



**II-VI INCORPORATED**  
**AUDIT COMMITTEE CHARTER**

**Article 1. Organization**

The Audit Committee (the “**Audit Committee**” or the “**Committee**”) of the Board of Directors of II-VI Incorporated (the “**Company**”) is a committee of the Board of Directors.

**Article 2. Membership**

The members of the Audit Committee are appointed by the Board of Directors on recommendations from the Corporate Governance and Nominating Committee. Audit Committee members serve until their successors are duly elected and qualified, or their earlier resignation or removal. Upon recommendation by the Corporate Governance and Nominating Committee, the Board of Directors may remove any member of the Audit Committee at any time.

The Audit Committee consists of a minimum of three members of the Board of Directors, each of whom must be “independent” in accordance with the requirements of The NASDAQ Stock Market LLC (“**NASDAQ**”) and applicable laws, rules and regulations, including Rule 10A-3 promulgated by the Securities and Exchange Commission (the “**SEC**”) under the Securities Exchange Act of 1934, as amended, or any successor rule or regulation (collectively, “**Laws**”). No member of the Audit Committee may have participated in the preparation of the financial statements of the Company or any of its subsidiaries at any time during the past three years. No member of the Audit Committee may simultaneously serve on the audit committee of more than two other public companies without the prior approval of the Board of Directors.

Each member of the Audit Committee must be generally knowledgeable in financial reporting, accounting and auditing matters, and able to read and understand fundamental financial statements, including the Company’s balance sheet, statement of earnings and statement of cash flows, and otherwise meet the financial sophistication standard established by NASDAQ. At least one member must have past employment experience in finance or accounting, requisite professional certification in accounting, or other comparable experience or background, and otherwise qualify as an “audit committee financial expert” as defined by applicable SEC rules.

One member of the Audit Committee serves as Chairperson of the Audit Committee, and is appointed by the Board of Directors upon the recommendation of the Corporate Governance and Nominating Committee. For topics occurring outside of normally scheduled meetings, the



Chairperson of the Audit Committee may act on behalf of the entire Committee, with an update provided to the Committee at the next normally scheduled meeting.

### **Article 3 Roles and Duties**

The Audit Committee has full access to the Company's books, records, facilities and personnel and to the Board and the Company's independent registered public accounting firm (hereafter, the "independent auditors") as necessary to carry out its responsibilities.

#### **Financial Reporting**

It is the role of the Audit Committee to oversee the Company's discharge of its financial reporting obligations and its relationship with the independent auditors, and to assist the Board of Directors in fulfilling its legal and fiduciary responsibility to ensure the quality and integrity of the accounting, auditing, internal control and financial reporting practices of the Company, and other such duties as directed by the Board of Directors. The duties and responsibilities of a member of the Audit Committee are in addition to those duties set out for a member of the Board of Directors.

The Audit Committee reviews disclosures made to the Audit Committee by the Company's principal executive officer and principal financial officer during their certification process for the Company's annual and quarterly reports filed with the SEC.

The Audit Committee reviews compliance by directors, officers, and management with the Company's Insider Trading Policy at least annually.

#### **Internal Controls**

The Audit Committee promotes the development of an effective and continuously improving control environment, in concert with the management of the Company, to achieve the Company's objectives through an appropriate system of risk assessment and internal controls. The Audit Committee oversees the Company's internal audit function and periodically reviews the responsibilities, resources, functions and performance of the internal audit department. The Committee reviews and discusses the internal audit plan, budget, activities, responsibilities and staffing of the internal audit organization. The Audit Committee Chair participates in the selection, and concurs in the appointment, performance review, replacement, reassignment, or dismissal, of the director of internal audit.



On an ongoing basis the Audit Committee reviews significant internal audit reports to management concerning the Company's risk management process and system of internal control, and management's responses to these reports. The Committee reviews significant findings on internal audits during the year, and management's responses, and respond to any difficulties the internal audit team encountered in the course of their audits, including any restrictions on the scope of their work or access to required information. The Committee inquires as to the adequacy of the Company's internal controls related to computerized information system controls and cyber security.

