

**CHARTER OF THE COMPENSATION COMMITTEE  
OF THE BOARD OF DIRECTORS  
OF KLA-TENCOR CORPORATION**

**As amended on November 7, 2013**

**I. PURPOSE**

The purpose of the Compensation Committee of the Board of Directors (the “Board”) of KLA-Tencor Corporation (the “Company”) is to discharge the responsibilities of the Board relating to all forms of compensation of executive officers and directors of the Company (other than with respect to the Company’s Chief Executive Officer and Chairman of the Board of Directors), administer the Company’s equity plans and certain other Company plans in which the Company’s executive officers are eligible to participate, review, discuss with management, assist in the preparation of, and approve the “compensation discussion and analysis” for inclusion in the Company’s annual proxy statement and/or Form 10-K and perform the specific duties and responsibilities set forth herein.

**II. MEMBERSHIP REQUIREMENTS**

The Compensation Committee shall be comprised of no fewer than three non-employee members of the Board. The members of the Compensation Committee shall satisfy: (i) the independence and other committee composition requirements established by the NASDAQ Stock Market for compensation committee members, (ii) the Company’s requirements for independence, (iii) the definition of a “non-employee director” for the purposes of Rule 16b-3 promulgated under the Securities Exchange Act of 1934, as amended, and (iv) the requirements of an “outside director” for purposes of Section 162(m) of the Internal Revenue Code of 1986, as amended. Interlocking Compensation Committee memberships shall be avoided.

**III. STRUCTURE AND PROCESSES**

1. Appointment and Removal of Members and Chairperson. Compensation Committee members shall be appointed by the Board, in accordance with the Company’s bylaws, at its annual meeting or at other times determined by the Board, upon recommendation of the Nominating and Governance Committee of the Board. Members shall serve until their successors are duly appointed and qualified or until a member’s earlier resignation or removal. The Board may, in accordance with the Company’s bylaws, remove members of the Compensation Committee upon recommendation of the Nominating and Governance Committee. The Compensation Committee’s chairperson shall be designated by the full Board or, if it does not do so, the Compensation Committee members shall elect a Compensation Committee chairperson by vote of a majority of the persons then serving as members of the Compensation Committee.

2. Meetings. The Compensation Committee shall meet as often as may be deemed necessary or appropriate in its judgment, but not less frequently than four times each year, and at such times and places as the Compensation Committee shall determine. At a minimum of one such meeting annually, the Compensation Committee will review the Company's equity-based plans, performance goals and incentive awards, and the overall coverage and composition of the compensation package for executive officers. The Compensation Committee may request any officer or employee of the Company to attend a meeting of the Compensation Committee or to meet with any members of, or advisors to, the Compensation Committee.
3. Information for Meetings. As soon as practicable prior to each Compensation Committee meeting, each member of the Compensation Committee will receive information regarding compensation, equity award grants, bonuses, bonus objectives and bonus scoring for the Company, as applicable, relevant to the subject matter of such meeting.
4. Rules and Guidelines. The Compensation Committee chairperson or a majority of the Compensation Committee members may call meetings of the Compensation Committee to be held in person or telephonically. A majority of the authorized number of Compensation Committee members shall constitute a quorum for the transaction of Compensation Committee business, and the vote of a majority of the Compensation Committee members present at a meeting at which a quorum is present shall be the act of the Compensation Committee, unless in either case a greater number is required by this charter ("Charter"), the bylaws or the applicable listing standards. The Compensation Committee may amend the foregoing meeting guidelines and/or adopt other rules and guidelines for its meetings and other activities.
5. Minutes. The Compensation Committee shall keep written minutes of its meetings and deliver copies of the minutes to the corporate secretary for inclusion in the corporate records. The Company's General Counsel or his or her designee shall attend all Compensation Committee meetings at which equity grants are made and shall keep minutes of such meetings. The minutes of such meetings will be approved by the Compensation Committee as promptly as practicable and then will be communicated to the appropriate Company stakeholders (such as stock plan administration).
6. Advisors. The Compensation Committee may, in its discretion, retain the services of a compensation consultant to advise and assist the Compensation Committee in the performance of its functions. The Compensation Committee also may, in its discretion, retain the services of legal counsel and other advisors of its choosing to assist the Compensation Committee in the performance of its functions. The

Compensation Committee shall be directly responsible for the appointment, compensation and oversight of the work of any compensation consultant, legal counsel and other adviser retained by the Compensation Committee. The Company shall provide for appropriate funding, as determined by the Compensation Committee, to compensate consultants, legal counsel or other advisors retained by the Compensation Committee pursuant to this Charter. Before selecting, or receiving advice from, any such compensation consultant, legal counsel or other advisor (other than in-house legal counsel), the Compensation Committee must consider the independence of such advisor by taking into consideration factors specified by the rules and regulations of the NASDAQ Stock Market (including NASDAQ Listing Rule 5605(d)(3)(D)) and any other factors that the Compensation Committee may deem relevant in its discretion.

