

RELATED PARTY TRANSACTIONS POLICY

1. Purpose

PDF Solutions, Inc. (collectively with its subsidiaries, the “**Company**”) is committed to promoting high standards of ethical business conduct and compliance with applicable laws, rules and regulations. As part of this commitment, after considering the recommendation of the Audit Committee (the “**Audit Committee**”) of the Board of Directors (the “**Board**”) of the Company, the Board has adopted this Related Party Transactions Policy (this “**Policy**”).

The Company expects its directors, officers and employees to avoid conflicts of interests that interfere with the performance of their duties to the Company or that might deprive the Company of that person’s undivided loyalty in business dealings. Transactions to which the Company is a party and in which a Related Party (as defined below) has a material interest may present an actual or potential conflict of interest or create the appearance of a conflict. Whether a conflict exists is often unclear and, in many circumstances, transactions with Related Parties may, on balance, be beneficial to the Company and its stockholders. While the Company’s Code of Ethics addresses these matters generally, the Board has adopted this Policy to set forth the procedures for the identification, review, consideration and approval or ratification of transactions involving the Company and Related Parties.

2. Approval of Related Party Transactions

2.1 Policy

All transactions with Related Parties, other than transactions for which Audit Committee approval is not required by this Policy, may be consummated or shall continue only if the Audit Committee shall have approved or ratified such transaction in accordance with the guidelines set forth in this Policy. Subject to the applicable Implementation Guidelines (as defined below), a listing of and supplementary information on all such transactions shall be provided to the Audit Committee on a periodic basis.

The Audit Committee shall approve or ratify only those transactions with Related Parties that, in light of known circumstances, are in or are not inconsistent with, the best interests of the Company and its stockholders, as such Audit Committee determines in the good faith exercise of the Audit Committee’s discretion. No director shall participate in any approval or ratification of any transactions with Related Parties for which he or she is a Related Party. The Audit Committee, in the Audit Committee’s sole discretion, may impose such conditions as it deems appropriate on the Company or the Related Party in connection with the approval or ratification of the proposed transaction. The Audit Committee shall convey the decision, including any conditions imposed on the transaction, to the Compliance Officer (as defined below), who shall convey the decision to the appropriate persons within the Company.

If it is not feasible for the Audit Committee to take an action with respect to a proposed Related Party transaction, then the transaction may be preliminarily entered into by management upon prior approval of the transaction by the Chairperson of the Audit Committee subject to ratification of the transaction by the Audit Committee at the Audit Committee’s next regularly scheduled meeting; *provided*, that if ratification shall not be

forthcoming, management shall make all reasonable efforts to cancel or annul such transaction.

2.2 Factors

The Audit Committee, in approving, ratifying or rejecting the proposed transaction with a Related Party, shall consider the relevant and available facts and circumstances, including such facts as: (i) the Related Party's relationship to the Company and his or her interest in the transaction; (ii) the material facts of the proposed Related Party transaction, including the proposed aggregate value of such transaction or, in the case of indebtedness, the amount of principal that would be involved; (iii) the purpose and benefits of the proposed Related Party transaction with respect to the Company; (iv) if applicable, the availability of other sources of comparable products or services; (v) the impact on a director's independence in the event the Related Party is a director, immediate family member of a director or an entity with which a director is affiliated; and (vi) any other relevant information and considerations with respect to the proposed transaction that the Audit Committee may deem appropriate.

3.3 Ongoing Transactions

If a transaction with a Related Party is of the type that will be ongoing, the Audit Committee may establish guidelines for the Company to follow in its ongoing dealings with the Related Party. Thereafter, the Audit Committee, from time to time as the Audit Committee deems appropriate, shall review and assess such ongoing relationships with the Related Party to confirm that such relationships remain in compliance with the Audit Committee's guidelines, if any, and that the transaction with the Related Party remains appropriate, in which case the Audit Committee will ratify any transactions with Related Party that result from such ongoing relationships.

3. Disclosure

All transactions with Related Parties that are required to be disclosed in the Company's filings with the SEC, as required by the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended, and related rules and regulations, or the Company's financial statements pursuant to FASB Accounting Standards Codification Topic 850, *Related Party Disclosures* ("**ASC 850**"), shall be so disclosed in accordance with such laws, rules and regulations.

