



IPG Photonics Corporation

Board of Directors

Corporate Governance Guidelines

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IPG PHOTONICS CORPORATION
CORPORATE GOVERNANCE GUIDELINES

The Board of Directors (the “Board”) of IPG Photonics Corporation (the “Company”) has established the following guidelines (these “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 on the recommendation of the Nominating and Corporate Governance Committee, filling any vacancies existing on 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. The Board provides oversight, advice and counsel to senior management of the Company, however, the Board does not 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 (the “Charter”), and bylaws of the Company (the “Bylaws”). 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*

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

The Chairman of the Board (the “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 Lead Independent Director selected according to Section 10 of these Governance Guidelines will chair the Board meeting. In the absence of a Lead 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, with participation from the Lead Independent Director, 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. The Lead Independent Director will have the ability to review and request changes to meeting agendas and schedules as he/she deems appropriate in order to ensure that the interests and requirements of the independent directors are appropriately addressed and assure that there is sufficient time for discussion of all agenda items. 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 Lead Independent Director who will present items received from other directors to the Chairman 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.

Directors are expected to fully review all materials provided at or in advance of meetings of the Board and its committees. Each director should be sufficiently familiar with the business of the Company and its subsidiaries to facilitate participation in the deliberations of the Board and of each Committee on which he or she serves.

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 Chief Executive Officer 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 (the "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 chair 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 chairs 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 chairs 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. 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 Lead 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 Lead Independent Director shall select with input from the other non-employee directors. The independent directors annually shall assess the performance of the CEO in relation to the goals and objectives established by the Board. The non-employee directors generally shall not take formal action at these sessions, but may make recommendations for consideration by the full Board. The Lead Independent Director shall advise the Chairman of these sessions, regardless of whether the Chairman is asked to attend.

Annually, the non-employee directors will select the Lead Independent Director following the annual meeting of stockholders. The Lead Independent Director will have the authority to call meetings of the non-employee directors, preside over the executive sessions of the non-employee directors, act as a liaison between the non-employee directors and the Chairman and among the non-employee directors, provide the Chairman with input regarding agenda items for Board and committee meetings, ensure that he/she is available for consultation and direct communication with major stockholders, if requested, and the Chairman or a majority of the Board has approved engaging in such consultation or communication and coordinate with the Chairman regarding information to be provided to the non-employee directors in performing their duties. The Lead Independent Director will perform such other functions as the Board may direct, from time to time, or as otherwise described herein.

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/her capacity as a director to enter into agreements on behalf of the Company or hold out the authority to bind the Company. Any information requested by a director pursuant to this provision shall be made available to the full Board (or all of the non-employee members of the Board or each member of the committee, as applicable).

There may be occasions when an outside advisor is retained directly by the Board or a 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 a committee thereof. Any information requested from an outside expert or advisor by a director pursuant to this provision shall be made available to the full Board (or each member of the committee).

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 Corporate Governance Committee will maintain the 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. The Bylaws contain the Company's resignation policy for directors failing to get a majority of the votes cast in any uncontested Board election.

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 Chairman to extend an invitation to a duly nominated individual to join the Board, and the Chairman may delegate this responsibility 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/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-employee 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 at the given point in time, 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 Chairman, the Company's Secretary and the chair of the Nominating and Corporate Governance Committee (or the Lead 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 and/or President shall not serve on more than one public company board of directors in addition to the Board, 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/her responsibilities as a director including attendance at quarterly meetings if he/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 Chairman, the Company's Secretary and the chair of the Nominating and Corporate Governance Committee (or the Lead 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 meeting of stockholders. 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 Lead 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 employee 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 Lead Independent Director service as non-employee directors. This review shall include an analysis of Board compensation in relation

to other similarly situated companies and Board compensation in alignment with the long-term interests of the Company and its stockholders.

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 maintain and periodically review stock ownership guidelines for directors and certain key officers.

