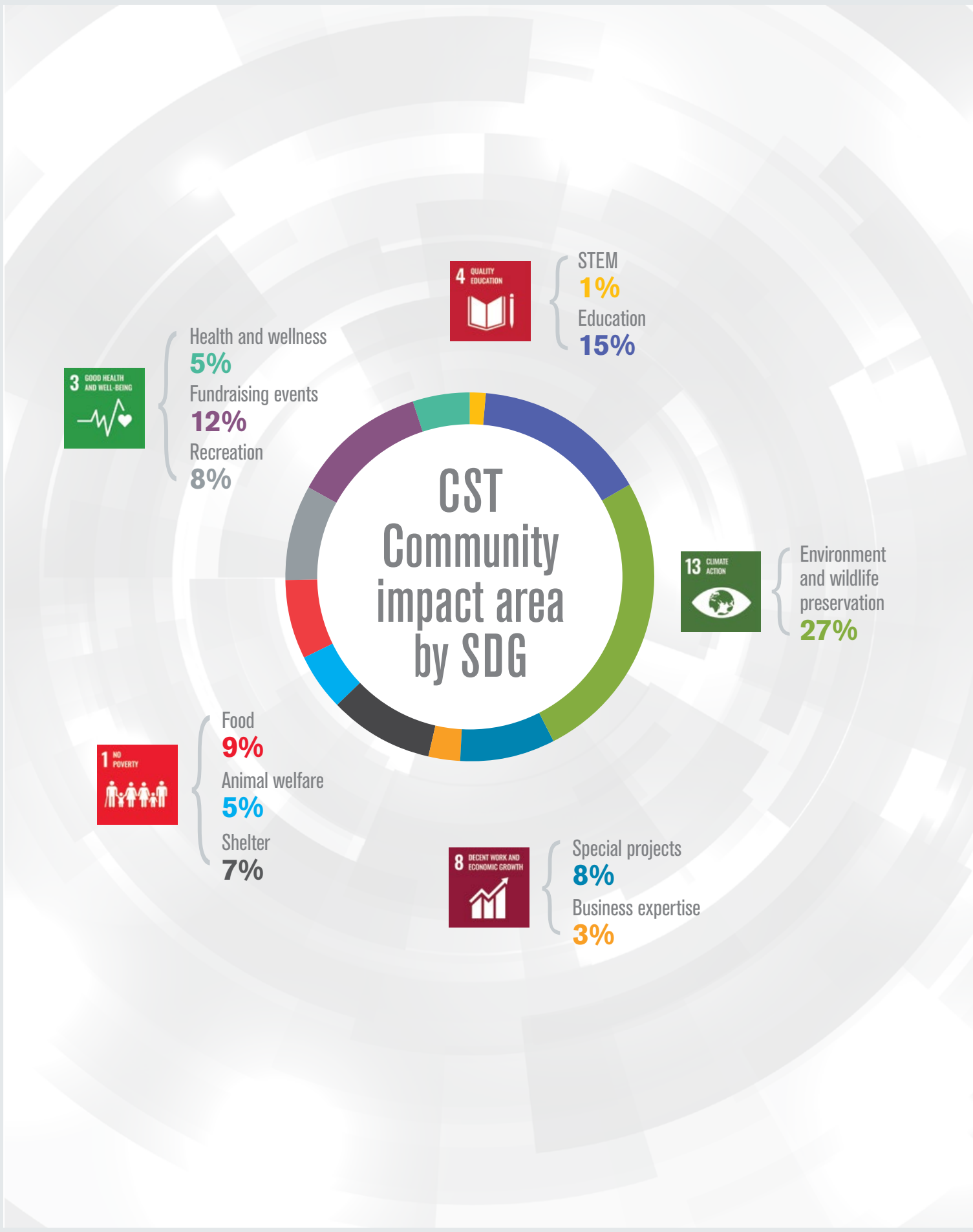


22  
Average hours per Associate



27,898  
Total hours









Our environment

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Our environmental reporting began in 2010, and now for the first time, our 2019 data in the tables below (302-1) are entirely reported in reference to Global Reporting Initiative (GRI) Standards – the first and most widely adopted global standards for sustainability reporting – with data from 2010 to 2019 converted and re-reported when necessary.

Corresponding SDGs



The United Nations Sustainable Development Goals that most closely align with our current environmental goals are Goal 12 (Responsible Production and Consumption) and Goal 13 (Climate Action). We continue to explore ways to address Goal 1 (No Poverty) and Goal 8 (Decent Work and Economic Growth).

