



## **Audit Committee of the Board of Directors Committee Charter**

### **I. PURPOSE**

The Audit Committee (the “Audit Committee”) is established by and among the Board of Directors (the “Board”) of IPG Photonics Corporation (the “Company”) for the primary purpose of assisting the Board in:

- ◇ Overseeing the integrity of the Company’s financial statements and the Company’s accounting and financial reporting processes
- ◇ Overseeing the Company’s independent auditors, including their qualifications, independence and performance
- ◇ Overseeing the performance of the internal audit function
- ◇ Overseeing the Company’s systems of disclosure controls and procedures, and internal controls over financial reporting
- ◇ Oversight and monitoring of treasury, finance and tax matters as detailed below.

Consistent with these responsibilities, the Audit Committee should encourage continuous improvement of, and should foster adherence to, the Company’s policies, procedures, and practices at all levels. The Audit Committee should also provide for open communication among the independent auditor, financial and senior management, internal audit function and the Board. The Audit Committee has the authority to obtain advice and assistance from outside legal, accounting, or other advisors as deemed appropriate to perform its duties and responsibilities.

The Company will provide appropriate funding, as determined by the Audit Committee, for compensation to the independent auditor, to any advisors that the Audit Committee chooses to engage, and for payment of ordinary administrative expenses of the Audit Committee that are necessary or appropriate in carrying out its duties.

The Audit Committee will primarily fulfill its responsibilities by carrying out the activities enumerated in Section III of this charter. The Audit Committee will report regularly to the Board regarding the execution of its duties and responsibilities.

### **II. COMPOSITION AND MEETINGS**

The Audit Committee will comprise three or more directors as determined by the Board. Each Audit Committee member will be a person other than an officer or employee of the Company or its subsidiaries or any other individual having a relationship which, in the

opinion of the Board, would interfere with the exercise of his or her independent judgment in carrying out the responsibilities of a director. All committee members must be independent, including being free of disallowed compensation agreements, under all applicable rules and regulations.

All members of the committee must comply with all financial literacy requirements of the securities exchange(s) on which the Company is listed. The Board will determine whether at least one member of the committee qualifies as an “Audit Committee financial expert” in compliance with the criteria established by the SEC. The existence of such a member, including his or her name and whether or not he or she is independent, will be disclosed in periodic filings as required by the SEC. Committee members are encouraged to enhance their familiarity with finance and accounting by participating in educational programs, including those conducted by the Company or outside consultants.

The members of the committee will be elected by the Board at the annual organizational meeting of the Board to serve until their successors are elected. Unless a chairperson is elected by the full Board, the members of the committee may designate a chairperson by majority vote. The Committee will maintain minutes of its meetings.

The committee will meet as often as necessary to discharge their duties, but not less frequently than quarterly. As part of its responsibility to foster open communication, the committee will meet periodically with management, the director of the internal auditing function, and the independent auditor in separate executive sessions. Each regularly scheduled quarterly meeting will conclude with an executive session of the committee absent members of management.

### **III. RESPONSIBILITIES AND DUTIES**

To fulfill its responsibilities and duties, the Audit Committee will:

#### **Documents/Reports/Accounting Information Review**

1. Review this charter periodically, at least annually, and recommend to the Board any necessary amendments.
2. Review and discuss with management and the independent auditor the Company’s annual financial statements, quarterly financial statements (prior to the Company’s Forms 10-K or 10-Q filings or release of earnings), and all internal controls reports (or summaries thereof). Review other relevant reports or financial information submitted by the Company to any governmental body, including the disclosures under “Management’s Discussion and Analysis,” management certifications as required by the Sarbanes-Oxley Act of 2002 and relevant reports rendered by the independent auditor or internal auditing function (or summaries thereof).

3. Recommend to the Board whether the financial statements should be included in the annual report on Form 10-K.
4. Discuss public statements regarding earnings releases, including the type and presentation of information, paying particular attention to any pro forma or adjusted non-GAAP information. Such discussions may be in general terms (i.e. discussion of the types of information to be disclosed and the type of presentations to be made).
5. Review the regular reports to management (or summaries thereof) prepared by the internal audit function, as well as management's response.

### **Independent Auditor**

6. Appoint (and recommend that the Board submit for shareholder ratification, if applicable), compensate, retain, and oversee the work performed by the independent auditor for the purpose of preparing or issuing an audit report or related work. Review the performance of the independent auditor and remove the independent auditor if circumstances warrant. The independent auditor will report directly to the Audit Committee and the Audit Committee will oversee the resolution of disagreements between management and the independent auditor if they arise.

Consider whether the auditor's performance of permissible nonaudit services is compatible with the auditor's independence. Discuss with the independent auditor the matters required to be discussed under applicable ethics and independence rules of the Public Company Accounting Oversight Board ("PCAOB").

