KLA-Tencor

CORPORATE SOCIAL RESPONSIBILITY REPORT

2016

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We have prepared this report using the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines.

The 2016 Report builds on our strong history of sustainability practices and corporate responsibility, while providing an overview of current initiatives using the comprehensive GRI format guidelines.

In addition, we continue to provide updated sustainability information in a range of specific reports, documents and filings, such as our Annual Report on Form 10-K, and through ouractive participation in industry groups, community organizations, environmental initiatives and the activities of the KLA-Tencor Foundation.

Past performance does not guarantee future results. This Corporate Responsibility Report contains forward-looking statements, and actual results could differ materially. Risk factors that could affect KLA-Tencor's results are included in filings with the Securities and Exchange Commission, including recent reports on Form 10-K, Form 10-Q and Form 8-K.

Celebrating 40 Years of Sustainability Leadership

KLA-Tencor 40 YEARS

As KLA-Tencor celebrates four decades of consistent industry excellence, we are equally proud to post another banner year of sustainable practices, corporate citizenship, ethical disciplines, and global environmental leadership.

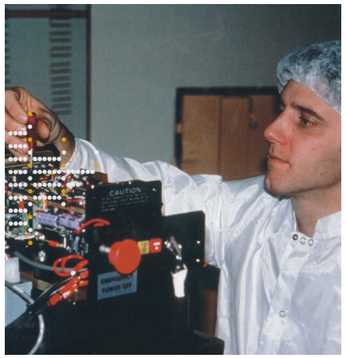
Since the founding of the companies that would become KLA-Tencor, we have always believed in both doing well in our markets and doing good in our local and global communities.

By creating products that are focused on improving yields and efficiency, our core reason for existing and continued market success has directly reduced the overall environmental impacts of the global semiconductor industry. As the worldwide demand for semiconductor devices has dramatically accelerated in recent years, our technology innovations have played a critical role in helping our customers mitigate their environmental footprints, minimize waste and conserve natural resources.

With semiconductor technology expanding into virtually all areas of daily life, such as the mobile revolution, wearable technologies, energy efficiency and the IoT, our newest technologies help drive efficiency and higher yields for new generations of smaller, lower power, and more complex devices.

At KLA-Tencor we have always fostered a corporate culture that proactively reinvests in our employees, communities and the environment. We believe deeply that a responsible company needs to be an active and beneficial participant where we live and do business. We recognize the privilege of operating within society and, as both a company and family of employees, we welcome the opportunity to give back. For example, in celebration of our 40th anniversary, KLA-Tencor has provided funding and support for company operations in every regional location to conduct a dedicated Day of Service focused on local philanthropic activities.

This report for fiscal year 2016, provides an overview of the many ways KLA-Tencor is continuing to expand its commitment to sustainability, environmental and societal goals, along with its role as a positive force for our employees, communities and stakeholders.



KLA-Tencor Business Overview

KLA-Tencor Corporation is a leading supplier of process control and yield management solutions for the semiconductor and related nanoelectronics industries.

Founded in 1997 through the merger of two companies: KLA Instruments and Tencor Instruments.

Fiscal Year 2016 Revenue:
$3.0 billion

Funding publically held
(NASDAQ: KLAC)

Number of Employees:
Over 5,600 employees in 17 countries (as of June 30, 2016)

Our products are also used in a number of other high technology industries, including the light emitting diode ("LED") and data storage industries, as well as general materials research.

With a comprehensive portfolio of products, services, software and expertise, KLA-Tencor helps nanoelectronics manufacturers optimize efficiency and yield throughout their fabrication processes, from research and development to final volume production. Designed to accelerate development and production ramp cycles, KLA-Tencor's products and solutions help customers achieve their production yield targets, which benefits the global economy and mitigates customers' resource usage and waste streams.

Headquartered in Milpitas, Calif., KLA-Tencor has dedicated customer operations and service centers around the world. In addition to the main headquarters campus in California, significant manufacturing and R&D facilities are located in China, Israel, Singapore and Germany. KLA-Tencor also maintains support and sales centers throughout Europe, the United States, Japan and Asia/Pacific.

Our customers depend on us for state-of-the-art technology and services. System level design, manufacturing, testing, quality assurance and shipping activities are mainly performed at KLA-Tencor facilities in Milpitas, Singapore, and Israel. However, the leading-edge nature of our systems depends on a global network of partners, suppliers, customers and other stakeholders.

A key element for success is our sophisticated worldwide supply base. It is critical that KLA-Tencor continue to foster strong and extremely collaborative supplier relationships and that our supply chain is innovative, reliable, effective and efficient. In addition, to fulfill our commitment to sustainability and corporate responsibility, it is essential that together we maintain the highest ethical standards and are mutually committed to global social and environmental responsibility standards, regulations and laws. In this regard, just as we hold ourselves to the highest standards, we fully expect our suppliers to continue to comply with these standards and create a business environment and processes that ensure compliance by (1) promoting standards within their companies, (2) implementing supporting business processes, (3) self-certifying, measuring, auditing and reporting performance against those standards, (4) appropriately training their employees and (5) requiring the same standards of their suppliers.

Key Market Segments:

- Wafer Manufacturing
- Reticle Manufacturing
- Chip Manufacturing
- MEMS Manufacturing
- General Purpose, Labs

Manufacturing/R&D Facilities:

KLA-Tencor
One Technology Drive
Milpitas, California 95035
U.S.A.

KLA-Tencor Hong Kong
2F & 8F Prosperity Center
77-81 Container Port Road
Kwai Chung, New Territories
Hong Kong

KLA-Tencor Singapore
Serangoon North
No. 4, Serangoon North Avenue 5
Singapore 554532

KLA-Tencor Weilburg
Kubacher Weg 4
D-35781 Weilburg
Germany

KLA-Tencor Israel
1 Halavian Street
P.O. Box 143
Migdal Ha'emek 23100
Israel

KLA-Tencor China (Shanghai)
No. 79-v80
Lane 887 Zu Chong Zhi Road
Zhangjiang High-Tech Park
Shanghai, 201203
China

KLA-Tencor China (Shenzhen)
2F & 3F Plant Building 2
Xue Gang North Road
Ban Tian Street
Long Gang District
Shenzhen 518129
China

Economic Performance, Market Presence and Impacts

As a leader for four decades in the semiconductor capital equipment industry, KLA-Tencor is responsible for key innovations, system solutions, software and services that contribute significantly to yield acceleration, production efficiency and overall industry growth.

KLA-Tencor's process control solutions have helped spur overall growth and economic development in the sectors that we serve by helping customers shorten the time to market for new products and more efficiently ramp up production of innovative leading edge semiconductor devices.

This enables our customers to respond quickly to market opportunities and fuel their growth, while controlling costs and manufacturing yields, which in turn optimizes their use of resources and mitigates overall environmental impacts of industry growth.

> "[...] our technology innovations have, in Fiscal Year 2016, contributed directly to the ongoing growth in **$300+ billion** global semiconductor industry and enabled the growth of the electronics market, which totals more than **$1.6 trillion."**

In addition to the more than 5,600 people employed directly by KLA-Tencor and tens of thousands employed by our supply chain partners, our technology innovations have, in Fiscal Year 2016, contributed directly to the ongoing growth in $300+ billion global semiconductor industry and enabled the growth of the electronics market, which totals more than $1.6 trillion.
KLA-Tencor is committed to sustaining the track record of innovation that has kept it at the forefront of semiconductor industry process control and yield efficiency. Through our ongoing aggressive investment in R&D, we continue to lead the way in new technologies that enable the industry to achieve continued economic growth while helping to offset the overall impacts on available resources.

With the rise of the Internet of Things (IoT) and the accelerated incorporation of embedded connectivity in millions of new devices, KLA-Tencor's industry leadership is helping chipmakers get higher productivity from their existing production equipment. Our advanced process technologies are also enabling the introduction of new low-power and power management devices that are helping mitigate the energy usage impacts of IoT proliferation.

