



**IPG Photonics Corporation**

**Board of Directors**

**Corporate Governance Guidelines**

## Table of Contents

<b>1. Mission of the Board</b>	<b>3</b>
<b>2. Size of the Board</b>	<b>3</b>
<b>3. Independence of the Board</b>	<b>4</b>
<b>4. Conduct and Organization of the Board of Directors</b>	<b>4</b>
<b>5. Selection of Agenda Items for Board Meetings</b>	<b>4</b>
<b>6. Board Materials Distributed in Advance</b>	<b>4</b>
<b>7. Board Participation</b>	<b>4</b>
<b>8. Attendance of Non-Employees at Board Meetings</b>	<b>5</b>
<b>9. Board Committees</b>	<b>5</b>
<b>10. Meeting of Non-Employee Directors</b>	<b>6</b>
<b>11. Board Access</b>	<b>6</b>
<b>12. New Board Candidates</b>	<b>7</b>
<b>13. Related and Interested Party Transactions</b>	<b>7</b>
<b>14. Term Limits</b>	<b>7</b>
<b>15. Other Limits on Board Membership; Director Status</b>	<b>7</b>
<b>16. Annual Board Assessments</b>	<b>8</b>
<b>17. Director Compensation; Minimum Stock Ownership</b>	<b>8</b>
<b>18. Succession Planning</b>	<b>8</b>
<b>19. Board Interaction with Institutional Investors and the Media</b>	<b>9</b>
<b>20. Director Orientation and Continuing Education</b>	<b>9</b>
<b>21. Review and Modification of Governance Guidelines</b>	<b>10</b>
<b>22. Publication of Governance Guidelines</b>	<b>10</b>
<b>23. Miscellaneous</b>	<b>10</b>

**IPG PHOTONICS CORPORATION**  
**CORPORATE GOVERNANCE GUIDELINES**

The Board of Directors (the “Board”) of IPG Photonics Corporation (the “Company”) has established the following guidelines (“Governance Guidelines”) for the conduct and operation of the Board.

**1. *Mission of the Board***

The primary functions of the Board are to oversee management performance on behalf of the stockholders, to ensure that the long-term interests of the stockholders are being served, to monitor adherence to Company standards and policies, and generally to perform the duties and responsibilities assigned to the Board by the laws of Delaware, the state of incorporation of the Company.

The Board fulfills these functions by, among other things:

- Selecting, evaluating and compensating the officers of the Company and planning for senior management succession;
- Reviewing and monitoring implementation of the Company strategy and annual operating plans;
- Approving the capital-spending plan of the Company and ensuring that it is consistent with Company financial resources;
- Reviewing and approving significant corporate actions and major transactions;
- Reviewing significant risk assessments and issues facing the Company, as prepared by management, and monitoring such risks and issues;
- Identifying and nominating appropriate candidates to the Board and planning for succession of directors; and
- Ensuring the establishment of, and monitoring compliance with, processes designed to ensure the integrity of the Company's actions, including its financial statements and financial reporting, its relationships with customers, suppliers and other constituencies, and its compliance with law and its Code of Business Conduct.

These Governance Guidelines reflect the Board’s commitment to regularly monitor policies and decisions at the Board, committee and management levels, with a view to enhancing the long-term value of the Company. However, the Board is not expected to manage the Company on a day-to-day basis nor guarantee the management or performance of the Company.

**2. *Size of the Board***

The Board shall, from time to time, determine the optimum number of directors in accordance with the Certificate of Incorporation (“Charter”), and Bylaws of the Company. The Board shall periodically review the appropriate size of the Board, which may vary to accommodate the availability of suitable candidates and the needs of the Company. It is the policy of the Board that the number of directors shall not exceed a number that can function efficiently as a body.

### ***3. Independence of the Board***

A majority of the Board members shall satisfy the independence requirements required by the Securities Exchange Act of 1934 (or regulations promulgated thereunder), NASDAQ Rule 4200 and any other regulatory authority applicable to the Company (subject to any exceptions applicable to the Company) and be otherwise free from any relationship that might interfere with the exercise of independent judgment in the performance of director responsibilities. No interlocking directorships shall be allowed except under extraordinary circumstances and shall be subject to prior approval by a majority of directors. As used herein, an interlocking directorship will be deemed to occur if a non-employee director of the Company serves as an officer of a public corporation and the board of such entity includes a person who is then serving as an officer of this Company.

