

ESG REPORT 2023

SUSTAINABLE.
INCLUSIVE.
PRINCIPLED.
INNOVATIVE.

COHERENT



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INTRODUCTION

FROM THE CHAIR AND CEO

SUSTAINABLE. INCLUSIVE. PRINCIPLED. INNOVATIVE.

Those powerful words are ingrained in our Coherent DNA, as a global leader in materials, networking, and lasers. We have a proud legacy of delivering **innovations that enable the world to be safer, healthier, closer, and more efficient** – in fact, that's our mission and the primary driver of our commitment to excellence in everything we do. As we seek to define the future through breakthrough technologies for the industrial, communications, electronics, and instrumentation markets, our actions as a company have more relevance than ever and truly resonate for generations to come.

Over the past year, we have made significant strides in our environmental, social, and governance (ESG) performance. In the pages to follow, we share how we manage key ESG topics and positively address our metrics, in collaboration with our employees, customers, and supply chain partners.

At Coherent, **sustainability is an all-hands issue**. Every employee is expected to integrate ESG thinking into their decisions and actions. We have updated our Strategic House to explicitly incorporate this sustainability principle. In that light, sustainability is no less business-critical than safety, quality, and how we treat our people, in terms of the unwavering focus we demand of ourselves to maintain our high standards.

Furthermore, we treat **sustainability as a whole-supply-chain issue**. We will not simply select suppliers based on the products and services they are able to provide to us; we also consider the manner in which they operate. Supplier ESG performance is a factor in our procurement decisions, and I expect its importance and weight in those decisions to only grow over time. Those suppliers who partner with us on this journey will enjoy the rewards as Coherent grows and succeeds.

Having already come a long way, we are ever more aware of how far we can still go in our ESG journey. I am proud today of our progress, and I look forward to next and beyond. By focusing on our unique strengths of being **sustainable, inclusive, principled, and innovative**, we will continue to create long-term value for all of our stakeholders.

Sincerely,



Dr. Vincent D. (Chuck) Mattera, Jr.

Chair and CEO



INTRODUCTION

FROM THE ESG COMMITTEE CHAIR

On behalf of the Coherent Board of Directors and its Environmental, Social, and Governance (ESG) Committee, thank you for choosing to read our 2023 ESG Report.

Business financial success and sustainability are increasingly intertwined, and we take our oversight role of Coherent's performance in all aspects of ESG extremely seriously. Ultimate accountability for ESG-related outcomes rests with the Board.

We monitor ESG trends with customers, investors, and the performance of our competitors. These trends inform our ESG priorities, while Coherent's I CARE values serve as the ethical North Star to guide our path. Performance against those priorities is rightly a factor in our evaluation of the CEO and management.

Coherent is a forward-looking company. As its Board, our duty to empower strategy, encourage data-driven decision-making, and demand fiduciary responsibility is always focused through the lens of sustainability. If we do the right things, and do things the right way, we believe customers and investors will recognize it, and our financial performance will reflect it.

Sincerely,



Enrico Digirolamo

Chair, ESG Committee, Board of Directors



ABOUT US

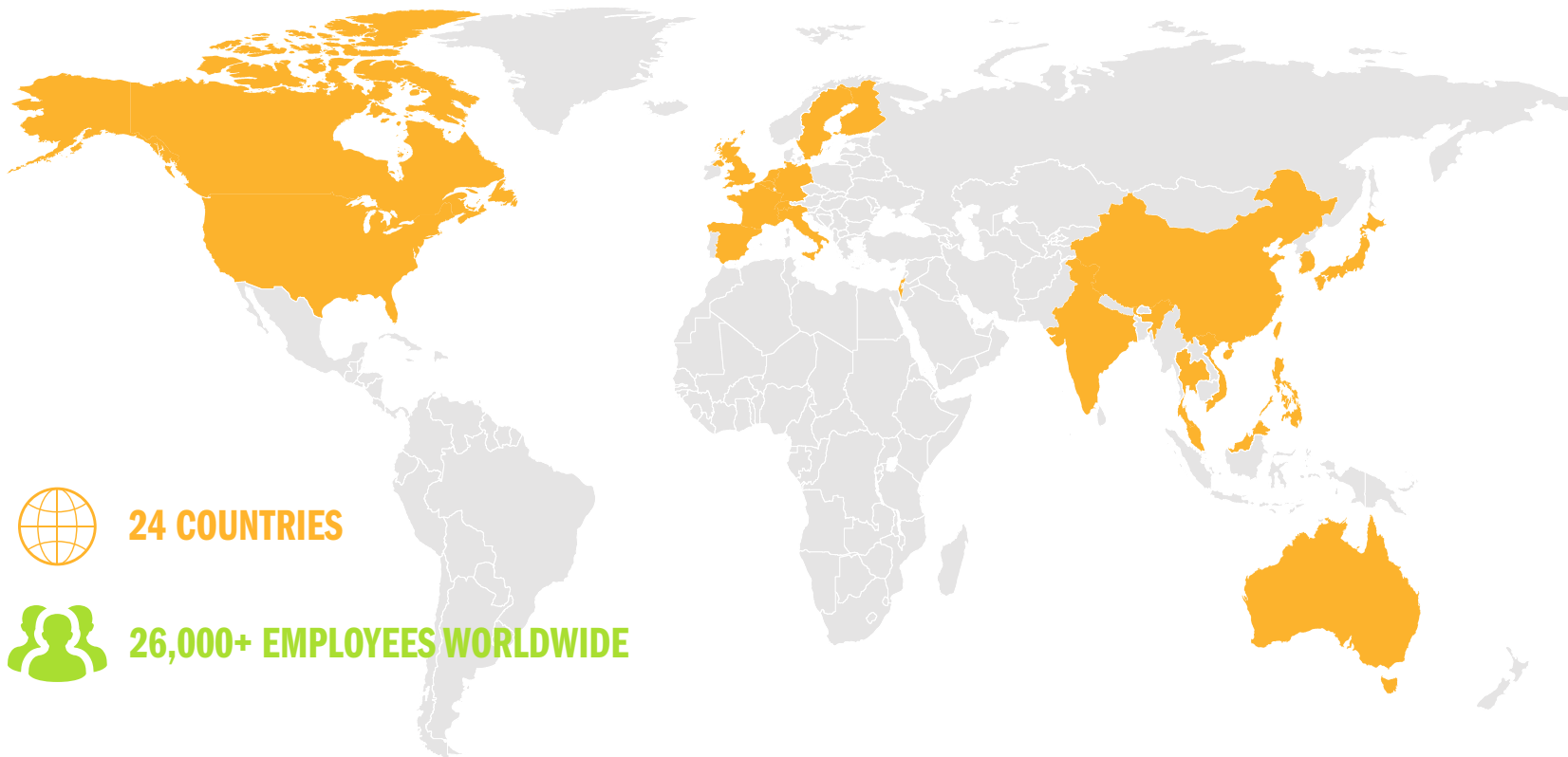
Coherent Corp. marked its first full year in 2023 as a new powerhouse in materials, networking, and lasers following the combination of the former II-VI Incorporated and its acquisition, Coherent, Inc.

Headquartered in Saxonburg, Pennsylvania, with a global footprint spanning 24 countries, Coherent is a vertically integrated manufacturing company that develops innovative products for the industrial, communications, electronics, and instrumentation markets. We empower innovators to define the future through breakthrough technologies, from materials to systems.

The name Coherent has a universal meaning of “bringing things together” and not only represents our reputation for innovation and excellence, but also reflects our inclusive and vibrantly diverse workforce of over 26,000 employees worldwide.

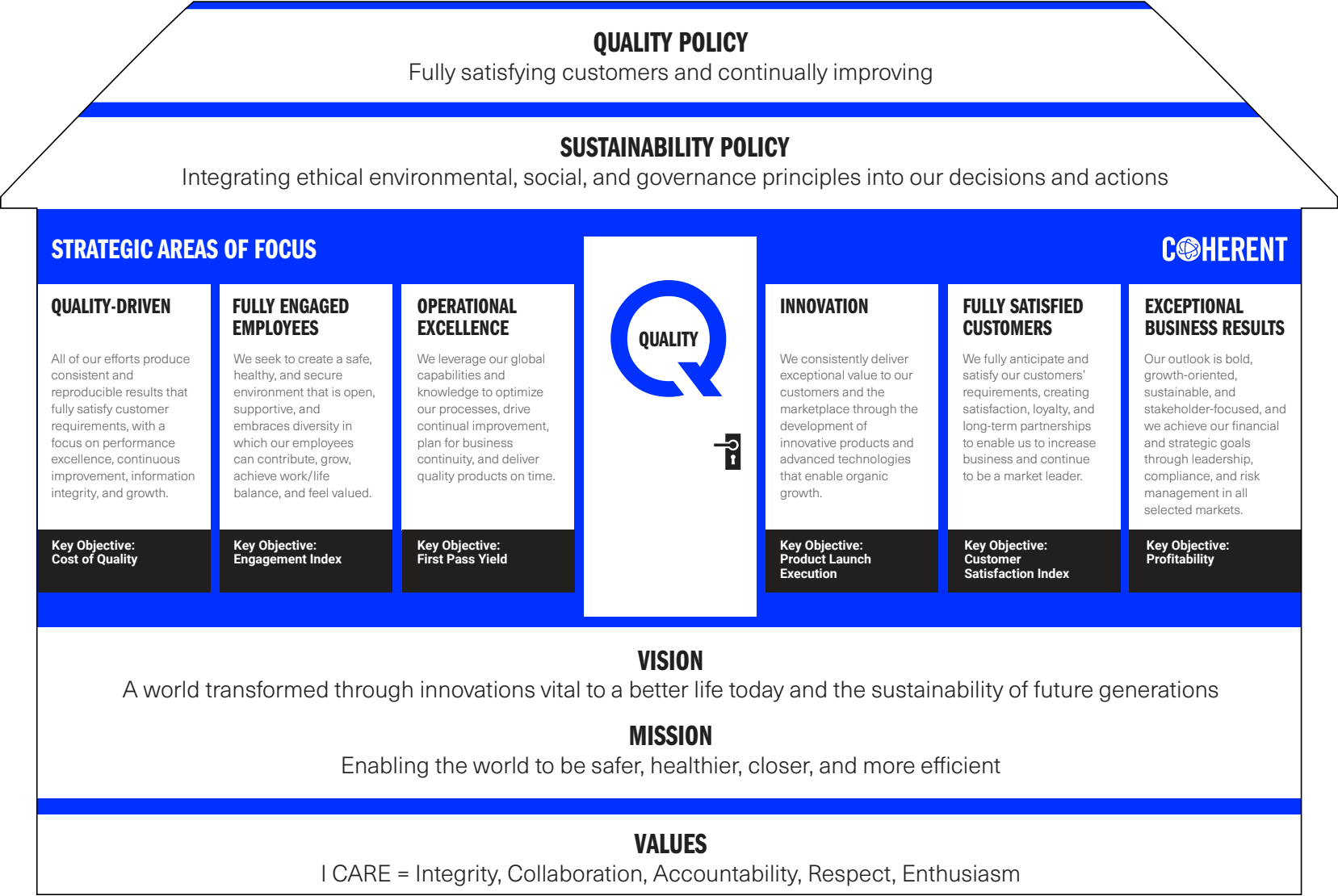
As the new Coherent, we are proud of our strong heritage, long history, and deeply held values, which support our vision of a world transformed through innovations vital to a better life today and the sustainability of future generations.

SUSTAINABLE. INCLUSIVE. PRINCIPLED. INNOVATIVE. THAT'S COHERENT.



OUR STRATEGIC HOUSE

We developed the Coherent Strategic House to illustrate our approach to long-term sustainable growth. The Strategic House serves as a framework to communicate who we are today, how we measure progress internally, and how we will achieve our desired future.



The foundation of our Strategic House is our shared values: Integrity, Collaboration, Accountability, Respect, and Enthusiasm. These values formulate our global culture. Together, they spell out I CARE and serve as our compass while we navigate our routine interactions and day-to-day operations.

The values allow us to make a powerful statement through our conduct; our care for our people, stakeholders, interested parties, customers, suppliers, and business partners; our care for the environment and society; and proper governance.

- **Integrity** – Create an Environment of Trust
- **Collaboration** – Innovate Through the Sharing of Ideas
- **Accountability** – Own the Process and the Outcome
- **Respect** – Recognize the Value in Everyone
- **Enthusiasm** – Find a Sense of Purpose in Work

Our organizational vision and mission sit above the values in the house and illustrate that our desired future state points to a world transformed by our technological advances provided through sustainable practices.

The main structure of the house is supported by our six strategic areas of focus:

- **Quality-Driven:** Our starting point is the quality of processes and products.
- **Fully Engaged Employees:** Our diverse employee base operates within an open and balanced culture.
- **Operational Excellence:** Manufacturing and servicing are key core competencies that provide quality outputs to our interested parties.
- **Innovation:** We constantly transform our technology to push scientific boundaries and produce exceptional products for our customers.
- **Fully Satisfied Customers:** We seek long-term partnerships with key customers, made possible by world-class satisfaction levels with our products, services, and sustainable processes.
- **Exceptional Business Results:** We seek win-win relationships with customers and suppliers to create sustainable growth and profitability.

The roof of our house includes our **Sustainability Policy**. We integrate ethical ESG principles into our decisions and actions across all areas of the business.



One enters our Strategic House through the door of Quality. The capital Q is symbolic of our belief that our Quality Management System applies to each employee, every administrative department, every production department, and every support function. Our simply stated but powerful **Quality Policy** is the same in all of our worldwide operations: We fully satisfy our customers, and we focus on process and product improvement. “Customers” is inclusive of all interested parties and covers all requirements, including those related to ESG, regulatory, and statutory as well as product characteristics.

Our Strategic House poster is translated into multiple languages and displayed in our lobbies and in main conference rooms globally.



2023 ESG HIGHLIGHTS

COMPANY STATS

Name: **Coherent Corp. (NYSE: COHR)**

Founded: **1971**

Headquarters: **Saxonburg, Pennsylvania, USA**

Worldwide Employees: **26,000+**

Research and Development Employees: **2,400+**

Countries: **24**

FY2023 Revenue: **\$5.2B**

Core Competencies: **Materials, networking, and lasers**

Patents: **3,000+**

RECENT AWARDS

- 2023 Top-Rated ESG Company – Sustainalytics (2023)
- Supplier Award for Sustainability Performance – Siemens (2023)
- Bronze Medal Sustainability Rating – EcoVadis (2023)
- ECOC 2023 Most Innovative Product – Photonics Component (2023)
- Honored by Lightwave Innovation Reviews for three industry-leading products (2023)
- Supplier Excellence Award from Applied Materials, Inc. (2022)
- ECOC 2022 Exhibition Industry Award for Optical Integration (2022)
- Forbes America's Best Mid-Sized Companies (2021)
- Environmental Protection Outstanding Contribution Award (2021)

ENVIRONMENT HIGHLIGHTS

- **We set a net-zero Scope 1 and Scope 2 greenhouse gas emissions target of FY2040.**
- We're obtaining over 50% of our global energy needs from renewable energy sources for FY2023. This represents over 400,000 MWh of renewable energy, mitigating over 175,000 metric tons of CO₂ emissions.
- We're obtaining 100% of our electricity needs for all sites in Europe from renewable energy sources.
- Our highest-energy-consuming site in China (Fuzhou) is using 100% renewable electricity, and our largest-footprint plant in China (Wuxi) is on track to ramp to 100% renewable electricity by 2025.
- We completed multiple energy-efficiency projects in facilities around the globe, saving an incremental 14 million kWh per year. Including projects completed in prior years, Coherent saved over 26 million kWh per year through our energy-efficiency efforts.

PEOPLE HIGHLIGHTS

- We streamlined talent management processes to improve the experience for both managers and employees; expanded our diversity, equity, and inclusion efforts; and harmonized practices and policies from the recent acquisition of the former Coherent, Inc.
- With the acquisition of the former Coherent, Inc., in July 2022, our global workforce is 44% female, with 11,819 females, 14,871 males, and 224 undisclosed as of June 30, 2023. The 5% decline in the number of female employees as a percentage of our total workforce in FY2023 over FY2022 occurred due to the lower proportion of women in the former Coherent, Inc.'s, workforce at the time it was acquired on July 1, 2022.



GOVERNANCE HIGHLIGHTS¹

- Board members are limited to serving on a maximum of four public company boards.
- 13 of 14 Board members (93%) are independent.
- 10 of 14 members (72%) joined the Board in the past five years.
- 8 of 14 Board members (57%) are female and/or ethnically diverse.
- All Board members appointed since 2019 are female and/or ethnically diverse.²
- Average Board tenure is 5.1 years, and the median tenure is 3 years.
- All of our Board committees are independent.
- ESG oversight is managed at the Board of Directors level through its Environment, Social, and Governance (ESG) Committee; operationally, ESG is under the direction of our Chief Sustainability Officer.
- We confirmed our commitment to comply with the Responsible Business Alliance (RBA) Code of Conduct.
- We launched a new [ESG webpage](#) with links to our ESG Report and ESG-related policies. Over two dozen ESG-related policies have been updated and standardized globally.
- ESG-related policies are available to employees on our intranet in multiple languages.

PRODUCT HIGHLIGHTS

- Coherent's silicon carbide (SiC) substrates and the SiC metal-oxide semiconductor field-effect transistors (MOSFETs) built on them will further enable our customers to bring to market ever-more efficient high-performance electric vehicles, industrial motors, and renewable energy systems.
- Coherent's Streamlined Hydrometallurgical Advanced Recycling Process (SHARP) technology to efficiently recover critical metals in lithium-ion battery recycling will help ensure that the battery EV revolution of today does not become a massive battery waste problem of tomorrow.

- Coherent has developed a revolutionary patented sulfur immobilization chemistry that enables improved battery performance, widely considered an essential requirement for accelerating the electrification of the global economy.
- Coherent has developed and patented a process for scandium recovery from industrial waste. Scandium is a critical material used in high-efficiency solid-oxide fuel cells and electrolyzers.
- Coherent has been manufacturing uncooled semiconductor pump lasers for optical transport telecommunications applications for nearly 20 years, with significant energy savings over each laser's lifetime operation in the field.
- Coherent lasers continue to revolutionize manufacturing processes across many industries, resulting in reduced processing times, fewer chemicals used, less waste, and lower energy consumption. Industrial examples include laser cutting, marking, welding, cleaning, and paint stripping.

SUSTAINABLE PROCUREMENT HIGHLIGHTS

- Coherent issued a [Supplier ESG Standards statement](#).
- We adopted the RBA Code of Conduct as our [Supplier Code of Conduct](#).
- We harmonized and updated our [Supplier Diversity Program](#) for the new Coherent Corp.
- We standardized and updated our purchase orders globally to reference our Supplier Code of Conduct, ESG Standards statement, other policies, and expectations as a contractual requirement.
- We launched a project with an external consultant and prominent university to develop a supply chain decarbonization program.

¹ Board statistics are as of November 2023.

² Excluding those selected by Finisar, Bain, and Coherent, Inc., in connection with the acquisition of Finisar and Coherent, Inc.



ABOUT THIS REPORT

REPORTING YEAR AND SCOPE

Unless otherwise specified, data and commentary are for Coherent's fiscal year 2023 (July 1, 2022 – June 30, 2023), and all references to a “year” refer to fiscal years. Where appropriate, data from prior years is included for context or to show year-over-year trends.

The scope of this ESG Report refers to the entirety of Coherent's global business operations during the fiscal year referenced, with no exclusions. Over the years, the company has acquired a number of businesses. Wherever applicable, data from their activity is included from their acquisition date onward. For climate-related impacts, we use an Operational Control reporting boundary.

GUIDING PRINCIPLES

Coherent's mission is enabling the world to be safer, healthier, closer, and more efficient. We seek to provide transparency in our ESG reporting and provide ESG information that is as accurate and complete as possible. Obtaining complete data on all parameters is not always possible; in such cases, we may provide good-faith estimates. We may choose to not report on some specific issues if the data is considered proprietary, sensitive, or protected by regulation or law.