Also in 2019, we centralized our sustainability data from across our value stream into one comprehensive software platform. We can now capture sustainability data from our supply chain and better partner with suppliers to achieve global goals. In addition, this platform will help us better analyze our impacts and therefore, execute our environmental and social impact strategies more fully. It will also enable us to meet international standards-based reporting requirements and be more accountable and transparent to all stakeholders.

The numbers (e.g., 302-1, 305-3, etc.) preceding each chart on this and the following pages indicates the disclosure standard issued by the Global Sustainability Standards Board (GSSB).



302-1	Total energy consumption by year (gigajoules)			
	2010	2017	2018	2019
Total fuel (non-renewable)	11,156	20,000	20,348	21,045
Total electricity	48,872	65,380	67,559	64,226
Total	58,028	85,380	87,907	85,271
Non-renewable fuel consumption by year (gigajoules)				
Natural gas	157	2,513	3,412	2,972
Liquefied propane gas	3,603	11,132	12,993	17,077
Heating oil	7,396	6,239	3,934	983
Diesel	No data	116	9	13
Total	11,156	20,000	20,348	21,045



# Emissions from energy use

(Scope 1 and 2)



In our move to the new software platform, we are using the newest and most specific emissions factors based on global standards. In general, there are differences in our emissions compared to prior reports. This report has updated all emissions back to 2010 using the recommended factors available now.

Emissions from heating fuels were up slightly in 2019 due to a colder winter in New Hampshire and Minnesota as well as the addition of a larger facility in Minnesota. To improve our Scope 1 carbon emissions from heating, we have eliminated the use of fuel oil and replaced it with propane, a much less carbon intensive fuel. While we recognize that propane is still a fossil fuel that generates carbon emissions, we view it as a necessary bridge to an eventual carbon-free future.

Last year was the first year we attempted to gather refrigerant emission data. Data from prior years is incomplete so 2019 will be our baseline year going forward.

Our fleet emissions were down 4% from 2018 to 2019. This change occurred because our sales Associates drove 45,000 fewer miles.

Our location-based carbon from Scope 2 operational electricity was down 3% from 2018 to 2019. Our market-based Scope 2 carbon emissions, which include renewable energy credits (RECs) purchased to meet our North American energy needs, was down slightly to 519 metric tons of CO<sub>2</sub>e and our reporting has been corrected to reflect appropriate accounting for those credits. This emissions number is greater than zero because our international Scope 2 emissions are not yet offset by RECs, but as we enter the new decade, one of our first goals is to participate in global renewable energy markets.

Overall, considering fuel, fleet, refrigerant, and electricity use, the carbon intensity of our Scope 1 and 2 emissions has gone down 29% since 2010 for location-based emissions and 75% for market-based emissions.

305-1	Scope 1 emissions (tCO <sub>2</sub> e)	2010	2017	2018	2019
	Heating fuel	716	1,195	1,199	1,232
	Fleet	634	453	451	434
	Refrigerants	-	8	4	103
	<b>Total Scope 1 CO<sub>2</sub>e</b>	<b>1,350</b>	<b>1,656</b>	<b>1,654</b>	<b>1,769</b>
305-2	Scope 2 emissions (tCO <sub>2</sub> e)				
	Total (location based)	4,273	5,203	4,962	4,807
	Total (market based)	4,273	522	538	519

# Emissions from our value chain

(Scope 3)



Carbon emissions (absolute) from our outbound logistics decreased 16% compared to 2018. This is due to the weight of our products being reduced, as well as shipping more consolidated loads by ocean, a much less carbon intensive mode than air. The weight of products shipped by air dropped 19% compared to 2018.

Our impact from commuting was reduced 6% compared to prior year, largely due to a reduction in single-occupancy vehicle use. We estimate 776,000 fewer single-occupancy miles were driven in 2019 compared to 2018. In 2019, we saw a 29% increase in the number of Associates carpooling and a 46% increase in the number of Associates biking or walking to work. In addition, we saw a 13% commuting impact reduction from the increased use of low-impact vehicles.

As we continue to expand this benefit category, we've added new technology such as Electrical Vehicle Supply Equipment (EVSE) to many of our Upper Valley locations. Since 2018 we've expanded to eight charging units at six locations so our Associates can mitigate their range anxiety through free onsite charging.

