



Corporate Social Responsibility Report

2018



# Introduction

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

The 2018 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 Foundation.

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# Sustainability is in our Corporate DNA

Since our inception over 40 years ago, KLA has 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 helps reduce the overall environmental impacts of the global semiconductor industry.

Driven by our innovation mindset, we work in close collaboration with our customers to continue to deliver a steady stream of technologies to the market by strengthening our portfolio of differentiated products. We aim to solve our customers' most complex yield and reliability issues while helping to reduce their environmental footprint, minimize waste and conserve natural resources.

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. For fabs working with larger design nodes, we offer certified or relaunched systems and professional services and tool upgrades to deliver the best solution to the customer while reducing overall waste.

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 has also fostered a corporate culture that proactively invests in our employees, our communities and the environment. As technology leaders, it is our responsibility to use technology wherever we can to further our commitments to sustainability.

We believe deeply that a responsible company needs to be an active and beneficial participant where we live and do business. It is a privilege to be part of a community and we welcome the opportunity to give back.



# KLA Business Overview

KLA is a leading supplier of process control and yield management solutions for the semiconductor and related nanoelectronics industries. KLA's products and services are used by bare wafer, IC, reticle and other manufacturers of materials and equipment around the world, from research and development to final volume manufacturing. Products and services include inline unpatterned and patterned wafer defect inspection, review and classification; reticle defect inspection and metrology; packaging inspection and die sort; critical dimension (CD) metrology; pattern overlay metrology; film thickness, surface topography and composition measurements; measurement of in-chamber process conditions; wafer shape and stress metrology; computational lithography tools; and, overall yield and fab-wide data management and analytics.

**Founded** in 1975 by Ken Levy and Bob Anderson

**Funded** publicly held (**NASDAQ: KLAC**)

Calendar Year 2018 **Revenue: \$4.3 billion**

Number of Global Employees: **7,000+**



## Key Market Segments:

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

With a comprehensive portfolio of products, services and expertise, KLA helps semiconductor and adjacent 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 also helps mitigate customers' resource usage and waste streams.

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

## Manufacturing/R&D Facilities:

### **KLA**

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

### **KLA Hong Kong**

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

### **KLA Singapore**

No. 4, Serangoon North Avenue 5,  
Singapore 554532

### **KLA Weilburg**

Kubacher Weg 4 D-35781  
Weilburg, Germany

### **KLA Israel**

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

### **KLA China (Shanghai)**

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

### **KLA 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

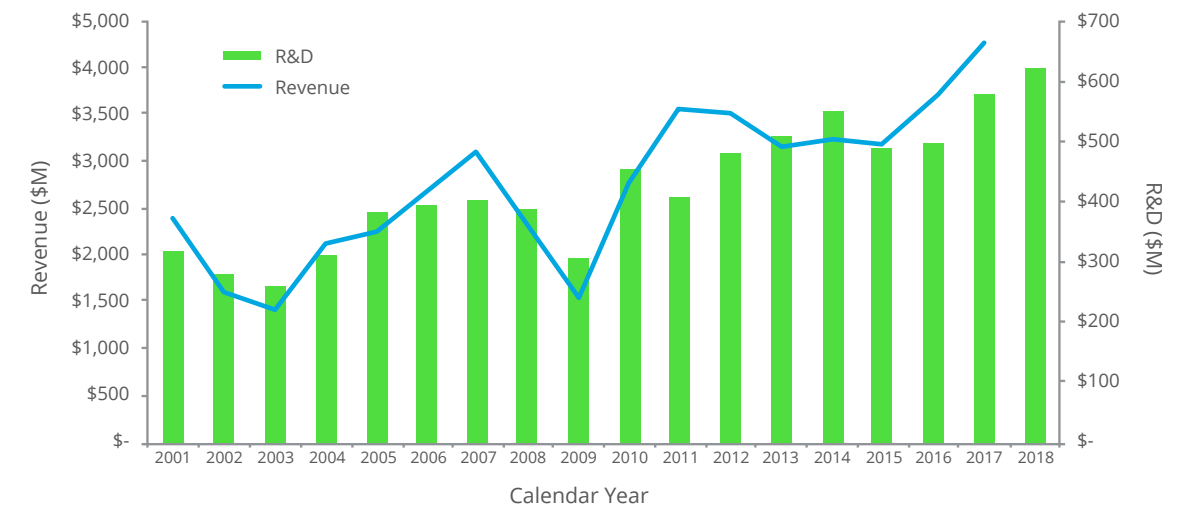
KLA employs more than 7,000 people and tens of thousands of others through our supply chain partners. Our technology innovations contribute directly to the ongoing growth in the \$450+ billion global semiconductor industries, thereby helping accelerate rapid growth of the electronics market, which totals more than \$1.98 trillion.