ESG is an all-hands issue, similar to safety and quality. We expect every employee to integrate ethical ESG principles into their decisions and actions. We consider our ESG performance and impact to be a whole-supply-chain issue, extending beyond the walls of our own operations. In particular, we recognize that ESG-related actions that our suppliers take, or fail to take, in providing goods and services to Coherent are a reflection on us. We have the ability and the obligation to improve sustainability in our entire supply chain. That said, we will always hold ourselves to at least as high a standard as we expect from our supply chain partners.

Coherent supports standardization of ESG reporting. This report is indexed according to the Sustainability Accounting Standards Board

(SASB) framework. Coherent reports its greenhouse gas (GHG) emissions and water usage publicly through CDP, and we support our customers' requests for ESG information through standard surveys such as EcoVadis and RBA. Furthermore, we will use some of those same standard tools when collecting ESG information from our suppliers rather than introduce additional complexity and reporting burden on our suppliers by using customized or unique surveys.

We will always be guided by our company values, which are Integrity, Collaboration, Accountability, Respect, and Enthusiasm, or I CARE, both in our actions related to ESG and in our reporting of our ESG progress.

ESG APPROACH AND OVERSIGHT

ESG is a cornerstone of the culture of Coherent and demonstrates our commitment to our core values. By prioritizing responsible business practices, we achieve our goals and uphold those values. We have a dedicated focus on governance and compliance, which ensures adherence to all applicable laws and regulations as well as commitment to the integration and management of ESG factors into our overall strategy and decision-making processes. We consider the impact of our actions on the environment, society, and stakeholders and ensure effective governance practices are in place. Our approach helps Coherent to manage risks, drive sustainable growth, and contribute to a more sustainable and inclusive world.

Our entire workforce, management team, and Board members are actively involved in our ESG initiatives. Leading these efforts is our Chief Sustainability Officer, who works alongside the Vice President of Global Risk and Corporate Responsibility and the Director of Sustainability. Together, they oversee ESG performance and initiatives, enterprise risk management, M&A and integration activities, and other corporate development programs while supporting a strong focus on ESG principles in all activities.

The role of the Environmental, Social, and Governance (ESG) Committee of the Board of Directors includes oversight of key ESG initiatives and practices. The ESG Committee provides guidance of the company's sustainability vision and

helps to establish our ESG goals. This includes ensuring that the governance of the company complies with all applicable laws and regulations. The ESG Committee also defines the qualifications for, and considers and appoints, qualified candidates for all Board positions, and for the CEO position. The committee meets quarterly to review ESG strategy and align that strategy with the company's business plans and stakeholder engagement.

ESG PILLARS

ESG is essential to Coherent's success and to fulfilling our mission. We are focused on long-term, sustainable value creation and the responsible management of Coherent globally. **Coherent's work in ESG focuses on the following key pillars and topics:**

ENVIRONMENT

- CLIMATE AND ENERGY MANAGEMENT
- WATER
- WASTE MINIMIZATION
- AIR POLLUTION CONTROL



PEOPLE

- HEALTH AND SAFETY
- HUMAN RIGHTS
- DIVERSITY, EQUITY, AND INCLUSION
- EMPLOYEE WELLNESS
- TALENT ACQUISITION
- TALENT MANAGEMENT
- COMMUNITY ENGAGEMENT



GOVERNANCE

- CORPORATE GOVERNANCE
- ETHICAL BUSINESS CONDUCT AND COMPLIANCE
- ENTERPRISE RISK MANAGEMENT
- DATA PRIVACY AND SECURITY



OUR PRODUCTS

- INNOVATION AND IMPACT
- PRODUCT SAFETY
- CIRCULAR ECONOMY
- PRODUCT QUALITY AND LEAN MANUFACTURING



SUSTAINABLE PROCUREMENT

- SUPPLIER CODE OF CONDUCT
- SUPPLY CHAIN DECARBONIZATION
- SUPPLIER DIVERSITY
- ANTI-FORCED LABOR
- SOURCING OF RESPONSIBLE MINERALS



MATERIALITY ASSESSMENT AND ALIGNMENT WITH ESG STANDARDS

We have conducted a materiality assessment, based on the principle of double materiality, to understand which ESG areas are most significant to Coherent and aligned our ESG program and priorities accordingly. This process included our own understanding of our company and the world around us; inputs from a number of customers across all of our operating segments; investors; statements, reports, and principles from leading nongovernmental organizations; actions we see our competitors taking; and well-recognized international standards for ESG programs.

AS A RESULT, WE ARE ALIGNED WITH AND ASPIRE TO ADHERE TO THE PRINCIPLES OF THE FOLLOWING ORGANIZATIONS:

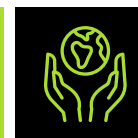
- Responsible Business Alliance (RBA)
- Science Based Targets Initiative (SBTi)
- UN Global Compact (UNGC) and Sustainable Development Goals (SDGs)
- International Labor Organization (ILO)



OUR TOP INTERNAL ESG PRIORITIES TO ADDRESS ARE:

ENVIRONMENT

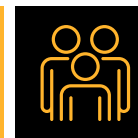
Minimizing adverse environmental impacts



- **Climate action**
- **Water usage**
- **Waste minimization**

SOCIAL

Improved outcomes for people and communities



- **Human rights**
- **Diversity, equity, and inclusion**

GOVERNANCE

Strengthened governance and resilience



- **Compliance with all laws and regulations that apply to us**
- **Operating with the highest ethical standards, free of corruption, bribery, fraud, and conflicts of interest**

These are not the only areas under the ESG umbrella that we consider important, nor the only ones we will work on, but they are the most material issues to our current business operations. Coherent intends to periodically reevaluate materiality and update our ESG priorities accordingly.

UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

At Coherent, we work to make the world safer, healthier, closer, and more efficient, and we believe that our commitment to the United Nations Sustainable Development Goals (SDGs) is a key part of achieving this mission.

Of the 17 goals, the following six SDGs are of particular importance to our current business operations. These initiatives show how Coherent integrates SDGs into its business strategy and operations, demonstrating its commitment to sustainability and corporate responsibility.

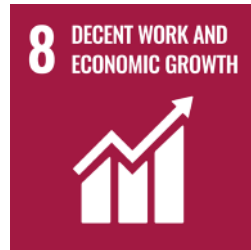
SUSTAINABLE DEVELOPMENT GOALS



Coherent promotes gender equality with a 44% female workforce.



Coherent has assessed its water usage globally, conducted a water stress analysis for every site, and is developing water conservation plans.



Coherent fosters a safe and healthy work environment and encourages employee professional development.



Coherent products are at the forefront of our customers' efforts to address climate change, including, among many others, electric vehicles, laser manufacturing, and energy-efficient networking products.



Coherent implements lean manufacturing, manages energy use, reduces waste, and has implemented recycling programs.



Coherent obtains >50% of its energy from renewable sources and set a net-zero Scope 1 and Scope 2 GHG emissions target of FY2040.



ENVIRONMENT

We continue to broaden the awareness of environmental sustainability among our employees and incorporate sustainable business practices into our operations. In FY2023, we updated our corporate [ESG policy](#) and issued a global [Environmental, Health, and Safety \(EHS\) policy](#) to clearly define and communicate our intentions in these areas to all of our employees as well as external stakeholders. Both policies are available on the Coherent website at coherent.com/company/investor-relations/governance. Key excerpts from these policies related to environmental practices are:

- We will comply with all applicable environmental, health, and safety laws, regulations, and standards.
- We will continue to make EHS an integral part of Coherent's lifecycle of manufacturing, distributing, using, recycling, and disposing of our products and waste.
- We will relentlessly drive a culture of continual improvement to achieve energy- and EHS-related performance.
- We will take action to minimize natural resource use and impacts to the environment, including but not limited to the reduction of energy use, CO₂ emissions, water use, hazardous and nonhazardous solid waste, and other gaseous emissions and effluents.
- We will continue to strive to prevent pollution and conserve natural resources through reducing waste, maximizing reuse and recycling, and the use of renewable energy.
- We will consider energy efficiency during design activities and the procurement of new systems, processes, services, and products.
- We will involve our employees in the development, implementation, training, and continual improvement of our EHS and ESG programs.
- We will continue to set goals to meet our objectives for continual improvement, and we regularly conduct EHS reviews and assessments to ensure that these management commitments are properly in place throughout the company.

- We will continue to communicate regularly with our employees, customers, suppliers, the public, and other stakeholders about our EHS and ESG performance and initiatives.

Efforts to mitigate our environmental footprint and act as responsible environmental stewards are core to our EHS and ESG commitments.

CLIMATE AND ENERGY MANAGEMENT

Coherent recognizes climate change as a significant challenge for the world and all life on it, and we are doing our part to reduce the global reliance on fossil fuels. Our efforts on this front span across our internal operations, upstream into our supplier base, and downstream with our customers using our products.

UPSTREAM

Working with our suppliers to educate about, encourage, and insist upon decarbonization of their operations supplying Coherent. See the SUSTAINABLE PROCUREMENT section.

COHERENT OPERATIONS

Addressing energy management in Coherent's operations to ultimately achieve net-zero Scope 1 and Scope 2 emissions.

DOWNSTREAM

Providing products that have a reduced total lifecycle greenhouse gas footprint and/or help our customers to reduce their greenhouse gas emissions. See the OUR PRODUCTS section.



ENERGY MANAGEMENT IN COHERENT’S OPERATIONS

NET-ZERO SCOPE 1 AND SCOPE 2 CO₂ EMISSIONS TARGET

Coherent tracks our energy usage and Scope 1 and Scope 2 emissions from all our operations worldwide. This internal tracking has been in place since FY2021, as have our efforts to reduce and mitigate our CO₂ footprint. Coherent will continue these efforts with the goal of achieving net-zero Scope 1 and Scope 2 emissions from our internal operations by FY2040.

Coherent has set a target of achieving net-zero Scope 1 and Scope 2 emissions from our internal operations by FY2040.

Coherent recognizes that setting a net-zero Scope 1 and Scope 2 CO₂ emissions target is an important, ambitious step aligned with achieving a 1.5°C future. The target we have set is based on, among other factors, our current emissions, growth projections, existing GHG accounting protocols, and market projections on the availability and cost of renewable energy and carbon offsets.

We also understand outside influences will shape our journey, and progress will not always be linear. For example, future growth and acquisitions may increase our emissions at times that temporarily exceed our efforts to reduce emissions. Adapting to evolving net-zero standards, regulatory changes, and renewable energy market dynamics are essential elements of our ESG strategy. Specifically, since approximately 90% of our Scope 1 and Scope 2 emissions footprint is electricity-based, material changes to Scope 2 emissions accounting methodologies or availability of reasonably priced market-based renewable energy solutions would require a reevaluation of our strategy and possibly a change in our target.

As our organization grows and market conditions evolve, we commit to driving action and transparent communication of our emissions and our emissions reduction challenges and progress.

Coherent has selected FY2023 location-based emissions as our baseline to track our progress against. This selection is due to this both being the year we have committed to a net-zero target and our first year of operation as Coherent Corp.

Establishing a net-zero target is an important step, and the company recognizes that setting interim objectives along the journey is important to ensure continued progress against the end goal. Coherent has established several internal milestones and will announce progress against these internal milestones as they are achieved, through our annual ESG Report, CDP disclosures, and other announcements and communications.

DECARBONIZATION LEVERS

Coherent has partnered with Siemens to enable and accelerate our efforts to reduce our CO₂ emissions. Siemens is a recognized world leader in sustainability, with more than 20 years in the Dow Jones Sustainability Index (DJSI) World Index Top 10%, including a #1 ranking in Industrial Conglomerates, and over 10 years at the leadership level (A/A-) in the CDP Climate Change ratings. This partnership, now in its fourth year, has enabled Coherent to clearly define our decarbonization strategy and roadmap as well as make significant progress even prior to publicly announcing our net-zero target. We have identified and prioritized several levers to rapidly and completely decarbonize Coherent's operations.



MOVING DECARBONIZATION FROM STRATEGY TO ACTION



Source: Siemens

Siemens also tracks Coherent's energy usage and computes the company's GHG emissions in accordance with the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD) GHG Protocol Corporate Standard and Scope 2 Guidance addendum. The underlying data leveraged for these carbon-accounting efforts is the energy utility invoice data managed by Siemens on behalf of Coherent. For additional information on the methodology used, please visit this [link](#). Continuing to monitor and manage our emissions will help us stay on track to our commitment.



By Coherent's estimation, partnering with Siemens accelerated the development and execution of our decarbonization roadmap by several years. In recognition of these outstanding contributions to Coherent's sustainability efforts, Coherent named Siemens as our Supplier of the Year in the ESG category in FY2023.

Lever 1: Procure Clean Energy

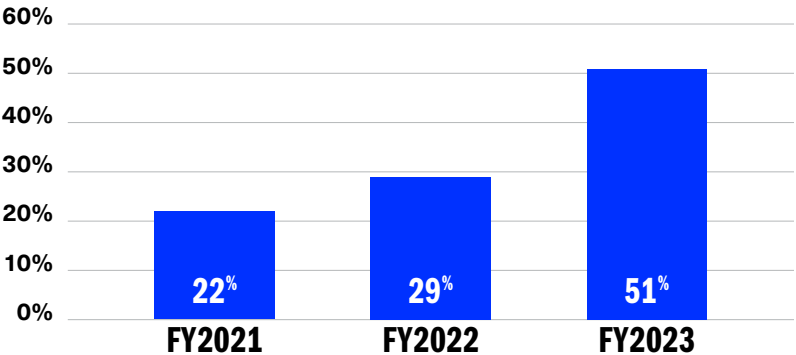
The biggest and strongest lever at Coherent's disposal is procuring clean energy. The Coherent energy mix is dominated by electricity, at approximately 90%. Renewable energy procurement is readily available at a commercially reasonable cost in most locations where Coherent operates.

Since 2020, Coherent has included renewable energy purchases in every new electricity contract it has entered, to increase our proportion of renewable energy unless the site was already at 100% renewable. As of Earth Day 2023, Coherent had surpassed >50% of our electricity supply being procured from renewable sources. This includes:

- Obtaining 100% of electricity needs for all sites in Europe from renewable energy sources.
- Our highest-energy-consuming site in China (Fuzhou) is now also using 100% renewable electricity, and our largest-footprint site in China (Wuxi) is on track to ramp to 100% renewable electricity by 2025.
- Dozens of other sites around the world are procuring 100% renewable electricity.

We expect to continue to increase our renewable electricity supply until ultimately achieving 100% renewable electricity no later than FY2040.

PERCENTAGE OF ENERGY FROM RENEWABLE SOURCES



Coherent's largest-footprint site in China (Wuxi) installed solar water heaters. Free energy from the sun saves approximately 250,000 kWh per year of electricity, replacing electric water heaters.



Lever 2: Reduce Consumption

Coherent's facilities and engineering teams evaluate opportunities to operate facilities, equipment, IT infrastructure, and production processes in a more efficient, less energy-intensive manner.

This includes a wide range of different facility projects, including:

- Energy-efficient lighting and controls to shut off lights when a space is not in use.
- Upgrading air compressors, pumps, and chillers to more energy-efficient models.
- Implementing variable-frequency drives (VFDs) on a variety of equipment.
- Securing equipment when not in use, including production equipment, air conditioning, and IT equipment.
- By using server virtualization technology and Cloud SAS services, reduce the number of physical servers used in IT Infrastructure, thus saving power associated with powering the servers and cooling the IT infrastructure.
- Fixing air leaks to reduce load on air compressors.
- Fan speed optimization.
- Cooling tower cleaning.
- Waste heat recovery.
- Replacing a large number of small vacuum pumps with a more efficient vacuum system for the entire factory.
- Implementing thermoelectric coolers (TECs) in production test setups as a more efficient method of temperature control than previous methods. As an added bonus, this also significantly reduced noise in the production area.

Optimizing production processes provides for additional energy savings:

- Several products require thermal cycling or burn-in periods during production and testing to ensure reliable performance in the field. Once adequate reliability data is available, these burn-in processes are reevaluated and reduced, saving significant energy once we are confident product performance and reliability will not be compromised. As an example, for one product, burn-in was reduced from 84 hours to 30 hours, saving over 1,000,000 kWh annually.
- Every percentage point of yield improvement in production means we can produce the same output with less production, less waste, and less energy use. Please see the section on Lean Manufacturing for additional detail.

Coherent is working to eliminate fossil fuel usage in its facilities. Our team in Zurich, Switzerland, implemented engineering improvements to recover waste heat from the manufacturing process to reduce the usage of fuel oil in the facility by approximately 50%. Further improvements are under development, and the site is planning to phase out all fuel oil usage entirely in the coming years.

Cumulatively, energy savings projects completed in FY2023 will save approximately 14 million kWh annually. Including projects completed in prior years, Coherent is saving over 26 million kWh annually as a result of our energy efficiency programs. This amounts to a ~3% reduction in our total annual energy usage.

Lever 3: Produce Energy On-Site

Coherent has on-site solar photovoltaic systems at facilities in California, Vietnam, Germany, and Scotland. Additional systems are being evaluated for other locations on a case-by-case basis. In general, Coherent facilities use a relatively large amount of electric power in a relatively small space. Due to this high-energy-density footprint, on-site solar will typically only offset ~5% of the site's total electric demand. Every kilowatt-hour makes a difference in the global effort to decarbonize our energy supply, and Coherent will pursue on-site solar in every location where it makes sense. There are additional benefits to on-site generation including resiliency, alleviating demand on the electric grid, and more predictable costs. However, Coherent expects that off-site renewable energy procurement (Lever 1) will continue to be a more significant factor in our decarbonization efforts than on-site generation.



Lever 4: Transition to Electrification (Fossil Fuel Elimination)

Coherent recognizes direct emissions (Scope 1) from the use of fossil fuels as harder to mitigate than emissions from electricity usage (Scope 2), and has outlined a plan for significantly reducing fossil fuel usage over time.

Several Coherent facilities use natural gas or other fossil fuels for building heat, steam generation, or other purposes. In general, these are for facility use and are not integral to the Coherent production process; therefore, these fuels can be replaced over time as the fossil-fuel-powered equipment wears out or becomes obsolete. Equipment replacements will favor electric or non-fossil-fuel-based systems, but existing equipment may remain in operation for several years until it reaches its obsolescence.

Coherent does not have a significant company-owned or leased vehicle fleet. However, Coherent intends to formalize a policy that all new company-purchased or leased vehicles will be electric vehicles. The existing internal combustion engine fleet will be retired as those vehicles reach the end of their useful life.

Coherent uses fossil-fuel-powered fuel cells at three locations as primary electrical generation for high reliability. This equipment can be converted to operate on green hydrogen when green hydrogen is generally available. Coherent does not have a deterministic timeline for this conversion.

Coherent uses fossil-fuel-powered electric generators for emergency generation at several sites. There is no plan to replace this equipment, as there is no practical replacement technology at this time. Emergency generation is necessary for continuity of operations, to prevent loss of product, and in some cases for maintaining the operation of critical life-safety equipment in the event of a grid power outage. Coherent will continue to monitor technological advancements and clean fuel alternatives for future viability to support our climate commitments while meeting resiliency and uptime requirements.

Lever 5: Fill the Gaps – Credit Sourcing

Coherent projects that Levers 1-4 will be capable of reducing >90% of our Scope 1 and 2 baseline emissions over time. However, Coherent also recognizes that some emissions sources cannot be addressed by Levers 1-4. In particular, the use of fossil fuel emergency electrical generators has no practical replacement at this time. Coherent also uses certain chemicals in its semiconductor manufacturing process that produce greenhouse gases.

