

IPG PHOTONICS CORP
Form DEF 14A
April 10, 2018

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
SCHEDULE 14A
Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934
Filed by the Registrant
Filed by a Party other than the Registrant
Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

IPG PHOTONICS CORPORATION
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)
Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

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Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To the Stockholders:

We invite you to attend our annual meeting of stockholders which is being held as follows:

Date: June 5, 2018
Time: 10:00 a.m. Eastern Time
IPG Photonics Corporation
Location: 50 Old Webster Road
Oxford, Massachusetts 01540

At the meeting, we will ask our stockholders to:

1. elect nine directors named in the accompanying proxy statement; and
2. ratify the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for 2018.

Stockholders will also transact any other business that may properly come before the meeting.

You may vote on these matters in person or by proxy. Whether or not you plan to attend the meeting, we ask that you promptly vote your shares. Only stockholders of record at the close of business on April 6, 2018 may vote at the meeting.

By order of the Board of Directors
IPG PHOTONICS CORPORATION

/s/ Angelo P. Lopresti

Angelo P. Lopresti

Secretary

April 9, 2018

Oxford, Massachusetts

The Notice of Meeting, Proxy Statement and Annual Report on Form 10-K are available free of charge at: investor.ipgphotonics.com. On or about April 18, 2018, we will mail to most of our stockholders a notice containing instructions on how to access this proxy statement and our annual report and to vote via the Internet or by telephone.

Table of Contents

	Page
Notice of Annual Meeting of Stockholders	
Proxy Summary	<u>1</u>
General Information About the Meeting	<u>4</u>
Corporate Governance	<u>8</u>
Related Person Transactions	<u>13</u>
Board of Directors	<u>14</u>
Director Compensation	<u>23</u>
Proposal 1: Election of Directors	<u>25</u>
Common Stock Ownership	<u>26</u>
Executive Officers	<u>28</u>
Compensation Committee Report	<u>29</u>
Compensation Discussion and Analysis	<u>30</u>
Executive Compensation Tables	<u>41</u>
Audit Committee Report	<u>47</u>
Proposal 2: Ratification of Independent Registered Public Accounting Firm	<u>48</u>
Other Matters	<u>50</u>

PROXY SUMMARY

This summary highlights information available within our proxy statement. You should consider all of the information available in the proxy statement prior to voting your shares. Additional information on the Company's performance in 2017 can be found in our 2017 annual report to stockholders.

2018 Annual Meeting Information

Time and Date: 10:00 a.m. Eastern Time on Tuesday, June 5, 2018

Location: IPG Photonics Corporation, 50 Old Webster Road, Oxford, Massachusetts, 01540

Record Date: April 6, 2018

Voting: Stockholders as of the record date are entitled to vote. Each share of common stock is entitled to one vote for each director nominee and one vote for the other proposal to be voted on.

Voting Your Shares

We encourage you to vote by proxy, even if you plan to attend the annual meeting. Your vote is important. You can vote your shares using one of the following methods:

• Completing and mailing the enclosed proxy card

• Calling (800) 652-8683

• Visiting www.investorvote.com/ipgp

• In person at the annual meeting

If you own shares through a bank, broker, trustee, nominee or other institution, they will provide you with our proxy statement and any other solicitation materials, as well as voting instructions.

Items of Business

Proposal	Description	Board Vote Recommendation	Page Reference
1	Elect nine directors named in the proxy statement to serve for a one-year term	FOR	<u>25</u>
2	Ratify Deloitte & Touche LLP as our independent registered public accounting firm for 2018	FOR	<u>48</u>

1

Director Nominees

Every member of our Board of Directors (the "Board") is elected annually. You are being asked to vote on the election of these nine nominees, all of whom currently serve as directors.

Name	Age	Director Since	Principal Occupation	Independent	Committee Memberships	Experience and Skills
Valentin P. Gapontsev, Ph.D.	79	1990	CEO and Chm. of Bd. IPG Photonics Corporation	No	None	<ul style="list-style-type: none"> • Executive management • Technology • Markets and Applications
Eugene A. Scherbakov, Ph.D.	70	2000	COO IPG Photonics Managing Director IPG Laser GmbH	No	None	<ul style="list-style-type: none"> • Operations • Technology • Markets and Applications
Igor Samartsev	55	2006	Chief Technology Officer IPG Photonics Corporation	No	None	<ul style="list-style-type: none"> • Technology • Executive Management
Michael C. Child	63	2000	Senior Advisor T.A. Associates, Inc.	Yes	NCGC*	<ul style="list-style-type: none"> • Management and Operations • Mergers & Acquisitions • Technology Growth Companies
Henry E. Gauthier	77	2006	Former Pres. and Chm. Coherent, Inc.	Yes	Audit	<ul style="list-style-type: none"> • Laser Industry • Financial Expert • Management and Operations
Catherine P. Lego	61	2016	Principal Lego Ventures, LLC	Yes	Audit Compensation (Chair)	<ul style="list-style-type: none"> • Accounting and Finance • Mergers & Acquisitions • Technology Growth Companies
Eric Meurice	61	2014	Former President, CEO and Chairman ASML Holding NV	Yes	NCGC* (Chair) Compensation	<ul style="list-style-type: none"> • Strategy and Strategic Marketing • International Operations • Technology Growth Companies

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John R. Peeler	63	2012	CEO and Chm. of Bd. Veeco Instruments, Inc.	Yes	Presiding Ind. Director Compensation NCGC*	<ul style="list-style-type: none"> • Management and Operations • International Operations • Leadership Development
Thomas J. Seifert	54	2014	Chief Financial Officer Cloudflare, Inc.	Yes	Audit (Chair) NCGC*	<ul style="list-style-type: none"> • Accounting and Finance • Financial Expert • Technology Growth Companies

* NCGC is the Nominating and Corporate Governance Committee.

Corporate Governance Summary

The Board:

- is comprised of 70% independent directors
- has a presiding independent director
- is comprised of directors with a broad range of leadership, professional skills, and experiences which, when taken as a whole, is invaluable in evaluating our opportunities and executing them
- meets in executive session at each regularly scheduled Board meeting
- is elected annually
- complies with stock ownership guidelines it adopted to align the interests of directors with stockholders
- adopted a policy that prohibits hedging and limits pledging of Company stock by directors and officers
- engages in an annual self-evaluation process
- oversees risk management with a focus on the most significant risks facing IPG
- regularly considers succession planning to ensure boardroom skills are aligned with IPG's long-term strategic plan

The Audit, Compensation, and Nominating and Corporate Governance Committees:

- are comprised entirely of independent directors; The Audit Committee is comprised of four "financial experts"
- annual review of charters to ensure alignment with evolving Committee responsibilities
- engage in an bi-annual self-evaluation process
- have active Committee member engagement with each director participating in more than 75% of the applicable Committee meetings

Executive Compensation Summary

The Compensation Committee:

- is comprised entirely of independent directors who oversee the executive compensation program
- retains an independent compensation consultant to advise the Committee on the executive compensation program and other compensation matters
- annually reviews the executive compensation program to align it with the stockholder interests
- aligns executive pay with performance consistent with our pay-for-performance philosophy
- balances short-term and long-term incentives including multiple measures of performance
- links executive pay to IPG performance with long-term equity incentives
- designs the compensation program to maximize stockholder value while mitigating short-term risk taking

- caps the maximum amount that can be earned for annual incentives

The Named Executive Officers:

- have a majority of total direct compensation tied to performance, thereby aligning a significant portion of executive compensation payouts with the interest of stockholders
- have no retirement benefits and limited perquisites
- do not receive excise tax gross-up protections
- may not hedge Company stock and are permitted limited pledging
- do not receive single-trigger change of control provisions
- comply with stock ownership guidelines to align the interests of officers with stockholders
- are subject to clawback provisions

3

PROXY STATEMENT
ANNUAL MEETING OF STOCKHOLDERS

GENERAL INFORMATION ABOUT THE MEETING

The Board of Directors of IPG Photonics Corporation is soliciting proxies from our stockholders in connection with our annual meeting of stockholders to be held on Tuesday, June 5, 2018 and any and all adjournments thereof. No business can be conducted at the annual meeting unless a majority of all outstanding shares entitled to vote are either present in person or represented by proxy at the meeting. As far as we know, the only matters to be brought before the annual meeting are those referred to in this proxy statement. If any additional matters are presented at the annual meeting, the persons named as proxies may vote your shares in their discretion.

