



## 1.0 PURPOSE AND INTRODUCTION

Coherent Corp. is committed to ensuring that risk management is a core capability and an integral part of all activities. Coherent Corp. has developed an enterprise risk management (ERM) framework to outline our approach to managing change and uncertainty. The ERM framework applies to all levels of the organization and assists in achieving the company's strategic objectives by bringing a systematic approach to identifying, analyzing, mitigating, and reporting risks. The ERM process enables enhanced and proactive decision-making. This framework is intended to provide direction that ensures that the information collected about risk is shared in a relevant and timely manner, and that this information-sharing leads to continuous improvement.

## 2.0 SCOPE

This policy has been established for Coherent Corp. A reference to the term "Coherent Corp." encompasses the Coherent Corp. organization and its business units, divisions, and subsidiaries ("Coherent" or the "Company"). It applies to all employees, contractors, consultants, and suppliers of Coherent.

To meet the company's strategic goals, the Executive Leadership and the Board of Directors have committed to developing rigorous, structured, and effective risk management processes across the organization.

The ERM framework is developed to:

- Establish common risk language and direction related to risk management.
- Assign responsibilities for risk oversight among the Board and other stakeholders.
- Identify critical risks and opportunities in the company's activities and strategy.
- Increase the likelihood that strategic objectives will be achieved.
- Facilitate open communication with respect to risk and risk tolerance.

The ERM process is designed to:

- Identify potential events and trends (risks) that may significantly affect the company's ability to achieve its strategic goals or maintain its operations.
- Assess those risks against the company's level of risk tolerance to provide reasonable assurance that the company's objectives will be achieved.
- Empower employees at all levels of the organization to identify, evaluate, and respond to risks within their scope of authority and responsibility.

Coherent Corp.'s objectives for enterprise risk management include:

- Integrating risk management into the culture and strategic decision-making of the company.
- Anticipating and responding to changing social, environmental, and legislative conditions.
- Managing risk according to better practice and demonstrating due diligence in decision-making.
- Regarding legal compliance as a minimum standard.
- Balancing the cost of managing risk with the anticipated benefits.
- Raising awareness of the need for risk management.



### **3.0 RESPONSIBILITY**

This policy will be governed by the Audit & Risk Committee of the Board of Directors of Coherent. On a periodic basis, and as necessary, this governing body will recommend goals and resources in the area of enterprise risk management. The Internal Audit team will provide recommendations and lead the day-to-day ERM efforts.

#### **Executive Leadership**

Members of the company's Executive Leadership are accountable for strategic risk management, including the delegation of the ERM process to those in their organizations.

Collectively, the Executive Leadership is responsible for:

- Formal identification of strategic risks that have an impact on the company's goals.
- Determination of priorities and risk rankings.
- Development of strategic risk management plans.
- Monitoring progress in managing risk.

#### **Vice President, Internal Audit**

Coordinates ERM for the company, and in that role:

- Oversees and maintains the ERM framework.
- Ensuring that critical enterprise risks are being considered by the Executive Leadership and Board.
- Annually facilitates and coordinates the process of identifying, reviewing, and ranking risks.
- Supports the development of a risk register for the company.
- Monitors risks in the company's risk register and following up on mitigation plans and results.
- Facilitate action in those areas where improvements are required and promotes a risk-aware culture.

#### **Corporate and Business Unit Leaders**

Corporate and business unit leaders are accountable for implementing this policy within their respective areas of responsibility:

- Incorporate risk management into their departmental/unit planning processes and management activities.
- Actively participate in the risk assessment and risk management process.
- Report on the status of risks as part of the review cycle.

#### **Coherent Employees**

All employees are responsible for the effective management of risk, including the identification of potential risks. Management is responsible for the development of risk management processes and the implementation of risk mitigation measures. Risk management processes will be integrated into existing planning processes and management activities.

### **4.0 KEY TERMS**

**Risk** – the effect of uncertainty on business objectives. Risk typically refers to an event and related consequences and is often described in terms of the impact and the likelihood of



occurrence. A risk may be positive, negative, or both, and may address, create, or result in opportunities and threats.

**Risk Management** – coordinated activities to identify, assess, and respond to risk.

**Enterprise Risk Management (ERM) Framework** – the plans, directions, and guidelines to strengthen risk management practices within the company.

**Inherent Risk** – the level or amount of risk without management or control.

**Residual Risk** – the level or amount of risk with management or control.

**Risk Owner** – the person or group with the responsibility and authority to manage a risk.

**Risk Tolerance** – the level of risk the company is willing to accept. The risk tolerance may be different for different risks and should be aligned with overall strategic objectives. Risk tolerance will inform the company's risk management approach.

**Risk Register** – official recording of the identified risks facing the company. A catalog of the significant risks (with impact and likelihood assessed) forms the risk register.

**Control** – measure or action to modify risk. Controls include the policies, procedures, reporting, and initiatives performed by individuals to ensure that the desired risk response is carried out. These activities take place at all levels and functions of the company.

**Likelihood** – the probability of an event occurring.

**Impact** – The severity of an event.

## 5.0 THE POLICY

The ERM process is continuous and should be applied at both the enterprise level and the operational unit level.

The principles for managing risk are:

- The Board of Directors oversees risk management within the company.
- The Board of Directors adopts an open and receptive approach to solving problems and managing risks.
- The Executive Leadership supports, advises on, and implements policies approved by the Board of Directors.
- The Executive Leadership makes conservative and prudent recognition and disclosure of the financial and non-financial implications of risks and opportunities.
- Business Leaders encourage good risk management practices within their units.
- Key risk indicators are identified, mitigated, and monitored on a regular basis.

## 6.0 RECORD KEEPING

See Corporate Record Retention Policy.



**7.0 CONSEQUENCES FOR FAILURE TO COMPLY**

Failure to comply with this policy may prevent the company from achieving its strategic and operational objectives. Violations of this policy may result in disciplinary action, including termination.

**8.0 QUESTIONS AND REPORTS**

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

**9.0 COMMUNICATION**

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

**Related Information**

Procedures and Standards:

- International Standard ISO 31000:2018, Risk Management – Guidelines

<b>APPROVALS</b>	<b>APPROVALS COMPLETED DATE</b>
Sherri Luther	September 1, 2025

**REVISION HISTORY**

<b>Revision</b>	<b>Date</b>	<b>Description of Change</b>	<b>Requested By</b>
Original	March 17, 2023		
Updated	September 1, 2025	Change in org structure	