7. Review with the independent auditor any relevant issues encountered during their engagement and management's response; review the independent auditor's attestation and report on the Company's internal control over financial reporting, from the time that such reports are prepared as applicable or as required; and hold timely discussions with the independent auditor regarding the following:
  - ◇ The auditors' responsibilities under generally accepted auditing standards and the responsibilities of management in the audit process
  - ◇ The overall audit strategy, the scope, and the timing
  - ◇ All critical accounting policies and practices
  - ◇ All alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditor
  - ◇ Any significant risks identified during the auditors' risk assessment procedures

- ◇ Other material written communications between the independent auditor and management, including, but not limited to, the management letter and schedule of unadjusted differences.
8. At least annually, obtain and review a report by the independent auditor describing all relationships between the independent auditor and the Company, and addressing the matters set forth in PCAOB Ethics and Independence Rule. This report should be used to evaluate the independent auditor's qualifications, and independence.
  9. Actively engage in dialogue with the independent auditor with respect to any disclosed relationships or services that may affect the independence and objectivity of the auditor and take, or recommend that the full Board take, appropriate actions to oversee the independence of the outside auditor.
  10. Review and pre-approve (which may be pursuant to pre-approval policies and procedures) both audit and nonaudit services to be provided by the independent auditor. The authority to grant pre-approvals may be delegated to one or more designated members of the Audit Committee whose decisions will be presented to the full Audit Committee at its next regularly scheduled meeting. Approval of nonaudit services will be disclosed to investors in periodic reports required by Section 13(a) of the Securities Exchange Act of 1934.
  11. Review and concur with the Company's hiring of employees of the independent auditor who were engaged on the Company's account. Follow applicable laws and regulations for hiring personnel of the independent auditor, or as deemed necessary set policies for such purpose.

### **Financial Reporting Processes, Accounting Policies, and Internal Control Structure**

12. In consultation with the independent auditor and internal auditor function, review the integrity of the organization's financial reporting processes (both internal and external), and the internal control structure (including disclosure controls and procedures and internal control over financial reporting). The internal audit function may be contracted to an independent third-party provider.
13. Periodically review the adequacy and effectiveness of the Company's disclosure controls and procedures and the Company's internal control over financial reporting at least annually, including any significant deficiencies and significant changes in internal controls.
14. Understand the scope of the internal and independent auditors' review of internal control over financial reporting and obtain reports on significant findings and recommendations, together with management responses.

15. Receive and review any disclosure from the Company's CEO or CFO made in connection with the certification of the Company's quarterly and annual reports filed with the SEC of: a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize, and report financial data; and b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal controls.
16. Review major issues regarding accounting principles and financial statement presentations, including any significant changes in the Company's selection or application of accounting principles; major issues as to the adequacy of the Company's internal controls.
17. Review analyses prepared by management (and the independent auditor as noted in item 5 above) setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative GAAP methods on the financial statements.
18. Establish procedures for the receipt, retention, and treatment of complaints regarding accounting, internal accounting controls, or auditing matters.
19. Establish procedures for the confidential, anonymous submission by Company employees regarding questionable accounting or auditing matters.

### **Internal Audit**

20. Review and advise on the selection and removal of the internal audit director or the internal audit firm. The internal audit function may be subcontracted to an independent third party firm performing such services and, as such, the internal audit director may be a non-employee of the Company.
21. Review activities, organizational structure, and qualifications of the internal audit function. Review and approve annually the internal audit charter.
22. Review the scope, performance and results of internal audit plans, including any reports of observations and management's response to those reports.

### **Reporting**

23. Periodically review with the internal audit director any significant difficulties, disagreements with management, or scope restrictions encountered in the course of the function's work.

24. Report regularly to the Board regarding the execution of the Audit Committee's duties and responsibilities, activities, any issues encountered and related recommendations.

### **Other Responsibilities**

25. Establish, review, and update periodically a code of business conduct and anti-corruption policy, subject to Board final approval, and procedures for complaints regarding accounting, internal accounting controls, auditing matters, fight against bribery, banking and financial crime and determine whether management has established a system to enforce this code and policy.
26. Review with the independent auditor, the internal auditing function or any subcontractor engaged by the Company performing financial work, if any, and management the extent to which changes or improvements in financial or accounting practices have been implemented.
27. Prepare the report that the SEC requires be included in the Company's annual proxy statement. Review with management and independent auditors material correspondence with the SEC.
28. Establish and review periodically the Company's treasury function, investment policy and hedging policy, periodically review compliance with them, and review periodically cash management and tax-related matters.
29. Discuss, with the independent auditor, the internal audit function, including its budget, organization and quality of personnel.
30. Discuss policies and guidelines with respect to risk assessment and risk management as delegated to the Committee by the Board, and the steps management has undertaken to control them.
31. Review the adequacy of management's resource planning for audit, financing and reporting personnel.
32. Conduct a bi-annual performance assessment relative to the Audit Committee's purpose, duties and responsibilities outlined herein.
33. Perform any other activities consistent with this charter, the Company's bylaws, and governing law, as the Board deems necessary or appropriate.

Amended: February 12, 2020