

MKS INSTRUMENTS INC
Form DEF 14A
March 16, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

SCHEDULE 14A

(Rule 14A-101)

INFORMATION REQUIRED IN
PROXY STATEMENT

SCHEDULE 14A INFORMATION

**Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934**

(Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only** (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

MKS Instruments, Inc.
(Name of Registrant as Specified in its Charter)

Payment of Filing Fee (Check the appropriate box):

No fee required.

4) Date Filed:

MKS INSTRUMENTS, INC.
2 TECH DRIVE, SUITE 201
ANDOVER, MASSACHUSETTS 01810

March 16, 2016

Dear Shareholder:

You are cordially invited to attend the 2016 Annual Meeting of Shareholders of MKS Instruments, Inc. to be held on Monday, May 2, 2016 at 10:00 a.m., local time, at MKS Instruments, Inc., 2 Tech Drive, Suite 201, Andover, Massachusetts 01810.

The enclosed notice of Annual Meeting and proxy statement describe the business to be transacted at the Annual Meeting and provide additional information about us that you should know when voting your shares. The principal business at the Annual Meeting will be (i) to elect three Class II Directors, (ii) to approve a non-binding advisory vote on executive compensation, and (iii) to ratify the selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the year ending December 31, 2016.

Whether or not you plan to attend the Annual Meeting, please complete, date, sign and return your Proxy Card promptly in the enclosed envelope, which requires no postage if mailed in the United States. If you attend the Annual Meeting, you may vote in person if you wish, even if you have previously returned your Proxy Card, in which case your proxy vote will be revoked.

On behalf of MKS, I would like to express our appreciation for your continued interest in our Company.

Sincerely,

GERALD G. COLELLA

Chief Executive Officer and President

MKS INSTRUMENTS, INC.
2 TECH DRIVE, SUITE 201
ANDOVER, MASSACHUSETTS 01810

NOTICE OF 2016 ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD ON MAY 2, 2016

To our Shareholders:

NOTICE IS HEREBY GIVEN that the 2016 Annual Meeting of Shareholders of MKS INSTRUMENTS, INC., a Massachusetts corporation, will be held on Monday, May 2, 2016 at 10:00 a.m., local time, at MKS Instruments, Inc., 2 Tech Drive, Suite 201, Andover, Massachusetts 01810. At the meeting, shareholders will consider and vote on the following matters:

1. To elect three Class II Directors, each for a three-year term;
2. To approve a non-binding advisory vote on executive compensation; and
3. To ratify the selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the year ending December 31, 2016.

The shareholders will also act on any other business as may properly come before the meeting.

The Board of Directors has fixed the close of business on March 9, 2016 as the record date for the determination of shareholders entitled to notice of, and to vote at, the Annual Meeting and any adjournment or postponement thereof. Our stock transfer books will remain open for the purchase and sale of our Common Stock.

If you would like to attend the Annual Meeting and your shares are held by a broker, bank or other nominee, you must bring to the Annual Meeting a letter from the nominee confirming your beneficial ownership of such shares. In order to vote your shares at the Annual Meeting, you must obtain from the nominee a proxy issued in your name. You must also bring a form of personal identification.

By Order of the Board of Directors,

RICHARD S. CHUTE

Secretary

Andover, Massachusetts

March 16, 2016

IMPORTANT

WHETHER OR NOT YOU EXPECT TO ATTEND THE ANNUAL MEETING IN PERSON, PLEASE PROMPTLY SIGN, DATE, AND RETURN THE ENCLOSED PROXY. PROMPTLY SIGNING, DATING AND RETURNING THE PROXY WILL SAVE US THE EXPENSE AND EXTRA WORK OF ADDITIONAL SOLICITATION. AN ADDRESSED ENVELOPE FOR WHICH NO POSTAGE IS REQUIRED IF MAILED IN THE UNITED STATES IS ENCLOSED FOR THAT PURPOSE. SENDING IN YOUR PROXY WILL NOT PREVENT YOU FROM VOTING YOUR STOCK AT THE ANNUAL MEETING IF YOU DESIRE TO DO SO, AS YOUR PROXY IS REVOCABLE AT YOUR OPTION.

MKS INSTRUMENTS, INC.

2 TECH DRIVE, SUITE 201

ANDOVER, MASSACHUSETTS 01810

PROXY STATEMENT

This proxy statement is furnished in connection with the solicitation of proxies by the Board of Directors of MKS Instruments, Inc., a Massachusetts corporation, for use at the 2016 Annual Meeting of Shareholders to be held on May 2, 2016 at 10:00 a.m., local time, at MKS Instruments, Inc., 2 Tech Drive, Suite 201, Andover, Massachusetts 01810, and at any adjournment or postponement thereof (the Annual Meeting). References in this proxy statement to we, us, the Company or MKS refer to MKS Instruments, Inc. and its consolidated subsidiaries.

All proxies will be voted in accordance with the shareholders instructions. If no choice is specified in the proxy, the shares will be voted in favor of the matters set forth in the accompanying Notice of 2016 Annual Meeting of Shareholders. Any proxy may be revoked by a shareholder at any time before its exercise by delivery of written revocation to the Secretary of MKS. Attendance at the Annual Meeting will not in itself be deemed to revoke a proxy unless the shareholder gives affirmative notice at the Annual Meeting that the shareholder intends to revoke the proxy and vote in person.

VOTING SECURITIES AND VOTES REQUIRED

At the close of business on March 9, 2016, the record date for the determination of shareholders entitled to notice of, and to vote at, the Annual Meeting, there were issued and outstanding and entitled to vote 53,303,425 shares of our common stock, no par value per share (the Common Stock). Each outstanding share entitles the record holder to one vote on each matter submitted at the Annual Meeting.

