

CLIMATE TRANSITION ACTION PLAN

Climate-related Risks and Opportunities

We recognize that anthropogenic climate change will pose certain risks to our business. On the other hand, we believe that the transition to a low-carbon economy may offer certain opportunities to our business.

We regularly report on significant climate-related risks and opportunities as well as our process for identifying, assessing and managing these risks as part of our CDP submission. Our [Global Impact Report](#) identifies disclosures in line with the TCFD Recommendations.

Our Climate Governance

Our climate strategy is led by our Chief Legal and Global Affairs Officer who works closely with the Director of Sustainability and colleagues across the company to advance progress towards our goals. Oversight is provided by the Nominating and Corporate Governance Committee of our Board of Directors, which guides key sustainability initiatives and practices, supports the development of the company's sustainability vision, and helps establish corresponding program goals.

Our Climate Commitments

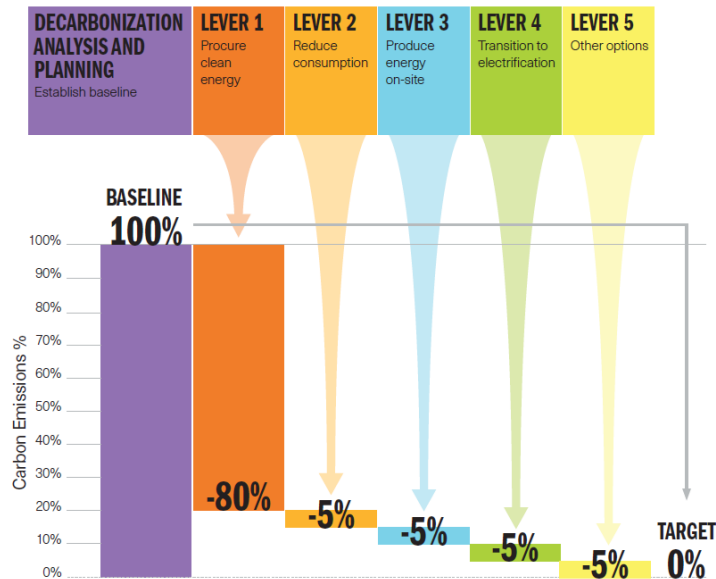
- Achieve 100% renewable electricity company-wide by FY2030.
- Reduce Scope 1 and Scope 2 emissions (market-based) by 50% by FY2030.¹
- Achieve net-zero Scope 1 and Scope 2 emissions from our internal operations by FY2040.¹

¹ Against a FY2023 location-based emissions base year.

Our Decarbonization Roadmap for Own Operations

We are working to achieve our decarbonization goals by reducing our energy use and GHG emissions from our operations worldwide.

MOVING DECARBONIZATION FROM STRATEGY TO ACTION



Source: Siemens

We focus our efforts on five decarbonization levers:

Lever 1: Procure Clean Energy

Coherent prioritizes clean energy procurement as the most impactful way to reduce emissions. We have committed to sourcing renewable electricity wherever possible and economically feasible. We intend to procure an increasing amount of renewable energy with every new electricity contracting activity unless the site has achieved 100% renewable electricity already.

Lever 2: Reduce Energy Consumption

Coherent is actively reducing energy consumption by improving the efficiency of its production processes, facilities, equipment, and IT infrastructure. Measures include manufacturing yield improvements, installing energy-efficient lighting and controls, upgrading equipment like chillers and compressors, using server virtualization, fixing air leaks, optimizing fan speeds, and recovering waste heat. These efforts reflect a broad, systematic approach to minimizing energy use across operations.

Lever 3: Produce Energy On-Site

Coherent is installing on-site solar photovoltaic systems where technically and economically feasible, recognizing both their environmental and operational benefits. While on-site solar typically offsets only a small percentage of a facility's electricity due to high energy demands in compact spaces, Coherent seeks to pursue these projects where practical. On-site generation supports decarbonization, improves energy resilience, eases grid demand, and offers cost predictability.

Lever 4: Transition to Electrification (Fossil Fuel Elimination)

Coherent is committed to significantly reduce Scope 1 emissions from fossil fuel use.

Coherent implemented a global [Fossil Fuel Equipment Policy](#) banning new fossil-fuel-powered equipment purchases, except in specific situations where a formal exemption is approved. Most existing fossil-fuel equipment is expected to be phased out by FY2040 and replaced with electric or non-fossil-fuel alternatives. When direct replacement of equipment is not practical, we will strive to use renewable or non-fossil-fuel alternatives.

Lever 5: Other Options: Address fugitive emissions and offset unavoidable emissions

Coherent expects to reduce over 90% of its Scope 1 and 2 emissions using decarbonization Levers 1 through 4, but will address the remaining emissions through targeted measures such as emissions abatement processes and procurement of high-quality carbon offsets and/or carbon removal credits. Some emissions sources like fossil fuel emergency generators and GHG emissions from semiconductor processes currently lack viable alternatives. To reach net-zero by FY2040, the company expects it will need to use carbon offsets and/or carbon removals for residual emissions, which are expected to make up no more than 10% of its total Scope 1 and 2 footprint.