Sustainable Environment Initiatives

KLA-Tencor has been registered to the ISO 14001 standard since 2003 and strives to continuously improve its environmental performance.

KLA-Tencor is dedicated to complying with the appropriate and relevant environmental laws and standards worldwide, including product development, sales, service and maintenance, and ensuring they are conducted in an environmentally responsible manner. KLA-Tencor is committed to preventing pollution and to the continual improvement of its environmental programs.

Each year we (1) evaluate our impacts on the environment; (2) identify those areas of impact over which the company has sufficient control; and (3) establish goals and objectives in those areas to reduce our environmental impacts.

Since the inception of our environmental management system, we have, for example, consistently focused on the issue of solid waste production in our manufacturing facilities. Through a combination of recycling, educational programs and the dedication of our Corporate Facilities and Real Estate department, we are proud to report an average of 80 percent diversion rate of solid waste away from landfills in our main campus in Milpitas, Calif., annually.

To carry out our environmental policy, we:

- Regularly evaluate the aspects of our operations and the impacts of these activities on the environment
- Strive to improve the environmental performance of all our operations
- Consider stakeholders' interests
- Review our environmental activities and progress toward the defined goals and targets regularly with management
- Implement, maintain and document the environmental management system throughout levels of the organization
- Educate and train those who work on behalf of the organization, such as employees, contractors and vendors, to work in an environmentally responsible manner
- Promote this statement and make it available to the public and to all who work on behalf of the organization

Materials & Packaging

The KLA-Tencor Packaging Engineering Group continues to make strides in reducing our environmental impact.

Since 2006, KLA-Tencor has prohibited the use of bleached corrugated boxes, polystyrene loose fill, and, since 2012, foam-in-place materials.

KLA-Tencor implemented the first-of-its-kind qualified Reuse, Refurbish and Recycle Program for crates in 2006, and we continue to expand the program to different countries, suppliers and materials to further reduce the amount of material entering the waste stream. We also prohibit the use of fumigation for all wood packaging materials. Heat treatment is the only approved method in accordance with ISPM 15. Our established standard is bubble wrap made of at least 50 percent recycled content and reusable cases for 100 percent of optical components.

Considerable cost and effort goes into the design and manufacture of KLA-Tencor systems and subassembly crates. Over the past several years the Packaging Engineering Group has driven design for reuse, allowing for maximum return on investment and minimal impact on the environment. During FY 2015, we expanded the reusable case program to a wider range of repairable highvalue components and, in FY 2016, we have also reached out to work with key suppliers to help them establish reusable case programs of their own. By sharing our core expertise for case design, best practices and knowledge of sourcing materials for reusable cases, KLA-Tencor has helped incubate and grow reusable case programs for several suppliers, which multiplies the benefit of our efforts to reduce the environmental impacts associated with conventional single-use packaging.

Transport

Since 2013, KLA-Tencor has pioneered another key transportation mitigation effort by reducing the size by volume of its system and customer support shipping activities. This has provided a cost-saving opportunity and has significantly helped to offset the overall environmental impacts of our carriers.

The program focuses on space optimizing all shipments by designing shipping materials that are tailored to the size of the specific equipment being shipped rather than defaulting to a one-size-fits-all approach that requires the largest needed container size, causing wasted space inshipments.

The use of collapsible crates is another KLA-Tencor innovation that enables reusable packaging materials that can be shipped empty at approximately half of the size by volume required for a full-size crate. The half-size collapsible crates can be shipped by air using standard freight aircraft rather than jumbo freighters, thereby saving on fuel cost and allowing carriers to optimize fuel-to-load parameters. This helps to minimize the overall transportation impacts for reshipping, redeployment, and/or return of systems in the field that need to be moved to a new location.

We encourage employees to utilize digital technology to reduce the need for travel both locally and globally. Many of our facilities are equipped with HDTV video conferencing capabilities to provide a more environmentally responsible alternative and mitigate the need for employee travel.

United States

	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16
Crate Reuse Rate	**26%**	**59%**	**22%**	**57%**	**60%**	**36%**	**32%**	**62%**
Case Reuse Rate	**-**	**121%**	**142%**	**689%**	**230%**	**341%**	**109%**	**86%**

Singapore

	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16
Crate Reuse Rate	**-**	**-**	**94%**	**69%**	**60%**	**70%**	**57%**	**39%**

Global

	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16
Collapsible Crate Rate	**-**	**25%**	**31%**	**35%**	**40%**	**45%**	**43%**	**40%**

Energy

KLA-Tencor continues to invest in energy conservation throughout its global operations.

During the past year, the following projects have focused on monitoring and demand reduction upgrades:

Implemented wireless sensors for process utility monitoring to improve system analytics and deployment capabilities

Initiated LED Lighting retrofits to provide immediate demand reduction and for the life of the system, often improve light levels / space quality with rapid return on investment

Completed kitchen airflow upgrades with variable speed drive motor integrated into kitchen exhaust hood sensor network

Applied advanced lighting controls that meet and exceed the California Energy Code, Title 24 requirements; a fixture sensor and control network was deployed in several test environments

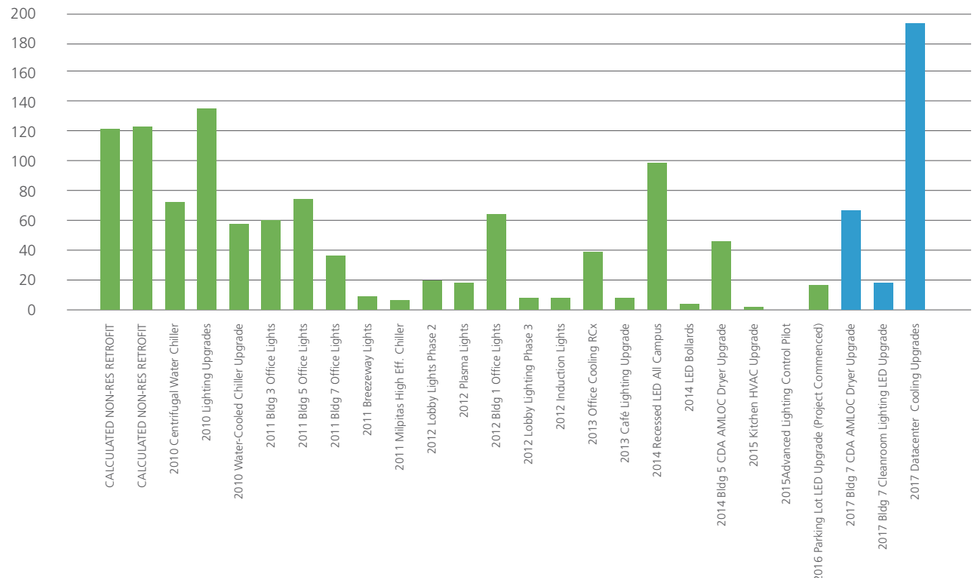
The company investigated a large parking lot solar power generation array integrated with demand response battery storage. Although not approved, large power projects with similar technologies will remain viable options for future consideration.

Energy projects for the remainder of 2016 and beyond will continue to target lighting, cooling and compressed air systems. Parking lot lighting retrofits are currently underway, integrating high efficiency LED fixtures with motion control dimming. Advanced lighting control platforms are being tested for cleanrooms with significant energy saving potential. Datacenter cooling upgrades have begun, incorporating chilled water as primary cooling, rather than less efficient refrigeration compressors.

"KLA-Tencor is also participating in Project Engage, a ground breaking research partnership between industry, academia and government."

KLA-Tencor is also participating in Project Engage, a ground breaking research partnership between industry, academia and government. Funded by a $5 million award from the California Energy Commission (CEC), Project Engage's mission is to evaluate the effectiveness of an application-based energy management system to reduce industrial energy consumption in California. Intended to be a large-scale field demonstration of an innovative industrial energy efficiency software application, Project Engage brings free monitoring equipment and software to provide real time visibility of both energy usage on the KLA-Tencor Milpitas factory floor and supply/demand of its compressed air system.