This proxy statement and our 2017 annual report are first being made available to stockholders of record on or about April 18, 2018 at investor.ipgphotonics.com. Information on the website does not constitute part of this proxy statement.

Unless otherwise noted, the information in this proxy statement covers our 2017 fiscal year (or "fiscal 2017"), which ran from January 1, 2017 through December 31, 2017, and in some cases our 2016 fiscal year (or "fiscal 2016"), which ran from January 1, 2016 through December 31, 2016.

Questions and Answers about the Meeting and Voting

When and Where Is the Annual Meeting?

When: Tuesday, June 5, 2018, at 10:00 a.m. Eastern Time
IPG Photonics Corporation

Where: 50 Old Webster Road
Oxford, Massachusetts 01540

What Matters Am I Being Asked to Vote On at the Meeting and What Vote is Required to Approve Each Matter?

You are being asked to vote on two proposals.

Proposal 1 requests the election of directors. Each director will be elected by the vote of the plurality of the votes cast when a quorum is present. A "plurality of the votes cast" means that the nine persons receiving the greatest number of votes cast "for" will be elected. "Votes cast" excludes "withhold votes" and any broker non-votes (as defined below). Accordingly, withhold votes and broker non-votes will have no effect on Proposal 1. If you hold your shares in "street name," it is critically important that you submit your voting instructions to your bank or broker if you want your shares to count for Proposal 1.

Proposal 2 requests the ratification of the appointment of our independent registered public accounting firm for 2018. The affirmative vote of a majority of the shares which are present at the meeting in person or by proxy, and entitled to vote thereon, is required for approval of Proposal 2. Abstentions have the same effect as voting against Proposal 2.

Who Is Entitled to Vote at the Meeting?

You are entitled to vote at the meeting if you owned IPG Photonics shares (directly or in "street name," as defined below) as of the close of business on April 6, 2018, the record date for the meeting. On that date, 53,732,790 shares of our common stock were outstanding and entitled to vote and no shares of our preferred stock were outstanding. Each share of our common stock is entitled to one vote with respect to each matter on which it is entitled to vote. There is no cumulative voting with respect to any proposal.

What Do I Need to Do If I Plan to Attend the Meeting in Person?

If you plan to attend the annual meeting in person, you must provide proof of your ownership of our common stock and a form of personal identification, such as a driver's license, for admission to the meeting. If you are a stockholder of record, the top half of your proxy card is your admission ticket and will serve as proof of ownership. If you hold your shares in street name, a recent brokerage statement or a letter from your bank or broker are examples of proof of ownership. If you hold your shares in street name and you also wish to be able to vote at the meeting, you must obtain a proxy, executed in your favor, from your bank or broker.

What Is the Difference Between Holding Shares Directly as a Stockholder of Record and Holding Shares in "Street Name" at a Bank or Broker?

Most of our stockholders hold their shares directly through a broker, bank or other nominee rather than directly in their own name. As summarized below, there are differences between shares held of record and those held in "street name."

Stockholder of Record: If your shares are registered directly in your name with our transfer agent, Computershare, N.A., you are considered the stockholder of record with respect to those shares, and the proxy statement and annual report were sent directly to you. As the stockholder of record, you have the right to vote your shares as described herein.

"Street Name" Stockholder: If your shares are held by a bank, broker or other nominee on your behalf, you are considered the beneficial owner of shares held in "street name," and the proxy statement and annual report were forwarded to you by your bank, broker or other nominee who is considered the stockholder of record with respect to those shares. Your bank, broker or other nominee sent to you, as the beneficial owner, a document describing the procedure for voting your shares. You should follow the instructions provided by your bank, broker or other nominee to vote your shares. You are also invited to attend the annual meeting. However, if you wish to be able to vote at the meeting, you must obtain a proxy card, executed in your favor, from your bank, broker or other nominee.

What Does it Mean to Give a Proxy?

Your properly completed proxy/voting instruction card will appoint Valentin P. Gapontsev and Angelo P. Lopresti as proxy holders or your representatives to vote your shares in the manner directed therein by you. Dr. Gapontsev is our Chairman of the Board and Chief Executive Officer. Mr. Lopresti is our Senior Vice President, General Counsel and Secretary. Your proxy permits you to direct the proxy holders to vote "For" or "Withhold" for the nominees for director (Proposal 1), and "For," "Against," or "Abstain" the vote to ratify the appointment of our independent registered accounting firm (Proposal 2).

All of your shares entitled to vote and represented by a properly completed proxy or voting instruction received prior to the meeting and not revoked will be voted at the meeting in accordance with your instruction.

What Happens If I Sign, Date and Return My Proxy But Do Not Specify How I Want My Shares Voted on One of the Proposals?

Stockholder of Record: Your proxy will be counted as a vote "For" all of the nominees for director (Proposal 1), and "For" the vote to ratify the appointment of our independent registered accounting firm (Proposal 2).

"Street Name" Stockholder: Your bank, broker or nominee may vote your shares only on those proposals on which it has discretion to vote. Under New York Stock Exchange rules, your bank, broker or nominee does not have discretion to vote your shares on non-routine matters such as the election of directors (Proposal 1). This is called a "broker non-vote." However, your bank, broker or nominee does have discretion to vote your shares on routine matters such as the vote to ratify the appointment of our independent registered public accounting firm (Proposal 2). Accordingly, if you do not give your bank, broker or nominee specific instructions with respect to Proposal 2, your shares will be

voted in such entity's discretion (but only with respect to Proposal 2). We urge you to promptly

5

provide your bank, broker or nominee with appropriate voting instructions so that all of your shares may be voted at the meeting.

Can I Change My Vote Before the Meeting?

You can change your vote at any time before your proxy is exercised by delivering a properly executed, later-dated proxy (including an internet or telephone vote), by revoking your proxy by written notice to the Secretary of IPG Photonics, or by voting in person at the meeting. If you choose to revoke your proxy by attending the annual meeting, you must vote your shares for revocation to be effective. The method by which you vote by a proxy will in no way limit your right to vote at the meeting if you decide to attend in person.

If your shares are held in street name, please refer to the information forwarded by your bank, broker or nominee for procedures on changing your voting instructions.

Is the Proxy Statement Available on the Internet?

Yes. We are delivering our proxy statement and 2017 annual report pursuant to the Securities and Exchange Commission rules that allow companies to furnish proxy materials to their stockholders over the internet. On or about April 18, 2018, we will mail to our stockholders a notice (the "Notice") containing instruction on how to access this proxy statement and our annual report and to vote via the internet or by telephone. Stockholders can view these documents on the internet by accessing the website at investor.ipgphotonics.com.

What does it mean if I receive more than one Notice of Internet Availability of Proxy Materials?

You may receive more than one Notice, more than one e-mail or multiple proxy cards or voting instruction cards. For example, if you hold your shares in more than one brokerage account, you may receive a separate Notice, a separate e-mail or a separate voting instruction card for each brokerage account in which you hold shares. If you are a stockholder of record and your shares are registered in more than one name, you may receive more than one Notice, more than one e-mail or more than one proxy card. To vote all of your shares by proxy, you must complete, sign, date and return each proxy card and voting instruction card that you receive and vote over the internet the shares represented by each Notice that you receive (unless you have requested and received a proxy card or voting instruction card for the shares represented by one or more of those Notices).

Who Is Soliciting my Proxy and Who is Paying for the Cost of this Proxy Solicitation?