The Nominating and Corporate Governance Committee will conduct an annual review of the independence of the directors (and candidates for membership on the Board), taking into account all relevant facts and circumstances, and will report its findings to the full Board.

### ***4. Conduct and Organization of the Board of Directors***

The Board shall organize and conduct its business in accordance with Delaware law, the Charter, the Bylaws of the Company, the charters of the various committees of the Board and these Governance Guidelines.

The Chairman of the Board (“Chairman”) will chair the Board meetings and shall be appointed by a majority of the Board. In the Chairman’s absence, the then President, if one shall be elected, will chair the Board meetings and, if there not be a President, then the Presiding Independent Director selected according to Section 10 of this Governance Guidelines will chair the Board meeting. In the absence of a Presiding Independent Director, the directors present at the meeting shall elect a chairman for the meeting.

### ***5. Selection of Agenda Items for Board Meetings***

The Chairman of the Board will establish the agenda for each Board meeting which shall be distributed to the directors by the Company’s Secretary in advance of each meeting. Other directors are encouraged to suggest the inclusion of items on the agenda and may do so by submitting the proposed agenda items to the Presiding Independent Director who will present items received from other directors to the Chairman of the Board sufficiently in advance of the meeting.

### ***6. Board Materials Distributed in Advance***

Board materials should be distributed in advance of each meeting, to allow time for review and assessment so that the Board meeting time may be conserved for discussions focused on questions that the Board has about the material. On those occasions when the subject matter is too sensitive to be distributed, the subject will have to be introduced at the meeting. Management will make every effort to see that the material is distributed in advance, and that it is presented in an efficient and effective format.

### ***7. Board Participation***

Directors must be willing to devote sufficient time to carrying out their duties and responsibilities effectively. Directors are expected to prepare for, attend (either in person or telephonically) and actively participate in all meetings of the Board and committees on which they serve.

## ***8. Attendance of Company Management at Board Meetings***

It is anticipated that certain members of management (e.g., the Chief Financial Officer, the General Counsel, senior vice presidents and such other members of the executive staff as the Chairman or CEO may from time to time designate) will attend Board meetings on a regular basis. Other members of management and staff as well as Company advisors may attend meetings and present reports from time to time. Specifically, the Board encourages management to schedule managers to be present at Board meetings who can provide additional insight into the items being discussed because of personal involvement in these areas, and to expose the Board to managers who have potential for senior positions within the Company. It is understood that non-directors attending Board meetings may be asked from time to time to leave the meeting at the sole discretion of the Board in order for the Board to meet in executive session on sensitive matters.

## ***9. Board Committees***

The Board currently has the following committees: Audit, Compensation and Nominating and Corporate Governance. All of the members of these committees shall be independent directors under criteria established by the Securities and Exchange Commission ("SEC"), NASDAQ and any other regulatory authority applicable to the Company (subject to any exceptions applicable to the Company). All directors serving on the Audit Committee shall meet the enhanced independence criteria established by NASDAQ for audit committee members and the Board shall determine whether the Chairman of the Audit Committee has the requisite qualifications under SEC and NASDAQ rules after analysis and recommendation by the Nominating and Corporate Governance Committee. Each of the Audit, Compensation and Nominating and Corporate Governance Committees should have, to the extent possible, a minimum of three members and an odd number of members. The Board may, from time to time, designate or maintain additional, ad hoc or alternative committees that it determines to be necessary or appropriate.

Committee members and chairpersons will be designated by the Board following the annual meeting of stockholders upon the recommendation of the Nominating and Corporate Governance Committee after consultation with the Chairman. Generally, committee chairpersons will have had prior service on the committee. There are no fixed terms for service on committees.