Carbon Emission Curbed (MTCO2)

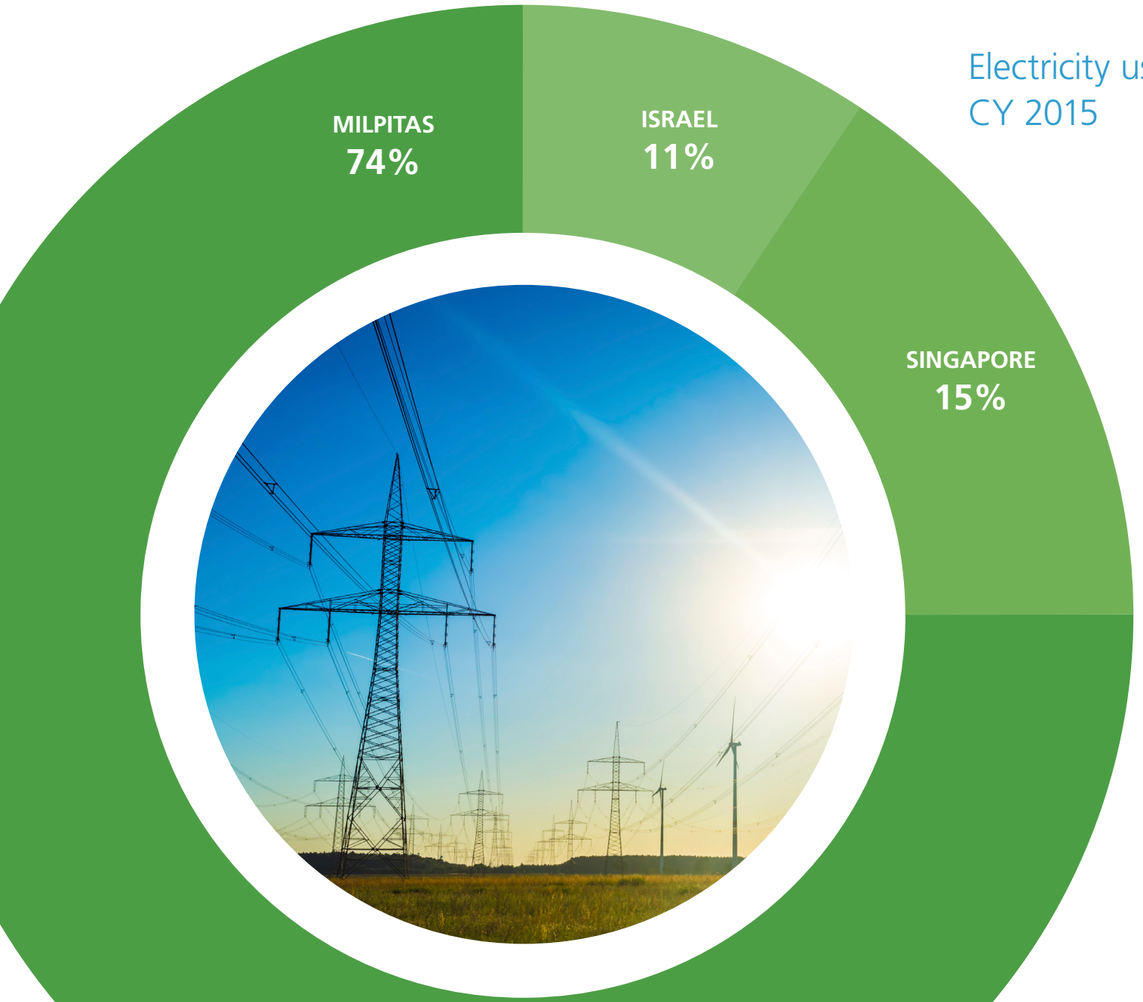


Global Energy Usage:
We continue to proactively extend corporate energy initiatives and best practices throughout the company's global operations, with an emphasis on worldwide manufacturing and R&D facilities. KLA-Tencor continues to look for ways to reduce energy consumption throughout its global operations, which benefits the environment and saves the company money.

In order to effectively monitor ongoing energy usage in the context of company growth, KLA-Tencor established a baseline for energy intensity measurement that is a ratio of overall usage of total kilowatt hours to company square footage. The companywide goal for CY 2015 was to curb the energy intensity ratio by two percent. As result of implementing energy efficiency projects, the energy intensity ratio for CY 2015 is 98.15, a reduction of 2.06 percent.

The Israel manufacturing site initiated an innovative heat recovery energy project in 2015, saving an estimated 840 MWH by using waste heat energy instead of electricity to warm water and pre-heat air.

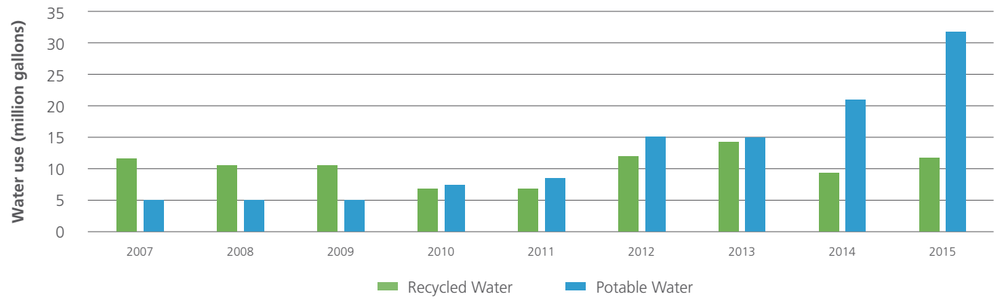
Electricity use CY 2015



Water

The water conservation efforts at Milpitas headquarters campus continued in 2015, primarily aimed at reducing demand for fresh water. The 10 percent potable reduction goal was not reached due to increased use of high efficiency chillers for cooling systems and delays with city and state permitting to transition cooling tower water from potable to recycled. The company completed necessary infrastructure and implementation plans are proceeding, so the stage is set for significant future savings.

KLA-Tencor Milpitas Water Consumption



Emissions

Electric and gas utility portfolio improvements continue to include an increased blend of renewable sources, however a California Energy Commission ruling (Decision 06-120-032) resulted in an improved, yet higher, conversion metric and led to an increase to KLA-Tencor's carbon emissions reported for CY 2015.

KLA-Tencor Milpitas Carbon Emission Equivalents (Scope 1 & 2)

	CY 2014					CY 2015		
	Name	Type	Quantity	Unit	Emissions ($MTCO_2e$)	Quantity	Unit	Emissions ($MTCO_2e$)
Scope 1	Facility Vehicles	Gasoline	2,378	gal	21	2,400	gal	21
	Security Vehicles	Gasoline	1,373	gal	12	1,400	gal	12
	Fork Lifts	Propane	1,288	gal	8	1,350	gal	8
	Generators	Diesel Fuel	4,209	gal	36	3,568	gal	36
	PG&E Gas	Natural Gas	231,351	therms	1,484	243,198	therms	1,484
Scope 2	Electricity	Electricity	72,581	MWh	14,654	71,087	MWh	18,462
Emissions Total					16,149			20,023

Effluents & Waste

Through a combination of recycling, educational programs and the dedication of our Corporate Facilities and Real Estate department, we are proud to report a consistent diversion rate of solid waste away from landfills at our main campus in Milpitas, Calif., of more than 80 percent for FY 2016.

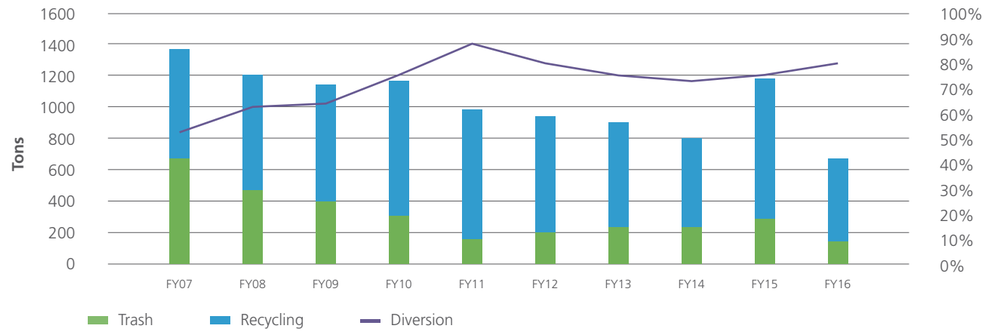
The FY 2016 waste management program's most notable achievement involved removal of all polystyrene food packaging and beverage cups, plastic stir straws, cup lids and utensils from our headquarters site. Compostable paper products are now available throughout the dining and break areas on campus, and compost bins are located at each waste and recycle bin location.