Additionally, fugitive emissions of various refrigerants will continue to be a minor emissions source. Coherent will investigate and procure high-quality carbon offsets as needed to offset these residual emissions. Coherent is not purchasing any carbon offsets at this time, but expects they will be necessary to fully meet our net-zero FY2040 commitment. Coherent expects that the eventual quantities of carbon offsets needed will be consistent with leading net-zero guidance that offsets should account for not more than 10% of total emissions.

INTERNAL CARBON PRICING

As a mechanism for factoring climate impact into our business decision-making processes, Coherent plans to implement an internal carbon price mechanism. For many years, Coherent has been using a robust process for Cost of Quality to track dozens of forms of waste and quality errors. We will apply an internal shadow carbon price on business activities and track the total cost of carbon in the Cost of Quality process, beginning in FY2024. Increasing visibility on the cost of carbon emissions will influence business decisions in the future. Coherent will use a relatively low cost of carbon initially, and increment it each year to provide additional focus and incentive for decarbonization. The initial shadow carbon price will be roughly equal to the current, market-based decarbonization instruments. In the future, we expect the internal carbon price to increase significantly to reflect the escalating need to decarbonize and the social cost of carbon emissions. The internal carbon price will be evaluated and set annually.



SCOPE 3 EMISSIONS – MATERIALITY ASSESSMENT

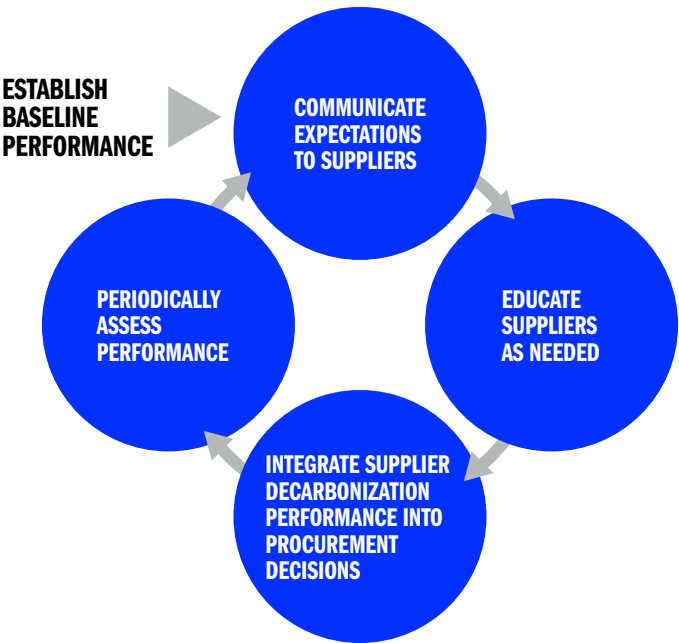
Coherent recognizes that its total carbon footprint goes beyond Scope 1 and 2 emissions. Efforts to manage, mitigate, and reduce Scope 3 emissions, both upstream and downstream, are an important part of our overall decarbonization effort. Coherent conducted a materiality assessment of its Scope 3 emissions in conjunction with Siemens. The results of this assessment are depicted in the graphic to the right.

Coherent has developed an estimate of the emissions associated with Fuel and Energy Related Activities (Category 3), Business Travel (Category 6), and Employee Commuting (Category 7). Details of the methodology used in each of these estimates are available [at this link](#).

Several other categories are deemed to be materially significant, but have not yet been quantified. Coherent has an initiative underway to estimate Categories 1, 2, and 4, and expects to report these in the future. Work to estimate the remaining categories has not yet been planned.

SUPPLY CHAIN DECARBONIZATION

In FY2023, Coherent launched an initiative at supply chain decarbonization, focused on Scope 3 Categories 1, 2, and 4. A high-level process flow is depicted in the figure.



GREENHOUSE GAS INVENTORY

ASSESSING MATERIALITY OF THE 15 SCOPE 3 CATEGORIES FOR COHERENT

1 PURCHASED GOODS AND SERVICES Upstream cradle-to-gate emissions from production of goods and services purchased	2 CAPITAL GOODS Upstream cradle-to-gate emissions from production of capital goods purchased	3 FUEL AND ENERGY RELATED ACTIVITIES Extraction, production, and transportation of fuels and energy purchased or acquired
4 UPSTREAM T&D Transportation and distribution of products and services purchased	5 WASTE GENERATED IN OPERATIONS Disposal and treatment of waste generated	6 BUSINESS TRAVEL Transportation of employees for business-related activities
7 EMPLOYEE COMMUTING Transportation of employees between their homes and their workites	8 UPSTREAM LEASED ASSETS Operations of assets leased by the reporting company (lessee)	9 DOWNSTREAM T&D Transportation and distribution of products and services sold
10 PROCESSING OF SOLD PRODUCTS Processing of intermediate products sold	11 USE OF SOLD PRODUCTS End use of goods and services sold	12 END-OF-LIFE SOLD PRODUCTS Waste disposal and treatment of products sold
13 DOWNSTREAM LEASED ASSETS Operation of assets owned by the company (lessor) and leased to other entities	14 FRANCHISES Operation of franchises	15 INVESTMENTS Operation of investments

Adapted from the WRI/WBCSD GHG Protocol Technical Guidance for Calculating Scope 3 Emissions

- Not material to operations
- Potentially material, but not measured currently
- Material and estimable emission sources

Source: Siemens



The details of the process are being operationalized and are expected to be in place in FY2024.

As part of this initiative, Coherent surveyed approximately 100 of our top suppliers on their GHG emissions and reduction initiatives. From this pilot data set, we saw that several of our suppliers already have robust decarbonization programs in place, and some in fact are further in their decarbonization journey than we are. This was very encouraging and inspiring, and we look forward to increased collaboration with suppliers like these. We also saw, however, that the vast majority of the suppliers surveyed had no data on their GHG emissions footprint and no program for CO₂ emissions reduction. This was an important finding for us in order to develop realistic expectations for the pace of the initiative. We are not deterred by this. We recognize this situation as an opportunity to use our influence and purchasing power to educate and develop these suppliers, and drive additional decarbonization programs that might not otherwise have occurred without Coherent's involvement.

Coherent likewise participates in the supply chain decarbonization programs of several of our key customers, including some of the most prominent and advanced corporate leaders in decarbonization. This provides us an opportunity to learn the best practices in industry on this topic, and apply these techniques to our own efforts with our suppliers. In general, our customers are aware of and encourage this, and in some cases even require us to cascade decarbonization programs into our supply chain.

While we expect to be successful in motivating our suppliers to reduce their carbon footprint over time, Coherent is not making any quantitative commitments at this time on Scope 3 emissions. We will track performance, develop realistic projections, and communicate our progress each year in this ESG report.

ENERGY USAGE (MWH)	FY23	FY22
Total Energy Usage	802,728	650,994
Electricity Usage	679,911	569,110
Grid-purchased electricity	653,225	550,439
Self-generated electricity	29,045	18,671
Natural Gas Usage	106,379	73,311
Other	16,438	8,573
Energy purchased from renewable sources	410,717	189,914
Energy purchased from renewable sources (%)	51.2%	29.2%
EMISSIONS (MTCO ₂ e)	FY23	FY22
Scope 1 & 2		
Location Based	366,919	326,216
Scope 1	45,700	43,882
Scope 2	321,218	282,335
Market Based	190,690	262,729
Scope 1	45,653	43,782
Scope 2	145,037	218,947
CO₂ mitigated	176,228	63,487
% CO ₂ mitigated	48%	19%
FY2023 Revenue (\$ million USD)	5,160	3,317
Market-based Scope 1 & 2 emissions intensity (MT CO ₂ e per \$ million USD)	37.0	79.2
Scope 3		
Fuel and Energy Related Activities (Category 3)	97,756	(no data)
Business Travel (Category 6)	43,745	(no data)
Employee Commuting (Category 7)	38,973	(no data)

Note: FY2023 includes 99.47 MT of biogenic CO₂.



WATER

WATER USAGE

Coherent is committed to responsible water usage. We have gathered data and/or estimates on water usage for every Coherent facility globally. Coherent is reporting that information here as well as disclosing water data publicly through CDP.

We recognize that we operate in several water-stressed regions around the world. In FY2023, we conducted a formal water-stress analysis of every Coherent location globally with the assistance of Siemens. Details of this analysis are available [at this link](#).

Several sites already have robust water recycling/conservation programs in place. We are developing a program to share best practices and adopt other innovative water-saving measures, with particular focus on sites that are in water-stressed regions and have significant consumption (over 1 million gallons per year).

Coherent is developing appropriate targets for its water conservation program and intends to disclose such targets in a future report.

WATER (IN MILLIONS OF GALLONS)	FY2023
Withdrawals	607
Discharges	516
Withdrawals for sites with high water risk/stress	115
% of total withdrawals for sites with high water risk/stress	19%
FY2023 Revenue (\$ million USD)	5,160
Water withdrawal intensity (gallons per \$ revenue)	0.12

Note: Coherent implemented global water usage tracking in FY2023.

Coherent recognizes the need to protect water resources at our facilities and ensure appropriate water usage. With escalating climate change seen around the world, we are quantifying our water footprint at our manufacturing sites to optimize water use. At our Easton, Pennsylvania, factory, we recycle the deionized water needed in production, a savings of 27 megaliters of water per year. In February 2022, our Santa Rosa, California, factory, which is in a drought-stressed area, initiated a plan to reduce water usage. The site developed a closed-loop water recirculating system that directly connects to a cutting operation which filters and returns the water to the operation. The site has saved 9 megaliters of water annually. Our Zurich manufacturing operation obtained approval from local regulatory agencies to recycle gallium arsenide process wastewater, which provided an annual savings of 4 megaliters of water, or 20% of the overall site consumption.

WASTEWATER MANAGEMENT

Coherent facilities comply with local wastewater regulations and implement wastewater treatment processes as appropriate and necessary, based on the particular operations at that site.

Our site in Fuzhou, China, installed wastewater treatment systems to neutralize certain chemical contaminants prior to further treating with water through a biochemistry wastewater treatment facility. The site installed a pH meter in each discharging station that immediately alerts employees of non-compliance, allowing timely actions to resolve pH issues.

In addition, the Fuzhou site installed four backup tanks in each wastewater treatment system to comply with new construction or building requirements. Each tank has the ability to hold one day's capacity of discharged water for the attached process. If any abnormal issues are detected in the system, the backup tanks allow for the holding of overflow volumes to address corrective actions without impacting production operations.

Coherent's site in Suzhou, China, installed a similar backup tank, while the site modified its existing wastewater treatment in 2022, adding one day's capacity for discharge water.

Our Dallas, Texas, facility has been awarded 19 times the Blue Thumb Award by the City of Dallas Water Utilities for achieving annual compliance with wastewater pretreatment requirements and regulatory reporting.



The facility in Easton, Pennsylvania, has incorporated a wastewater treatment system for the on-site treatment of generated hazardous waste that would otherwise need to be collected and removed by a third-party waste vendor. The system incorporates a 3,000-gallon equalization tank that then transfers acidic waste to one of two package treatment units. The treatment units neutralize the generated waste by chemical dosing to control pH levels to acceptable levels prior to being discharged to the sanitary system for receipt by the local point of treatment works facility. The system operates under an Industrial Pretreatment Permit issued by the Easton Area Joint Sewer Authority. The system has been operational since December 2022 and is treating generated hazardous waste with great success. During Q1-Q3 of 2023, the on-site system successfully treated close to 2.5 million gallons of industrial wastewater, or the equivalent of over 44,000 55-gallon drums of waste that would otherwise need to be removed offsite for treatment and disposal by a third-party vendor. By treating the waste on-site, we have reduced the potential waste that would have otherwise been sent for disposal by incineration or to landfills.

WASTE MINIMIZATION

Waste minimization stands at the forefront of Coherent's EHS initiatives, reflecting our dedication to responsible environmental stewardship and sustainable waste management practices.

Waste minimization encompasses various strategies, including source reduction, recycling, and reuse, which collectively contribute to a significant reduction in waste. Our systematic approach also includes waste segregation, waste sampling, and rigorous waste auditing and monitoring procedures. Equally important is our investment in training and awareness programs, ensuring that every member of our organization is informed and engaged in the mission to minimize waste.

These efforts extend beyond our manufacturing processes to other support functions. For example, for many years, Coherent has used external services for IT equipment disposal where available. These services have a commitment to recycle IT equipment and related electronic components or dispose of them in an ecologically responsible manner.

The Coherent facility in Sherman, Texas, has achieved a greater than 90% diversion rate of both hazardous and general waste from local landfills. This

accomplishment is a remarkable example within our industry and beyond, highlighting our dedication to reducing Coherent's environmental impact. By significantly decreasing the waste sent to landfills, we not only reduce our ecological footprint but also inspire change within our organization and the wider community.

Through these collective efforts, we are not only mitigating our environmental impact but also striving to set a benchmark for waste minimization across our facilities, aligning with our broader commitment to a more sustainable future.

AIR POLLUTION CONTROL

Our factories maintain air pollution controls where necessary and reduce the use of chemicals to ensure the safety of employees and controlled emissions to the environment.

Our Suzhou, China, site modified its cleaning process, reducing the consumption of acetone solvent by 4 tons annually.

Meanwhile, in Wuxi, China, our manufacturing operation evaluated solvent recycling in its cleaning process, from which our efforts contributed to a 30-ton reduction of solvent consumption. For many years, the Wuxi site shared best practices with manufacturing businesses in their local area to improve environmental performance and compliance. For this service, the Wuxi site was recognized by the local regulatory agency with a special award of "5 Years of Outstanding Environmental Contributions." A second award was bestowed on the site in recognition of "2023 Environmental Excellence" for performance in maintaining environmental protection systems at the factory.

BIODIVERSITY RISK SCREENING

With Siemens' assistance, Coherent completed a biodiversity risk screening analysis for its global facility profile to identify sites located within or in proximity to protected/conserved areas. The analysis determined that Coherent facilities have very little to no impact on the local biodiversity. Details of the screening assessment methodology and the results of the analysis are [available at this link](#).



PEOPLE

Our workplace is defined by our people. It enables us to bring our “best self” to work every day. This includes creating an inclusive environment in which every individual is considered a valued member of the team. Our people are essential to fulfilling our mission and working toward our vision. As a result, our human capital strategies are core to the long-term success of the company.

HEALTH AND SAFETY

Coherent is committed to protecting and sustaining the environment and providing a safe and healthy workplace for all employees, contractors, visitors, and the community. Our comprehensive EHS program is not only central to our core values, but we also recognize that it is vital to our sustained growth. Coherent requires the full participation and assistance of every employee to integrate environmental, health, and safety awareness into all our activities.

Coherent’s commitment to the safety and health of its employees and contractors is maintained through ongoing development of management systems, risk assessments, injury metrics, safe working conditions, and auditing of work practices and conditions. Our sites in China achieved a Total Recordable Incident Rate of 0.03 and a Lost Time Total Rate of 0.02 in FY23.

The building of new management systems improves our alignment for internal reporting and key performance indicators (KPIs). In these efforts, we involve our employees as we conduct regular site inspections, investigate incidences, assess the use of personal protective equipment, develop safety training content, and participate in facility design teams. In Germany, our manufacturing management teams perform safety risk assessments every three years for all tasks with results organized in a risk matrix. In China manufacturing, 496 Job Hazard Analyses were performed by site operators with progress underway on addressing the observed risks. Process Hazard Assessments in chemical operations worldwide identify high-risk hazards.

Auditing is a tool used monthly and quarterly at the factories. In China, the monthly audits are owned by area managers, and quarterly audits in high-risk hazard areas include top management who identified 2,100 that our EHS team

SPOTLIGHT: EMPLOYEE SAFETY

The Port Richey, Florida, factory reached a milestone record of 10 years injury-free and was recognized with the CEO’s Award. The Anseong factory in Korea remains injury-free since it began operations in 2018, crediting its success to an active Near Miss program which has strong employee contributions.

is developing plans to address. Employee safety behavior is considered in China’s TOPS, Target on Personal Safety, program which provides guidance on safe and positive practices. The TOPS program implemented 7,179 behavior-based changes. China’s Near Miss reporting identified 4,991 observations by employees. Key to the success in China is the participation of all employees and a software application to report, organize, and track observations. In the U.S. and Europe, monthly audits are performed, and the results are tracked in a platform which rolled out in February 2023. Since the start of this program, 620 inspections have been performed with 472 corrective actions identified. These are just a few examples of the vigilance by global EHS teams to ensure safety at every facility.

Coherent ensures the safety training of its employees, and each site tracks training hours as a monthly KPI. Training is assigned based on job tasks and includes topics such as security and environmental protection. Contractors and visitors receive training on general safety, personal protective equipment, emergency response, and security procedures. Our sites in Germany produce quarterly newsletters and present topics at all-hands meetings which highlight environmental programs and energy topics. Importantly, we actively seek to improve the programs and continually build trust with our partners. The company transition brought additional EHS expertise and skills together, allowing us to creatively build and look ahead to determine needed partnerships and strategies to complete our safety mosaic.



WE REQUIRE EMPLOYEES TO COMPLETE SPECIFIED EHS TRAINING TO ENSURE THEIR SAFETY AND THE SAFETY OF OTHERS, INCLUDING:

- Aerial lifts
- Armed aggressor response
- Chemical and gas safety
- Confined space entry
- Contractor safety
- Cranes and hoists
- Driving safety
- EHS management systems
- Electrical safety
- Fall protection
- Fire protection
- First aid/CPR/AED
- Forklift use
- Hazardous waste handling
- Incident management
- Industrial hygiene
- Laser safety
- Non-ionizing radiation safety
- Personal protective equipment (PPE)
- Process physical security
- Respirator use
- Scaffold safety
- Spill prevention

Training course selection is customized based on an employee's location and assignment.

EHS AUDIT PLATFORM IMPLEMENTATION

The audit platform from SafetyCulture has demonstrated remarkable effectiveness within our EHS function, yielding exceptional outcomes that have significantly bolstered our corporate EHS and ESG endeavors. Since the implementation of this inspection, issue capture, and corrective action platform in February 2023, EHS personnel and other Coherent participants have conducted over 1,400 rigorous EHS audits encompassing critical facets such as housekeeping, life safety, security, personal protective equipment (PPE), and general safety in manufacturing areas across all of our sites on a monthly basis.

This comprehensive audit regimen has played a pivotal role in proactively reducing incidents and injuries, thereby fortifying our commitment to ensuring a safer work environment for our valued employees. Notably, it has also fostered increased employee engagement, underscoring the program's capacity to drive an inclusive safety culture.

The platform's expeditious inspection capabilities, real-time identification of EHS needs, streamlined assignment of corrective actions, and robust verification mechanisms have been instrumental in enhancing the efficiency of our safety operations.

HIGH HAZARD PROGRAM

Within our EHS function, our high hazard program has emerged as a cornerstone of our commitment to risk mitigation and workplace safety. This program, carefully tailored to address the manufacturing processes associated with the highest inherent risks, encompasses a comprehensive spectrum of high-risk elements, including hazardous gases and chemicals, laser safety and classification, radiation, and hazardous waste management.

Thanks to the dedicated efforts of our proficient technical staff within EHS, we have successfully developed a robust risk assessment framework, hazard leveling criteria, training prerequisites, and advanced process hazard analysis (PHA). This integrated approach has played an instrumental role in enhancing our understanding of the intricacies involved in managing hazardous processes and fortifying the implementation of more effective engineering controls.

NEAR MISS SYSTEM

This year, we were proud to introduce our innovative Employee Safety Concern Near Miss System. Developed by our internal IT team, the Near Miss System features a sophisticated smart form complemented by a user-friendly dashboard, an efficient communication mechanism, and a comprehensive action tracker. We have continually emphasized the importance of this system through regular engagement with our workforce during local safety meetings, encouraging employees to proactively report near misses.

The response from our team has been outstanding, and we have been swift to respond to their concerns. Beyond the immediate corrective actions, the Near Miss System plays a pivotal role in nurturing Safety Champions among our employees, empowering them to actively identify and rectify safety issues. We firmly believe that the more our employees interact with our EHS function, the more our workplace thrives and the safer it becomes.

