

2016

ESI SUPPLIER HANDBOOK AND CODE OF CONDUCT



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INTRODUCTION



01. INTRODUCTION

ESI supplier,

Thank you for taking the time to review the ESI supplier handbook. As valued partners it is important that we share a framework for doing business. The following is intended to supplement our contracts and terms and conditions of purchase by articulating ESI's commercial, compliance and ethical expectations. The guidelines within this document have been established in the best interest of ESI suppliers, employees, shareholders, customers and the public. These guidelines are not designed to serve as a comprehensive review. Rather, they are an overview of some of the most important principles that reflect and support the way we do business. All business conducted by ESI employees and agents will be conducted, in all places and at all times, ethically and in conformance with applicable laws. If you have questions or are concerned regarding specific actions, please use the principles outlined here to help determine the proper course of action, or contact our Director of Procurement, Vice President of Operations or Chief Financial Officer.

Sincerely,

Robert DeBakker

Senior Vice President, Global Operations



ABOUT ESI

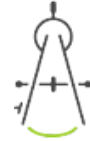
WHY esi ?

The System That Fits



ESI engineers in a modular systems structure to ensure the best value and flexibility. That flexibility allows you to change beam paths, laser engines, stages, and other components to reuse specified tools in new ways, on different materials, and for different processes.

Precision & Accuracy



ESI can machine, mark, singulate and drill to your most exacting specifications. This continues to drive increased worldwide adoption of ESI systems.

Global Service



ESI deploys hundreds of field service engineers worldwide to make sure we have the most responsive and capable team to service your needs. Our regional service centers provide the fastest response to your support needs ensuring equipment is back in production in the shortest possible time.

Built to Last



Delivering low cost of ownership and maintaining high yields requires systems that you can depend on. ESI builds systems that are reliable and will give you the confidence in knowing that you won't need to sacrifice throughput for machine downtime.

Lower Cost of Ownership



Our understanding of the technology and the applications for our laser-based manufacturing systems helps us design for minimal cost of ownership from the start.

World Class Support



Understanding the challenges our customers face in production, and providing the right solutions to solve those challenges, is what sets ESI apart. Our Application Engineering team collaborates directly with customers to apply the most effective deployment of their ESI systems.



02. ABOUT ESI

ESI is a leading supplier of innovative, laser-based manufacturing solutions for the microtechnology industry. Our systems enable precise engineering and testing of micron to submicron features in semiconductors, LEDs, multi-layer ceramic capacitors (MLCCs), printed circuit boards (PCBs), flex circuits and other high-value components.

We partner with our customers and suppliers to make breakthrough technologies possible in the semiconductor, microelectronics and other emerging high-tech industries. Founded in 1944, ESI delivers world-class systems expertise, with global operations from the Pacific Northwest to the Pacific Rim.



A tiny laser beam can be powerful enough to etch a serial number onto a diamond, the hardest natural substance known to man.



CODE OF CONDUCT

03. CODE OF CONDUCT

This Supplier Code of Conduct and Business Practices applies to all suppliers of ESI and its subsidiaries. It is essential that these business practices become the basis for all our business relationships.

HONEST AND ETHICAL CONDUCT

It is ESI's policy to promote high standards of integrity by conducting our affairs in an honest and ethical manner. ESI's integrity and reputation depend on the honesty, fairness and integrity of each supplier associated with us. Unyielding integrity is the foundation of corporate integrity and a fundamental expectation of this Code of Conduct.



COMPLIANCE WITH LAWS AND FAIR DEALING

Each supplier to ESI shall comply with all applicable laws, rules and regulations and shall endeavor to deal fairly and in good faith with ESI customers, shareholders, employees, suppliers, regulators, business partners, competitors and others.

CONFLICT OF INTEREST

Conflicts of interest can be viewed as any activities that are inconsistent with or opposed to the best interests of ESI, or any activities that give the appearance of impropriety. Suppliers should note that ESI employees have an affirmative duty to avoid situations where their loyalties may be divided between ESI's interests and their own interests. In this regard, suppliers and ESI employees should avoid even the appearance of impropriety.