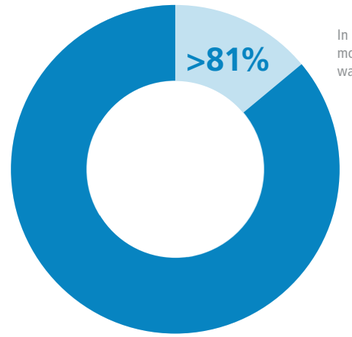
Employee diversion and compost sorting was the primary message of the onsite Earth Day recycle booth. Compost is by far the most challenging recycle stream because employees are accustomed to what they separate at their homes and must adapt to different standards at work; to ensure compliance, breakroom compost monitoring has been conducted by janitorial staff. The goal for FY 2017 remains intact with further employee compost education and reinforcing the tenets of Reduce, Reuse, Recycle!

Waste Diversion & Tonnage Rates for 2007-2016

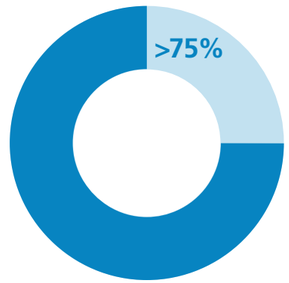
	Trash	Recycling	Diversion	Revenue (billions)
FY07	663.41	703.73	51.50%	$2.73
FY08	457.35	738.77	61.80%	$2.52
FY09	397.46	734.28	64.90%	$1.52
FY10	283.38	863.73	75.30%	$1.82
FY11	130.37	861.89	86.90%	$3.18

	Trash	Recycling	Diversion	Revenue (billions)
FY12	201.92	763.05	79.10%	$3.17
FY13	214.17	670.41	75.80%	$2.84
FY14	220.51	588.68	72.70%	$2.93
FY15	300.42	859.19	74.10%	$2.81
FY16	154.37	519.35	77.09%	$2.98

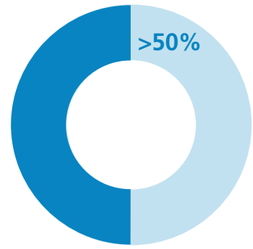




In Milpitas, the target is to achieve more than 81 percent diversion rate of waste away from landfill



Singapore has a diversion rate target set at 75 percent



Israel aims to reduce the volume of its waste by 50 percent through compaction of waste; the installation and operation of a compactor on one of two waste material bins during Q1 2015 led to a 40 percent reduction in offsite removals during that time

Biodiversity

KLA-Tencor has not identified sensitive biodiversity areas within or adjacent to any of its facilities.

Environmental Grievance Process & Issues Management

KLA-Tencor has established an open third-party reporting system through the EthicsPoint Portal, which allows anyone (whether an employee, customer, supplier, community member or other stakeholder) to report their concerns, with assurance that the issues will be reviewed by appropriate KLA-Tencor staff. People can voice their concerns online or by toll-free phone number and can even register anonymous concerns if they prefer. KLA-Tencor takes all inputs seriously and has a structured process for investigating, reviewing and resolving issues that are reported.

A Global Perspective on Green Initiatives

As a global company, KLA-Tencor is committed to working closely with all countries where we manufacture and sell our products to ensure that the innovations and environmental best practices developed in any of our locations can be leveraged throughout the organization.

In addition, we proactively share ideas and green innovations within our supplier ecosystem in order to help raise the level of environmental performance across the whole spectrum of our business activities. KLA-Tencor expects suppliers to comply with standards and best practices to ensure compliance by (1) promoting standards within their companies, (2) implementing supporting business processes, (3) self-certifying, measuring, auditing and reporting performance against those standards, (4) appropriately training their employees and (5) requiring the same standards of their suppliers.

Supply Chain Environmental & Social Responsibility Management

KLA-Tencor is committed to ensuring that the companies in our supply chain also reflect our values by providing a safe workplace environment for their employees and properly and ethically manage their labor practices. Just as we set high standards for our own employment practices, we expect all suppliers to treat their workers with dignity, respect and fairness. To ensure effective management of labor practices and workplace safety, we require our suppliers to have in place policies, risk assessments, improvement programs, procedures and management reviews, that define their standards, identify concerns and take corrective actions on an on-going basis.

We use a variety of tools and processes to manage supplier performance, including the Supplier Score Card (SSC). The SSC includes a category to measure supplier social responsibility programs in addition to categories such as cost, quality, technology, delivery and service. Part of this evaluation includes reviewing that the supplier behaves ethically and complies with anti-bribery and anti-corruption laws such as the US Foreign Corrupt Practices Act and has processes and programs in place to train and educate its employees as well as audit, and report against its compliance to the minimum standards as set forth by the Electronic Industry Code of Conduct (EICC).

KLA-Tencor has adopted the Supply Chain Code of Conduct guidelines as defined by the Electronics Industry Citizenship Coalition (EICC). The EICC is a collaborative effort by the world's leading electronics companies, working together to improve efficiency and social, ethical and environmental responsibility in our global supply chains. KLA-Tencor obtained full membership status as a result of meeting the EICC compliance goals and objectives for new members.

In accordance with EICC guidelines, KLA-Tencor has established a comprehensive set of audit and compliance processes for our entire supply chain, including the following:

- Key suppliers for each KLA-Tencor plant are required to complete a structured self-assessment each calendar year
- KLA-Tencor doubled the number of suppliers completing these structured self-assessments over the last reporting period
- Based on these assessments, suppliers are assigned to risk categories
- Detailed third-party Validated Audit Process assessments are required each year on 25 percent of suppliers in the high risk category
- Additional audits of the supply base are considered to proactively identify and correct potential issues

In order to produce environmentally sound products, a companywide approach to environmental management is important. A critical component of the standard purchase agreement we put in place with our suppliers is that they establish environmental policies and monitor, control and properly manage energy consumption, air emissions, waste, wastewater, hazardous substances and chemicals generated from operations. This gives us increased visibility and authority regarding the environmental activities at the facilities where items are made for us.

KLA-Tencor's standard purchase agreements include a section on "Environmental, Health, Safety and Corporate Social Responsibility." Under that provision, suppliers are required to have appropriate certifications, including ISO 14001; maintain standard operating procedures for Environmental, Health and Safety (EHS) guidelines; and comply with RoHS, REACH and other environmental and safety laws, regulations and requirements.

Details on KLA-Tencor supply chain regulatory requirements can be found on the web at:
http://www.kla-tencor.com/company/supply-chain-product-regulatory-compliance.html

Social Concerns, Programs & Initiatives

Corporate Governance

An intrinsic element of corporate social responsibility and meeting the expectations of all our stakeholders is KLA-Tencor's commitment to proper governance and compliance with applicable regulations, standards and mandates. In order to maximize corporate value and enhance stockholder satisfaction, KLA-Tencor has established governance policies and structures that encompass the following principles:

Ensure the transparency and soundness of business operations

Facilitate quick decision-making and efficient execution of business activities

Disclose information in a timely and suitable manner

Board of Directors

KLA-Tencor is governed by a Board of Directors established in accordance with applicable laws and the company's Corporate Governance Standards. The Board has three standing committees: the Audit Committee, the Compensation Committee and the Nominating and Governance Committee. The Board has determined that each of the members of each of the Committees has no material relationship with KLA-Tencor (including any relationship that, in the opinion of the Board, would interfere with the exercise of independent judgment as a Director) and is independent within the meaning of the NASDAQ Stock Market director independence standards.