MASS NOTIFICATION SYSTEM

Coherent completed the successful implementation of a mass notification system in the U.S. This is a critical service supporting employee safety and crisis management. The system is designed to rapidly inform employees of emergency or crisis situations that may affect their respective work sites. It serves as a vital link between our workforce and our executive leadership, ensuring that key decision-makers are promptly informed, thereby facilitating the initiation of internal emergency processes and business continuity measures.



Under the guidance of our EHS team, we have effectively onboarded employees into the system, enabling seamless communication via email or mobile messages. Readiness, practice, and preparedness for any emergency situation are paramount in ensuring the safety and security of our workforce and facilities.

WORKPLACE VIOLENCE PREVENTION AND RESPONSE

Coherent treats the safety and security of its personnel and facilities as its highest priority, and the company has a comprehensive health, safety, and physical security program in place to address a wide range of potential issues.

One particular risk is the unfortunate reality of workplace violence in our society today, and the possibility of such an incident occurring at a Coherent facility. This is a global concern but is particularly acute in the U.S. where there is an alarming frequency of such incidents in places of business. Coherent has implemented two specific programs to mitigate the risk and potential for such incidents at our facilities.

First, we have developed and implemented a program for Workplace Violence Prevention. This program, developed in conjunction with leading experts specializing in workplace violence prevention and personnel threat assessment, includes detailed training for Human Resources, Security, and other key personnel on identifying the risk factors for potential violence and strategies and tactics for assessing and mitigating those risks. We have implemented a Personnel Risk Assessment process wherein potential risks are identified, investigated, and evaluated, with appropriate measures implemented to mitigate the identified risks. This process has been invoked several times in FY2023 with outcomes ranging from a determination that no elevated risk of violence existed in a particular case, to cases where it was deemed appropriate to respectfully terminate the employment of a concerning individual and to implement additional physical security measures at a site.

We recognize that despite significant efforts on workplace violence prevention, we cannot completely eliminate the risk of a violent act occurring involving Coherent personnel or facilities. Therefore, we also implemented a program for Armed Aggressor Response Training, conducted by experts from **Broadddus Defense** certified by the Advanced Law Enforcement Rapid Response Training program and skilled in teaching this material to employees such as ours. This program involves in-depth training on the psychological and physiological reactions to an attack, strategies an individual can employ to



improve their chances of surviving an attack, and life-saving first aid skills to care for wounded personnel until first responders can arrive. This first aid training goes far beyond traditional first aid or CPR/AED courses to include traumatic bleeding control techniques that may be essential in a mass casualty scenario. In addition to the training, every Coherent facility in the U.S. was equipped with traumatic bleeding control kits for immediate use in the event of such an incident.

We recognize that if an attack were to occur, the time, place, and potential victims are of the attacker's choosing, not ours. Therefore, we concluded the only responsible option was to conduct this training on an all-hands basis across every Coherent facility in the U.S. Every employee from the production lines and warehouses, to administrative offices and R&D labs, to our C-suite executives were included in the scope of the training program. Approximately 4,000 employees completed 10,000 hours of training at over 40 locations in FY2023.

The life-saving skills our employees learned could help save lives not only within our sites but also if an employee is involved in an attack or other traumatic event outside of work, whether at a restaurant, concert, school, place of worship, or any other venue. Where additional training capacity was available, Coherent offered this potentially life-saving training to members of the local community, including neighboring companies, school district personnel, and nonprofit youth development organizations.

"I've been in the professional workforce for over 29 years, and the Armed Aggressor Training was the most valuable training I have ever received. I certainly wish I lived in a world where an armed aggressor was not a real thing, but that's not the case. I am very thankful our top management at Coherent invested in this training to provide situational awareness and the steps I can take if this type of awful situation ever arises. I can honestly say that this is the first training in my career where I didn't look at my phone or email for the entire three-hour session. The instructor had my full attention for the entire training."

**— Brian Harpster, Senior Customer Quality Engineer,
Horseheads, New York**



HUMAN RIGHTS

Coherent is committed to promoting and protecting fundamental human rights – values inherent to all human beings. This means that we strive to treat all people with dignity, fairness, and respect. Our working environment is grounded in our values, and characterized by mutual trust and the absence of oppression or exploitation.

FORCED LABOR AND HUMAN TRAFFICKING

Coherent prohibits the use of slave, forced, bonded, indentured, or prison labor. The company will not use any type of involuntary labor, which includes the trafficking, transportation, harboring, recruitment, transfer, receipt, or employment of persons by means of threat, force, coercion, abduction, fraud, or payments to any person having control over another person.

Subject to applicable safety and legal requirements, Coherent employees are free to move both within and in and out of our facilities, including, if applicable, employee dormitories or living quarters.

CHILD LABOR

Coherent prohibits any form of child labor and abides by local child labor laws. Each applicant's age is checked as part of the standard recruiting and onboarding process. The company supports workplace learning programs, such as internship, apprentice, and summer youth work-study employment. These programs are for educational benefit and are consistent with all laws and regulations (concerning hours of work, duties, potential hazards, and pay) applicable to such programs.

HOLDING DOCUMENTS, OFFERS, AND RECRUITMENT FEES

Coherent prohibits the withholding of a employee's original government-issued identification and travel documents. The company clearly conveys offers and conditions of employment in a language understood by the individual, and workers should never pay the company or its agents recruitment fees or other similar fees to obtain employment.

WORK WEEK

Coherent adheres to working hour requirements prescribed by law and compensates for overtime. Subject to limited exceptions, employees are not scheduled to work more than 60 hours per week, including overtime. In

countries where the maximum work week is shorter, that standard applies. Overtime is voluntary, and employees are not punished when they elect not to work overtime.

HUMANE TREATMENT

Coherent strives to create and maintain a work environment where people are treated with dignity, decency, and respect. Employees should be able to work and learn in a safe atmosphere. For that reason, the company will not tolerate discrimination, intimidation, coercion, harassment, or bullying of any kind. We believe in promoting nonviolent forms of conflict resolution and progressive counseling to create a safe and collaborative workplace culture that supports the well-being and job satisfaction of all employees.

OPEN DOOR POLICY

Employees' thoughts, ideas, concerns, and comments on any subject are important, and they are encouraged to take every opportunity to discuss them with management. Subject to limited exceptions, Coherent strictly protects the identity of all employees who express or report a concern and treats all related investigations and necessary corrective actions as confidential. To the extent that an exception exists, to include consent or legal necessity, such information is shared on a limited need-to-know basis.

If at any time an employee does not feel comfortable speaking with their supervisor or the next level of management, they may discuss their concern with any other member of management or HR with whom they feel comfortable.

FREEDOM OF ASSOCIATION

Coherent recognizes that employees have the right to freely associate with third-party organizations such as labor organizations, along with the right to bargain collectively, in accordance with local laws. Workers and/or their representatives openly communicate and share ideas and concerns with management regarding working conditions and management practices without fear of discrimination, reprisal, intimidation, or harassment. Coherent respects those rights and is further committed to treating our employees with dignity and respect, creating an environment of open communication, cooperation, and teamwork.



All employees globally have this right. Here are examples where employees have exercised this right:

- In the U.S., our Newark, Delaware, hourly workforce has an arbitration agreement with the Teamsters. Approximately 40 employees belong to this union.
- In Germany, more than 2,000 employees are represented by nine local works councils and two central works councils.
- One of our facilities in the Philippines has an active labor union represented by the Philippine Federation of Labor where 139 hourly workers are covered by an existing five-year collective bargaining agreement.
- Singapore has a unique collaborative approach adopted by unions, employers, and the government in promoting shared economic and social goals to arrive at win-win outcomes for all parties in a non-confrontational and objective manner. One of our locations is represented by the Chemical Industries Employees Union (CIEU), where 116 employees (hourly and nonexempt) are represented with a three-year memorandum of understanding to provide competitive employment benefits to our employees.
- The Vietnam General Confederation of Labor is the sole national trade union in Vietnam. The VGCL is made up of 18 national industrial unions and federations of labor; all employees belong automatically.
- In China, our locations with major operations in different provinces have 10 trade unions in place where more than 12,000 employees are union members.

EMPLOYEE FEEDBACK, PARTICIPATION, AND GRIEVANCE

Employees are given a safe environment to provide grievance and feedback without fear of reprisal or retaliation. The Coherent Compliance Hotline is available to report complaints of discrimination, harassment, retaliation, or other unresolved issues, in addition to possible violations of Coherent's Code of Ethical Business Conduct or regulations applicable to our business. Reporting is anonymous. All reported incidents will be investigated.

The Coherent Compliance Hotline is available 24/7 to all employees, as well as outside parties such as customers, suppliers, contractors, and other personnel. Any individual with a valid concern is encouraged to report via the Coherent Compliance Hotline. Details on how to reach the Compliance Hotline are in the Governance section of this report. Coherent strictly prohibits retaliation of any kind for making a report in good faith, even if it turns out that the conduct reported is not illegal or improper.

SUPPLIERS AND CONTRACTORS

We require that our suppliers and contractors care for the health and safety of their own workers and comply with applicable human rights laws and regulations. Across our business, we do not accept forced labor, human trafficking, degrading treatment of individuals, or unsafe working conditions. Additionally, we do not permit any form of modern slavery or human trafficking in our supply chain. The company has adopted the RBA Code of Conduct as the Coherent Supplier Code of Conduct.



DIVERSITY, EQUITY, AND INCLUSION (DEI)

We recognize and value the power that comes from diverse teams where different perspectives are heard and respected. Diverse perspectives and capabilities across teams lead to better solutions, better decision-making, and greater innovation.

It is important for every employee to feel welcomed, valued, included, and empowered to reach their full potential and leverage their strengths, which is why embracing diverse perspectives and fostering inclusion and belonging are key to our global diversity, equity, and inclusion (DEI) program. Our culture impacts all aspects of the employee experience, and we are intentional about ensuring that our efforts in recruiting, training, leadership, decision-making, and engagement as well as company policies positively support fairness, equity, and inclusion for all.

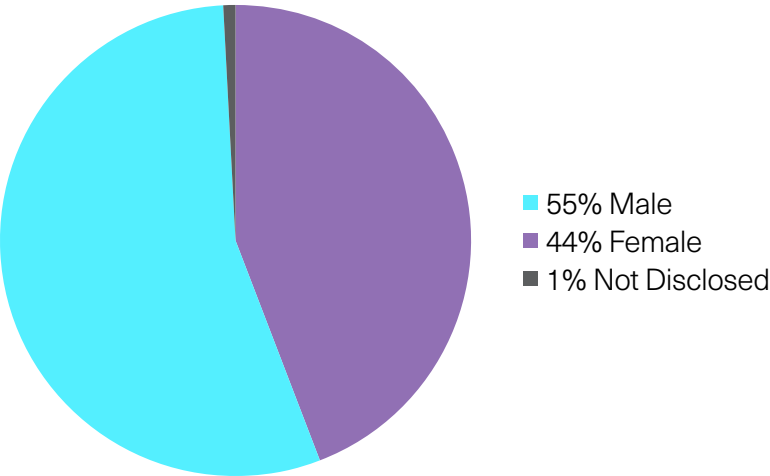
Also, as a global company, we recognize that different regions have unique perspectives and approaches to diversity and inclusion. While we keep a global standard, we also undertake region-specific initiatives.

Globally, approximately 44% of our workforce is female, with 11,819 females and 14,871 males. We experienced a 5% decline in the number of female employees as a percentage of our total workforce in FY2023 over FY2022 due to the lower proportion of women in the former Coherent, Inc., workforce at the time it was acquired on July 1, 2022. There are 224 employees who chose not to self-disclose their gender.

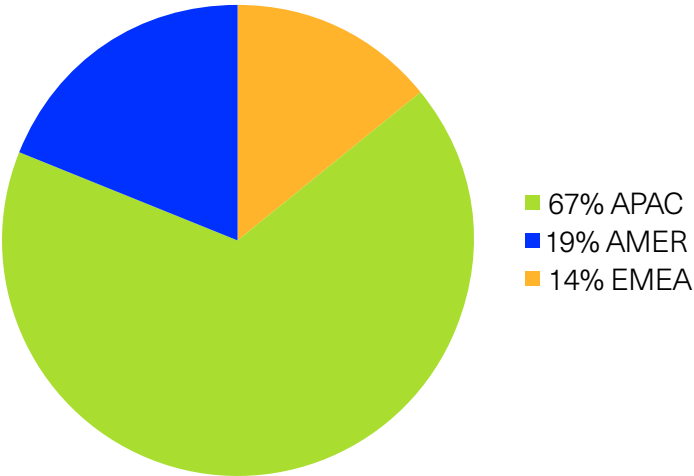
In FY2023, we focused our efforts in various areas to include streamlining talent management processes to improve the experience for both managers and employees, expanding our DEI efforts, and working to harmonize practices and policies globally after the acquisition of the former Coherent, Inc.

EMPLOYEES BY REGION

GLOBAL GENDER DISTRIBUTION



EMPLOYEES BY REGION



GLOBAL DEI STRATEGY

Our Global DEI Advisory Council officially deployed our DEI strategy in FY2023. This strategy seeks to cultivate diverse teams that drive innovation, uphold our values, and help us achieve better business results by working on five strategic objectives and three key areas of focus.

Our five strategic DEI objectives:

- Foster inclusion and belonging
- Elevate equity
- Increase representation
- Embrace diverse perspectives
- Expand our impact

Our three key areas of focus for DEI:

- Culture
- Commitment
- Community

Our five strategic objectives are intended to guide our path on our DEI journey. Taken together, they create a consistent approach that drives our goals, initiatives, and accomplishments toward advancing DEI in our workplace. Encircling our strategic objectives are the key areas where we will focus our activities and efforts, to ensure that our objectives are met: community, culture, and commitment.

Our I CARE values are at the core of this strategy, guiding how we perform our work and interact with each other.

With this global strategy, Coherent seeks to ensure that we are creating a work environment where diversity, equity, and inclusion are embedded into our culture, behaviors, and operations.

Our Global DEI Council plays a critical role in helping us achieve this strategy through developing regionally relevant initiatives to help the organization achieve our objectives.



DEVELOPING A DIVERSE WORKFORCE

One of the objectives of our DEI strategy is to increase representation and ensure that our workforce reflects the communities in which we live and work. Our Talent Acquisition teams aim to provide hiring managers a diverse slate of candidates.

This past year, team members in the U.S. piloted training on inclusive recruiting practices to ensure that our sourcing and identification efforts provide high-quality talent with diverse experiences and capabilities. We hope to expand this training to our Talent Acquisition teams in other parts of the globe in the coming year.

In FY2023, recruitment efforts in the U.S. were enhanced to include outreach and partnership with Historically Black Colleges and Universities (HCBUs) and Hispanic Serving Institutions (HSIs). We also increased engagement with external organizations, including the addition of new relationships to source diverse talent.

Some of those U.S.-based partnerships include:

- Society of Women Engineers
- Job Openings for disABLED Veterans (JOFDAV)
- Hire a Hero
- National Society of Black Engineers
- LGBT Job Board – Be Proud of Your Job
- Hispanic Alliance for Career Enhancement

SPOTLIGHT: SUPPORTING MENTORSHIP

We recognize the importance that mentorship and coaching has on accelerating employee development, broadening career opportunities, and expanding professional networks. As part of our strategic objectives to expand our impact within Coherent as well as in our communities and in the business world, several mentoring opportunities are taking place across the organization to further develop and encourage individuals to grow their talents and careers.

CEO ACTION'S MENTORING INITIATIVE

As part of our partnership with CEO Action for Diversity and Inclusion, our Chair and CEO, along with our recently retired CHRO, volunteered to take part in CEO Action's Mentoring Initiative. The Mentoring Initiative pairs C-suite leaders with mentees from underrepresented and diverse populations working at the director and vice president levels to take part in a range of professional development activities geared toward accelerating the development of a cadre of diverse senior leaders. Several of our CEO's direct reports have also formally expressed their desire to serve as mentors for future cohorts when they are established.

GLOBAL COACHING CIRCLES

A component of our global Women in Leadership pilot program this year included Coaching Circles led by four executive leaders and two of our board members. These circles provided participants a safe space in a peer learning format to share unique challenges and hurdles they face in the workplace. The discussions revolved around identifying solutions and best practices, guided by the Coaching Circle leaders who shared their own experiences and practical applications.

There are plans to expand mentoring efforts and form a Women's Mentoring Program in FY2024 for high-potential female talent to prepare them for future leadership roles. The program will include workshop topics oriented to the unique challenges women face in navigating careers and balancing professional and personal responsibilities.

MENTORING NEW COLLEAGUES IN ASIA

We know that new employees benefit from personalized assistance to master new knowledge and skills and navigate company practices and policies while adapting to their careers at Coherent. Our team in China offers a formal mentoring program for new employees that pairs them with a tenured mentor who shares knowledge and assists with onboarding. In FY2023, Coherent hired 2,117 new employees in China, and each one was assigned a mentor.



SUPPORTING WOMEN IN STEM

Coherent is committed to increasing representation and the proportion of women at all levels of our organization and strengthening the role of women in building the future of our company. To support this commitment, we developed a global leadership development program focused on developing our high-potential and high-achieving female talent.

For the pilot program, 60 women from around the globe participated in training focused on enhancing their capabilities as confident, authentic leaders. The program provides six live learning sessions led by educational leaders from a world-renowned university, followed by self-directed activities to reinforce learning.

The program also includes a dedicated course for participants' leaders, called Allies and Advocates: Advancing Gender Equality in the Workplace, that covered awareness on inclusive leadership behaviors and ways to mitigate bias in talent decisions as well as how leaders can further support their employees' development on the job. Eighty-one percent of our top leadership attended this session, including our Chair and CEO and several of his direct reports, showing their continued commitment to advancing and supporting female talent in our industry.

This leadership development program plays a key role in preparing the pipeline of female talent for leadership positions within Coherent.

OPTICA WOMEN IN OPTICS SCHOLARSHIP PROGRAM

For many students, a barrier to higher education is the rising cost of tuition, and this is especially true for underrepresented minority students. Recognizing the opportunity to attract more female talent into STEM (science, technology, engineering, and mathematics) careers, our industry, and our organization, we continue to support the efforts of the Optica Foundation's Women in Optics Scholarship Program by committing to contributing \$100,000 over a five-year period (2021-2025).

Female students pursuing educational degrees in STEM who are selected as scholarship winners receive financial support and mentoring opportunities. In FY2023, we also had the opportunity to participate on the foundation's scholarship selection committee, resulting in 20 female students representing 11 countries around the globe being identified as Optica Women Scholars from a pool of very talented and accomplished women. [Learn more about the 2023 recipients here.](#)



SPOTLIGHT: GIRLS' DAY 2023 – MUNICH, GERMANY

Our Munich, Germany, site took part in Girls' Day 2023, providing a group of 19 local schoolgirls aged 10 to 17 a tour of our production facility, with live demos of lasers on our equipment and a panel discussion with other female employees serving as role models and sharing the different career opportunities Coherent has to offer. Girls' Day is a nationwide event in Germany focused on career orientation for girls, expanding the spectrum of vocational choices and providing a glimpse into work environments and career opportunities that are unknown to many girls. Families, schools, media, and technical companies are encouraged to participate in this annual event to support girls' involvement in STEM careers and change their perspective toward vocational and technical professions. [More information on this program is available here.](#)



PROMOTING AWARENESS AND UNDERSTANDING THROUGH EDUCATION

Embedding DEI throughout the organization is critical to our progress, and one way we achieve this is by offering training and educational resources to our employees. Our internal DEI website provides employees with information on creating inclusive workplaces, accessing disability inclusion resources, addressing bias in the workplace, and advocating for equity and ways to practice allyship.

