

### 33. Business Conduct

#### Human Resources

#### BUSINESS CONDUCT

Policy No.: 33

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Authorized by: Audit Committee of the Board of Directors

#### 1.0 PURPOSE and GENERAL PRINCIPLES:

We at Coherent are proud of our reputation for excellence; a reputation based on our commitment to the highest ethical standards. This commitment to integrity must permeate our dealings with stockholders, employees, customers, suppliers, local communities, and governments at all levels and the general public wherever we operate. Our success is dependent on the willingness of each individual to act in accordance with these enduring values. We must remember that misconduct by only a few can seriously discredit Coherent, harm our reputation, and reflect poorly on all of us. No success is worth the expense of compromising ethical behavior.

All individuals employed by Coherent, Inc. (Coherent), its affiliates and subsidiaries, including members of the Board of Directors (“Covered Persons”) are required to follow this policy and comply with its terms, to deter wrongdoing and to promote:

- Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- Full, fair, accurate, timely, and understandable disclosure in reports and documents that a registrant files with, or submits to, the Securities and Exchange Commission and in other public communications made by Coherent; and
- Compliance with applicable governmental laws, rules and regulations.

Part of your job and ethical responsibility is to help enforce our standards of business conduct. You should be alert to possible violations and report possible violations through the Ethics Hotline ([www.ethicspoint.com](http://www.ethicspoint.com)), whether by email or phone, which is the specific department for reporting. Additionally, you may voluntarily report to your manager, the Human Resources Department, employee representative/delegate, if any, Internal

Audit or the Legal Department. Every reporting person is encouraged to share his or her identity when using the Ethics Hotline. Every reporting person and report will be processed under the conditions of confidentiality. In particular the identity will be kept confidential at all stages of the process unless applicable law requires disclosing such personal information. Under exceptional circumstances reports can be made anonymously as well.

You must cooperate in any internal or external investigations of possible violations of the standards of conduct to the maximum extent allowed under applicable law. Reprisal, threats, retribution or retaliation either against any person who has in good faith reported a violation or a suspected violation of law or these standards of conduct or against any person who is assisting in any investigation or process with respect to such a potential violation, is prohibited.

## **2.0 GUIDANCE AND ASSISTANCE:**

2.1 Any Covered Person in doubt about the responsibilities in this policy or otherwise encountering a situation he or she is unable to resolve by reference to this policy should feel free to seek guidance from his or her supervisor, other executives at Coherent, the Human Resources department or the Legal department.

2.2 This policy will be circulated at least annually.

## **3.0 GUIDELINES:**

It is the policy of Coherent to maintain the highest standards of integrity, honesty and fairness to all persons, business organizations and governmental agencies with whom it has business dealings and consistent with obligations imposed by law. This policy addresses several areas of business practice, but no statement can cover all situations which might arise in the course of business. Accordingly, all Coherent employees and members of the Board of Directors are expected to comply with this policy, using their best judgment, in those cases not specifically addressed. If you are unsure about the appropriateness of an event or action, you may contact your supervisor, other executives at Coherent, the Human Resources department, your employee representative/delegate, if any, or the Legal Department. Each Covered Person is required to follow these policies and to comply with their terms.

Managers are expected to ensure that adequate information and

training regarding this policy is provided to employees under their supervision. If you need assistance in this regard, please contact the Legal Department, your employee representative/delegate, if any, or Human Resources.

Any Covered Person who, in good faith, has reason to believe a Coherent operation or activity is in violation of the law or of these policies is encouraged to call the matter to the attention of the Ethics Hotline, the process for which is set forth below. In addition, such Covered Person may voluntarily report such matter to their supervisor or employee representative/delegate, if any, another member of management, the Internal Audit, department, Legal Department, to the Human Resources department.. All reports will be reviewed and investigated as necessary under the circumstances. The reporting Covered Person should provide sufficient information to enable a complete investigation to be undertaken. All reports and complaints made to or received by the Ethics Hotline will be logged into a record maintained for this purpose and a record of such report shall be retained for as long as reasonably necessary pursuant to applicable law.