Code of Conduct

At KLA-Tencor, we are committed to conducting business in compliance with all applicable standards, laws and regulations. Although laws and customs vary from country to country and standards of ethics may vary in different business environments, the fundamental principles of honesty and integrity serve as the cornerstones of KLA-Tencor's Values in Action. By holding ourselves, and each other, to a higher set of values, we adhere to our values by asking questions, seeking guidance, reporting suspected violations and expressing our concerns when it is our duty to do so.

Social Concerns, Programs & Initiatives

Compliance & Internal Controls

KLA-Tencor requires that all transactions are properly recorded in accordance with our accounting policies and in compliance with U.S. Generally Accepted Accounting Principles (GAAP) and applicable laws and regulations. Management maintains a system of internal accounting controls meant to preserve integrity and objectivity. These controls are designed to assure that KLA-Tencor's assets are properly safeguarded, transactions are executed and reported in accordance with management's authorization and the books and records of KLA-Tencor accurately reflect all transactions. The internal control system is augmented by a program of written policies and procedures, management reviews and training of qualified personnel.

KLA-Tencor strictly complies with the tax laws of the U.S. federal and applicable state governments as well as any foreign authorities. These laws may require the reporting of financial information, payment of taxes, filing of tax returns and withholding or collecting of necessary taxes on behalf of the workforce.

Standards of Business Conduct Training Program

KLA-Tencor also emphasizes the importance of understanding and avoiding anti-corruption and anti-competitive behaviors as part our Values in Action and provides detailed information, examples and FAQs as part of our Standards of Business Conduct (SOBC) web-based training program.

All employees are required to take the SOBC training as part of their new-hire orientation, and existing employees are required to acknowledge the terms of the SOBC as part of their annual performance review process.

Anti-Corruption Commitment

KLA-Tencor is committed to maintaining the highest level of integrity everywhere we do business. Our reputation for honesty, integrity and fair dealing is paramount and unwavering.

Our corporate policy is to always prohibit improper or unethical payments to anyone (including government officials) anywhere in the world. We have a ZERO tolerance policy in this area.

With regard to compliance with the U.S. Foreign Corrupt Practices Act (FCPA), our policy is:

No company officer, employee or agent has authority to offer, promise, make or facilitate the making of payments to a foreign official to induce that official to affect any government act or decision in a manner that will assist KLA-Tencor Corporation or any of its affiliates, subsidiaries or divisions to obtain or retain business or any advantage. Furthermore, every officer, employee and agent is obligated by company policy and federal law to keep books, records, and accounts that accurately and fairly reflect all transactions and disposition of company assets.

Detailed guidelines for understanding the applicable laws and how they apply to real world situations, as well as rules for how to handle and report any questionable situations, are made available to at-risk employees (sales, finance, etc.) through both written documentation and web-based training. In addition to English, our detailed anti-corruption policy has been translated into seven other languages (Simplified Chinese, Traditional Chinese, French, German, Hebrew, Japanese and Korean).

Social Concerns, Programs & Initiatives

Labor Practices, Employment and Equal Opportunity

KLA-Tencor values a diverse workforce and fosters an environment of understanding and challenge built on global culture, skills and knowledge. Although technology is constantly changing, KLA-Tencor's core values and employee focus are what sustain our ongoing market leadership and technology innovation. Our talented employees are the driving factor behind our technology, and we offer extremely competitive compensation and rewards packages to incentivize our employees to perform at a high level of excellence. We acknowledge and reward our people for their work through our global compensation, benefits and recognition programs, with appropriate variations by country.

KLA-Tencor is an equal-opportunity employer and has strict rules against any form of unlawful discrimination, including unlawful harassment.

These equal-opportunity rules apply broadly to key employment areas including:

- **Recruitment**
- **Hiring**
- **Training**
- **Disciplining**
- **Compensation**
- **Promotions**

Social Concerns, Programs & Initiatives

Health and Wellness Initiatives

A variety of programs are offered throughout the year in support of the company's wellness initiatives, including health risk assessments, an on-site nutritionist, health and wellness seminars, onsite sand volleyball and basketball, and fully equipped gym facilities in Milpitas, Calif., Singapore and Israel, with gym reimbursement available for all other U.S. locations.

Our Milpitas headquarters facility has been honored by the *Silicon Valley Business Journal* and *San Francisco Business Times* as one of the Bay Area's Healthiest Employers. KLA-Tencor has also been recognized as a Gold Level recipient of the American Heart Association's Fit-Friendly Worksites Recognition program.

"One of the Bay Area's Healthiest Employers."

- Silicon Valley Business Journal and *San Francisco Business Times*

Social Concerns, Programs & Initiatives

Maintaining a Safe Work Environment

We are also very proud of our excellent record of safety performance, which is a tribute to our employees' efforts, with the support of our proactive training programs and safety policy management. With the benefit of a full-time ergonomist on staff to optimize safety and human engineering practices for our products, we also leverage that in-house capability to ensure safe, user-friendly work methods for our own employees.

KLA-Tencor strives for a zero-accident workplace and manages these efforts through a global injury and illness prevention program based on risk and hazard assessments and by continuously improving loss control measures. The company's OSHA-reportable statistics are as follows:

CA only	2008	2009	2010	2011	2012	2013	2014	2015	FY16 YTD
Fatalities	0	0	0	0	0	0	0	0	0
Recordable Injuries	29	14	21	10	17	11	10	14	2
Lost Work Day Cases	9	2	7	6	10	4	3	1	1
Lost Work Days	298	49	218	394	616	153	125	4	13
IIR	1.1	0.7	1.0	0.5	0.7	0.5	0.45	0.7	0.2
LWDR	0.4	0.1	0.3	0.3	0.4	0.2	0	0	0.1
DART	0.4	0.1	0.3	0.3	0.4	0.2	0.2	0.3	0.1
XMOD	0.39	0.38	0.41	0.49	0.49	0.5	0.5	.46	0.39
OSHA Citations	0	0	0	0	0	0	0	0	0

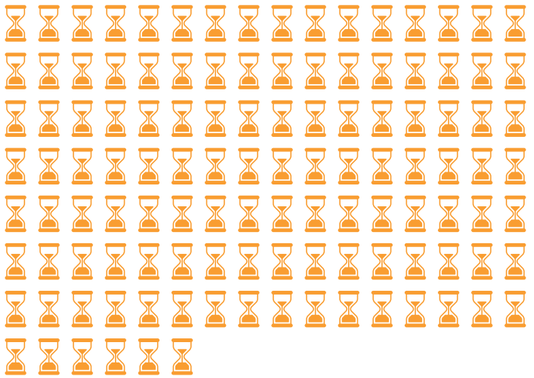
- IIR–**Injury/Illness Rate** (the number of recordable incidents per 100 full-time employees in any given time frame)
- DART–**Days Away or Restricted/ Transferred** (the number of recordable incidents per 100 full-time employees that resulted in lost or restricted days or job transfer due to work-related injuries or illnesses)
- LWDR–**Lost Work Day Rate** (the number of recordable incidents per 100 full-time employees in any given time frame)
- XMOD–**Experience Modifier** (the statistical comparison of a business's workers' compensation loss history to the average loss history of similar size business operations in California; the XMOD is calculated by the Workers' Compensation Insurance Rating Bureau of California)

