

**VEECO INSTRUMENTS INC.**  
**CORPORATE GOVERNANCE GUIDELINES**

Effective February 5, 2016

These Guidelines have been adopted by the Board of Directors (the “Board”) of Veeco Instruments Inc. (“Veeco” or the “Company”) to assist the Board in the exercise of its responsibilities. These Guidelines are a statement of policy and are not intended to change or interpret any Federal or state law or regulation, including, but not limited to, Delaware General Corporation Law, or the Company's certificate of incorporation or bylaws. These Guidelines shall be subject to the periodic review of the Governance Committee (the “Governance Committee”) of the Board and to modification by the Board from time to time.

**Director Qualification Standards**

The Governance Committee shall evaluate the suitability of potential nominees for membership on the Board, taking into consideration the Board’s current composition, including expertise, diversity, and balance of inside, outside and independent directors, and considering the general qualifications of the potential nominees, such as:

- Unquestionable integrity and honesty,
- The ability to exercise sound, mature and independent business judgment in the best interests of the Company and its shareholders as a whole,
- A background and experience with technology, manufacturing, operations, finance, marketing or other fields which will complement the talents of the other Board members,
- Willingness and capability to take the time to actively participate in Board and Committee meetings and related activities,
- The ability to work professionally and effectively with other Board members and Company management,
- Availability to remain on the Board long enough to make an effective contribution, and
- The absence of material relationships with competitors or other third parties that could present realistic possibilities of conflict of interest or relevant legal issues.

The Governance Committee shall see that all necessary and appropriate inquiries are made into the backgrounds of such candidates.

The following standards shall also be applied in the selection of candidates for nomination:

- Independence. At least two-thirds of the Board should consist of directors who are independent as defined in the Nasdaq listing rules. At least annually, the Board shall make an affirmative determination with regard to the independence of each director.
- Other Board Service. Service by a Veeco director on the Board of one or more other companies must be consistent with Veeco's conflict of interest policies and the nature and time involved in such service shall be taken into account in evaluating the suitability of individual directors for nomination.

The Board shall take its self-evaluation process and other appropriate factors into consideration with regard to nomination of directors for re-election, and shall apply the following policies:

- Retirement Age. In general, the Board believes that 75 is an appropriate retirement age for Directors and will not nominate directors for re-election who are beyond 75 years of age unless, after review of the specific qualifications, experience and contributions of the nominee and the matters likely to be addressed by the Board during the coming year, the Board determines that it would be in the best interests of the Company to nominate the director for re-election.
- Resignation Upon Change in Principal Occupation or Failure to Receive Required Vote. If an individual director changes his or her principal employment from what it was when elected to the Board (or as subsequently changed with notice to the Company and following the provisions of this paragraph) or undergoes a change affecting their qualifications as a Director as described above, or fails to receive the required number of votes for re-election, then that director shall tender a letter of resignation. When a resignation is tendered under these circumstances, the Governance Committee will inform the Board as to whether or not it recommends the acceptance of the resignation. If the resignation is tendered for failure to receive the required number of votes for re-election, the Governance Committee will also inform the Board of any other action it recommends be taken.

### **Ethics and Conflicts of Interest**

Directors must meet the highest levels of honesty, integrity, and objectivity, and comply with all relevant laws, governmental regulations, and the Veeco Code of Conduct as it applies to them. They must be alert to any actual, apparent or potential conflict of interest, as well as any other situation or activity that would compromise their ability to carry out their duties ethically and objectively. If an actual, apparent or potential conflict of interest arises for a director, that director will promptly inform the Chairman and either the Lead Director or the Chairman of the Governance Committee, who will bring the matter before the Board to resolve on a case-by-case basis. Directors will recuse themselves from any discussion or decision affecting their personal, business or professional interests, and may rely upon the advice of the Veeco Secretary or General Counsel in deciding whether or not recusal is necessary or appropriate. If a significant conflict exists and cannot be resolved, the director should resign.

### **Directors' Time Commitment and Availability**

Directors are expected to regularly attend Board meetings and meetings of the committees on which they serve and to ensure that other existing and planned future commitments do not materially interfere with the member's service as an outstanding director. They are expected to review all materials distributed to them in advance of the meetings and to spend the time

necessary to prepare for meetings. Directors must be contactable by the Chairman and the Secretary on short notice and be available for special meetings of the Board when necessary.

Absent unusual circumstances, Board members are expected to attend all of the meetings of the Board and any committees on which they serve. Meeting attendance shall be a factor considered by the Board in deciding whether to nominate such director for re-election.

### **Board Agenda and Information**

The Chairman of the Board and Chief Executive Officer (the "Chairman and CEO"), taking into account suggestions from the Lead Director and other members of the Board, will set the agenda for each Board meeting. The committee chairs will set the agenda for each committee meeting. The Secretary or other corporate officer working with such committee will distribute or otherwise make available this agenda, together with appropriate information for consideration in connection with the agenda topics, to each director or committee member in advance of the meeting. In addition, there should be an annual cycle of agenda items which evolves from year to year, such as presentations from Finance, Sales and Marketing and the major business segments and operations of the Company, as well as a session on the Company's long-term strategic plan, including discussion of risk, where appropriate, in connection with particular agenda items. Sensitive subject matters do not necessarily require written materials. The Chairman and CEO shall take into account suggestions from the Lead Director and other members of the Board to ensure an appropriate flow of information to the Board.