The overwhelming majority of our Scope 3 emissions come from our products in use. Because our products use electricity to cut through industrial materials such as metal, concrete, or stone, and because they provide customers with cutting capability for many years, this category of emissions is high. We work to combat this by making our products more energy efficient with every new product release. In addition, we know from product life cycle assessments (LCAs) that an even higher carbon impact comes from the scrap metal that remains after our customers cut their own products. Initiatives are underway to help customers reduce their scrap materials and therefore their carbon impacts, including improved part-nesting optimization, education, and scrap minimization.

This year, we have removed a small category, component parts, from our Scope 3 emissions. We have learned that as this is not a required reporting category, it does not make sense to optionally report just this small set of parts. Data has been corrected back to 2010.

305-3	Scope 3 emissions (tCO <sub>2</sub> e)	2010	2017	2018	2019
	Business travel	1,039	1,096	1,288	1,193
	Commuting	3,633	4,793	4,418	4,159
	Outbound logistics	40,900	17,675	20,591	17,292
	Products in use	338,823	544,482	574,164	574,767
	<b>Total Scope 3</b>	<b>384,395</b>	<b>568,046</b>	<b>600,461</b>	<b>597,411</b>





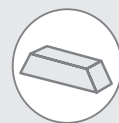
# Waste reduction

10%  
Waste  
to landfill  
in 2010

2019

1.24% Waste  
to landfill

1,966  
Metric tons  
Metals  
recycled



2,532

Metric tons of waste  
was diverted  
from the landfill  
due to our recycling  
and composting programs

50 Metric  
tons  
Recycled  
single stream,  
e-waste, paper shred



45 Metric  
tons  
Composted  
made into dirt through  
our compost program



44 Metric  
tons  
Hazardous  
waste  
recycled, reclaimed,  
reused, or incinerated



Equal to  
2,037  
Honda Civics



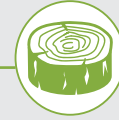
173 Metric  
tons  
Materials  
reused  
pallets, hoses, etc



32 Metric  
tons  
Filmy  
plastics  
recycled



147 Metric  
tons  
Cardboard  
recycled



75 Metric  
tons  
Wood  
recycled

2020

Landfill goal = ZERO WASTE



For nine years, we have relentlessly pursued waste reduction, aiming for a zero waste to landfill target. With only 1.24% of our waste going to the landfill, the remaining reductions are both smaller, and more difficult to achieve. We achieved a significant landfill reduction of 27% from 44 metric tons to 32 metric tons during the course of 2019. Last year also saw weight reductions in all but two recycling categories signifying a move up the waste hierarchy to more reuse, with the reuse category jumping 77%.

In response to China's National Sword, a 2018 policy in which the country stopped accepting plastics and mixed paper and severely limited the import of other recyclables, we've been working diligently to improve the quality of our resource and recycling streams and to also segregate materials when volume and value align. In addition, we continue to source more reusable and returnable packaging from our suppliers to eliminate inbound waste, and find ways to eliminate or reuse traditionally recycled materials. A new take-home

program offers items that are outdated or not needed to Associates through a lottery system, creating a second life for many items outside of Hypertherm's walls. We continue rigorous education and training programs to ensure waste stream accuracy because inaccurate waste placement still accounts for approximately 40% of our landfill waste.

Our two packaging engineers continue to work across business teams ensuring that our packaging is as materially efficient as possible, while still protecting our products. A milestone achieved in 2019 is that all outbound packaging from our plasma businesses is now 100% recyclable.

One of the important benefits that we will realize with the implementation of our sustainability software is a standards-based quantification of the carbon impacts of our waste generation. This will help us more fully capture our carbon footprint and allow us to better prioritize and target waste reduction projects with an eye not just to weights, but to climate impact.

## 306-2 Waste by disposal method (metric tons)

Non-hazardous waste	2010	2017	2018	2019
Reuse	0	77	98	173
Recycling	1,777	2,190	2,324	2,270
Composting	0	84	49	45
Landfill	191	26	44	32
<b>Total non-hazardous</b>	<b>1,968</b>	<b>2,377</b>	<b>2,515</b>	<b>2,520</b>

## Hazardous waste

Recovery	13	24	21	28
Destruction or treatment	3	0	3	0
Incineration	11	15	17	16
Landfill	5	18	3	0
<b>Total hazardous</b>	<b>32</b>	<b>57</b>	<b>44</b>	<b>44</b>

Emission from the EPA and conversion factors from the EIA websites. GHG Protocol Methodologies  
Gases included are: CO2, CH4, N2O, HFCs, PFCs, SF6  
The energy and waste data presented in this report is in reference to GRI (Global Reporting Initiative)



# Product design



For several years, our design engineers have used a Design for Sustainability scorecard as part of the design review and stage-gate process. This scorecard aligns metrics with our biggest impacts through product life cycle assessments (LCAs). To date, we have performed LCAs for every product family. At the end of 2019 and during the first quarter of 2020, all design engineers began learning how to incorporate biomimicry, the practice of drawing design inspiration from nature, into their work.

