

PDF SOLUTIONS, INC.

COMPENSATION COMMITTEE CHARTER

Purpose

The purpose of the Compensation Committee (the “Committee”) of the board of directors (the “Board”) of PDF Solutions, Inc., a Delaware corporation (the “Company”), is to discharge certain responsibilities of the Board with respect to compensation and to make such reports in respect of compensation, compensation practices and related matters as may be required of a compensation committee under the rules and regulations promulgated under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), including without limitation the Compensation Committee report to stockholders for inclusion in the Company’s annual proxy statement.

Membership & Organization

The Committee shall be comprised of at least two (2) members of the Board. Such members shall be appointed by the Board annually and each member of the Committee shall serve at the pleasure of the Board and may be replaced by the Board. Unless a chair is designated by the Board, the members of the Committee may appoint a chair of the Committee.

At any time during which the Company is subject to the periodic reporting requirements of the Exchange Act, each member of the Committee will be:

- (i) “independent” as defined under applicable rules of each stock exchange on which the Company’s shares are listed for trading or otherwise publicly quoted (except as otherwise permitted under such rules); and
- (ii) a “non-employee director” under Rule 16b-3(b)(3)(i) promulgated under the Exchange Act.

In the event that the Committee has more than two (2) members and one (1) or more members of the Committee are absent from a meeting of the Committee, or, being present at a meeting, recuse themselves from an action taken, the remaining members of the Committee (provided there are at least two (2) such members), acting unanimously, shall have the power to take any necessary action. No action of the Committee shall be valid unless taken pursuant to a resolution adopted and approved by at least two (2) members of the Committee. No employee member of the Committee shall participate in any discussions or deliberations relating to such person’s own compensation or other matters in which such person has a material interest.

The Committee may also act by unanimous written consent of the then-serving members of the Committee.

Authority & Responsibilities

The authority delegated to the Committee is set forth below. This description of authority is intended as a guide and the Committee may act and establish policies and procedures that are consistent with these guidelines or are necessary or advisable, in its discretion, to carry out the intent of the Board in delegating such authority and to fulfill the responsibilities of the Committee hereunder.

1. The Committee has exclusive authority to determine the amount and form of compensation paid to the Company's Chief Executive Officer, and to take such action, and to direct the Company to take such action, as is necessary and advisable to compensate the Chief Executive Officer in a manner consistent with its determinations. The Committee will review at least annually the Chief Executive Officer's performance in light of goals and objectives established by the Committee for such performance, including the relationship of such compensation to corporate performance, and in light of such review determine the Chief Executive Officer's compensation and incentive- compensation and equity-based plan awards. The Company's Chief Executive Officer shall not be present during Committee deliberations or votes with respect to the Chief Executive Officer's compensation.
2. With respect to "executive officers" (as defined in Rule 3b-7 under the Exchange Act) and "officers" (as defined in Rule 16a-1(f) under the Exchange Act) of the Company, other than the Company's Chief Executive Officer (the "Other Executive Officers"), the Committee has authority to determine the amount and form of compensation paid to the Other Executive Officers, and to take such action, and to direct the Company to take such action, as is necessary and advisable to compensate the Other Executive Officers in a manner consistent with its determinations. The Committee will review at least annually the Other Executive Officers' performance in light of goals and objectives established by the Committee for such performance, including the relationship of such compensation to corporate performance, and in light of such review determine the Other Executive Officers' compensation and incentive-compensation and equity-based plan awards.
3. The Committee has authority to determine the amount and form of compensation paid to the Company's executive officers, officers, employees, consultants and advisors and to review the performance of such persons in order to determine appropriate compensation, as well as to establish the Company's general compensation policies and practices and to administer plans and arrangements established pursuant to such policies and practices. The Committee has authority to take such action, and to direct the Company to take such action, as is necessary and advisable to compensate such persons and to implement such policies and practices in a manner consistent with its determinations. It is expected that the Committee may delegate its authority on these matters with regard to non-officer employees and consultants of the Company to officers and other appropriate Company supervisory personnel.
4. The Committee will periodically review and make recommendations to the Board as to compensation for the non-employee directors of the Board.