KLA 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 global megatrends that drive KLA's business begin with the Internet of Things (IoT), which embeds connectivity in millions of new devices.

The IoT megatrend is experiencing unprecedented growth and is expected to exceed \$500B by 2021, more than doubling the \$235B spent in 2017. 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.

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

The latest applications of semiconductor technology require chips with tremendous computing power and storage capacity while consuming less power. New market drivers include big data, machine learning, artificial intelligence, augmented and virtual reality, and autonomous vehicles. KLA is a key player in these high-growth areas that require semiconductors to be both advanced and dependable.



# Sustainable Environment Initiatives

KLA has been registered to the ISO 14001 standard since 2003 and strives to continuously improve its environmental performance. The Environmental Management System detailed in this standard provides the framework that we use as a foundation for implementing sound environmental practices.

KLA 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 is committed to preventing pollution and to the continual improvement of its environmental programs. In addition to managing energy, waste and water usage for the U.S., Israel and Singapore manufacturing facilities, we plan to extend these practices to additional global manufacturing sites.

As part of our overall Risk Management Program, each year we identify and assess climate related risks and opportunities. For those areas of impact over which the company has sufficient control, we establish goals and objectives to manage or 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 Packaging Engineering Team continues to make strides in reducing the company’s environmental impact.

Since 2006, KLA has prohibited the use of bleached corrugated boxes, polystyrene loose fill, and, since 2012, foam-in-place materials. We are also working to identify and track any environmentally sensitive chemicals and material components used throughout our product lines so that these components can be redesigned to reduce the environmental impact.

KLA 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 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 are diverted from landfills by being either reused or recycled into other products. KLA’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 Council™ (FSC®), Sustainable Forestry Initiative® (SFI®) and the Program 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.

Corporate Packaging	CY15	CY16	CY17	CY18
United States – New Designs added to RRR program		9	7	5
United States – Crate Reuse Rate	89%	73%	72%	81%
Singapore - New Designs added to RRR program		7	9	17
Singapore – Crate Reuse Rate	24%	31%	26%	30%
Global – New Reusable Cases Implemented	11	6	15	12

\*Materials not reused in the above rates are recycled.

Our packaging engineers focus on designs that protect products while reducing KLA’s impact on the environment. 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 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.





## Reducing Our Transportation Footprint

### **Transportation is the largest contributor to carbon emissions in the United States.**

To reduce emissions from cars, KLA encourages employees to use public transportation or bicycle, and our headquarters is convenient to designated bicycle trails, bus stops and light rail. We also have regularly scheduled onsite tune-up and oil change services offered by an outside vendor, to help maximize the fuel efficiency of our employees' vehicles. To reduce the need for lunchtime driving, our headquarters offers a range of quality menu options in the cafeteria and is located within walking distance of many restaurants. We support our bicycle commuters at the Milpitas campus by providing shower facilities and secure lock up areas. The Milpitas campus also includes charging stations for electric cars.

Transportation emissions are decreased by using new technology for improved fuel-efficiency and hybrid vehicles, including the Milpitas campus shuttle to DHL Trimble Road. KLA uses carriers such as DHL, FedEx and UPS, all of which are actively engaged

in improving energy efficiency by replacing fleets with hybrid and all-electric delivery vehicles. Our freight forwarding partners not only have internal recycling programs in place, but ship KLA cargo using IATA-approved airlines, which in turn are replacing older aircraft with newer, more efficient models.

To further reduce our carbon footprint, KLA 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 to employee travel.





