



CORPORATE SOCIAL  
RESPONSIBILITY REPORT  
**2017**



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

The 2017 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 our active participation in industry groups, community organizations, environmental initiatives and the activities of the KLA-Tencor Foundation.

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# Sustainability is in Our Corporate DNA

Since our inception over 41 years ago, the companies that would become KLA-Tencor have always held sustainability, corporate citizenship and environmental responsibility as core values that are interwoven with everything we do.

**By focusing on improving yield and efficiency for our customers, KLA-Tencor helps reduce the overall environmental impacts of the global semiconductor industry.**

Driven by our innovation mindset, and working in close collaboration with our customers, we continue to deliver a steady stream of technologies to the market, adding to and strengthening a portfolio of differentiated products

that solve our customers' most complex yield and reliability issues while helping to minimize the environmental impacts of their operations.

We have also continually supported our customers' efforts to adapt and reuse existing systems in new applications, thereby enhancing their return on investment and offsetting environmental impacts.

We are committed to managing, measuring and improving our sustainability practices in all internal production facilities, supply chains, partnerships and other corporate activities.

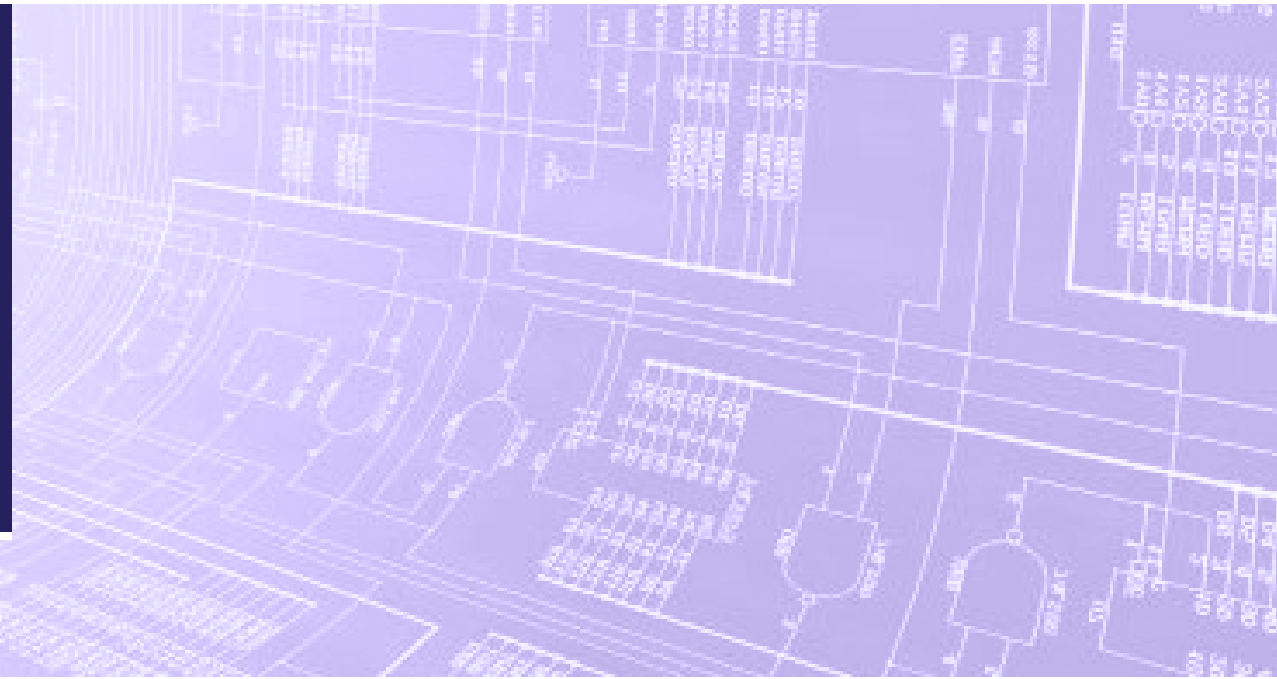
Throughout our existence, KLA-Tencor has also fostered a corporate culture that proactively invests in our employees, our communities and the environment.

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 a community and welcome the opportunity to give back.



# 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.



## Key Market Segments:

- Chip Manufacturing
- Wafer Manufacturing
- Reticle and Blank Manufacturing
- Data Storage and Media Head Manufacturing
- LED, MEMS and Power Device Manufacturing
- Compound Semiconductor Manufacturing
- IC Packaging Manufacturing
- General Purpose and Lab Applications

## Manufacturing/R&D Facilities:

### KLA-Tencor

One Technology Drive  
Milpitas, California 95035  
U.S.A.