We are committed to being an inclusive organization where people are respected, valued, and recognized for their contributions. As part of our efforts to foster inclusion and belonging and embrace different perspectives (two of our strategic DEI objectives), we launched the following training courses:

- Foundations of Diversity Equity and Inclusion (eLearning) – offered to employees globally in six different languages to build alignment, awareness, and understanding of the concepts of diversity, equity, inclusion, psychological safety, and micro-inequities.
- Inclusive Leadership – offered to our people leaders to support them in understanding ways to lead inclusively. Each of our Leadership Academy programs includes live facilitated training with a focus on building an inclusive culture. Eighty leaders participated in FY2023.
- Global Perspectives for Business – provides cultural competence training for employees working on global teams to increase awareness of cultural diversity, acquire intercultural skills, and actively contribute globally to an inclusive working environment. In FY2023, 250 employees participated.

Since launching these programs, close to 7,000 employees have completed the trainings.

INCLUSIVE MINDSET

We aim to overcome stereotypes by continuously reinforcing an inclusive mindset that recognizes the value and richness of a diverse workforce.

Employee communications on various diversity topics continue to enhance knowledge and awareness of the different dimensions of diversity that exist within our organization. This regular cadence of communication enables us to reflect, empathize, and understand the experiences and challenges faced by different groups and share practical ways that we can support each other.



SPOTLIGHT: INSPIRING FUTURE TALENT

We are only as good as our ability to engage top talent to build our future workforce. To continue to build our capacity for long-term success, we recognize the need to attract emerging talent.

To tap into the best and brightest students, we continue to expand our outreach efforts through various internship programs, campus events, and partnerships with organizations supporting STEM education as well as partnering with the Coherent/II-VI Foundation to offer scholarships to students enrolled in STEM education programs.

We continue to support strong internship and co-operative education programs with universities and vocational schools to ensure a regular flow of new candidates in many of our global locations. These experiences give students opportunities to gain practical experience in our workplace and to apply what they learn in the classroom to a workplace environment.

In China, we continue to promote the Coherent employer brand through our sponsorship of academic forums and by holding lectures by our top management and technical experts.



We will continue to build inclusion into everyday activities at every level of Coherent through learning for employees and people leaders. This includes strengthening and expanding our inclusive hiring practices to ensure that hiring managers and employees who take part in interview panels understand the impact of bias in decision-making and consistently apply inclusive hiring best practices. This helps us standardize our hiring approach and supports managers in role-modeling inclusive hiring practices.

PAY EQUITY

Globally, our compensation programs and policies are designed to deliver competitive and equitable pay within each region based on roles and responsibilities and on company and individual performance, regardless of gender, race/ethnicity or any other individual demographics.

We continually review our pay practices, pay grades, job classifications and performance management processes to ensure that all employees are paid competitively and fairly. Our global focus is to have policies and programs in place that prevent pay inequities from arising.

EMPLOYEE WELLNESS

Around the globe, we are dedicated to supporting the quality of life, health, and wellness of our employees and their families.

We offer competitive compensation programs and excellent benefits, including the following in the U.S.:

- Medical, dental, and vision coverage and an employee assistance program
- 401(k) program with a substantial company match
- Tuition reimbursement
- Life, accident, and disability insurance
- Group legal and other voluntary benefits
- Paid time off
- Paid holidays
- Employee stock purchase program

SPOTLIGHT: THE INDUSTRIAL CADETS PROGRAM – GLASGOW, SCOTLAND

For over 10 years, our Glasgow, Scotland, site has partnered with the Industrial Cadets Program to create a future-skilled talent pipeline while helping students develop the skills they need to enter the workforce with confidence.

Industrial Cadets is an industry-led accreditation program in the United Kingdom designed to enhance outreach and workplace experiences to build pathways through education and employment. The program's goal is to promote the development of the next generation of minds interested in potential careers in STEM.

Our partnership with this program has included supporting school projects that solve real-life challenges, providing mentoring, and offering professional development and industry experiences through internships. These experiences help students build communication and presentation skills, practice teamwork, and learn about the sustainability of materials. Over 400 employee hours to date have been devoted to this program.

Our employees are involved in different roles such as serving on assessment panels for STEM projects, volunteering time in local schools to give career talks or conducting science demonstrations, and mentoring youth. Those who are registered STEM Ambassadors go out to schools and local libraries to engage with younger students (age 10-12) to get them engaged and interested in STEM. We have passionate employees in our Glasgow factory who remember having someone encourage them at a young age, and they enjoy being able to pass on that gift.

“[This experience] has been very good for me personally, learning the appropriate skills to become a ‘young persons’ mentor; ‘approachability’ always comes top of the list when the kids give any feedback. Coherent has allowed me time during working weeks to volunteer in these activities, which is greatly appreciated. It is something I have always been passionate about, therefore reassuring me that there is continued support from a high level within the company.”

**— Michelle Murtagh, Senior Laser Development Engineer
(STEM Ambassador)**



EMPLOYEE ASSISTANCE PROGRAM IN CHINA

Our employee assistance program (EAP) in China helps employees handle stressors related to work, family, relationship problems, finances, legal concerns, and other issues, by providing them and their family members access to resources such as no-cost counseling sessions, seminars, and workshops. Initiatives include:

Outreach: In-house EAP ambassadors reach out to associates with the goal of providing support and an early connection to care.

External support: In addition to expansion of in-house EAP ambassadors who provide peer-to-peer counseling, we have developed an external no-cost one-to-one counseling hotline for our employees and their family members.

Awareness: We understand the need to continually build employees' awareness of the EAP program. The China EAP team sent informational video messages via email and social media to let employees know about the program and where/how they can benefit from it.

Education: Seminars, workshops, and messages via email, posters, and social media educated employees about how to deal with stress, emotions, parent-child relationships, and financial risks.

Social and sports activities: At each site in China, employees have the opportunity to participate in a wide variety of group activities such as basketball, badminton, football, yoga, hiking, and dining together.

Family Open Day: Family support is key to the success of our employees' careers and well-being. Family Open Days were held in Fuzhou and Suzhou, where employees' families had the opportunity to visit our workplaces.

HOUSING

Our sites in China and Malaysia provide housing to our factory workers. For employees in China who need housing provided for them, Coherent rented hundreds of apartments as dormitories in our major manufacturing sites, including Fuzhou, Wuxi, Shenzhen, and Guangzhou. A typical dormitory apartment houses 2-6 employees. These dormitories are fully furnished with air conditioning, gyms, laundry rooms, and other amenities so that employees can move in their first day of arrival. The company hired professional services to do housekeeping and maintenance. These dormitories are typically within close walking distance to our manufacturing facilities, or employees can take a company shuttle or public transportation to and from work. Employees can stay

as long as they need during their employment with us. In FY2023, Coherent provided housing in China to 4,000 employees.

In Malaysia, it is mandatory for employers to provide housing for foreign workers. Coherent's site in Ipoh provides two government-licensed hostels for employees with a total capacity of 1,500 managed by professional hostel service providers. Employees are ferried to the factory daily using company transportation.

TALENT ACQUISITION

We value the skills and experiences that our employees bring to the workplace and are committed to attracting, developing, and retaining a high-performing, diverse workforce at all stages of people's careers to meet the needs of our customers and achieve our business goals.

This process starts with who and how we hire, with a continued focus on increasing candidates with diverse backgrounds and capabilities in our hiring pipeline.

In the U.S., we enhanced our outreach to underrepresented groups by increasing exposure to our openings on several job boards and websites focused on these groups. We also increased our attendance at professional conferences hosted by diverse organizations to increase visibility of our organization and the career opportunities we offer.

We provided early viewing opportunities for our internship programs at HBCUs and HSIs. We also increased our outreach to regional Transitional Assistance Program (TAP) offices to provide visibility to our roles for U.S. service members and their families ending their service commitments.

To help attract talent and increase our brand recognition, our Talent Acquisition team represents Coherent at external events such as campus fairs, job fairs, and conferences to showcase our opportunities and promote Coherent as a great place to work.



TALENT MANAGEMENT

Our organization delivers innovative products designed and manufactured by exceptional people and we constantly seek ways to ensure our employees reach their full potential to help us provide extraordinary solutions in supporting our mission.

As we endeavor to be an employer of choice and a great place to work across our global footprint, our talent strategy is focused on attracting, engaging, motivating, and retaining high-quality talent and rewarding performance.

Talent management processes are also crucial for employees and organizations alike. They play a significant role in attracting, developing, and retaining top talent, which ultimately leads to improved performance, productivity, and the overall success of the company. We continue to enhance our technology suite of modules in the areas of Talent Acquisition, Goal Setting, Performance Management, and Succession Planning.

Our ambition to become a top global employer with a diverse and high-performing workforce requires us to improve internal mobility and development opportunities throughout Coherent through a holistic, flexible, and dynamic process. We believe the foundation begins with Talent Acquisition, which is why we continue to harmonize and automate in this area.

All U.S. sites are now in our centralized recruiting module and our goal is to have all Coherent sites globally migrated to the platform by the end of calendar year 2023. This initiative enables us to automate our recruiting activities, reduces bias in the hiring process, and gives us visibility into business needs and hiring trends.

Another Talent Acquisition module, Opportunity Marketplace, was also enabled in FY2023 to provide employees a centralized place to view employment opportunities available across Coherent to support our talent mobility initiatives. Employees can apply for opportunities and add interests for stretch assignments to grow their skills while continuing their career with us.

We know that a well-structured talent management process, which includes succession planning, prepares the organization for future leadership transitions, enabling us to stay ahead of the competition. This ensures that there are capable individuals ready to step into critical roles, reducing the disruption caused by unexpected departures. This year, we completed our first

succession planning exercise within our Talent Management module in our HRIS system. This allowed for greater speed and efficiency when unexpected openings happened across the organization. Leaders had the ability to review succession plans and make decisions that helped minimize organizational risk.

We also deployed and automated our onboarding process to streamline and improve the employee experience, giving employees a consistent and centralized approach and ensuring they have visibility and access to important information and policies.

In today's competitive business landscape, our entire human capital management suite of modules provides us a competitive advantage. Strong talent management processes allow us to be better equipped to compete effectively in our industry and adapt to changing market conditions.

PERFORMANCE FEEDBACK

To support our engagement efforts, it is important that our employees frequently receive feedback on their performance and development throughout the year. We formally assess employee performance through our performance management cycle that involves goal creation, a midyear check-in, and a year-end review.

Every employee has an opportunity to initiate a performance conversation and is encouraged to summarize their accomplishments and provide input on the attainment of their goals in their performance evaluations.

Our performance review process continues to align with our Strategic House and incorporates measures of performance as it pertains to our I CARE values, mission, Quality Policy, and safety standards.



EMPLOYEE LEARNING AND DEVELOPMENT

Development of internal talent and career mobility within Coherent is critical to the success of the employee and the success of the company.

Training and professional development enables us to upskill and reskill capabilities, reinforcing a dynamic learning culture and linking employee development opportunities to support our continued business growth.

We encourage our people leaders to have regular, ongoing one-to-one talent development conversations throughout the year to help improve capabilities, team performance, and engagement. This process also promotes regular communication on development opportunities along with ongoing coaching.

Beyond onboarding, employees are offered different ways to develop their technical acumen and business skills, including on-the-job training, continuing education, mentoring, and internal certifications and trainings.

Each year, we also deploy companywide annual training to all employees in the areas of legal and ethics compliance, EHS practices, quality, global data privacy, confidentiality and intellectual property protections, cybersecurity, and fostering a respectful workplace (anti-harassment and discrimination). These annual refresher trainings are offered to all employees with a company e-mail address through our learning management system.

Additionally, employees who work in specific roles with increased decision-making responsibilities are trained on topics that include export and trade compliance, antibribery and corruption, and insider trading.

Since a large portion of our workforce is in China, we have an internal team focused on training in the region and offering both long-term development programs and short-term learning courses. Thirty-seven programs were delivered in FY2023, supporting employees in various stages of their careers, including new college graduates, first-time managers, front-line leaders, mid-level and senior leaders, “high-potential” employees, engineers, and project leaders. Programs cover core competencies such as leadership, professional skills, innovation, problem-solving, and decision-making.

We continue to encourage all employees to pursue additional training and education in order to reach their professional development goals and prepare themselves for future opportunities within the company. We offer financial reimbursement to eligible employees who wish to enroll in university classes as well as external certificate and professional development programs.

DEVELOPING LEADERS AT EVERY LEVEL

The Coherent Leadership Academy provides development programs to equip people leaders with critical skills to successfully lead and develop their teams. These development programs are designed to scale leadership capabilities across our global business by guiding managers to motivate, inspire, develop, and lead employees through change.

We tailor our programs to meet the needs and priorities within different regions around the world while promoting a unified company culture and set of core values.

In FY2023, we offered virtual learning opportunities in our global Front-Line Leader, Women in Leadership, and Product Manager Academy programs to enable over 200 leaders around the world to participate in learning cohorts, share best practices, and expand their networks across the organization.

We will continue to focus on expanding development opportunities for employees and leaders to increase capabilities across the organization. This includes expanding our Leadership Academy programs to strengthen the readiness of our pipeline of talent, which is critical to the company’s success.

We plan to also introduce new ways for employees to understand their strengths and potential career paths at Coherent and tap into learning and mentoring opportunities to further enhance their overall employee experience.

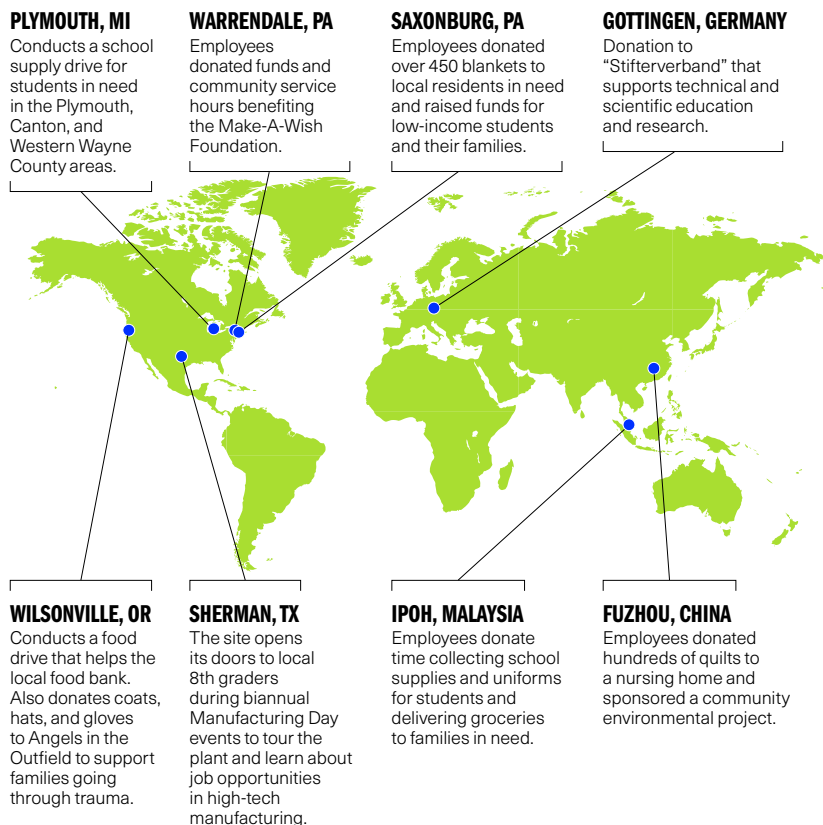


COMMUNITY ENGAGEMENT

We aspire to have a positive impact on the communities we serve in support of our mission to enable the world to be safer, healthier, closer, and more efficient. As part of that commitment, we continue to partner with organizations and community partners to make a difference where we operate around the globe through local initiatives, investments, and donations that expand access to opportunity and help respond to urgent needs.

MAKING A DIFFERENCE IN LOCAL COMMUNITIES

Our spirit of giving also includes employees volunteering their time and diverse expertise to contribute and support local causes. Numerous programs occur across the globe, including STEM outreach in local schools, mentoring youth, coordinating coat drives, blood drives, food drives, etc., all to enhance the quality of life in the communities in which we live and work. Some examples from around the globe are featured below.



COHERENT/II-VI FOUNDATION

Created in 2007 by II-VI (now Coherent Corp.) co-founder and CEO Dr. Carl J. Johnson, and his wife, Margot Johnson, the Coherent / II-VI

Foundation, a 501(c)(3) charitable organization, supports many students around the world who are pursuing education and careers in STEM.

Providing block gifts for graduate students and undergraduate student scholarships, the Foundation has awarded over \$30.6 million

to STEM students for research projects, mini conferences, early education initiatives, and postdoctoral fellowships. Nearly 17,000 students have been impacted by the Foundation's programs.

Since 2020, Coherent has contributed \$1 million annually to the Foundation. In FY2023, 64 scholarships were awarded and 20 students interning with us in China and 11 in the U.S. were a part of the scholarship recipient group. Many of the scholarship recipients have proudly joined Coherent after graduation.

We will continue to pursue opportunities aligned with our business objectives to expand our impact in the communities we live and work, supporting STEM education, protecting the environment, supporting our communities, and engaging in partnerships with organizations committed to advancing diversity and inclusion in the workplace. At the same time, we will continue to engage and encourage our employees to help us make a positive impact.



GOVERNANCE

Doing things right and doing the right things are key to the success of Coherent. We are committed to the practices of compliance, good business judgment, curiosity, common sense, and adherence to high ethical standards. These practices are the vital cornerstones upon which Coherent was founded.

CORPORATE GOVERNANCE

We have established strong Corporate Governance Guidelines to serve the best interests of the company and our shareholders.

- Board members are limited to serving on a maximum of four public company boards.
- 13 of 14 Board members (93%) are independent.
- 10 of 14 members (72%) joined the Board in the past five years.
- 8 of 14 Board members (57%) are female and/or ethnically diverse.
- All Board members appointed since 2019 are female and/or ethnically diverse.¹
- Average Board tenure is 5.1 years, and the median tenure is 3 years.
- All of our Board committees are independent.
- ESG oversight is managed at the Board of Directors level through its Environment, Social, and Governance (ESG) Committee; operationally, ESG is under the direction of our Chief Sustainability Officer.

The ESG Committee's practice is to review the skills and attributes of individual Board members and candidates, given the current makeup of the Board, to ensure that the Board includes individuals who will serve the company's governance and strategic needs. We consider all dimensions of diversity in determining the mix of individuals that will provide the Board with a diverse portfolio of experience, knowledge, talents, and perspectives.

Additional information on our corporate governance can be found in our [Proxy Statement](#), which describes our Board structure, committee compositions and functions, director compensation, and director equity requirements.



“Coherent is a forward-looking company. As its Board, our duty to empower strategy, encourage data-driven decision-making, and demand fiduciary responsibility is always focused through the lens of sustainability.”

**– Enrico DiGirolamo, Chair, ESG Committee,
Board of Directors**

¹ Excluding those selected by Finisar, Bain, and Coherent, Inc., in connection with the acquisition of Finisar and Coherent, Inc.



COHERENT'S BOARD OF DIRECTORS¹

NAME	INDEPENDENT	AGE	DIVERSITY ²	DIRECTOR SINCE	CLASS	EXPIRATION OF TERM	COMMITTEE MEMBERSHIP
Vincent D. Mattera, Jr. ³		67	M, C	2012	One	2024	
Joseph J. Corasanti ⁴	●	59	M, C	2002	Three	2023	Audit Committee (Chair), ESG Committee, STAR Committee
Enrico DiGirolamo ⁵	●	68	M, C	2018	Two	2025	Audit Committee, ESG Committee (Chair), STAR Committee
Michael L. Dreyer	●	59	M, C	2019	One	2024	Compensation and Human Capital Committee, ESG Committee
Lisa Neal-Graves	●	60	F, AA	2021	Two	2025	Audit Committee
Patricia Hatter	●	61	F, C	2019	Three	2023	ESG Committee
David L. Motley	●	64	M, AA	2021	Two	2025	Compensation and Human Capital Committee
Steven Pagliuca	●	68	M, C	2021	One	2024	Compensation and Human Capital Committee
Elizabeth A. Patrick	●	55	F, C	2023	One	2024	ESG Committee
Shaker Sadasivam	●	63	M, A	2016	Two	2025	Audit Committee, Compensation and Human Capital Committee (Chair), STAR Committee
Stephen A. Skaggs	●	61	M, C	2022	Three	2023	Audit Committee
Michelle Sterling	●	56	F, C	2023	Two	2025	Compensation and Human Capital Committee
Sandeep Vij	●	57	M, A	2022	Three	2023	Compensation and Human Capital Committee
Howard H. Xia	●	63	M, A	2011	One	2024	STAR Committee (Chair)

¹ Board statistics are as of November 2023.

