

Hypertherm®

Corporate Social Responsibility 2020 Annual report





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.

Letter from Hypertherm President & CEO, **Evan Smith**

Hypertherm's triple bottom-line commitments to people, planet, and profit have rarely been tested as deeply as they were in 2020, so I am proud to say that our core values, our Corporate Social Responsibility commitments, and our enduring strength as a company of owners led us successfully through the numerous trials of 2020.



The COVID-19 pandemic and resulting economic crisis meant major business disruption and job losses around the world, yet Hypertherm maintained its 52-year legacy of no layoffs, provided additional time off and family leave benefits to all global Associates, and converted production and assembly lines to produce nearly 33,000 face shields that were donated to area hospitals, first responders, schools, healthcare providers, and nonprofit groups.

The intense focus placed on Associate well-being, community well-being, and business continuity throughout the pandemic meant that our teams continued to innovate, engage with customers and partners, and support nonprofits using their Community Service Time. We realized just how agile we can be and just how much we rely on the initiative and commitment of our Associate owners and inter-connected teams to navigate unanticipated challenges. This was a period of learning, continuous improvement, and growth for all of us, and our business is benefiting tremendously in the recovery phase.

In June of 2020, Hypertherm joined so many other voices around the world in condemning ongoing racial injustices brought into renewed, harsh focus in the United States. I shared a public statement on behalf of the company at that time reaffirming our commitment to building an inclusive workplace and diverse workforce at Hypertherm and stated that we would hold ourselves and others in our industry and global community accountable to work together for progress. This commitment is shared and championed by our Board of Directors and executive management team and is carried out every day through intentional actions across our organization.

Even with the time and resources needed to support our Associates, communities, and business through a global pandemic and civil unrest, we persisted with our 2020 Environmental Sustainability Goals. The Environmental Sustainability Team, cross-functional Green Champs, and all our Associate owners proved that our commitment to the planet is deep and unwavering. The accomplishments listed in this report are remarkable and set the stage for even greater positive impact going forward.

Reflecting on the events of 2020, I am most inspired by the ways in which Hypertherm and our Associate owners held to our mission and core values, constantly reminding one another that these foundational ideals have successfully grounded our decision-making throughout our history and are what will carry us into our bright and fulfilling future.

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Cover photo: A Hypertherm Associate uses his community service time to help distribute food during the pandemic.

**Letter from EVP of
People, Community,
& Environment,
Jenny Levy**



For a decade, we had planned for 2020 to be a celebratory year with the culmination of our 2020 Environmental Sustainability Goals. Then came a global pandemic that led to economic crisis, civil unrest because of ongoing racial injustice, and the need to support one another through the combination of all the connected events. While it certainly wasn't the year we expected, there is much to be celebrated about the ways Hypertherm and our Associate owners stood by each other, our communities, and our collective business.

When we set our 8 Environmental Sustainability Goals in 2010, they were based on addressing the greatest environmental impacts we had as a business. The past 10 years have taught us how to imagine outcomes and then figure out how to achieve them, recognize opportunities when things don't go as planned, and push past known limits of possibility. I could not be more proud of our Environmental Sustainability team who motivated and inspired their global colleagues to embrace sustainability as the way we do business here at Hypertherm. The achievements shared in this report are the result of deep cultural commitment and embedded processes that have helped curtail and reduce the negative impacts we have on the planet.

Hypertherm has always been known for its values-based, innovative, and collaborative culture, and our pandemic response brought out the best of these indelible strengths. Our guiding principles – Associate well-being, community well-being, and business continuity – were the basis of each decision made from the beginning of the COVID-19 outbreak in Asia. The Pandemic Leadership Team led the organization through ever-evolving changes in how and where we needed to do our work. Leaders and Associates across the organization continuously adapted to new realities in the most admirable ways, supporting each other through situations no one was prepared to handle and pushing our business forward when other businesses were shutting down. I also had the privilege to see the generosity of time and resources from the HOPE Foundation Team and donors, as nonprofits worked tirelessly to meet the growing needs of our communities. It is not an exaggeration when I say that working alongside my fellow Associate owners and HOPE teammates through this crisis has been the most inspiring experience of my career.

The tragic murder of George Floyd brought focus to the systemic racism affecting Black, Indigenous, and People of Color in the United States and across the world. The past year was another reminder of the critical importance of Hypertherm's Inclusion and Diversity mission to provide all Associate owners with an equal opportunity to succeed and be their best and true selves. While both Hypertherm and the HOPE Foundation made statements of solidarity to demonstrate our commitment to anti-racism, more importantly, we dug into building better work environments and communities for all. Our Inclusion and Diversity Task Force took immediate action to provide education and define initiatives to create meaningful change internally. At the same time, the HOPE Foundation developed inclusive grantmaking processes with the goal of increasing equity within our communities, work that is being implemented now in 2021.

I am overwhelmed with appreciation for the resiliency and compassion of Hypertherm Associates. Last year has proven that we can accomplish more together as owners, with our values guiding us, than we ever imagined possible.

As we move through 2021, I am humbled and incredibly grateful for the opportunity to serve as the next President of the Hypertherm HOPE Foundation. Barbara's compassionate and generous leadership will be missed greatly, but her work has set an inspirational precedent which we will work tirelessly to uphold.

At the January 2020 HOPE Foundation Board meeting, I announced that I would be stepping away in January 2021 after serving 10 years as President of the HOPE Foundation. The time felt right to focus more of my attention on the Couch Family Foundation. HOPE has been a huge part of my life since forming the first HOPE Team in 2003. The Foundation was not formally established until 2010, but we had been operating like a foundation with strong governance in place since 2003. A diverse group of 12 Associates serving 6-year terms and representing all areas of Hypertherm was given responsibility for Hypertherm's philanthropic endeavors. Also, in 2003 we created Hypertherm's Community Service Time program, which started as 2 days off for volunteering, and today has doubled to 4 days.

The HOPE Team has played a critical role in bringing people together from across the Hypertherm family. I have always believed that HOPE kindles a culture that is Hypertherm at its best – inclusive, innovative, mind-expanding, soul-enriching, and transformative. Associates learn from each other, continuously explore ways to improve, and find delight in the friendships made within the welcoming embrace of HOPE.

If ever there was a year to claim as most memorable in the history of the HOPE Foundation, it was 2020. When COVID-19 began spreading in the United States early in March, the HOPE Foundation sprang into action. Within 48 hours, we created a COVID-19 Community Relief Fund and raised \$150,000 from public donors. We reached out to all our grantees throughout the Upper Valley region of New Hampshire and Vermont where Hypertherm is headquartered with a letter stating, "we stand with you and are here to help." We backed those words with actions detailed in this year's report.