### KLA-Tencor Israel

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

### KLA-Tencor Hong Kong

Unit #2003, 20/F  
Global Gateway (HK),  
168 Yeung Uk Road,  
Tsuen Wan,  
Hong Kong SAR

### KLA-Tencor China (Shanghai)

No. 79-v80  
Lane 887 Zu  
ChongZhi Road  
Zhangjiang High-Tech Park  
Shanghai, 201203  
China

### KLA-Tencor Singapore

No. 4, Serangoon North  
Avenue 5  
Singapore 554532

### KLA-Tencor China (Shenzhen)

2F & 3F Plant Building 2  
Xue Gang North Road  
Ban Tian Street  
Long Gang District  
Shenzhen 518129  
China

### KLA-Tencor Weilburg

Kubacher Weg 4  
D-35781 Weilburg  
Germany



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



Funding publically held  
**(NASDAQ: KLAC)**



Fiscal Year 2017 Revenue:  
**\$3.5 billion**



Number of Employees:  
**Over 6,400 full time employees**

**Our products address a wide range of semiconductor manufacturing arenas, including integrated circuits (ICs), reticles and blanks, IC packaging, compound semiconductors, MEMS, light emitting diodes (LEDs), power devices and data storage, as well as university research.**

With a comprehensive portfolio of products, services and expertise, KLA-Tencor helps semiconductor manufacturers achieve higher yield and reliability throughout their fabrication processes, from research and development through ramp up and final volume production.

By providing products that help customers accelerate their development and production cycles, KLA-Tencor also helps mitigate customers' resource usage and waste streams.

Headquartered in Milpitas, Calif., KLA-Tencor has dedicated customer operations and service centers around the world.

# Economic Performance, Market Presence and Impacts

KLA-Tencor directly employs more than 6,400 people and tens of thousands of others through supply chain partners. Our technology innovations contribute directly to the ongoing growth in \$300+ billion global semiconductor industries, thereby helping accelerate rapid growth of the electronics market, which totals more than \$1.6 trillion.

**KLA-Tencor is committed to sustaining its culture of innovation.** Through ongoing aggressive investment in research and development (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 impacts on available resources.

The IoT megatrend is experiencing unprecedented growth, embedding connectivity in millions of new devices and applications. Our advanced technologies are not only helping chipmakers and packaging houses attain higher yield to support IoT growth but are also enabling the manufacturing of new low-power devices that mitigate the energy impacts of IoT proliferation.

The global megatrends that drive KLA-Tencor's business begin with the Internet of Things (IoT).

## R&D Investments and Revenue (\$M)



Other new and exciting market drivers include big data, machine learning and artificial intelligence, applications that require chips with tremendous compute power and storage capacity. KLA-Tencor is also a key player in enabling the manufacturing of electronics used in autonomous vehicles, another high-growth area that requires semiconductors ranging in capability from workhorse to leading-edge.

The rise of increasingly advanced semiconductor facilities in China is diversifying global chip manufacturing capabilities. As the industry leader in process control and yield management solutions, KLA-Tencor is playing a key role in helping the rapidly growing China semiconductor sector establish sustainable environmental practices as an integral element within its aggressive growth curve.

# 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 all appropriate, relevant environmental laws and standards worldwide, including those for product development, sales, service and maintenance.** We ensure that our activities are conducted in an environmentally responsible manner. KLA-Tencor is committed to preventing

pollution and to the continual improvement of its environmental programs.

Every year we re-assess our impacts on the environment, identify those areas of impact over which the company has sufficient control, and establish and update our goals and objectives in those areas to reduce our environmental impacts.

## To carry out our environmental policy, we:

- Regularly evaluate all aspects of our operations and the impacts on the environment
- Strive to improve the environmental performance of all our operations
- Consider stakeholders' interests
- Conduct regular management reviews of our environmental activities and progress toward the defined goals and targets
- Implement, maintain and document our environmental management system throughout all levels of the organization
- Educate and train those who work on behalf of the organization to work in an environmentally responsible manner, including employees, contractors and vendors
- 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 Team continues to make strides in reducing the company's environmental impact. Since 2006, KLA-Tencor has prohibited the use of bleached corrugated boxes, polystyrene loose fill, and, since 2012, foam-in-place materials.



Corporate Packaging	CY15	CY16	CY17
United States - New Designs added to RRR program		9	7
United States - Crate Reuse Rate	89%	73%	72%
Singapore - New Designs added to RRR program		7	9
Singapore- Crate Reuse Rate	24%	31%	26%
Global - New Reusable Cases Implemented	11	6	15

Note: Materials not reused in the above rates are recycled.



**KLA-Tencor implemented the first-of-its-kind qualified Reuse, Refurbish, and Recycle (RRR) program for crates in 2006 to reduce the amount of material entering the waste stream.** All crates incoming to KLA-Tencor are diverted from landfills by being either reused or recycled into other products. KLA-Tencor prohibits the use of fumigation via methyl bromide for all wood packaging materials since methyl bromide is toxic to humans and depletes the ozone layer. Heat treatment is the only approved fumigation method that complies with International Standards for Phytosanitary Measures No. 15.

KLA-Tencor's primary crating vendor implemented solar power in 2015 and has a material diversion rate of greater than 90 percent. The vendor also sources raw wood materials that comply with established sustainability programs such as the Forest Stewardship™ (FSC)®, Sustainable Forestry Initiative® (SFI®) and the Programme for the Endorsement of Forest Certification (PEFC) standards. These certifications ensure the wood utilized is harvested legally, and that forests are managed and replenished while maintaining biodiversity.

