



UK Modern Slavery Act 2015 Transparency Statement

This statement is made pursuant to the United Kingdom Modern Slavery Act of 2015 and provides information regarding the efforts taken by KLA-Tencor Corporation during the financial year closing June 30th 2016 to ensure that slavery and human trafficking are not taking place in its business and supply chains.

Human Rights Commitment

KLA-Tencor is committed to upholding the human rights and dignity of all people, including those employed through KLA-Tencor, our subsidiaries and affiliates, and our supply chains.

In addition, KLA-Tencor believes that any activities that fuel social 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 especially acute with regards 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 continuous action to ensure that metals from the conflict areas 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 participants in EICC-GeSI Conflict-Free Sourcing Initiative and work to identify smelters in our supply chain with the EICC-GeSI reporting template.

KLA-Tencor maintains a set of policies, procedures and processes respecting human rights and that 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.

Supply Chain Human Rights Policy

Our supply chain is 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 is helping our suppliers identify and mitigate risks of non-compliance within their own supply chain.

KLA-Tencor expects its supply base to adhere to global principles of human rights that include: freedom of association, right to organize, abolition of forced labor, elimination of child labor, equality and anti-discrimination rights, payment of minimum wages, and provision of legally mandated employee benefits.

As a company that must deliver extremely complex, high-technology products to our customers, it is critical that our supply base maintain highly trained personnel and best-in-class processes so the company can meet all customer requirements. To that end, KLA-Tencor established a global supply chain program in 2002.

In 2006, KLA-Tencor received the Institute of Supply Management's inaugural R. Gene Richter Award for "Innovation and Leadership in Supply Management" in the area of process for KLA-Tencor's Supply Chain Management (SCM) program. Our SCM program was also named by A.T. Kearney as a 2008 "Leader in Procurement Excellence." The supply chain management processes establish, support, ensure and continuously improve the adherence of our supply base to all critical tenets of human rights. In particular, KLA-Tencor expects its supply base to adhere and comply with global human rights standards. Such standards include but are not limited to:

- The industry best practices for major electronics companies, its customers and suppliers as defined and adopted by the Electronic Industry Code of Conduct (EICC) which can be found at www.eicc.info
- The requirements of the California Transparency in Supply Chains Act of 2010 which can be found in Section 1714.43 at www.leginfo.ca.gov.
- The requirements of the UK Modern Slavery Act of 2015 which can be found in Part 6, Section 54 Transparency in Supply Chains at <http://www.legislation.gov.uk/ukpga/2015/30/contents/enacted>

KLA-Tencor expects that suppliers and their supply chains adhere to the KLA-Tencor Human Rights Policy, and we strive to enforce such policies via a rigorous three pronged approach of (1) sourcing and supplier selection, (2) contractual supplier requirements and (3) ongoing supplier relationship management

Sourcing & Supplier Selection

To become a key supplier for the production of KLA-Tencor's goods and services, suppliers are evaluated through a selection and qualification process that is a critical part of the company's SCM process. Typically, such evaluations include supplier visits and/or supplier quality audits of the supplier's people, processes and capabilities against pre-determined evaluation criteria. During the course of these assessments, the team qualifies how well the supplier meets KLA-Tencor's standards. Only the suppliers that meet KLA-Tencor's standards and that optimize or meet the overall selection criteria are selected. Those suppliers then become part of KLA-Tencor's supply base and are, as appropriate, managed for continuous improvement.

Contractual Supplier Requirements

Purchase Order Terms and Conditions: As a condition of doing business and as a means of self-certification, our purchase order standard terms and conditions stipulate that "Seller represents and warrants that it complies with all applicable laws and regulations, including eradication of forced, bonded, indentured, involuntary convict or compulsory labor, as well as illegal child labor in its facilities, and requires their suppliers, including labor agencies, to do the same. Seller warrants that its supply chain and materials incorporated into its products comply with the laws prohibiting slavery and human trafficking. Seller agrees to adopt sound human rights practices, to treat workers fairly and with dignity and respect, provide a safe and healthy work environment for their workers, conduct business in compliance with applicable environmental and employment laws, and refrain from corrupt practices."

Standard Supplier Purchase Agreement:

Additionally, key KLA-Tencor suppliers must sign KLA-Tencor's standard purchase agreement that specifically states that the supplier "represents and warrants that it complies with all applicable laws and regulations, including eradication of forced, bonded, indentured, involuntary convict or compulsory labor, as well as illegal child labor in its facilities, and requires their suppliers, including labor agencies, to do the same. Seller warrants that its supply chain and materials incorporated into its products comply with the laws prohibiting slavery and human trafficking," and the supplier "agrees to adopt sound human rights practices, to treat workers fairly and with dignity and respect, provide a safe and healthy work environment for their workers, conduct business in compliance with applicable environmental and employment laws, and refrain from corrupt practices." Furthermore, it also stipulates that suppliers "shall comply with all applicable laws regarding non-discrimination in terms and conditions of employment, payment of minimum wage and legally mandated employee benefits, and compliance with mandated work hours. Seller shall

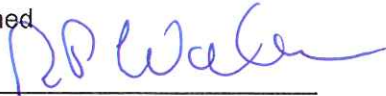
comply with all applicable laws regarding employment of underage or child labor and shall not employ children under the age of 16.”

Supplier Relationship Management:

Key KLA-Tencor suppliers, as appropriate, participate in the KLA-Tencor Supplier Scorecard program. The Scorecard includes several qualitative and quantitative measurement criteria related to a supplier’s performance against defined criteria. Non-quantifiable ratings include KLA-Tencor’s policies. Any deterioration below certain levels requires a Supplier Action Request. Supplier Action Requests are managed throughout the business review process. KLA-Tencor will discontinue business with suppliers that fail to either improve their Supplier Scorecard rating over a defined period or do not resolve requests in a timely manner. The Supplier Relationship Management program includes planned business reviews, site visits and performance audits that include adherence to human rights policies. Site visits and performance-related audits occur when and if a supplier’s scorecard performance is declining and/or if supplier risk is determined through the course of normal supplier visits.

For more information on related actions and policies of KLA-Tencor Corporation, please refer to our CSR Report at <http://www.kla-tencor.com/Company/environmental-programs.html>.

Signed



Rick Wallace
CEO, KLA-Tencor Corporation