Shortly thereafter when racial injustices were so painfully visible around us, we wrote to our community stakeholders, "We stand together in sorrow and solidarity as we mourn racial inequities and injustices. We will take action to upend the systems that perpetuate racism." We backed those words with commitments to build equity in our communities through inclusive grantmaking processes, also detailed in this year's report.

I am very proud of the HOPE Foundation and all its philanthropic endeavors during this past and forever-memorable year.

I love HOPE. As we all know well, it's the people who make organizations extraordinary and notable, and HOPE is no exception. After formally founding the HOPE Foundation with Hypertherm's former CEO, Carey Chen, in 2010, I've had the wonderful privilege to serve with a remarkable Board. I am grateful for their friendship, advice, wisdom, and generosity. Board members have brought forth hearts of service and minds filled with wisdom. It has been a joy and an incredible honor to serve shoulder-to-shoulder with all the rotating members of the HOPE Team during the last 18 years. I have witnessed lives transformed through service to HOPE, and that has been one of my greatest joys.

I had the opportunity to nominate my successor to the Foundation and was overjoyed when Jenny Levy was unanimously and enthusiastically endorsed by the Board. I have the greatest confidence in Jenny's ability to take the HOPE Foundation to new heights. Our vibrant HOPE Foundation is well positioned for an even brighter future under her leadership.

My life has been enriched by those I've had the great fortune to walk with on this 18-year journey. My heart is overfilled with gratitude.

With endless gratitude,

**Letter from
HOPE Foundation
President,
Barbara Couch**





Pandemic response



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As soon as the COVID-19 pandemic started spreading across Asia in late 2019, Hypertherm leaders were in constant contact with our teams in China, Japan, South Korea, and Singapore to be sure that Associates and their loved ones were well and had the resources they needed to remain healthy. This focus extended to our teams in Italy and to Washington State as those locations experienced the next waves of transmission outbreaks.

When COVID-19 quickly became a global concern, Hypertherm took immediate action to care for its 1,800 Associates worldwide and to ensure the strength of our operations as a designated essential business and supplier to other essential industries. We formed a cross-functional Pandemic Response Team and governing Pandemic Leadership Team. The guiding principles created at that time – Associate well-being, community well-being, and business continuity – continue to lead decision-making on behalf of all our global Associate owners.

When COVID-19 quickly became a global concern, Hypertherm took immediate action to care for its 1,800 Associates worldwide and to ensure the strength of our operations as a designated essential business and supplier to other essential industries.

Associate well-being

The overall well-being of Associates was, and continues to be, an evolving challenge. Our Pandemic Response and Leadership teams were constantly working to stay abreast of ever-changing guidelines for each company location from the World Health Organization (WHO), Centers for Disease Control (CDC), local public health agencies, and government. This included developing safety protocols, leave programs, flexible work arrangements, and additional support systems to meet the changing needs of our Associates.

As a business designated essential to critical infrastructure during the pandemic, the safety of our onsite workforce was a high priority. We quickly developed protocols requiring that all Associates undergo wellness screenings, regularly disinfect work surfaces, use face masks, and follow social distancing practices. In addition, we worked with our facilities team to improve ventilation within our facilities and reconfigure our work and break areas to ensure social distancing. These processes are constantly reviewed and updated to meet the current recommendations and requirements of all public health and workplace safety agencies.

While stay-at-home orders were in place beginning in March 2020 for many communities where our Associates live, Hypertherm recognized that Associates required to work onsite were demonstrating a high level of commitment and acknowledged this commitment with appreciation pay, additional time off accruals, and a free meal during each shift.





360 Associates joined the 100% Club



68% of eligible Associates served



Average hours per participating Associate: 19.8



Associate volunteers from 30 US states

(AZ, CA, CO, CT, FL, IL, IN, KS, KY, MI, MN, MO, NC, NH, NJ, NY, OH, OK, OR, PA, RI, SC, SD, TN, TX, UT, VA, VT, WA, WI)



Associate volunteers from 18 countries

(Australia, Singapore, China, Brazil, Poland, Romania, United States, Canada, Italy, India, Mexico, Netherlands, Spain, Japan, South Korea, Russia, South Africa, United Kingdom)

The pandemic changed daily life for most of the globe, and Hypertherm Associates were suddenly managing multiple changing dynamics outside of work. Supporting family members with grocery shopping, assisting children with remote schooling, and maintaining their own physical and mental health while community restrictions were in place required much more time and energy. These were added to the risk that an Associate could contract COVID-19 and need time away from work to receive medical care and recover at home. To help Associates balance these responsibilities and care for themselves if they became sick, emergency time-off programs were put in place, including 80 hours of paid Public Health Emergency (PHE) time to use for COVID-related absences and temporary paid short-term leave programs for those who needed to be out of work for reasons not covered by existing short-term disability plans.

Associates and their families also faced the challenges associated with receiving non-COVID-related medical care and the increased demand for mental health care. Through partnership with Cigna, our medical insurance provider, and Ulliance, a provider of employee assistance programs, Hypertherm offered expanded telehealth services for physical and mental health.

Community well-being

In keeping with Hypertherm's triple bottom line mission, the support of our communities is always important. Throughout 2020, Hypertherm was able to provide critical support by:

- Enabling and empowering Associates to follow public health guidelines, therefore minimizing the risk of virus transmission in the workplace and helping to slow the spread of the virus in our communities
- Encouraging Associates to use their annual Community Service Time (CST) to meet the unique challenges facing their communities
- Dedicating operations' resources to producing personal protective equipment (PPE) for local health and human services organizations
- Providing financial support to non-profit organizations through the HOPE Foundation

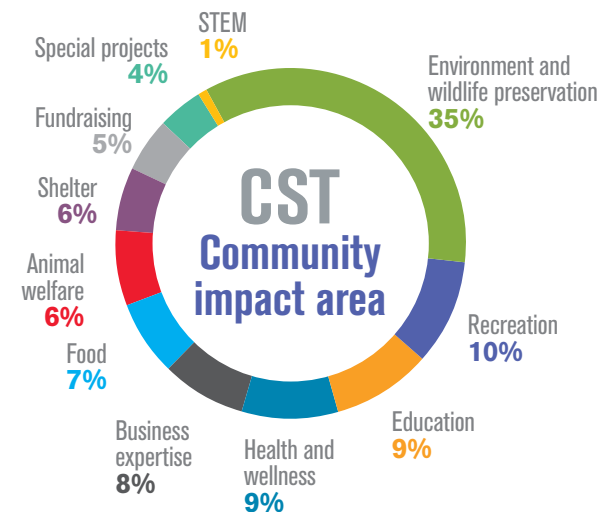
New uses for Community Service Time (CST)

The pandemic created unique challenges and opportunities for Associates seeking to use their CST to support the communities where they live and work. Stay-at-home orders, isolation requirements, and social distancing protocols meant that typical in-person service opportunities were either cancelled or dramatically changed. At the same time, there were unique and critical needs for volunteerism to address food and housing insecurity, maintain safe outdoor recreation spaces, and to support health and safety concerns.