The Board of Directors of IPG Photonics is soliciting your proxy to vote at the 2018 annual meeting of stockholders. IPG Photonics will bear the expense of preparing, posting to the internet, printing and mailing this proxy material, as well as the cost of any required solicitation. Our directors, officers or employees may solicit proxies on our behalf. We have not engaged a proxy solicitation firm to assist us in the solicitation of proxies, but we may if we deem it appropriate. In addition, we will reimburse banks, brokers and other custodians, nominees and fiduciaries for reasonable expenses incurred in forwarding proxy materials to beneficial owners of our stock and obtaining their proxies.

Who Counts the Votes?

We have engaged Computershare, N.A. as our independent agent to receive and tabulate stockholder votes. Computershare, N.A. will separately tabulate "For," "Against" and "Withhold" votes, abstentions and broker non-votes. Computershare, N.A. will also act as independent election inspector to certify the results, determine the existence of a quorum and the validity of proxies and ballots, and perform any other acts required under the General Corporation Law of Delaware.

How Can I Vote?

Most stockholders have a choice of voting in one of four ways:

- via the internet,
- using a toll-free telephone number,
- completing a proxy/voting instruction card and mailing it in the postage-paid envelope provided or
- in person at the meeting.

The telephone and internet voting facilities for stockholders of record will close at 1:00 a.m. Central Time on June 5, 2018. The internet and telephone voting procedures are designed to authenticate stockholders by use of a control number and to allow you to confirm that your instructions have been properly recorded.

If you hold your shares in "street name," your bank, broker or other nominee will send you a separate package describing the procedures and options for voting your shares. Please read this information carefully. If you hold your shares in "street name," and wish to vote in person at the annual meeting, you must obtain a "legal proxy" from the organization that holds your shares. A legal proxy is a written document that will authorize you to vote your shares held in "street name" at the annual meeting. Please contact the organization that holds your shares for instructions regarding obtaining a legal proxy. You must bring a copy of the legal proxy to the annual meeting and ask for a ballot when you arrive.

What Is the Quorum Required to Transact Business?

At the close of business on April 6, 2018, the record date, there were 53,732,790 shares of our common stock outstanding. Our by-laws require that a majority of our common stock be represented, in person or by proxy, at the meeting in order to constitute the quorum we need to transact business at the meeting. We will count withhold votes, abstentions and broker non-votes in determining whether a quorum exists.

CORPORATE GOVERNANCE

Significant Corporate Governance Practices and Policies

At IPG Photonics, we believe that strong and effective corporate governance procedures and practices are an extremely important part of our corporate culture. We have summarized several of our corporate governance practices below.

Independent Director Majority and Presiding Independent Director. Seven of the ten directors currently on our Board of Directors (the "Board") are non-employees of the Company who meet the independence criteria under the applicable rules of the Securities and Exchange Commission ("SEC") and NASDAQ guidelines. Only independent directors sit on our three standing Board Committees. Several years ago, the Board established the role of a presiding independent director who is elected annually by the independent directors.

Executive Sessions. Our Board meets regularly in executive sessions without the presence of management, including our Chairman and Chief Executive Officer. These sessions are led by our Presiding Independent Director.

Annual Election of Entire Board. Stockholders elect each director annually. We do not have a classified board.

Related Person Transactions. Our Nominating and Corporate Governance Committee is responsible for approving or ratifying transactions involving our Company and related persons and determining if the transaction is in, or not inconsistent with, the best interests of our Company and our stockholders.

Stock Ownership Guidelines. Our directors and executive officers are required to own a minimum amount of IPG Photonics shares. We believe that stock ownership requirements align the interests of the directors and officers with our stockholders. Our directors and executive officers fully complied with our guidelines in 2017.

Prohibition on Hedging; Limits on Pledging. Our insider trading policy expressly prohibits directors and employees from engaging in short sales of our common stock or buying or selling puts, calls or derivative securities in connection with IPG Photonics shares. The policy also limits the pledging of IPG Photonics shares.

Annual Self-Assessments. Our Board engages in annual self-evaluations and our committees perform bi-annual self-assessments to determine if they are functioning effectively.

Oversight of Risk Management. As part of its oversight, the entire Board reviews Company strategy and performance and the principal risks involved. The Board allocates risk oversight responsibility among the full Board, the independent directors acting as a group and the three standing committees.

Additional information is provided below regarding these and certain other key corporate governance policies, which we believe enable us to manage our business in accordance with high standards of business practices and in the best interest of our stockholders. Several of our policies may be found at investor.ipgphotonics.com/corporate-governance/governance-documents. Note that information on our website does not constitute part of this proxy statement.

Corporate Governance Guidelines

Our Board has adopted Corporate Governance Guidelines that outline, among other matters, the roles and functions of the Board, the responsibilities of various Board committees and the mission of the Board. Each of the Board committees has a written charter that sets forth the purposes, goals and responsibilities of the committees as well as qualification for committee membership, procedures for committee membership, appointment and removal, committee structure and operations and committee reporting to the entire Board.

The Corporate Governance Guidelines provide, among other things, that:

- a majority of our Board must be independent,
- the Presiding Independent Director presides over executive sessions of independent directors,
- the Board appoints all members and chairpersons of the Board committees,
- the Audit, Compensation, and Nominating and Corporate Governance Committees consist solely of independent directors,
- the independent directors meet periodically in executive sessions without the presence of the non-independent directors or members of our management,
- directors may not serve on the boards of more than three other public companies or on more than two other audit committees of public companies,
- evaluation of the Board is conducted annually and
- the Board and key officers should have a meaningful financial stake in the Company.

The Board reviews changing legal and regulatory requirements, evolving best practices and other developments. The Board modifies the Corporate Governance Guidelines and its other corporate governance policies and practices from time to time, as appropriate.

Executive Sessions. Our independent directors meet privately, without employee directors or management present, at least four times during the year. These private sessions are generally held in conjunction with the regular quarterly Board meetings. Other private meetings of the independent directors are held as often as deemed necessary by them. The Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee meet without employee directors or management present from time to time as they deem necessary.

Director Meetings and Policy Regarding Board Attendance. It has been the practice of our Board and its committees to hold at least four in-person regular meetings each year. The Board and its committees also have telephone meetings throughout the year. In accordance with our Corporate Governance Guidelines, our directors are expected to prepare for, attend and actively participate in meetings of the Board and its committees. Our directors are expected to spend the time needed at each meeting and to meet as frequently as necessary to properly discharge their responsibilities. We encourage members of our Board to attend annual meetings of stockholders, but we do not have a formal policy requiring them to do so.

Stock Ownership Guidelines. The Board adopted stock ownership guidelines to more closely align the interests of our directors and executive officers with those of our long-term stockholders. Under the guidelines, the following persons are expected to maintain a minimum investment in our common stock as follows: for non-employee directors, the lesser of 3,000 shares or three times their annual cash Board retainer (excluding committee retainers); for the Chief Executive Officer, five times his annual salary; and for senior executive officers, the lesser of 5,000 shares or one times their respective annual salaries. Vested stock options and unvested restricted stock units count toward the stock ownership levels. Indirect ownership of shares through a separate legal entity counts toward fulfillment of the ownership guidelines. These ownership levels are to be achieved no later than four years after the election as a director or as an executive officer, except that prior to such time the director or officer is expected to retain a certain portion of stock issued upon exercise of stock options or vesting of restricted stock units until the minimum ownership levels are attained. All directors and executive officers were in compliance with our stock ownership guidelines as of December 31, 2017.

Board Self-Assessments. The Board conducts annual self-evaluations and the committees conduct bi-annual self-assessments to determine whether they are functioning effectively. The Nominating and Corporate Governance Committee oversees the Board and committee self-assessments. Each committee also reviews its own performance bi-annually and reports the results to the Board. Each committee reviews and reassesses the adequacy of its charter

annually and recommends proposed changes to the Board.

9

Prohibition on Hedging; Limits on Pledging. Under our insider trading policy, no director or employee may engage in shorting shares of our common stock, or buying or selling puts, calls or derivatives related to our common stock. A director or officer of the Company may not pledge shares constituting more than 20% of his or her total stock ownership. Pledges of shares constituting 20% or less of total stock ownership are subject to certain conditions.