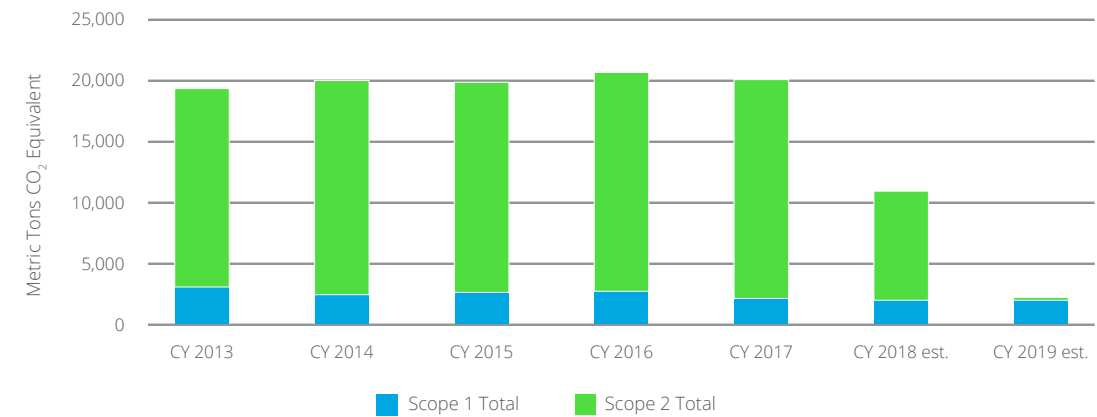
## Energy & Emissions

### KLA's Milpitas HQ uses 100% renewable energy.

Greenhouse gas emission reduction was due in part to a decrease in natural gas use. With the completion in 2018 of a new cryoplant in Milpitas, indirect emissions also decreased since fewer truck deliveries were needed to fill the onsite liquid nitrogen tanks.

KLA continues to investigate several onsite next-generation technologies such as solar photovoltaics and fuel cells. In 2018, KLA HQ elected to purchase electricity from 100% renewable sources. This change significantly reduced overall emissions last year, saving over 7000 metric tons of CO<sup>2</sup> equivalent (CO<sup>2</sup>e), and will completely eliminate indirect emissions for 2019.

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

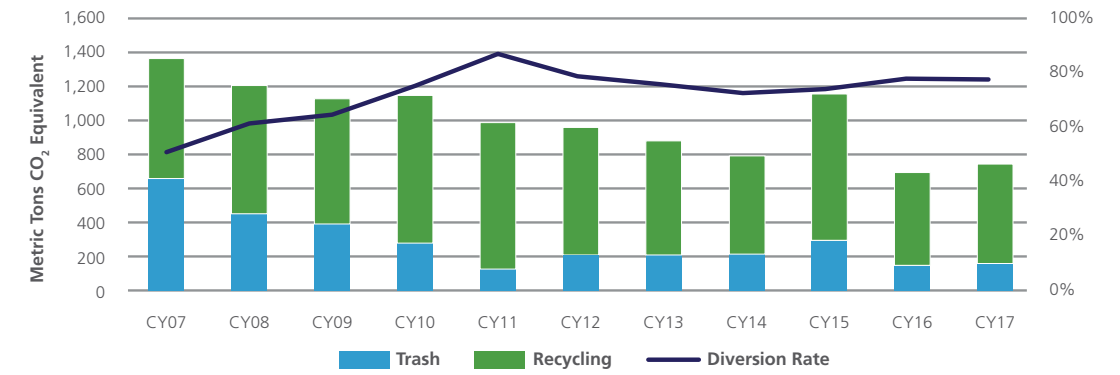


## Waste

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

KLA continues to raise awareness about solid waste diversion and composting. In 2018, the City of Milpitas made a change to their composting policy, eliminating the need for separating food scraps from soiled paper. To ensure adherence to this change, break areas were updated with large pictorial diagrams to aid in the sorting process, and the janitorial team now conducts periodic breakroom audits so that targeted training can be given as needed. Last year saw a significant drop in recycled waste by encouraging increased use of reusable containers. Continued improvements in diversion rate and waste tonnage will require further incentivization and reinforcement of the tenets of Reduce, Reuse, Recycle!

In 2019 KLA will continue to focus on solid waste reduction/elimination for our sites worldwide, including the gradual removal of plastics from the waste stream. We believe that every reduction can make a positive impact.