The material features of this Policy shall be disclosed in the Company's annual report on Form 10-K or in the Company's proxy statement, as required by applicable laws, rules and regulations.

4. Board Notice

The Audit Committee shall update the Board with respect to any transactions with Related Parties as part of its regular updates to the Board regarding Audit Committee activities.

5. Standing Pre-Approval for Certain Related Party Transactions

The Audit Committee has determined that for the purposes of this Policy, in the absence of facts or circumstances indicating special or unusual benefits to the Related Party, the following transactions, arrangements or relationships need not be approved by the Audit Committee under

this Policy:

- any employment by the Company of an executive officer of the Company if:
 - the related compensation is required to be reported in the Company's proxy statement under the SEC's compensation disclosure requirements (generally applicable to "named executive officers") under Item 402 of Regulation S-K; or
 - the executive officer is not an immediate family member of another executive officer, director, or nominee for director of the Company, the related compensation would be reported in the Company's proxy statement under Item 402 of Regulation S-K if the executive officer were a "named executive officer," and the Compensation Committee of the Board approved (or recommended that the Board approve) such compensation;
- any compensation paid to a director (in such capacity) if the compensation is required to be reported in the Company's proxy statement under Item 402 of Regulation S-K;
- any transaction where the Related Party's interest arises solely from the ownership of the Company's capital stock and all holders of the Company's capital stock received the same benefit on a *pro rata* basis (e.g., dividends);
- any transaction with a Related Party (a) where the rates or charges involved are determined by competitive bids; (b) involving the rendering of services as a common or contract carrier or public utility, at rates or charges fixed in conformity with law or governmental authority; or (c) involving services as a bank depository of funds, transfer agent, registrar, trustee under a trust indenture or similar services;
- any (a) charitable contribution, grant or endowment by the Company to a charitable organization, foundation or university at which a Related Party's only relationship is as an employee (but not an executive officer); (b) charitable contribution, grant or endowment by the Company to a charitable organization, foundation or university at which a Related Party is a trustee, director or executive officer, if the aggregate amount involved in a fiscal year of the Company does not exceed the greater of (i) \$200,000 or (ii) 5% of the consolidated gross revenues of such charitable organization, foundation or university; or (c) non-discretionary matching contribution, grant, or endowment made pursuant to a matching gift program;
- any transaction with another company at which a Related Party's only relationship is as (a) a director, (b) a beneficial owner of less than 10%, together with all Related Parties, of that company's outstanding equity, or (c) in the case of partnerships, a limited partner, if the limited partner, together with all Related Parties, has an interest of less than 10% and the limited partner does not hold another position in the partnership, and in the case of payments from the Company to such other company, if the aggregate amount involved does not exceed the greater of (i) \$200,000 or (ii) 5% of the other company's consolidated gross revenues;
- transactions available to all employees generally;
- ordinary course business travel and expenses, advances and reimbursements; and

- any indemnification payments and other payments made pursuant to (a) directors and officers insurance policies, (b) the Company's Certificate of Incorporation or Bylaws then in effect and/or (c) any policy, agreement or instrument approved by the Board.

6. Definitions

As used in this Policy, the following terms have the meanings set forth in this section.

"Compliance Officer" means the Company's Chief Financial Officer (including on an interim/acting basis); *provided, that*, in the event that there is no Chief Financial Officer, or the Chief Financial Officer is otherwise unavailable, the Company's Chief Executive Officer shall be authorized to serve as the Compliance Officer in the interim or to designate another person as the Compliance Officer.

"Related Party" means any:

- person who is, or at any time since the beginning of the Company's last fiscal year, was, a director or executive officer of the Company or a nominee to become a director of the Company;
- security holder known by the Company to be the beneficial owner of more than 5% of any class of the Company's voting securities (a **"significant stockholder"**); or
- **"immediate family member"** of any of the foregoing, which means any child, stepchild, parent, stepparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law of such person, and any person (other than a tenant or employee) sharing the household of such person.