FINANCIAL INTERESTS IN OTHER BUSINESS

ESI employees may not own a financial interest in any ESI supplier (other than small amounts of stocks or bonds in publicly-traded companies) that might cause divided loyalty or even the appearance of divided loyalty.

PAYMENT FROM OUTSIDE PARTIES

ESI employees and members of their immediate families may not accept any gift, payment, loan or other favor from an ESI supplier.

IMPROPER PAYMENTS

ESI suppliers should not directly or indirectly offer or solicit any kind of improper payments or contributions for the purpose of: (i) influencing ESI employees; (ii) obtaining or keeping business; (iii) persuading employees of another company to fail to perform or inadequately perform their duties.

ANTI-CORRUPTION

Supplier must ensure that it and its employees are familiar with and will strictly comply with the requirements of (i) the FCPA; (ii) the UK Bribery Act; and (iii) all other applicable laws, statutes, regulations and codes relating to anti-bribery and anti-corruption. Suppliers shall prohibit any and all forms of bribery, corruption, extortion and embezzlement. Suppliers shall ensure that their employees and agents do not promise, offer, authorize, give or accept bribes or other means of obtaining undue or improper advantage. This prohibition covers promising, offering, authorizing, giving or accepting anything of value, either directly or indirectly through a third party, in order to obtain or retain business, direct business to any person, or otherwise

gain an improper advantage. All business dealings should be transparently performed and accurately reflected in Suppliers' business books and records. Suppliers shall implement monitoring and enforcement procedures to ensure compliance with anti-corruption laws. ESI is subject to the provisions of the Foreign Corrupt Practices Act of 1977 ("FCPA" or the "Act") (15 U.S.C. § 78dd-1, et seq.) which is a United States federal law known primarily for two of its main provisions, one that addresses accounting transparency requirements under the Securities Exchange Act of 1934 and another concerning bribery of foreign officials. The Act applies to any act by U.S. businesses, foreign corporations trading securities in the United States, American nationals, citizens, and residents whether or not they are physically present in the United States. This Act makes it illegal for ESI or an agent of ESI to offer anything, or cause anything of value to be offered, as a bribe, including cash or non-cash items. As a matter of policy, ESI extends this requirement to its suppliers.

greatest. Exceptions may be made for use of legitimate workplace learning programs that comply with all applicable laws and regulations.

LABOR

Suppliers shall not use forced, bonded (including debt bondage) or indentured labor, involuntary prison labor, or engage in slavery or trafficking of persons. All work must be voluntary and workers shall be free to leave work at any time or terminate their employment. Suppliers shall not use child labor in any stage of manufacturing or other operations. The term "child" refers to any person under the age of fifteen (15), or under the age for completing compulsory education, or under the minimum age for employment in the applicable country, whichever is



By using a good laser, an object at a distance of 1km (0.6 miles) can be illuminated with a dot of around 60 mm (2.3 inches) in radius.



COMPLIANCE

04. COMPLIANCE

ENVIRONMENT COMPLIANCE

Federal law imposes criminal liability on any person or company that contaminates the environment with any hazardous substance that could cause injury to the community or environment. ESI is committed to reduce its use of hazardous materials, conserving natural resources and reducing the environmental impact of waste generations. ESI insists upon safe handling of hazardous materials by employees, customers and suppliers to prevent regulatory violations, which can lead to fines or imprisonment.



MSDS REQUIREMENTS

For any product containing a hazardous substance, seller shall provide ESI, immediately upon acceptance of this purchase order, a complete material safety data sheet (MSDS) for each hazardous substance for which an MSDS is required by 29 C.F.R. § 1910.1200 and any similar information required by applicable laws and regulations in effect at the time of acceptance of this purchase order.