Communities around the world developed safe processes to continue meeting basic needs, and Hypertherm Associates contributed time to support food collection and distribution, housing construction, gift-giving campaigns around the holidays, and the sewing of blankets for families struggling with housing insecurity. As so many people turned to outdoor activities for recreation, our Associates used CST to assist with environmental conservation projects, trail building and restoration, and trash clean-up. They also completed multiple outdoor projects for camps and nonprofit organizations. Associates working second and third shifts used overnight hours to complete painting projects when nonprofit facilities were closed.

In addition, Associates and their families adapted to new virtual events to participate in hiking, running, rowing, golfing, and cycling fundraisers, including an annual fundraising event for the cancer center in Lebanon, New Hampshire.

The need for blood donations was critical as the medical community treated millions of patients while fewer donors were able or willing to leave their homes. Associates around the world participated in blood drives to help with the shortage, and Hypertherm

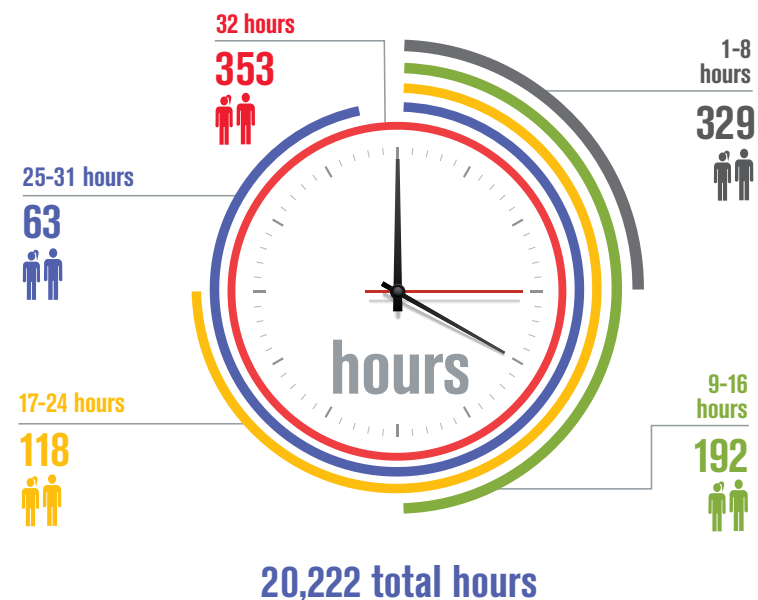


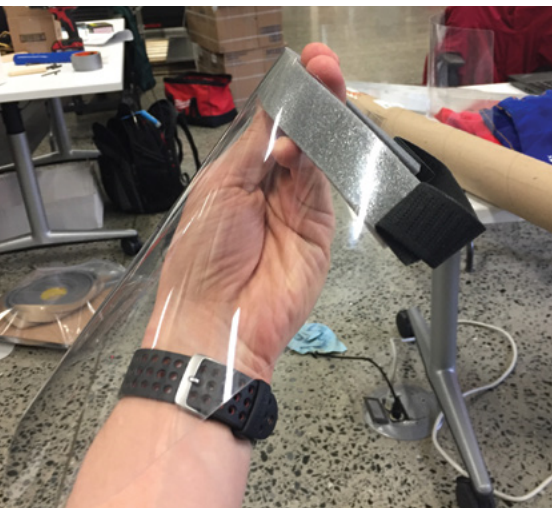
collaborated with the American Red Cross to ensure that our own onsite donation events, which we hold several times a year, could continue safely.

Teams of Associates came together to help nonprofits adapt to COVID-19 safety protocols through building projects. One team built outdoor handwashing stations for volunteers at Willing Hands, a Vermont-based organization that collects and distributes food through numerous channels. In December, a team built an outdoor shelter for guests of the Upper Valley Haven, a social services, shelter, and food distribution center. This shelter was used to keep guests dry, to use when waiting for services or picking up food. Additionally, Associates assisted social service organizations in providing new levels of care for seniors and those with high-risk medical conditions by making cards and expanding food delivery.

To support immediate needs for personal protective equipment (PPE), many Associates used their CST to sew hundreds of masks for members of their communities, and they created accessories such as straps to make prolonged mask-wearing more comfortable for healthcare workers.

Depth of Associate volunteering





Production of Personal Protective Equipment (PPE)

Hypertherm responded when the need for medical PPE spiked early on in the pandemic. A cross-functional team of New Hampshire Associates used our internal innovation and resources to design solutions that could be produced at Hypertherm using our equipment and assembly expertise. Multiple prototypes of face masks, 3-D printed containers for face mask disinfection, and face shields were produced. The products were then examined by experts at Dartmouth Hitchcock Medical Center, revised, and refined. In the end, a waterjet cutting process to produce face shields was approved for use by area hospitals, first responders, schools, healthcare providers, and non-profit groups. Within 3 months, nearly 33,000 face shields were produced onsite at Hypertherm and then donated and delivered to dozens of regional organizations, including healthcare and first responders, thanks to the work of Associates in Engineering, Production, Central Manufacturing, and Distribution, as well as collaboration with area manufacturers for raw materials.



Some of the Hypertherm Associates who worked to create PPE stop to take a socially distanced photo.



HOPE Foundation Community Relief Fund

The HOPE Foundation rose to meet sudden needs caused by the pandemic crisis. The first priorities were to proactively raise funds, connect with nonprofit organizations we knew were providing pandemic-related community support, and reduce barriers so nonprofit organizations could also access emergency funds.

In total, the HOPE Community Relief Fund received contributions from 19 donors, rapidly raising enough to fund 47 grants in less than 45 days.

These funds supported:

- Food distribution for food shelves and expanded home delivery
- Family resource centers, camps, and other types of child support services
- Access to healthcare, mental health services, and substance use disorder services
- Arts organizations that traditionally provide onsite education to students
- Housing and home repair organizations
- Veteran services

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2020 Case Incident Rate (CIR)

2.1 Injuries per 1,000 Associates

Reduced from 2.5 in 2019



5 of our New Hampshire manufacturing facilities are recognized as OSHA Voluntary Protection Program (VPP) work sites.

