

STOCK OWNERSHIP GUIDELINES

Adopted August 2016

Reviewed by Audit Committee May 2017

Policy Statement

In a continuing effort to align the interests of management and shareholders of Electro Scientific Industries, Inc. (ESI), the Board of Directors of has adopted the following stock ownership guidelines for the Company's Executive Officers and members of the Board of Directors. Our minimum stock ownership guidelines are set forth below.

Guidelines for Executive Officers

ESI's stock ownership guidelines for its Executive Officers are determined as a multiple of each Executive Officer's annual base salary, which is then converted to a specific number of shares of ESI common stock.

<u>Level</u>	<u>Minimum Ownership Requirement</u>
• CEO	3 times base salary
• Sr VPs	2 times base salary
• VPs	1 times base salary

Guidelines for Directors

ESI's stock ownership guidelines for its Directors are determined as a multiple of each Director's annual retainer, which is then converted to a specific number of shares of ESI common stock.

- BOD members 3 times annual retainer

Recalculation of Guidelines

The guidelines are re-calculated whenever there has been a substantial change in ESI's stock price (e.g., +/- 40%).

Compliance with Guidelines

Executive Officers and Directors will have until the later of the fifth anniversary of the date these guidelines were adopted, or the fifth anniversary of the date of his or her qualification, to meet the guidelines. Shares that count towards satisfaction of the guidelines include:

- Shares owned outright by the Executive Officer or Director or his or her immediate family members residing in the same household; and
- Shares held in trust (stock purchase plan, 401K, deferred compensation) for the benefit of the Executive Officer or Director or his or her family; and
- Unvested time-based restricted stock or time-based restricted stock units.

Equity instruments that do not count towards satisfaction of the guidelines include:

- Vested or unvested stock options or stock settled appreciation rights; and
- Shares transferred to another individual.

Exceptions Made for Non-Compliance of Guidelines

Guidelines may be waived, at the discretion of ESI's Corporate Governance Committee, for Directors joining the Board from government, academia, or similar professions. The guidelines may also be waived for Executive Officers or Directors, at the discretion of the Corporate Governance Committee, if compliance would place severe hardship or prevent an Executive Officer or Director, although it is expected that these instances will be rare.

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