CONFLICT MINERALS

ESI maintains an active conflict mineral monitoring and compliance process. Per Article 1502 of US Dodd-Frank Wall Street Reform and Consumer Protection Act: Buyer is committed to supply chain initiatives and overall corporate social responsibility that works towards a conflict free supply chain. Supplier is required to take appropriate due diligence to identify their supply chain and associated country of origin for minerals known to directly or indirectly finance or benefit armed militant groups in the Democratic Republic of Congo or adjoining countries. Upon request, supplier shall disclose the

details of such due diligence and shall only source minerals from responsible sources.

FAIR LABOR STANDARDS ACT COMPLIANCE

Seller agrees and certifies that the goods to be manufactured or furnished hereunder have been or will be produced in compliance with all applicable requirements of Sections 6, 7 and 12 of the Federal Fair Labor Standards Act, as amended, and those regulations and orders of the U. S. Department of Labor issued under Section 14 thereof.



OCCUPATIONAL SAFETY

Suppliers shall control worker exposure to potential safety hazards (e.g., electrical and other energy sources, fire, vehicle, and slip and fall hazards) through proper design, engineering and administrative controls, preventative maintenance and safe work procedures (including lockout/tagout) and ongoing safety training. Where suppliers cannot adequately control hazards by these means, suppliers will provide workers with appropriate, well-maintained, personal protective



equipment and educational materials about risks to them associated with these hazards. Suppliers will encourage workers to raise safety concerns.

U.S. GOVERNMENT PROCUREMENTS

Suppliers should note that ESI is a U.S. federal and state government contractor and therefore, ESI and its suppliers are subject to the applicable statutes,

regulations and rules. Among these are the rules promulgated by the federal Office of Federal Contract Compliance Programs (“OFCCP”). As applicable, this ESI and its suppliers are required to comply with the requirements of 41 CFR §§ 60-1.4(a), 60-300.5(a) and 60-741.5(a). These regulations prohibit discrimination against qualified individuals based on their status as protected veterans or individuals with disabilities, and prohibit discrimination against all individuals based on their race, color, religion, sex, sexual orientation, gender identity or national origin. Moreover, these regulations require that covered prime contractors and subcontractors take affirmative action to employ and advance in employment individuals without regard to race, color, religion, sex, sexual orientation, gender identity, national origin, protected veteran status or disability.



GENERAL
EXPECTATIONS

05. GENERAL EXPECTATIONS

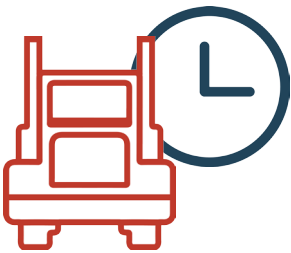
PROPRIETARY INFORMATION & NON-DISCLOSURE AGREEMENT

All suppliers are responsible for protecting the confidentiality of proprietary and other confidential information and trade secrets of ESI, its customers and vendors. "Proprietary and other confidential information" includes, but is not limited to, technologies, product or marketing strategies, areas of research, new product development data, production data and descriptions, sales data, information about customers or vendors, and customer or vendor-supplied information.

A non-disclosure agreement (NDA) is required to protect both ESI and our suppliers in the event that confidential information is exchanged. The NDA must be in place prior to the exchange of confidential information.

ON TIME DELIVERY

ESI measures on time delivery as any order which arrives no sooner than 7 calendar days early and 0 day late to the scheduled delivery. On time delivery is measured against the supplier's first committed delivery date.



INTERNAL CONTROLS AND RISK

ESI suppliers should have appropriate levels of internal controls that support the integrity of system processing and the information stored on systems that is commensurate with the associated level of risk.

This should entail specific consideration for cybersecurity and sufficient control to, at a minimum:

- Ensure systems and information are available when needed, including appropriate backups
- Reduce the risk of compromise of ESI's confidential information, including
 - confidential personnel information;
 - intellectual property and;
 - proprietary business data

Suppliers are expected to acknowledge receipt of the PO and provide a confirmed delivery date for the full material quantity within 96 hours. If the supplier is unable to meet the confirmed quantity, price, or due date, ESI must be informed immediately upon discovery to confirm a new delivery schedule.