² A – Asian; AA – African American or Black; C – Caucasian or White; F – Female; M – Male.

³ Board Chair and Company Chief Executive Officer.

⁴ Qualifies as an Audit Committee "financial expert" as defined by the Securities and Exchange Commission.

⁵ Lead independent Board Director.

ETHICAL BUSINESS CONDUCT AND COMPLIANCE

Coherent recognizes that our long-term interests are best served when employees are expected to be responsive to the concerns of other employees, customers, suppliers, third parties, public officials, investors, and the communities in which we operate. This starts with our Board members, who commit to and use our Code of Ethical Business Conduct (“Code”) as their guiding principles.

The Board and Audit Committee monitor our global compliance and ethics program. The program is managed by the Chief Legal and Compliance Officer, who provides periodic reviews to the Board. These touchpoints provide visibility to the Board regarding material compliance and ethics risks as well as specific issues that are identified through our various reporting channels.

OUR CODE OF ETHICAL BUSINESS CONDUCT

At Coherent, we are committed to compliance, good business judgment, curiosity, common sense, and adherence to the highest ethical standards, as these are the cornerstones upon which the company was founded. Everyone at Coherent has a personal responsibility to honor this commitment, including the Board of Directors, employees, contractors, consultants, temporary workers, suppliers, and other third parties.

Further, Coherent has committed to comply with the RBA Code of Conduct, which embodies the values and standards of behavior that make Coherent a trusted and respected organization. The RBA Code is a well-recognized standard in the electronics industry, followed by a large number of our customers and suppliers. These values and standards include emphasizing the importance of compliance with all applicable laws, rules, and regulations; avoiding conflicts of interest; protecting confidential and sensitive information; and reporting illegal and unethical behavior or activity. Our Code also provides the framework for how we put Coherent’s I CARE values into practice.

We review our Code annually to reflect the growth and evolution of our business and society. It is available in multiple languages, including Chinese, English, German, Japanese, Korean, Malay, and Vietnamese, to meet the needs of our global workforce, and we make it [publicly available on our website](#). Included in the Code are provisions to encourage asking questions and raising

concerns, avoid conflicts of interest, treat people and the planet with respect, act with integrity, do business the right way, keep accurate records, and protect assets and information.

New employees acknowledge and sign the Code, and we require employees to annually certify that they have reviewed and understand the Code, commit to comply with its requirements, and acknowledge no known or suspected violations. We also require employees to complete mandatory compliance training annually. Topical courses cover the Code, trade compliance, anti-corruption/anti-bribery, and DEI, among others.

ANTI-CORRUPTION

Integrity is a core company value, and Coherent strictly forbids bribery and corruption of any kind. Our compliance program includes policies, procedures, and periodic risk assessments to evaluate our effectiveness and identify opportunities for improvement.

COMPLIANCE HOTLINE AND WHISTLEBLOWER RESOURCES

A central piece of fostering a culture of ethical business practices includes encouraging all Coherent stakeholders to ask questions and raise concerns. Coherent is committed to conducting business with fairness, integrity, and respect for the law and our values.

We strongly encourage business partners, employees, and third parties to speak up. Reporters may use our Compliance Hotline to communicate potential violations of the Code, company policy, and laws such as whistleblower, corruption, fraud, and any other regulations applicable to our business.

Reporters have the option to submit concerns anonymously 24/7:

- Online at coherent.ethicspoint.com
- By email at corporate.compliance@coherent.com
- By phone at any of the location-specific numbers listed in the table on the next page.



LOCATION	PHONE NUMBER
Australia	1800 750 398
Belgium	0800 45 452
China	400 120 4121
Finland	0800 416229
France	0 800 90 10 34
Germany	0800 1812925
India	000 800 0502 093
Italy	800-909-702
Japan	0800-222-0392
Malaysia	1800814915
Philippines	02 8231 3552
Scotland	0800-088-5513
Singapore	800-852-6915
South Korea	080-877-5427
Spain	900-99-0011
Sweden	020 10 93 70
Switzerland	0800 837 252
Taipei	00801-49-1739
Thailand	1800012362
Netherlands	0800-088-5513
United Kingdom	0800-088-5513
USA	1-866-829-3062
Vietnam	1-201-0288 1-288-0288

Violations of our Code, policies, or the law will result in action up to and including termination of employment or a contractual relationship, as applicable. All reports will be investigated, and corrective action will be taken as appropriate. Coherent strictly prohibits retaliation of any kind for making a report in good faith, even if it turns out that the conduct reported is not illegal or improper.

ENTERPRISE RISK MANAGEMENT

Our Enterprise Risk Management program is led by the Vice President of Global Risk and Corporate Responsibility and plays a key role in identifying material risks to the organization. This program involves receiving reports from key stakeholders and advisors to carefully assess the company's risk control processes and systems. The focus is on identifying the material risks that the company faces and evaluating the adequacy of our policies and procedures to mitigate and manage these risks effectively. Identified risks are then brought to the attention of the board for further consideration and action.

Addressing climate-related risks is a critical component of Enterprise Risk Management (ERM) in supporting the company in understanding our risk profile. At Coherent, we are working to improve resilience through understanding and accounting for climate-related risks within our ERM framework. Climate change risk is being assessed through enterprise and business continuity risk management processes. We are focused on stakeholder engagement and value creation by acknowledging and planning for climate-related risks, thereby building organizational resilience.

DATA PRIVACY AND SECURITY

At Coherent, we understand that data privacy and security are essential to maintaining our reputation as a company that adheres to the highest ethical standards. We have developed comprehensive policies for our efforts and are committed to maintaining the accuracy, confidentiality, and security of our employees' and third parties' personal data. We strive to maintain physical, technical, and procedural safeguards that are appropriate to the sensitivity of the personal data collected in compliance with local laws. Under the purview of our Legal and Compliance Department, we established an Office of Data Privacy. This office oversees global compliance with local privacy laws, establishes privacy policies and procedures, works closely with our IT department to ensure appropriate safeguards are in place to keep personal data secure, and educates our employees about the importance of keeping personal data private, safe, and secure.

Given recent changes in global privacy laws and regulations, the Office of Data Privacy has spent significant time and resources ensuring compliance with the European General Data Protection Regulation (GDPR), California's Consumer



Privacy Act (CCPA), and the People's Republic of China's Personal Information Protection Law (PIPL). For additional information on how Coherent protects third-party data, please see Coherent's Global Privacy Notice [at this link](#).

The ESG Committee of the Board of Directors oversees the management and mitigation of potential material impacts regarding data privacy and cybersecurity. All users of Coherent computing resources are required to attend mandatory cybersecurity training annually and are provided resources to protect their systems, information, and the Coherent network while operating their company-owned devices.

We also require all employees at Coherent to take courses on confidential information, intellectual property, and global data privacy. In addition, we conduct role-based training for members of the IT Department and the Cybersecurity Incident Response Team (CIRT). The CIRT, a dedicated support team consisting of members of the company's risk, legal, and communications functions, responds to and manages cybersecurity response activities.

The ESG Committee meets quarterly with IT cybersecurity to review incidents and progress on our continuous improvement projects. Discussed are external conditions that could influence our security posture and may require additional efforts to mitigate cyber risk.

Training our team members is critical to our cybersecurity process, and we provide annual information security and data privacy trainings. Cybersecurity training for employees includes awareness regarding social engineering, cybercrimes, and data protection. Tabletop exercises are performed to align team members with corporate incident response policies. Periodic phishing tests are performed to ensure our team members are educated on how to recognize malicious phishing attempts.



OUR PRODUCTS

INNOVATION AND IMPACT

Across our broad portfolio of products for the industrial, communications, electronics, and instrumentation markets, Coherent's innovations are improving sustainability in numerous and surprising ways.

LASER TECHNOLOGY

Lasers often provide a greener alternative to other processes, for example:

- Laser glass cutting has replaced mechanical methods in many industries. It often produces a smooth finished surface, eliminating further processing. This replaces mechanical grinding or other post-processing steps that use energy and create debris which then has to be disposed of.
- Laser marking has replaced ink printing or chemical etching in many applications. Here, lasers reduce the use of consumables and eliminate the need for disposal of chemicals.
- Lasers can be used to strip paint and other coatings from surfaces. This can replace the use of hazardous chemical solvents or abrasives.
- Laser-based digital cutting machines can replace die cutting and make short-run production of custom-sized boxes, product packaging, or other specialty items economical and practical. Just as in a lot of other laser-based materials processing applications, the cutting pattern is supplied to these machines digitally, enabling it to cut any pattern needed without physical tooling or much setup time. Whether we're talking about the product package or the delivery box, all sorts of specific features can be added, such as cutouts to hold an adapter plug or product attachments. This will reduce the amount of plastics or other less environmentally friendly materials in their packaging.

UNCOOLED SEMICONDUCTOR PUMP LASERS

Coherent first introduced uncooled semiconductor pump lasers for telecommunications applications in 2004. They have since become the go-to solution for low power consumption, small form factor, single- and multichannel optical amplifiers. These amplifiers form part of the optical transport core, and they also reach out to the network edge within amplified pluggable transceivers.

In 2009, Coherent commercialized its uncooled submarine pumps with world-class reliability, efficiency, and performance to support the rapid expansion of the sub-sea optical transport network. Energy efficiency is a primary concern in these applications, and these benefit from our leading efficiency performance – more photons per watt. Coherent's uncooled pump lasers have even been deployed into space applications where energy availability is at a premium as well as the need for out-of-this-world reliability.

Compared with a traditional cooled pump laser, an uncooled pump uses approximately 55% less energy. While that is only a few watts per pump laser, when multiplied by over 2 million units shipped to date, each expected to operate for up to 15 years, the cumulative energy savings are approximately 100,000 MWh to date and will reach an estimated 400,000 MWh over the full lifetime of these lasers.

The benefits of uncooled pumps go beyond the lower energy consumption of the pump laser itself. With no thermoelectric cooler (TEC), there is no need for TEC control circuitry, allowing fewer electronic components and smaller printed circuit board assemblies. In telecommunications datacenters, the majority of the energy used must be removed to prevent overheating in the equipment racks. Lower energy usage of the pumps means smaller heatsinks and lower cooling requirements on the networking datacenter. The pump packages themselves are also smaller than cooled pumps and use less material – including precious metals such as gold. Uncooled pumps use approximately 80% less gold than traditional cooled pumps. Cumulatively, we have saved over 100 kg of gold, which in turn puts less stress on the Conflict Minerals supply chain worldwide.

Coherent also manufactures its pump lasers in an environmentally responsible manner. We now use 100% renewable electricity at every level in our vertically integrated pump laser manufacturing process, including:

- R&D in the UK.
- Laser diodes in Switzerland.
- Subassemblies in the Philippines.
- Pump packaging in China.

Coherent has been manufacturing uncooled pump lasers for almost 20 years for networking applications, resulting in significant energy savings, GHG emissions reductions, and lower total lifecycle cost for our customers.



SCANDIUM METAL RECOVERY

Coherent has patented technology for the recovery of the currently most-expensive rare-earth element, scandium, from industrial waste streams using a proprietary polymer resin and associated process chemistry. This technology simultaneously allows for the reduction of industrial waste going to landfills as well as the amount of new rare earths that must be mined and processed, with all of the negative impacts associated with resource extraction.

Scandium is a critical material for the operation of high-efficiency solid-oxide fuel cells that reduce carbon emissions and can generate electricity at the point of use from a wide range of environmentally friendly hydrogen-containing fuel sources, including green hydrogen and biomass, or from natural gas. Fuel cells can also be used as electrolyzers, for green hydrogen production when powered from renewable electricity sources.

Coherent's technology has been demonstrated to be applicable in existing industrial processes used in aluminum and titanium production. Once fully developed and commercialized, scandium recovery could total up to 200 tons per year from these industrial waste sources on a global basis, or ten times the current annual global production.

DECADES OF SiC MATERIALS INNOVATION

The global urgency to decarbonize energy consumption is driving a disruption in power electronics with the adoption of silicon carbide (SiC), a wide-bandgap material that enables more efficient and compact power electronics subsystems than those based on silicon. Power electronics based on SiC enable electric vehicles (EVs) to achieve longer driving ranges, faster charging, and lower total system-level cost of ownership. Our customers continue to accelerate their plans to address the anticipated tidal wave of demand for SiC power electronics in EVs, renewable energy, industrial, and power grid applications.

To meet this accelerating global demand for SiC power electronics, Coherent is expanding its nearly 300,000 square foot factory in Easton, Pennsylvania, to scale up the production of its state-of-the-art 150 mm and 200 mm SiC substrates and epitaxial wafers. Easton's 150 mm and 200 mm SiC substrate output is expected to increase by over a factor of six over the next four years and reach the equivalent of one million 150 mm substrates annually by 2027, with the proportion of 200 mm substrates growing over time. The factory will also become Coherent's flagship manufacturing center for 200 mm SiC epitaxial wafers, and one of the largest in the world.

In addition to manufacturing SiC, which by its very nature contributes to efforts reducing global energy consumption and the resulting carbon emissions, Coherent is laser-focused on ensuring that the manufacturing process itself is as environmentally friendly as possible. Over the past year we have reduced the amount of energy required to manufacture SiC substrates by 10%. We have also installed a process water regeneration loop, saving thousands of gallons of water per day, and installed on-site acid waste neutralization, reducing trucking and landfill usage, among many other initiatives focused on good environmental stewardship.

SiC POWER DEVICES

Utilizing our differentiated 150 mm SiC substrates and the SiC metal-oxide semiconductor field-effect transistors (MOSFETs) built on them, Coherent has a robust roadmap focused on accelerated the development of state-of-the-art devices and modules that will further enable our customers to bring to market ever-more efficient, high-performance EV, industrial motor, and renewable energy systems. We are partnering with top global automotive OEMs and Tier 1 suppliers to begin longer-term design-in activities for the rapidly growing EV market. Initial feedback has been very positive, and we are anticipating full qualification sometime in 2024 for both discrete devices and modules in both EV and PV (solar photovoltaic) applications. In addition, we have successfully qualified and sold initial devices into the aviation market. Coherent is committed to the continued investments and innovations needed to make SiC and our mission of a safer, healthier, closer, and more efficient world that it enables a reality.

IMMOBILIZED SULFUR CATHODES FOR ADVANCED LITHIUM SULFUR BATTERIES

The discovery of new electrode materials – in particular, cathodes – has been widely recognized as an essential requirement for accelerating the electrification of the global economy. Benchmarked to the internal-combustion fuel sources they are intended to replace, batteries today utilize critical minerals such as cobalt and nickel, provide limited energy, and are thus expensive. Sulfur has been pursued as the ideal cathode material for decades, thanks to its wide availability, low cost, and high electrochemical storage potential. However, sulfur has previously provided limited cycle life. Sulfur tends to migrate from the cathode to the anode during discharge, drastically reducing capacity with each cycle. Coherent's scientists and engineers have



developed a revolutionary patented sulfur immobilization chemistry which chemically anchors the sulfur at the cathode, enabling near-theoretical storage, rapid charge and discharge, and long cycle life.

EV BATTERY RECYCLING SOLUTION

As a global leader in rare-metals refining, with decades of experience in chemistry and process development, Coherent has developed and validated its multiple patent-pending Streamlined Hydrometallurgical Advanced Recycling Process (SHARP) technology to efficiently recover critical metals from black mass collected from lithium-ion batteries (LiBs) and convert them to precursor and cathode active materials. The impacts of this technology are as follows:

- **Quality:** feedstock flexibility; >95% recovery of critical metals; direct production of cathode precursor and cathode active materials suitable for LiB production; ability to adjust the conditions to produce next-generation nickel manganese cobalt (NMC) cathodes suitable for use in gigafactories.
- **Environmental:** Zero liquid discharge; no toxic solid, gas, or liquid waste generation; and generation of valuable byproduct. These advantages, coupled with low energy and water consumption and low carbon footprint, make this technology environmentally friendly.
- **Cost:** This streamlined process allows for at least 60% lower capital cost and 50% lower reagents and utilities costs versus conventional hydrometallurgical processes.

Considering the unique features of SHARP technology, we believe SHARP has the potential to outperform all existing and planned recycling technologies, which will be essential in ensuring that the EV revolution of today does not become a massive battery waste problem of tomorrow.

CIRCULAR ECONOMY

Circular economy principles and sustainable design requirements are embedded in the design of our products. In FY2023, the NPI process was harmonized across the company to enable one global process for all sites and segments.

Our harmonized documents for the NPI process include a section related to considerations for ESG. The selection of materials is aligned in compliance with international requirements for restricted and hazardous substances. Evidence of compliance is demonstrated and documented in the certifications

of our products.

In addition, the NPI process was amended to require the inclusion of ESG items in our NPI phase gate checklists. Given the tremendous diversity of the Coherent product portfolio, rather than specify the exact ESG requirements, the top-level NPI document was revised to include a set of topics that sites should consider including in their phase gates, as appropriate to their business. Such examples include the use of recycled materials in the manufacturing and packaging process; optimizing the design for repair, reuse, and replacement; reducing the use of plastics; increasing the energy efficiency and energy consumption of products; eliminating foam packaging and optimizing packaging efficiency with bulk and multipack packaging; substituting or reducing hazardous or regulated materials; using manufacturing processes that reduce energy and water consumption; minimizing the generation of hazardous and nonhazardous waste; and the use of partial or closed-loop recycling processes to reduce waste.

PRODUCT SAFETY

Product safety requirements are established in our documented New Product Introduction (NPI) process. Our products will not be placed on the market until product safety requirements have been fulfilled. The harmonized global process defines requirements for each site to follow during the NPI process, which includes concept and feasibility, product design and qualification, verification and validation of design, and release to production. The document requires safety to be considered, and each site must define checklists and provide evidence that safety requirements are achieved at each phase of the NPI process.

Safety features for products are included in the design. These include safety interlocks, shutters, emergency-off switches, and other accessories designed within the controls systems for our products to prevent exposure to potentially harmful conditions and components, including laser beams; electrical wiring and high-voltage connections; and actuators, motors, cooling fans, stages, and robotics.



RECYCLING IN OUR PRODUCTION PROCESSES

One of our flagship products that Coherent has been manufacturing for decades is zinc selenide (ZnSe) optics. Composed of two metals, zinc and selenium, ZnSe is grown as a bulk material in a proprietary process and finished into various shaped optical lenses and other components.

Due to the subtractive nature of the finishing process, there is inevitably some waste ZnSe created from the grinding, cutting, and polishing processes. Coherent collects this material and returns it to one of our upstream facilities for recycling. The scrap is processed back into raw selenium and zinc for reuse. The selenium is directly reintroduced into our manufacturing process. The zinc is converted into another high-purity industrial chemical and sold to an external customer. We have been recycling ZnSe in this manner for over 15 years. Last year alone, we recycled over 120,000 pounds of ZnSe, avoiding 60 tons of waste going into landfills, not to mention eliminating the need for extracting many tons of raw ore in mining operations in our supply chain, with all of their associated environmental impacts.

WEEE COMPLIANCE

WEEE stands for “waste electrical and electronic equipment” (also known as “e-waste”). It refers to regulations, typically passed at a country, state, or provincial level, aimed at promoting the reuse and recycling of electrical and electronic equipment and thereby reducing resource consumption and the amount of e-waste going to landfill. Requirements of WEEE regulations include, among others, financing the collection, treatment, recovery, and environmentally sound disposal of WEEE.

