

## CORPORATE GOVERNANCE BOARD GUIDELINES

### General

The Board of Directors (the “Board”) of PDF Solutions, Inc. (the “Company”) has adopted these following principles as the Company’s Corporate Governance Guidelines (the “Guidelines”) to assist the Board in the exercise of the its duties and responsibilities. These Guidelines will be applied in a manner consistent with all applicable laws and The Nasdaq Stock Market regulations, as well as the Company’s Articles of Incorporation, Bylaws, and the Board Committees Charters.

### I. BOARD STRUCTURE

1. Chairperson of the Board: On the recommendation of the Nominating and Corporate Governance Committee as a result of its annual review of the Company’s Board leadership structure, the independent Directors may, but are not required to, annually designate a Chairperson of the Board. Unless determined otherwise by the Board, the Chairperson of the Board and the Chief Executive Officer shall be separate individuals.

2. Lead Independent Director:

a) In the absence of a Chairperson, or if the Chairperson is not independent, the Board will appoint a Lead Independent Director.

b) The Chairperson of the Board, or in the absence of such a position, the Lead Independent Director, shall preside at all meetings of the stockholders and of the Board as a whole, as well as over executive sessions of the independent Directors, and shall perform such other duties, and exercise such powers, as from time to time shall be prescribed in the Company’s Bylaws or by the Board; provided that the Lead Independent Director, if any, shall preside over executive sessions of the Company’s independent Directors. In addition, the Lead Independent Director, if any, shall facilitate information flow and communication among the Directors and perform such other duties as may be specified by the Board and outlined in the Charter of the Lead Independent Director. The Board shall consider the rotation of the Lead Independent Director, if any, at such intervals as the Board determines on the recommendation of the Nominating and Corporate Governance Committee.

3. Majority of Independent Directors:

a) The Board shall be comprised of a majority of independent Directors. The Nominating and Corporate Governance Committee of the Board shall annually review and affirmatively determine the independence of each member of the Board.

b) The Nominating and Corporate Governance Committee’s assessment of the independence of a Director shall take the listing requirements of The Nasdaq Stock Market and any applicable federal securities laws or rules and regulations thereunder, as minimum requirements for independence. The Nominating and Corporate Governance Committee will consider all relevant facts and circumstances in making an independence determination, not merely from the standpoint of the Director, but also from that of persons or organizations with which the Director has an affiliation.

4. Majority Voting; Resignation Policy: The Company’s Bylaws provide for majority voting in uncontested director elections. Majority voting means that Directors are elected by a majority of the votes cast—that is, the number of shares voted “for” a Director must exceed the number of shares voted “against” that Director. Any incumbent Director who is not reelected in an election in which majority voting applies shall tender his or her resignation promptly following certification of the stockholder vote. The Nominating and Corporate Governance Committee shall consider the tendered resignation and make a recommendation to the Board as to whether the resignation should be accepted or whether other action should be taken. The Board shall act on the recommendation within 120 days following certification of the stockholder vote and shall promptly disclose (by press release, SEC filing or any other public means of disclosure deemed appropriate) its decision regarding whether to accept the Director’s resignation. The Director who tenders his or her resignation shall not participate in the recommendation of the Nominating and Corporate Governance Committee or the decision of the Board with respect to his or her resignation.

5. Board Size: It is the policy of the Company that the number of Directors not exceed a number that can function efficiently as a body.

6. Process for Director Selection:

a) The Nominating and Corporate Governance Committee shall periodically consider and make recommendations to the Board concerning the appropriate size and needs of the Board. The Nominating and Corporate Governance Committee considers candidates to fill new positions created by increases in the size of the Board and vacancies that occur by resignation, by retirement or for any other reason as well as candidates to fill newly created directorships. Directors may also, to the extent required by the securities laws and according to the process set forth in the Company's Bylaws, be nominated by stockholders of the Company.

b) Candidates considered by the Nominating and Corporate Governance Committee shall also be considered by other Directors, based on the recommendation of the Nominating and Corporate Governance Committee, and final approval of a candidate shall be determined by the full Board. Recommendations for Directors received from stockholders will be evaluated in accordance with the criteria set forth above.

7. Director Selection Criteria: The Nominating and Corporate Governance Committee shall develop policies and procedures relating to the process for identifying and evaluating Director candidates, including minimum qualifications and other factors it considers appropriate, which factors may include:

a) Personal characteristics, including demonstrated sound judgment and critical temperament;

b) Expertise that is useful to the Company and complementary to the background and experience of other Board members, taking into consideration the diversity of experience, background, race, gender, nationality and business acumen of other Board members.

c) The extent to which a candidate would fill a present or anticipated need on the Board;

d) The ability of the candidate to devote sufficient time to the affairs of the Company;

e) Commitment to serve on the Board for several years to develop knowledge about the Company's business;

f) Willingness to represent the best interests of all Company stockholders and objectively evaluate management performance.