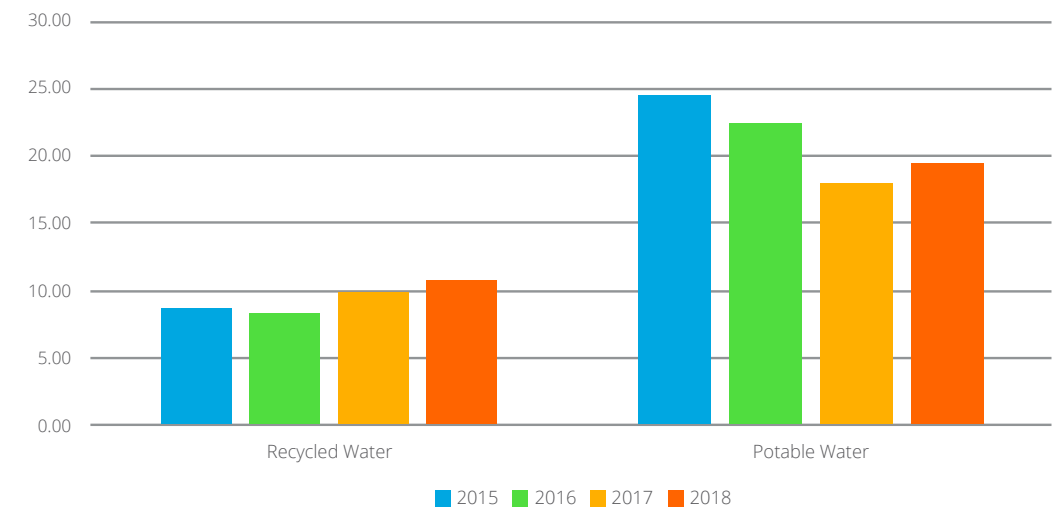
## Water

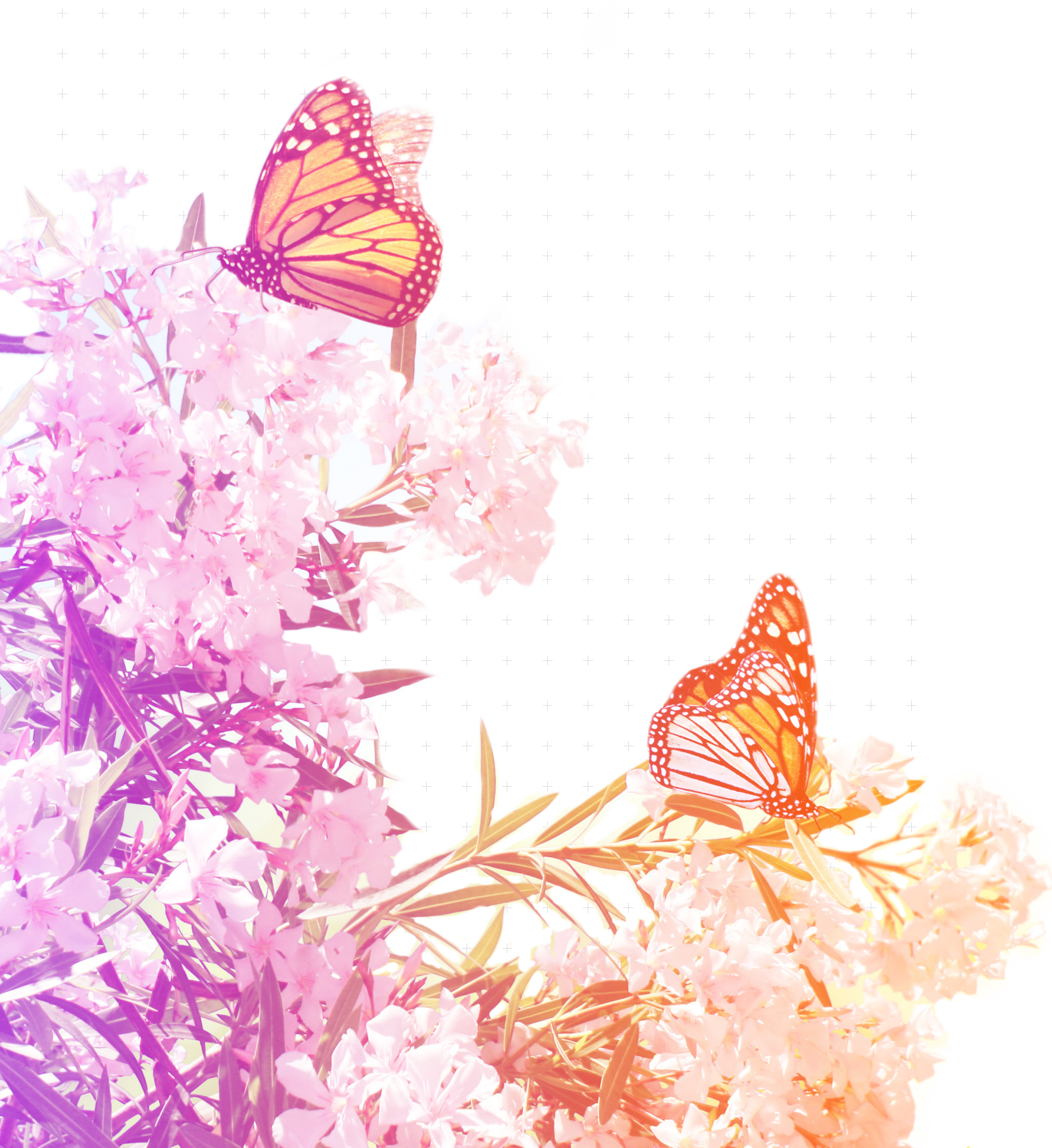
**Water is an important and relevant component for sustainable manufacturing—too precious a resource to use just once.**