### **Board Interaction with Stakeholders**

The Board recognizes that shareholders' long-term interests are advanced by responsibly addressing the concerns of all stakeholders essential to the Company's success, including institutional and other investors, customers, employees, communities, suppliers, creditors and governments. The Chairman and CEO is responsible for establishing effective communication with those stakeholders. It is the policy of the Board that it is management's role to speak for the Company. Individual Board members may be requested from time to time to meet or otherwise communicate with various constituencies that are involved with the Company, but normally do so only upon the request of management and always with express prior consent of the Chairman and CEO.

### **Shareholder Proposals and Voting Results**

The Governance Committee shall be responsible for (a) reviewing shareholder proposals and voting results from the most-recent annual meeting of shareholders, (b) considering any issues which receive substantial support, (c) anticipating any shareholder engagement needed on governance matters and (d) communicating its recommendations to the Board with respect to such matters.

### **Board and Committee Access to Management and Advisors**

The Board and its Committees are free to retain such independent legal, financial or other advisors as the Board or such Committee deems necessary. In addition, the Board and its Committees have full and free access to officers and employees of the Company. Board members shall use sound business judgment to ensure such contact is not distracting. The Board shall also encourage senior management, from time to time, to bring employees into Board meetings who: (a) provide insight concerning items being discussed due to personal involvement in these areas; (b) represent substantive and operational aspects of the Company's business; and (c) expose the Board to employees with future potential to ensure that adequate plans are in place for management succession within the Company. For purposes of preparing

the agenda for Board and Committee meetings, the Chairman and Committee Chairs periodically solicit suggestions from the Lead Director and other directors for presentations by executive officers and other senior managers at Board and Committee meetings. Any additional meetings or contacts that a director wishes to initiate may be arranged through the Chairman, the Secretary or any Committee Chair.

### **Director Compensation**

The Compensation Committee shall consider various factors in determining the form and amount of director compensation to recommend to the Board, including alignment of incentives with the interests of the Company and its shareholders, the maintenance of the independence of a majority of members of the Board, consideration of the work load, time commitment and responsibilities involved in Board and Committee meeting participation, and comparison with the compensation practices of comparable companies. The Board shall have the authority to compensate Directors who perform significant additional services on behalf of the Board or a Committee. Such compensation shall be determined by the Board in its discretion, taking into consideration the scope and extent of such additional services. No inside director shall receive compensation, other than reimbursement for out-of-pocket expenses or traveling expenses, for his or her service on the Board or any of its committees. The Company is not permitted to make personal loans to, or to extend any credit in the form of a personal loan to, any director or executive officer, unless the primary purpose of the loan, from the perspective of the Company, is to advance the business of the Company.

### **Director Orientation and Continuing Education**

Each new director shall be given an introduction to the Board's duties and practices, as well as to Veeco's businesses and operations, its financial strategies, its controls and compliance systems and its compensation and benefits plans, within six months of joining the Board. The full Board shall participate in periodic reviews of the Company's businesses, as well as discussions of emerging areas of risk and opportunity led by Company management. The Board and its Committees shall also receive updates on evolving corporate governance standards and relevant best practices, as appropriate. In addition, the Company will encourage directors to attend director education programs and will reimburse directors for the cost of attending such programs pursuant to the separate Director Education Policy adopted by the Board. The Governance Committee will review annually the director education activities of each director.

### **Executive Sessions and Coordination of the Work of the Independent Directors**

The Company shall have a Lead Director who shall be one of the independent directors. The independent directors shall meet in executive session (without management) at regular Board meetings and other times as scheduled by the Lead Director, taking into account requests from other directors and the other matters being addressed by the Board at any given time. The Lead Director shall chair such sessions and shall generally coordinate the work of the independent directors, including, where appropriate:

- Setting the agenda for executive sessions, taking into account suggestions from other directors,
- Briefing the Chairman and CEO on issues discussed in the executive sessions or otherwise communicated to the Lead Director by other directors for discussion with the Chairman and CEO,

- Collaborating with the Chairman and CEO in setting the Board agenda after seeking input from other directors,
- Ensuring, in collaboration with the Chair of the Governance Committee, that the activities of the independent directors are appropriately coordinated, that the information and advice required by the independent directors is available, and that the independent directors are appropriately represented when required, so as to permit them as a group to fulfill the responsibilities set forth in these guidelines,
- Formulating and approving annual goals for the Chairman and CEO, and
- Overseeing the annual performance evaluation of the Chairman and CEO and delivering the assessment to the Chairman and CEO.