Packaging engineers at KLA-Tencor focus on designing packages that protect products while reducing KLA-Tencor's environmental impact. By considering the entire life cycle of a product, reusable cases or crates are designed for repairable and returnable high value components, and are used for the life of the product, as opposed to the conventional single-use packaging methodology. The KLA-Tencor packaging engineer design paradigm incorporates material reduction by creating shipping containers that are tailored to the size of the product and are made of recyclable

materials wherever possible. For example, a recently developed retention pack design reduces the amount of foam in the container by up to 80 percent, is more easily recyclable since it does not require glue, and can be used on a wide range of parts.

# Transport

The KLA-Tencor environmentally friendly transportation program focuses on optimizing cargo space for all shipments by designing shipping materials tailored to the size of the specific equipment rather than defaulting to a one-size-fits-all approach.

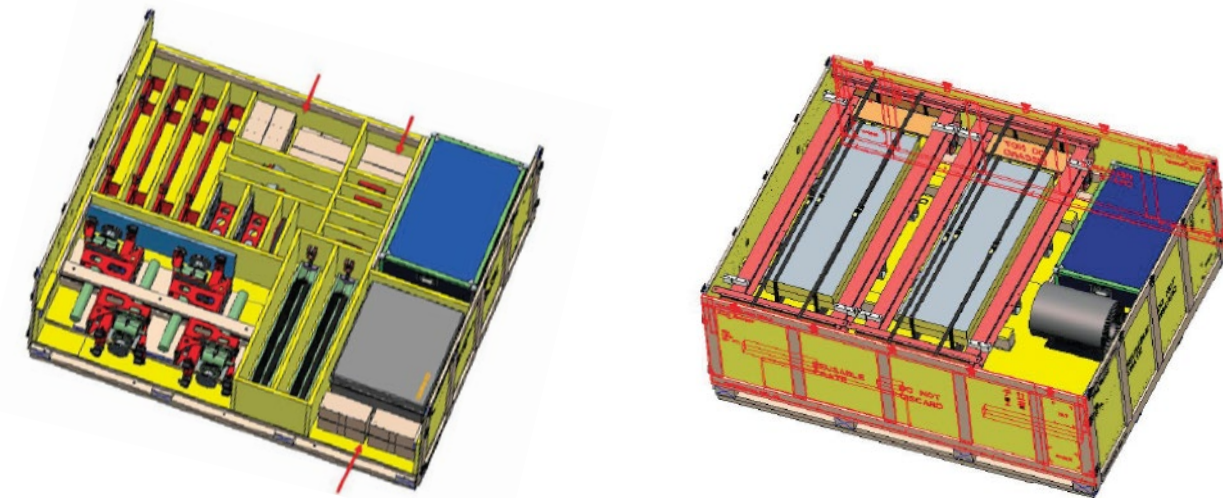


## The use of tailored shipping containers avoids defaulting to larger containers than needed, wasting materials and space in shipments.

By pioneering the use of collapsible crates, KLA-Tencor ships empty crates at approximately half the volume of the full crate. Our 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 practice helps to minimize the

overall transportation impacts for reshipping, redeployment, and return of systems in the field that need to be moved to a new location.

In addition, KLA-Tencor has been at the forefront of encouraging 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.



New shipping process reduces costs and shipment footprint by better organizing materials and making parts easier to access



# Energy & Emissions

Overall, KLA-Tencor's greenhouse gas (GHG) emissions were down 2.7% over the previous year despite an increase in campus population and a slight increase in electricity usage.

# Waste

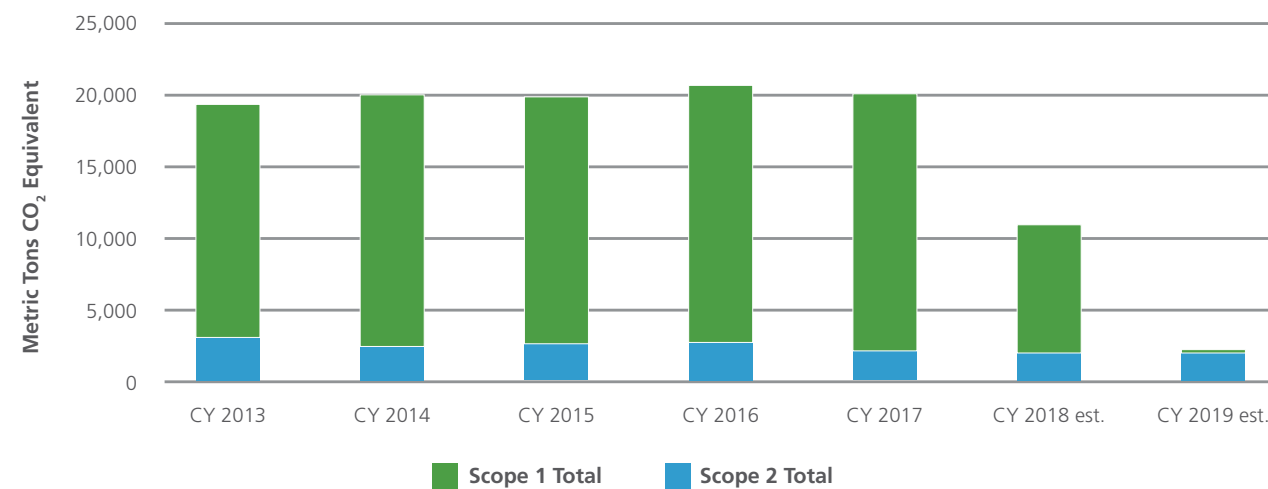
One of the most notable achievements of the 2017 waste management program was removal of all polystyrene packaging (food and beverage cups) from our headquarters site.