Recycled water provides KLA with a drought-resistant and sustainable water source for landscape irrigation and cooling towers, thus directly reducing fresh water demand. In 2018, over 10 million gallons (about 36%) of the fresh water used by KLA 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. As a result, KLA's fresh water usage decreased by 20% in 2017, but saw an increase of 8% in 2018 due to a headquarters population growth of 6%. To realize further improvements in fresh water reduction, KLA is actively involved in 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 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 has not identified any sensitive biodiversity areas within or adjacent to any of its facilities.

## Environmental Grievance Process & Issues Management

KLA 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 staff. People can voice their concerns online or by calling a toll-free phone number, anonymously or using their name. KLA has a structured process for investigating, reviewing and resolving all reported issues.

## A Global Perspective on Green Initiatives

As a global company, KLA 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 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 is committed to ensuring that the companies in our supply chain reflect our values by providing a safe workplace environment with ethical labor practices.

KLA expects its suppliers to provide items and packaging that conform to applicable product design and substance regulations and related information requirements, including REACH and ROHS in the markets where KLA operates or supplies products.

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. KLA continues to benefit from our existing ethics, labor, environmental and hazardous substances management system, and we work with our suppliers to implement and improve management systems throughout the supply chain.

We engage with the Responsible Business Alliance (RBA) and comply with the RBA Code of Conduct at all KLA operations worldwide. We actively 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 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.

KLA routinely visits 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. In 2018, KLA expanded the RBA assessment of key suppliers located in high risk regions that could be susceptible to forced labor practices. We conducted an RBA compliance assessment for a sample of these regions. The process included supplier acknowledgment of the RBA code of conduct, KLA's policy against forced labor, a review of the supplier's policies and procedures and identification and corrective action of any non-compliance.

If a supplier is rated as high-risk, the Supply Chain team will work with them to make improvements. In the event that a supplier is unwilling or unable to make significant enough change to reduce its risk profile then that supplier will be managed out of KLA's supply chain.

# Social Concerns, Programs & Initiatives

## Corporate Governance

KLA is committed to proper governance and compliance with applicable regulations, standards and mandates. To maximize corporate value and enhance stockholder satisfaction, KLA 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 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 (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's Values in Action. We adhere to these values by asking questions, seeking guidance, reporting suspected violations and expressing our concerns.



## Compliance & Internal Controls

KLA requires that all transactions are accounted for under U.S. Generally Accepted Accounting Principles (GAAP) and comply with applicable laws and regulations. In addition, management maintains a system of internal accounting controls designed to safeguard KLA's assets, execute and report transactions in accordance with management authorization and ensure that the books and records of KLA 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 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 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 expanded our Standards of Business Conduct training and communications programs to our vendors and other partners, to drive their awareness and compliance. This Third-Party Code of Conduct reflects our core principles, and we work with and advocate for our supply chain partners to establish and follow these guidelines with their own suppliers. See KLA Standards of Business Conduct for Suppliers, Agents, and Non-Employee Workforce.



