

IPG PHOTONICS CORP
Form DEF 14A
April 15, 2014

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 (Amendment No.)

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))

ý 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):

ý No fee required.

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(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

April 15, 2014

Dear Fellow Stockholder:

You are cordially invited to attend our annual meeting of stockholders on June 3, 2014. We will hold the meeting at 10:00 a.m. Eastern Time at our world headquarters, 50 Old Webster Road, Oxford, Massachusetts.

A notice of the annual meeting, a proxy statement, proxy card and our 2013 annual report to stockholders, which provide detailed information relating to our activities and operating performance, accompany this letter.

At this year's meeting, you will be asked to elect ten directors to our board of directors for a term of one year, to approve our executive compensation in an advisory vote and to ratify the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for 2014. Our board of directors recommends that you approve each of these proposals. I urge you to read the proxy statement for further details about the proposals.

Your vote is important to us and our business. Whether or not you plan to attend the annual meeting of stockholders, we encourage you to cast your vote by completing, signing and dating the enclosed proxy card and returning it promptly in the envelope provided. You may also vote your shares using the internet or the telephone by following the instructions provided on the enclosed proxy card.

On behalf of the entire IPG Board of Directors, we look forward to seeing you at the meeting.

Sincerely,

Dr. Valentin P. Gapontsev
Chairman of the Board of Directors and
Chief Executive Officer

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IPG PHOTONICS CORPORATION

50 Old Webster Road
Oxford, Massachusetts 01540

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 3, 2014
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:

elect ten directors named in the proxy to serve until our 2015 annual meeting of stockholders;

approve our executive compensation in an advisory vote; and

ratify the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for 2014.

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 7, 2014 may vote at the meeting.

By order of the Board of Directors
IPG PHOTONICS CORPORATION

Angelo P. Lopresti
Senior Vice President, General Counsel and Secretary
April 15, 2014
Oxford, Massachusetts

Important Notice Regarding the Availability of Proxy Materials
for the Annual Meeting on June 3, 2014:

The proxy statement and 2013 annual report to stockholders
are available at <http://investor.ipgphotonics.com/annual-proxy.cfm>

PROXY STATEMENT

ANNUAL MEETING OF STOCKHOLDERS

GENERAL INFORMATION ABOUT THE MEETING

Our Board of Directors is soliciting proxies from our stockholders in connection with our annual meeting of stockholders to be held on Tuesday, June 3, 2014 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 2013 annual report are first being mailed to stockholders of record on or about April 15, 2014, and are made available on our website at <http://investor.ipgphotonics.com/annual-proxy.cfm>. Information on our website does not constitute part of this proxy statement.

Unless otherwise noted, the information in this proxy statement covers our 2013 fiscal year (or “fiscal 2013”), which ran from January 1, 2013 through December 31, 2013, and, in some cases, our 2012 fiscal year (or “fiscal 2012”), which ran from January 1, 2012 through December 31, 2012.

Questions and Answers about the Meeting and Voting

When and Where Is the Annual Meeting?

When: Tuesday, June 3, 2014, at 10:00 a.m. Eastern Time

IPG Photonics Corporation

Where: 50 Old Webster Road

Oxford, Massachusetts 01540

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 7, 2014, the record date for the meeting. On that date, 52,014,775 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 or broker as your nominee, 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 or broker who is considered the stockholder of record with respect to those shares. Your bank or broker 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 or broker 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 or broker.

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 three 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 ten 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 approval of our executive compensation. It is an advisory vote which means that it is not binding upon the Company.

Proposal 3 requests the ratification of the appointment of our independent registered public accounting firm.

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 Proposals 2 and 3. Abstentions have the same effect as voting against Proposals 2 and 3. Broker non-votes have no effect on Proposal 2.

Who Counts the Votes?

We have engaged Computershare as our independent agent to receive and tabulate stockholder votes. Computershare will separately tabulate “for,” “against” and “withhold” votes, abstentions and broker non-votes. Computershare 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 3, 2014. 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 or broker will send you a separate package describing the procedures and options for voting your shares. Please read this information carefully.

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” from the advisory vote on executive

compensation (Proposal 2) and the ratification of the appointment of our independent registered accounting firm (Proposal 3).

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 and "For" Proposals 2 and 3.

"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) and the advisory vote on executive compensation (Proposal 2). 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 ratification of the appointment of our independent registered public accounting firm (Proposal 3). Accordingly, if you do not give your bank, broker or nominee specific instructions with respect to Proposal 3, your shares will be voted in such entity's discretion. We urge you to promptly 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. 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 mailing copies of the proxy statement and our 2013 annual report to all stockholders. Stockholders can also view these documents on the Internet by accessing our website at <http://investor.ipgphotonics.com/annual-proxy.cfm>.