With the rapidly expanding use of electrical and electronic products globally and the resulting growth in e-waste, more and more jurisdictions are enacting WEEE regulations. Coherent closely monitors developing WEEE legislation globally and complies with applicable WEEE regulations.

The European Union (EU) WEEE Directive, 2012/19/EU of July 2012, is implemented through national regulations in all European Economic Area (EEA) countries, including all EU member states, Iceland, Liechtenstein, Norway, Switzerland, and the U.K.

PRODUCT TAKE-BACK: EXAMPLE

Coherent’s Infrared Optics division takes back optical components made of a variety of materials. In particular, lenses and components made of ZnSe are capable of being recycled, and we have multiple customers that take advantage of this program. Approximately 2,000 pounds of material were returned under this program in the past year.

EU BATTERY POSITION STATEMENT

The EU Battery Directive 2006/66/EC was enacted in September 2006 and has been implemented through national regulations in all EEA countries including all EU member states, Iceland, Liechtenstein, Norway, and the U.K.

Coherent closely monitors developing battery legislation and complies with the EU Battery Directive and EEA national regulations, as applicable.

Requirements of the EU Battery Directive and national regulations generally include, among others, the following:

- Information requirements for end users about potential effects on the environment and human health of substances as well as the desirability of not disposing of waste batteries and accumulators as unsorted waste and of participating in their separate collection so as to facilitate treatment and recycling.
- Financing the collection, treatment, recovery, and environmentally sound disposal of batteries. Coherent meets this requirement through membership in approved compliance organizations.
- Labeling batteries with a crossed-out waste bin symbol to help minimize battery disposal as unsorted municipal waste and facilitate their separate collection.
- Meeting the chemical substance restrictions of the EU Battery Directive.



By ensuring that electronic products and batteries are disposed of correctly, people can help prevent potential negative effects on the environment and human health due to inappropriate waste treatment. It is the responsibility of the user of an electronic product to separate the battery, in so far as technically possible, prior to disposal. It is also the responsibility of the user to delete any personal or proprietary data prior to disposal.

Coherent joins approved compliance organizations to meet its collection and recycling obligations.

PRODUCT QUALITY AND LEAN MANUFACTURING

QUALITY MANAGEMENT SYSTEM

Coherent designs and manufactures advanced technologies in diverse markets, including aerospace & defense, medical, automotive, telecom, datacom, and industrial. Therefore, our global Quality Management System (QMS) includes third-party certifications such as AS9100, ISO 13485, IATF 16949, and TL9000, with an underlying basis for these being ISO 9001:2015.

The architecture of the QMS is based on our stated goal of quality transformation unification. This goal incorporates our belief that with every new acquisition, best practices are studied, current quality tools are modified to include these practices, and the reengineered toolset is then deployed with training to all of our global operations.

The Coherent Global Quality Council, which comprises Quality leaders from all of our operational regions and segments, has as its charter, "Overseeing the quality transformation unification of Coherent." The Quality Council is the keeper of the Coherent Quality philosophy. The Council meets every three weeks and more often when new quality subsystems are launched.

The Quality function develops a yearly strategic plan identifying mission, vision, strategic opportunities, strategic challenges, strategic advantages, core competencies, and other aspects that culminate in a list of strategic objectives for the fiscal year.

- The mission of the Coherent Quality function is "developing, implementing, maintaining, and continually improving a Quality

Management System that enables Coherent to make the world safer, healthier, closer, and more efficient."

- The vision of the Coherent Quality function is: "A global QMS that facilitates the transformation of the world through innovations vital to a better life today and the sustainability of future generations."
- Our vision for Quality Management is that the system enables transforming technologies to be developed and manufactured at no risk to our children and grandchildren.

For FY2024, we established 11 strategic objectives, whose topics include technology transfers, automation, NPI, auditing, reliability, and lean. A new strategic objective is to ensure that DEI, ESG, Quality, lean, Facilities, IT, and HR are well aligned, with a regular communication forum on objectives.

There is a focus in our function this year to ensure that our quality strategies are consistent with all aspects of our global commitments to ESG principles.

COST OF QUALITY

The Cost of Quality (COQ) program at Coherent began in our Dallas facility in 2001, was extended to all manufacturing facilities in 2015, extended again following the acquisition of Finisar in 2019, and is now ramping at the new facilities acquired from the former Coherent, Inc., in 2022.

COQ focuses on categorizing, identifying, and reducing waste streams. Waste is identified in two major categories, cost of nonconformance and cost of conformance, with seven subcategories feeding 52 identified forms of organizational waste. Data is collected and studied monthly, with waste-reduction action plans ensuing. The resulting cost savings flow directly to the bottom line and have been a significant source of incremental profit each year for Coherent while simultaneously enabling higher quality levels of manufactured and shipped products. Current levels of waste-to-profit conversion are approximately \$50 million per year.

We recognize that every improvement in yield, every product not scrapped, and every hour of labor saved mean that we are able to produce the volume that our customers need without simply running the factories harder. This helps reduce our CO₂ and other resource impacts compared with running a less efficient operation. In FY2023, we executed over 150 action plans to reduce waste streams. A COQ savings of ~\$50 million per year equates to an approximate 1% reduction in business activity. Extrapolated to our energy



usage and CO₂ emissions, that means approximately 8,000 MWh of energy not used, and approximately 2,000 MT CO₂e of emissions avoided.

While all waste reduction fundamentally has an ESG benefit of reduced resource use, in 2024 we plan to add a specific measure to the COQ program around the cost of carbon emissions to represent the ESG impact of our business operations and GHG emissions and put further business focus on the need to drive emissions reductions.

When Coherent, Inc., was acquired, they had an established ISO 50001 certified energy management system in place for seven sites in Europe, with some sites dating back to 2015. These sites have achieved an average of 20% energy-efficiency improvement since the implementation of the system. Our quality team in Europe is working collaboratively with colleagues in China to implement an ISO 50001 energy management system in our largest facility in China. This effort is expected to yield tremendous results in the coming years, as the site in China consumes three times as much energy as the original seven ISO 50001 certified sites in Europe combined.

Summary and percentage of sites holding specific certifications:

STANDARD	SITES CERTIFIED	PERCENT CERTIFIED
IATF 16949	1	2%
ISO 13485	4	6%
ISO 14001	19	29%
ISO 45001	10	15%
ISO 50001	7	11%
ISO 9001	64	97%

LEAN IMPACTS

This year, we are introducing our harmonized Coherent Lean System (CLS) program, which comprises lean best practices from both legacy companies. The CLS is a formulation of key elements focused on building a sustaining “lean culture” that will have a profound impact on many areas of our business, including our ESG journey. One of the key components of CLS is employee engagement. All Coherent team members have an equal voice in providing continuous improvement suggestions and activities within the areas they work and across the enterprise. This will not only have a positive impact on our ESG focus but also on our DEI initiatives.

Another key component of CLS is the strategic planning focus of establishing annual productivity improvement excellence activities and projects that result in a safer, more productive, and satisfying workplace. Many of these projects also have a positive effect on the communities and environments in which our manufacturing and engineering sites are globally located. Examples of such projects are highlighted later in this section.

All aspects of performance are candidates for productivity improvements, but special emphasis is placed in the following areas:

- Yield improvements
- Labor optimization
- Work-in-progress reduction
- Increase inventory turns
- Lead time reduction
- Increased product velocity
- Shorter design-to-manufacturing cycle
- Design-to-cost optimization
- Quality enhancement
- Capital optimization
- Cash flow optimization
- Overhead optimization
- Energy usage reduction
- Water consumption reduction
- Solid waste generation reduction
- GHG emissions reduction

The CLS leadership is partnering with our HR leadership team in integrating lean projects and activities into the annual employee goal-planning process.

In addition, we have implemented a new-hire lean onboarding training requirement across all functions of the enterprise. Our lean onboarding video program totals four hours of training per employee.

Part of our lean vision and strategic focus for rapid deployment and sustainment of a lean culture focuses on each Coherent team member taking on two lean activities over the course of the plan year. Just the focus across the enterprise in improving the eight wastes listed below, which we refer to by the acronym DOWN TIME, will contribute greatly to the attainment of our corporate ESG goals:

- Defects
- Inventory – excess
- Non-utilized talent
- Transportation
- Waiting
- Extra processing
- Overproduction
- Motion – excess

Waste is found in all aspects of our business, and attacking our wasteful processes using lean tools and methods will accelerate the attainment of both our ESG and financial performance goals.



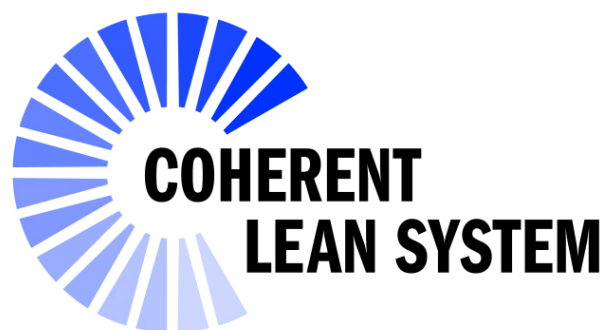
LEAN PROJECTS (ESG IMPACTS)

The following is a summary of lean projects that have had a positive impact on the environment and social elements within our workforce:

SITES	IDENTIFIED WASTE TYPE	PROJECT DESCRIPTION	IMPACT TO DATE
Singapore	- Excess equipment usage - Excess processing - Excess inventory	- Equipment optimization - Water treatment optimization - Carton box recycling	13% electricity reduction of 19,549 kWh/yr 25% water reduction of 1,532,198 gal/yr 33% reduction of carton boxes (4,900 kg)
Cavite, Philippines	Defects	- Ground soil contamination - Bund wall optimization	100% containment of telluride lag and lap pit leakages - New pre-treatment containment wall installed preventing environmental leakage/contamination
Ipoh, Malaysia	Transportation	Relocation of testers and kitting stations	- Improvement in employee working conditions 370 fewer walking steps per unit (140 person-miles/yr)
Zurich, Switzerland	- Over-production (water) - Extra processing - Defects	- Dicing and grinding deionized water recycling - Heat loss – recovery system	1,532,198 gal/yr deionized water saved 110,000 liters of oil saved in FY23
Fuzhou, China	- Excess equipment usage - Extra processing	- Vacuum pump optimization - Deionized water optimization	10,439 kWh/yr electricity savings per vacuum pump 17,520 kWh/yr electricity savings in deionized water system
Bloomfield, Connecticut	- Defects - Transportation - Non-utilized talent	- Test bench optimization - J-Series “zero lifting” system - Online suggestion program	- Improved safety and working conditions - Improved efficiencies, safety, and working conditions - Increase in employee suggestions
Göttingen, Germany	Transportation	J-Series “zero lifting” system	Improved efficiencies, safety, and working conditions
Glasgow, Scotland	- Defects - Excess equipment usage	- HyperRapid NX laser refurb project - Equipment optimization	442,400 kWh/year

These projects are just the beginning as we place more and more emphasis on our harmonized global lean program. There will be new productivity improvement projects launched during FY24, all focused on continuous improvement and attacking the DOWN TIME wastes in all business process areas.

In summary, our QMS makes a tremendous impact by focusing on increasing manufacturing first-pass yields, not just because it reduces manufacturing costs and provides more shippable units each month. Improved yields also result in the accumulated reduction of trash generated and energy and water usage per unit produced. This is another reason our Strategic House has First Pass Yield as the key objective under the Operational Excellence pillar.



SUSTAINABLE PROCUREMENT

At Coherent, our supply chain plays an important part in driving our overall ESG strategy. Supplier performance on ESG initiatives is important to Coherent and is a factor in our procurement decisions, in addition to technology, quality, responsiveness, delivery, and cost.

First, Coherent expects its suppliers in all industries and of all sizes to comply with the regulations related to both their location of operations and scope of their activities. Second, Coherent expects suppliers to comply with our Supplier Code of Conduct. Additionally, Coherent will establish goals and targets for other ESG performance metrics, measure suppliers' performance, and use that data to inform and influence our purchasing decisions.

Historically, Coherent has operated with basic components of ESG as minimum requirements that a supplier must meet to be one of our approved supply partners, such as compliance with our Supplier Code of Conduct and compliance with local laws and regulations. However, there were few formalized processes or mechanisms for rewarding performance beyond the minimum. Moving forward, we are developing mechanisms to explicitly weight ESG performance in both the supplier selection process and ongoing purchasing decisions and allocations in a more granular fashion, to reward suppliers with better ESG performance.

SUPPLIER CODE OF CONDUCT

Coherent has adopted the RBA Code of Conduct as our code of conduct for suppliers. RBA sets consistent standards to drive social and environmental responsibility across global supply chains. The company statement is posted [at this link](#).

Coherent requires its suppliers to operate in accordance with the RBA Code of Conduct, which includes provisions covering responsible management in labor, health and safety, environment, ethics, and management systems. To the extent that a supplier's practices are not in compliance with the RBA Code of Conduct, Coherent reserves the right to terminate the business relationship.

SUPPLY CHAIN DECARBONIZATION

Coherent recognizes its Scope 3 emissions as significant and has established a program to work with our suppliers to quantify and reduce over time our upstream emissions (see Supply Chain Decarbonization in this report for more details).

In fall 2023, we launched a project with a prominent university and consulting group to develop a program addressing supply chain decarbonization, including establishing appropriate targets, defining and updating business processes and implementing methods to motivate improved supplier performance on reducing emissions. Overall, we expect significant supply chain decarbonization to take a decade or more to achieve. We will report progress through our annual ESG Report and other forums as appropriate.

SUPPLIER DIVERSITY

Coherent works to create mutually beneficial business relationships with diverse suppliers that strengthen the communities in which we operate. We are committed to developing relationships with small, minority-owned, women-owned, disadvantaged/disabled, veteran-owned, and LGBTQ+ business enterprises that enable Coherent to achieve our business goals and ESG objectives.

Coherent has internal metrics on the percentage of spending that is done with certified diverse suppliers, in regions where such metrics are meaningful. Coherent is developing a supplier incentives program that will encourage wider participation in the supplier diversity program by our current and potential suppliers and also developing targets for the program. Coherent expects to begin publishing select supplier diversity metrics in our next ESG Report.



SUPPLIER AWARDS

Coherent's supply chain consists of thousands of suppliers of various parts, services, and capital equipment. Each year, of the many thousands of suppliers, less than 1% of them are awarded the designation Supplier of the Year. Award categories include best quality, best new product introduction support, best delivery performance, best responsiveness, and several others based on traditional business performance metrics. The Supplier Awards program also includes awards for sustainability, supplier diversity, and EHS. Awards in these areas represent the value Coherent places on these particular programs and recognizes suppliers that excel in these areas in their own operations or provide exceptional products or services that help advance Coherent's ESG, DEI, and EHS programs.

SUPPLIER TRAINING AND DEVELOPMENT ON ESG

Coherent recognizes ESG as an important but also complex topic. Our supplier engagement activities thus far have revealed that many of our supply partners are relatively early in their ESG journeys. We recognize that clear communication of our expectations, reasonable timelines for achievement, and providing training, resources, and incentives to suppliers will be necessary to achieve our supply chain ESG objectives. As part of the supplier decarbonization project outlined earlier, supplier training is defined as a specific critical program objective. At the same time, we recognize that several of our suppliers actually have very mature ESG programs in place, in some cases more advanced than our own. We see an opportunity to learn from these suppliers and deepen our relationships with them through collaboration on ESG activities.

BUYER TRAINING AND DEVELOPMENT ON ESG

The Coherent procurement organization consists of teams around the world supporting our various operations. As Coherent evolves its supply chain ESG program, we recognize the need to train our procurement personnel in general

ESG topics as well as specific procurement policies and procedures. ESG training for the Coherent team is planned for FY2024, with periodic refresher training in the future.

ANTI-FORCED LABOR

Coherent respects internationally recognized human rights and does not accept any form of human trafficking, slavery, or forced labor in its supply chain. This is consistent with our Code of Ethical Business Conduct, our Supplier Code of Conduct, and the RBA Code of Conduct. Coherent has instituted due-diligence procedures to comply with applicable anti-human trafficking and anti-forced labor laws in the countries in which it operates, including the U.S. Uyghur Forced Labor Prevention Act (UFLPA). More details can be found [at this link](#).



INTEGRATING ESG INTO THE SUPPLIER MANAGEMENT PROCESS

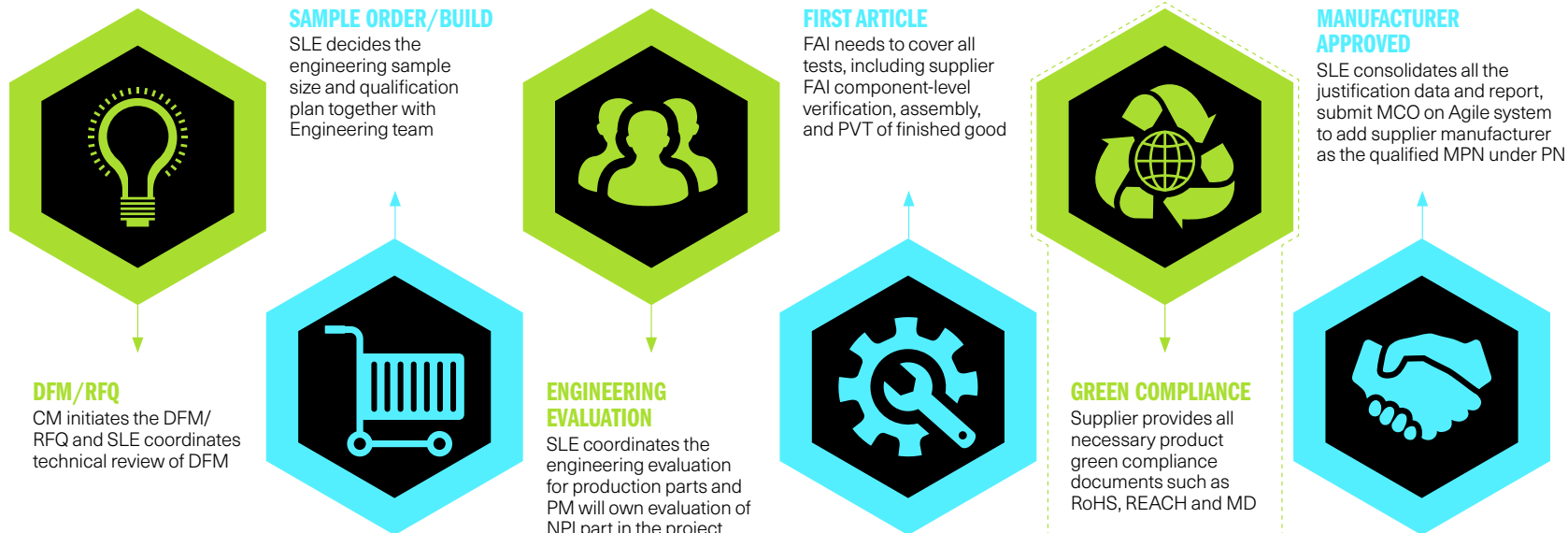
SUPPLIER SELECTION AND QUALIFICATION

Coherent has adopted a quality audit form for new supplier selection and qualification. In the audit process, ESG compliance is one of the critical areas we use to assess supplier capability and determine if they can be officially qualified as a Coherent approved supplier. In particular, there are several items about restricted substances, environment, and labor being set as minimum requirements that a supplier must meet before being granted approved supplier status. The same form is also used in the surveillance audit to ensure that supplier ESG compliance will be monitored in a routine manner in one to three years.

Green compliance is part of supplier product selection and qualification. Coherent ensures that the product and materials we purchased meet all necessary green compliance requirements such as RoHS and REACH.

Supplier ESG compliance management is well defined in the Coherent global supplier management process. Detailed guidelines exist in the RBA Code of Conduct and our supplier ESG standards.