Management is responsible to report certain significant events to the Audit Committee including fraud, changes in significant accounting policies, legal matters that may have a material impact on the Company's financial statements, and changes in generally accepted accounting principles in the United States of America ("U.S. GAAP"). The Audit Committee reviews with management, the independent auditors, and the Company's counsel, as appropriate, any legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programs and reports received from regulators. The Audit Committee promptly discusses with management and the independent auditors any correspondence received from or sent to regulators or governmental agencies, and any published reports, that raise material issues regarding the Company's financial statements or accounting policies.

### **Independent Auditors**

The Audit Committee has the sole authority and direct responsibility over the selection, appointment, compensation, retention and replacement, if necessary, of the independent auditors, which report directly to the Audit Committee, for the purpose of preparing or issuing an audit report or performing other audit, review or attestation services for the Company. The Audit Committee also ensures that the lead (or concurring) independent audit partner does not serve in that capacity for more than five of the Company's fiscal years, or the length of the rotation requirement of the SEC or the Public Company Accounting Oversight Board (the "PCAOB"), whichever is shorter. In addition, the Audit Committee ensures that any partner other than the lead or concurring partner does not serve more than seven years at the partner level on the Company's audit.

The Audit Committee oversees the work of the independent auditors, and resolves any disputes between management and the independent auditors concerning financial reporting or accounting matters.



The Audit Committee pre-approves all auditing services and permitted non-audit services to be performed for the Company by its independent auditors in accordance with applicable Law. The Audit Committee may delegate such pre-approval authority to one or more Audit Committee members, provided that the delegate's decisions must be presented to the full Audit Committee at its next scheduled meeting.

The Audit Committee maintains open communications with the independent auditors and the management of the Company. At least annually, the Audit Committee meets with the independent auditors without the presence of the management of the Company. The Audit Committee Chairperson engages in open dialogue with the lead partner of the independent auditors as required.

The Audit Committee reviews the annual audit plans of the independent auditors.

The Audit Committee reviews the results of the annual audit of the independent auditors and recommends any action or responses deemed necessary. The Audit Committee also obtains from the independent auditors their report on the completeness of the audit procedures pursuant to the requirements to issue an audit opinion annually. The Audit Committee obtains and reviews an annual report from the independent auditors describing (i) the independent auditors' internal quality control procedures and (ii) any material issues raised by the recent internal quality control review, peer review, or PCAOB review, of the independent auditors, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the independent auditors, and steps taken to deal with any issues. Finally, the Committee obtains from the independent auditors the representation letters signed by the members of the management team attesting to their actions and responsibilities under U.S. GAAP and all applicable Laws.

The Audit Committee obtains, at least annually, a formal written statement from the independent auditors confirming their independence from the Company and disclosing all relationships and services which may impact the independent auditors' objectivity and independence.

The Audit Committee actively engages in a dialogue with the independent auditors with respect to any disclosed relationships or services that may impact the objectivity and independence of the independent auditors, and take appropriate action to oversee the independence of the independent auditors.

The independent auditors must report the following to the Audit Committee prior to the filing of audit reports with the SEC: (i) all critical accounting policies and practices to be used; (ii) all



alternative treatments within U.S. GAAP that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditors; and (iii) other material written communications between the independent auditors and management, including any management letters or responses to such letters. The Audit Committee considers and discusses these reports with the independent auditors.

The Audit Committee reviews whether management has sought a second opinion regarding a significant accounting issue from a source other than the independent auditors of the Company. If an opinion is obtained, management should provide to the Audit Committee the rationale for the particular accounting treatment chosen in light of a second opinion.

The Audit Committee reviews with management and the independent auditors the Company's annual audited financial statements, and related footnotes, and quarterly unaudited financial statements, including the disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations," prior to filing the Company's Annual Report on Form 10-K and Quarterly Reports on Form 10-Q, respectively, with the SEC.

The Audit Committee establishes policies for the Company's hiring of current or former employees of the independent auditors.