Coherent takes good faith allegations of improper conduct by Coherent or any Covered Person very seriously and Covered Persons must cooperate fully with any internal investigations of such allegations to the maximum extent allowed under applicable law. Any Covered Person who interferes with, or provides false information in the course of an internal investigation, may be subject to disciplinary action, up to and including termination of employment, consistent with applicable law.

Coherent strictly prohibits retaliating against someone for making a good faith report of an ethical or legal concern. In many instances retaliation is against the law. However, if a report is made in “bad faith,” for instance, if a false or misleading report is made in a deliberate effort to get someone in trouble (as opposed to an honest mistake), the person making the report may be subject to disciplinary action, up to and including termination of employment, consistent with applicable law.

**3.1 Compliance with Laws and Regulations:** In no case shall any Covered Person violate any applicable U.S. or local export control provisions.

You must comply with all applicable governmental laws, rules and regulations, as well as applicable Coherent policies and procedures. Part of this responsibility is to acquire appropriate

knowledge of the legal requirements relating to your duties sufficient to enable you to recognize potential problems and to seek advice from the legal department where appropriate. Violations of applicable governmental laws, rules and regulations may subject you to individual criminal or civil liability, as well as to disciplinary action by Coherent up to and including termination of employment, in accordance with applicable laws. Such individual violations may also subject Coherent to civil or criminal liability or the loss of business.

### **3.1.1 International Trade**

**Coherent must comply with a variety of laws around the world regarding export of products and technology.** In some cases, U.S. export control laws prohibit the release or transfer of technology or source code to certain individuals who are not US citizens, permanent residents or protected refugees, whether the disclosure occurs within the U.S. or elsewhere, and whether or not the disclosure is in writing. In such a case, it is essential that appropriate export licenses be obtained before the disclosure. Before any export, Covered Persons must comply with Coherent's policies and, in the event of any questions, must contact Coherent's Manager of Worldwide Export/Import Compliance.

### **3.1.2. Disclosure and Financial Integrity.**

Coherent's policy is to provide full, fair, accurate, timely, and understandable disclosure in reports and documents that it files with, or submits to, the Securities and Exchange Commission and in other public communications. Coherent has established disclosure controls and procedures to ensure that information that it is required to disclose in certain reports that it files or submits to the SEC is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. In addition, Coherent has established internal accounting controls for financial reporting to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of our financial statements for external purposes in accordance with generally accepted accounting principles. These internal controls require Coherent to:

- Maintain records that, in reasonable detail, accurately and fairly reflect Coherent's transactions and dispositions of assets;
- Properly record Coherent's transactions to permit

the preparation of its financial statements in accordance with generally accepted accounting principles, and make receipts and expenditures only in accordance with authorizations of Coherent's management and Board of Directors; and

- Prevent or detect in a timely manner the unauthorized acquisition, use or disposition of Coherent's assets that could have a material effect on its financial statements.

While these requirements are especially applicable to the chief executive officer, chief financial officer and members of the Finance Department, you are each responsible for complying with Coherent's disclosure controls and procedures and internal controls for financial reporting. If you have any questions concerning Coherent's disclosure controls and procedures and internal accounting controls, you may contact the Finance Department. Please also note that Coherent has an Ethics Hotline, the process for which may be reviewed at Policy No. 36 on the Coherent Intranet.

**3.2 Proprietary Information, including Intellectual Property and Confidential Information:** Covered Persons should hold in confidence and not directly or indirectly use or disclose, either during or after termination of employment with Coherent, any intellectual property and other confidential information they obtain or create during the period of employment, whether or not during working hours, except to the extent authorized by Coherent, until such proprietary information becomes generally known. Employees should not make copies of such proprietary information except as authorized by Coherent.

**3.3 Conflict of Interest:** Employees should be free from any interest, influence or relationship which may conflict with the best interests of the Company. Employees must avoid any investment or association which interferes, or might reasonably be thought to interfere, with the independent exercise of their judgment in the best interest of the Company. In order to carry out these obligations, employees should avoid conflicts of interest, including but not limited to, the following:

**3.3.1** Employees should not directly, or indirectly, through members of their families or otherwise, own stock or have any other interest in any of the Company's competitors, customers,

suppliers, licensees, licensors, distributors or others with whom the Company has business relationships, except for the ownership of less than 5% of the outstanding securities of a Company which is publicly traded. This policy does not prohibit ownerships or interest which have been disclosed to and approved by the President of Coherent.