Governance Trends and Director Education. The Board and its committees proactively monitor legislative and regulatory initiatives, as well as other corporate governance trends and their potential impact on the Company. Each director has access to publications and other resources that cover these matters. In addition, we reimburse relevant director education expenses.

The Board receives presentations from professionals with expertise in corporate law, governance and other related topics. These experts have specialized knowledge of regulatory actions, governance trends and various other corporate governance topics. Additionally, our directors participate in continuing education sessions to remain informed on recent trends applicable to their committee duties. Likewise, newly elected directors attend a comprehensive director orientation program that covers, among other things, our strategy, business structure, financial performance, and competitive landscape. New committee members are also provided training on committee policies, practices and trends. As part of this program, directors are invited to participate in a tour of selected facilities of the Company. To further familiarize directors with our expanding operations, we conduct Board meetings at our major facilities from time to time.

The committees actively engage with senior management and other parties when necessary to further assess the current environment or respond to governance related matters. The Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee each routinely receive updates on matters applicable to their responsibilities from legal counsel, auditors and independent consultants.

Code of Business Conduct. We have a code of business conduct that applies to all of our directors and employees, including our Chief Executive Officer, Chief Financial Officer and other executive officers. Our code of business conduct includes provisions covering conflicts of interest, business gifts and entertainment, outside activities, compliance with laws and regulations, insider trading practices, antitrust laws, payments to government personnel, bribes or kickbacks, corporate record keeping and accounting records. The code of business conduct is posted on our website at investor.ipgphotonics.com/corporate-governance/governance-documents.

Procedures for Submitting Complaints. We have procedures to treat complaints regarding accounting, internal accounting controls, auditing matters, fight against bribery, banking, and financial crime, including submission of confidential and anonymous concerns regarding questionable accounting, internal accounting controls or auditing matters raised by our directors, officers and employees. These procedures are posted on our website at investor.ipgphotonics.com/corporate-governance/governance-documents.

Board Leadership Structure

As of the date of this proxy statement, the positions of Chairman of the Board and Presiding Independent Director are held by two different individuals. Dr. Gapontsev, our Chief Executive Officer, also serves as the Chairman of the Board. Our independent directors determined several years ago that, for effective board governance, it is important to have a presiding independent director. Mr. Peeler has been selected as the Presiding Independent Director for the term ending June 2018.

Dr. Gapontsev became our Chief Executive Officer and Chairman in 1998. His dual role was created when the Board was first established in 2000. Our directors believe that each of the possible leadership structures for a board has its particular benefits and drawbacks which must be considered in the context of the specific circumstances, culture and challenges facing a company, and that such consideration is the responsibility of a company's board that has a diversity of views and experiences. Our directors come from a variety of organizational backgrounds and have direct experience with a wide range of leadership and management structures. The makeup of our Board puts it in a strong position to evaluate the pros and cons of the various types of board leadership structures and to ultimately decide which form is in the best interests of our stockholders. The independent directors believe that having Dr. Gapontsev serve in both capacities is in the best interest of the Company and its stockholders because it allows Dr. Gapontsev to more effectively execute the Company's strategic initiatives and business plans. He is the founder of the Company and beneficially owns approximately 14% of the Company's common stock. The duality of Dr. Gapontsev's roles as Chairman and Chief Executive Officer creates clear and unambiguous authority, which is essential to effective management. The Board and management can respond more effectively to a distinct line of authority. Further, given that he is closer to the Company's business than any other Board member and he has the benefit of over twenty years of operations and executive management experience within the Company, Dr. Gapontsev is best-positioned to set the Board's agenda and provide leadership. Dr. Gapontsev's extensive scientific and business experience also gives him vast industry knowledge, which the Board believes is critical for the chairman of the board of a company that operates in a highly technical industry. The combined Chairman/Chief Executive structure is a leadership model that has served our stockholders well for many years.

The Board also recognizes the importance of having in place, and building upon, a counterbalancing structure to ensure that it functions in an appropriately independent manner. As a result, the Board enhanced its governance structure several years ago by creating the position of Presiding Independent Director with leadership authority and responsibilities. The duties and responsibilities of the Presiding Independent Director include: setting the agenda for, and leading, executive sessions of the independent directors; providing consolidated feedback from those meetings to the Chairman and Chief Executive Officer; providing input on the agenda for Board meetings; periodically providing feedback on the quality and quantity of information flow from management; having the authority to call meetings of the independent directors; facilitating discussions outside of scheduled Board meetings among the independent directors on key issues as required; serving as a non-exclusive liaison with the Chairman and Chief Executive Officer in consultation with the other independent directors; interviewing Board candidates as appropriate; and leading the determination of the goals and objectives for the Chairman and Chief Executive Officer with the input of the independent directors and the annual performance evaluation for him with the input of the independent directors and providing that evaluation to the Compensation Committee. In the event of a crisis, the Presiding Independent Director would have an increased role in crisis management oversight. The independent directors of our Board elected Mr. Peeler as the Presiding Independent Director for the term ending June 2018, and this position is voted upon annually by our independent directors.

The Board believes that the position and responsibilities of a presiding independent director and the regular use of executive sessions of the independent directors without the Chief Executive Officer or other executive officers present, along with the Company's strong committee system and substantial majority of independent directors, allow the Board to maintain effective oversight.

Risk Oversight

The Board and management recognize that effectively monitoring and managing risk are essential to the successful execution of the Company's strategy. The Board reviews strategy regularly with management and provides input to management. As part of its oversight of operations, the entire Board reviews and discusses the performance of the Company and the principal risks involved in the operations and management of the Company. The Board allocates risk oversight responsibility among the full Board, the independent directors acting as a group and the three standing committees of the Board. The Nominating and Corporate Governance Committee periodically reviews risk oversight matters and responsibilities, then makes recommendations to the Board to allocate risk oversight responsibilities. The Board as a whole reviews risk management practices and a number of significant risks in the course of its reviews of corporate strategy, management reports and other presentations. The independent directors as a group, the Audit Committee and the Compensation Committee all participate in senior executive succession and resource planning. The standing committees also contribute to succession and resource planning oversight for management. The Audit Committee oversees certain financial risks and recommends guidelines to monitor and control such exposures. The Compensation Committee reviews the Company's executive compensation programs, their effectiveness at both linking executive pay to performance and aligning the interests of our executives and our stockholders, and oversees an entity-wide compensation risk assessment. The Nominating and Corporate Governance Committee reviews significant related person transactions with directors, executives and managers and may conduct negotiations on behalf of the Company in connection with related person transactions and retain independent advisors to assist it. The Board's risk oversight role is independent from the Company's day-to-day management, as more than two-thirds of the current directors are independent and therefore have no conflicts that might discourage critical review of the Company's risks.

Communication with our Board of Directors

Interested parties wishing to write to the Board, a specified director or a committee of the Board should send correspondence to the Office of the Secretary, IPG Photonics Corporation, 50 Old Webster Road, Oxford, Massachusetts 01540. All written communications received in such manner from stockholders of the Company will be forwarded to the members or committee of the Board to whom the communication is directed or, if the communication is not directed to any particular member(s) or committee(s) of the Board, the communication shall be forwarded to all members of the Board.

RELATED PERSON TRANSACTIONS

The Board adopted a related person transaction policy that requires the Company's executive officers, directors, nominees for director and owners of more than 5% of the Company's shares to promptly notify the Secretary in writing of any transaction in which (i) the amount exceeds \$100,000, (ii) the Company is, was or is proposed to be a participant and (iii) such person or such person's immediate family members ("Related Persons") has, had or may have a direct or indirect material interest (a "Related Person Transaction"). Subject to certain exceptions in the policy, Related Person Transactions must be brought to the attention of the Nominating and Corporate Governance Committee for an assessment of whether the transaction or proposed transaction should be permitted. In deciding whether to approve or ratify the Related Person Transaction, the Nominating and Corporate Governance Committee considers relevant facts and circumstances. If the Nominating and Corporate Governance Committee determines that a Related Person has a direct or indirect material interest in any such transaction, the Committee must review and approve, ratify or disapprove the Related Person Transaction.