### Greener Cuts certifications

Throughout 2019, teams across our organization continued to engage with our environmental sustainability initiatives. One measurement of this is a team's

participation in our internal certification system at the One Leaf, Two Leaf, and Three Leaf levels. We ended the year with 58 One Leaf certified, 37 Two Leaf certified, and 11 Three Leaf certified teams. Two of our international teams – our robotic software team in Canada, and our team in the Netherlands – both achieved Two Leaf certification, which is no easy task due to many variables, including leasing of facilities with waste and/or energy agreements, limited regionally available waste diversion methods, and differing regulations. Through certification, every team at Hypertherm has come to understand and improve their electricity use, recycling, commuting, waste streams, and business travel impacts.

## Greener Cuts certifications

% of teams certified:



97%



62%



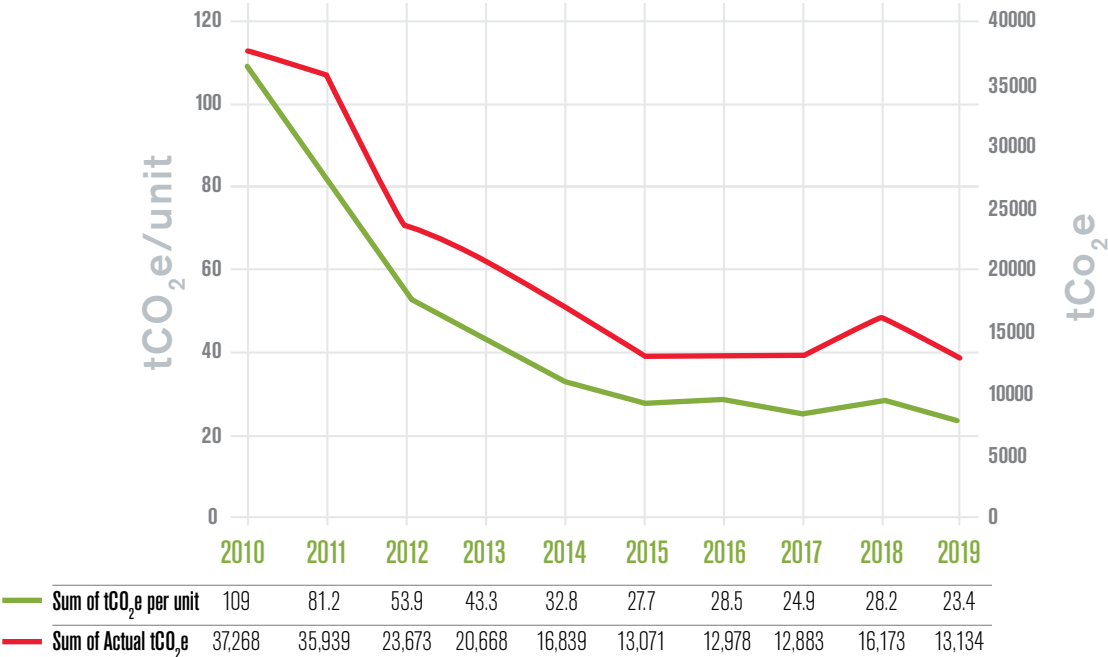
18%

### 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



## Logistics carbon emissions 2010-2019



## 2020 Environmental sustainability goals

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





## Our Associates

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As a 100% Associate-owned company, Hypertherm is building economic stability for each of our global Associates as well as the communities in which we live and work. Our egalitarian approach to shared rewards and long-term wealth generation, our no-layoff philosophy, and our focus on safety and wellness all mean that Hypertherm Associates enjoy sustained and productive employment and economic growth.

In addition, we position our organization as a societal change agent through our commitment to building an inclusive workplace and diverse workforce. All Associate 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.