## Anti-Corruption Commitment

KLA 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 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. In 2018, KLA expanded the anti-bribery and corruption policy to be more inclusive of the laws and practices in countries where we do business. The policies are applicable to KLA employees and to third parties working on behalf of KLA.

## Labor Practices, Employment and Equal Opportunity

KLA values a diverse workforce and fosters an environment of understanding built on global culture, skills and knowledge. Although technology is constantly changing, KLA'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.

As a global employer, KLA recognizes that there are differences in labor laws and practices around the world and that not every jurisdiction applies discrimination, harassment and work rules standards at the same level. KLA established and trained employees on a Global Labor Standard that is implemented in all of its sites worldwide. The Standard addresses:

- Freely chosen employment
- Child labor avoidance
- Working hours
- Wages and benefits
- Humane treatment
- No discrimination
- Freedom of association
- Human trafficking
- Privacy

## 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 fulltime ergonomist to optimize safety and human engineering for our products, and safe, user-friendly work methods and environments for our employees. KLA 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	2015	2016	2017	2018
Fatalities	0	0	0	0
Recordable Injuries	14	6	14	7
Lost Work Day Cases	1	0	1	1
Lost Work Days	4	0	34	31
IIR	0.7	0.3	0.7	0.3
LWDR	0	0	0.5	0.5
DART	0.3	0.2	0.2	0.2
XMOD	0.46	0.39	0.30	0.33
OSHA Citations	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)

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

We express our commitment to diversity and inclusion by establishing dedicated resources to fully embrace the benefits of a diverse workforce.

Through various initiatives, we seek to hire from a broad talent pool, recruiting world-class experienced candidates and high-caliber graduates from around the world with diverse backgrounds, characteristics and perspectives. We enable employee career development through multi-faceted 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 with a workforce enriched by a breadth of experience across the business. We strive to improve inclusivity through education, building awareness, and team development practices, and will continue to deepen our commitment to diversity and inclusion by focusing attention on the entire employee experience.

We believe that this program provides KLA with a strategic advantage by applying a diversity of thoughts and solutions to the design of our products and services.



## Training & Professional Development

Accelerating performance through learning is 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 and the University of Michigan. Performance reviews and development plans are woven into the culture and processes of KLA.

2018 participation levels in our training programs are shown below.

### All Training:

Count of ILT Students	Total ILT Hours	Average ILT Hours/Student	Count of WBT Students	Total WBT Hours	Average WBT Hours/Student
9,863	200,452	41.8	23,340	75,714	3.2

### 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
2,187	167,167	157.4	5,233	24,322	4.6

As part of our initiatives to expand training content and enhance engagement, KLA hosted multiple Hackathon events during 2018 in which technical staff were brought together to collaborate on important issues. One such event convened 200 engineers for a 48-hour session focused on using big data techniques to analyze actual case data from KLA products. In addition to providing a unique learning experience for the participants, the Hackathons generated several analysis techniques and metrics that have already been incorporated into our product programs.



## Human Rights Commitment

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

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 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 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 to the RBA helps our suppliers identify and mitigate risks of non-compliance within their own supply chain.

## Grievance Process & Employee Communication

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

KLA 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 has a strict non-retaliation policy that protects employees who file grievances or report issues.



# Community Programs & Initiatives

## KLA Foundation

**Mission:** The KLA Foundation is an activator, bringing communities and employees together to make a positive and lasting impact. We inspire employees to give their own time, talent and treasures.



# \$10+M

Over the last seven years, KLA has invested more than 10 million dollars in community organizations, driving innovative programs that create a better world. KLA and the KLA Foundation believe in working collaboratively with and for our employees to enrich our communities and support meaningful causes. At KLA, 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.

## Values

**Impact:** make a lasting difference in the community through sustainable financial investment and human resources

**Integrity:** consistent, transparent and committed to the highest standard of conduct

**Collaboration:** impact is achieved by partnering with others to strengthen our efforts



## Ways We're Contributing

KLA and the KLA Foundation are proud to partner with charitable organizations that are making a positive, lasting impact on people's lives. The KLA Foundation collaborates with charitable organizations whose values and goals focus on strengthening our efforts in improving lives where we work and live.