Pursuant to our Corporate Governance Guidelines, we expect each of our directors to ensure that other existing and future commitments do not conflict with or materially interfere with his or her service as a director. Directors are expected to avoid any action, position or interest that conflicts with our interests or gives the appearance of a conflict. In addition, directors are required to inform the chairman of our Nominating and Corporate Governance Committee prior to joining the Board of another public company to ensure that any potential conflicts, excessive time demands or other issues are carefully considered.

The Nominating and Corporate Governance Committee reviewed and approved the following Related Person Transactions which were conducted on an "arm's length" basis with the Company. Members of the Nominating and Corporate Governance Committee having an interest in a transaction excuse themselves for the consideration and approval of the transaction in which they have an interest.

In 2017, the Company purchased from Veeco Instruments Inc. various equipment, parts and services amounting to approximately \$2,296,000. Mr. Peeler, a non-employee member of our Board, is the Chief Executive Officer and Chairman of the Board of Directors of Veeco Instruments Inc. For several years before Mr. Peeler was elected to our Board, Veeco Instruments Inc. was a provider of equipment, parts and services to the Company.

Previously, Dr. Gapontsev leased the annual right to use 25% of the Company's corporate aircraft under an October 2014 lease (the "2014 Lease"), which was superseded by a new lease signed in July 2017 (the "2017 Lease") in connection with the purchase of a different aircraft. The 2017 Lease expires in July 2022. The annual lease rate under the 2017 Lease is \$924,700 and future rent payments are adjusted annually based upon the costs of operating the aircraft. The annual lease rate under the 2014 Lease was \$651,000. Dr. Gapontsev paid the Company \$753,000 in 2017 for use of the aircraft, and in addition directly paid an unrelated flight management firm for the direct and incidental operating costs of his private use including pilot fees, fuel and other costs.

BOARD OF DIRECTORS

Mr. William Hurley decided to not stand for re-election to our Board of Directors at our 2018 annual meeting. IPG Photonics extends its sincere appreciation to Mr. Hurley for the valuable contributions he provided to our Company and stockholders during his service as a member of our Board since 2006. The Board currently has set the number of directors at ten. The number of directors will be set at nine directors from and after the 2018 annual meeting.

Nominees for Director

The following table sets forth certain information as of the date of this proxy statement regarding the director nominees. Each of our incumbent directors, other than Mr. Hurley who decided to not stand for re-election, has been nominated by the Board for election at our 2018 annual meeting.

Valentin P. Gapontsev, Ph.D.

Director since 1998

Chief Executive Officer and Chairman of the Board

Age 79

Dr. Gapontsev has been the Chief Executive Officer and Chairman of the Board of IPG since our inception. Prior to founding the company in 1990, Dr. Gapontsev served as senior scientist in laser material physics and head of the laboratory at the Soviet Academy of Science's Institute of Radio Engineering and Electronics in Moscow. In 2006, he was awarded the Ernst & Young® Entrepreneur of the Year Award for Industrial Products and Services in New England, and in 2009, he was awarded the Arthur L. Schawlow Award by the Laser Institute of America. In 2011, he received the Russian Federation National Award in Science and Technology, and he was selected as a Fellow of the Optical Society of America. Dr. Gapontsev holds a Ph.D. in Physics from the Moscow Institute of Physics and Technology.

Key Attributes, Experience and Skills

He is the founder of the Company and has successfully led the Company and the Board since the Company was formed. In the roles of Chief Executive Officer and Chairman of the Board, he has been responsible for formulation and execution of IPG's strategy and providing leadership and oversight of IPG's business during a period of rapid and profitable growth, as well as business contractions. He has over thirty years of academic research experience in the fields of solid state laser materials, laser spectroscopy and non-radiative energy transfer between rare earth ions and is the author of many scientific publications and several international patents. His strategic foresight and entrepreneurial spirit along with his deep scientific understanding has guided the Company's continued growth and technology leadership. Under Dr. Gapontsev's leadership, the Company continues to generate strong revenue and earnings growth.

Eugene A. Scherbakov, Ph.D.

Director since 2000

Chief Operating Officer, Managing Director of IPG Laser GmbH and Senior Vice President of Europe

Age 70

Dr. Scherbakov has served as Chief Operating Officer since February 2017, Managing Director of IPG Laser GmbH, our German subsidiary, since August 2000 and Senior Vice President-Europe since 2013. He served as the Technical Director of IPG Laser from 1995 to August 2000. From 1983 to 1995, Dr. Scherbakov was a senior scientist in fiber optics and head of the optical communications laboratory at the General Physics Institute, Russian Academy of Science in Moscow. Dr. Scherbakov graduated from the Moscow Physics and Technology Institute with an M.S. in Physics. In addition, Dr. Scherbakov attended the Russian Academy of Science in Moscow, where he received a Ph.D. in Quantum Electronics from its Lebedev Physics Institute and a Dr.Sci. degree in Laser Physics from its General Physics Institute.

Key Attributes, Experience and Skills

Dr. Scherbakov has extensive knowledge of the Company's business as Managing Director of IPG Laser GmbH, which produces a large volume of our products and is the source of many developments in products, technology and applications. The leadership and operational expertise of Dr. Scherbakov have contributed to IPG increasing

14

production, lowering manufacturing costs and maintaining high margins compared to our industry peers. He also has extensive technological knowledge of fiber lasers, their components and the manufacturing process. His service as an executive officer of the Company provides the Board with a detailed understanding of the Company's operations, sales and customers.

Igor Samartsev

Director since 2006
Chief Technology Officer
Age 55

Since 2011, Mr. Samartsev has served as our Chief Technology Officer and since 2005, he was the Deputy General Manager of our Russian subsidiary, NTO IRE-Polus. Prior to that time, he served in technical leadership roles at NTO IRE-Polus. Mr. Samartsev holds an M.S. in Physics from the Moscow Institute of Physics and Technology.

Key Attributes, Experience and Skills

Mr. Samartsev is one of the founders of the Company and has a significant management role in the Company as Chief Technology Officer. As one of the key developers of the technology platform of the Company and leader in the development of many new optical technologies and products that form part of the Company's strategic plan, the Board values Mr. Samartsev's understanding of technology developments at our company.

Michael C. Child

Director since 2000
Independent Director
Age 63
Nominating and Corporate Governance Committee
Directorship at Other Public Company: Finisar Corporation

Since July 1982, Mr. Child has been employed by TA Associates, Inc., a private equity investment firm, where he currently serves as Senior Advisor and, prior to January 2011, he was Managing Director. Mr. Child holds a B.S. in Electrical Engineering from the University of California at Davis and an M.B.A. from the Stanford University Graduate School of Business. From September 2011 until December 2015, Mr. Child was a Lecturer at the Stanford University Graduate School of Business.

Key Attributes, Experience and Skills

Mr. Child is an established and experienced investor, including in technology companies, from his three decades of experience at TA Associates, Inc., a private equity investment firm. Over the course of his career, he has overseen numerous investments and sales of portfolio companies, and served on the boards of public and private companies. He now serves on the board of Finisar Corporation, a developer and manufacturer of optical subsystems and components for networks. Through his experiences, he has gained valuable knowledge in the management, operations and finance of technology growth companies.

Henry E. Gauthier

Director since 2006
Independent Director
Age 77
Audit Committee - Audit Committee Financial Expert

He served as Chairman of the board of directors of Coherent, Inc., a manufacturer of photonics products, from February 1997 to October 2002 and was its President from 1983 to 1996. Mr. Gauthier served as Vice Chairman of the board of directors of Coherent, Inc. from October 2002 to March 2006. Mr. Gauthier was President from February 2005 to May 2005, consultant from January 2004 to February 2005 and June 2005 to December 2006, and Chairman of the board of directors from May 2005 to December 2008, of Reliant Technologies, Inc., which was acquired in December 2008 by Solta Medical, Inc., a manufacturer of medical laser systems. Since July 1996, Mr. Gauthier has served as a principal at Gauthier Consulting. Mr. Gauthier attended the United States Coast Guard

15

Academy, San Jose State University, and the Executive Institute of the Stanford University Graduate Business School.