Business continuity

The power of Associate ownership moves Hypertherm forward in many different ways but is deeply felt when we are faced with a crisis. The immediate physical health and well-being of all Associate owners, their loved ones, and their communities were the first priorities, but Hypertherm's Pandemic Leadership Team as well as our Senior Leadership Team maintained a keen focus on business continuity as a key driver of financial well-being for our Associates and communities. Furthermore, as a designated essential business and supplier to customers who were critical to addressing the crisis, it was imperative that we remain up and running. These customers included medical equipment manufacturers, food processing facilities, power plants, and national defense.

Associate ownership gives Hypertherm a greater sense of commitment to maintain employment, as a lay-off or furlough would mean losing fellow owners. Hypertherm is extremely proud to have maintained its no lay-off philosophy throughout its entire 52-year history, including through the current economic crisis. When sales dropped because of the pandemic, Associates went to work in other areas of the organization. They focused on continuous improvement projects and completed outdoor maintenance and landscaping that would have otherwise been outsourced.



Recovery outlook

Through the customer- and community-centric passion of our Associate owners, Hypertherm has continued to innovate and serve on behalf of all those who depend on our work. As result, we believe we are poised for a strong recovery in 2021.

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Social and civil justice



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In addition to a global pandemic, 2020 was also marked by considerable pressure for social and civil justice in the United States and around the world. The pandemic highlighted resource gaps along with health and welfare risks, including food and housing insecurities, lack of access to internet and information for education and services, and restricted access to medical and safety support. Hypertherm’s historical commitment to Associate and community well-being has always meant that actions are taken to build equity and promote justice, and the societal focus on these topics brought renewed energy and focus to our efforts.

Racial justice

The murder of George Floyd in Minneapolis, Minnesota, is but one example of the far too many Black Americans killed by law enforcement. His death led to local, national, and eventually global protests for racial justice. Hypertherm Associates who live and work in the Minneapolis-metropolitan area watched their communities quickly become the center of the world’s attention, and as the conversation of racial justice filled our daily lives, Hypertherm’s core value of Respect for the Individual compelled us to speak out and step up.

Externally, Hypertherm and the HOPE Foundation each made statements regarding the need for action and progress toward social and civil justice, especially for Black Americans who are disproportionately impacted by systemic discriminations. These statements were not simply words. They were a call to action and a strong indication of what was to come from our organizations.

Within Hypertherm, support was provided to Associates and leaders in Minnesota and then across the organization in many forms. Mental health resources were made available to those directly impacted by the events. Support was given to leaders so they could facilitate difficult conversations within their teams. All Associates were provided with educational resources from the Inclusion & Diversity TaskForce to help increase understanding of systemic racism and how it could be impacting those around them. As challenging questions were raised by Associates, members of our Senior Management Team did not shy away, but rather took the time to answer questions in full and reinforce that Hypertherm strives to build a truly inclusive work environment.

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Robotmaster Associates volunteer at Moisson Montréal, Canada’s largest food bank.



New HOPE Foundation strategic priority

The HOPE Foundation added Early Childhood as a strategic priority in 2020 and identified 3 areas of focus – parental confidence, youth resilience, and early childcare center quality. In addition to identifying these focus areas, we also set the following goals:

- Create a resource page for Hypertherm Associates and their families
- Pilot parenting education opportunities based on assessed needs
- Refine our rubric for providing early childhood funding support to other organizations

Building equity

The HOPE Foundation made strides in 2020 toward a goal of developing and implementing inclusive grantmaking processes that will promote increased equity in our communities.

Using a model created by PEAK Grantmaking, the enhanced processes include the following guiding principles.

- Tie practices to values to propel the mission
- Narrow the power gap between HOPE and grant seekers
- Drive equity through policies that minimize bias and promote justice, inclusion, and equity
- Learn, share, and evolve by contributing to sector-wide knowledge and impact
- Steward resources responsively to identify and manage risks

Employment access

Access to meaningful employment is an essential element of building social and financial equity in our communities, and Hypertherm is dedicated to building opportunities wherever possible.

United States service members and veterans are actively encouraged to build their civilian career with Hypertherm through generous military leave benefits, apprenticeship, and on-the-job training programs, and Hypertherm's designation as an "Approved for GI Bill Use" company through the Department of Labor. In 2020, the Department of Military Affairs & Veterans Services (DMAVS) and the New Hampshire Employment Security (NHES) agency celebrated Hypertherm programs that honor, fortify, empower, and positively impact the lives of New Hampshire service members, veterans, and their families with their highest-level of recognition, the NH Veteran Friendly Businesses Platinum Impact award.

The Americans with Disabilities Act (ADA) celebrated its 30th anniversary in 2020, and to mark the occasion, Creative Workplace Solutions (CWS), a Vermont disabilities services agency, announced the creation of the Hypertherm Award of Excellence. This award was presented to Hypertherm in recognition of a partnership that has led to career exploration, job placement, and on-the-job support systems for people with disabilities and other significant employment barriers. The award will be used in the future to recognize exemplary partnership between CWS and other organizations. To date Hypertherm has hired more than 50 CWS clients with 90% of these individuals still actively employed and contributing as Associate owners.

We are always looking toward the next generation of Hypertherm Associate owners through our SHAPE for STEM programs. While the pandemic meant that it was not possible to have 1,000 students visit our manufacturing facilities as they have in previous years, virtual learning opportunities were quickly put in place, including an interactive virtual tour of our Heater Road facility, a live Facebook event on National Manufacturing Day with plasma and waterjet cutting demos, and a career panel with Hypertherm Associates.



 [View the interactive tour at www.shapeforstem.org.](http://www.shapeforstem.org)

Mental health and recovery support

Equal access to effective and timely medical care for mental health disorders and substance use disorders is essential for achieving social, civil, and financial justice. For this reason, all our Associate owners and their family members have access to free mental health support through our Associate assistance program. But we didn't stop there.

The combination of the pandemic, civil unrest, and political tensions in 2020 created a dramatic increase in societal mental health crises and suicides. Understanding that leaders may be the first to recognize the early signs of distress in their team members, we provided mental health and suicide prevention training and resources to the leaders of onsite essential Associates. This training, funded by the HOPE Foundation, was designed to reduce stigma and better equip Leaders with the tools needed to proactively support Associates.