Hypertherm's steadfast commitment to meeting the ever-evolving needs of our Associates is a virtuous cycle, allowing Associates to focus on building great depths of knowledge and expertise in our products, our industry, and our communities that they may then use to solve the largest challenges for the future.





# Ownership culture

### Corresponding SDGs



Hypertherm Associates trust that, as co-owners, the work we do today will benefit each of us far into the future. This not only provides economic stability for our families but creates a strong sense of pride and belonging – the knowledge that we are all part of something bigger than ourselves.

The desire to contribute to a greater purpose is demonstrated through shared decision-making, cross-team collaboration, and genuine participation and accountability to support the organization's community involvement and environmental sustainability initiatives. Just as we hold one another accountable to meet business objectives, we support and encourage each other to serve in our communities and continuously improve our sustainability practices.

We administer an engagement survey every 18 months. Results from our most recent survey, conducted in 2019, found that our Associates once again reported high overall satisfaction with an Engagement Index of 84%. As a testament to the positive impact ownership has on Associates' pride in the organization, 84% of Associates also responded that they believe Associate ownership differentiates Hypertherm from other employers.

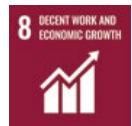
**Hypertherm's Associate owners enthusiastically work for the collective good, a characteristic that drives business results and contributes in countless ways to the betterment of our communities.**

Consistent with previous surveys, the questions related to Corporate Social Responsibility were the most highly rated items on the survey:



# Safety

### Corresponding SDG



Hypertherm's Safety Program remains strong and continues to mature across the organization. Associates at all locations remain focused on hazard identification and opportunities to improve workplace safety through corrective action plans that mitigate potential hazards. In 2019, there were hundreds of proactive safety items identified and completed throughout Hypertherm's many building locations. Identifying potential safety hazards and taking proactive measures to eliminate those risks is essential to ensuring a safe place to work.

Ergonomic injuries are a continued critical focus area for Hypertherm. During the past year, the Total Case Incident Rate (TCIR) has increased from 1.9 to 2.5 (injuries per 100 associates). This increase is largely due to reporting of early signs and symptoms of ergonomic injuries. Like most other large manufacturers, Hypertherm

has ergonomic challenges in all areas of the organization, including in our assembly, machining, warehouse, and office areas. To tackle this broad and difficult challenge, Hypertherm has conducted process assessments with the assistance of internal and external experts. We have now formed an ergonomic steering team, with a cross-section of manufacturing process engineers to solve our most difficult ergonomic challenges.

While the focus on ergonomic injuries has resulted in an increased overall Incident Rate, the good news is that the identification and early reporting of injury symptoms often leads to early intervention and treatment that can prevent these injuries from becoming more severe. In 2019, the dollar amount spent on Worker's Compensation, a proxy for injury severity, was significantly less than in 2018 and prior years. We remain focused on early reporting of injury signs and symptoms so we can fix the root cause and prevent increased discomfort.





# Wellness



## Corresponding SDG



We are committed to a culture of well-being at Hypertherm. It comes right from our corporate mission statement and is part of our long-standing legacy. We aim to engage each Associate on their personal wellness journey and provide structures to support the best health outcomes we can.

At the grassroots level, we continue to engage each Associate in an online platform to track their wellness progress and set goals for themselves. More than 84% of our Associates actively participate in this wellness platform which includes quarterly wellness challenges. One notable challenge was a step challenge in which 536 Associates participated on 117 teams. Collectively, these Associates took 66,135,918 steps – enough to walk around the world – during the course of 12 days, for an average of 10,282 steps per person per day.



Hypertherm partners with Dartmouth Hitchcock Medical Center to host an onsite wellness center at two of our facilities in New Hampshire. In 2019, there was an increase in the number of primary care members within the Hypertherm Associate Wellness Center (HAWC) which now serves more than 450 Associates, spouses, and dependents, age 16 or older. The HAWC also serves non-primary care injury and illness needs with immediate, on-site expertise, recording more than 1,500 visits last year alone. We saw evidence of our culture of well-being with medical claims below the anticipated amount for the year by approximately \$1 million.

We are committed to a continued focus on well-being, so our Associate owners are healthy throughout their careers and long into retirement.



# Inclusion and Diversity

## Corresponding SDGs



Hypertherm's Inclusion and Diversity mission gained important ground in 2019 with the creation of a cross-functional Inclusion and Diversity task force. By gathering insights from representatives of our global teams, we can better understand the state of our internal culture. This allows us to focus on strategies that will have the greatest positive impact on our workplace. In addition to gathering valuable information for the company, the task force receives training on proactive inclusive practices so that the members may directly influence their teams.

