2024 Environmental, Social, and Governance Report

PDF Solutions, Inc. | November 7, 2025

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Introduction

About This Report

This 2024 Environmental, Social, and Governance ("ESG") Report covers the operations of PDF Solutions, Inc. ("PDF Solutions," "PDF," or the "Company") for fiscal year 2024, which began on January 1, 2024, and ended on December 31, 2024, unless otherwise noted.

Throughout this report, we define ESG as a way of categorizing factors that impact a company's performance as well as a strategy for integrating these factors into the business to operate in a sustainable manner.

The contents of this report are informed by our ESG Priority Assessment, which leveraged leading sustainability reporting standards and frameworks, including the Sustainability Accounting Standards Board ("SASB"), the Global Reporting Initiative ("GRI"), and the Task Force on Climate-Related Financial Disclosures ("TCFD"). This report has been prepared in alignment with disclosure topics included in the SASB Software & IT Services Standard and the Electrical & Electronic Equipment Standard.

About PDF Solutions

PDF Solutions, Inc. (Nasdaq: PDFS) provides comprehensive data solutions designed to empower organizations across the semiconductor and electronics industry ecosystem to improve integrated circuit ("IC") yield, performance and quality of their products, and operational efficiency, in each case for increased profitability. Our customers include Fortune 500 companies across the broader semiconductor and electronics industry ecosystems to achieve smart manufacturing goals by connecting and controlling equipment, collecting data generated during manufacturing and test operations, and performing advanced analytics and machine learning to enable profitable, high-volume manufacturing.

PDF Solutions was first incorporated in Pennsylvania in 1992, and we reincorporated in California in 1995. In 2000, we reincorporated in Delaware, and in 2001, we completed an initial public offering.

From 2000 through 2009, we expanded our technology footprint and our operations in various countries through acquisitions. From 2009 to 2019, we primarily focused on the pervasive application of our technology to leading edge logic manufacturing and achieving yield targets with our clients that maximized Gainshare royalties. In 2013, we leveraged our extensive experience in yield simulation software and CV® test chip development and started research and development on an e-beam solution for non-contact, inline electrical inspection, and process control for wafer inspection. In a parallel effort, starting in 2014, we re-architected our point-solution software tools into a new generation, highly-integrated data analytics Exensio platform, which resulted in accelerated growth in our software business through 2019. In December 2020, we completed the acquisition of Cimetrix and began providing software products based on open standards for equipment control and connectivity to equipment manufacturers and factories. We released our first e-beam tool in 2015, with the latest generation in early 2025. Also in early 2025, PDF Solutions acquired SecureWise LLC, adding a secure network for remote tool connection and operation to its portfolio.

A Message from Our CEO

Dear Stakeholders,

I am pleased to present to you our third annual Environmental, Social, and Governance (ESG) report, covering the year 2024.

At PDF Solutions, we believe we have a meaningful role to play in minimizing the environmental footprint of the semiconductor industry. Our innovative solutions are designed to accelerate the transition to smaller nodes, improve semiconductor yield, and enhance the operational efficiency of manufacturing facilities. Smaller nodes typically result in lower power consumption when chips are deployed, while improved yields and efficiencies reduce the energy, water, and material usage required to produce the same volumes of good die across fabs, test, and assembly operations. The result of reducing energy and water requirements are reductions in our customers' manufacturing costs. As we reflect on the year, several key statistics and industry trends underscore the urgency and importance of our collective environmental efforts:

- The IT sector accounts for approximately 10% of global electricity consumption and contributes approximately 2-3% of global carbon emissions – comparable to the aviation industry.
- Data centers alone consumed between 240-340 terawatt-hours (TWh) of electricity in 2022, representing about 1-1.3% of global electricity use.
- The IT sector's electricity demand is projected to grow by 50% by 2030, reaching an estimated 3,200 TWh annually.

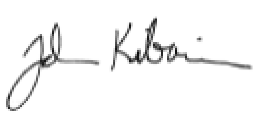
Looking ahead, we are excited about the opportunity to partner with our customers and suppliers in their journeys towards achieving climate-related and broader environmental goals. We believe that the growing use of artificial intelligence (AI) in semiconductor manufacturing presents both a challenge and an opportunity. On one hand, AI workloads are driving demand for more powerful chips and data center capacity, which increases energy consumption. On the other hand, AI is also enabling smarter, more efficient manufacturing processes—helping to reduce waste, optimize resource usage, and improve ESG transparency across the supply chain. By leveraging our expertise and resources, we aim to be a catalyst for progress and positive change within the industry. We remain committed to helping our partners navigate this evolving landscape with solutions that support sustainability, innovation, and operational excellence.

While environmental stewardship remains a focus, I also want to highlight the critical role that social responsibility and strong governance play in shaping our culture and driving sustainable impact. We continue to invest in our people and in 2024 ramped up our direct investment in our local communities with participation by teams of volunteers from four of our global offices. In terms of governance, we uphold the highest standards of integrity, transparency, and accountability. Our leadership and board are deeply engaged in ensuring ethical decision-making, robust risk management, and long-term value creation for all stakeholders.