7. Subcommittees. The Compensation Committee may, subject to Board approval, form and delegate any or all of its duties and responsibilities to subcommittees consisting of one or more Compensation Committee members to perform such duties as appropriate and as permitted by the laws and regulations that govern its actions.

#### IV. STATEMENT OF PHILOSOPHY

The goals of the Company's compensation policy are to (i) attract, retain and reward executive officers, other key employees and directors who contribute to the overall success of the Company by offering compensation packages that are competitive with those offered by other employers with which the Company competes for executives of similar education and experience, (ii) reward accomplishment of the Company's business strategies, objectives and initiatives, (iii) align the interests of executive officers, other key employees and directors with the long-term interests of stockholders, and (iv) achieve a balance and alignment, appropriate for the circumstances in the particular year, between performance-based compensation and compensation that supports the Company's long-term employee retention efforts.

#### V. DUTIES AND RESPONSIBILITIES

The Compensation Committee shall have the following duties and responsibilities:

1. General Duties and Responsibilities.
  - a. The Compensation Committee shall have the authority, subject to Article V, Section 2(a) below, to determine the form, timing and amount of compensation for the Company's executive officers necessary or appropriate to achieve the Compensation Committee's strategic objectives, including salary, short-term or long-term incentive or performance-based

compensation, equity awards, deferred compensation opportunities and post-employment compensation arrangements.

b. Equity Grants

- i. The Compensation Committee shall have the authority to (A) administer all option, purchase and other award plans involving the Company's securities, (B) review and act upon management's recommendations as to the issuance and terms of options, restricted stock units and other equity awards to be granted under those plans, and (C) make recommendations to the Board with respect to changes to existing equity-based plans and the adoption of new equity-based plans.
- ii. Subject to Article V, Section 1(b)(iv) below, the Compensation Committee shall set the terms of all stock options, stock appreciation rights and other performance-vesting awards (including without limitation approving new or revised forms of grant documentation for use under the Company's equity-based plans) and shall do so in a manner which the Compensation Committee believes to be in compliance with the terms of the applicable equity-based plan and with all applicable federal, state, local and foreign laws and tax requirements, including the requirements for performance-based compensation under Internal Revenue Code Section 162(m).
- iii. Except in non-routine circumstances (for example, in connection with the hiring of a senior executive or the closing of an acquisition or other strategic transaction), the Compensation Committee shall approve any equity grants to executive officers (other than the Chief Executive Officer) and all other employees of the Company at one of the regularly scheduled Compensation Committee meetings. In non-routine circumstances (for example, in connection with the hiring of a senior executive or the closing of an acquisition or other strategic transaction), the Compensation Committee may approve equity grants by calling a special Compensation Committee meeting or, when a special meeting is not feasible, by having the entire Compensation Committee approve such grants by written consent. The grant date for each such award shall be the date that the Compensation Committee approves the grant (which (A) in the case of grants approved at a meeting, shall be the date of such meeting and (B) in the case of grants approved by written consent, shall be the date upon which

the written consent is complete and approved in writing (or by electronic transmission) by all Compensation Committee members). All written consents shall carry the date on which each signatory signed (or electronically approved) the consent. The exercise price, as applicable, for each such award shall be the closing market price as reported on The NASDAQ Stock Market (or such other principal market or exchange on which the Company's stock is listed as of the applicable grant date) on the date of grant. The Compensation Committee will promptly inform the Board about any equity grants to executive officers approved by the Compensation Committee.