**Greenhouse gas emission reduction was due in part to a decrease in natural gas use.** Additionally, the Facilities Operations Team worked to curb increased electricity usage by 0.5% over a two year period. Completed projects designed to contribute to achieving that goal include overhead and ancillary lighting improvements.

KLA-Tencor continues to investigate several onsite next-generation technologies such as solar photovoltaics and fuel cells. Moving forward,

KLA-Tencor has elected to purchase energy through a program that allows energy companies to purchase electricity directly from third-party electric service providers. The electricity KLA-Tencor will purchase will be from nearly 100% renewable energy sources. This purchasing contractual change will allow for significant reduction in overall emissions, saving an estimated 80,000 metric tons of CO<sub>2</sub> equivalent (CO<sub>2</sub>e) over the next five years.

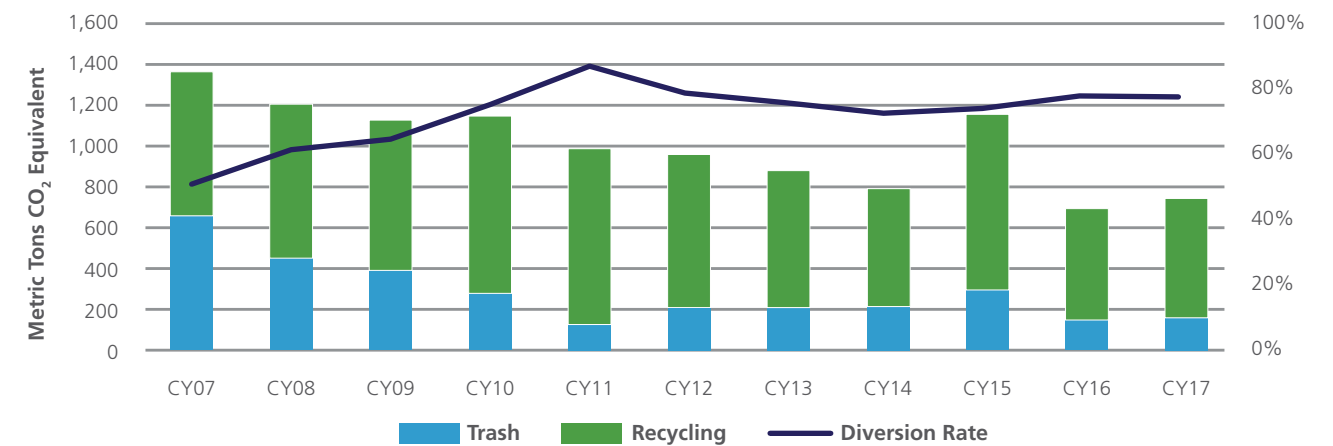
## Milpitas HQ - Scope 1 (Direct) and 2 (Indirect) GHG Emissions



**Compostable paper products and compost bins are now available in the dining and break areas throughout the campus.**

A major focus of KLA-Tencor's annual Earth Day event was raising awareness about solid waste diversion and improving compost sorting. To help ensure adoption, break areas are equipped with large pictorial diagrams to aid

in the sorting process, and the janitorial team conducts periodic breakroom compost audits so that targeted training can be given as needed. A challenging two-year continual improvement goal to reach a diversion rate of 83% will require further employee composting education, and reinforcement of the tenets of Reduce, Reuse, Recycle!



# Water

Water is an important and relevant component for sustainable manufacturing—too precious a resource to use just once.