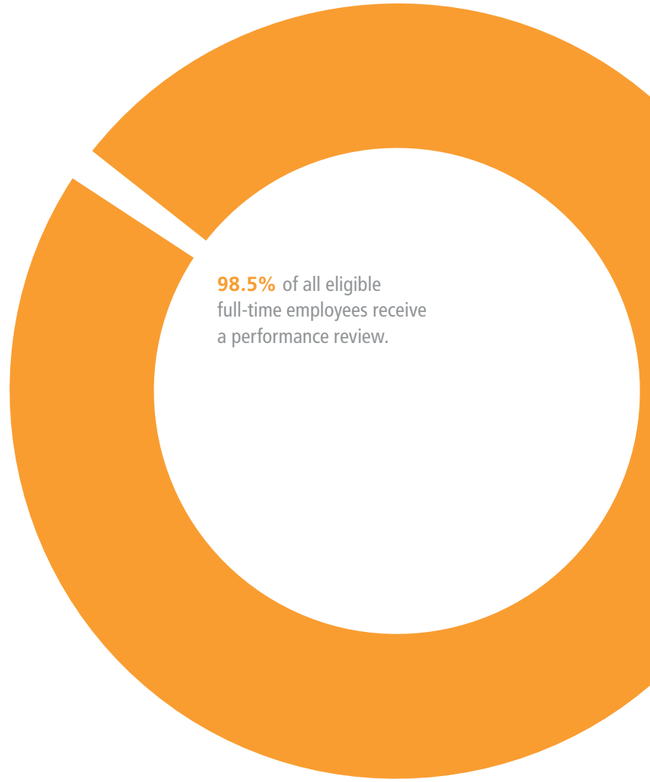
Training & Professional Development

With a mission to "accelerate performance through learning," KLA-Tencor promotes a continuous learning culture with a diverse training curriculum that is regularly benchmarked by other organizations. Programs focus on technical training, advanced technologies, computer skills, presentation skills, global culture, problem-solving, innovation and leadership development. Learning is delivered globally through instructor-led training, web-based training, continuing education programs, tuition reimbursement programs, one-on-one coaching and team facilitated events. In addition, we have developed customized advanced engineering degrees. These are certified programs supported and recognized by Stanford University, San José State University and the University of Michigan. Performance reviews and development plans are woven into the culture and processes of KLA-Tencor. Of note, 98.5 percent of all eligible full-time employees receive a performance review. Likewise, development is a key component of our talent strategy. Employees at KLA-Tencor receive 31 hours of formal training per year. Additionally, service engineers receive an average of 118 hours per year of product-specific training. Our two learning teams, Corporate Learning Center and Learning Knowledge Services, provide access to learning and knowledge that enables all employees not only to be productive, but also to grow professionally in support of their development goals.

Employees at KLA-Tencor receive **31** hours of formal training per year.

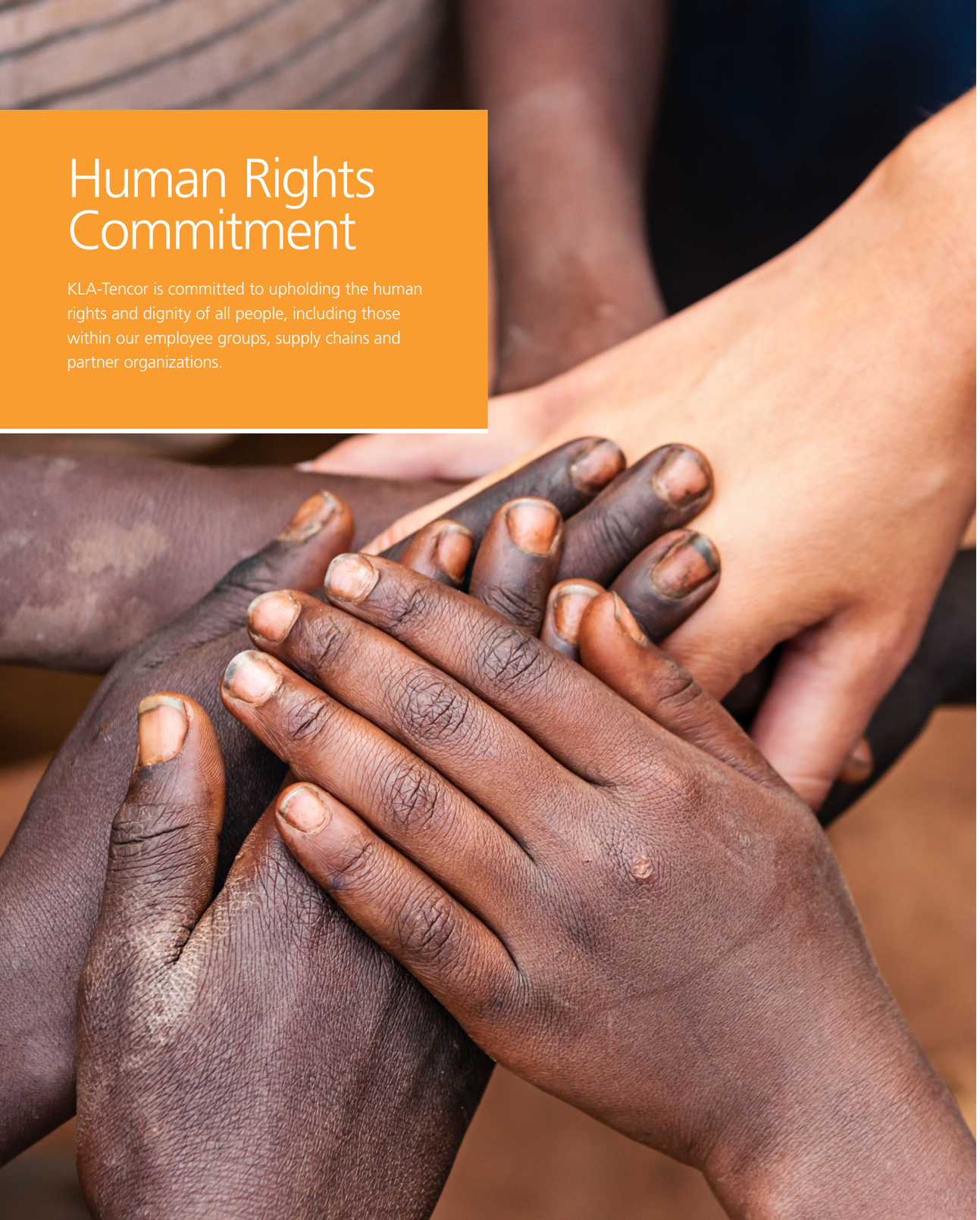
Additionally, service engineers receive an average of **118** hours per year of product-specific training.





Human Rights Commitment

KLA-Tencor is committed to upholding the human rights and dignity of all people, including those within our employee groups, supply chains and partner organizations.



KLA-Tencor believes that any activities that fuel conflict, violate human rights or lead to serious environmental degradation are unacceptable. We want to ensure that all materials used in our products come from socially and environmentally responsible sources. The issue is currently particularly acute with regard to so-called "conflict minerals" from the Democratic Republic of Congo and adjoining countries. Even though KLA-Tencor does not source or buy metals directly, we are very concerned about the potential link between mining and the conflict in the Democratic Republic of Congo and adjoining nations. We are appalled by the reports from the conflict areas and strictly condemn all activities that fuel conflict or benefit militant groups. We require high ethical standards in our own operations and our supply chain and take continual action to ensure that metals from that fund the conflict in those regions do not enter our supply chain. KLA-Tencor has actively worked independently and with suppliers, industry peers and other stakeholders to improve traceability and ensure responsible sourcing. We are now participants in EICC-GeSI Conflict-Free Sourcing Initiative and work to identify smelters in our supply chain with the EICC-GeSI reporting template. In a 2015 Conflict Mineral Benchmarking Study by Tulane University, KLA-Tencor was ranked among the top ten percent of companies with regard to conflict materials filings and compliance.

"There were no human rights violations reported or discovered in any of our facilities worldwide last year."

KLA-Tencor maintains a set of policies, procedures and processes that respect human rights and identify, prevent, and mitigate human rights abuses. These mechanisms continue to keep KLA-Tencor free from human rights violations and provide for continuous improvement opportunities. There were no human rights violations reported or discovered in any of our facilities worldwide last year.

Our supply chain partners are also required to adhere to the Electronic Industry Code of Conduct (EICC) and annually assess their operations against this code. The EICC Code of Conduct is a set of standards on social, environmental and ethical issues in the electronics industry supply chain. This Code is a set of standards that helps our suppliers identify and mitigate risks of non-compliance within their own supply chain.