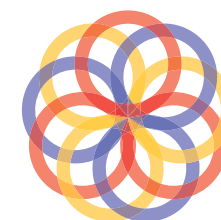
To expand opportunities for people with different abilities to have meaningful, productive employment in their communities, Hypertherm has developed strategic partnerships with local human services organizations. Creative Workplace Solutions (CWS), a Vermont disability services agency, collaborates with employers to identify work opportunities for people who have disabilities that create a barrier to employment. They then partner with the employer and Lincoln Street Inc., another Vermont-based disability services agency, to provide appropriate on-the-job support systems. In addition to coordinating numerous workplace tours, job shadows, and internships, we are proud to have hired more than 30 valued Associates to date through CWS's programs.

Hypertherm has also created important employment and educational opportunities

for those struggling with poverty and for U.S. veterans through new affiliations and certifications at the Hypertherm Technical Training Institute (HTTI), an intensive nine-week training program for aspiring machine operators. In partnership with Columbia College, Associates who complete the internal training program earn credit toward an Associate's degree in advanced manufacturing, and they may continue their coursework to complete the degree with full funding from Hypertherm. The goal is that anyone, regardless of socioeconomic status, may achieve not only the training for a skilled technical role but also further education to support future career growth.

Additionally, last year the State of New Hampshire designated the HTTI program as a GI Bill approved on-the-job training and apprenticeship program. HTTI training Associates are now School Certifying Officials able to report student enrollment information – term dates, credit loads, qualifying costs – to the United States Department of Veteran's Affairs. This reporting will enable students and their eligible dependents to receive Post 9/11 GI Bill benefits for up to two years.

At Hypertherm, inclusion is proactive and intentional to leverage the strengths that our diversity brings and to develop sustainable employment opportunities for all our Associate owners.



Hypertherm  
Inclusion  
and  
Diversity





# Ethics and integrity

## Corresponding SDG



At Hypertherm, our core values are lived out through our actions as 100% Associate owners. We do the right thing even when it's hard. We hold ourselves to the highest standards of honesty and fairness. 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. Because Hypertherm is 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. During cultural immersion, every new Associate receives in-person ethics training. We discuss why ethics matter, the way ethics are woven into our culture, how to manage an unethical situation, and where to find available resources. All Associates are made aware of our Silent Whistle program and how to use it.

To further our focus and commitment, we added two full-time Associates in 2019 – a general counsel as well as a senior director of internal controls. In addition, we created a new Ethics and Compliance team, reporting directly to our CFO and our vice president of people, community, and the environment. This team, which meets twice a month, is charged with promoting strong corporate governance related to ethics, regulatory compliance, federal, state, and local laws. It includes representatives from sales; engineering and product compliance; human resources; operations; trade compliance; supply chain; and environmental, health, and safety teams.

**Honesty and integrity means doing the right thing without compromise. We do the right thing even when it's hard. We hold ourselves to the highest standards of honesty and fairness.**



# Awards



## Spirit of New Hampshire Volunteer Champion Award

Hypertherm was honored with the 2019 Volunteer Champion Award in the business category for its work to promote volunteerism throughout the Granite State.



## Environmental Protection Agency Wastewise partner

In recognition of organizations who reduce waste, practice environmental stewardship and incorporate sustainable materials management into their waste-handling processes.



## Green Power partner

Recognizing Hypertherm's use of 100% green power, the EPA designated us one of 58 Industrial Goods and Services companies in the U.S. to achieve Leadership Club status.



## Cornerstone Hall of Fame

Presented by New Hampshire Businesses for Corporate Social Responsibility for our continued corporate social responsibility work and dedication to our Associates, community, and the environment.



## NH Energy Week Business Energy Champion

Nine New Hampshire Energy Week partner organizations including The Nature Conservancy and NH Clean Tech Council selected Hypertherm for its work to reduce energy consumption.



## Employee Owned Company of the Year

Honored by the New England Chapter of the ESOP Association for excellence and dedication to the values of employee ownership.



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As 100% Associate-owners, we are all focused on delivering a superior customer experience. [www.hypertherm.com/ownership](http://www.hypertherm.com/ownership)

Environmental stewardship is one of Hypertherm's core values.  
[www.hypertherm.com/environment](http://www.hypertherm.com/environment)

100% Associate-owned



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