

**IPG Photonics Corporation**  
**Compensation Committee of the Board of Directors**  
**Committee Charter**

**Purpose**

The Compensation Committee is authorized by the Board to discharge the Board's responsibilities relating to compensation of the Company's CEO, other officers, key executives and directors. The Committee has overall responsibility for evaluating and approving the director, officer and other key executive compensation, benefit and perquisite plans as well as reviewing compensation related practices, policies and programs throughout the Company.

If required under applicable securities laws and rules, the Compensation Committee shall review the Compensation Discussion and Analysis section (the "CD&A") in the Company's annual proxy statement, discuss the CD&A with the Company's management, and recommend to the Board that the CD&A be included in the Company's annual report on Form 10-K, proxy statement on Schedule 14A or information statement on Schedule 14C. The Committee also shall produce a Compensation Committee Report for inclusion in the Company's annual proxy statement and other filings, stating that the Committee has taken the actions described in the preceding sentence.

**Committee Membership**

The Compensation Committee shall consist of no fewer than three directors, all of whom in the judgment of the Board of Directors shall be independent. A person may serve on the Compensation Committee only if the Board of Directors determines he or she is a "non-employee director" under Rule 16b-3 of the Securities Exchange Act of 1934; satisfies the requirements of "outside director" under Section 162(m) of the Internal Revenue Code; and meets the independence requirements in the NASDAQ Stock Market Rules. One member of the Compensation Committee will serve as the Chairperson of the Compensation Committee.

**Committee Authority and Responsibilities**

1. The Compensation Committee shall review and approve, for the CEO, the other officers and key executives of the Company:
  - a. the annual base salary level;
  - b. the annual incentive opportunity level;
  - c. the long-term incentive opportunity level (including equity-based compensation);
  - d. employment agreements, severance arrangements, and change in control agreements/provisions, in each case as, when and if appropriate; and
  - e. any special, supplemental or nonqualified benefits or other perquisites relating to the CEO and other officers and key executives of the Company.
2. The Compensation Committee shall review periodically and approve annual incentive goals and objectives relevant to CEO with input from the other independent directors, and the CEO's proposed annual incentive goals and objectives relevant to other officers and

key executives, evaluate, with the input from the other independent directors, the CEO's performance in light of those annual incentive goals and objectives, and as a Committee, determine and approve the CEO's annual incentive compensation based on this evaluation. In determining the base salary, annual incentive and long-term incentive components of the CEO and approving the recommendations of the CEO with respect to the base salary, annual incentive and long-term incentive components for the other officers and key executives, the Compensation Committee will consider multiple factors including the Company's performance and relative shareholder return, the value of similar incentive awards to CEOs, other officers and key executives at comparable companies, and the awards given in past years.

3. The Compensation Committee shall review periodically compensation practices, procedures and policies throughout the Company.
4. No executive should attend that portion of any meeting where such executive's performance or compensation is discussed, unless specifically invited by the Compensation Committee. Meetings to determine the compensation of the CEO must be held in executive session. Meetings to approve the recommendations of the CEO with respect to the compensation of other officers and key executives may be attended by the CEO, but the CEO may not vote on these matters.
5. The Compensation Committee shall review and make recommendations to the Board periodically with respect to the compensation of all non-employee directors, including any compensation under the Company's equity-based plans. In determining director compensation, the Compensation Committee shall consider, among other things, market practices of comparable companies and encourage increased ownership of the Company's stock through the payment of a portion of director compensation in Company stock, restricted stock units or options to purchase the Company's stock.
6. The Compensation Committee shall make regular reports to the Board. The Compensation Committee shall meet as regularly as it deems necessary to fulfill its responsibilities and shall convene in executive session at each meeting. The Compensation Committee shall keep minutes of its meetings.
7. The Compensation Committee shall have the sole authority to retain and terminate an independent compensation consultant to be used to assist in the evaluation of director, CEO or senior executive compensation and shall have sole authority to approve the consultant's fees and other retention terms. The Compensation Committee shall also have authority to obtain advice and assistance from internal or external legal, accounting or other advisors as deemed appropriate or necessary by the Committee.
8. The Compensation Committee may form and delegate authority to subcommittees or other persons when appropriate. Members of a subcommittee shall be in compliance with applicable law, regulations and stock market rules.
9. The Compensation Committee shall administer all Company plans that provide for awards of stock options, stock appreciation rights, restricted stock or other similar stock-

based awards, including plans that provide awards to directors, unless otherwise provided for in the plans. In that regard, the Compensation Committee (or its designee), shall:

- a. Determine (i) the individuals to whom grants shall be awarded under such plans, (ii) the number of shares to be covered by such awards and (iii) the time or times at which such awards shall be made;
  - b. Consider the recommendations of senior management as to the individuals to whom grants shall be awarded and the number of shares to be covered by such awards, except with respect to the Chief Executive Officer;
  - c. Interpret such plans; and
  - d. Adopt, amend and rescind any rules and regulations pertaining to such plans as the Compensation Committee deems appropriate.
10. The Compensation Committee shall not set the grant date of its stock option grants to executives in coordination with the release of material non-public information, except in extraordinary circumstances and with full disclosure to shareholders and the public.
  11. The Compensation Committee may adopt policies regarding the adjustment or recovery of incentive awards or payments if the relevant Company performance measures upon which such incentive awards or payments were based are restated or otherwise adjusted in a manner that would reduce the size of an award or payment.
  12. The Compensation Committee may consider the accounting and tax treatment, to the Company and the executive, of each particular element of compensation.
  13. The Compensation Committee may consider compensation or amounts realizable from current and prior awards and programs (*e.g.*, gains from prior option or stock awards) in setting other elements of compensation.
  14. The Compensation Committee shall review and reassess the adequacy of this Charter annually, recommend revisions to this Charter, if any, to the Board, and conduct an annual performance evaluation of the Committee.
  15. The Compensation Committee shall have oversight over the Savings Plan Committee's activities, annually review the Savings Plan Committee Charter and annually receive a report from Savings Plan Committee.

The Committee also shall undertake such additional activities within the scope of its functions as the Committee may from time to time determine or as may otherwise be required by law, the Company's by-laws or charter or by directive of the Board.

Adopted: September 22, 2005

Amended: November 13, 2006, April 16, 2007, October 30, 2008, and June 9, 2009