In order to transact business at the Annual Meeting, we must have a quorum. Under our Amended and Restated By-Laws, the holders of a majority of the shares of Common Stock issued and outstanding and entitled to vote at the Annual Meeting shall constitute a quorum for the transaction of business at the Annual Meeting. Shares of Common Stock held by shareholders present in person or represented by proxy (including broker non-votes and shares that abstain or do not vote with respect to a particular proposal to be voted upon) will be counted for purposes of determining whether a quorum exists at the Annual Meeting. If a quorum is not present, the meeting will be adjourned until a quorum is obtained.

The affirmative vote of the holders of a plurality of the votes cast on the matter is required for the election of directors (Proposal One); provided, however, any director nominee who receives a greater number of withhold votes than affirmative votes (a Majority Withhold Vote) in an uncontested election must offer to tender to the Board of Directors his or her resignation promptly following the certification of election results. The Board of Directors must accept or reject a resignation within 90 days following the certification of election results and publicly disclose its decision. Accordingly, the nominees who receive the highest number of votes of the shares present, in person or by proxy, and entitled to vote shall be elected to the available Class II Director positions, and in the event any nominee receives a Majority Withhold Vote, the resignation policy will apply as summarized here and as set forth in Section B.4 of our Corporate Governance Guidelines which are posted on our website at <http://mksinst.com> in the Corporate Governance Section under the Investors tab. The approval of the advisory vote on executive compensation (Proposal Two) and the ratification of PricewaterhouseCoopers LLP (Proposal Three) require the affirmative vote of the holders of a majority of the votes cast on the matter.

Shares held by shareholders who abstain from voting as to a particular matter, and broker non-votes, which are shares held in street name by banks, brokers or nominees, who indicate on their proxies that they do not have discretionary authority to vote such shares as to a particular non-routine matter, including the election of directors and the advisory vote on executive compensation, will not be counted as votes in favor of, or as votes cast for, a matter. Accordingly, abstentions and broker non-votes will have no effect on the voting on a matter that requires the affirmative vote of a certain percentage of the shares voting on the matter. Proposal Two is a non-binding proposal. If the shares you own are held in street name by a bank or brokerage firm, your bank or brokerage firm, as the record holder of your shares, is required to vote your shares according to your instructions. In order to vote your shares, you will need to follow the directions your bank or brokerage firm provides you.

THE NOTICE OF ANNUAL MEETING, THIS PROXY STATEMENT AND OUR ANNUAL REPORT TO SHAREHOLDERS FOR THE YEAR ENDED DECEMBER 31, 2015 ARE BEING MAILED TO SHAREHOLDERS ON OR ABOUT MARCH 22, 2016.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE SHAREHOLDER MEETING TO BE HELD ON MAY 2, 2016

A copy of (i) our Annual Report to Shareholders for the year ended December 31, 2015, which contains consolidated financial statements and other information of interest to shareholders, (ii) this Proxy Statement and this Notice, and (iii) information on how to obtain directions to be able to attend the meeting and vote in person can be accessed on our website at <http://investor.mksinst.com/annualproxy.cfm> or by calling (800) 227-8766.

A COPY OF OUR ANNUAL REPORT ON FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 2015 AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION, OR THE SEC, EXCLUDING EXHIBITS, WILL BE FURNISHED WITHOUT CHARGE TO ANY SHAREHOLDER UPON WRITTEN REQUEST TO: INVESTOR RELATIONS DEPARTMENT, MKS INSTRUMENTS, INC., 2 TECH DRIVE, SUITE 201, ANDOVER, MA 01810. EXHIBITS WILL BE PROVIDED UPON WRITTEN REQUEST AND PAYMENT OF AN APPROPRIATE PROCESSING FEE.

**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL
OWNERS AND MANAGEMENT**

The following table sets forth certain information with respect to the beneficial ownership of Common Stock by (i) each shareholder known to us to be the beneficial owner of more than 5% of the outstanding shares of Common Stock; (ii) the executive officers named in the Summary Compensation Table below; (iii) each of our current directors and our director nominee; and (iv) all of our directors and executive officers as a group. Unless otherwise indicated in the footnotes to the table, all equity amounts set forth in the table are as of January 1, 2016; and the address for each of our directors and executive officers is: c/o MKS Instruments, Inc., 2 Tech Drive, Suite 201, Andover, Massachusetts 01810.

Name of Beneficial Owners	Number of Shares Beneficially Owned(1)	Percentage of Common Stock Beneficially Owned
<i>5% shareholders</i>		
Black Rock, Inc.	4,942,240(2)	9.29%
40 East 522 nd Street		
New York, NY 10022		
Royce & Associates, LLC	4,862,994(3)	9.14%
745 Fifth Avenue		
New York, NY 10151		
Dimensional Fund Advisors LP	4,055,129(4)	7.62%
Palisades West, Building One		
6300 Bee Cave Road		
Austin, TX 78746		
The Vanguard Group, Inc.	3,958,023(5)	7.44%
100 Vanguard Blvd.		
Malvern, PA 19355		
<i>Named Executive Officers</i>		
Gerald G. Colella	66,452(6)	*
Seth H. Bagshaw	53,599(7)	*
John R. Abrams	7,786(8)	*
John T.C. Lee	15,891(9)	*
Brian C. Quirk	18,573(10)	*

Non-Employee Directors and Director Nominee

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Cristina H. Amon	25,323	*
Robert R. Anderson	11,336(11)	*
Gregory R. Beecher	33,223	*
John R. Bertucci	607,086(12)	1.14%
Richard S. Chute	4,823	*
Peter R. Hanley	323	*
Jacqueline F. Moloney	-	-
Elizabeth A. Mora	7,773	*
All directors and executive officers as a group (12 persons)	852,187(13)	1.60%

* Represents less than 1% of the outstanding Common Stock.