Each committee operates under a written charter setting forth its purpose, duties and responsibilities. The charters of all committees will be subject to periodic review and assessment by each committee and each committee shall recommend any proposed charter changes to the Board. These charters are published on the Company's website. Unless otherwise directed by the Board, new committees designated by the Board will develop a written charter delineating its responsibilities.

It is the sense of the Board that consideration be given to periodically rotating memberships on the various committees and the chairmanship of each committee from time to time, although there may be valid considerations for maintaining for a longer period the service on a committee of a particular member or chair, such as regulatory considerations and experience.

The chair of each committee, in consultation with the committee members and the appropriate members of management, will determine the frequency and length of meetings of each committee and will develop the committee's agenda, which shall be distributed to the committee members by the Company's Secretary. Notices of meetings shall be given in accordance with the Bylaws of the Company. Formal minutes of committee meetings will be kept and will be reviewed and approved by the respective committee members following the meeting. Approved minutes from committees will be published, as

appropriate, for all directors to review. Minutes of committee meetings will be maintained at the Company by the Company's Secretary.

Directors who are not committee members may attend committee meetings as observers, though such attendance is not required. Non-committee members attending any committee meetings shall participate in discussions only to the extent invited by other members of the committee and may be asked, from time to time, to leave any such meeting at the sole discretion of the members of the committee in order for the committee to meet in executive session on sensitive matters.

At each Board meeting, the chair of each committee or the chair's delegate shall report the matters considered and acted upon by such committee at each meeting or by written consent since the preceding Board meeting.

#### ***10. Meetings of Non-Employee Directors and Presiding Independent Director***

The Board will hold executive sessions of its non-employee directors on at least a quarterly basis or such greater number as required by NASDAQ rules. Over the course of each year, the topics of discussion in executive sessions of non-employee directors will include management performance and succession plans, and such other topics as the Presiding Independent Director shall select (with input from the other non-employee directors). The non-employee directors generally shall not take formal action at these sessions, but may make recommendations for consideration by the full Board. The Presiding Independent Director shall advise the Board Chairman of these sessions, regardless of whether the Board Chairman is asked to attend.

Annually, the non-employee directors will select the Presiding Independent Director following the annual meeting of stockholders, who will preside over the executive sessions of the non-employee directors, act as a liaison between the non-employee directors and the Board Chairman, provide the Board Chairman with input regarding agenda items for Board and committee meetings, and coordinate with the Board Chairman regarding information to be provided to the non-employee directors in performing their duties.

#### ***11. Board Access***

Directors will have complete and open access to the Company's management, employees and principal advisers, including its auditors, legal counsel, investment bankers and executive compensation advisers, and to Company information that they believe is necessary to fulfill their obligations as directors; provided that the Company's executive management shall be responsible for the management of the day-to-day operational activities and affairs of the Company. Directors will use judgment to ensure that such contact is not distracting to the business or operations of the Company. Unless otherwise authorized by the Board or a committee charter, an individual director does not have the authority in his or her capacity as a director to enter into agreements on behalf of the Company or hold out the authority to bind the Company.

There may be occasions when an outside advisor is retained directly by the Board or committee thereof in connection with a particular matter. The Board and its committees are authorized to retain outside experts and advisors at the Company's expense to the extent necessary and appropriate under the circumstances. The Board and committees thereof shall keep the Company's finance department advised as to the general range of anticipated expenses for outside advisors hired by the Board or committees thereof.

## ***12. New Board Candidates***

The Nominating and Corporate Governance Committee shall be responsible for setting criteria for membership to the Board and the Board selection process. The Nominating and Corporation Governance Committee will maintain Director Selection Process and Membership Guidelines.

The Nominating and Corporate Governance Committee shall be responsible for identifying and interviewing prospective candidates, and recommending to the Board the slate of candidates to be voted on at the annual meeting of stockholders and any candidate to fill a vacancy that may exist from time to time. On recommendation of the Nominating and Corporate Governance Committee, the Board by majority vote shall nominate a slate of directors for election at the annual meeting of the stockholders each year. Directors shall be elected at the annual meeting of stockholders in accordance with the Bylaws of the Company.