Grievance Processes & Employee Communication

KLA-Tencor provides several channels and options for employees to file grievances or report concerns such as unlawful discrimination, safety issues or potential ethics problems. Employees can contact their manager,others in their management chain or the Human Resources Department. In most countries, they also have the option of reporting issues through our third-party channel at EthicsPoint, which ensures the concern will get to the appropriate management authority. We also provide the option for issues to be reported anonymously, where permitted by local law.

KLA-Tencor has a strict non-retaliation policy that protects employees who file grievances or report issues from being subjected to any form of retribution or retaliation.

Community Programs & Initiatives

KLA-Tencor believes in working collaboratively with, through and for our employees in order to benefit our communities and target our resources toward meaningful causes that can truly make a difference. Giving back is not just a matter of money. At KLA-Tencor it also means fostering and supporting the personal involvement of employees and management at every level to leverage their talents, interests and commitment for the good of our extended communities.

In conjunction with matching gift donations from the KLA-Tencor Foundation (see following section), employee groups participate in a wide range of charitable and local community focused events. Just some examples include: Habitat for Humanity, American Heart Association, Save the Children, American Red Cross, Japan Red Cross, Shinmyeong Imaru Orphanage, National Council of Social Service, the Special Olympics, and many more.

We believe a primary guiding light for KLA-Tencor corporate giving efforts should always come from the passions, vision and commitment of our employees.

Celebrating 40 Years of Dedication to Community Service

Service and corporate citizenship have been a core element in our company DNA from our very inception forty years ago. In celebration of our 40th Anniversary, the KLA-Tencor Foundation is sponsoring a Global Day of Service in each of our regional and local entities. The goal is to encourage local team-building events throughout key regions, thereby giving employees fun opportunities to collaborate and give back to their communities through service.

Community Programs & Initiatives

KLA-Tencor Foundation

Philosophy: KLA-Tencor Corporation established the KLA-Tencor Foundation to focus more closely on the needs of the communities where our employees and their families live and work. This approach to charitable giving allows the KLA-Tencor Foundation to target organizations in which we are personally involved and which seek to improve the communities in which we live and do business. The KLA-Tencor Foundation encourages all KLA-Tencor employees to share their time, talents and resources with organizations and programs that make a difference in their local communities.

KLA-Tencor has been honored as one of the Top Fifty Corporate Philanthropists in Silicon Valley (#26 on the list). Non-profit recipients of KLA-Tencor contributions include the Tower Foundation of San José State University, SEMI High Tech U, and the Computer History Museum.

Mission: The mission of the KLA-Tencor Foundation is to positively impact the communities in which we live and do business. The KLA-Tencor Foundation carries out this mission by building relationships with education, health and wellness, and social service providers that inspire individual philanthropy and establish and maintain support programs.

Targets: The KLA-Tencor Foundation seeks to support educational programs and institutions with an emphasis on STEM (Science, Technology, Engineering and Math), health and wellness programs and providers, and local community human needs organizations.

Guiding Principles:

- **Focus on organizational process improvements**
- **Foster collaboration with service delivery organizations and other funders**
- **Be open to new ideas, untested efforts and support programs that have demonstrated positive results and impact**
- **Establish expectations for sustainability, significance, lasting value and positive impact**

The Four KLA-Tencor Foundation Programs

The KLA-Tencor Foundation and KLA-Tencor employees support community initiatives worldwide through four programs: cash grants, in-kind donations, volunteer time and matching gifts.

Grant Making

The KLA-Tencor Foundation grant program invests in creative ideas that support educational programs and institutions, with an emphasis on STEM (Science, Technology, Engineering and Math), health and wellness programs and providers, and local community human needs organizations. The KLA-Tencor Foundation provides grants in locations where we have significant employee populations, and strives to make a positive and lasting impact on people's lives and encourage others to take action as well. Requests can be submitted through http://ktfoundation.versaic.com. All other inquiries regarding the grant program should be sent via email to foundation@kla-tencor.com.

In-kind Donations

KLA-Tencor periodically donates excess furniture and fixtures as well as spare IT equipment to the KLA-Tencor Foundation, which in turn donates these materials to organizations around the world. All inquiries regarding the in-kind donation program should be emailed to foundation@kla-tencor.com.

Volunteer Time

KLA-Tencor encourages its employees to participate in volunteer activities that make a positive impact in their local communities and community non-profit organizations by donating their time and talents. Prime examples include contributing volunteer time and funding to support regional activities, such as the Special Olympics state wide track and field event in Minnesota.

Matching Gifts

The KLA-Tencor Foundation has a matching gift program that encourages KLA-Tencor employees to support charitable, cultural and civic programs that benefit local communities. Participating organizations must be 501(c)(3) tax exempt (or international equivalent) and have been approved by the KLA-Tencor Foundation.

Community Programs & Initiatives

Leveraging Our Skills and Expertise to Combat River Blindness in West Africa

One exciting example of how KLA-Tencor and our employees are making a difference by combining our commitment with our technological expertise is our involvement in the battle against river blindness in West Africa. River blindness has reached epidemic levels and medicine is available. However, the medication can be fatal to people who are infected with the Loa Loa parasite, which is a type of ring worm. As a result of this risk, many people are reluctant to take the river blindness medication and this terrible disease continues to spread.

Currently, testing for the presence of the Loa Loa worm takes three days and requires expensive technology and skilled technicians, so it has not been practical to screen people in the field for Loa Loa as an integral part of the river blindness medication process. Therefore, the vital programs to eradicate river blindness had stalled.

To address this situation, KLA-Tencor partnered with UC Berkley and Fletcher Labs to design, manufacture and deploy the CellScope Loa, which is an innovative device that combines a cell phone, simple blood sample and powerful diagnostic capabilities in a handheld field-deployable solution. Instead of taking three days and the support of skilled technicians, CellScope Loa can detect the presence or absence of the Loa Loa worm using a pin-prick blood sample that is inserted into the device, with results available right in the field location in three minutes.

KLA-Tencor and our employees partnered to take the lead on productizing the innovative design as well as building, testing and shipping enough CellScope Loa devices to support a trial program for testing 30,000 people in Cameroon. Our experience integrating optics, electronics, semiconductors and complex manufacturing enabled us to scale up rapidly from the first prototype invention to the higher volume of rugged, deployable devices needed to support the field trials. As a result, quick and inexpensive field detection of Loa Loa has now opened the door for the important programs aimed at eradicating river blindness to once again go forward.

Urbanek Scholarships Are Building the Future Through Higher Education

Another key program that goes back to the culture of our founders and extends forward to serve the future of our society is the Urbanek/Levy Scholarship Fund, which provides millions of dollars in funding grants to educate the children of KLA-Tencor employees.

All children of U.S. employees who have served one full year with KLA-Tencor are eligible to apply for this scholarship program. Scholarships are awarded to full-time students between the ages of 17 and 25 who wish to attend traditional colleges and universities, as well as vocational schools, in the U.S. Selections are made by an independent, outside committee that awards the scholarships based on financial need, academic performance and involvement within the community.

Product Responsibility

Systems, Technologies and Knowledge Solutions that Mitigate the Semiconductor Industry's Environmental Impacts

At KLA-Tencor our very reason for existing helps to offset the environmental impacts of one of the world's largest and fastest growing industries. As a leading provider of process control and yield management solutions for the semiconductor, data storage, LED and other related nanoelectronics industries, our products are designed with an eye toward the current and future challenges not only of technology, but also environmental, health and safety regulations.

Our design teams are trained in a full complement of regulatory and compliance-related subjects that address these requirements. Some of the standards include: SEMI S23 (Guide for Conservation of Energy, Utilities, and Materials used by Semiconductor Manufacturing Equipment), RoHS (Restriction of the use of certain hazardous substances in electrical and electronic equipment), WEEE (Waste Electrical and Electronic Equipment), REACH (Regulation, Evaluation, Authorization and Restriction of Chemicals) and many more.