- (1) We believe that each shareholder has sole voting and investment power with respect to the shares listed, except as otherwise noted. The number of shares beneficially owned by each shareholder is determined under SEC rules, and the information is not necessarily indicative of ownership for any other purpose. Under such rules, beneficial ownership includes any shares as to which the person has sole or shared voting

or investment power and also any shares that the individual has the right to acquire within 60 days after January 1, 2016 subject to the vesting of restricted stock units (RSUs) or the exercise of any stock option or other right. The inclusion herein of any shares of Common Stock deemed beneficially owned does not constitute an admission by such shareholder of beneficial ownership of those shares of Common Stock. Percentage ownership calculations are based on 53,202,639 shares of Common Stock outstanding as of January 1, 2016. Shares of Common Stock which an individual or entity has a right to acquire within the 60-day period following January 1, 2016 pursuant to the vesting of RSUs or the exercise of any stock options or other right are deemed to be outstanding for the purpose of computing the percentage ownership of such individual or entity, but are not deemed to be outstanding for the purpose of computing the percentage ownership of any other person or entity shown in the table.

- (2) Based on information set forth in Schedule 13G/A filed by Black Rock, Inc. on January 22, 2016, reporting stock ownership as of December 31, 2015. Black Rock, Inc. has sole voting power with respect to 4,822,307 shares and sole investment power with respect to 4,942,240 shares.
- (3) Based on information set forth in Schedule 13G/A filed by Royce & Associates, LLC on behalf of itself and its affiliates on January 19, 2016, reporting stock ownership as of December 31, 2015.
- (4) Based on information set forth in Schedule 13G/A filed by Dimensional Fund Advisors LP on February 9, 2016, reporting stock ownership as of December 31, 2015. Dimensional Fund Advisors LP has sole voting power with respect to 4,000,524 shares and sole investment power with respect to 4,055,129 shares. Dimensional Fund Advisors LP disclaims beneficial ownership of such securities.
- (5) Based on information set forth in Schedule 13G/A filed by The Vanguard Group, Inc. on February 10, 2016, reporting stock ownership as of December 31, 2015. The Vanguard Group, Inc. has sole voting power with respect to 67,810 shares, shared voting power with respect to 3,300 shares, sole investment power with respect to 3,890,113 shares and shared investment power with respect to 67,910 shares.
- (6) Consists of 25,218 shares held directly by Mr. Colella and 41,234 shares subject to RSUs that are subject to vesting within 60 days after January 1, 2016.
- (7) Consists of 30,289 shares held directly by Mr. Bagshaw and 23,310 shares subject to RSUs that are subject to vesting within 60 days after January 1, 2016.
- (8) Consists of 3,498 shares held directly by Mr. Abrams and 4,288 shares subject to RSUs that are subject to vesting within 60 days after January 1, 2016.
- (9) Consists of 676 shares held directly by Dr. Lee and 15,215 shares subject to RSUs that are subject to vesting within 60 days after January 1, 2016.

(10)

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Consists of 7,102 shares held directly by Mr. Quirk and 11,471 shares subject to RSUs that are subject to vesting within 60 days after January 1, 2016.

(11) These shares are held in the name of Mr. Anderson's trust.

(12) Consists of 301,245 shares held directly by Mr. Bertucci and 305,841 shares held directly or indirectly by Mr. Bertucci's wife.

(13) Consists of 756,669 shares held directly or indirectly by such directors and executive officers and 95,518 shares subject to RSUs that are subject to vesting within 60 days after January 1, 2016.

To our knowledge, there are no voting trusts or similar arrangements among any of the foregoing persons or entities with respect to the voting of shares of Common Stock.

PROPOSAL ONE

ELECTION OF DIRECTORS

Our Amended and Restated By-Laws provide for a Board of Directors that is divided into three classes. The term of the Class I Directors expires at the 2018 Annual Meeting, the term of the Class II Directors expires at the 2016 Annual Meeting and the term of the Class III Directors expires at the 2017 Annual Meeting. Our Board of Directors, upon the recommendation of our Nominating and Corporate Governance Committee, has nominated Richard S. Chute, Peter R. Hanley and Jacqueline F. Moloney to serve as Class II Directors for a term to expire at the 2019 Annual Meeting. Messrs. Chute and Hanley currently serve as directors. Each nominee has consented to being named herein, and, if elected, to serve as a director until his or her successor is duly elected and qualified. Cristina H. Amon, who currently serves as a Class II Director, is not standing for re-election to the Board of Directors.

Shares represented by all proxies received by the Board of Directors and not so marked as to withhold authority to vote for an individual director will be voted (unless one or more nominees are unable or unwilling to serve) for the election of the nominees named below. The Board of Directors expects that each of the nominees named below will be available for election, but if any of them is not a candidate at the time the election occurs, it is intended that such proxies will be voted for the election of a substitute nominee to be designated by the Board of Directors.

BOARD RECOMMENDATION

THE BOARD OF DIRECTORS BELIEVES THAT APPROVAL OF THE ELECTION OF RICHARD S. CHUTE, PETER R. HANLEY AND JACQUELINE F. MOLONEY TO SERVE AS CLASS II DIRECTORS IS IN THE BEST INTERESTS OF MKS AND OUR SHAREHOLDERS AND THEREFORE RECOMMENDS A VOTE FOR ALL NOMINEES.