Key Attributes, Experience and Skills

Mr. Gauthier has extensive management and operational experience in the laser industry from over two decades as an executive of a large publicly-held laser company, Coherent, Inc., as well as emerging growth companies such as Reliant Technologies, Inc. He has obtained an in-depth knowledge of operations, manufacturing, sales and markets, and finances through his CEO positions at these laser-related companies. Having been a past member of the audit, compensation, and nominating and corporate governance committees of public and private company boards in the technology field, Mr. Gauthier is familiar with a full range of corporate and board functions and lends this experience to the Company's Board as an independent director.

Catherine P. Lego

Director since 2016

Independent Director

Age 61

Audit Committee - Audit Committee Financial Expert

Compensation Committee (Chair)

Directorship at Other Public Companies: Lam Research Corporation and Cypress Semiconductor Corp.

Ms. Lego is principal and founder of Lego Ventures, LLC, a California-based firm that provides consulting services to early-stage technology companies. From 1999 to 2009 Ms. Lego served as the general partner of The Photonics Fund, LLP, a venture capital investment firm focused on early stage investing in component, module and systems companies in the fiber optic telecommunications market. She served as the director of finance and investment analyst at Oak Investment Partners from 1981 to 1984, and as a general partner from 1985 to 1992. Ms. Lego serves on the board of directors of technology company Lam Research Corporation and is the chair of its compensation committee. Also, she is a member of the Board of Directors of Cypress Semiconductor Corp. and its audit committee.

Ms. Lego holds a B.A. in Economics and Biology from Williams College and an M.S. in Accounting from the New York University Stern Graduate School of Business.

Key Attributes, Experience and Skills

Ms. Lego has extensive experience working with advanced technology and semiconductor companies. From her current and prior service on the boards of several technology companies as well as her memberships of other audit, compensation and nominating and corporate governance committees, she is familiar with the issues faced and the processes that boards use to manage growth, risk, accounting, acquisitions, due diligence and integration, compensation and investor relations. In addition, she is a frequent speaker on board governance, ethics and audit quality at directors' colleges and events, including the E&Y Tapestry and KPMG audit committee round tables. Ms. Lego is a member of the NACD's Audit Committee Advisory Council. She brings valuable perspectives on the latest developments in audit, compensation and other matters to the Board.

Eric Meurice

Director since 2014

Independent Director

Age 61

Nominating and Corporate Governance Committee (Chair)

Compensation Committee

Directorship at Other Public Companies: NXP Semiconductor N.V. and UMICORE S.A.

Mr. Meurice was President and Chief Executive Officer of ASML Holding NV, a provider of semiconductor

manufacturing equipment and technology, from October 2004 to June 2013, and Chairman until March 2014. From 2001 to 2004, he was Executive Vice President of the Thomson Television Division of Thomson, SA, an electronics manufacturer. From 1995 to 2001, he served as head of Dell Computer's Western, Eastern Europe and EMEA emerging market businesses. Before 1995, he gained significant technology experience at ITT Semiconductors and at Intel Corporation. Mr. Meurice served on the boards of Verigy Ltd. (a manufacturer of semiconductor test equipment), until its acquisition by Advantest Corporation in 2011, and ARM Holdings plc (a semiconductor

16

intellectual property supplier) from July 2013 to March 2014. He has been on the board of NXP Semiconductors N.V. (a semiconductor company) since April 2014 and of UMICORE S.A. (a recycling and materials company), since April 2015. Mr. Meurice earned a Master's degree in mechanics and energy generation at the Ecole Centrale de Paris, a Master's degree in Economics from la Sorbonne University, Paris, and an M.B.A. from the Stanford University Graduate School of Business.

Key Attributes, Experience and Skills

Mr. Meurice has extensive skills and experience as a manager of several rapidly-growing, complex and global businesses in the capital equipment and electronics fields with several billions of dollars in revenues, most recently as former President and Chief Executive Officer of ASML. He has experience managing a publicly-held company as well as experience on serving on several public company boards in the equipment and technology fields, such as NXP Semiconductor N.V., UMICORE, Verigy, Ltd. and ARM Holdings plc. Mr. Meurice also has a record of proven leadership as a strategic thinker, operator and marketer at the businesses he managed.

John R. Peeler

Director since 2012

Presiding Independent Director

Age 63

Compensation Committee

Nominating and Corporate Governance Committee

Directorship at Other Public Company: Veeco Instruments Inc.

Mr. Peeler has been Chief Executive Officer and a director of Veeco Instruments Inc. since July 2007. He has been serving as its Chairman of the Board since May 2012. Veeco is a developer and manufacturer of MOCVD, molecular beam epitaxy, ion beam and other advanced thin film processes equipment. He was Executive Vice President of JDS Uniphase Corp. ("JDSU") and President of the Communications Test & Measurement Group of JDSU, which he joined upon the closing of JDSU's merger with Acterna, Inc. ("Acterna") in August 2005. Before joining JDSU, Mr. Peeler served as President and Chief Executive Officer of Acterna. He has a B.S. and M.E. in Electrical Engineering from the University of Virginia.

Key Attributes, Experience and Skills

Over the course of his career, Mr. Peeler has managed several high-growth technology companies. In addition, he has developed managerial leadership skills through his position as Chief Executive Officer of Veeco, a publicly-traded company with substantial international operations. His managerial positions have provided him with in-depth knowledge of the service needs of customers in demanding markets, including semiconductor capital equipment, various manufacturing models, marketing and sales. In these roles, he has also been responsible for attracting and incentivizing executives on his team. These experiences have provided him important insights in support of his positions as Presiding Independent Director and a member of the Compensation Committee and the Nominating and Corporate Governance Committee.

Thomas J. Seifert

Director since 2014

Independent Director

Age 54

Audit Committee (Chair) - Audit Committee Financial Expert

Nominating and Corporate Governance Committee

Directorship at Other Public Company: CompuGroup Medical, SE

Mr. Seifert is Chief Financial Officer of Cloudflare, Inc., an internet performance and security provider, from June 2017 to the present. Since February 2018, he is a member of the board of CompuGroup Medical SE, a publicly held company in Germany, which provides software to support medical and organization activities in medical offices and facilities. Mr. Seifert was the Executive Vice President and Chief Financial Officer of Symantec Corporation, a provider of security, backup and availability solutions, from March 2014 to December 2016. Mr. Seifert served as Executive Vice President and Chief Financial Officer of Brightstar Corporation, a wireless distribution and services company, from December 2012 to March 2014. He was Senior Vice President and Chief Financial Officer at Advanced Micro Devices Inc., a semiconductor company, from October 2009 to August 2012, and served as Interim

17

Chief Executive Officer from January 2011 to September 2012. From October 2008 to August 2009, Mr. Seifert served as Chief Operating Officer and Chief Financial Officer of Qimonda AG, a German memory chip manufacturer, and as Chief Operating Officer from June 2004 to October 2008. He also held executive positions at Infineon AG, White Oak Semiconductor, including the position as Chief Executive Officer, and Altis Semiconductor. Mr. Seifert has a Bachelor's degree and a Master's degree in Business Administration from Friedrich Alexander University and a Master's degree in Mathematics and Economics from Wayne State University.

Key Attributes, Experience and Skills

Mr. Seifert has extensive experience as both an operating executive and chief financial officer of large publicly-held international technology businesses, such as Symantec and Advanced Micro Devices. In these and other senior positions, he developed deep financial and accounting knowledge, as well as managerial leadership skills, in larger organizations. With his background in accounting, finance and management, Mr. Seifert brings broad skills and knowledge to the Board, the Audit Committee, and the Nominating and Corporate Governance Committee including internal controls, mergers and acquisitions and integrations.