For purposes of this Policy, a **"transaction with a Related Party"** means any transaction, arrangement or relationship (or any series of similar transactions, arrangements or relationships), involving the Company in which any Related Person has, had or will have a direct or indirect material interest and the aggregate amount involved exceeds \$120,000.

7. Implementation

The Company's management has developed, and the Audit Committee has reviewed, procedures and practices (collectively, the **"Implementation Guidelines"**) intended to facilitate compliance with this Policy. For the avoidance of doubt, management retains the authority to adopt and modify the Implementation Guidelines.

8. Amendments

The Audit Committee shall periodically assess the appropriateness of this Policy, including whether and to what extent modifications should be recommended for consideration by the Board.

9. Interpretation

This Policy is intended to comply with Item 404 of Regulation S-K. Notwithstanding anything herein to the contrary, this Policy shall be interpreted only in such a manner as to comply with Item 404 of Regulation S-K. In the event that a Related Party transaction would constitute a conflict of interest or a corporate opportunity under the Company's Code of Ethics, the provisions

of the Code of Ethics also shall apply to such Related Party transaction. Any such Related Party transaction may not be approved hereunder unless it is also approved in accordance with the provisions of the Code of Ethics and disclosed to the public to the extent required by law or the rules of The Nasdaq Stock Market.

* * *

PDF SOLUTIONS, INC.

IMPLEMENTATION GUIDELINES FOR RELATED PARTY TRANSACTIONS POLICY

Identification of Related Parties

Upon becoming a director or executive officer of the Company and annually thereafter, each director or executive officer shall submit to the Company's legal department (the "**Legal Department**") the following information through the completion of a director and officer or other questionnaire: (i) a list of his or her immediate family members (as defined above); (ii) for each person listed and, in the case of a director, for the director, the person's employer and job title or brief job description; (iii) for each person listed (and for the director or executive officer, as applicable), each firm, corporation or other entity in which such person is a partner, director or principal or in a similar position or in which such person has a 5% or greater beneficial ownership interest; and (iv) for each person listed (and for the director or executive officer, as applicable), each charitable or non-profit organization for which the person is actively involved in fundraising or otherwise serves as a director, trustee, officer or in a similar capacity.

At the time the Company becomes aware of any other person's status as a significant stockholder, the Legal Department, by examining Schedule 13D/G filings with the Securities and Exchange Commission relating to the Company, will inform the Company's Controller of the following information, to the extent the information is readily available, (a) if the person is an individual, the same information as is requested of directors and executive officers under this Policy, and (b) if the person is a firm, corporation or other entity, a list of principals or executive officers of the firm, corporation or entity.

Maintenance of Master List of Related Parties

The Company's Controller shall prepare, maintain, and update a master list of Related Parties as appropriate. As part of this process, the Company's Controller shall endeavor to circulate the list of Related Parties to each director and executive officer on a quarterly basis to seek updates or confirmation that there have been no changes.

Procedures for Monitoring for and Reporting Related Party Transactions

At least quarterly, the Company's Controller shall distribute the updated master list of Related Parties to each director and executive officer. Such directors and executive officers shall review their respective transaction records against the master list and notify the Company's Controller or Chief Financial Officer of any transactions with a person or entity identified on the master list. The Company's Controller or Chief Financial Officer will be responsible for collecting the details of any such transactions and reporting them to the Audit Committee as appropriate under the Related Party Transactions Policy.

In addition, prior to entering into or amending any Related Party transaction, the party involved must provide notice to the Company's Controller of the facts and circumstances of the proposed transaction, including:

- The Related Party's relationship to the Company and his or her interest in the transaction;
- The material facts of the proposed Related Party transaction, including the proposed aggregate value of such transaction or, in the case of indebtedness, the amount of principal that would be involved; and
- The purpose and benefits of the proposed Related Party transaction with respect to the Company.

If the Company's Controller or Chief Financial Officer determines the proposed transaction is a Related Party transaction and the amount involved will or may be expected to exceed \$120,000 in any calendar year, the proposed transaction will be submitted to the Audit Committee for its prior review and approval or ratification. Related party transactions that involve \$120,000 or less will be reported to the Audit Committee on a quarterly basis but are not required to be approved or ratified by the Audit Committee.