18. *Succession Planning*

The entire Board shall review annually with the Chairman the Company's plan for succession to the office of the Chief Executive Officer, including the appropriate individual(s) to succeed to the position. The Chairman shall at all times make available his/her recommendations and evaluations of potential successors, including who should be the Chairman if he/she resigns or is 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 Chairman the Company's plan for succession for other senior executive officers. Notwithstanding the foregoing, it shall be the responsibility of the full Board to elect the officers of the Company.

The Company has no fixed rule as to whether the offices of Chairman and Chief Executive Officer should be vested in the same person or two different people, or whether the 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 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. The Lead Independent Director (after discussion with the Chairman and/or Chief Executive Officer) may, from time to time, meet or otherwise communicate with various people that are involved with the Company. However, the other individual directors shall 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. *Rights of Stockholders*

A. *Access to Chief Executive Officer or Chief Financial Officer at Annual Meetings*

Subject to reasonable constraints of time and topics and the rules of order, stockholders are allowed to direct comments to or ask questions of the Chief Executive Officer or the Chief Financial Officer or their designees during the annual meeting of stockholders.

B. *Communication with Directors*

Stockholders, employees and others may contact our Lead Independent Director by writing to c/o Corporate Secretary, IPG Photonics Corporation, 50 Old Webster Road, Oxford, MA 01540 or by sending an e-mail to corporatesecretary@ipgphotonics.com. General comments to the Company (including complaints or questions about a product) should be sent to sales@ipgphotonics.com. For greater certainty, the foregoing rights are in addition to and not limiting the procedures to be followed by Covered Persons (as defined in the Company's Code of Business Conduct) in connection with reporting violations under the Code of Business Conduct.

21. *Director Confidentiality*

The proper functioning of the Board requires a candid and open exchange of information, ideas and opinions among the directors in an atmosphere of trust, confidence and mutual respect. Directors have an affirmative duty to protect and hold confidential all non-public information obtained in the role of director. Accordingly:

- no director shall use Confidential Information (as defined below) for his/her own personal benefit or to benefit persons or entities outside the Company; and
- no director shall disclose Confidential Information to any person or entity outside the Company (which prohibits a director designated by any other person or entity from disclosing Confidential Information to such person or entity), either during or after his/her service as a director of the Company, except with express prior authorization of the Company's General Counsel or the Chairman or as may be otherwise required by law (in which event a director shall promptly advise the General Counsel and the Chairman of such anticipated disclosure and take all reasonable steps to minimize the disclosure of such Confidential Information). In considering whether to permit a director to share Confidential Information, the General Counsel or Chairman may consider, among other things, whether sharing the information would give rise to a conflict and/or potential harm, including whether the information is protected by attorney-client privilege.

For purposes of these Governance Guidelines, "Confidential Information" is all non-public information (whether or not material to the Company) entrusted to or obtained by a director by reason of his/her position as a director of the Company. In addition to information regarding Board meetings, discussions, deliberations and decisions, Confidential Information includes, but is not limited to, non-public information that might be of use to competitors or harmful to the Company, its customers, suppliers or other stakeholders if disclosed, including but not limited to:

- non-public information about the Company's business, including its financial condition, forecasts, supply chain, prospects or plans, marketing and sales programs, products, technology, specifications, methods and processes, designs and developments, ideas and concepts, intellectual property, trade secrets and know-how and research and development, proprietary and technical information and data, as well as information relating to mergers and acquisitions, stock repurchases and dividends, stock splits and divestitures;

- non-public information concerning possible transactions with other companies or information about the Company's customers, suppliers or joint venture partners, which the Company is under an obligation to maintain as confidential; and
- non-public information about discussions, deliberations and decisions relating to business issues between and among employees, officers and directors.

The terms relating to confidentiality in the Company's Code of Business Conduct are in addition to, and not in limitation of, the foregoing.

22. *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 Lead 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 the Board. 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 deems appropriate.

23. *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. These Governance Guidelines may be amended by the Board, from time to time, in its sole discretion.

24. *Publication of Governance Guidelines*

The Company shall publish these Governance Guidelines on its website.

25. *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 or advisable from time to time to fulfill its responsibilities.

Adopted on April 16, 2007
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