The Audit Committee reviews and evaluates the performance, qualifications and independence of the independent auditors annually.

### **Proxy Statement**

The Audit Committee prepares a report required by the rules of the SEC, to be included in the Company's annual proxy statement.

### **All Other**

The Audit Committee is empowered to investigate any matter brought to its attention within its scope of responsibilities, with full power to retain outside legal counsel and/or experts, and other advisors that the Committee determines necessary. The Company provides the necessary funding, as determined by the Audit Committee, for the payment of (i) compensation of the independent auditors engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company, (ii) compensation of any outside counsel or advisers engaged by the Committee and (iii) ordinary administrative expenses of the Audit Committee that are necessary or appropriate for carrying out its duties.



The Audit Committee establishes procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal controls or auditing matters, and the confidential, anonymous submission by employees of concerns regarding the Company's financial statements or accounting or auditing policies or matters.

The Audit Committee reviews and discusses with management: (i) all disclosures made by the Company concerning any material changes in the financial condition or operations of the Company; (ii) all material off-balance sheet transactions, arrangements, obligations (including contingent obligations), leases and other relationships of the Company with unconsolidated entities or other persons, that may have a material current or future effect on financial condition, changes in financial condition, results of operations, liquidity, capital resources, capital reserves or significant components of revenues or expenses; (iii) disclosures related to any equity investments, acquisitions and divestitures that may have a material current or future effect on financial condition, changes in financial condition, results of operations, liquidity, capital resources, capital reserves or significant components of revenues or expenses; and (iv) the status of the Company's income tax returns and related government audits, in addition to the Company's overall tax strategy, including areas requiring significant judgment or risk.

The Audit Committee reports regularly to the Board of Directors on its findings, recommendations and any other matters the Committee deems appropriate.

The Audit Committee conducts a self-evaluation on a bi-annual basis as a component of the Board of Directors' periodic self-assessment process.

The Chairperson of the Audit Committee is responsible for leadership of the Audit Committee, including, but not limited to, preparation of meeting agendas, presiding over the meetings, making Committee assignments, reporting to the Board of Directors and maintaining open communication with the independent auditors and management of the Company. The Chairperson of the Audit Committee also oversees the administration of the Company's Code of Business Conduct and Ethics and its Compliance Hotline. The Board of Directors, upon the recommendation of the Corporate Governance and Nominating Committee, may appoint a Vice Chairperson of the Audit Committee to assist the Chairperson of the Audit Committee in his or her duties.

The Committee does not itself prepare financial statements or perform audits, and its members are not auditors or certifiers of the Company's financial statements. It is not the duty of the Committee to conduct audits or to determine that the Company's financial statements and



disclosures are complete and accurate and are in accordance with U.S. GAAP and applicable Laws. These duties are the responsibilities of management and the independent auditors.

The Audit Committee performs any other duties and responsibilities that are consistent with the Committee's purpose, the Company's Articles of Incorporation and By-Laws, and applicable Laws, as the Board of Directors or the Committee deems necessary or appropriate.

#### **Article 4. Meetings**

The Audit Committee is expected to meet in person or by teleconference as often as it determines, but not less frequently than once each fiscal quarter. All meetings are called by the Chairperson of the Audit Committee, with the Audit Committee having sole authority to invite members of the Company's management, the independent auditors or others as determined necessary.

The Committee makes regular reports to the Board of Directors. The Committee convenes in executive session from time to time as deemed necessary or appropriate by the Committee. The Committee prepares an agenda and minutes of all of its meetings.

#### **Article 5. Voting**

Each member of the Audit Committee has an equal vote on all matters requiring voting. A simple majority in attendance decides the vote. In the case of a tie vote, the Chairperson of the Audit Committee is empowered to decide the outcome of the vote.

#### **Article 6. Charter Review**

This charter is reviewed by the Audit Committee and assessed for adequacy at least annually, and the Audit Committee submits any recommended changes to the Board of Directors for consideration and approval at the first meeting of the Board of Directors of each calendar year. The charter must at all times comply with applicable Laws.

February 22, 2019