As an international company, we view the above standards in a global context and strive to understand both the commonalities and differences that exist for various regions, from Europe to Asia and other areas. This enables us to design products that embody the broadest range of compliance and meet both the spirit and specifics of the various standards.

KLA-Tencor is proud to provide products to our industry that help our customers achieve their environmental targets by increasing yield and thereby reducing usage of raw materials, energy, water and other resources.

For example, in a typical high volume manufacturing fab, the implementation of process control tools and sampling methods that result in faster learning cycles can save roughly 250 million liters of water, 37 million kWh of energy and 600,000 kg of waste over an 18-month period from implementation.

Conversely, by not implementing better process control solutions, the yield learning cycle is slower and the extra resources consumed will need to be recycled or disposed of properly, and ultimately negatively impact a fab's environmental performance. At KLA-Tencor we believe strongly in helping our customers proactively mitigate the majority of their environmental impact by improving the process, thereby minimizing the need for post-process secondary mitigation measures.

"At KLA-Tencor our very reason for existing helps to offset the environmental impacts of one of the world's largest and fastest growing industries."

With the worldwide acceleration of the IoT and associated deployments of millions of new connected devices, KLA-Tencor's technologies and knowledge base are also helping our customers enhance the productivity of their existing equipment, thereby supporting higher volumes while conserving resources. In addition, KLA-Tencor's advanced solutions are supporting the introduction of new chip level integrated power management capabilities that are helping mitigate the global energy consumption levels of new generation devices.

Product Responsibility

Products Designed for Energy Efficiency, Productivity, Safety and Long Lifecycles

KLA-Tencor works toward improvements in energy efficiency with consideration to the SEMI S23 industry standard and customer performance requirements. Generally speaking, component standards in the U.S., Europe and other regions drive the supply chain to create more efficient computers, power supplies, fans and motors. As KLA-Tencor revises its designs in new products, these more efficient components are incorporated. Each generation of KLA-Tencor product tends to achieve more with its energy budget because of faster throughput, faster defect identification times or more defect recognition precision. Measurement of energy usage is provided according to the decisions of each company division and is generally based on customer criteria.

KLA-Tencor routinely has all its products assessed for potential health and safety impacts using applicable standards and regulations, which typically include the industry's SEMI S2 and SEMI S8 standards, the United States FDA laser standard and the European Machinery Directive. Health and safety impacts are also a routine part of the numerous ad hoc design reviews that occur during product development.

KLA-Tencor has not identified any official non-compliance with regulations concerning the health and safety impacts of its products that resulted in a fine, penalty or warning. KLA-Tencor has not adopted any product EHS voluntary codes because regulations and customer requirements provide sufficient oversight of those issues.

The product safety regulatory and standards requirements that apply to KLA-Tencor products, such as the EU Machinery Directive and SEMI S2, drive the provision of extensive product safety manuals that are provided for all products.

KLA-Tencor products have a high reuse rate rather than a reclaim rate. Because of their intrinsic quality and usefulness, our products tend to be resold from one owner to the next, and often have a productive life of 10 years or more. The modular design of KLA-Tencor products allows them to be refurbished and refitted for original or expanded uses. Disposal of the complete product rarely occurs (See G4-EN28). Many of the electrical components used in our products bear the crossed out wheeled bin marking which indicates it should be disposed of with a recycler rather than placed in municipal waste streams. As a matter of routine, such as to execute KLA-Tencor or component supplier warranties, most failed components are returned to us for consideration of refurbishment or correct disposal.

At KLA-Tencor, we pride ourselves on delivering leading-edge technology solutions that help fuel the efficiency, productivity and continued growth of the $300 billion global semiconductor industry as well as the over $1.6 trillion end-products market that is a key driver of the global economy.

At the same time, we are extremely proud of our commitment to responsible use of resources, promoting dignity and personal fulfillment throughout our workforce, adhering to the highest ethical standards in all of our business dealings, and respecting the importance of our role as a corporate citizen that leads by example in social responsibility and sustainable business practices.

Appendix A – References & Documentation Sources

1. KLA-Tencor company website:
www.kla-tencor.com

2. Company Factheet:
http://kla-tencor.com/company/fact-sheet.html

3. Annual Reports and Financial Filings:
http://ir.kla-tencor.com/annuals.cfm

4. KLA-Tencor Standards of Business Conduct
http://www.kla-tencor.com/company/supply-chain-social-environment-and-regulatory-responsibility.html

5. EthicsPoint (Tip Hotline)
https://secure.ethicspoint.com/domain/media/en/gui/22073/index.html

6. KLA-Tencor Product List:
http://www.kla-tencor.com/pt/a-to-z-product-glossary.html

7. KLA-Tencor Supplier Regulatory Compliance Requirements:
http://www.kla-tencor.com/company/supply-chain-product-regulatory-compliance.html

8. Supply Chain Human Rights Policy:
http://www.kla-tencor.com/company/supply-chain-human-rights-policy.html

9. Conflict-Free Sourcing Initiative:
http://www.conflictfreesourcing.org

10. Electronics Industry Citizenship Coalition:
http://www.eicc.info

11. KLA-Tencor Foundation:
http://www.kla-tencor.com/foundation/overview.html

Appendix B – Summary of Disclosures per GRI G4 Guidelines

GRI Disclosure Reference		Partial	Full
G4-1 – G4-2	Strategy and Analysis		X
G4-3 – G4-16	Organizational Profile		X
G4-EC1 – G4-EC9	Economic Performance, Market Presence and Impacts		X
G4-EN1 – G4-EN2	Materials	X	
G4-EN3 – G4-EN7	Energy		X
G4-EN8 – G4-EN10	Water		X
G4-EN11 – G4-EN14	Biodiversity		X
G4-EN15 – G4-EN21	Emissions		X
G4-EN22 – G4-EN26	Effluents & Waste		X
G4-EN27 – G4-EN28	Products & Services		X
G4-EN29	Compliance		X
G4-EN30	Transport		X
G4-EN32 – G4-EN33	Supplier Environmental Assessment		X
G4-EN34	Environmental Grievance Mechanisms		X
G4-LA1	Employment	X	
G4-LA2	Benefits		X
G4-LA3	Parental Leave	X	
G4-LA4	Labor Relations Notice of Changes	X	
G4-LA5 – G4-LA8	Occupational Health & Safety	X	
G4-LA9 – G4-LA10	Training & Education		X
G4-LA11	Performance Review		X
G4-LA12	Diversity & Equal Opportunity	X	
G4-LA13	Equal Remuneration for Women & Men	X	
G4-LA14 – G4-LA15	Supplier Assessment for Labor Practices		X
G4-LA16	Labor Practices, Grievance Mechanisms	X	
G4-HR1 – G4-HR2	Human Rights	X	
G4-HR3	Non-discrimination	X	
G4-HR4	Freedom of Association & Collective Bargaining	X	
G4-HR5	Child Labor	X	
G4-HR6	Forced or Compulsory Labor	X	
G4-HR7	Security Practices	X	
G4-HR8	Indigenous Rights	X	
G4-HR9	Assessment	X	
G4-HR10	Supplier Human Rights Assessment		X
G4-HR11	Supplier Human Rights Impacts & Actions	X	
G4-HR12	Human Rights Grievance Mechanisms	X	
G4-SO1 – G4-SO2	Local Communities	X	
G4-SO3 – SO5	Anti-Corruption	X	
G4-SO6	Public Policy	X	
G4-SO7	Anti-competitive Behavior	X	
G4-SO8	Compliance	X	
G4-SO9 – G4-SO10	Supplier Assessment for Impacts on Society	X	
G4-SO11	Grievance Mechanisms for Impacts on Society	X	
G4-PR1	Product Responsibility, Customer Health & Safety		X
G4-PR2	Product Responsibility, Compliance Incidents		X
G4-PR3 – G4-PR4	Product Labeling		X
G4-PR5	Surveys of Customer Satisfaction		X
G4-PR6 – G4-PR7	Sale of Banned or Disputed Products		X
G4-PR8 – G4-PR9	Customer Privacy		X