Director Independence

Seven of our ten current directors are independent. A predominantly independent Board ensures that the Board is acting objectively and in the best interests of our stockholders. The independent directors also bring expertise and a diversity of perspectives to the Board. The culture of the Board enables directors to openly express their opinions in the boardroom and to raise challenges. The NASDAQ listing standards governing independence require that a majority of the members of the Board be independent as defined by NASDAQ. The Board conducted its annual review of director independence in March 2018. During this review, the Board examined all direct and indirect transactions or relationships between the Company or any of its subsidiaries and each director and any immediate family member of the director and determined that no material relationships with the Company existed during 2017. On the basis of this review, the Board determined that each of the following directors qualifies as an independent director as defined in the NASDAQ guidelines and SEC rules: Michael C. Child, Henry E. Gauthier, William S. Hurley, Catherine P. Lego, Eric Meurice, John R. Peeler and Thomas J. Seifert. The Board is comprised of directors with short and long-term tenures with the Company. Different tenures coupled with an independent and objective Board have provided stockholders with strong financial results.

Standing Committees and Board Committee Membership

The Board has a standing Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee, each composed entirely of non-employee directors determined to be independent under the listing standards of the NASDAQ stock market. Under their written charters adopted by the Board, each of these committees is authorized and assured appropriate funding to retain and consult with external advisors, consultants and counsel. The table below sets forth the directors who are currently members or chairs of each of the standing Board committees, and the number of meetings held by each committee and the full Board in 2017. All incumbent directors attended 75% or more of the aggregate meetings of the Board and committees on which they served during 2017. We encourage directors to attend the annual meeting of stockholders, but we do not have a formal policy regarding such attendance. Last year, two of the directors in office attended the annual meeting.

	Board of Directors	Audit	Compensation	Nominating and Corporate Governance
Meetings held in 2017	6	7	8	5
Written consents in 2017	2	—	—	1
Valentin P. Gapontsev, Ph.D.	Chair	—	—	—
Michael C. Child	Member	—	—	Member
Henry E. Gauthier	Member	Member	—	—
William S. Hurley	Member	Member	Member	—
Catherine P. Lego	Member	Member	Chair	—
Eric Meurice	Member	—	Member	Chair
John R. Peeler	Member, and Presiding Independent Director	—	Member	Member
Igor Samartsev	Member	—	—	—
Eugene A. Scherbakov, Ph.D.	Member	—	—	—
Thomas J. Seifert	Member	Chair	—	Member

The Audit Committee assists the Board by providing oversight of financial management, the internal auditor function and the independent auditor and providing oversight with respect to our internal controls including that management is maintaining an adequate system of internal control such that there is reasonable assurance that assets are safeguarded and that financial reports are properly prepared; that there is consistent application of generally accepted accounting principles; and that there is compliance with management's financial reporting policies and procedures. The Audit Committee also pre-approves auditing and permissible non-audit services by our independent auditor, reviews and discusses our annual and quarterly financial statements and related disclosures, and coordinates the oversight of our internal and external controls over financial reporting, disclosure controls and procedures and code of business conduct. In performing these functions, the Audit Committee meets periodically with the independent auditor, management and internal auditor function (including in private sessions) to review their work and confirm that they are properly discharging their respective responsibilities. In addition, the Audit Committee appoints the independent auditor. For more information on Audit Committee activities in 2017, see the Audit Committee Report on page 47 of this proxy statement and "Proposal 2: Ratify Independent Registered Public Accounting Firm" on page 48.

The Board has determined that Mr. Seifert, the Chairman of the Audit Committee, as well as each of Messrs. Gauthier and Hurley and Ms. Lego qualify as an audit committee financial expert (as defined under the rules and regulations of the SEC) after determining that each has the necessary experience and qualifications.

The primary function of the Compensation Committee is to discharge the Board's duties and responsibilities relating to compensation of our non-employee directors and executive officers, and oversee the design and management of the long-term incentive and savings plans that cover our employees. The Compensation Committee's duties and responsibilities under its charter with respect to the compensation of our executive officers and directors include:

- reviewing and approving the Chairman and Chief Executive Officer's base salary compensation;

determining the annual performance bonus of the Chairman and Chief Executive Officer based upon the

- corporate goals and objectives set by the independent directors and their input on the attainment of such goals and objectives;

reviewing and approving compensation decisions recommended by the Chairman and Chief Executive Officer for the other executive

- officers, including setting base salaries, annual performance bonuses, long-term incentive awards, severance benefits and perquisites;
- setting our compensation philosophy and composition of the group of peer companies used for

comparison of
executive
compensation;
and

reviewing and
recommending
for approval by
the Board the
• compensation
for the
non-employee
directors.

19

The Compensation Committee has retained an independent compensation consultant firm, Radford, a unit of Aon Hewitt ("Radford"), for matters related to executive officer and director compensation. The Compensation Committee also retains outside legal counsel to provide advice on compensation-related matters, including executive officers, directors and compensation plans. For further discussion of the role of the Compensation Committee in the executive compensation decision-making process and activities in 2017, and for a description of the nature and scope of the consultant's assignment, see "Compensation Discussion and Analysis - Role of Compensation Committee" on page 37 of this proxy statement. Additionally, the Compensation Committee reviews the Compensation Discussion and Analysis, prepares the Compensation Committee Report in this proxy statement on page 29 and oversees management's risk assessment of the Company's compensation for all employees and compensation-related risks as delegated by the Board.

The Nominating and Corporate Governance Committee is responsible for overseeing matters of corporate governance, including the evaluation of the performance and practices of the Board. The Nominating and Corporate Governance Committee develops and recommends criteria for Board membership (see "Board of Directors- Nomination of Directors" for a description of such criteria), reviews possible candidates for the Board as discussed on pages 20 and 21 of this proxy statement, and recommends the nominees for directors to the Board for approval. In addition, the Nominating and Corporate Governance Committee oversees the process for the performance evaluations of the Board and its committees. An important role of this Committee is to engage in Board succession planning to ensure boardroom skills are aligned with IPG's long-term strategic plan. It is also within the responsibilities of the Nominating and Corporate Governance Committee to review and recommend director orientation, stock ownership guidelines, delegation of authority to management, insider trading guidelines, and consider questions of possible conflicts of interest, including related party transactions, as such questions arise. The Nominating and Corporate Governance Committee also reviews and recommends risk oversight responsibilities of the Board and its committees and of the independent directors as a group.

Copies of the charters of each of the three committees can be found on our website at investor.ipgphotonics.com/corporate-governance/governance-documents.

Nomination of Directors

Director Eligibility. Our Corporate Governance Guidelines and director membership guidelines approved by the Nominating and Corporate Governance Committee contain Board membership criteria considered by the Nominating and Corporate Governance Committee in recommending nominees for a position on IPG's Board. The Nominating and Corporate Governance Committee believes that, at a minimum, a director candidate must possess the qualities of high personal integrity and ethics, sound business judgment and support for our Code of Business Conduct. A director candidate must also have sufficient time to devote to the affairs of IPG and service on the Board and committees, and not be engaged in any activity adverse to the Company's interest. The Nominating and Corporate Governance Committee considers, among other things, the following criteria when reviewing a director candidate or an incumbent director:

- the extent that the director/potential director has demonstrated excellence, leadership and significant experience in a field of endeavor,
- whether the director/potential director assists in achieving a collective membership on the Board with a broad spectrum of experience and expertise,
- whether the director/potential director meets the independence requirements of the listing standards of the NASDAQ guidelines and SEC rules (where independence is desired),
- whether the director/potential director can read and understand financial statement fundamentals and is committed to representing the long-term interests of the Company's stockholders, while keeping in perspective the interests of the

Company's customers, employees and the public and

- whether the director/potential director, by virtue of relevant technical expertise, experience or specialized skill relevant to IPG's current or future business, can add specific value as a Board member.

In addition, no potential director (excluding any incumbent director) with an age less than 21 years or greater than 72 years is eligible for election as a Board member. Each director/potential director must comply with the limits on other board memberships in our Corporate Governance Guidelines.

