FOSSIL FUEL EQUIPMENT

Policy No.
ESG-002

1.0 PURPOSE

This policy establishes rules and requirements for the purchase or lease of fossil-fuel-powered equipment in order to reduce our greenhouse gas (GHG) emissions as a company.

2.0 SCOPE

This policy applies to all fossil-fuel-powered equipment owned or leased by Coherent Corp. ("Coherent" or the "company") and its subsidiaries and affiliates. All covered individuals are expected to comply with this policy when performing services for or representing the company.

The scope of this policy includes only company-owned or long-term leased vehicles. Vehicles used on short-term rentals such as business travel are not included. Employee-owned or -leased vehicles are not included, even when on-site.

3.0 REQUIREMENTS

3.1 Commitment to Reduce GHG Emissions

A top priority in our Environmental, Social, and Governance (ESG) program is to reduce greenhouse gas (GHG) emissions as a company. Coherent Corp. has committed to achieve net-zero Scope 1 & Scope 2 emissions by FY2040. Recognizing that customer requirements to decarbonize are increasing, certain sites may be required to meet a net-zero target earlier than FY2040, based on customer pressure specific to that site.

For clarity:

- Scope 1 Emissions are direct GHG emissions that occur from sources that are controlled or owned by an organization (e.g., emissions associated with fuel combustion in boilers, furnaces, vehicles) (see World Resources Institute Greenhouse Gas Protocol).
- Scope 2 Emissions are indirect GHG emissions associated with the purchase of electricity, steam, heat, or cooling (see World Resources Institute Greenhouse Gas Protocol).

We therefore expect all employees and personnel to turn an extremely critical eye to the purchase of any equipment that operates on fossil fuels, especially equipment with a long service life that will impact our emissions for many years into the future. The purchase of any fossil-fuel-powered equipment, regardless of service life, should be avoided unless there is no other technically and economically feasible solution. Alternatives that do not require fossil fuel usage are strongly preferred.

3.2 Purchasing or Replacing Fossil-Fuel-Powered Equipment

Any decision to purchase or replace fossil-fuel-powered equipment should follow the guidelines and requirements in this document.

The purchase, lease, or replacement of any fossil-fuel-powered equipment, or overhaul that would significantly extend its operating life, **is prohibited** unless a specific exemption is approved.

For clarity, examples of fossil-fuel-powered equipment at Coherent sites include, but are not limited to:

- Natural-gas-fired heating systems
- Backup emergency diesel generators
- Propane-powered forklifts
- Internal-combustion-engine (ICE) vehicles

3.3 Responsibilities of Site Leaders

The site leader has ultimate responsibility for evaluating the need for additional fossil-fuel-powered equipment at the site, evaluation of alternatives, and obtaining the necessary additional approvals for

any exemptions to this policy. Furthermore, the site leader has ultimate responsibility for development and execution of the plan to phase out all direct emissions related to fossil fuel usage at the site.

3.4 Exemptions

Exemptions from our company's position on the purchase, lease, or replacement of fossil-fuel-powered equipment, as laid out above, will be considered based on technical and economic merits. Examples include:

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

Requests for exemption are subject to the following additional requirements, in addition to normal capital and procurement approvals:

- Financial models for the business case and cost comparison against non-fossil-fuel-powered options shall include an adjustment for the cost of carbon, based on the predicted lifetime emissions of the fossil fuel option. The ESG team will provide estimates upon request for the internal cost of carbon per metric ton of CO2-equivalent (MTCO2e) for use in this analysis.
- Requests for exemption shall include the following information:
    - Site name
    - Reason for purchase, lease, or overhaul
    - Expected service life
    - Non-fossil-fuel alternatives evaluated
    - Justification for a fossil-fuel-based option as the only technically or economically feasible option.
- Approval of the exemption is required from the Director of Sustainability, Global Director of Real Estate & Facilities, Business Group Leader, and the Chief Procurement Officer.

3.5 Plan to Eliminate Emissions from Existing Fossil-Fuel-Powered Equipment

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

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

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

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

        - Switching from natural gas to renewable natural gas or green hydrogen for fuel cells
    - Purchase of carbon-offset credits

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

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

4.0 CONSEQUENCES FOR POLICY VIOLATIONS

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

5.0 REPORTING CONCERNS

Violations of this policy should be reported to the Coherent Compliance Hotline (www.coherent.ethicspoint.com) or to the Chief Legal and Compliance Officer (CLCO).

6.0 ADDITIONAL RESOURCES

ESG-001 Sustainability Policy

7.0 REVISION HISTORY

Revision	Date	Description of Change	Requested By
Original	March 11, 2024	Initial Release	
Revision 1	December 15, 2025	Minor updates and clarification	Richard Marino
Revision 2	July 23, 2026	Updated for formatting and alignment with new policy template as part of enterprise-wide effort to update Policy Center.	Corporate Compliance