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 2014 annual meeting of stockholders. IPG Photonics will bear the expense of preparing, 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.

What Is the Quorum Required to Transact Business?

At the close of business on April 7, 2014, the record date, there were 52,014,775 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

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.

Significant Corporate Governance Practices and Policies

Listed below are some of the significant corporate governance practices and policies we have adopted:

Independent Director Majority and Presiding Independent Director. Six of the nine directors currently on our Board of Directors (the "Board") are non-employees of the Company who meet the independence criteria under 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. More information about the role of the independent directors, the Presiding Independent Director and our Board structure can be found below in this section.

Executive Sessions. Our Board meets regularly in executive sessions without the presence of management, including our Chairman. These sessions are led by our Presiding Independent Director, as described below in this section.

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

Related Person Transaction Policy. 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. More information about our Related Person Transaction Policy and transactions can be found below in this section.

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 interest of the directors and officers with our stockholders. Our directors and executive officers fully complied with our guidelines in 2013. In 2013, our Board increased the stock ownership requirements for our directors.

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. In 2013, the Board adopted a policy to limit the pledging of our stock by directors and officers.

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. Many policies may be found at <http://investor.ipgphotonics.com/governance.cfm>. Note that information on our website does not constitute part of this proxy statement. Hard copies of these documents may be obtained without charge by any stockholder upon request by contacting the Office of the Secretary, IPG Photonics Corporation, 50 Old Webster Road, Oxford, Massachusetts 01540.

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 committee 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 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;
- evaluations of the Board and committees are 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 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 are held as often as deemed necessary by the independent directors. 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 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, the lesser of 7,500 shares or one times his annual salary; and for other executive officers, the lesser of 5,000 shares or one times their respective annual salaries. In 2013, the Board approved an increase in stock ownership requirements for non-employee directors to the level stated in the previous sentence. Vested equity compensation such as vested stock options counts towards 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 awards until the minimum ownership levels are attained. All directors and executive officers were in compliance with our stock ownership guidelines as of December 31, 2013.

Board Self-Assessments. The Board conducts annual self-evaluations to determine whether it and its committees are functioning effectively. The Nominating and Corporate Governance Committee oversees the Board and committee self-assessments and the Board receives a report on its self-assessments annually. Each committee reviews and reassesses the adequacy of its charter annually and recommends any proposed changes. Each committee also annually reviews its own performance and reports the results to the Board.

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. In addition, the Board approved in 2013 limits on pledging. 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.

Director Orientation and Continuing Education. Upon joining the Board, directors are provided with an initial orientation about our management, including our business operations, strategy and governance. New directors without

previous experience as a director of a public company are expected to enroll in a director education program on the principles of corporate governance and director professionalism offered by a nationally-recognized sponsoring organization. We also provide orientation to directors who join a committee, including oversight responsibilities, policies and practices. We provide our directors with resources and ongoing educational

opportunities to assist them in remaining abreast of developments in corporate governance and critical issues relating to the operation of public company boards. All current directors are enrolled members of the National Association of Corporate Directors and we plan to enroll newly elected directors as well. We pay for membership dues and director education expenses. The Board also conducts periodic visits to major facilities of the Company as part of its regularly scheduled Board meetings.

Nomination of Directors. The Nominating and Corporate Governance Committee considers candidates for director nominees proposed by directors and stockholders. This Committee may retain recruiting professionals and use director databases to assist in identifying and evaluating candidates for director nominees. The Board seeks members from diverse professional backgrounds with a reputation for integrity who do not have professional commitments that might unreasonably interfere with the demands and duties of a board member. Candidates for director are reviewed in the context of the current composition of the Board, the operating requirements of the Company and the long-term interests of the Company's stockholders. The Nominating and Governance Committee seeks directors with a broad spectrum of experience and expertise. It seeks a Board that reflects diversity, including in experience, gender and ethnicity. It does not have formal objective criteria for determining the degree of diversity needed or present on the Board. Board candidates are considered based upon various criteria, such as demonstrated excellence, leadership and significant experience in an area of endeavor, relevant expertise and experience and the ability to offer advice and guidance based upon that expertise, possession of high personal integrity and ethics, ability to read and understand financial statements, a commitment to representing the long-term interests of the Company's stockholders while keeping in perspective the interests of customers, suppliers and employees, and any other factors appropriate in the context of an assessment by the Nominating and Corporate Governance Committee of the needs of the Board at that time. Candidates for director should also have certain minimum qualifications, including the ability to read and understand basic financial statements, must be over 21 years of age and possess the highest personal integrity and ethics. In addition, the Nominating and Corporate Governance Committee considers whether the individual satisfies criteria for independence as may be required by applicable regulations. The Nominating and Corporate Governance Committee retained the search firm Heidrick & Struggles to assist in the search and evaluation of candidates for director which resulted in the nomination of Mr. Eric Meurice and Mr. Thomas Seifert for election to the Board at our 2014 annual meeting. See "Board of Directors -- Nominees for Directors" below.