**3.3.2** Covered Persons should not accept directly, or through members of their families or otherwise, any gifts, payments, fees, services, valuable privileges, loans (other institutions), other favors or things of value from any person or business enterprise that does, or seeks to do business with Coherent or is the competitor of Coherent. This policy does not generally prohibit accepting gifts, hospitality and courtesies commonly associated with accepted business practices provided that the value and frequency thereof do not create the appearance that it might affect the Covered Person's judgment in performing his or her duties for the Company, subject to applicable local law.

**3.3.3** Covered Persons may not use or disclose to others for their personal benefit, or for the benefit of others, any Coherent intellectual property or confidential information to which they have access by reason of their employment with the Company.

**3.3.4** A Manager may not serve as a member of the Board of Directors, or in a management capacity, or as a consultant to any business enterprise that is in the laser business or otherwise has a business relationship with Coherent without the prior disclosure to and written approval of the chief executive officer of Coherent.

Employees must disclose whether formally approved or not, investments or associations of the types described in paragraphs numbered "[3.3.1](#)" and "[3.3.4](#)" of this section and any other investments or associations which might reasonably be thought to interfere with the independent exercise of their judgment in the best interests of the Company. (Ownership of less than 5% of the outstanding securities of a corporation which are publicly traded need not be so disclosed).

### **3.4 Protection/Use of Coherent's Assets:**

**3.4.1** Coherent's assets include not only physical objects but also proprietary information, which includes intellectual property and confidential information. Every Covered Person is responsible for protecting Coherent's assets entrusted to them in addition to helping protect the Company's assets in general. Accordingly,

proprietary information must not be disclosed unless authorized by Coherent's legal department. Furthermore, employees must be careful not to inadvertently disclose proprietary information in casual conversations or other circumstances.

**3.4.2** Coherent's facilities, equipment and supplies must be used only for conducting Company business or for purposes authorized by management.

**3.4.3** Covered Persons may also obtain access to confidential information owned by third parties, either through licenses or by other agreements. All Covered Persons are expected to observe and protect the valid intellectual property of Coherent and of third parties.

**3.5 Recording and Reporting Information:** Every employee records information of some kind. Examples include: reporting time worked, product testing results, service reports, and expense reports. Dishonest reporting, both inside and outside the Company, is not only strictly prohibited, it could lead to civil or even criminal liability. This includes reporting information or organizing it in a way that is intended to mislead or misinform those who receive it. Particularly serious would be external reporting of false or misleading financial information. Accordingly, information should be recorded and reported accurately and honestly.

### **3.6 Gifts, Gratuities and Favors:**

**3.6.1 Non-Governmental:** Giving and receiving gifts as part of business dealings can create conflicts of interest. The purpose of gifts and favors is generally to create marketing awareness and good will. If they do more than that, and unduly influence judgment or create a feeling of obligation, they should not be given or accepted. This includes "bribery" as that word is commonly understood. Similarly, intentional over billing by or of Coherent and subsequent rebates, other than those occasioned by bona fide pricing adjustments paid in a lawful manner, are prohibited

Covered Persons must NOT give gifts to or receive gifts from Coherent business contacts, relatives, suppliers, vendors, or others who have a business relationship with Coherent if they create a conflict of interest or the appearance of a conflict of interest. Examples of these types of prohibited gifts are: vacations, stock or any other items of more than a nominal value (greater than

\$100). Covered Persons must decline such gifts and tell the giver that Coherent policy prohibits their acceptance. Nor shall Covered Persons accept compensation from a third party that is dealing with Coherent with the express written approval of the Chief Financial Officer or General Counsel. If a Covered Person is giving items of nominal value that are permissible hereunder, the Covered Person must ensure that the recipient's company policy allows him/her to accept the gift. Covered Persons may pay for or accept business entertainment such as meals and sporting or other similar event tickets if the expense is reasonable and directly related to Coherent business and is not to or from a government official. A final test of appropriate business courtesies is whether public disclosure would be embarrassing to Coherent or the recipient.