DIRECTORS

The Board of Directors, upon the recommendation of the Nominating and Corporate Governance Committee, has nominated Richard S. Chute, Peter R. Hanley and Jacqueline F. Moloney to serve as Class II Directors. Set forth below are the names and ages of each member of our Board of Directors (including those who are nominees for election as Class II Directors) and Ms. Moloney, the positions and offices held, principal occupation and business experience during at least the past five years, the names of other publicly held companies on which the individual currently serves, or in the past five years has served, as a director and the year each member of our Board of Directors joined our Board. We have also included information about each director's specific experience, qualifications, attributes, or skills that led the Board of Directors to conclude that he or she should serve as a director of MKS. Information with respect to the number of shares of Common Stock beneficially owned by each director, directly or indirectly, as of January 1, 2016, appears in this proxy statement under the heading Security Ownership of Certain Beneficial Owners and Management. Cristina H. Amon is not standing for re-election to the Board of Directors and, accordingly, her tenure as a director will end as of the date of our 2016 annual meeting.

Name	Age	Position	Class to Which Director Currently Belongs
John R. Bertucci	75	Director, Chairman	III
Cristina H. Amon(2)(3)	59	Director	II
Robert R. Anderson(1)(3)	78	Director	III
Gregory R. Beecher(1)	58	Director	III
*Richard S. Chute(2)	77	Director, Secretary	II
Gerald G. Colella	59	Director, Chief Executive Officer and President	I
*Peter R. Hanley(2)(3)	76	Director	II
*Jacqueline F. Moloney	62	Director Nominee	N/A
Elizabeth A. Mora(1)	55	Director	I

(1) Member of Audit Committee

(2) Member of Nominating and Corporate Governance Committee

(3) Member of Compensation Committee

* Nominee for election at this meeting

John R. Bertucci

Mr. Bertucci has served as our director since 1970, and has been Chairman of the Board of Directors since November 1995. Mr. Bertucci served as Executive Chairman from July 2005 until December 2006. Mr. Bertucci served as our Chief Executive Officer from November 1995 to July 2005 and served as President from 1974 to May 1999 and again from November 2001 to April 2004. From 1970 to 1974, he was our Vice President and General Manager.

Mr. Bertucci holds an M.S. in Industrial Administration and a B.S. in Metallurgical Engineering from Carnegie

Mellon University. Mr. Bertucci has served as a member of the Board of Trustees of Carnegie Mellon University since May 2002. He also serves as a member of the Board of Trustees or the Board of Directors of three non-profit organizations. Mr. Bertucci's 30-plus years of experience working for MKS, including a combined 28 years as our President, gives him a unique insight into the challenges and strategies relevant to the semiconductor industry as a whole, and to our Company in particular.

Robert R. Anderson

Mr. Anderson has served as our director since January 2001. Mr. Anderson is a private investor. From October 1998 to April 2000, Mr. Anderson served as Chief Executive Officer of Yield Dynamics, Inc., a private semiconductor control software company, which MKS acquired in 2007 and later sold in 2010. Mr. Anderson served as Chief Executive Officer of Silicon Valley Research, Inc., a semiconductor design automation software

company, from December 1996 to August 1998 and as Chairman from January 1994 to January 2001. Mr. Anderson was co-founder and served as Chief Financial Officer, Chief Operating Officer and Chairman of KLA Instruments, a supplier of process control and yield management solutions for the semiconductor and related nanoelectronics industries, from 1975 through 1994. He was Chief Financial Officer of Computervision from 1970 through 1975. Mr. Anderson has served as the President and a director of a private family foundation since September 2000. He has also served as a director of Aehr Test Systems, Inc., a publicly traded manufacturer of semiconductor test and burn-in equipment, since October 2000, and currently serves on Aehr's Audit and Compensation committees. He has also served as a director of Energetiq Technology, Inc., a privately held company, since May 2005. In addition, he served as a director of Aviza Technology, Inc., a publicly traded manufacturer of semiconductor capital equipment and process technologies, from December 2005 to March 2009. Mr. Anderson is a Trustee Emeritus of Bentley University, having served as a trustee from 1992 through 2003. Mr. Anderson has served on over 18 public and private boards, and has served as Chief Financial Officer, Chief Executive Officer and Chairman of several public corporations. His extensive business experience, particularly within the semiconductor industry, provides him with insight into the challenges we face within the industry. In addition, his financial acumen is an important asset in his role as a member of our Audit and Compensation Committees.

Gregory R. Beecher

Mr. Beecher has served as our director since August 2006. Mr. Beecher has served as Chief Financial Officer of Teradyne, Inc., a semiconductor and system level test equipment provider, since 2001. Mr. Beecher was an audit partner with PricewaterhouseCoopers LLP from October 1993 to March 2001, working with numerous semiconductor equipment and instrument providers, along with other technology-related enterprises, and advising on complex accounting issues. Mr. Beecher has an M.S. in Accounting from Northeastern University. Mr. Beecher served as a director of Hittite Microwave, a publicly traded developer of high performance integrated circuits, modules and subsystems, from June 2013 to May 2014 (when it was acquired by Analog Devices, Inc.). Mr. Beecher's extensive financial background, including his previous experience at a public accounting firm, and his current role as Chief Financial Officer of a public corporation, provide valuable insights for the Board of Directors and the Audit Committee.

Richard S. Chute

Mr. Chute has served as our director since 1974. Mr. Chute was a member of the law firm of Hill & Barlow, a Professional Corporation, from 1971 to January 2003, with an extensive corporate practice, and is currently an attorney in private practice. Mr. Chute has served as a director of Massachusetts Audubon Society, Inc. since October 2004, currently serving as Chairman of its Audit Committee and a member of its Administration and Finance Committee. Mr. Chute has also served as a director and member of the Nominating and Audit Committees of Manomet, Inc., a non-profit organization, since November 1993. He has served on over 15 other non-profit and private company boards. Mr. Chute's extensive legal experience provides him with a unique perspective, which is particularly valuable in Mr. Chute's current roles as Secretary of the Company and as Chair of the Nominating and Corporate Governance Committee.