In the event a vacancy exists that the Board determines should be filled, upon recommendation of the Nominating and Corporate Governance Committee, the Board by a vote of a majority of the remaining members thereof shall select a replacement. It is the responsibility of the Board Chairman to extend an invitation to a duly nominated individual to join the Board, and the Board Chairman may delegate this to the chair of the Nominating and Corporate Governance Committee.

## ***13. Related and Interested Party Transactions***

The Nominating and Corporate Governance Committee shall review and approve proposed related party transactions in compliance with NASDAQ rules and such other policies and procedures as the Nominating and Corporate Governance Committee may establish from time to time. The Nominating and Corporate Governance Committee shall also review corporate opportunities and make recommendations for consideration of the Board. From time to time, directors may be asked to leave a meeting when the Nominating and Corporate Governance Committee or the Board is considering a transaction in which the director (or another organization in which the director is a director or officer) has a financial or other interest and recuse himself or herself from any vote on such a transaction.

Each director shall be required to sign the Company's Code of Business Conduct.

## ***14. Term Limits***

The Board believes that directors should be committed to serve on the Board for an extended period of time and does not believe it should establish term limits for directors. While such limits might contribute fresh ideas to the Board, they have the disadvantage of losing the contribution of directors who have developed, over a period of time, insight into the future direction and operations of the Company and institutional memory. The Board believes that, as an alternative to term limits, non-management directors should submit their resignation from the Board upon attaining the age of 72 years, and on each anniversary thereafter, unless another arrangement is approved by the Nominating and Corporate Governance Committee, and the Board, after the prior review and recommendation of the Nominating and Corporate Governance Committee of the circumstances and needs of the Board, shall determine at its next regularly scheduled Board meeting to accept or decline the resignation of such director. Also, the Board believes that the Board continues to evolve and adopt new ideas and viewpoints through the director nomination process described in these Governance Guidelines. The Nominating and Corporate Governance Committee shall periodically monitor the tenure of directors and their ages.

### ***15. Other Limits on Board Membership; Directors Status***

Directors should notify in writing the Board Chairman, the Secretary and the chair of the Nominating and Corporate Governance Committee (or the Presiding Independent Director if the chair of the Nominating and Corporate Governance Committee is providing notice) in advance of accepting an invitation to serve on the board or committee of another company, whether public or private.

A director who also serves as the Company's chief executive officer ("CEO") and/or President shall not serve on more than one public company board of directors in addition to the Company, and may not have the position of board chairman, lead director or similar position on such other company's board. A non-employee director shall serve on no more than three other public company boards in addition to the Company, and on no more than two other public company audit committees, provided that a non-employee director may sit on up to four other public company boards with the approval of the Board following disclosure to and the recommendation of the Nominating and Corporate Governance Committee. The Board recognizes that the critical consideration is the director's availability to fulfill his or her responsibilities as a director including attendance at quarterly meetings if he or she serves on the boards or board committees of other companies. Service on boards and board committees of other companies should be consistent with the Company's conflict-of-interest policies.

If a director changes the position of primary employment he/she held when elected to the Board, he/she shall promptly notify in writing the Board Chairman, the Secretary and the chairman of the Nominating and Corporate Governance Committee (or the Presiding Independent Director if the chair of the Nominating and Corporate Governance Committee is providing notice). The Nominating and Corporate Governance Committee shall review the continued appropriateness of Board membership in view of such changes and report its findings and recommendations to the Board at its next meeting. The Board may decide not to nominate such a director for re-election at the next annual stockholders meeting. For purposes of this paragraph, a change in position of primary employment shall occur if a director would be required to change his/her biography in the Company's proxy statement.

When an executive officer or manager who also serves as a director resigns from active management with the Company, he/she shall offer his/her resignation from the Board. The Board shall decide to accept or reject such letter of resignation by majority vote.

### ***16. Annual Board Assessments***

The Nominating and Corporate Governance Committee will organize and oversee annual assessments of the Board and bi-annual assessments of its committees to determine whether they are functioning effectively. The assessments should include an evaluation of (a) the Board's (including the non-employee directors and the Presiding Independent Director) and each committee's contribution as a whole and effectiveness in serving the best interests of the Company and its stockholders, (b) specific areas in which the Board and its committees believe that the performance of the Board and its committees could be improved, and (c) overall Board composition and makeup. The results of these assessments should be provided to the Board for further discussion, as appropriate.