**In 2018, KLA & KLA Foundation contributed \$3.4 million**



**STEM  
EDUCATION  
50%**

**DIVERSITY &  
INCLUSION  
20%**

**COMMUNITY  
20%**

**WELLNESS  
10%**

## Creating a Better World

### STEM Education

Fostering superior education creates building blocks for a sustainable future. Every child deserves a high-quality education that emphasizes the latest skills. Science, Technology, Engineering and Math (STEM) are key educational components in the high-tech industry. In 2018, KLA and the KLA Foundation invested in many education initiatives designed to inspire our next generation of innovators. Some of the investments include partnerships with the Computer History Museum, Milpitas Unified School District, First Robotics at various high schools, Science is Elementary, worldwide SEMI High Tech U programs and the University of Michigan Engineering Fellowship program.



KLA is the Champion Sponsor for the San Jose Library Foundation Coding 5K Challenge, a city-wide initiative offering FREE coding classes to K-12 students. The goal is to have 5,000 students participate annually in coding classes by the year 2020. With KLA's \$250,000 donation, San Jose Libraries can purchase computers and laptops, develop and implement a week-long coding program for girls and translate marketing collateral into other languages.



KLA provided a \$150,000 grant to the Hispanic Foundation to fund the Latinos in Technology Scholarships for college juniors in STEM programs.

### Community Diversity and Inclusion

KLA believes that all people should have the same opportunity to achieve, and we invest in efforts that increase access to those opportunities throughout the world. KLA's Chief Strategy Officer Bobby Bell states, "It is important to engage women and under-represented populations in STEM education because if we don't, we lose available talent. A diverse employee base sparks creativity and helps a company expand its future business opportunities." In 2018, KLA invested over \$600,000 in diversity and inclusion educational programs such as the Hispanic Foundation, Girlstart, Girls Who Code and Year Up.



**Wellness**

KLA partners with community organizations by providing grants and fosters employee engagement initiatives aimed at advancing research and development to fight chronic diseases. In 2018, KLA once again was a proud sponsor of the American Heart Association Heart Walk with over 545 employees participating, raising over \$150,000.

**The Bicycle Friendly Business (BFB) Program** is based on our belief that bikes are good for businesses, employees, and the community. BFBs are recognized for their efforts through an award system based on four essential elements to being bicycle-friendly: Engineering, Education, Encouragement, and Evaluation & Planning. In 2018, KLA's Milpitas Headquarters was named a Bicycle Friendly Business by the League of American Bicyclists.



The KLA Bike Club participates in community activities to raise awareness and funds for local causes. In 2018, the KLA Bike Club sponsored the Silicon Valley Bike Coalition, Turning Wheels for Kids program, the American Heart Association Tour De Cure and Cycling for Veterans.

**Community**

KLA employees are passionate about helping local communities thrive. We encourage our employees to get involved, whether they volunteer their time or make a donation. KLA sponsors employee grants and team building events to give back to the community.



In 2018, KLA Shanghai hosted Make a Difference Day where over 100 employees and family members volunteered their time to clean a local beach. The garbage gathered will be used by HandsOn Shanghai for national coastline research.

The KLA Foundation and its sister KLA foundations in Israel, India and China are also expanding their funding of educational research beyond nanotechnology to include sustainability and reduction of environmental impact.

**Employee Match Program:** The KLA Foundation matches employee charitable contributions up to \$5,000 annually to eligible non-profit organizations.

**Dollars for Doers Program:** KLA employees generously donate their time, skills and talents to help community needs around the world. The Dollars for Doers program offers employees a \$10 per hour charity credit, up to \$500, for their volunteer hours.

**Disaster Relief:** The KLA Foundation has a dedicated budget to provide aid to meet the immediate needs of disaster survivors. In 2018, KLA provided disaster relief for Hurricanes Florence and Michael, Kerala India floods and the California wildfires.



*“We positively impact the communities where we work and live”*

# Product Responsibility

## Customer Intellectual Property

At KLA we take our commitment to protect customer intellectual property seriously.

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

On the training front, KLA 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 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 intellectual property 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.

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 protection for our customers.

To maintain our commitment to protecting our customers, we employ proactive audit and assessment methods to include scorecards for reviewing and improving customer intellectual property practices on a regional and/or divisional basis. This work will continue through 2019, helping to keep protection of customer intellectual property a top priority for all employees who come into contact with customer information.