A Director's qualifications in light of these factors shall be considered at least each time the Director is re-nominated for election to the Board.

8. Director Service on Other Public Boards: Ordinarily, Directors should not serve on more than three other boards of public companies in addition to the Company's Board.

9. Significant Change in Personal Circumstances and Other Matters.

a) The Board does not believe that Directors who experience a significant change in their personal circumstances, including a change in their principal employment, should necessarily leave the Board. A director who experiences a significant change in his or her principal business, professional position, employment or responsibility must tender his or her resignation from the Board, which resignation may be accepted or rejected by the Board in its sole discretion. The Nominating and Corporate Governance Committee shall consider the resignation and recommend to the Board the action to be taken. Management Directors must offer their resignation from the Board upon their resignation, removal or retirement as an officer of the Company.

b) A Director shall promptly notify the Chairperson of the Board and the Corporate Secretary in the event of any change or anticipated change in his or her affiliations, activities or professional or personal circumstances that (i) may create a conflict or potential conflict of interest, (ii) may trigger any Company reporting obligation, (iii) may result in the Director engaging in significant political activity (such as participating in a visible leadership position in a political campaign, running for office or accepting an elected or appointed political office), (iv) has the potential to cause embarrassment, negative publicity or reputational harm to the Company or the Director, and/or (v) could result in a possible inconsistency with the Company's policies or values. The Nominating and Corporate Governance Committee shall then review the appropriateness of that Director's continued service on the Board in light of the new circumstances and make a recommendation to the Board as to whether the resignation should be accepted.

10. Retirement Age and Tenure Policy: Directors are elected by class, with Directors in each class serving for a term of three years. The Board does not believe it should limit the number of terms an individual may serve as a Director or that a fixed retirement age for Directors is appropriate. Directors who have served on the Board for an extended time period are often able to provide valuable contributions and insight into the Company's operations based on their experience with, and understanding of, the Company's business, history and objectives. The Board does not believe that a Director should automatically be re-nominated. The Board and Committee self-evaluation processes are important determinants for continuing service.

11. Director Orientation and Continuing Education:

a) Each new Director shall, within six months of his or her election to the Board, attend a briefing session with senior management on the Company's strategic plans, its financial statements, and its key policies and practices, and have the opportunity to visit Company facilities. Sitting Directors may also participate in such orientation programs.

b) The Company offers continuing education programs in conjunction with scheduled Board meetings to assist the Directors in maintaining the necessary level of expertise to perform their responsibilities and to continue to develop the Directors' knowledge of the Company and its operations. The continuing education program offered by the Company includes the review of materials, meetings with key management and visits to Company facilities. The Company encourages Directors to attend continuing education programs, participate in professional associations and subscribe to appropriate publications.

## II. BOARD OVERSIGHT FUNCTIONS

1. Succession Planning: The Board is responsible for planning for succession of the position of Chief Executive Officer as well as certain other senior management positions, and for developing plans for interim succession in the event of an unexpected occurrence. To assist the Board, the Chief Executive Officer shall annually provide the Board with an assessment of other senior managers and their potential to succeed him or her. He or she shall also provide the Board with an assessment of persons considered potential successors to certain senior management positions.

2. Review of Chief Executive Officer Performance: The Compensation and Human Capital Management Committee is responsible for setting annual and long-term performance goals for the Chief Executive Officer and for evaluating his or her performance against such goals. The Compensation and Human Capital Management Committee meets annually with the Chief Executive Officer to receive his or her recommendations concerning such goals. Both the goals and the evaluation are submitted for consideration by the independent Directors at a meeting or executive session of that group. The Committee then meets with the Chief Executive Officer to evaluate his or her performance against such goals. The Compensation and Human Capital Management Committee, together with the Chairperson (if the Chairperson is a non-employee Director) or the Lead Independent Director, as applicable and such other Directors as they deem appropriate, then communicates the content and results of that evaluation to the Chief Executive Officer, including performance measured against the goal set.

3. Senior Management Performance Goals: The Compensation and Human Capital Management Committee is also responsible for setting annual and long-term performance goals and compensation for the direct reports to the Chief Executive Officer. These decisions are approved or ratified by action of the independent Directors at a meeting or executive session of that group.