20

The Nominating and Corporate Governance Committee does not assign specific weights to particular criteria and no particular criterion is necessarily applicable to all prospective nominees. In addition to the criteria set forth above, the Nominating and Corporate Governance Committee considers how the skills and attributes of each individual candidate or incumbent director work together to create a Board that is collegial, engaged and effective in performing its duties. The Nominating and Corporate Governance Committee seeks a Board that reflects diversity, in experience, gender and ethnicity, although it does not have formal objective criteria for determining the degree of diversity desired on the Board.

In the last few years, the Board has taken an active approach to refreshing its members in order to increase the effectiveness of the Board, including by increasing its focus on Board diversity. For example, the Board has added a female director and two directors born in Europe with significant international experience. Of these newer directors, two were under 60 years old when they joined our Board. The Board seeks a diverse set of backgrounds, experiences and skills in its directors to help guide IPG as it grows and enters new businesses as part of our long-term strategy. We typically seek candidates with experience on public company boards as such candidates understand the role and duties of directors. As described in the director biographies under "Key Attributes, Experiences and Skills," our Board seeks directors who add different sets of experience and skills that are important to the Company. Based on this criterion, we have added directors with photonics, electronics and semiconductor equipment industry backgrounds, larger company and entrepreneurial experience, non-U.S. and Asia experience, as well as experience in positions associated with accounting, finance and information technology, all of which contribute to the quality of the review and oversight by the Board, Board-management discussions and IPG's long-term strategy.

Director Nomination Process. The Nominating and Corporate Governance Committee identifies potential director nominees through contacts of the Board, executives and a variety of other sources. The Committee may retain a search firm or utilize third-party database search tools to identify director nominees. Stockholders may nominate candidates for election as directors as described below.

The Nominating and Corporate Governance Committee will consider several factors prior to nominating a candidate. Generally, the Committee will consider the existing size, future requirements of the Board, composition and skills of the Board, evaluate biographical information and other background material and interview each candidate selected. The Nominating and Corporate Governance Committee will apply any director selection criteria adopted by it based on the circumstances at the time and the criteria set forth in our Corporate Governance Guidelines.

The Nominating and Corporate Governance Committee will consider all director candidates identified through the processes described above and will evaluate each of them, including incumbents, based on the same criteria. Director candidates are evaluated at regular or special meetings of the Nominating and Corporate Governance Committee and may be considered at any point during the year. If based on the Committee's initial evaluation, a director candidate continues to be of interest to the Nominating and Corporate Governance Committee, the chair of such Committee and other Committee members will interview the candidate and communicate the evaluation to the Committee and executive management. Additional interviews are conducted and all members of the Board may interview the final candidates. Ultimately, the Nominating and Corporate Governance Committee will meet to finalize its list of recommended candidates for the Board's consideration.

The Nominating and Corporate Governance Committee will also consider candidates for nomination as a director submitted by stockholders. The Nominating and Corporate Governance Committee's evaluation process and criteria does not vary based upon whether a candidate is recommended by a stockholder. However, the procedural requirements set forth in our by-laws and the procedures described under "Other Matters - 2018 Annual Meeting and Nominations" must be met.

Compensation Committee Interlocks and Insider Participation

No member of our Compensation Committee (Ms. Lego and Messrs. Peeler, Hurley and Meurice) is or has been an officer or employee of our Company or any of our subsidiaries. None of our executive officers served as a member of: the compensation committee of another entity in which one of the executive officers of such entity served on our Compensation Committee,

21

the compensation committee of another entity in which one of the executive officers of such entity served as a member of our Board or
the board of directors of another entity, one of whose executive officers served on our Compensation Committee.

22

DIRECTOR COMPENSATION

The objectives for our non-employee director compensation program are to attract and attain highly-qualified individuals to serve on our Board and align their interests with those of our stockholders. Our non-employee directors are paid pursuant to our non-employee director compensation plan described below. Our Compensation Committee reviews our director compensation program periodically to confirm that the program remains appropriate and competitive and recommends any changes to our full Board for consideration and approval.

Director Compensation Plan

Our non-employee director compensation plan provides for both cash and equity compensation for our non-employee directors. Directors who are also our employees receive no additional compensation for their service on the Board. In 2017, the Compensation Committee engaged independent compensation consultant firm, Radford, to provide a comprehensive review of compensation for non-employee directors in comparison to the Company's compensation peer group. The compensation our Directors received in 2017 reflects Radford's recommendations and is provided in the chart below.

Cash Compensation. Our non-employee directors receive the annual retainers from us set forth in the table below. Directors do not receive separate fees for attending meetings of the Board, committees or stockholders.

	Amount
Board Retainer	\$ 40,000
Presiding Independent Director Retainer	\$ 20,000
Audit Committee Retainers	
Chair	\$ 25,000
Non-Chair	\$ 12,500
Compensation Committee Retainers	
Chair	\$ 22,500
Non-Chair	\$ 10,000
Nominating and Corporate Governance Committee Retainers	
Chair	\$ 17,500
Non-Chair	\$ 7,500

Equity Compensation. Each non-employee director continuing in office after the annual meeting of stockholders receives a dollar value annual grant of equity totaling \$250,000 (determined pursuant to Financial Accounting Standards Board Accounting Standards Codification Topic 718 ("ASC Topic 718")). Of this award, one-third is service-based stock options and two-thirds are service-based restricted stock units. The annual awards vest in a single installment on the earlier of the one-year anniversary of the date of grant or the next annual meeting of stockholders. Upon initial election to the Board, each new non-employee director receives a grant (determined pursuant to ASC Topic 718) of \$125,000 in stock options and \$125,000 in restricted stock units vesting on the first anniversary of the date of grant subject to the director's continued service on the Board. The exercise price of each of the stock options is the closing market price of our common stock on the date of grant. Any director who retires after at least eight years of service on the Board will be entitled to full vesting of all options and restricted stock units then held by the director.

Director Compensation Table

The following table summarizes the compensation of each of our non-employee directors for 2017:

Name	Fees Earned or Paid in Cash (\$)	Stock Awards (\$)(1)	Option Awards (\$)(1)	Total (\$)
Michael C. Child	51,458	165,091	83,319	299,868
Henry E. Gauthier	65,208	165,091	83,319	313,618
William S. Hurley	67,708	165,091	83,319	316,118
Catherin P. Lego	76,042	165,091	83,319	324,452
Eric Meurice	73,125	165,091	83,319	321,535
John R. Peeler	80,833	165,091	83,319	329,243
Thomas J. Seifert	75,417	165,091	83,319	323,827

Valuation based on the fair value of the restricted stock unit and stock option awards as of the grant date determined pursuant to ASC Topic 718 with respect to 2017. The assumptions that we used with respect to the valuation of restricted stock unit and stock option awards are set forth in Note 2 to our Consolidated Financial (1) Statements in our Annual Report on Form 10-K filed with the SEC on February 28, 2018. On June 1, 2017, each continuing director serving on the Board was granted restricted stock units for 1,185 shares of common stock and options to purchase 2,993 shares of common stock at an exercise price of \$140.64 per share. Both restricted stock units and options vest in a single installment on June 1, 2018.

Outstanding Equity Awards Table

The following table provides information regarding unexercised stock options and unvested restricted stock units held by each of our non-employee directors on December 31, 2017:

Name	Unvested Restricted Stock Units (#)	Total Option Awards Held (#)	Exercisable Option Awards (#)
Michael C. Child	1,185	52,264	49,925
Henry E. Gauthier	1,185	7,596	5,257
William S. Hurley	1,185	14,096	11,757
Catherine P. Lego	3,444	10,847	2,127
Eric Meurice	2,175	17,019	12,324
John R. Peeler	1,185	25,596	23,257
Thomas J. Seifert	2,175	4,695	—

We also reimburse directors for all reasonable out-of-pocket expenses incurred for attending Board and committee meetings and director education programs. Non-employee directors do not receive any additional payments or perquisites.

Our certificate of incorporation limits the dollar amount of personal liability of our directors for breaches by them of their fiduciary duties. Our certificate of incorporation requires us to indemnify our director