PURCHASE ORDER CONFIRMATIONS

Suppliers must receive a PO from ESI for all purchase items or services prior to shipment or start of work. The due date on the PO represents the date the material is required to dock at the ship-to address on the PO.

PAYMENT TERMS

ESI standard payment terms are Net 60, or discount terms which are due upon the later receipt of a correct invoice or receipt of the product(s). Payment terms are as reflected on ESI purchase orders.



SHIPMENT METHODS

Shipments are to be made in accordance with the shipping method listed on the PO. If a change in the shipment method is required to achieve OTD, contact the ESI buyer for approval and instructions. For any other issues or questions regarding shipment methods, contact the ESI buyer.



COUNTERFEIT PARTS

ESI expects all suppliers to use non-counterfeit materials and components for products delivered to ESI. Supplier is expected to purchase materials and components directly from their manufacturers or authorized distributors and establish and follow a process ensuring their authenticity. Suppliers are also expected to make available to ESI, on request, evidence that proves to ESI's satisfaction the authenticity of relevant materials and components.

TERMS & CONDITIONS

Unless otherwise agreed in writing, ESI's standard Purchasing Terms and Conditions (T&Cs) apply to all purchase orders and business agreements. Purchase order confirmation constitutes acceptance of the applicable T&Cs. A copy of the current T&Cs can be found at: <http://www.esi.com/Support/Policies/PurchaseTermsConditions.aspx>

NOTIFICATION OF PRODUCT CHANGE

Seller shall provide ESI with at least 12 months advance written notice of any product design change or obsolescence (End of Life). Upon receipt of such notice, an ESI manager shall acknowledge receipt of the notice in writing. For a minimum period of 12 months following the date of ESI's written acknowledgment, seller shall continue to fulfill ESI orders for the affected product.

ADVERTISING

Seller shall not use buyer's name or logo or refer to buyer directly or indirectly in any advertisement, sales presentation, press or news release without buyer's prior written approval.



Astronauts on the Apollo 11 space mission in 1969 used a laser to measure the distance between the earth and the moon, their readings were accurate within a fingers width.



SUPPLIER
MANAGEMENT

06. SUPPLIER MANAGEMENT

All suppliers are expected to perform and compete on a basis of cost, quality and delivery. However, ESI's supplier management process provides for a select set of suppliers based on spend, criticality of items provided and volume of business to fall under our active supplier management system. This process measures suppliers on cost competitiveness, quality, delivery performance as well as alignment and support of ESI design and development activities. Suppliers falling under the supplier management process are provided with score cards bi-annually containing both objective and subjective feedback on their performance. Suppliers are expected to develop and show continuous improvement in all areas measured.

SUPPLIER QUALIFICATION

ESI maintains an ISO: 9001:2008 certification and relevant processes for supplier qualification. Suppliers are evaluated on alignment to ESI commercial terms, technology capability, quality management systems, operational capability, geographic support, financial health and competitive cost. ESI's supplier qualification process varies depending on the nature of the service or product provided. ESI buyers and global supply managers are responsible to ensure suppliers are qualified per ESI process requirements.

FIRST ARTICLE

Upon request, suppliers with new build-to-print parts will submit first articles to ESI for review and approval. Suppliers are responsible for documenting verification results for all parameters, and providing this documentation with the part submission.

BUSINESS CONTINUITY PLANS

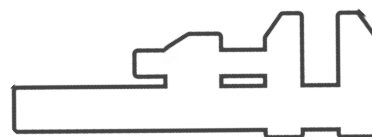
Business continuity plans are intended to keep businesses functional through interruptions of any kind, such as power failures, IT system crashes, or natural disasters. Suppliers are expected to maintain supply risk and business continuity plans to ensure that critical functions/services can be performed in the event of an unexpected interruption. The plan scope should include the suppliers, workforce, related resources, and manufacturing sites, including infrastructure, production and test equipment. The plan should ensure that: Sufficient, actively managed, risk mitigation plans are in place to prevent significant slowdown or stoppage of supplied products or services to ESI. A ready-to-implement response plan is in place to ensure business continuity is quickly reestablished if business continuity is jeopardized or halted.

