



Corporate Social Responsibility Report

IPG Photonics Corporation

2015



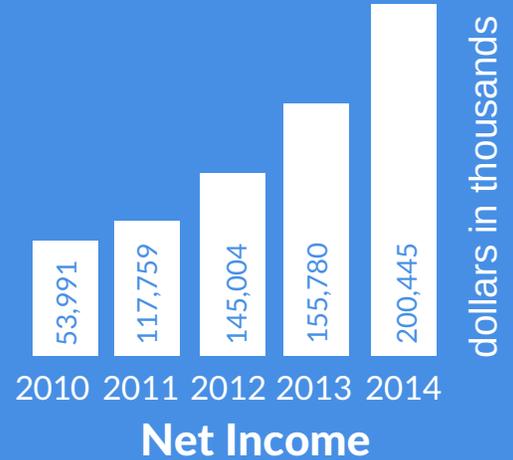
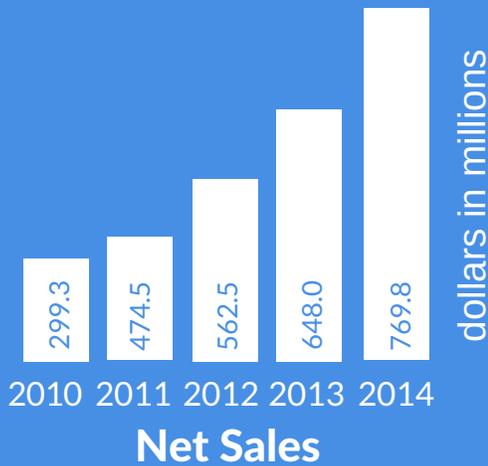
Corporate Profile

IPG Photonics is the leading developer and manufacturer of high-performance fiber lasers and amplifiers for diverse applications in numerous markets. IPG's vertically-integrated development and manufacturing capabilities enable the Company to meet customer requirements, accelerate development, manage costs and improve component yields, while maintaining high performance and quality standards. Our diverse lines of low, mid and high-power lasers and amplifiers are used in materials processing, communications, medical and advanced applications. Our products are displacing traditional applications and enabling new applications for lasers.

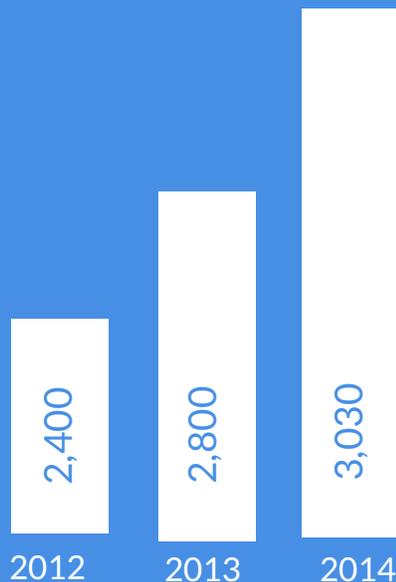
Quite simply, IPG's products are disrupting the market by empowering tomorrow's applications today.

Where We Operate

IPG is a global company with manufacturing facilities in the U.S., Germany, Russia and Italy, and regional sales offices in Japan, Turkey, Korea, Poland, India and the United Kingdom, to name a few. We have a significant global commercial presence, selling our products globally to OEMs, system integrators and end users in a wide range of diverse markets that have the in-house engineering capability to integrate IPG's products into their own systems. In 2014, we shipped more than 24,800 devices to over 2,700 customers worldwide.



Employee Data



Our Strategy

- Continue to leverage our technology to displace existing laser and non-laser technologies
- Target new applications for fiber lasers
- Expand our product portfolio to address new applications
- Lower costs through manufacturing improvements and innovation
- Expand global reach to attract new customers

Financial Information

More detailed information on IPG's 2014 financial performance, markets, risk factors and other data is published in IPG's 2014 Annual Report, which includes the Form 10-K filed with the U.S. Securities and Exchange Commission. You may access IPG's 2014 Annual Report at www.investor.ipgphotonics.com.



Our Planet

At IPG Photonics, we continuously push ourselves to more effectively serve our customers, employees and communities. One key outcome has been our efforts to preserve and protect the environment. By rethinking the way we use our resources and our customers use our products, we have made significant progress in recent years. The credit goes to the innovative spirit of our employees and technology leadership in the laser industry.

Product Performance

The most important element of our efforts to protect the environment is the superior performance of our lasers. All of IPG's fiber lasers share common design attributes resulting in the highest wall-plug efficiency of any industrial laser- up to 20 times more efficient. Not only do our clients benefit – so does the environment.