Our Decarbonization Roadmap for Our Value Chain

Coherent has conducted a materiality assessment on emissions across our upstream and downstream value chain. The following summary indicates which categories of emissions are expected to be significant:

Greenhouse Gas Inventory

Assessing Materiality of the 15 Scope 3 Categories for Coherent

1	Purchased goods & services	2	Capital goods	3	Fuel & energy-related activities	4	Upstream T&D	5	Waste generated in operations
	Upstream cradle-to-gate emissions from production of goods & services purchased		Upstream cradle-to-gate emissions from production of capital goods purchased		Extraction, production, & transportation of fuels & energy purchased or acquired		Transportation and distribution of products & services purchased		Disposal & treatment of waste generated
6	Business travel	7	Employee commuting	8	Upstream leased assets	9	Downstream T&D	10	Processing of sold products
	Transportation of employees for business-related activities		Transportation of employees between their homes and their worksites		Operation of assets leased by the reporting company (lessee)		Transportation and distribution of products & services sold		Processing of intermediate products sold
11	Use of sold products	12	End-of-life sold products	13	Downstream leased assets	14	Franchises	15	Investments
	End use of goods & services sold		Waste disposal & treatment of products sold		Operation of assets owned by the company (lessor) & leased to other entities		Operation of franchises		Operation of investments

Not material to operations

Potentially material, but not measured currently

Material and estimable emission sources

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

Our initial analysis identifies our upstream supply chain as a hotspot where a significant amount of our GHG emissions occur. Reducing these upstream GHG emissions is a clear imperative even if we have limited operational control over these activities. We look forward to working with suppliers, business partners, and the wider business ecosystem to decarbonize our value chain. Our expectations for suppliers on sustainability and decarbonization are clearly articulated by our Chief Supply Chain Officer. In addition to Technology, Quality, Responsiveness, Delivery, and Cost, Coherent factors Sustainability performance into procurement decisions.

Our initial analysis also identifies our downstream value chain as an area where a significant amount of our GHG emissions may occur. In particular, a number of Coherent products are electrically powered. Coherent seeks to work with customers to reduce our products' total lifetime energy consumption. Coherent recognizes that electricity from renewable sources is widely available and many of our customers choose to power our products with renewable electricity, and Coherent encourages other customers to do so as well.

We will use the following levers, specifically targeted at opportunities with the largest emissions and opportunities for emissions reduction. As our strategy develops, new levers may be added to enhance our effectiveness.

Lever 1: Recognizing and Rewarding Existing Supplier Emissions Reduction Efforts

We recognize that several of our suppliers have existing emissions reduction targets and efforts. Coherent will monitor supplier performance against these commitments, and will seek to award additional business to suppliers with leading emissions reduction efforts.

Lever 2: Supplier Capacity Building

We recognize that our suppliers are at different points on their sustainability journey. We intend to support high-emissions suppliers by setting clear expectations and providing training or resources as appropriate to develop emissions reporting and reduction programs with suppliers that lack or have less mature emissions reduction programs. Coherent will monitor supplier performance in establishing emissions reporting and reduction programs, and will seek to award additional business to suppliers making progress on Coherent's emissions reduction efforts over those that do not.

Lever 3: Product Innovation and R&D Collaboration

We recognize that product design decisions have a significant impact on the total lifetime carbon footprint of a product, including Scope 1 & 2 emissions in our operations, Scope 3 upstream emissions with our suppliers, and Scope 3 downstream emissions with our customers. Our New Product Introduction process requires our design team to consider sustainability impacts in the design and at each decision point in the NPI process. We aim to engage in new product development initiatives both internally and in R&D collaborations with our suppliers and our customers to accelerate the development and adoption of low-carbon materials and processes. We aim to co-develop solutions that support both our own decarbonization goals, those of our suppliers, and our customers.

Our Progress

We report regularly on our current GHG footprint and progress against our commitments. Please refer to our latest [Global Impact Report](#) and our latest CDP response for up-to-date information including details on our GHG accounting methodology.

Strategic and Financial Planning

To factor climate impact into our business decision-making, Coherent implemented an internal carbon price mechanism. An internal shadow carbon price is applied to a variety of business activities and tracked through our Cost of Quality process that also tracks numerous forms of waste and quality errors. The cost of carbon was set relatively low initially and will increase over time to provide additional focus and incentive for decarbonization.

Factors Influencing our Journey

We recognize that outside influences will shape our sustainability journey, and progress will not always be linear. For example, future growth and acquisitions may increase our emissions at times, temporarily exceeding our efforts to reduce them. Adapting to evolving net-zero standards, regulatory changes, and renewable energy market dynamics is an essential element of our climate and energy management strategy.

Policy Engagement

Coherent's policy engagement on climate issues is managed by our Chief Legal and Global Affairs Officer, who has responsibility over our corporate sustainability strategy and government affairs strategy. This approach ensures consistency across our business operations. We are also members of several trade associations that advocate for our climate strategy, as well as related industry issues like efficiency improvements, infrastructure investments, and environmental performance, among others. When our position differs from these organizations, we work with them to improve alignment and advance opportunities where possible.

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