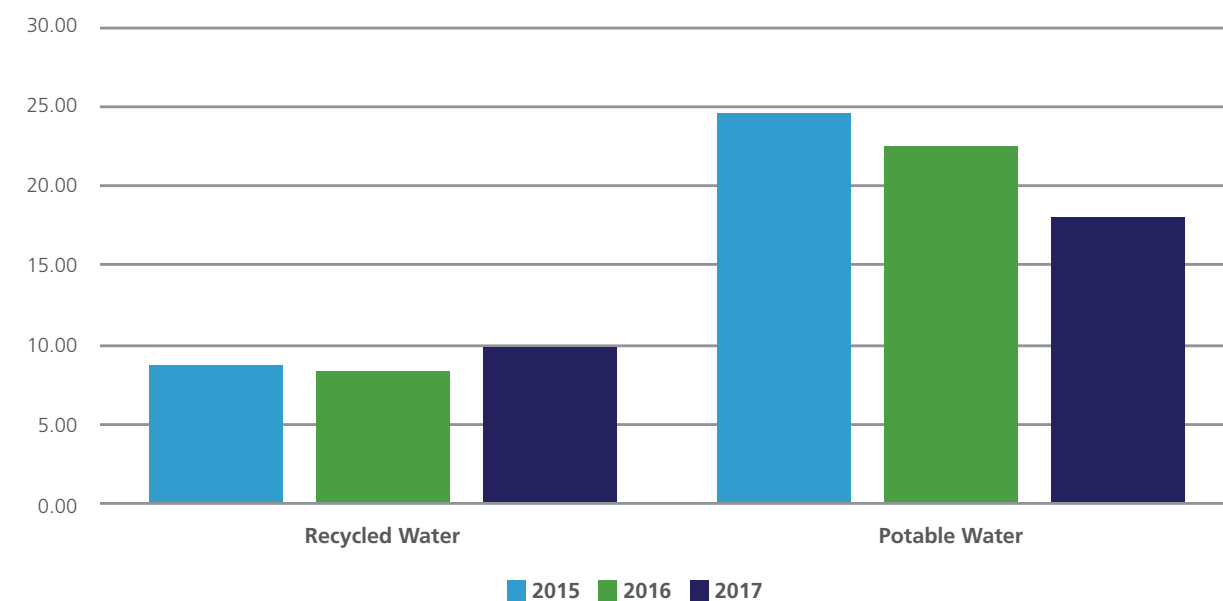


**Recycled water provides KLA-Tencor with a drought-resistant and sustainable water source for landscape irrigation and cooling towers, thus directly reducing fresh water demand.** In 2017 almost 10 million gallons (about 18%) of the fresh water used by KLA-Tencor was recycled.

The South Bay Water Recycling Program distributes recycled water regionally. Some of this water is supplied to the Santa Clara Valley Water District’s adjacent Silicon Valley Advanced Water Purification Center (SVAWPC), formerly known as the Advanced Recycled Water Treatment Facility. The SVAWPC purifies the water and blends it with tertiary treated water to create high-quality

recycled water that can be used by customers such as KLA-Tencor. As a result, KLA-Tencor’s fresh water usage decreased by 8.5% in 2016 and 20% in 2017 despite headquarters campus population growth of 4.5% and 9% in the same periods. Additional fresh water reductions were achieved through various continual improvement programs such as employee and contractor environmental management education, facility improvement projects that utilize recycled water in cooling towers, and improvements in campus landscape management. By utilizing recycled water, businesses like KLA-Tencor are having a positive impact on the San Francisco Bay by returning water into the watersheds for further recycling and reuse.

## Water Usage



# Biodiversity

KLA-Tencor has not identified any 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, a system that allows anyone (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 calling a toll-free phone number, anonymously or using their name. KLA-Tencor has a structured process for investigating, reviewing and resolving all reported issues.

## 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. This commitment ensures that the innovations and environmental best practices developed in any of our locations can be leveraged throughout the organization.

In addition, we share ideas and green innovations within our supplier ecosystem in order to help raise the level of environmental performance across the spectrum of our business activities. KLA-Tencor expects suppliers to comply with our standards and best practices 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 reflect our values by providing a safe workplace environment with ethical labor practices.

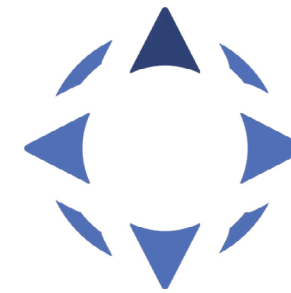


**Just as we set high standards for our own employment practices, we expect all suppliers to treat their workers with dignity, respect and fairness.**

We require our suppliers to institute and maintain specific policies, risk assessments, improvement programs, procedures and management reviews

that define their standards, identify concerns and guide corrective actions on an ongoing basis.

We engage with the Responsible Business Alliance (RBA) and comply with the RBA Code of Conduct at all KLA-Tencor operations worldwide. We also promote these practices throughout our supplier ecosystem.



## Responsible Business Alliance

Formerly the Electronic Industry Citizenship Coalition

Advancing Sustainability Globally

**As part of this commitment, and as a condition of our RBA membership, we require all KLA-Tencor suppliers to meet the following criteria:**

- Commit to following policies and programs that comply with the RBA Code of Conduct. A copy of the Code of Conduct and additional information and resources can be found at: <http://www.responsiblebusiness.org/standards/code-of-conduct/>
- Complete and update annually an RBA self-assessment questionnaire (SAQ), utilizing the RBA online reporting platform. RBA online registration details, user guides, sample SAQs, FAQs and other resources can be found at: <http://www.responsiblebusiness.org/standards/tools/>

We use a variety of tools and processes to manage supplier performance, including the Supplier Score Card (SSC). The SSC rates the supplier's social responsibility programs; compliance with anti-bribery and anti-corruption laws such as the U.S. Foreign Corrupt Practices Act; processes and programs to train employees and adherence to RBA standards.

In addition, KLA-Tencor visits a percentage of suppliers to review their operations, SAQs and overall practices. These site visits are intended to be collaborative and open interchanges, promoting transparency and encouraging continuous improvement.