Gerald G. Colella

Mr. Colella has served as our director and as our Chief Executive Officer, in addition to his role as President, since January 2014. From February 2013 until December 2013, Mr. Colella served as our President and Chief Operating Officer. He served as Vice President and Chief Operating Officer from January 2010 until February 2013 and served as our Vice President and Chief Business Officer from April 2005 until January 2010. In addition, Mr. Colella also served as Acting Group Vice President, PRG Products from July 2007 to March 2010. From October 1997 to April 2005, he served as our Vice President, Global Business and Service Operations, from March 1996 to October 1997, he served as our Director of Materials Planning and Logistics and from 1994 to 1996, he served as our Materials

Planning and Logistics Manager. Mr. Colella joined MKS in 1983.

He holds a B.A. in Secondary Education from the University of Massachusetts and an M.B.A. from Southern New Hampshire University. Mr. Colella's over 30 years of experience within the Company gives him particularly deep insight into the organization.

Peter R. Hanley

Dr. Hanley has served as our director since March 2008. From December 2009 until November 2010, Dr. Hanley served as an occasional consultant to Novellus Systems, Inc. (now Lam Research Corporation), a leading developer of semiconductor manufacturing equipment. From January 2004 until December 2007, Dr. Hanley served as a part-time employee of Novellus, engaged primarily in executive training. Dr. Hanley served as President of Novellus from May 2001 to December 2003. Prior to that, he served as Novellus Executive Vice President of Worldwide Sales from June 1992 until May 2001. Prior to joining Novellus, Dr. Hanley served from 1985 to 1992 at Applied Materials, Inc., a leader in the semiconductor capital equipment industry, most recently as Group Vice President of Worldwide Sales and Service and previously as Vice President and General Manager of their Etch Products Division. Before joining Applied Materials, Inc., Dr. Hanley served from 1978 to 1984 at Varian Associates, a leader in the semiconductor capital equipment industry, most recently as Vice President of Technology and previously as Vice President and General Manager of their Extrinsic Ion Implantation Division. Dr. Hanley has served as a member of the Advisory Board of Orbotech Ltd., a publicly traded provider of yield-enhancing and production solutions, since 2014. Dr. Hanley holds a Bachelor of Science degree in Mechanical Engineering from Northeastern University and a PhD in Applied Physics from Cornell University. Dr. Hanley's substantial background in the semiconductor industry for more than 25 years, including senior management roles at Novellus and Applied Materials, two of MKS' largest customers, provides the Board of Directors with insights into the industry's sales and marketing challenges and opportunities.

Jacqueline F. Moloney

Ms. Moloney has served since 2015 as the Chancellor of the University of Massachusetts Lowell, a public university with over 17,000 students and served as its Executive Vice Chancellor from 2007 to 2015. Ms. Moloney has been a tenured professor at the University of Massachusetts Lowell since 1994 and served as the Dean of Online and Continuing Education from 1994 to 2007. Since 2008, Ms. Moloney has served as a director and member of the audit, strategic planning, marketing, investment, technology and executive committees of Enterprise Bank Corp, Inc., a publicly traded bank. She also serves on the boards of two non-profit organizations. She holds an EdD from the University of Massachusetts Lowell. Ms. Moloney has over 30 years of experience as a leader in non-profit organizations. She has a deep history of working with business and industry and she established the first incubators at the University of Massachusetts Lowell which are the home to approximately 50 early stage companies. She will provide valuable knowledge and insight on strategic planning and management, and business trends.

Elizabeth A. Mora

Ms. Mora has served as our director since May 2012. Ms. Mora has served since 2008 as the Chief Financial Officer of The Charles Stark Draper Laboratory, Inc., a non-profit engineering research and development laboratory serving the national interest in applied research, engineering development, advanced technical education, and technology transfer. From 1997 until 2008, she worked for Harvard University, ultimately serving as Chief Financial Officer and Vice President for Finance at the University, and previously serving as Associate Vice President, Research Administration and the Director of the Office of Sponsored Research. Prior to joining Harvard, Ms. Mora worked for Coopers and Lybrand (now PricewaterhouseCoopers LLP) from 1989 to 1997 and was one of the founding members of its National Regulatory Consulting Practice. Ms. Mora is a Certified Public Accountant and has an M.B.A. from the Simmons College Graduate School of Management. Since February 2016, she has served as a director of GCP Applied Technologies, Inc., a public company formed as a spin-off of WR Grace, which provides construction and packaging technology products. Ms. Mora's extensive financial background, including her current role as Chief Financial Officer of a prominent research and development organization, provides valuable insights for the Board of

Directors and the Audit Committee.

Agreements as to Nomination

Mr. Bertucci resigned from his employment with MKS effective December 31, 2006. Mr. Bertucci's employment agreement provided that if Mr. Bertucci resigned from his employment, then, subject to applicable law, our Amended and Restated By-Laws, our Restated Articles of Organization and the directors' fiduciary duties, the Board of Directors shall nominate Mr. Bertucci for election as a Class III director and consider Mr. Bertucci for appointment as Chairman of the Board of Directors, until such time as Mr. Bertucci is no longer eligible for nomination as a director.

CORPORATE GOVERNANCE

Board Independence

The Board of Directors has determined that Ms. Moloney and all of the members of the Board of Directors, other than Mr. Colella, are independent as defined under the rules of the NASDAQ Stock Market (NASDAQ).