The HOPE Foundation also ensured that Hypertherm maintained its Recovery Friendly Workplace status through the continued onsite support of a Master Licensed Alcohol and Drug Counselor (MLADC), the placement of resource cards throughout our facilities, and the purchase of overdose emergency kits to be installed in all US facilities in 2021.



Ethics

Hypertherm acts as an industry leader by committing to conduct business in an ethical and honest manner. As such, we ensure that all Associates are aware of the procedures and resources available to help us all maintain the highest ethical standards.

During 2020, we:

- Conducted annual ethics training for all Associates, including new hires, and our Board of Directors
- Sent our first annual compliance integrity letter to our partners and suppliers
- Held monthly meetings with our Ethics and Compliance Council to discuss ethics trends and concerns in the functions of marketing, product development, export, operations, procurement, and legal compliance
- Developed the ability for external parties to report concerns online, through our website.

Inclusion & Diversity TaskForce

Created in 2019, our cross-functional Inclusion & Diversity TaskForce has evolved in purpose and in structure.

Purpose:

1. Provide a forum for Associates who are personally invested in Inclusion & Diversity to put their passion and knowledge to work on grassroots initiatives
2. Further educate and empower a cross-functional group to act as infusion points for inclusive workplace practices
3. Create an internal community for Associates to connect with others who are also motivated to do this work

During 2020, the TaskForce grew to more than 50 members, representing all 3 of Hypertherm's geographic regions and 13 of our teams. With a goal of creating tangible change, the team brainstormed and prioritized key initiatives for 2021, including the production of educational resources to share through the company intranet, the creation of events and engagement opportunities, and the development of a guide to better understand many of the diverse cultures represented by our Associate groups.





Environmental sustainability



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When an organization sets aspirational goals intended to be met during a 10-year span, as we did in 2010, it is difficult to imagine what the results will look like. The end of 2020 signaled the opportunity to reflect on our accomplishments, discuss what we learned along the way, and plan for the development and launch of new 2030 goals.

10-year journey

With a team of one in 2010, Hypertherm set a decade-long vision for sustainability and an audacious set of 8 goals. These 8 goals stretched across our operations, our logistics, and our products – a complete value stream approach, aiming to fulfill our vision of reducing the environmental impact of everything we do.

The confidence to set such lofty goals came from Hypertherm’s values-based approach to business, and during the course of the next 10 years, the organization confirmed its commitment to environmental sustainability by adding it to our mission, core values, and critical success factors.

The work to meet the 2020 goals was a collaborative effort from across the global enterprise. Our Environmental Sustainability Team grew to 3 full-time Associates who in turn trained approximately 350 Associates to be Green Champions. These Green Champions led their teams’ sustainability projects and internal certification attainment, drove improvement against Green Business Indicators, aligned Lean and Green continuous improvement activities, and inspired their teams to push for even more progress.

Our Associates regularly report high engagement with Hypertherm’s sustainability initiatives. Results from our most recent engagement survey, completed in the third quarter of 2020, show that 91% of Associates feel they have opportunities to contribute to Hypertherm’s environmental sustainability efforts. This level of organization-wide engagement led to significant accomplishments that could not have been realized through just one central team acting on its own.

The end of our 10-year journey came in 2020, a year with remarkably different commuting, travel, disposable waste, and energy use behaviors. It was also a year in which sales targets and production goals quickly became unrealistic. The sustainability results from 2020 were not what we anticipated due to the unprecedented events of the pandemic, yet they provided us with an opportunity to test the agility of our sustainability programs.

Results from our most recent engagement survey, completed in the third quarter of 2020, show that 91% of Associates feel they have opportunities to contribute to Hypertherm’s environmental sustainability efforts.



2020 Goal achievement

Zero waste of our business

One big achievement of the decade was reducing our waste to landfill to less than 1%, which according to many third-party zero-waste certification organizations, meets a zero-waste goal.

In 2011, a complete audit of every waste stream in all of our New Hampshire facilities was completed. This exhaustive (and exhausting) effort gave us genuine baseline data and a deep view into the opportunities to improve our waste practices. Collaboration between our Environmental Sustainability Team and our cross-functional Green Champions led to the identification of unique wastes in each area of the business and then the development of processes to eliminate, reduce, and/or recycle these wastes.

In New Hampshire, partnerships with a farmer for composting and our waste management company, Casella, for extensive recycling, have meant that Associates are enabled to make the right choices when disposing of items at work. The Environmental Sustainability Team provided education and training so that Associates could recognize how to best dispose of waste and worked to continuously develop new processes to keep unwanted items out of waste streams.

To expand our recycling impact, we initiated a cooperative partnership with Casella and other businesses. Casella uses a dedicated Hypertherm facility to combine our recyclable waste with that of other businesses. This has made it possible to find a recycling market for items that would have ended up in a landfill. As a result, we estimate the program, begun in 2015, has helped us recycle 6 times more material than we would have otherwise. It has also made the program economical by balancing the expenses to operate the recycling facility with the reimbursements collected.

One big achievement of the decade was reducing our waste to landfill to 1%, which according to many third-party zero-waste certification organizations, meets a zero-waste goal.

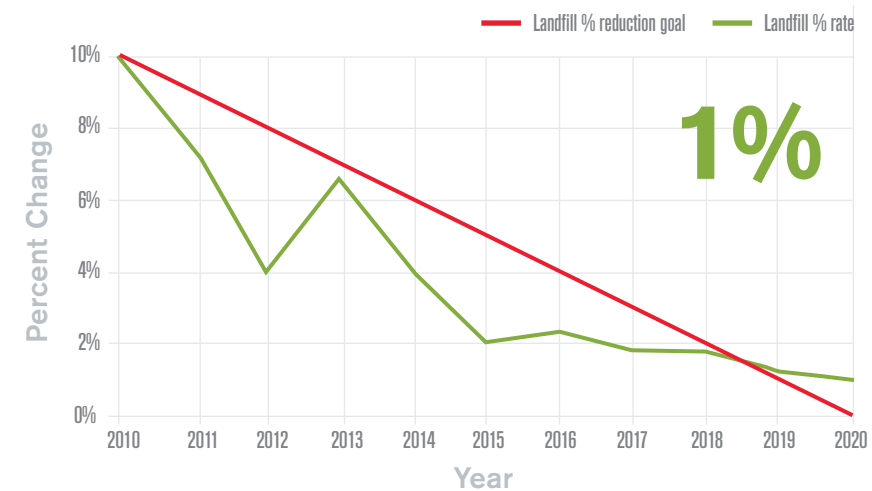
2020 Environmental sustainability goals

	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	 Greener Cuts	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%

Maintaining focus on our progress and opportunities was accomplished by partnering with our custodial service vendor to weigh all trash and share this data with our teams every week. Our cross-functional Green Champions also conduct quarterly team-level and annual organization-wide waste audits for greater visibility.