**3.6.2 Governmental:** In dealing with government officials Covered Persons may not, directly or indirectly give, or offer to give, any payment or other significant thing of value in order to obtain government business or to reward the recipient for business already obtained. This includes "bribery" as that word is commonly understood. Similarly, intentional over billing by or of Coherent and subsequent rebates, other than those occasioned by bona fide pricing adjustments paid in a lawful manner, are prohibited. Simply stated, the giving of any gratuities of even a nominal value, such as meals, is prohibited when dealing with any government agency or official. Payments or gifts to U.S. or non-U.S. government officials are prohibited by law and by Coherent policy. An exception to this is giving of a pen or similar de minimis value "logoed" marketing hand-out, unless prohibited by applicable local law. Any questions on this policy should be directed to the General Counsel.

**3.6.2.1 Foreign Corrupt Practices Act, Bribery, Kickbacks, and other Improper Payments:** Covered Persons may not directly or indirectly promise, offer, or make payment in money or anything of value to anyone, including a government official, agent, or employee of a government, political party, or business entity, with the intent to induce favorable business treatment from a government or to improperly affect business or government decision.

Covered Persons must be aware that Coherent is subject to a set of laws known as the Foreign Corrupt Practices Act (FCPA) with which each Covered Person must comply. In general, the FCPA prohibits U.S. companies and their subsidiaries (including all officers, directors, employees and agents thereof) from making

payments or gifts of anything of value to foreign government officials for the purpose of influencing such an official to obtain or retain business. Also prohibited are payments made with a wrongful or corrupt intent, i.e. payments Coherent knew or should have known were intended to influence the official or the government. Companies also may not circumvent the FCPA by using a third party to make such payments or arrangements. There are a few very narrow exceptions to these prohibitions for “facilitating payments” which simply facilitate the proper performance of duties. These would include payments for matters which the foreign government is already obligated to provide, such as expediting shipments through customs, placing a transoceanic telephone call, securing required permits, or obtaining adequate policy protection. But even these are discouraged or may be prohibited by applicable local law. Covered Persons must consult with the General Counsel or Chief Financial Officer in cases where “facilitating payments” may seem to be appropriate BEFORE making them. If any “facilitating payments” are allowed, they must be properly accounted for in Coherent’s records. For the avoidance of doubt, however, other than pre-approved “facilitating payments” process noted above, no Covered Person may make payments or gifts to U.S. or non-U.S. government officials. Any questions on this policy should be directed to the General Counsel or the Chief Financial Officer.

**3.7 Political Contributions:** No unlawful political contributions may be made directly or indirectly by or on behalf of Coherent. Political contributions, whether of money, services, facilities or anything else of value, include, but are not limited to, contributions to any political party, political action committee, candidate for public office or holder of public office. In jurisdictions where political contributions by or on behalf of a corporation are lawful, they are made only after such political contributions have been determined by the General Counsel to be lawful.

**3.8 Business Relationships:** Business relationships with others should conform to any applicable laws and regulations. These should be of such scale and nature as to avoid compromising the integrity of others or of Coherent, and should be performed with the expectation that they will become a matter of public record.

### **3.9 Communications:**

In the event you receive an inquiry from someone outside of the Company, such as a stock analyst, for information, you should

refer the inquiry to Coherent's Director of Investor Relations. Coherent is required under Regulation FD (Fair Disclosure) of the U.S. federal securities laws to avoid the selective disclosure of material nonpublic information. In general, the regulation provides that when a public company discloses material nonpublic information, it must provide broad, non-exclusionary access to the information. Violations of this regulation can subject Coherent to SEC enforcement actions, which may result in injunctions and severe monetary penalties. Coherent has established procedures for releasing material information in a manner that is designed to achieve broad public dissemination of the information immediately upon its release in compliance with applicable law. To reiterate, no one at Coherent other than the Chief Executive Officer, Chief Financial Officer and the Director of Investor Relations is authorized to speak on behalf of the Company to analysts or the press without prior approval from the Chief Executive Officer or the Chief Financial Officer. Covered Persons should refer to the Coherent Communications Policy, which can be found under the Legal Tab on the InsideCoherent intranet site.

#### **4.0 WAIVERS:**

**4.1** Waivers of this Business Conduct Policy for executive officers and members of the Board of Directors of Coherent must be approved by Coherent's Board of Directors.