Board Leadership Structure

Since 2005, we have separated the roles of Chief Executive Officer and Chairman of the Board of Directors in recognition of the differences between the two roles. The Chief Executive Officer is responsible for setting the strategic direction for the Company and the day-to-day leadership and performance of the Company, while the Chairman of the Board of Directors provides guidance to the Chief Executive Officer, sets the agenda for Board meetings and presides over meetings of the full Board of Directors.

In addition, the Board of Directors has established the position of Lead Director. Our Corporate Governance Guidelines provide that during any period in which the Chair of the Board of Directors is not an independent director, and in such other instances as the Board of Directors may determine from time to time, a Lead Director shall be elected by and from the independent directors. While we are not obligated under our Corporate Governance Guidelines to have a Lead Director, as our Chairman of the Board of Directors is independent, we have currently elected to continue to do so. Gregory R. Beecher has served as Lead Director since 2012.

The primary role of the Lead Director is to serve as a liaison between the independent directors and the Chairman of the Board of Directors and/or the Chief Executive Officer and to represent the interests of the independent directors, as appropriate. Pursuant to our Corporate Governance Guidelines, which are posted on our website at www.mksinst.com in the Corporate Governance Section under the Investors tab, the Lead Director shall, among other matters:

have the authority to call meetings of the independent directors;

preside at all meetings of the Board of Directors at which the Chairman of the Board of Directors is not present;

assure that at least two meetings per year of only the independent directors are held and chair any such meetings of the independent directors;

facilitate communications and serve as a liaison between the independent directors and the Chairman of the Board of Directors and/or the Chief Executive Officer, provided that any director is free to communicate directly with the Chairman of the Board of Directors and with the Chief Executive Officer;

work with the Chairman of the Board of Directors and the Chief Executive Officer in the preparation of the agenda for each Board of Directors meeting and approve each such agenda;

if a meeting is held between a major shareholder and a representative of the independent directors, the Lead Director shall serve, subject to availability, as such representative of the independent directors; and

otherwise consult with the Chairman of the Board of Directors and the Chief Executive Officer on matters relating to corporate governance and performance of the Board of Directors.

Our Board of Directors believes that its leadership structure is appropriate at this time for our Company because it strikes an effective balance between management and independent leadership participation in the Board of Directors process.

Board's Role in Risk Oversight

Management is responsible for the day-to-day management of risks the Company faces, while the Board of Directors, as a whole and through its committees, has the ultimate responsibility for the oversight of risk management. Senior management attends quarterly meetings of the Board of Directors, provides presentations on operations including significant risks, and is available to address any questions or concerns raised by the Board of Directors. Additionally, our three board committees assist the Board of Directors in fulfilling its oversight responsibilities in certain areas of risk. Pursuant to its charter, the Audit Committee coordinates the Board of Directors' oversight of the Company's internal controls over financial reporting, disclosure controls and procedures, and code of conduct. The Audit Committee also is responsible for discussing the Company's policies with respect to financial risk assessment and financial risk management. Management regularly reports to the Audit Committee on these areas. The Compensation Committee assists the Board of Directors in fulfilling its oversight responsibilities with respect to the management of risks arising from our compensation policies and programs as well as succession planning as it relates to our Chief Executive Officer. The Nominating and Corporate Governance Committee assists the Board of Directors in fulfilling its oversight responsibilities with respect to the management of risks associated with board organization, membership and structure, succession planning for our directors and corporate governance. In addition, from time to time, the Board of Directors may constitute a special committee to focus on a particular matter or risk. When any of the committees receives a report related to material risk oversight, the Chair of the relevant committee reports on the discussion to the full Board of Directors.

Board of Director Meetings and Committees of the Board of Directors

The Board of Directors held five meetings in 2015. During 2015, each director attended at least 75% of the aggregate of the total number of meetings of the Board of Directors and the total number of meetings of all committees of the Board of Directors on which he or she served. Pursuant to our Corporate Governance Guidelines, directors are encouraged to attend our Annual Meeting of Shareholders. All of the directors then serving on the Board of Directors attended the 2015 Annual Meeting of Shareholders.

The Board of Directors has established three standing committees – Audit, Compensation and Nominating and Corporate Governance – each of which operates under a charter that has been approved by the Board of Directors. Each committee's current charter is posted under the Investors tab on our website, www.mksinst.com, under the heading Corporate Governance.

Audit Committee

The Audit Committee consists of Messrs. Anderson and Beecher (Chair) and Ms. Mora. The Audit Committee's responsibilities include:

appointing, approving the fees of, assessing the independence of, evaluating, retaining and, when necessary, terminating the engagement of our independent registered public accounting firm;

overseeing the work of our independent registered public accounting firm, including through the receipt and consideration of certain reports from the independent registered public accounting firm;

reviewing and discussing our annual audited financial statements and related disclosures with management and the independent registered public accounting firm;

reviewing our quarterly unaudited financial statements;

coordinating oversight of our internal controls over financial reporting, disclosure controls and procedures, and code of business conduct and ethics;

overseeing our internal audit function;

discussing our policies with respect to financial risk assessment and financial risk management;

establishing procedures for the receipt and retention of accounting-related complaints and concerns;

discussing generally the types of information to be disclosed in our earnings press releases, as well as in financial information and earnings guidance provided to analysts, rating agencies and others;

meeting independently with our internal auditing staff, independent registered public accounting firm and management;

reviewing our procedures for reviewing related person transactions, recommending any changes to these procedures and reviewing any related person transactions; and

preparing the Audit Committee report required to be included in the annual proxy statement.

The Audit Committee held five meetings in 2015.