Reducing waste to landfill is a continued area of focus. We realize we will need even more creative solutions in the future as the waste and recycling markets and regulatory landscape change and as our products, components, raw materials, and suppliers evolve.

NH Landfill % rate



Waste of our logistics

In 2020, we made significant improvements to increase the recyclability of our packaging. We met our goal of making all of our plasma and waterjet packaging 100% recyclable. This includes the use of recyclable static bags and 100% post-consumer recycled PET material.

Some progress was made on reducing the weight of our packaging, resulting in a 4% improvement. While we originally hoped to achieve a 30% reduction, we learned that the packaging needed to properly protect our products would not allow for further reduction.

Packaging of inbound materials and components became an area of focus after reviewing the impact of the waste we needed to manage from receiving supplies and products. We greatly reduced our waste stream by transitioning most local suppliers to returnable packaging. As an added benefit, we learned this returnable packaging provides better protection for inbound materials and components and saves our Associates time when unpacking materials.

Waste of our products

Our products were assessed by an R2 (Responsible Recycling) certified e-waste recycler. This recycler found that Hypertherm products are more than 99% recyclable by weight. This means that it is economical to recycle our products once they reach the end of their useful life, as the scrap value is higher than the labor, transportation, and other associated costs to recycle. Further, it is easy to recycle our products, even for someone not experienced in taking apart equipment for recycling, and our products last many years, so recycling is typically done by a second or third owner.

Energy efficiency of our business

We increased our energy efficiency through corporate projects as well as team-based initiatives.

One of Hypertherm's most significant enterprise-level projects was the 2014 construction of our Heater Road manufacturing facility in Lebanon, New Hampshire. Built to the U.S. Green Building Council's Leadership in Energy and Environmental Design (LEED) Gold standards, the Lebanon facility meets exceptionally high requirements for sustainable site development, materials and resource selection, indoor air quality, water efficiency, and energy efficiency. The facility contains elements such as a solar-reflecting white roof to save energy for cooling, and rainwater runoff management throughout the property to support the surrounding natural environment. In addition, it contains superior insulation to create a certified building envelope for heating and cooling efficiency, along with skylights and abundant windows to utilize natural light. These all contribute to a considerable reduction in energy use and impact on the environment.

The Facilities Team led extensive enterprise-level projects to increase the efficiency of company facilities around the world, including the implementation of large-scale LED lighting improvements, compressed air system upgrades, HVAC efficiency studies, and unit replacements. Fuel and water heater enhancements, including solar hot water systems, and minute-by-minute electricity metering within manufacturing cells in our largest buildings also took place. Our Facilities Team continues to reassess and improve on energy use through close collaboration with our Maintenance Team and the use of summer redeployments – temporary assignments for existing Associates – to measure compressed air leaks and standardize leak fixes.

At the team level, our Green Champions began the decade by investigating the energy uses in their area of the business and established an energy efficiency working group to share best practices and report on efficiency project implementation and savings. An internal One, Two, and Three Leaf certification program guided Green Champions to meter their energy use and prioritize continuous improvement and capital project initiatives.

Teams in New Hampshire pushed their energy efficiency projects even further through participation in the state's summer demand response program, which incentivizes companies to reduce their energy use on the hottest, and therefore most energy-demanding, days. Participation in this program has saved Hypertherm more than \$200,000 so far and has led to innovations in energy efficiency that we use year-round.

In 2015, we formalized how we share best practices and developed a way to recognize the impactful work of Green Champions and their teams through regular Sustainability Summits and Green Continuous Improvement Activities (CIA) awards.

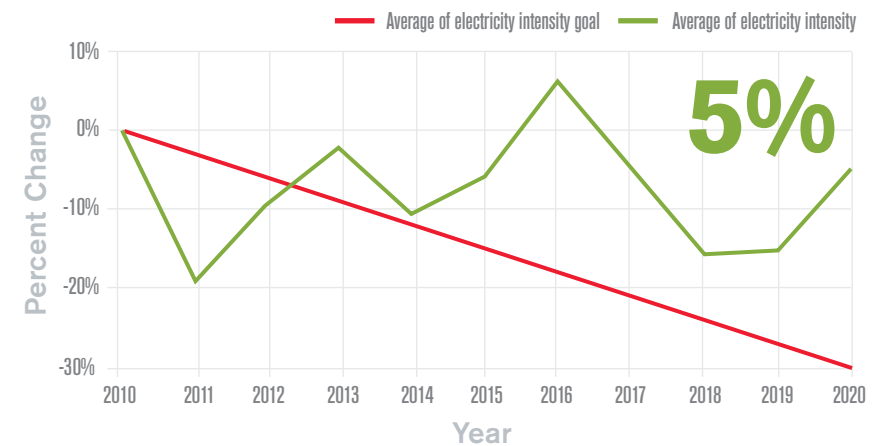
By the end of 2019, our energy efficiency across our operations improved by 16%, a testament to incredible improvements made. Unfortunately, our metric of kwh per sales dollar was especially sensitive to the lower sales year we experienced in 2020 due to COVID-19. This brought our 2020 energy efficiency to just 5% improved over 2010. Still, on a positive note, our efficiency improvements led to avoided costs of \$2.5 million during the decade.



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kWh per sales dollar



On average, our products are 34% more efficient than they were in 2010, exceeding our goal of a 20% efficiency improvement.

Energy efficiency of our products

Over the past 10 years, our engineers have designed products that cut thicker materials faster and with better quality outcomes, meaning that customers use less energy for even better results. On average, our products are 34% more efficient than they were in 2010, exceeding our goal of a 20% efficiency improvement.

Carbon reduction of our business

Our overall operational carbon footprint was reduced 85%, a great result compared to our goal of a 50% reduction. About 50% of this was due to our purchase of Green-e Certified Renewable energy credits (RECs) to offset the energy used in our North American facilities. The remaining reduction is attributed to improvements in how we heat our buildings, combined with the introduction of more fuel efficient fleet vehicles, and environmentally friendly commuting options.

We reduced our heating impact by eliminating all fuel oil in our New Hampshire facilities. Instead, we began relying completely on propane and solar energy for space and water heating. In 2020, we also began purchasing RECs for energy and fuel used by our largest European office in the Netherlands.

By 2019, our commuting benefits had resulted in avoiding single-occupancy mileage equivalent to 22 trips to the moon.

We were able to reduce the impact of our fleet vehicles by transitioning sales and service Associates to more fuel efficient vehicles for travel to customer locations.

