

**CHARTER FOR THE  
COMPENSATION AND H.R. COMMITTEE  
OF THE BOARD OF DIRECTORS OF  
COHERENT, INC.**

**PURPOSE**

The purpose of the Compensation Committee (Committee) of the Board of Directors (Board) of Coherent, Inc. (Company) shall be to discharge the Board's responsibilities relating to compensation of the Company's executive officers.

The Committee is responsible for producing an annual report on executive compensation for inclusion in the Company's proxy statement.

**COMMITTEE MEMBERSHIP AND ORGANIZATION**

The Committee and its Chairman will be appointed in accordance with the Company's Governance Guidelines.

The Committee shall consist of no fewer than three (3) members.

The Committee shall meet at least twice, annually.

The Committee will maintain free and open communication among all Board members, the Chief Executive Officer (CEO), the Corporate Vice President of Human Resources and the Chief Financial Officer (CFO) on issues related to compensation, benefits and incentive plans.

The members of the Committee shall meet the (i) independence requirements of the NASDAQ National Market, (ii) non-employee director definition of Rule 16b-3 promulgated under Section 16 of the Securities Exchange Act of 1934, as amended, and (iii) the outside director definition of Section 162(m) of the Internal Revenue Code of 1986, as amended.

**COMMITTEE POWERS AND DUTIES:**

- Annually review and approve corporate goals and objectives for the CEO, evaluate the CEO's performance relative to those goals and objectives, and set the CEO's compensation level, including bonus and equity-based, to reflect this evaluation.
- Develop and recommend to the Board any employment agreement, change-of-control agreement, or provision of any other benefit, compensation, or contractual agreements for the CEO or any other corporate officer.
- Review the CEO's evaluations of all corporate officers, annually.
- Review and approve base, incentive, and equity-based compensation and benefits, for all corporate officers of the Company.
- Make recommendations to the Board regarding compensation for Board membership and Board committee activities.

- Annually review and assess the effectiveness of the Company's Variable Compensation Program.
- Review and approve all officers' compensation programs, including equity-based, ensuring that they reflect practices consistent with the industry, and comply with legislation and other legal requirements that may apply.
- Approve all stock option grants under the Company's stock plans for options granted to key executives and Board members (excluding those which are automatic under the Company's Director Option Plan), and ratify for all other employees.
- Delegate authority and oversight responsibility related to Committee duties and responsibilities, as the Committee deems proper, and periodically review such delegations.
- Periodically review the top management structure of the Company and succession plans for key officer positions including the position of CEO.
- Review and approve all public statements related to Company compensation matters.
- Make regular reports to the Board.
- Annually review and assess the adequacy of this charter and recommend any proposed changes to the Board for approval.
- Ensure that an annual evaluation is made of Committee performance.
- Retain and terminate any compensation consultants to be used by the Company to assist in the evaluation of the CEO or executive officer compensation, and have sole authority to approve the consultant's fees and other retention terms.
- Obtain advice and assistance from internal or external legal, accounting or other advisors, as needed.
- Keep minutes of meetings and provide copies of such minutes to the Board and to the Secretary of the Company for placement in the Company's minute books.

#### **FUNDING OF THE COMMITTEE'S FUNCTIONS**

The Company shall provide appropriate funding for the Committee in its capacity as a Committee of the Board in such amounts as may be determined by the Committee for payment of compensation to any advisors engaged by the Committee in connection with the full purpose of the Committee and of its responsibilities and duties.