

II-VI Incorporated

Corporate Governance Guidelines

Director Independence and Corporate Governance

The Company's Corporate Governance Guidelines provide that, in accordance with II-VI Incorporated's long-standing policy, a substantial majority of the members of the Company's Board of Directors must qualify as independent directors. The Company's Board of Directors has determined that each continuing director and nominee for election as director, other than Carl J. Johnson and Francis J. Kramer, has no material relationship with the Company (other than as director) and is therefore "independent" within the meaning of the current listing standards of Nasdaq. In its annual review of director independence, the Board of Directors considers all commercial, banking, consulting, legal, accounting or other business relationships any director may have with the Company. The Board of Directors considers a "material relationship" to be one that impairs or inhibits, or has the potential to impair or inhibit, a director's exercise of critical and disinterested judgment on behalf of the Company and its shareholders. When assessing the "materiality" of a director's relationship with the Company, the Board of Directors considers all relevant facts and circumstances not only from the standpoint of the director in his or her individual capacity, but also from the standpoint of the persons to whom the director is related and organizations with which the director is affiliated.

Code of Business Conduct and Ethics

The Board of Directors has approved and adopted a Code of Business Conduct and Ethics applicable to all directors, officers and employees of the Company and its subsidiaries. In addition, the Company has adopted an additional Code of Ethics for Senior Financial Officers. These documents are available on the Company's website at www.ii-vi.com. The Company will promptly disclose on its website (i) any amendments or waiver of a director's or executive officer's compliance with the Code of Business Conduct and Ethics, and (ii) any amendments or waiver of the Code of Ethics for Senior Financial Officers.

Board's Role in the Oversight of Risk Management

The Audit Committee of the Board of Directors has been designated to take the lead in overseeing risk management at the Board level. Accordingly, the Audit Committee schedules time for periodic review of risk assessment and management activities being undertaken by management throughout the year, in addition to its other duties. In this role, the Audit Committee receives reports from management, internal audit, and other advisors, and strives to generate serious and thoughtful attention to the Company's risk management process and system, the nature of the material risks the Company faces, and the adequacy of the Company's policies and procedures designed to respond to and mitigate these risks. Although the Audit Committee leads these efforts, risk management is periodically reported on at the full Board level and feedback is sought from each director as to the most significant risks that the Company faces. This is principally accomplished through Audit Committee reports to the Board and discussion with management.

In addition to the formal compliance program, the Board and the Audit Committee encourage management to promote a corporate culture that understands risk management and incorporates it into the overall corporate strategy and day-to-day business operations of the Company. The Company's risk management structure also includes an ongoing effort to assess and analyze the most likely areas of future risk for the Company and to address them in its long-term planning process.

Review and Approval of Related Person Transactions

The Company's policies and procedures for review, approval or ratification of transactions with related persons are not contained in a single policy or procedure; instead, relevant aspects of such program are drawn from various corporate documents.

The Company's Code of Business Conduct and Ethics requires that all of the Company's and the Company's subsidiaries' directors, officers and employees refrain from activities that might involve a conflict of interest. Additionally, the Company's Code of Business Conduct and Ethics provides that each of the Company's and the Company's subsidiaries' directors, officers and employees must openly and honestly handle any actual, apparent or potential conflict between that individual's personal and business relationships and the Company's interests. Before making any investment, accepting any position or benefit, participating in any transaction or business arrangement or otherwise acting in a manner that creates or appears to create a conflict of interest, such person must make a full disclosure of all relevant facts and circumstances to, and obtain the prior written approval of, the Company. Waivers of this Code for any of the Company's executive officers or directors shall be granted only by the Board of Directors or a properly designated committee of the Board. It is expected that only those matters that are in the best interests of the Company would be approved or waived under this Code. Employees are required and encouraged to report violations of the Code, and such reports may be made anonymously. Anonymous reports are to be forwarded for review by the Audit Committee.

Nomination of Candidates for Director

The Company may consider candidates for director identified by several sources including existing directors, members of the Company's management team, shareholders and third-party search firms.

The Company's By-Laws describe the procedures to be followed by a shareholder in recommending nominees for director. In general, such recommendations can only be made by a shareholder entitled to notice of, and to vote at, a meeting at which directors are to be elected, must be in writing and must be received by the Chairman of the Board of Directors no later than (i) with respect to the election of directors at an annual meeting, 90 days prior to the anniversary date of the prior year's annual meeting, or (ii) with respect to the election of directors at a special meeting, within 10 days after notice of such meeting is given to shareholders or publicly disseminated. Furthermore, the recommendation must include certain information regarding the nominating shareholder and the nominee, including their relationship and any understanding between such persons regarding such nomination, the shares owned by the nominating shareholder, the number of shares to be voted for such nominee and information concerning such nominee that would be required in a proxy statement filed with the Securities and Exchange Commission.

The Corporate Governance and Nominating Committee considers a variety of factors when determining whether to recommend a nominee for election to the Board of Directors, including those factors set forth in the Company's Corporate Governance and Nominating Committee Charter. In general, candidates nominated for election or re-election to the Board of Directors should possess the following qualifications:

- High personal and professional ethics, integrity, practical wisdom and mature judgment;
- Broad training and experience in policy-making decisions in business;
- Expertise that is useful to the Company and complementary to the background and experience of other directors;
- Willingness to devote the amount of time necessary to carry out the duties and responsibilities as a director;
- Commitment to serve on the Board of Directors over a period of several years in order to develop knowledge about the Company's principal operations; and
- Willingness to represent the best interests of all shareholders and objectively appraise management performance.