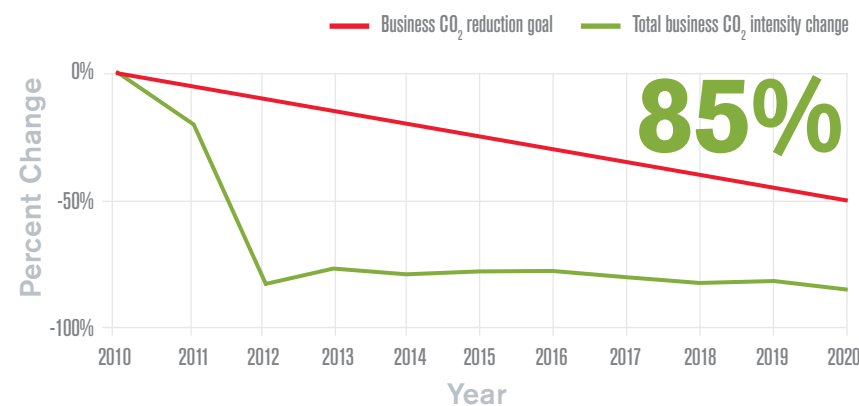
Commuting impacts in New Hampshire were reduced through coordination of subsidized van pools, influencing the city to add public transportation stations near our largest facilities, and installing 7 free electric vehicle charging stations in our parking lots. In all company locations, we began providing all Associates with reimbursements and incentives for using public transportation, carpooling, walking, or biking to work, and for purchasing energy efficient vehicles. By 2019, our commuting benefits had resulted in avoiding single-occupancy mileage equivalent to 22 trips to the moon.

Carbon reduction of our logistics

Through partnership with our Logistics Team, the carbon impact of our distribution logistics was reduced 71% compared to 2010. In 2010, 26% of shipments went by ocean with the remaining shipments being sent by air. By 2020, we managed to increase the number of ocean freight shipments to 43%. Our logistics center, in operation since 2014, has enabled consolidated shipments with a lower carbon footprint. Also, we are designing our products so they weigh less and therefore generate less carbon during shipment.

Business CO₂ intensity change

(Heat, fleet & electricity with RECs)



Carbon reduction of our products

We have learned a great deal about the largest environmental impact of our products by conducting multiple life cycle assessments (LCAs). Since 2010, we have completed 7 LCAs across our plasma and waterjet product families. We were surprised to learn that our largest impact, more than 96%, is caused by the scrap material created when our customers use our products. The second largest impact is caused by the power required to run our cutting equipment at customer sites.

Early work has included gaining an understanding of how scrap is produced and identifying processes to reduce scrap. To that end, we are excited to release a new software application called PlateSaver that will help owners of our XPR plasma systems reduce the amount of scrap they create.

Overall goal achievement

In summary, of the 8 goals set in 2010, we achieved or exceeded 5 goals, and we learned from but did not reach 3 goals. Our products are now 100% recyclable and, on average, 34% more efficient. Our global logistics network is 71% more efficient, our waste-to-landfill is near zero, and the carbon impact of our business is 85% lower.

Though we fell short of the goals we set for the carbon impact of our products, the waste of our logistics, and the energy efficiency of our operations, we are nonetheless pleased with the progress we made during the decade. The overall progress on goals resulted in a positive impact on our global environment, an elevated sense of purpose for our shared business, and an innovative catalyst for our work.

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302-1 Total energy consumption by year (gigajoules)

	2010	2019	2020
Total Fuel (Non-Renewable)	11,155	21,043	16,162
Total Electricity	46,872	64,209	70,464
Total	58,027	85,252	86,626

Non-renewable fuel consumption by year (gigajoules)

	2010	2019	2020
Natural gas	157	2,972	2,365
Liquefied propane gas	3,602	17,075	13,789
Heating oil	7,396	983	0
Diesel	0	13	8
Total	11,155	21,043	16,162

305-1 Scope 1 emissions (metric tons CO₂e)

	2010	2019	2020
Heating fuels	716	1,232	943
Fleet	634	433	255
Refrigerants	0	103	452
Total scope 1 CO₂e	1,350	1,768	1,650

305-2 Scope 2 emissions (metric tons CO₂e)

	2010	2019	2020
Electricity (purchased) (location-based)	4,273	4,807	5,458
Electricity (market-based) (net CO ₂ e)	4,273	519	386

305-3 Scope 3 emissions (metric tons CO₂e)

	2010	2019	2020
Business travel	1,040	1,194	400
Commuting	3,633	4,159	3,247
Outbound logistics	37,268	13,134	10,619
Products in use	338,823	574,767	616,942
Total scope 3 CO₂e	380,764	593,254	631,208

306-3 Waste by disposal method (metric tons)

	2010	2019	2020
Non-hazardous waste			
Reuse	0	173	129
Recycling	1,622	2,271	2,156
Composting	0	45	47
Landfill	178	32	25
Incineration (with energy recovery)	0	0	11
Total non-hazardous	1,800	2,521	2,368
Hazardous waste			
Recovery	13	28	19
Destruction or treatment	3	0	0
Incineration	11	16	23
Landfill	5	0	0
Total hazardous	32	44	42

Emission from the US Environmental Protection Agency (EPA) and conversion factors from the US Energy Information Administration (EIA) websites. GHG Protocol Methodologies. Gases included: CO₂, CH₄, N₂O, HFCs, PFCs, SF₆

The energy and waste data presented in this report is in reference to GRI (Global Reporting Initiative). All waste is taken offsite and disposed of by our waste vendor.

2030 Goal setting

From 2010 to 2020, we learned about our environmental impacts and our ability to drive change across our organization, in our communities, and within our industry. This knowledge, combined with the inspiration from how our organization has embraced the challenge of reducing our impacts, informed our goal-setting process for the next 10-year horizon. Throughout 2020, we conducted an extensive internal and external stakeholder engagement process to create a robust set of 2030 sustainability goals.