The Nominating and Corporate Governance Committee has adopted a policy under which it will consider nominations by stockholders. The same identifying and evaluating procedures apply to all candidates for director nomination, including candidates submitted by stockholders. The Nominating and Corporate Governance Committee evaluates and interviews potential board candidates. All members of the Board may interview the final candidates.

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 <http://investor.ipgphotonics.com/governance.cfm>.

Procedures for Submitting Complaints Regarding Accounting and Auditing Matters. We have procedures for the treatment of complaints regarding accounting, internal accounting controls, auditing matters, fight against bribery, banking, and financial crime, including procedures for the confidential and anonymous submission by our directors, officers and employees of concerns regarding questionable accounting, internal accounting controls or auditing matters. These procedures are posted on our website at <http://investor.ipgphotonics.com/governance.cfm>.

Board Leadership Structure

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. Gauthier has been selected as the Presiding Independent Director for a term ending June 2014.

Dr. Gapontsev became our Chief Executive Officer and Chairman in 2000. His dual role was established fourteen years ago when the Board was first established. Our directors believe that each of the possible leadership structures for a board has its particular pros and cons which much 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 very strong position to evaluate the pros and cons of the various types of board leadership structures and to ultimately decide which structure 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 15.0% of the Company's common stock. The combination of the roles of Chairman and Chief Executive Officer in Dr. Gapontsev creates clear and unambiguous authority, which is essential to effective management. The Board and management can respond more effectively to a clear 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 14 years of operations and leadership 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 recognized the importance for a board to have in place, and build 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, commencing in 2014, 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. Gauthier as the Presiding Independent Director for the term ending June 2014, 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

One of the Board's primary roles in the Company is to provide general oversight of strategy and operations. 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 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 oversee succession and resource planning. The Audit Committee oversees certain financial risks and recommends guidelines to monitor and control such risk 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 party transactions with directors, executives and managers and may conduct negotiations on behalf of the Company. The Board's risk oversight role does not interfere with the Company's day-to-day management because two-thirds of the current directors and over

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two-thirds of the director nominees are independent and therefore have no conflicts that might discourage critical review of the Company's risks.

RELATED PERSON TRANSACTIONS

The Board adopted a related person transaction policy that requires the Company's executive officers, directors and nominees for director to promptly notify the Corporate 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 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.

In 2013, the Company purchased from Veeco Instruments Inc. equipment and services amounting to approximately \$1,155,000. Mr. Peeler, a non-employee member of our Board, is the Chief Executive Officer and Chairman of the Board of Veeco Instruments Inc. Veeco Instruments, Inc. was a provider of equipment and services to the Company for several years before Mr. Peeler was elected to the Board. The Nominating and Corporate Governance reviewed and approved the transactions with Veeco Instruments Inc., which were ordinary course of business transactions conducted on an "arm's length" basis with the Company.

Communication with our Board of Directors

Interested parties wishing to write to the Board or 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.

BOARD OF DIRECTORS

Dr. William Krupke decided to not stand for re-election to our Board of Directors at our 2014 annual meeting. IPG Photonics extends its sincere appreciation to Dr. Krupke for the valuable contributions he provided to our Company and stockholders during his service as a member of our Board since 2000.

The Board currently has set the number of directors at nine. The number of directors will be set at ten directors from and after the 2014 annual meeting.

Nominees for Director

The following table sets forth certain information as of April 1, 2014 regarding the director nominees. Each of our incumbent directors, other than Dr. Krupke (who decided to not stand for re-election), has been nominated by the Board for election at our 2014 annual meeting and there are two director nominees who are not currently directors, Messrs. Meurice and Seifert.

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Name	Age	Position
Valentin P. Gapontsev, Ph.D.	75	Chief Executive Officer and Chairman of the Board
Eugene Scherbakov, Ph.D.	66	Managing Director of IPG Laser GmbH, Senior Vice President, Europe and Director
Igor Samartsev	51	Chief Technology Officer and Director
Robert A. Blair	67	Director
Michael C. Child	59	Director
Henry E. Gauthier	73	Director