### **Succession Planning**

The Board is responsible for assuring that the Company has sufficient strength in management to achieve its short- and long-term goals. As part of the annual officer evaluation process, the Compensation Committee shall work with the Chairman and CEO to plan for Chairman and CEO and other key officer succession, as well as to develop plans for interim succession for the Chairman and CEO in the event of an unexpected occurrence. In particular, the Chairman and CEO shall provide an assessment of senior managers and their potential to succeed him and/or other senior key officers. The results of these reviews shall be reported to and discussed with the Board.

### **Performance Evaluation of the Board**

An annual self-evaluation shall be conducted of the Board, each Committee and individual Board members. An external governance advisor shall be utilized to facilitate the assessment at least every three years. The Governance Committee shall be responsible for establishing the evaluation criteria and overseeing the implementation of the process for such evaluation.

### **Board Size and Leadership Structure**

The Governance Committee shall review Board size and leadership structure and recommend to the Board, from time to time, any changes which the Governance Committee believes to be desirable with regard to the appropriate size, leadership structure and other organizational matters relating to the Board.

### **Assignment and Rotation of Committee Members**

The Governance Committee shall be responsible, after consultation with the Chairman and the Lead Director, for making recommendations to the Board with respect to the assignment of Board members to various committees, as well as the committee chairs and the Lead Director. After reviewing the Governance Committee's recommendations, the Board shall appoint committee members and chairs and the Lead Director, on a periodic basis. The Chair, the Lead Director and the Governance Committee shall periodically review committee assignments and shall consider the rotation of committee chairs and members with a view toward balancing the benefits derived from continuity against the benefits derived from the diversity of experience and viewpoints of the various directors.

## **Periodic Review of Committee Charters and Guidelines**

Each Board committee shall review its charter at least once every three years and recommend to the Board any changes it deems necessary. In addition to its charter, the Governance Committee shall review these Guidelines on the basis of the periodic Board evaluation and discussion, as well as developments in law, listing standards, and governance best practices, and recommend any appropriate changes to the Board for its consideration.

## **Internal Controls**

The Company shall maintain the position of internal auditor, which may be staffed by a Company employee and/or an independent contractor or consultant, to manage and/or perform the Company's internal audit function. Such manager of internal audit shall meet with the Chief Financial Officer ("CFO") and Audit Committee at least four times per year. The Company shall maintain the position of Chief Accounting Officer, who shall report directly to the CFO and the Audit Committee.

## **Integrity of Executive Hires in Financial or Oversight Capacity**

The Company shall not hire anyone to its internal audit, finance or treasury departments at the executive level or above who has been employed by the Company's auditors for any portion of the three (3) years preceding the date of hire.

## **Equity Award Best Practices**

The Company shall generally observe the following "best practices" regarding equity awards:

- Annual grants will be made at a regularly scheduled meeting of the Compensation Committee to be held in the two month period following the annual shareholder meeting and during a trading window.
- Interim grants (for new hires, promotions and special recognition) will be made at regularly scheduled or special meetings of the Compensation Committee or pursuant to, and consistent with, guidelines pre-approved by the Compensation Committee.
- Unless otherwise approved by the Compensation Committee, awards will conform to grant guidelines approved by the Compensation Committee from time to time. Any proposed award that exceeds the guidelines will be highlighted for the Compensation Committee.
- The Compensation Committee will approve a schedule setting forth each award on an individual-by-individual basis.
- In general, awards will be effective on the date specified by the Compensation Committee. In most cases, the date of the Committee or Board approval will be the grant date, on which the fair market value of the award will be based. In the case of promotions, new hires or special recognition, however, the Committee may designate a future date for the award to coincide with the date of such promotion, hire or special recognition event. In no event will the effective date of a new hire award precede the employee's start date with the Company.

## **Chief Compliance Officer**

The Company shall designate a Chief Compliance Officer. The Chief Compliance Officer shall assist senior management in fostering a culture integrating compliance and ethics into business processes and practices. The duties of the Chief Compliance Officer shall include, without limitation:

- meeting periodically with employees as well as the CFO and, if appropriate, members of the Board;
- overseeing the implementation and administration of, and monitoring the effectiveness of, the Company's Code of Conduct;
- providing periodic reports to the Audit Committee as he/she deems appropriate; and
- promptly reporting to the Audit Committee, either directly or through its Chairman, any allegations of non-compliance with the Code of Conduct by any executive officer and any allegations relating to potential financial fraud by any executive officer.

## **The Audit Committee**

The duties of the Audit Committee shall include, without limitation:

- executive sessions with internal audit;
- independent external auditor retention;
- executive sessions with the independent external auditor, including a review of the external auditor's recommendations with respect to financial management (to be a routine item on the Audit Committee's agenda for each of its quarterly meetings); and
- minimum of four regularly scheduled meetings to review annual and interim financial statements and disclosures as well as related independent auditor attestations/certifications/reports.

## **Disclosure of Changes in Governance Practices**

The Company shall make a copy of these Guidelines, and any future versions, available on its website. In addition, the Company's annual proxy statement will discuss any material changes in these Corporate Governance Guidelines adopted within the past year.

\* \* \* \* \*