Compensation Committee

The Compensation Committee consists of Dr. Amon, Mr. Anderson (Chair) and Dr. Hanley. The Compensation Committee's responsibilities include:

reviewing and approving, or making recommendations to the Board of Directors with respect to, the compensation of our Chief Executive Officer and our other executive officers;

overseeing the evaluation of our executive officers;

overseeing Chief Executive Officer and other executive officer succession planning;

periodically reviewing and approving our management incentive bonus plan;

overseeing the risks associated with our compensation policies and practices and annually reviewing whether such policies and practices are reasonably likely to have a material adverse effect on the Company;

reviewing the Compensation Discussion and Analysis required to be included in the annual proxy statement;

preparing the annual Compensation Committee Report required to be included in the annual proxy statement;

overseeing and administering our equity incentive plans;

overseeing our policies on structuring compensation programs compliant with Section 162(m) of the Internal Revenue Code;

reviewing and making recommendations to the Board of Directors with respect to director compensation; and

appointing, compensating, assessing the independence of, and overseeing the work of any compensation consultant.

The Compensation Committee held six meetings in 2015. See the section below entitled "Executive Compensation Discussion and Analysis" for further information about the role of the Compensation Committee and the scope of its activities.

Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee consists of Dr. Amon, Mr. Chute (Chair) and Dr. Hanley. The Nominating and Corporate Governance Committee's responsibilities include:

identifying individuals qualified to become members of the Board of Directors, consistent with criteria approved by the Board of Directors;

recommending to the Board of Directors the persons to be nominated for election as directors and to each of the committees of the Board of Directors;

designating a Lead Director (if any), subject to the approval of the independent directors;

reviewing each director's continuation on the Board of Directors at least once every three years;

developing and recommending corporate governance guidelines to the Board of Directors;

retaining and terminating any search firm to be used to identify director nominees;

periodically reviewing the Board of Directors' leadership structure to assess whether it is appropriate;

conducting the annual evaluations of the Board of Directors, each of the committees of the Board of Directors and the directors who are up for nomination; and

monitoring communications from shareholders and other interested parties.

The Nominating and Corporate Governance Committee held two meetings in 2015.

For information relating to the nomination of directors, see "Director Candidates" below.

Audit Committee Financial Expert

The Board of Directors has determined that each of the three current members of the Audit Committee is an audit committee financial expert as defined in applicable SEC regulations.

Director Candidates

The Nominating and Corporate Governance Committee recommended to the Board of Directors that the director nominees be nominated by the Board of Directors for election as Class II Directors. The process followed by the Nominating and Corporate Governance Committee to identify and evaluate director candidates includes Board assessments of each incumbent director nominee for the current year, requests to Board members and others for recommendations of potential candidates, meetings from time to time to evaluate biographical information and background material relating to potential candidates and interviews of selected candidates by the members of the Nominating and Corporate Governance Committee and the Board of Directors. Ms. Moloney, a nominee for director, was identified to the Nominating and Corporate Governance Committee by John R. Bertucci, the Chairman of the Board of Directors.

In considering whether to recommend any particular candidate for inclusion in the Board of Directors' slate of recommended director nominees, the Nominating and Corporate Governance Committee applies the criteria attached to the Company's Corporate Governance Guidelines. These criteria include the candidate's integrity, business acumen, knowledge of our business and industry, age, tenure, experience, diligence, conflicts of interest and the ability to act in the interests of all shareholders. The Nominating and Corporate Governance Committee does not assign specific

weights to particular criteria and no particular criterion is a prerequisite for each prospective nominee. Nominees shall not be discriminated against on the basis of race, religion, national origin, sex, sexual orientation, disability or any other basis proscribed by law. In considering director candidates, the Nominating and Corporate Governance Committee takes into account the value of diversity on the Board of Directors. While the Nominating and Corporate Governance Committee does not have a formal policy with respect to diversity, the Board of Directors and the Nominating and Corporate Governance Committee believe that it is essential that the members of the Board of Directors represent diverse viewpoints. In considering candidates for the Board of Directors, the Nominating and Corporate Governance Committee considers the entirety of each candidate's credentials in the context of these standards. We believe that the backgrounds and qualifications of our directors, considered as a group, should provide a composite mix of experience, knowledge and abilities that will allow the Board of Directors to fulfill its responsibilities.

Shareholders may recommend individuals to the Nominating and Corporate Governance Committee for consideration as potential director candidates by submitting their names, together with appropriate biographical

information and background materials and a statement as to whether the shareholder or group of shareholders making the recommendation has beneficially owned at least \$2,000 in market value or 1% of our Common Stock, whichever is less, for at least a year as of the date such recommendation is made, to the Nominating and Corporate Governance Committee, in care of Kathleen F. Burke, Esq., Vice President and General Counsel, MKS Instruments, Inc., 2 Tech Drive, Suite 201, Andover, MA 01810. Assuming that appropriate biographical and background material has been provided on a timely basis, the Nominating and Corporate Governance Committee will evaluate shareholder-recommended candidates by following substantially the same process, and applying the same criteria, as it does in considering other candidates.

Shareholders also have the right under our Amended and Restated By-Laws to directly nominate director candidates, without any action or recommendation on the part of the Nominating and Corporate Governance Committee or the Board of Directors, by following the procedures set forth under the heading **Deadline for Submission of Shareholder Proposals for the 2017 Annual Meeting** below.

Communications from Shareholders

The Board of Directors will give appropriate attention to written communications that are submitted by shareholders, and will respond if appropriate. The Chair of the Nominating and Corporate Governance Committee, with the assistance of our General Counsel, is primarily responsible for monitoring communications from shareholders and for providing copies or summaries to the other directors as he considers appropriate. Communications are forwarded to all directors if they relate to important substantive matters and include suggestions or comments that the Chair of the Nominating and Corporate Governance Committee considers to be important for the directors to know. In general, communications relating to corporate governance and long-term corporate strategy are more likely to be forwarded than communications relating to ordinary business affairs, personal grievances and matters as to which we tend to receive repetitive or duplicative communications.