### ***17. Director Compensation; Minimum Stock Ownership***

The Company's management directors shall not receive additional compensation for service as directors. The Compensation Committee shall review and recommend to the Board the form and amount of director compensation for Board, committee and Presiding Independent Director service as non-employee directors.

The Board believes that, in order to align the interests of directors and officers with stockholders, directors and certain key officers should have a meaningful financial stake in the Company. After recommendation by the Nominating and Corporate Governance Committee, the Board shall adopt stock ownership guidelines for directors and certain key officers and changes to such stock ownership guidelines.

### ***18. Succession Planning***

The entire Board of Directors shall review annually with the Board Chairman the Company's plan for succession to the office of the chief executive officer, including the appropriate individuals to succeed to these positions. The Chairman shall at all times make available his or her recommendations and evaluations of potential successors, including who should be the Chairman if he or she unexpectedly becomes disabled or otherwise be unable or unwilling to continue in that role, along with a review of any development plans recommended for such individuals. The Compensation Committee shall periodically review with the Board Chairman the Company's plan for succession for other senior executive officers. Notwithstanding the foregoing, it shall be the responsibility of the full Board of Directors to elect the officers of the Company.

The Company has no fixed rule as to whether the offices of Chairman of the Board and chief executive officer should be vested in the same person or two different people, or whether the Board Chairman should be an employee of the Company or should be elected from among the non-employee directors. The Board believes that this issue is part of the succession planning process and that it is in the best interests of the Company and its stockholders to make such a determination when it elects a new Chairman.

The Nominating and Corporate Governance Committee shall periodically review with the Board Chairman the plans of non-employee directors to continue to serve on the Board and availability for committee assignments.

### ***19. Board Interaction with Institutional Investors and the Media***

It is the policy of the Board that management speaks for the Company. Individual directors may, from time to time, meet or otherwise communicate with various people that are involved with the Company. However, it is expected that directors would speak for the Company only with the express approval (or at the request of) of the Chairman or Chief Financial Officer (unless otherwise determined by a majority of the Board). The Company may establish further restrictions on director communications with third parties in order to assure compliance with applicable laws or regulations or protect the confidentiality of Company information.

### ***20. Director Orientation and Continuing Education***

The Company's Secretary in consultation with the Nominating and Corporate Governance Committee will be responsible for (a) compiling and providing to each new director an orientation manual containing materials pertaining to, among other things, the Board, its committees and the Presiding Independent Director, the Company's corporate governance policies and practices, and the Company's businesses, functions, initiatives and processes, (b) scheduling an orientation program for each new director, which will include presentations by members of senior management on the Company's strategy, operating plans, financial statements and key issues, policies and practices, and (c) periodically providing materials and updates to all directors on issues and subjects that would assist them in fulfilling their responsibilities.

The Company recognizes the importance of continuing education for members of our Board of Directors. Accordingly, the Company encourages members of the Board to participate in appropriate training classes

and shall reimburse the members for their reasonable costs for such classes. The Company shall also provide membership for its directors in the National Association of Corporate Directors or such other organization as the Nominating and Corporate Governance Committee deem appropriate.

### ***21. Review and Modification of Governance Guidelines***

The Nominating and Corporate Governance Committee shall review these Governance Guidelines annually, and will report to the Board any recommendations that it may have regarding modification of these Governance Guidelines.

### ***22. Publication of Governance Guidelines***

The Company shall publish these Governance Guidelines on its website.

### ***23. Miscellaneous***

Nothing contained in these Guidelines is intended to expand applicable standards of liability under statutory or regulatory requirements for the Board members. The purposes and responsibilities outlined in these Guidelines are meant to serve as guidelines rather than as inflexible rules and the Board and committees thereof are encouraged to adopt such additional procedures and standards as it deems necessary from time to time to fulfill its responsibilities.