Electrical Savings

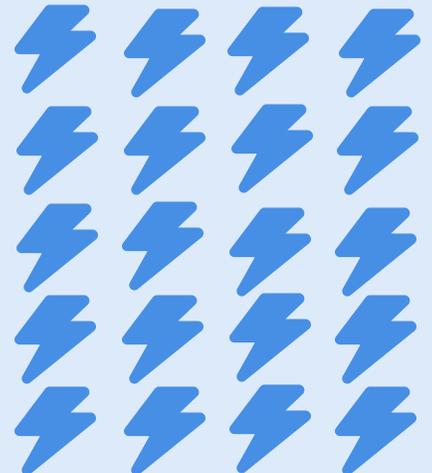
Based upon the lasers IPG produced from 2013 through 2015, we estimate that the electrical savings from operating these IPG lasers over conventional lasers would approximate the output from one 500 MW coal-fired electric plant in a year. This results in up to 4.2 billion pounds less of CO₂ emissions a year.



IPG's fiber lasers require no consumables or scheduled maintenance, such as lamps or bars to replace, meaning that less waste enters landfills every year because of IPG's superior technology.

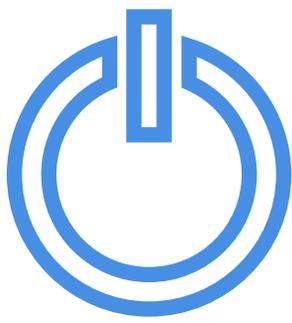


Fiber lasers are up to 20 times more efficient than conventional lasers.



Fiber Lasers

Conventional Lasers



Cogeneration

In the United States, the average efficiency of fossil-fueled power plants in the United States is 33 percent. This means that two-thirds of the energy in the fuel is lost —vented as heat—at most power plants in the United States. At IPG, we implemented a technology called **cogeneration**, an efficient and clean approach to generating power and thermal energy from a single fuel source. By using waste heat recovery technology to capture a significant proportion of wasted heat, IPG is lowering operating costs while simultaneously reducing the emission of pollutants into the environment. **Since coming online in 2006, our Oxford, Massachusetts headquarters has avoided the emission of more than 1.1 tons of greenhouse gases per year through cogeneration..**

We continue to optimize the plant to increase its efficiency. Scheduled to be installed in 2015, the 1MWt Tri-Generator (which will increase our efficiency in power generation, heating and cooling) is expected to reduce an additional five tons of greenhouse gases per year.

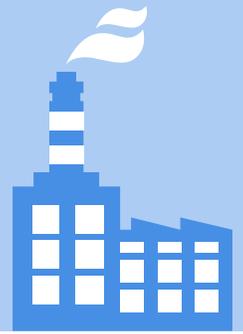
Variable-Frequency Drives

By leveraging cutting-edge technologies and innovative strategies, we continually strive to reduce our energy use. At the IPG Headquarters in Oxford, Massachusetts, we have installed 138 **variable-frequency drives (VFD)** in support of that goal. A VFD is an electronic controller that adjusts the speed of an electric motor, providing continuous control by matching motor speed and RPMs to the specific demands of the work being performed. In contrast, not only do standard single-speed drives unnecessarily run the motor at full speed at all times, they also start motors abruptly, subjecting the motor to high torque and surges of unnecessary energy.

By adjusting the output of energy to only the amount demanded, just **one VFD** in use at IPG saves up to **28,000 kilowatt hours** of electricity per year.

Architectural Efforts

IPG believes that environmentally sound practices begin at the ground level. That's why all of the exterior walls and roofs of IPG buildings currently under construction are being designed at a level higher than the current minimum energy conservation code requirements. Ensuring better design practices will help IPG lower energy consumption and save on heating and cooling costs.



We didn't stop there. In an effort to become even more environmentally friendly, we recently started installing LED light fixtures in all new buildings under construction. LED lightbulbs use at least 75% less energy, and last 25 times longer, than incandescent lighting. This effort extends to all new construction projects. This means that not only will we provide parking areas with higher lighting levels for added employee safety, but by doing so, IPG will reduce energy usage.



Water Usage

To reduce the overall water impact associated with our company, we installed the most water conservative plumbing fixtures available in the industry when possible in our building projects. Water is a critical resource and we recognize the importance of responsibly managing water consumption.

Pounds Recycled

2014 805,641

2013 655,793

2012 487,640

2011 329,030

2010 143,733



Metal Recycling Program

We continue to identify new ways to divert materials and waste associated with our operations from landfills. Through our metal recycling program, we established a program that saves thousands of pounds of material, such as aluminum, copper and steel. We are proud to have implemented a program that helps conserve energy, reduce air and water pollution and reduce greenhouse gases.



Corporate Governance

Our leadership team plays an instrumental role in making our commitment to corporate responsibility part of our culture and approach to doing business. It provides direction, helps drive change day to day and signals to stakeholders that our efforts are a priority. Our management brings a deep commitment to these efforts, helping to shape our vision and execute our strategy. Our Board of Directors also believes that corporate responsibility must align with our business strategy. Board members receive regular updates on our progress and provide ongoing support to our various efforts.

