COHERENT	*Coherent Corp. and its subsidiaries ("Coherent" or the "company")* *Subject:* **FOSSIL FUEL EQUIPMENT POLICY** *Effective Date:* March 11, 2024	**Policy No. ESG-002**

1.0 PURPOSE AND INTRODUCTION

A top priority in our Environmental, Social, and Governance (ESG) program is to reduce greenhouse gas (GHG) emissions as a company. Coherent Corp. has committed to achieve net-zero Scope 1 & Scope 2 emissions by FY2040.

This will be a long-term effort over many years. As we continue to seek and advance opportunities to reduce our emissions, we recognize that fossil-fuel-powered equipment is a significant contributor to our Scope 1 emissions.

Therefore, we must turn an extremely critical eye to the purchase of any equipment that operates on fossil fuels, especially equipment with a long service life that will impact our emissions for many years into the future. Furthermore, with a net-zero target of FY2040, the purchase of any fossil-fuel-powered equipment, regardless of service life, should be avoided unless there is no other technically feasible solution. Alternatives that do not require fossil fuel usage are strongly preferred. Recognizing that customer requirements to decarbonize are increasing, certain sites may be required to meet a net-zero target earlier than 2040, based on customer pressure specific to that site.

2.0 SCOPE

This policy applies to fossil-fuel-powered equipment owned or leased by Coherent Corp. and its subsidiaries, and applies to sites and operations globally regardless of where or how the equipment is used.

Examples of fossil-fuel-powered equipment at Coherent sites:

- Natural-gas-fired heating systems
- Backup emergency diesel generators
- Propane-powered forklifts
- Internal-combustion-engine (ICE) vehicles
    - The scope of this policy includes only company-owned or long-term leased vehicles
    - Vehicles used on short-term rentals such as business travel are not included
    - Employee-owned or -leased vehicles are not included, even when on-site.

3.0 RESPONSIBILITY

The Chief Sustainability Officer is responsible for definition, maintenance, and enforcement of this policy.

The site leader has ultimate responsibility for evaluating the need for additional fossil-fuel-powered equipment at the site, evaluation of alternatives, and obtaining the necessary additional approvals for any exemptions to this policy. Furthermore, the site leader has ultimate responsibility for development and execution of the plan to phase out all direct emissions related to fossil fuel usage at the site.

4.0 KEY TERMS

Scope 1 Emissions: direct greenhouse gas (GHG) emissions that occur from sources that are controlled or owned by an organization (e.g., emissions associated with fuel combustion in boilers, furnaces, vehicles), as defined by the World Resources Institute Greenhouse Gas Protocol.

Scope 2 Emissions: indirect GHG emissions associated with the purchase of electricity, steam, heat, or cooling, as defined by the World Resources Institute Greenhouse Gas Protocol.

5.0 THE POLICY

A. **Effective immediately, any decision to purchase or replace fossil-fuel-powered equipment should follow the guideline/requirements in this document.**

B. **Effective immediately, the purchase of any new fossil-fuel-powered equipment is prohibited unless a specific exemption is approved.**

   Exemptions from this policy will be considered based on technical and economic merits. Examples include:
   - Plant resiliency requirements for production capacity and/or life-safety requirements. In general, the primary system should be electrified, but use of a fossil-fueled backup system may be warranted.
   - Certain space heating and service water heating loads may be impractical to fully electrify. Dual-fuel heat pumps may be considered where full electrification is not practical due to cold climate zones, large system size requirements, or mission-critical uses.

   Requests for exemption are subject to the following additional requirements, in addition to normal capital and procurement approvals:
   - Financial models for the business case and cost comparison against non-fossil-fuel-powered options shall include an adjustment for the cost of carbon, based on the predicted lifetime emissions of the fossil fuel option. The ESG team will provide estimates upon request for the internal cost of carbon per metric ton of CO2-equivalent (MTCO2e) for use in this analysis.
   - Requests for exemption shall include the following information:
     - Site name
     - Reason for purchase
     - Expected service life
     - Non-fossil-fuel alternatives evaluated
     - Justification for a fossil-fuel-based option as the only technically or economically feasible option.
   - Explicit approval of the exemption is required from the Chief Sustainability Officer, the Chief Procurement Officer, and the segment president (for business units) or the company president (for corporate entities).

C. **Plan to eliminate emissions from existing fossil-fuel-powered equipment:** Each site operating existing fossil-fuel-powered equipment must develop a plan to eliminate those emissions no later than FY2040. Development of the plan should begin immediately and be factored into the site's strategic planning process beginning FY25 for the FY26 budget.

- The plan should be detailed in nature, down to each individual specific piece of equipment that uses fossil fuels.
- The plan should evaluate options to mitigate the emissions from each source, including the costs, timeline, and availability associated with each. Possible options include:
  - Replacing the equipment with electrically powered replacements, where technology is readily available. Examples include:
    - Replacing natural-gas-fired building heating systems with electric heat pumps
    - Replacing ICE vehicles with electric vehicles

    Note: In general, electrification is the preferred option, and sites should pursue full electrification to the greatest extent possible.

  - Operating the equipment on a carbon-neutral fuel source, where such fuels are available. Examples include:
    - Switching from conventional diesel fuel to biodiesel for emergency generators
    - Switching from natural gas to renewable natural gas or green hydrogen for fuel cells

  - Purchase of carbon-offset credits

    Note: Due to the difficulty of obtaining high-quality, credible offsets, this is considered a measure of last resort and requires explicit approval by the ESG team to be the selected option for any given fossil fuel emissions source. However, evaluation of this option may often provide a useful comparison against the cost of other options.

- The plan should consider and mitigate any potentially adverse effects on plant resiliency, such as:
  - Overall electricity supply capacity if there is significant increase in electrification
  - Backup fuel sources in emergency situations
- The costs associated with the plan will fall to the site and business unit financials, similar to all other expenses at the site, and should be budgeted accordingly.

6.0 RECORD RETENTION

There are no additional record retention requirements beyond Coherent Record Management Policy LAW-007.

7.0 WHAT ARE THE CONSEQUENCES FOR FAILURE TO COMPLY WITH THIS POLICY?

If you violate this policy, you may be subject to disciplinary action, including termination.

8.0 QUESTIONS AND REPORTS

Questions about this policy should be directed to esg@coherent.com.

If you believe this policy has been violated, you should discuss the situation with your manager, your local Human Resources representative, the approver of this policy, or the Chief Legal and Compliance Officer, or call the Coherent Compliance Hotline at +1-866-829-3062.

9.0 COMMUNICATION

This policy and any future changes will be communicated by the Chief Sustainability Officer. The company reserves the right to modify this policy, as needed, to reflect changes in applicable laws or otherwise.

APPROVALS	APPROVALS COMPLETED DATE
Tim Challingsworth, Chief Sustainability Officer	March 11, 2024

REVISION HISTORY

Revision	Date	Description of Change	Requested By
Original	March 11, 2024	n/a	n/a