CRITICAL / KEY SUPPLIERS

ESI defined key suppliers as those who provide a strategic item that is critical to quality of a product, is sole sourced and/or would require a significant re-engineering effort to qualify an alternative source and/or suppliers who are deemed critical to ESI success and contribute significantly to achieving our goals.

PART QUALIFICATION REQUIREMENTS

Qualification may be required prior to the first production shipment in the following situations:



- A new material, service, or product supplier
- A new material, service, or product not previously supplied to ESI
- A material, service, or product modified by an engineering change
- Re-qualification of material, service, or product, which was disqualified due to a major quality

PART QUALIFICATION DUE TO A CHANGE PROPOSED BY A SUPPLIER

A change in manufacturing of material, product or service that results in a change in form, fit or function, which may include the following:

- A new material, service or product supplier
- A new material, service or product not previously supplied to ESI
- A material, service, or product modified by an engineering change
- Re-qualification of material, service, or product which was disqualified due to a major quality problem
- A change in material
- Source change
- Change in site of manufacturer
- Change in quality conformance procedure
- Change in handling, packaging, or storage methods

SUPPLIER WAIVER / DEVIATION REQUEST

Suppliers may request (in writing) a waiver from ESI for minor non-conformances where the product may not completely meet ESI requirements, but fit, form, or function are not impacted. ESI is under no obligation to approve such requests. All approved requests will be communicated by ESI to supplier via ESI STDA (Supplier Technical Deviation) process. Suppliers may not make changes without receipt of ESI signed STDA form.

PURCHASE SPECIFICATIONS

ESI has various product specifications, which will be

provided to suppliers and referred to on purchase orders when applicable. Suppliers may only accept changes to the purchase specifications when ESI communicates changes through a revised purchase order or via a signed ESI STDA form.

MATERIAL CERTIFICATIONS

Material Certificates of Conformance (CofC) may be required for critical suppliers on a corrective action plan (CAP), or when requested (in writing), by ESI. The CofC, when required, must be included with each shipment to ESI, and must include the following information:

- Manufacturer's name and address
- Item number/supplier part number
- Lot/date code(s) as applicable
- Quantity in shipment
- Statement certifying product conformance and traceability
- Name and date of transaction
- Purchase order number
- Specification number and revision
- Drawing number, if applicable
- Signature of a supplier technical or quality representative, with typed name, title, and date the certification was signed off. The signer must be competent to certify that the product meet specifications and assume product quality responsibility for supplier

NONCONFORMING MATERIAL

Nonconforming material that does not meet ESI specifications, is not fit for use, or at the sole discretion of ESI, is deemed to be nonconforming. ESI will not accept material that does not conform to specified requirements or is not fit for use. Nonconforming material may be rejected and returned to the supplier for credit, replacement, or rework. Nonconforming material will be identified through ESI incoming inspection, in-line rejection, customer returns, alerts or supplier recalls.

ESI will have reasonable time (not less than 30 days after receipt) to complete acceptance testing and notify the supplier of rejection. ESI's payment or delivery receipt does not constitute acceptance of the products. ESI will determine the level of response required for nonconforming product. Examples include:

- Supplier Corrective Action Request (SCAR) - a formally issued complaint (in writing) to the supplier. Supplier acknowledgment must be received by ESI within 48 hours of notification. SCAR closure and disposition of non conforming material must occur within 3 weeks. If more than the 3 weeks will be required to reach resolution, ESI must agree (in writing) to an extension before the 3 week deadline.
- Rejection of material - material will be shipped back to supplier, or with supplier's permission, to a 3rd party for repair or replacement.
- Corrective Action Plan (CAP) - may include: Target area of improvement, documented improvement plan, goals, ownership, timelines, measurement reliability, control plans, and effectiveness verification. 8D format is required.