Shareholders who wish to send communications on any topic to the Board of Directors should address such communications to the Board of Directors in care of Kathleen F. Burke, Esq., Vice President and General Counsel, MKS Instruments, Inc., 2 Tech Drive, Suite 201, Andover, MA 01810.

Code of Ethics

We have adopted a code of business conduct and ethics that applies to all of our directors, officers and employees (including the principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions), which is posted under the **Investors** tab on our website, www.mksinst.com under the heading **Corporate Governance**. We intend to disclose on our website any amendments to, or waivers for our executive officers or directors from, our code of business conduct and ethics.

Compensation Risk Assessment

We conducted a risk-assessment of our compensation programs and practices to understand if any risks exist that are reasonably likely to have a material adverse effect on our Company, and the results were reviewed by our Compensation Committee. Based on this assessment, our Compensation Committee concluded that our compensation programs and practices, as a whole, are appropriately structured and do not pose a material risk to our Company. Our compensation programs are intended to reward our executive officers and other employees for strong performance over the long-term, with consideration to short-term actions and results that strengthen and grow our Company. We believe our compensation programs provide the appropriate balance between short-term and long-term incentives, focusing on sustainable and profitable growth for our Company.

Compensation Committee Interlocks and Insider Participation

In 2015, the Compensation Committee was comprised of Dr. Amon, Mr. Anderson and Dr. Hanley. None of the members of the Compensation Committee during 2015 were, at any time, officers or employees of MKS or our subsidiaries, and none of them had any relationship with us requiring disclosure under Item 404 of

Regulation S-K under the Securities Exchange Act of 1934, as amended. None of our executive officers serves, or has served, as a member of the Board of Directors or Compensation Committee (or other committee serving an equivalent function) of any other entity which has one or more executive officers serving as a member of our Board of Directors or Compensation Committee.

EXECUTIVE OFFICERS

The following is a brief summary of the background of each of our current executive officers, other than Mr. Colella, whose background is described under the heading *Directors* above:

Seth H. Bagshaw, Vice President, Chief Financial Officer and Treasurer, Age 56

Mr. Bagshaw has served as our Vice President and Chief Financial Officer since January 2010 and as Treasurer since March 2011. From March 2006 until January 2010, Mr. Bagshaw served as our Vice President and Corporate Controller. Prior to joining MKS, Mr. Bagshaw served as Vice President and Chief Financial Officer of Vette Corp., an integrated global supplier of thermal management systems from 2004 until 2006. From 1999 until 2004, Mr. Bagshaw served as Vice President and Corporate Controller of Varian Semiconductor Equipment Associates, Inc., a leading producer of ion implantation equipment used in the semiconductor manufacturing industry, and from 1998 until 1999, he served as Vice President and Chief Financial Officer of Palo Alto Products International, Inc., an industrial design, engineering and manufacturing company, until its acquisition by Flextronics International, Ltd. Prior to that, Mr. Bagshaw held several senior financial management positions at Waters Corporation, a developer of innovative analytical science solutions, most recently as Vice President and Chief Financial Officer of its Asia-Pacific region, and was a Senior Manager at PricewaterhouseCoopers LLP. Mr. Bagshaw has been a member of the Board of Directors of Associated Industries of Massachusetts, a non-profit state-wide employer advocacy and service organization, since 2010 and has served on its Audit Committee since 2014. Mr. Bagshaw is a Certified Public Accountant and has a B.S. in Business Administration from Boston University and an M.B.A. from Cornell University.

John R. Abrams, Senior Vice President of Global Sales and Service, Age 63

Mr. Abrams has served as our Senior Vice President of Global Sales and Service since May 2015. Previously, he served as Senior Vice President of Sales from May 2014 to May 2015, and Vice President of U.S. Sales from October 2011 until December 2013. Prior to joining MKS, Mr. Abrams served as a business development consultant to AIRxpert Systems, Inc., an environmental information technology company, from October 2010 to October 2011. From February 2009 until September 2010, Mr. Abrams served as a Senior Marketing Manager for Varian, Inc., a maker of scientific equipment which was acquired by Agilent Technologies, Inc., a maker of measurement tools, in May 2010. From March 1997 until November 2008, Mr. Abrams served in several roles, most recently as Vice President of Global Sales, at Brooks Automation, Inc., a provider of automation vacuum and instrumentation solutions. Mr. Abrams received a B.S. in Biological Sciences from Lowell Technological Institute and an M.B.A. from Boston University.

John T.C. Lee, Senior Vice President of Business Units, Age 53

Dr. Lee has served as our Senior Vice President of Business Units since January 2014. From November 2012 until December 2013, Dr. Lee served as our Senior Vice President, Controls, HPS and PFMC. From January 2011 to November 2012, Dr. Lee served as Senior Vice President, Controls and PFMC. From October 2007 to January 2011, Dr. Lee served as our Group Vice President, CIT Products. Prior to joining MKS, Dr. Lee served as the Managing Director of Factory Technology and Projects within the Solar Business Group at Applied Materials, Inc., a global leader in nanomanufacturing and technology solutions, from February 2007 until October 2007. From 2002 until 2007, he served as General Manager of the Cleans Product Group and the Maydan Technology Center at Applied

Materials. Prior to Applied Materials, Dr. Lee served from 1997 until 2002 as the Research Director of the Silicon Fabrication Research Department at Lucent Technologies, Inc., a voice, data and video communications provider, and from 1991 until 1997 as a Member of the Technical Staff in