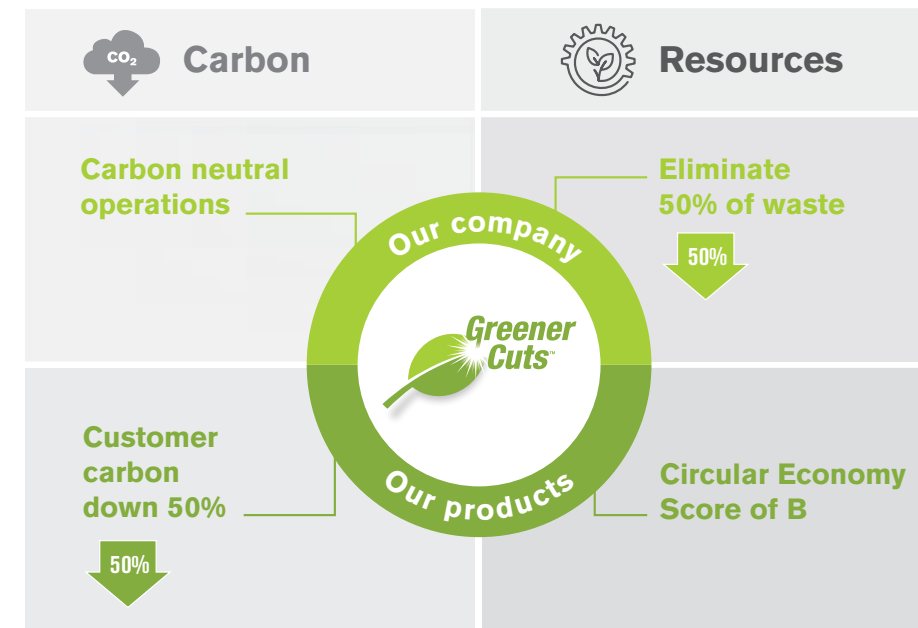
The following 4 goal categories for 2030 reflect our full value-stream approach to operations and deepen our commitment to reducing our impact.

1. **Operational carbon impact:** We set a goal of carbon neutrality, meaning that the output of greenhouse gases (CO₂-e) is equal to the removal or sequestration of CO₂-e. As a carbon neutral organization, the CO₂-e that we cause to be emitted will be equal to or less than the CO₂-e that we cause to be removed from the atmosphere.
2. **Operational resource goal:** We plan to eliminate 50% of our waste. We have already achieved a less than 1% waste to landfill rate, so it will be challenging to maintain and continually improve this metric. In addition, we will also plan to reduce the absolute weight of all waste streams by 50%, moving items to reuse or eliminating the waste at the source. This includes water and hazardous waste as well as all solid waste categories.
3. **Carbon reduction of our products:** We learned through several Life Cycle Assessments (LCAs) that the carbon emitted from our customers' use of our products is our largest negative environmental impact. Reducing this impact by 50% is an aggressive goal that will require innovation and collaboration and is well aligned with the climate impact reduction goals that many of our customers have made.
4. **Commitment to circular economy:** We will strive to improve our positive impacts on creating a circular economy, in which the growth of the economy is not tied to the extraction of finite resources. In a circular economy, materials in circulation stay in circulation through continual recycling, reuse, refurbishment, remanufacture, repair, or decomposition. This preserves resources, resulting in reduced extraction impacts, reduced energy use, and reduced carbon emissions.

Each of these 4 goal categories will include targeted initiatives and success measures, which we look forward to sharing in 2021.



2030 Sustainability goals



Throughout 2020, we conducted an extensive internal and external stakeholder engagement process to create a robust set of 2030 sustainability goals.

Associates celebrate Two Leaf certification for our Brazil office during a virtual event.



Awards & Recognition

Recognizing our accomplishments



Environmental Protection Agency (EPA) Green Power partner
Recognizing the use of 100% green power, the EPA designated Hypertherm as one of 58 Industrial Goods and Services companies in the U.S. to achieve Leadership Club status.



Environmental Protection Agency (EPA) Wastewise partner
The EPA bestows this designation on organizations that reduce waste, practice environmental stewardship, and incorporate sustainable materials management into its waste-handling processes.



Business of the Decade
Awarded by *Business New Hampshire Magazine* and the New Hampshire Association of Chamber of Commerce Executives, Hypertherm was recognized in the Manufacturing and Technology category based on its reputation for technological and manufacturing excellence as well as the breadth and depth of its work in the community.



2020 NH Veteran Friendly Businesses Platinum Impact Award
The Department of Military Affairs & Veterans Services (DMAVS) and NH Employment Security (NHES) celebrated Hypertherm's programs that honor, fortify, empower, and positively impact the lives of NH service members, veterans, and their families with their highest-level of recognition.

Creative Workforce Solution's Hypertherm Award of Excellence
The newly created award, developed as an ongoing honor to Hypertherm, recognized Hypertherm's work in hiring and supporting individuals with disabilities and other significant employment barriers.



Cornerstone Innovator
The NHBSR Cornerstone Innovator Award recognizes a previous Cornerstone Award winner that continues to elevate their sustainability impact within the state, specifically recognizing Hypertherm's practice of sharing initiatives and knowledge with other businesses to help them achieve greater social responsibility goals.



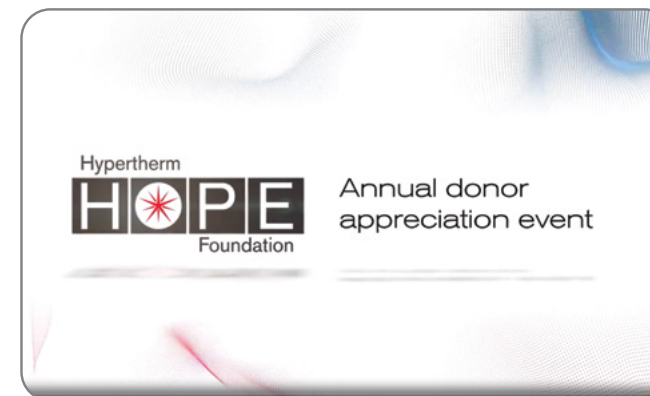
Cornerstone Hall of Fame
Hypertherm was inducted by New Hampshire Businesses for Social Responsibility (NHBSR) for our continued corporate social responsibility work and dedication to our Associates, community, and the environment.

Headrest Community Service Award
The HOPE Foundation, Hypertherm, and Jenny Levy were recognized for outstanding leadership of substance use disorder treatment and prevention work in collaboration with Headrest of the Upper Valley.



Seeing our impact

Annual Donor Appreciation event
The 2020 event for the many HOPE Foundation donors was held virtually and included a heartfelt message of appreciation from HOPE President Barbara Couch, the presentation of the Gary Gaudette Exemplary Service Award, and impact stories from Headrest and Friends of Norris Cotton Cancer Center.



[▶ Watch video event online](#)

Gary Gaudette Exemplary Service Award
The 2020 Gary Gaudette Exemplary Service Award, created in honor of a long-tenured Hypertherm Associate to recognize exemplary service within the HOPE Foundation, was presented to Jack Lee, Director of Corporate Development.



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For more information, visit:
www.hypertherm.com

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