- iv. The Compensation Committee shall submit any proposed equity grants for the Company's Chief Executive Officer to the Board (for approval by the independent members of the Board) at one of the regularly scheduled Board meetings. If the Compensation Committee deems it appropriate, it may also submit proposed equity grants for the Chief Executive Officer to the Board for approval by the independent members of the Board (A) at a special Board meeting at which a majority of the independent members of the Board are present or (B) by written consent of the independent members of the Board (who shall, prior to such approval, be designated by the Board as an independent Board committee for purposes of approving such grants). The grant date for each such award shall be the date that the independent members of the Board approve the grant (which (1) in the case of grants approved at a meeting, shall be the date of such meeting and (2) in the case of grants approved by written consent, shall be the date upon which the written consent is complete and approved in writing (or by electronic transmission) by all of the independent members of the Board (structured as a separate committee, as described in the preceding sentence)). All written consents shall carry the date on which each signatory signed (or electronically approved) the consent. The exercise price, as applicable, for each such award shall be the closing market price as reported on The NASDAQ Stock Market (or such other principal market or exchange on which the Company's stock is listed as of the applicable grant date) on the date of grant.
- v. The Compensation Committee shall direct that actions be taken to promptly (A) notify recipients of their equity grants (with the goal of notifying such recipients within four weeks of the date of grant) and (B) document all equity grants in the appropriate Company

records (with the goal of entering all such equity grants in the Company's equity database within ten working days of the date of grant).

- c. The Compensation Committee shall review and approve (other than with respect to the Chief Executive Officer, for whom the Compensation Committee shall prepare a recommendation for approval by the independent members of the Board) all employment agreements proposed to be entered into between the Company and any executive officer and any proposed amendments or renewals of such agreements, and no such agreement or amendment may be implemented without the Compensation Committee's approval.
- d. The Compensation Committee shall review and approve (other than with respect to the Chief Executive Officer, for whom the Compensation Committee shall prepare a recommendation for approval by the independent members of the Board) all separation packages, severance benefits and change in control benefits proposed for executive officers, including salary and bonus continuation payments, vesting acceleration of equity awards and extended post-employment exercise periods for outstanding awards, COBRA coverage at Company expense and outplacement services, and no such benefits shall be paid or provided without the Compensation Committee's approval.
- e. The Compensation Committee shall have the authority to (A) administer the Company's 401(k) plan and Executive Deferred Savings Plan (i.e., serve as the "Administrator" for purposes of the Company's 401(k) plan and as the "Committee" for purposes of the Executive Deferred Savings Plan), (B) review and act upon management's recommendations as to the changes to the administrative practices under those plans, (C) as the "Committee" for purposes of the Executive Deferred Savings Plan, approve amendments to the Executive Deferred Savings Plan and (D) make recommendations to the Board with respect to amendments to the 401(k) Plan.

2. Specific Compensation Duties and Responsibilities.

- a. The Compensation Committee shall review corporate goals and objectives relevant to the compensation of the Company's Chief Executive Officer, evaluate or receive an evaluation of the performance of the Chief Executive Officer in light of those goals and objectives, and prepare (at least annually) a recommendation of the Chief Executive Officer's compensation levels (including any equity grants) based on this evaluation,

which recommendation shall be submitted to the independent members of the Board for approval. In preparing the recommended long-term incentive component of the Chief Executive Officer's compensation, the Compensation Committee will consider, among other factors, the Company's performance and relative stockholder return, the value of similar incentive awards to chief executive officers at comparable companies, and the awards given to the Company's Chief Executive Officer in the past. The Company's Chief Executive Officer shall not be present during voting or deliberations by the Compensation Committee on his or her compensation.

- b. With respect to the executive officers of the Company other than the Chief Executive Officer, the Compensation Committee shall (i) receive a performance review of such other executive officers, (ii) taking into account those evaluations, review and approve compensation of such other executive officers as recommended by the Chief Executive Officer, and (iii) review and approve any awards or grants to such other executive officers with respect to any executive incentive compensation plans and equity-based plans.
- c. The Compensation Committee shall evaluate the compensation of the Chairman of the Board and prepare a recommendation of the Chairman of the Board's compensation (including any equity grants) based on this evaluation, which recommendation shall be submitted to the Board for approval. The Chairman of the Board shall abstain from any voting or deliberations by the Board regarding his or her compensation.
- d. Subject to Article V, Section 2(c) above, the Compensation Committee shall evaluate and approve the compensation terms for directors. The Compensation Committee shall also approve equity awards (including without limitation option grants and restricted stock units) to directors. All cash compensation to directors (including the Chairman of the Board pursuant to Article V, Section 2(c) above) shall be paid each quarter, after the quarterly Board meeting. The Compensation Committee shall periodically, at such frequency as the Compensation Committee shall deem appropriate in its discretion, request that its independent compensation consultant prepare and provide a report for the Compensation Committee regarding the status of the Board's compensation in relation to other like companies.
- e. In the event of a significant restatement of financial results resulting from fraud, misconduct, material non-compliance or material errors, the Compensation Committee may (in its sole discretion, but acting in good