# Social Concerns, Programs & Initiatives



## Corporate Governance

KLA-Tencor is committed to proper governance and compliance with applicable regulations, standards and mandates. 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 according to the NASDAQ Stock Market director independence standards.

## Code of Conduct

Although laws and customs vary by 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. We adhere to our values by asking questions, seeking guidance, reporting suspected violations and expressing our concerns.

# Social Concerns, Programs & Initiatives



## Compliance & Internal Controls

KLA-Tencor requires that all transactions comply with U.S. Generally Accepted Accounting Principles (GAAP) and other applicable laws and regulations. In addition, management maintains a system of internal accounting controls designed to safeguard KLA-Tencor's assets, execute and report transactions in accordance with management authorization and ensure that the books and records of KLA-Tencor accurately reflect all transactions. Policies and procedures associated with the internal control system are documented and augmented

by 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 relevant foreign authorities. These laws may require the reporting of financial information, payment of taxes, filing of tax returns and withholding or collecting necessary taxes on behalf of the workforce.

## Standards of Business Conduct Training Program

KLA-Tencor recognizes the importance of having all employees understand and avoid corruption and anti-competitive behaviors, as part of our Values in Action program. All employees are required to take our Standards of Business Conduct (SOBC) web-based training program as part of their new-hire orientation, and yearly thereafter as part of their annual performance review process. SOBC training provides detailed information, examples and FAQs and concludes with having the employee acknowledge the terms of the SOBC. In addition, we have begun to expand our Standards of Business Conduct training and communications programs to our vendors and other partners, to drive their awareness and compliance. See [KLA-Tencor Standards of Business Conduct for Suppliers and Agents](#).

## Anti-Corruption Commitment

KLA-Tencor is committed to maintaining a high level of integrity everywhere we do business. Our corporate policy prohibits improper or unethical payments to anyone, anywhere.

Regarding 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 documentation and web-based training modules help at-risk employees (sales, finance, etc.) interpret applicable laws for real world situations. Our anti-corruption policy is available in English, Simplified Chinese, Traditional Chinese, French, German, Hebrew, Japanese and Korean languages.

During 2017, in keeping with our "drive to be better" core value, KLA-Tencor provided FCPA anti-corruption training in native languages for distributors and partners in a number of targeted countries. This new program was intended to aid understanding and underscore the importance of conforming to the letter and intent of these policies. We plan to expand this multi-lingual training program to more countries and languages as our business continues to grow in emerging markets and as we interact with more state-owned enterprises (SOEs).

# Social Concerns, Programs & Initiatives



## Labor Practices, Employment and Equal Opportunity

KLA-Tencor values a diverse workforce and fosters an environment of understanding built on global culture, skills and knowledge. Although technology is constantly changing, KLA-Tencor's core values are what sustain our ongoing market leadership and technology innovation. Our talented employees are the driving factor behind our technology, and we offer competitive compensation, benefits and

rewards to incentivize our employees to perform at a high level.

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



## Maintaining a Safe Work Environment

Our excellent record of safety is a tribute to our employees' efforts, our training programs and safety policy management. We retain a full-time ergonomist to optimize safety and human engineering for our products, and safe, user-friendly work methods and environments for our employees.

KLA-Tencor strives for a zero-accident workplace, 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	2013	2014	2015	2016	2017
Fatalities	0	0	0	0	0
Recordable Injuries	11	24	14	6	14
Lost Work Day Cases	4	0	1	0	1
Lost Work Days	153	221	4	0	34
IIR	0.5	0.9	0.7	0.3	0.7
LWDR	0.2	0	0	0	0.5
DART	0.2	0.4	0.3	0.2	0.2
XMOD	0.5	0.48	0.46	0.39	0.30
OSHA Citations	0	0	0	0	0

- **IIR—Injury/Illness Rate** (the number of recordable incidents per 100 full-time employees in any given time frame)
- **LWDR—Lost Work Day 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)
- **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)



# Social Concerns, Programs & Initiatives



## Health and Wellness Initiatives

KLA-Tencor is a leader among Silicon Valley companies in offering a variety of programs in support of employee wellness, including health risk assessments, an on-site nutritionist, health and wellness seminars and onsite sand volleyball and basketball. We continue to provide fully equipped gym facilities in Milpitas, Singapore and Israel, with gym reimbursement available for other locations.

Our Milpitas headquarters 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 received gold level recognition in the American Heart Association's Fit-Friendly Worksites program.

## Talent: Attract, Develop and Inspire Our Diverse Workforce

Our talent initiatives aim to attract, develop and inspire our global workforce. We seek to hire top talent, recruiting world-class experienced candidates and high-caliber graduates from around the world with diverse backgrounds, characteristics and perspectives. We also enable employee career development through multi-faceted, broad-based programs that provide vertical and horizontal career

opportunities within the company. This program not only engages employees through the opportunity to take on new roles and learning experiences, but also empowers KLA-Tencor with a workforce enriched by a breadth of experience across the business. We believe this program enhances employee knowledge and job satisfaction, while fostering closer collaboration with peers across functional groups.



# Training & Professional Development

KLA-Tencor continues to view “accelerating performance through learning” as a core value and key part of our mission.