IPG is proud of the reputation it built by conducting business according to [high company-wide standards](#). In fact, we believe our success stems from our corporate values and strong culture of [integrity and trust](#). To help guide our continued success, IPG regularly reviews and updates our policies governing ethical conduct and responsible behavior.

Ethics Code and Training

IPG is committed to upholding the highest standards of ethical business conduct. All IPG employees undergo stringent ethics training to ensure that they are aware of the laws, rules and regulations that they must abide by. Our commitment to training and maintaining high ethical standards contribute to a corporate culture of accountability and morality. IPG has partnered with Corpedia, an external third-party provider, to deliver innovative ethics and compliance training to employees, regardless of location.

Anti-Corruption Policy

IPG is committed to the highest standards of business conduct. That requires our employees around the world to take an active role in complying with anti-corruption laws of all countries in which IPG and its divisions, subsidiaries, agents, consultants, and affiliates operate. Our training helps employees to identify bribery, explains how to test whether a gift constitutes a bribe, and refers to the Company's policies as well as international and domestic anti-bribery and anti-corruption laws.

Political Involvements and Contributions

IPG prohibits its employees from using corporate funds to make political contributions. IPG employees and directors may make personal donations, but they cannot receive any type of reimbursement from IPG. IPG has not made any "independent expenditures" in connection with federal and state elections and has no plans to do so in the foreseeable future.

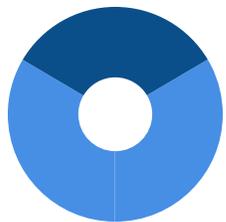
Principles of Conduct

The Board is committed to the highest standards of corporate governance. The Board maintains an active role in overseeing the business, and regularly monitors corporate policies and decisions with the goal of enhancing the long-term value of the Company. As part of its efforts, the Board has adopted Corporate Governance Guidelines that outline, among other matters, the role and functions of the Board, the responsibilities of various Board committees and the mission of the Board. These Corporate Governance Guidelines provide, among other things, that:

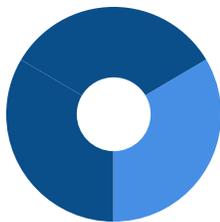
- a majority of our Board of Directors must be independent;
- the Audit, Compensation and Nominating and Corporate Governance Committees consist solely of independent directors;
- the independent directors meet periodically in executive sessions without the presence of the non-independent directors or members of our management;
- a lead director presides over executive sessions of independent directors;
- the Board appoints all members of the Board committees;
- directors may not serve on the boards of more than three other public companies; and
- the Board conducts annual self assessments.

IPG has a policy of maintaining an experienced board with expertise in areas relevant to the Company. IPG has a board consisting of nine directors, six of whom are considered independent. We believe that this guarantees that the Board will continue to act objectively and in the best interest of our stockholders. In addition to maintaining the NASDAQ requirements for independent directors, we also ensure that we have a balanced mix of different tenures. We believe that it is important to maintain a mix of experienced directors with a deep understanding of the Company and others who bring a fresh perspective.

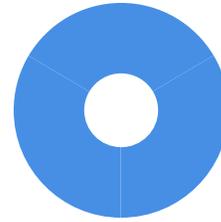
Director Qualifications



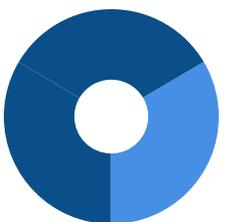
7 (78%)
Investor



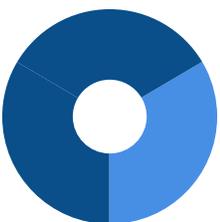
3 (33%)
Marketing



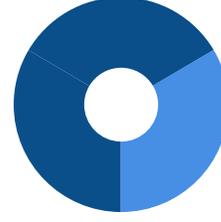
9 (100%)
Leadership



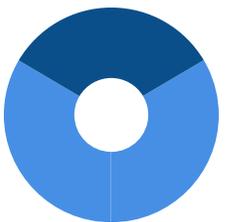
4 (44%)
Industry



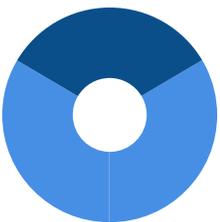
3 (33%)
Technology



4 (44%)
Finance



7 (78%)
Global



6 (67%)
Risk Management

IPG Photonics Policy: ensure an experienced Board with expertise in areas relevant to the Company.



Our People

We focus on delivering the greatest net positive impact for all – colleagues, customers, partners, stakeholders and the communities in which we do business. IPG holds itself accountable for driving towards a positive purpose. We behave in a balanced, thoughtful manner that considers every aspect and outcome of our business decisions. We operate as responsible corporate citizens.