5. The Committee will review, at least annually, the Company's overall compensation philosophy, policies and programs, and assess whether the Company's compensation philosophy establishes appropriate incentives for applicable management and employees.
6. The Committee has authority to administer the Company's equity compensation plans, including without limitation to approve the adoption of such plans, to reserve shares of Common Stock for issuance thereunder, to amend and interpret such plans and the awards and agreements issued pursuant thereto, and to make awards to eligible persons under the plans and determine the terms of such awards.
7. The Committee has authority to select, engage, compensate and terminate compensation consultants, legal counsel and such other advisors as it deems necessary and advisable to assist the Committee in carrying out its responsibilities and functions as set forth herein, but only after taking into consideration factors relevant to the adviser's independence from management specified in NASDAQ Listing Rule 5605(d)(3). The Committee shall be directly responsible for the appointment, compensation and oversight of the work of any advisor retained by the Committee, and shall have sole authority to approve the advisor's fees and the other terms and conditions of the advisor's retention. Compensation paid to such parties and related expenses will be borne by the Company and the Company will make appropriate funding available to the Committee for such purposes.
8. Except with respect to the responsibilities set forth in paragraph 1 above, the Committee may delegate its authority granted under this Charter to a subcommittee of the Committee (consisting either of a subset of members of the Committee or, after giving due consideration to whether the eligibility criteria described above with respect to Committee members and whether such other Board members satisfy such criteria, any members of the Board). In addition, to the extent permitted by applicable law, the Committee may delegate to one or more officers of the Company (or other appropriate supervisory personnel) the authority to grant stock options and other stock awards to employees (who are not executive officers or members of the Board) of the Company or of any subsidiary of the Company.
9. At any time during which the Company is subject to the periodic reporting requirements of the Exchange Act, the Committee shall review and discuss with management the Company's proposed disclosure under the "Compensation Discussion and Analysis" required by Regulation S-K under the Exchange Act and recommend to the Board whether such Compensation Discussion and Analysis should be included in the Company's proxy statement and Annual Report on Form 10-K, including preparing annually, and in accordance with Regulation SK, the Compensation Committee report required under the Exchange Act, unless the Company is a "smaller reporting company" and elects to omit the disclosure.
10. The Committee shall periodically review and evaluate the Company's programs, priorities, and processes for the recruiting, staffing, developing and retaining of competent managers for present and future Company needs, including management succession planning for the Chief Executive Officer and Other Executive Officers.

11. The Committee shall be responsible for recommending to the Board the frequency of submitting to the stockholders an advisory vote on the compensation of the named executive officers, as defined by the rules and regulations of the Securities and Exchange Commission (the "SEC") and shall take into account the results of the most recent stockholder advisory vote on frequency of advisory votes on executive compensation required by Section 14A of the Exchange Act, and review and approve the proposals regarding the advisory vote on executive compensation and the frequency of the advisory vote on executive compensation to be included in the Company's proxy statement.
12. The Committee shall be responsible for assessing, at least annually, the risks associated with the Company's compensation policies and practices, and reporting to the Board and the Audit & Corporate Governance Committee whether the Company's compensation policies and practices create risks that are reasonably likely to have a material adverse effect on the Company

The Committee has the authority to perform such other activities and functions as are required by law, applicable stock exchange rules or provisions in the Company's charter documents, or as are otherwise necessary and advisable, in its or the Board's discretion, to the efficient discharge of its duties hereunder.

Except with respect to matters relating to compensation of the Company's Chief Executive Officer, with respect to which the Board delegates to the Committee exclusive authority during such period of time that the Committee consists of at least two (2) qualifying members as required above, the Board has simultaneously reserved to itself all authority delegated under this Charter to the Committee. This reservation of authority does not in any way limit the Committee's authority to act definitively on matters delegated to it under this Charter. Notwithstanding the above, the Board reserves the right at any time to revoke or change the authority delegated under this Charter.

Meetings

The Committee shall meet as often as it determines necessary, but it is anticipated that the Committee shall meet not less frequently than two (2) times each year. The Committee Chair may call Committee meetings and, in consultation with other Committee members, shall determine the frequency and length of Committee meetings and shall set agendas for such meetings consistent with this Charter. In the absence of a Committee Chair, a majority of the members of the Committee may call a meeting of the Committee.

Minutes & Reports

The Committee shall make regular reports to the Board with respect to significant actions and determinations made by the Committee. The Committee shall maintain written minutes of its meetings and shall, to the extent deemed appropriate, record its summaries of recommendations to the Board in written form. The minutes and the recommendations, as applicable, shall be incorporated as part of the minutes of the Board. To the extent required by applicable law, the Committee will also prepare and sign a Report of the Committee for inclusion in the Company's proxy statement for its Annual Meeting of Stockholders.

Periodic Review

The Committee will periodically review its own performance and report on its conclusions in this regard to the Board. In addition, the Committee will periodically review this Charter and make recommendations to the Board with regard to appropriate changes to the Charter.