**In support of this value, we have created a continuous learning culture with a diverse training curriculum that is regularly used as a benchmark by other organizations.**

Our Corporate Learning Center and Learning Knowledge Services offer programs that focus on technical training, 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 facilitated team training. In addition, we have developed customized advanced engineering degrees, certified programs supported and recognized by Stanford University, San José State University or the University of Michigan. Performance reviews and development plans are woven into the culture and processes of KLA-Tencor.

**2017 participation levels in our training programs are shown below.**

## All Training:

Count of ILT Students	Total Hours	Average Hours/Student	Count of WBT Students	Total Hours	Average Hours/Student
5,666	207,680	36.65	26,969	18,886	0.70

## Product Training Only:

Count of ILT Students	LKS ILT Hours	Average ILT Hours/Student	Count of WBT Students	Total WBT Hours	Average WBT Hours/Student
2,424	165,112	68	6,659	4,980	0.75

As part of our initiatives to expand training content and enhance engagement, KLA-Tencor hosted multiple hack-a-thon events during 2017 in which technical staff were brought together to collaborate on issues of over-arching relevance. One such event convened 200 engineers for a 48-hour session focused on using big data techniques to analyze

actual case data from KLA-Tencor products. In addition to providing a unique learning experience for the participants, the hack-a-thons generated several analysis techniques and metrics that are already being incorporated into our product management programs.

## 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.

## Grievance Processes & Employee Communication

KLA-Tencor provides several channels and options for employees to file grievances or report concerns in areas such as unlawful discrimination, safety or ethics.

**We believe that any activities that fuel conflict, violate human rights or lead to serious environmental degradation are unacceptable.**

We work to ensure that all materials used in our products come from socially and environmentally responsible sources.

KLA-Tencor requires that metals that fund conflict in various regions do not enter our supply chain. We work independently and with suppliers, industry peers and other stakeholders to improve traceability and ensure responsible sourcing.

KLA-Tencor maintains a set of policies, procedures and processes that respect human rights and identify, prevent, and mitigate human rights abuses. 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, and annually assess their operations against, the standards of the Responsible Business Alliance (RBA). These standards address social, environmental and ethical issues in the electronics industry supply chain. Adherence helps our suppliers identify and mitigate risks of non-compliance within their own supply chain.

KLA-Tencor provides several channels and options for employees to file grievances or report concerns in areas such as unlawful discrimination, safety or ethics. 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 a third-party channel called EthicsPoint, which ensures the

concern will get to the appropriate 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.

# Community Programs & Initiatives



**KLA-Tencor believes in working collaboratively** with, through and for our employees to benefit our communities and target meaningful causes. At KLA-Tencor, giving back is not just a matter of money; it also means fostering and supporting the personal involvement of employees and management at every level, as they use their talents, interests and commitment for the good of our extended communities.

Our employee groups participate in a wide range of charitable and local community focused events, including Habitat for Humanity, American Heart Association, Save the Children, American Red Cross, Japan Red Cross, Shinmyeong Imaru Orphanage, National Council of Social Service, Special Olympics and many more.



# Community Programs & Initiatives



“We positively impact the communities in which employees live and do business”

### 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

### KLA-Tencor Foundation Programs

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

### Cash Grants

The KLA-Tencor Foundation grant program invests in creative ideas that support educational programs and institutions, with an emphasis on STEM, health and wellness programs and providers and local community human needs organizations. The KLA-Tencor Foundation provides grants in locations where employees live, strives to make a positive, lasting impact on people's lives and encourages others to take action.

### 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](mailto:foundation@kla-tencor.com).

### 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 approved by the KLA-Tencor Foundation.

### Volunteer Time

KLA-Tencor encourages our employees to participate in volunteer activities that are aligned with their passions, vision and commitment. Examples of past participation include the Special Olympics, Adopt-a-School, environmental clean-up events and mentoring programs.

## KLA-Tencor Foundation

**Mission:** The mission of the KLA-Tencor Foundation is to positively impact the communities in which employees live and do business. The KLA-Tencor Foundation carries out this mission by inspiring individual philanthropy as well as establishing and maintaining support programs focusing on health and wellness, social services, and educational programs and institutions with an emphasis

on science, technology, engineering and math (STEM). The KLA-Tencor Foundation encourages all employees to share their time, talents and resources with target organizations and programs.

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

# Key 2017 Community Initiatives



## StandUp For Kids

KLA-Tencor is actively involved in local community programs near our headquarters in Milpitas, California, including the StandUp For Kids project, a food bank focused on providing meals for school age children that supplements Title 9 lunch programs. This program provides healthy meals during periods when schools are not normally in session when Title 9 services are not available.

## SEMI Hi Tech U at KLA-Tencor

SEMI Hi Tech U is an innovative program that provides an immersive three-day session that exposes students from Bay Area high schools to technologies and business issues that are driving the semiconductor industry. For the students, this program offers a hands-on opportunity to learn about the industry and ask questions about career opportunities, education and skills requirements.