*KLA did not identify any breaches of customer intellectual property during 2018.*

## Product Responsibility

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

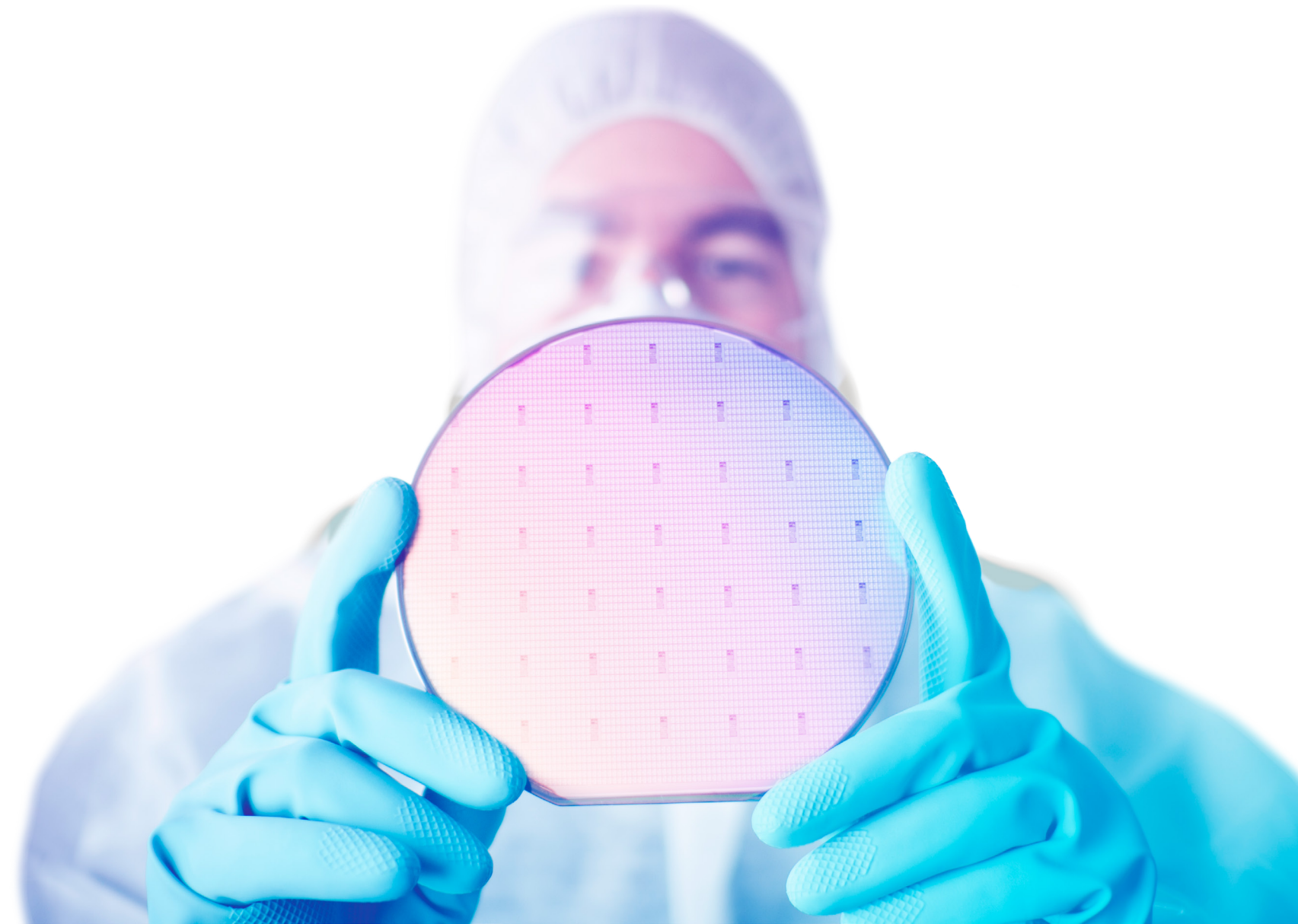
As a leading provider of process control and yield management solutions for the semiconductor and related nanoelectronics industries, KLA designs and manufactures products to address current and future technology challenges—while ensuring adherence with environmental health and safety regulations. We 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 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 is proud to provide products that help our customers achieve their environmental targets by reducing ramp time and increasing yield, which in turn reduce usage of raw materials, energy, water and other resources.

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 Semiconductor Environmental Safety and Health Association (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 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 systems are still in use and providing value over the long term.





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