faith and in compliance with applicable laws) direct that the Company recover all or a portion of performance-based compensation, including bonuses and long-term incentive awards, made to executive officers during the restatement period. The amount to be recovered from an executive officer hereunder shall be the amount by which the performance-based compensation exceeded the amount that would have been payable to such executive officer had the financial statements been initially filed as restated, or any greater or lesser amount (including, but not limited to, the entire award) that the Compensation Committee shall determine. The Compensation Committee may determine to recover different amounts from different executive officers on such basis it shall deem appropriate. The Compensation Committee shall determine whether the Company shall effect any such recovery: (i) by seeking repayment from the applicable executive officer, (ii) by reducing (subject to applicable law and the terms and conditions of the applicable plan, program or arrangement) the amount that would otherwise be payable to the executive officer under any compensatory plan, program or arrangement maintained by the Company, (iii) by withholding (subject to applicable law and the terms and conditions of the applicable plan, program or arrangement) payment of future increases in compensation (including the payment of any discretionary bonus amount) or grants of compensatory awards that would otherwise have been made in accordance with the Company's otherwise applicable compensation practices, or (iv) by any combination of the foregoing or otherwise.

3. Other Duties and Responsibilities.

- a. The Compensation Committee shall assist in the preparation of the "compensation discussion and analysis" for inclusion in the Company's annual proxy statement and/or Form 10-K in accordance with the rules of the Securities and Exchange Commission. The Compensation Committee shall review the compensation discussion and analysis each year and submit its recommended action to the Board regarding the inclusion of the compensation discussion and analysis in the proxy statement and/or Form 10-K.
- b. The Compensation Committee shall cause to be prepared, and shall approve, the "compensation committee report" to be included in the Company's annual proxy statement and/or Form 10-K in accordance with the rules of the Securities and Exchange Commission.



- c. The Compensation Committee shall report regularly to the Board regarding issues arising before, and actions taken by, the Compensation Committee.
- d. The Compensation Committee shall review, at least annually, all equity-based compensation plans and arrangements, including the number of shares remaining available for issuance under those plans and arrangements, stockholder dilution due to grants under those plans and arrangements, the compliance of such plans and arrangements with applicable laws and regulations, compliance by the Company's Chief Executive Officer, other executive officers and Board members with the Company's equity ownership guidelines and the Company's compliance with the administrative policies relating to such plans and arrangements. The Compensation Committee shall also review its compliance with the policies of this Charter with respect to the issuance of equity pursuant to such plans and arrangements. The Compensation Committee shall make recommendations to the Board regarding the need to amend existing plans or adopt new ones for the purpose of implementing the Compensation Committee's strategy regarding short-term and long-term incentive compensation programs and equity-based awards.
- e. The Compensation Committee shall consider the results of the say-on-pay vote and determine what adjustments, if any, are necessary or appropriate for the Company to make to its compensation policies and practices in light of such vote and make such recommendations to the Board.
- f. The Compensation Committee shall review periodically the Company's various employee benefit plans.
- g. The Compensation Committee shall assist the Board in oversight and monitoring of the Company's management of risks related to compensation policies and practices, and shall annually evaluate the risk-taking incentives and risk management of such policies and practices.
- h. The Compensation Committee shall annually discuss its performance, including review of feedback from the Board's formal evaluation of the performance of the Board and each of its committees.
- i. The Compensation Committee shall review and assess the adequacy of this Charter periodically as circumstances dictate, but no less frequently than annually, and recommend any proposed changes to the Board for approval.

- j. The Compensation Committee may perform any other activities consistent with this Charter, the Company's bylaws and governing law as the Compensation Committee or the Board deems necessary or appropriate.

The Compensation Committee shall have reasonable access to the Company's personnel and documents as necessary to carry out its responsibilities. The Compensation Committee may alter, supplement or diverge from the duties and responsibilities listed above as appropriate under the circumstances, to the extent permitted by the delegations to it, applicable law or legal commitments, or listing standards. The Compensation Committee is authorized to undertake any other responsibilities as may from time to time be assigned to it by the Board and to take all actions and establish appropriate processes and policies reasonably necessary to carry out its functions and duties under this Charter.