Safety Training for Employees

IPG goes above and beyond to provide safe and healthful workplaces for our employees. At IPG, safety is deeply ingrained in our corporate culture through formal safety training courses, careful facility and equipment design, and regularly reviewing how well we conform to our safety policies.

2010 3.66%

2011 1.90%

2012 2.12%

2013 4.24%

2014 0.59%

OSHA Recordable Accidents as % of Oxford Employees



Diversity and Inclusion

At IPG, we believe that **innovation** and **creativity** fuel our success today and will drive our legacy. We value groundbreaking thinking and new ways of approaching problems, and we know that to solve the most complex problems, we need to attract the most creative, innovative and committed talent from across the globe. **IPG's unique, innovative approach to diversity includes our commitment to creating a highly diverse and inclusive workplace, where all IPG colleagues are empowered to do their best work.** We seek to engage a diverse group of people who can help us further grow our Company.

Educational Support

IPG has a strategic college recruitment program in the United States, which involves partnerships with select colleges and universities that have top notch engineering and business programs and diverse student populations. In the United Kingdom, IPG has a history of sponsoring masters degree students and Ph.D. level physicists at Imperial College, London. At the secondary school level, IPG has developed curriculum via involvement as an advisory board member and training of local teachers as a part of Project Photon (sponsored by the New England Board of Higher Education). IPG sponsors internships with area colleges such as Springfield Technical Community College in Springfield, MA, and Three Rivers Community College in Norwich, CT. Also, we maintain active involvement with the Worcester Polytechnic Institute to support engineering opportunities. IPG also has a long history of supporting and hiring students from the Institute for Radio Engineering in Russia.

Leadership Development

IPG recruits internationally to find the next generation of leaders. Development of technical resources at all levels is beneficial to both IPG and the community. IPG supports the education and training of scientists in the United States, Russia and London. Through internships and on-the-job training, IPG develops new generations of physicists at our subsidiary, NTO-IRE Polus. The Company is also committed to local professional development.



IPG is a proud sponsor of the Society of Female Engineers, an organization that works to promote the advancement of women in engineering.



Community Investment

At IPG, we are committed to bettering the communities in which we operate. IPG is committed to giving back to the communities where its employees live and work. As in other areas of our business, IPG's community engagement and philanthropic activities are driven by partnerships that meet locally identified needs.

Community Education

In one effort to promote photonics education in our community, IPG made a substantial corporate gift to establish the IPG Photonics Laboratory in the Physics Department at the Worcester Polytechnic Institute (WPI). The center was specifically designed by IPG to welcome and engage students, partners and members of the community in the right environment to spark ideas around technology innovation. The laboratory consists of state-of-the-art equipment in the area of photonics donated by IPG.



Youth Programs

IPG has relationships with various youth programs across the Central Massachusetts area, focusing on enhancing the lives of children. Our donations to these programs cultivate capable and healthy young people of strong character. For example, we help sponsor summer reading programs that support the development of child literacy at local public libraries. We also support various athletic programs, such as Little Leagues, where children not only learn the fundamentals of softball and baseball, but also pride, sportsmanship and healthy self-esteem. Our Beijing office generously supports New Day Foster Home, an organization that provides life-saving surgeries and a loving home to orphans with medical needs in China.



IPG's charitable giving is not limited to our immediate community. Our Company strongly believes in the importance of supporting the laser industry.

We recently donated to the Optical Society of America (OSA) Foundation to create a permanent program for the Siegman International School on Lasers. The donation will help graduate students across the globe advance their education, foster future collaboration and promote research and engineering for the optical community. The program will take place every year in a different region of the world, bringing world-class education to students who may not have had access to such resources otherwise. The donation goes toward providing world-class lecturers, important student travel grants and achievement awards as well as other general programming costs. In recognition of this significant contribution, IPG has been named co-founder of the school.

“ IPG is honored to support the Siegman International School on Lasers. The future of the laser industry depends on tomorrow's scientists and innovators; IPG is happy to provide some of the building blocks for their success. ”

Dr. Valentin P. Gapontsev
Chairman and CEO of IPG

Conflict Minerals

IPG is committed to legal compliance with the Dodd-Frank Wall Street Reform Act, including the due diligence requirements relating to the responsible sourcing of tin, tantalum, tungsten and gold (“3TG”) used in the manufacturing of its products. To ensure that IPG's 3TG does not fund the conflict in the Democratic Republic of Congo and its neighboring countries, IPG works diligently toward obtaining disclosures from its suppliers concerning whether any of IPG's 3TG originates from the conflict region or funds conflict there. IPG requires its suppliers to comply with all legal requirements relating to responsible sourcing of 3TG. If any of our suppliers cannot demonstrate sufficient compliance with their due diligence and disclosure obligations, IPG will seek alternative sources of these 3TG metals.