Potential candidates are screened and interviewed by the Corporate Governance and Nominating Committee of the Board of Directors. All members of the Board of Directors may interview the final candidates. The same identifying and evaluating procedures apply to all candidates for director nomination, including candidates submitted by shareholders.

Size of the Board

As provided in the Corporation's Articles of Incorporation, the Board of Directors is comprised of no less than five and no more than nine members. The exact number of directors is determined by the Board based on its current composition and requirements.

Lead Independent Director

The position of Lead Independent Director ensures that the Board of Directors serves in a capacity which is independent of management and that directors have an independent leadership contact. Thomas E. Mistler was appointed by the Board of Directors to this position. In general, the major responsibilities of the Lead Independent Director include:

- Chairing executive sessions of the independent directors conducted at each Board of Directors meeting;
- Acting as a liaison between the Board of Directors and the Chief Executive Officer;
- Supporting the Chairman in the setting of the agenda for Board of Directors meetings, based on input from other directors;
- Chairing meetings of the Board of Directors in the absence of the Chairman; and
- Carrying out other duties as requested by the Corporate Governance and Nominating Committee and the Board of Directors.

Compensation of Directors

The Board of Directors sets the level of compensation for directors, based on the recommendation of the Compensation Committee, and taking into account the impact of compensation on director independence. Directors who are also current employees of the Company receive no additional compensation for services as directors.

The Compensation Committee reviews periodically the amount and form of compensation paid to directors, taking into account the compensation paid to directors of other comparable companies. The Committee conducts its review with the assistance of outside consultants in the field of executive compensation. See "Director Compensation" in this proxy statement.

Stock Ownership Program

In order to further align the directors' and executive officers' interests with those of II-VI Incorporated's shareholders, the Board of Directors has established a stock ownership program that requires each director to own the Company's Common Stock at a minimum level of 2,000 shares. The Board of Directors has also established a stock ownership program that requires the Chief Executive Officer to own the Company's Common Stock at a ratio of three times his annual base salary and all other named executive officers to own the Company's Common Stock at a ratio equal to their annual base salary. A director who does not comply with this program would not be permitted to stand for re-election.

Director Mandatory Retirement

The Board of Directors has adopted a retirement policy for directors. Under this policy, directors must retire and/or resign from the Board of Directors upon reaching the age of 75. There are no directors retiring under this provision at the Annual Meeting.

Standing Board Limits

Board members are limited to serving on a maximum of three public company boards excluding the Company. All directors currently comply with this requirement.

Change in Director Occupation

Pursuant to a policy adopted by the Board of Directors, when a director's principal occupation or business association changes substantially during his or her tenure as a director, that director should tender his or her resignation for consideration by the Corporate Governance and Nominating Committee. The Committee will recommend to the Board the action, if any, to be taken with respect to the resignation.

Access to Independent Advisors

The Board of Directors and its committees have the right to retain independent outside financial, legal or other advisors, as necessary and appropriate. The Company bears the cost of retaining such advisors.

Executive Sessions of Independent Directors

Executive sessions of independent directors, consisting of all directors other than Carl J. Johnson and Francis J. Kramer, are regularly scheduled and held at each meeting of the Board of Directors. The Lead Independent Director presides over these meetings.

Self-Evaluation, Self-Assessment and Director Continuing Education

The Board of Directors has a process whereby the full board and its members are subject to periodic self-evaluation and self-assessment. This process was most recently completed during fiscal year 2007.

The Board of Directors works with management to schedule new director orientation programs and director continuing education programs. The orientation programs are designed to familiarize new directors with the Company's businesses, strategies and challenges, and to assist new directors in developing and maintaining skills necessary or appropriate for the performance of their responsibilities. Continuing education programs for board members may include a mix of in-house and third-party presentations and programs.

Meetings of the Board

As provided by the Company's Bylaws, the Board meets regularly on previously determined dates. Board meetings are held at least quarterly. Each Board member is expected to attend Board meetings and meetings of the committees on which the director serves either in person or by telephone, and to attend in person Annual Meetings of the Company's shareholders.

Board Materials and Presentations

The agenda for each meeting is provided in advance of the meeting, together with written materials on matters to be presented for consideration, for the directors' review prior to the meeting. As a general rule, written materials are provided in advance on all matters requiring Board action. Written materials are concise summaries of the relevant information, designed to provide a foundation for the Board's discussion of key issues and make the most efficient use of the Board's meeting time. Directors may request from the Company any additional information they believe to be necessary to perform their duties.

Director Attendance at Annual Meeting of Shareholders

Directors are expected to attend the Annual Meeting of Shareholders. All of the incumbent directors attended last year's Annual Meeting.

Communications with Directors

Shareholders wishing to communicate with the Company's Board of Directors may do so by sending a written communication addressed to the Lead Independent Director or to any member of the Board of Directors individually in care of II-VI Incorporated, 375 Saxonburg Boulevard, Saxonburg, Pennsylvania 16056. Any communication addressed to a director that is received at the Company's principal executive offices will be delivered or forwarded to the individual director as soon as practical. The Company will forward all communications received from its shareholders that are simply addressed to the Board of Directors to the chairperson of the committee of the Board of Directors whose purpose and function is most closely related to the subject matter of the communication.

September 1, 2010