4. Director Access to Corporate and Independent Advisors: Board members may consult with independent legal, financial, accounting and other advisors to assist in their duties to the Company and its stockholders.

### III. BOARD MEETINGS

1. Meeting Attendance: Directors are expected to attend Board meetings and meetings of the committees on which they serve. Each Director is also encouraged and expected to attend the Company's annual meeting of stockholders unless an emergency prevents them from doing so.

2. Agenda: The Chief Executive Officer, with approval from the Chairperson of the Board (if the Chairperson is a non-employee Director) or the Lead Independent Director, as applicable, shall set the agenda for Board meetings with the understanding that the Board is responsible for providing suggestions for agenda items that are aligned with the advisory and monitoring functions of the Board. Agenda items that fall within the scope of responsibilities of a Board Committee are reviewed with the chair of that Committee. Any member of the Board may request that an item be included on the agenda.

3. Advance Distribution of Materials; Review by Directors: Information that is relevant to the Board's understanding of matters to be discussed at an upcoming Board meeting should be distributed to the members of the Board sufficiently in advance of meetings to permit meaningful review. Advance information materials should generally be kept as concise as possible while giving Directors sufficient information to make informed decisions. Board members should review materials provided to them prior to Board meetings and arrive at such meetings prepared to discuss the issues presented.

4. Board Meetings: At the invitation of the Board, members of senior management and other employees recommended by the Chief Executive Officer shall attend Board meetings or portions thereof for the purpose of participating in discussions. Generally, presentations of matters to be considered by the Board are made by the manager responsible for that area of the Company's operations.

5. Executive Sessions: Executive sessions or meetings of non-employee Directors without management present are held regularly (at least two times a year) to review the report of the independent registered public accounting firm, the criteria upon which the performance of the Chief Executive Officer and other senior managers is based, the performance of the Chief Executive Officer against such criteria, the compensation of the Chief Executive Officer and other senior managers, and any other relevant matters. Meetings are held from time to time with the Chief Executive Officer for a general discussion of relevant subjects.

### IV. COMMITTEES OF THE BOARD

1. Number and Types of Committees: It is the general policy of the Company that all major decisions be considered by the Board as a whole. As a consequence, the Committee structure of the Board is limited to those Committees considered to be basic to, or required or appropriate for, the operation of the Company. The Board has established the following three standing committees:

- a) Audit Committee;
- b) Compensation and Human Capital Management Committee; and
- c) Nominating and Corporate Governance Committee.

2. Independent Directors on Certain Committee: The Audit Committee, Compensation and Human Capital Management Committee and Nominating and Corporate Governance Committee are made up of only independent Directors, as defined under applicable laws and regulations. In addition to the requirement that a majority of the Board satisfy the Board's independence standards, as described above under the heading Director Independence, members of the Audit Committee must also satisfy an additional independence standard. Specifically, they may not accept directly or indirectly any consulting, advisory or other compensatory fee from the Company or any of its subsidiaries other than their Director compensation from the Company. As a matter of policy, the Board also will apply a separate and heightened independence standard to members of both the Compensation and Human Capital Management Committee or the Nominating and Corporate Governance Committee. No member of either

Committee may be a partner, member or principal of a law firm, accounting firm or investment banking firm that has received consulting or advisory fees from the Company or any of its subsidiaries at any time during the Company's last three fiscal years, or which the Company proposes to retain during the Company's next fiscal year.

3. Assignment and Rotation of Committee Chair and Membership: The members and chairs of the Committees shall be recommended to the Board by the Nominating and Corporate Governance Committee. The Board shall consider the rotation of committee assignments and of committee Chairs at such intervals as the Board determines on the recommendation of the Nominating and Corporate Governance Committee. Consideration of rotation shall seek to balance the benefits derived from continuity and experience, on the one hand, and the benefits derived from gaining fresh perspectives and enhancing Directors' understanding of different aspects of the Company's business and enabling functions.

4. Committee Reports: Reports of committee meetings are to be submitted to the full Board, subsequent to each committee meeting.

## **V. COMMITTEE FUNCTIONS**

1. Meeting Conduct: The frequency, length and agenda of meetings of each of the Committees are determined by the chair of the Committee. Sufficient time to consider the agenda items is provided. Materials related to agenda items are provided to the Committee members sufficiently in advance of the meeting where necessary to allow the members to prepare for discussion of the items at the meeting.

2. Committee Meetings: At the invitation of any of the Committees, members of senior management and other employees recommended by the Chief Executive Officer shall attend Committee meetings or portions thereof for the purpose of participating in discussions. Generally, presentations of matters to be considered by the Committee are made by the manager responsible for that area of the Company's operations.