KEY COMPONENTS IN SUPPLIER SELECTION AND QUALIFICATION



DFM: Design for Manufacturing; RFQ: Request for Quotation; SLE Supply Line Engineering; PM Program Manager; NPI New Product Introduction; FAI: First Article Inspection; PVT: Performance Verification Test; RoHS: Restriction of Hazardous Substances; REACH: Registration, Evaluation, Authorization, and Restriction of Chemicals Regulation; MD: Materials Declaration; MCO: Material Change Order; MPN: Manufacturer's Part Number; PN: Part Number



SUPPLIER PERFORMANCE METRICS

Coherent has integrated ESG compliance into our supplier performance metrics. Supplier ESG performance will be reviewed with their management in the routine business review and associated with their business allocation. Any serious violation of Coherent's ESG requirements will result in penalties such as an NPI ban, a business stop, or even phase-out from the approved supplier list.

SUPPLIER PERFORMANCE REVIEW (TQRDC+)

RESPONSIVENESS 10%

Quick response to Coherent requests:

- RFQ and PO
- RTV and failure analysis
- Contractual
- PPAP, DFM, etc.

QUALITY 25%

- Pursuing excellence in quality performance
- Incoming performance, LAR/DPPM
- Zero critical defects

TECHNOLOGY 10%

- Aligned Technology Roadmap
- Capability to support cutting-edge production
- Performance of NPI support

DELIVERY 20%

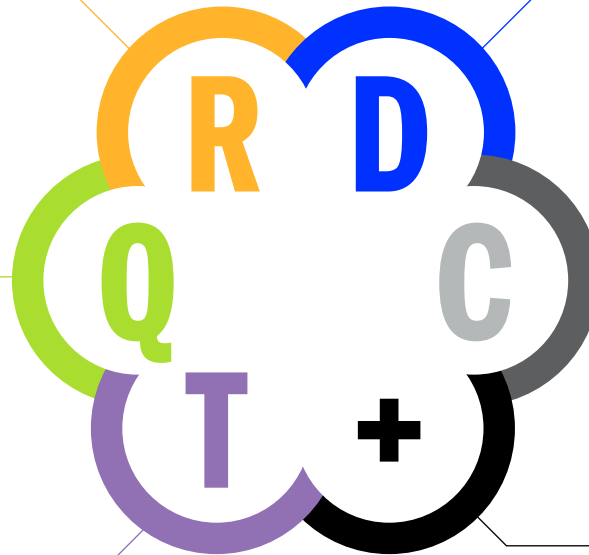
- On time delivery (OTD)
- Flexibility to order pull-in and pull-out
- Support VMI safety buffer
- Support shorter lead time

COST 25%

- Competitive pricing
- Continual cost reduction

+ ESG 10%

- **Environmental, Social, and Governance**
- Support Coherent's supplier ESG programs
 - RBA
 - Responsible minerals
 - GHG emissions reduction
- Positive response, risk mitigation, and improvements



TQRDC+: Technology, Quality, Responsiveness, Delivery, Cost, and other supplier performance metrics, including ESG; RFQ: Request for Quotation; PO: Purchase Order; RTV: Return to Vendor; PPAP: Production Part Approval Process; DFM: Design for Manufacturing; LAR: Lot Acceptance Rate; DPPM: Defective Parts per Million; NPI: New Product Introduction; VMI: Vendor-Managed Inventory; RBA: Responsible Business Alliance; GHG: Greenhouse Gas



SUPPLIER RISK ASSESSMENT

To ensure that the major suppliers implement our Supplier Code of Conduct, we developed a process to effectively assess supply chain risk with increasing levels of engagement with suppliers deemed to be higher potential risk. Starting from our approved supplier list, a number of major suppliers are identified in the scope of the RBA's compliance monitoring process.

Since launching the program in FY2021, we have received 148 in-scope suppliers' acknowledgment letters of our Supplier Code of Conduct and completed 131 supplier self-assessment questionnaires (SAQs). Coherent's top 100 suppliers represent over 50% of our direct material spending. High-risk suppliers are further required to undertake on-site or virtual audit by a Coherent team or a third-party auditor. In FY2023, a total of 24 supplier facilities underwent our audit against local social and environmental laws and regulations and the RBA Code of Conduct.

For any noncompliance issues, suppliers are required to submit a corrective action plan (CAP) and make improvements with a timeline. In FY2023, Coherent closed 293 supplier CAP items related to RBA compliance.

Coherent recognizes the burden to suppliers of having to fill out numerous similar ESG surveys and supports the use of standardized tools for ESG monitoring and reporting. Coherent adopted the RBA's online platform to manage supplier risk assessments and SAQs in FY2024, replacing a previous self-developed, customized survey. Use of the standard RBA toolset is more efficient for us and for our suppliers, and will result in a more consistent measure of ESG performance across our supply chain.

RBA COMPLIANCE MONITORING PROCESS



SOURCING OF RESPONSIBLE MINERALS

Coherent is committed to sourcing materials from suppliers that share our values around human rights, ethics, and environmental responsibility. We deploy a comprehensive process to meet applicable regulatory requirements and customers' expectations on responsible minerals, taking steps to increase our supply chain due-diligence measures and internal controls for the covered minerals.

The company has updated its policy relating to responsible minerals and posted it on our website [at this link](#). The policy clearly states that we require our supply chain to source 3TG, cobalt, and mica from smelters and refiners that are conformant to the Responsible Minerals Assurance Process (RMAP) or other cross-recognized standards. We use a survey process to identify high-risk suppliers that is a part of our supplier RBA management process.

Smelters used are required to be validated by an independent third-party audit program. Coherent reserves the right to terminate the business relationship with suppliers that do not comply with our Responsible Minerals Policy.

Coherent's responsible minerals due-diligence efforts comply with OECD (Organization for Economic Cooperation and Development) guidance. Coherent identifies which of its suppliers provide materials that include, or are likely to include, minerals of concern under the Responsible Minerals Policy. Selected suppliers are surveyed using a third-party agent that specializes in Conflict Minerals supplier assessment and management. The third-party evaluates the quality of each supplier response and assigns a health score based on the supplier's declaration of process engagement. Additionally, the step-by-step process for supplier engagement and upstream due-diligence investigations performed are all managed through this platform. The total supplier response rate for the most recent reporting year (CY2022) was 81%.

YEAR	% RESPONDED	% INVALID
CY 2022	80%	4%

In total, our suppliers identified 1,052 legitimate 3TG smelters in the CY2022 reporting year.

Coherent in general does not purchase 3TG materials directly from mines, smelters, or refiners, and instead relies on a complex global supply chain. Coherent or its third-party agent reaches out to the suppliers who declared concerned smelters or refiners (SoRS) and requires their action to mitigate the risks. Additionally, we participate in the third-party's smelter outreach initiatives (annual joint-effort activities joined by many companies) to encourage those concerned smelters to be RMAP conformant. The smelter outreach initiatives include the third party sending notification letters to smelters on Coherent's behalf.

3TG SoRS RMAP STATUS	NUMBER OF IDENTIFIED SMELTERS AND REFINERS
Conformant	657
Active	8
Not Enrolled	364
Non-Conformant	23

With the upcoming CY2023 responsible minerals campaign, Coherent expects to take the following steps, among others, to improve its due-diligence measures and to further mitigate its risks:

- Continue to monitor relevant laws, regulations, rules, and customer expectations, and update our related policies and processes as appropriate.
- Continue to work closely with the third-party service provider in the area of responsible minerals.
- Continue to engage with suppliers, integrate responsible minerals efforts with procurement decisions, and drive risk mitigations in our global supply chain.



DATA TABLES

ENVIRONMENT

ENERGY AND EMISSIONS

ENERGY USAGE (MWH)	FY23	FY22
Total Energy Usage	802,728	650,994
Electricity Usage	679,911	569,110
Grid-purchased electricity	653,225	550,439
Self-generated electricity	29,045	18,671
Natural Gas Usage	106,379	73,311
Other	16,438	8,573
Energy purchased from renewable sources	410,717	189,914
Energy purchased from renewable sources (%)	51.2%	29.2%
EMISSIONS (MTCO ₂ e)	FY23	FY22
Scope 1 & 2		
Location Based	366,919	326,216
Scope 1	45,700	43,882
Scope 2	321,218	282,335
Market Based	190,690	262,729
Scope 1	45,653	43,782
Scope 2	145,037	218,947
CO₂ mitigated	176,228	63,487
% CO ₂ mitigated	48%	19%
FY2023 Revenue (\$ million USD)	5,160	3,317
Market-based Scope 1 & 2 Emissions intensity (MTCO ₂ e per \$ million USD)	37.0	79.2
Scope 3		
Fuel and Energy Related Activities (Category 3)	97,756	(no data)
Business Travel (Category 6)	43,745	(no data)
Employee Commuting (Category 7)	38,973	(no data)

Note: FY2023 includes 99.47 MT of biogenic CO₂.

WATER

WATER (IN MILLIONS OF GALLONS)	FY23
Withdrawals	606
Discharges	515
Withdrawals for sites with high water risk / stress	115
% of total withdrawals for sites with high water risk / stress	19%
Revenue (\$ million USD)	5,160
Water withdrawal intensity (gallons per \$ revenue)	0.12

Note: Coherent implemented global water usage tracking in FY23.

SITE CERTIFICATIONS

Summary and percentage of sites holding specific certifications:

STANDARD	SITES CERTIFIED	PERCENT CERTIFIED
IATF 16949	1	2%
ISO 13485	4	6%
ISO 14001	19	29%
ISO 45001	10	15%
ISO 50001	7	11%
ISO 9001	64	97%



DATA TABLES

PEOPLE

EMPLOYMENT TYPE	FY23	FY22
Employees	26,886	23,299
Female	11,819	11,361
Male	14,871	11,904
Not Disclosed	196	34
APAC	17,809	18,444
EMEA	3,866	1,193
AMER	5,211	3,662
Permanent Employees	26,622	23,118
Female	11,778	11,319
Male	14,775	11,771
Not Disclosed	69	28
APAC	17,804	18,306
EMEA	3,740	1,174
AMER	5,078	3,638

Note: The decline in the number of female employees as a relative proportion of our total workforce in FY2023 over FY2022 occurred due to the lower percentage of women in the former Coherent, Inc.'s, workforce at the time it was acquired on July 1, 2022.

EMPLOYMENT TYPE	FY23	FY22
Temporary Employees	264	181
as % of All Employees	0.98%	0.78%
Female	41	42
Male	96	133
Not Disclosed	127	6
APAC	5	138
EMEA	126	19
AMER	133	24
Full-Time Employees	26,396	23,144
Female	11,645	11,289
Male	14,684	11,823
Not Disclosed	67	32
Part-Time Employees	490	155
Female	174	72
Male	187	81
Not Disclosed	129	2



DATA TABLES

PEOPLE

INTERNAL & EXTERNAL HIRING	FY23	FY22
Employee New Hires	2,766	6,195
APAC	1,739	4,807
EMEA	346	297
AMER	681	636
Employee Rehires	81	325
APAC	51	282
EMEA	3	6
AMER	27	37
Employee Promotions	1,423	1,378
APAC	700	825
EMEA	161	81
AMER	562	472

DIVERSITY & EQUAL OPPORTUNITY	FY23	FY22
Employees in Management Roles	2,808	2,011
Female	690	519
Male	2,115	1,488
Not Disclosed	3	4
<30 years old	78	100
30-50 years old	1,657	1,278
>50 years old	1,073	633
Diverse Employees (U.S. Only)	305	192
Employees in Technical Roles	5,287	4,220
Female	890	763
Male	4,354	3,451
Not Disclosed	43	6
<30 years old	722	726
30-50 years old	3,253	2,677
>50 years old	1,312	817
Diverse Employees (U.S. Only)	692	507
All Other Employees	19,512	17,588
Female	10,307	10,128
Male	9,054	7,435
Not Disclosed	151	25
<30 years old	5,744	6,653
30-50 years old	11,031	9,524
>50 years old	2,737	1,411
Diverse Employees (U.S. Only)	1,485	991



DATA TABLES

PEOPLE

CHANGES IN HEADCOUNT	FY23	FY22
Employee New Hires	2,766	5,740
Female	1,421	2,744
Male	1,308	2,984
Not Disclosed	37	12
<30 years old	1,692	3,630
30-50 years old	885	1,844
>50 years old	189	266
APAC	1,739	4,807
EMEA	346	297
AMER	681	636
Employee Turnover	5,013	5,689
Voluntary Turnover	3,637	4,791
Involuntary Turnover	1,376	898
Female	2,421	2,924
Male	2,559	2,759
Not Disclosed	33	6
<30 years old	2,417	3,565
30-50 years old	1,993	1,849
>50 years old	603	275
APAC	3,526	5,126
EMEA	413	82
AMER	1,074	481

WORK-RELATED INJURIES	FY23
Number of recordable work-related injuries	115
• Rate	0.36
Number of fatalities as a result of work-related injuries	0
• Rate	0
Number of hours worked	63,629,160

Note: FY22 comparison data is not available due to a change in definition and data collection methods.



SASB INDEX

TOPIC	ACCOUNTING METRIC	CATEGORY	UNIT OF MEASURE	CODE	DISCLOSURE
Greenhouse Gas Emissions	(1) Gross global Scope 1 emissions and (2) amount of total emissions from perfluorinated compounds	Quantitative	Metric tons (t) CO ₂ -e	TC-SC-110a.1	Environment, Emissions Table, page 19.
	Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets	Discussion and Analysis	n/a	TC-SC-110a.2	Environment, Energy Management in Coherent's Operations, pages 14-19.
Energy Management in Manufacturing	(1) Total energy consumed, (2) percentage grid electricity, (3) percentage renewable	Quantitative	Gigajoules (GJ), Percentage (%)	TC-SC-130a.1 RT-EE-130a.1	Environment, Energy Usage Table, page 19.
Water Management	(1) Total water withdrawn, (2) total water consumed, percentage of each in regions with High or Extremely High Baseline Water Stress	Quantitative	Thousand cubic meters (m ³), Percentage (%)	TC-SC-140a.1	Coherent does not currently collect this metric, but we will consider opportunities for disclosure in future reporting.
Hazardous Waste Management	Amount of hazardous waste generated; percentage recycled	Quantitative	Metric tons (t), Percentage (%)	TC-SC-150a.1 RT-EE-150a.1	Coherent does not currently collect this metric, but we will consider opportunities for disclosure in future reporting.
	Number and aggregate quantity of reportable spills, quantity recovered	Quantitative	Number, Kilograms (kg)	RT-EE-150a.2	Coherent does not currently collect this metric, but we will consider opportunities for disclosure in future reporting.
Employee Health & Safety	Description of efforts to assess, monitor, and reduce exposure of employees to human health hazards	Discussion and Analysis	n/a	TC-SC-320a.1	People, Health and Safety, page 22.
	Total amount of monetary losses as a result of legal proceedings associated with employee health and safety violations	Quantitative	Reporting Currency	TC-SC-320a.2	\$0
Recruiting & Managing a Global & Skilled Workforce	Percentage of employees that are (1) foreign nationals and (2) located offshore	Quantitative	Percentage (%)	TC-SC-330a.1	People, Diversity, Equity, and Inclusion, page 28.
Product Lifecycle Management	Percentage of products by revenue that contain IEC 62474 declarable substances	Quantitative	Percentage (%)	TC-SC-410a.1 RT-EE-410a.1	Coherent does not currently collect this metric, but we will consider opportunities for disclosure in future reporting.
	Processor energy efficiency at a system-level for: (1) servers, (2) desktops, and (3) laptops	Quantitative	Various, by product category	TC-SC-410a.2	This metric is not relevant to our business.
	Percentage of eligible products, by revenue, that meet ENERGY STAR® criteria	Quantitative	Percentage (%), by revenue	RT-EE-410a.2	This metric is not relevant to our business.
	Revenue from renewable energy-related and energy efficiency-related products	Quantitative	Reporting Currency	RT-EE-410a.3	Coherent does not currently collect this metric, but we will consider opportunities for disclosure in future reporting.



SASB INDEX

TOPIC	ACCOUNTING METRIC	CATEGORY	UNIT OF MEASURE	CODE	DISCLOSURE
Product Safety	Number of recalls issued; total units recalled	Quantitative	Number	RT-EE-250a.1	\$0
	Total amount of monetary losses as a result of legal proceedings associated with product safety	Quantitative	Reporting Currency	RT-EE-250a.2	\$0
Material Sourcing	Description of the management of risks associated with the use of critical materials	Discussion and Analysis	n/a	TC-SC-440a.1 RT-EE-440a.1	Sustainable Procurement, Sourcing of Responsible Minerals, page 54
Intellectual Property Protection & Competitive Behavior	Total amount of monetary losses as a result of legal proceedings associated with anti-competitive behavior regulations	Quantitative	Reporting Currency	TC-SC-520a.1 RT-EE-510a.3	\$0
Business Ethics	Description of policies and practices for prevention of: (1) corruption and bribery and (2) anti-competitive behavior	Discussion and Analysis	n/a	RT-EE-510a.1	Anti-Corruption and Anti-Bribery Policy, www.coherent.com/company/investor-relations/governance
	Total amount of monetary losses as a result of legal proceedings associated with bribery or corruption	Quantitative	Reporting Currency	RT-EE-510a.2	\$0
Activity Metric	Number of employees	Quantitative	Number	RT-EE-000.B	26,000+



FORWARD-LOOKING STATEMENTS

This ESG Report contains forward-looking statements and projections relating to future events and expectations, including our expectations regarding (i) climate and energy management, water, waste minimization, and air pollution control, (ii) health and safety; human rights, diversity, equity, and inclusion; employee wellness; talent acquisition; talent management; and community engagement, (iii) corporate governance; ethical business conduct and compliance; enterprise risk management; and data privacy and security, (iv) our product innovation and impact; product safety; circular economy with respect to our products; and product quality and lean manufacturing, and (v) sustainable procurement, including compliance with our supplier code of conduct; supply chain decarbonization; supplier diversity; anti-forced labor; and responsible mineral sourcing, each of which is based on certain assumptions and contingencies. Coherent believes that all forward-looking statements and projections made by it in this ESG Report have a reasonable basis, but there can be no assurance that management's expectations, beliefs, or projections as expressed in the forward-looking statements will actually occur or prove correct. In addition, to general industry and global economic conditions, factors that could cause actual results to differ materially from those discussed in the forward-looking statements in this ESG Report include the risks relating to forward-looking statements and other "Risk Factors" discussed in Coherent's Annual Report on Form 10-K for the fiscal year ended June 30, 2023, and others that may be identified from time to time in Coherent's filings. Unless otherwise indicated in this ESG Report, all information in this ESG Report is current through December 20, 2023, and for Coherent's fiscal year 2023 (July 1, 2022 – June 30, 2023), and we disclaim any obligation to update this report to account for future events or developments, new information, or similar activities or factors that may occur subsequent to the release of this ESG Report and may impact the content in this ESG Report.



ADDITIONAL INFORMATION

Coherent Corp.'s ESG Report provides a point-in-time overview of our organization's ESG initiatives beyond traditional financial disclosure overseen by U.S. federal and state regulators. In this report, we seek to highlight our corporate culture, including information about our employee base, our governance practices, our risk management framework, our commitment to our customers, and our dedication to the communities in which we operate. We believe that each of these aspects may impact shareholder value creation and our ability to sustain our business over the long run. Various standard-setting bodies have published disclosure frameworks for ESG reports. We reviewed several of these standards and have incorporated disclosure practices and principles we believe to be most relevant to the industries in which we operate. This ESG Report is for informational purposes only. The information contained in this report is subject to change without notice.

We provide regular communication to our investors and the public in the form of quarterly filings with the SEC that include our financial performance; risks that may impact our operations or financial results; the composition of our Board of Directors, Board committees, and executive management team and the compensation they receive for their service; our corporate governance practices; and other required information.

The company's public filings made with the SEC can be found on the SEC's website at www.sec.gov or on the [Investor Relations page of our website](#).





<https://www.coherent.com/company/investor-relations/esg>