From KLA-Tencor's perspective, SEMI Hi Tech U is both a philanthropic effort to help young people and an investment in helping the industry develop the skilled workforce of tomorrow. See video [here](#) for more information.

## Hsiang-Tien Elementary School Programs

In Taiwan, local KLA-Tencor staff have been volunteering at Hsiang-Tien Elementary School to provide a variety of educational, recreational and community-building programs. These include after-class learning resources, summer camp, English and STEM programs, school facility improvements and materials for STEM teaching.

## STEM Robotics Competition

For the past three years, KLA-Tencor has sponsored student teams in the national robotics competition in New York, NY. This event exposes students to STEM concepts and their practical applications. In 2017, we also began efforts to expand our robotics and STEM mentorship internationally, with similar initiatives planned in India, Singapore and Israel.

## Disaster Relief

Throughout our history, KLA-Tencor has been active in responding to natural disasters and humanitarian crises. In 2017, our humanitarian activities included relief for U.S. hurricanes Harvey and Irma and wildfire relief in California and Israel. Typically, our funding efforts focus on leveraging local and international organizations that already have "boots on the ground," to maximize results and responsiveness. We also seek input from local employees to target our matching donations.

## Urbanek Scholarships

Another significant program that reflects the culture of our founders and serves to empower future leaders is the Urbanek Scholarship Fund, which

provides millions of dollars in educational grants to children of KLA-Tencor employees.

KLA-Tencor regular employees worldwide who have been with the company for at least one year are eligible to apply for this scholarship on behalf of their child. Grants are awarded to students under the age of 24 who have completed high school or are graduating in the current year, and are applying to the first-year program at an institution of higher learning or vocational school as a full-time student. An independent outside committee awards the scholarships based on financial need, academic performance and community involvement.



# Customer Privacy

At KLA-Tencor we take our commitment to customer privacy seriously.

**Protecting customer privacy falls into the three key areas: processes, training and hardware.** Comprehensive policies and procedures proactively identify, prevent and continuously monitor potential vulnerabilities in all three areas.

To protect privacy, our company processes require that all customer information be segregated and managed on a “need to know” basis. Only KLA-Tencor staff working on a specific customer’s project have access to information provided by or developed for the customer.

On the training front, KLA-Tencor has developed an internal course called “Protecting Sensitive Customer Information,” required for employees who handle customer data at any of our global locations. In addition to in-person presentations by KLA-Tencor security experts, who travel to many of our offices, we have begun establishing regional trainers to serve as local resources to present and reinforce our customer privacy and security policies. This regionally distributed training process is also periodically used to address other topics, such as ransomware threats or proper ways to handle data on USB drives.

**KLA-Tencor did not identify any breaches of customer privacy during 2017.**

From the hardware standpoint, all of our networks are hardened, access is controlled and all laptops are encrypted. We contract with third-party security experts for external testing of our networks and to identify points of risk.

An important part of the program is helping employees understand what constitutes “customer data.” Although in many cases customer data is codified in the form of documents, software, analytics and statistics, it may also exist in verbal discussions, meetings and other less tangible information formats. Our employees are trained to recognize the various types of information and to err on the side of caution, maintaining strict privacy for our customers.

In 2017, we expanded our proactive audit and assessment methods to include scorecards for reviewing and improving customer privacy practices on a regional and/or divisional basis. This work will continue through 2018, helping to keep protection of customer privacy top-of-mind for all employees who come into contact with customer information.

# Product Responsibility

Systems, technologies and knowledge solutions that mitigate the semiconductor industry's environmental impacts

**As a leading provider of process control and yield management solutions for the semiconductor and related nanoelectronics industries, KLA-Tencor designs and manufactures products to address current and future technology challenges—while ensuring adherence with environmental health and safety regulations.** We strive to improve semiconductor manufacturing efficiency and offset the environmental impacts from our large, rapidly growing industries.

Key environmental benefits from the use of KLA-Tencor equipment at our customer sites include: 1) more efficient use of materials and other inputs such as wafers, water and energy; 2) higher yields to reduce waste and 3) longer equipment life spans and extendible technologies. Together, these benefits help our customers mitigate potential negative environmental impacts from their manufacturing operations while meeting their business and profitability goals.

KLA-Tencor is proud to provide products that help our customers achieve their environmental targets by increasing yield and thereby reducing usage of raw materials, energy, water and other resources.<sup>1</sup>

Our product design teams are trained in regulatory and compliance-related matters. 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), The Environmental Safety and Health Association for High Technology (SESHA.org) and others.

As an international company, we view these standards in a global context and strive to understand both the commonalities and differences that exist for various regions. This approach enables us to design products that comply with a broad range of standards.

Because our technologies are designed for long life and upgradability, we also are reducing the need to replace equipment prematurely. In fact, when companies adopt new, advanced solutions from KLA-Tencor to keep up with leading-edge semiconductor requirements, the displaced equipment can often be refurbished and redeployed either within the original company or resold to another company. The vast majority of KLA-Tencor systems are still in use and providing value over the long term.

*Solid State Technology, "Process Watch: Yield management turns green," 2016*





To download this report, please click [here](#).

[www.KLA-Tencor.com](http://www.KLA-Tencor.com)