3. Scope of Responsibilities: The responsibilities of each of the Committees are determined by the Board from time to time.

## **VI. BOARD EVALUATION, DIRECTOR COMPENSATION AND STOCK OWNERSHIP**

### 1. Board and Committee Self-Evaluation:

a) The Board (under the supervision of the Nominating and Corporate Governance Committee) and each Committee will conduct a self-evaluation of their performance at least annually.

b) The Nominating and Corporate Governance Committee is responsible for developing and overseeing an annual self-evaluation process for the performance of the Board, Board Committees and individual Directors. The Nominating and Corporate Governance Committee is also responsible for assessing the effectiveness of the process used.

2. Director Compensation: The Company's policy is to compensate its Directors competitively relative to comparable companies, and, to the extent permitted under applicable securities laws, to provide additional compensation for members of Committees for their services in those positions. The Compensation and Human Capital Management Committee shall periodically review the Director compensation levels and practices, and will recommend, from time to time, changes in such compensation levels and practices to the Board.

3. Stock Ownership Requirement: The Board believes that an ownership stake in the Company strengthens the alignment of interests between Directors and stockholders. Accordingly, each non-employee Director should own common stock (or equivalents) having a value of at least five times the Director's annual retainer fee, within three years of becoming a Director, which shall be maintained through the Director's term of service. In the event that the annual retainer fee is increased, Directors will have one year to meet the new ownership guidelines. The Board will evaluate whether exceptions should be made for any Director on whom this guideline would impose a financial hardship. For purposes of satisfying these

requirements, a non-employee Director's share ownership includes all shares of the Company's common stock owned by such non-employee Director outright or held in trust for the non-employee Director and his or her immediate family, but not a non-employee Director's unvested or unexercised equity (i.e. unvested restricted stock or stock unit awards or outstanding stock options). The value of shares shall be measured as the greater of the then-current market price or the closing price of the Company's common stock on the acquisition date.

## **VII. COMMUNICATIONS**

### **1. Board Interaction with Third Parties:**

a) The Chief Executive Officer is responsible for establishing effective communications with the Company's stakeholder groups, i.e., stockholders, customers, employees, communities, suppliers, creditors, governments and corporate partners.

b) It is the policy of the Board that the Chief Executive Officer and the Chief Financial Officer of the Company act as the spokespersons for the Company, although management may, from time to time, request individual Directors to meet or otherwise communicate with various constituencies that are involved with the Company. Individual Directors will only speak with the media about the Company if authorized by the full Board and in accordance with the policies of the Company, including the Lead Independent Director Charter.

2. Stockholder Access to Directors: It is the policy of the Board that stockholders shall have reasonable access to Directors at annual meetings of stockholders and an opportunity to communicate directly with Directors on appropriate matters. The Board will generally respond, or cause the Company to respond, in writing to bona fide communications from stockholders addressed to one or more members of the Board.

3. Confidentiality: In order to facilitate open discussions, the Board believes maintaining confidentiality of information and deliberations is imperative. Each Director has a fiduciary obligation to maintain the confidentiality of information received in connection with his or her service as a Director or committee member. Directors should refer to the full text of the Director Confidentiality Policy for further guidance on their confidentiality obligations.

## **VIII. POLICY ON POISON PILLS**

### **1. Poison Pill Policy Statement:**

a) The term "Poison Pill" refers to a type of stockholder rights plan that some companies adopt to provide an opportunity for negotiation during a hostile takeover attempt. The Board has adopted a statement of policy that it shall seek and obtain stockholder approval before adopting a Poison Pill; provided, however, that the Board may determine to act on its own to adopt a Poison Pill, if, under the circumstances, the Board, including the majority of the independent members of the Board, in its exercise of its fiduciary responsibilities, deems it to be in the best interest of the Company's stockholders to adopt a Poison Pill without the delay in adoption that would come from the time reasonably anticipated to seek stockholder approval.

b) If the Board were ever to adopt a Poison Pill without prior stockholder approval, the Board would either submit the Poison Pill to stockholders for ratification, or would cause the Poison Pill to expire within one year.

c) The Nominating and Corporate Governance Committee will review this Poison Pill policy statement on an annual basis, including the stipulation which addresses the Board's fiduciary responsibility to act in the best interest of the stockholders without prior stockholder approval, and report to the Board any recommendations it may have concerning the policy.

## **IX. PERIODIC REVIEW OF CORPORATE GOVERNANCE GUIDELINES**

1. Periodic Review: The Guidelines will be reviewed annually by the Nominating and Corporate Governance Committee; changes, if any, will be recommended to the Board for consideration.