We believe we have a strong governance foundation with comprehensive policies and an experienced Board. A growing area of focus within our governance framework is data security. As digital threats evolve, we are strengthening our cybersecurity posture, enhancing protections, and embedding data governance across our operations. Safeguarding sensitive information is not only a regulatory obligation, but also a core responsibility to our customers, employees, and partners. We believe that good governance is not just about compliance, it's about earning trust every day. Together, these pillars of ESG guide us toward a future that is not only profitable, but principled and people-centered.

In closing, I want to express my sincere gratitude to you for your continued support of our mission. Together, we are enabling semiconductor and electronics companies to create, access, and organize data to drive better time-to-market, yields, quality, and efficiency.

Warm regards,



Dr. John K. Kibarian
CEO, President, and co-founder

ESG Priority Assessment

We conducted our first ESG Priority Assessment in 2022. We use that assessment as a continuing guide for our overall ESG strategy. The ESG Priority Assessment was designed to identify the environmental, social, and governance topics with the greatest impact on our business strategy, operations, and value creation, including topics that are important to our customers and business partners. In the future, we may assess a wider range of ESG topics to further inform our strategy or increase the scope of our priorities.

1. **Identify a list of sustainability-related issues and opportunities relevant to our business, industry, and stakeholders including customers**
2. **Consolidate our sustainability issues and opportunities into relevant ESG topics based on comprehensive analysis**
3. **Prioritize our ESG topics based on their impact on our business, using input from management and technical experts**
4. **Validate our priority ESG topics through engagement with our leadership and a presentation to the Board**

Our priority ESG topics, in order of highest priority to our business, are as follows:

- Data Security
- Human Capital Management
- Corporate Governance
- Public Policy
- Risk Management
- Business Ethics
- Diversity, Equity, and Inclusion
- Sustainable Products
- Responsible Sourcing
- Impact and Local Communities
- Environmental Sustainability
- Climate Change

This ESG Report describes the initiatives that are in alignment with the priority ESG topics and includes relevant metrics aligned with the SASB standards. As we continue to develop our ESG strategy and goals, our aim is to increase the scope of our program and our reporting to cover more of our priority topics.

For more information around the scope and methodology of the ESG Priority Assessment, please see our 2022 ESG Report.

ESG Oversight

Given the importance of ESG to the long-term success of our business, our Board and its committees play a critical role in overseeing ESG matters.

Board of Directors

The Board is responsible for (i) oversight of ESG risks and opportunities and (ii) the integration of ESG into strategy, to the extent material to the business.

NCG Committee

The Nominating and Corporate Governance (NCG) Committee, on behalf of the Board, reviews and oversees our programs, policies, practices, disclosures, risks and opportunities, measures, objectives and performance relating to environmental, social and governance issues, and makes recommendations to the Board regarding the integration of ESG matters into our business strategy and operation.

CHCM Committee

The Compensation and Human Capital Management (CHCM) Committee, on behalf of the Board, reviews and oversees our programs, policies, practices, disclosures, relevant risks and opportunities, measures, objectives and performance relating to human capital matters, including but not limited to matters regarding culture, recruiting, retention, career development and progression, diversity, equity and inclusion, human health and safety, and total rewards, and makes recommendations to the Board regarding the integration of human capital matters into our business strategy and operation.

Audit Committee

The Audit Committee, on behalf of the Board, oversees the principal enterprise risk exposures facing the Company and the Company's mitigation, control and monitoring efforts in respect of such risks, including but not limited to environmental and sustainability risks, and reviews with management the Company's business continuity and disaster preparedness planning.

The Audit Committee, on behalf of the Board, also reviews cybersecurity risks, incidents, the adequacy and effectiveness of the Company's information and cyber security policies and the internal controls regarding information and cyber security and any other risks and incidents relevant to the Company's computerized information system controls and security.

Management-Level ESG Steering Committee

The purpose of the management-level ESG Steering Committee is to (i) establish programs, policies and practices relating to ESG matters and (ii) assist the NCG Committee of the Board in fulfilling its oversight responsibilities with respect to ESG matters. The ESG Steering Committee is chaired by the General Counsel.

Environmental Sustainability

PDF Solutions is committed to addressing environmental sustainability in its business activities and to helping spread awareness of environmental issues in the semiconductor industry. Our approach to environmental sustainability considers both our own operations and the significant indirect environmental impact that our products can have on our customers' operations, as well as what role we can play regarding the issues facing the broader industry.

Industry Leadership

We have participated in and led events to spread awareness of environmental issues in the semiconductor industry and sustainability paths for the manufacturing of integrated circuits (ICs). We intend to continue our involvement in these types of events.

In November 2024, our Technical Fellow, Dr. Tomasz Brozek, initiated and served as a guest editor of a special section on sustainability in Volume 37, Number 4 of *IEEE Transactions on Semiconductor Manufacturing*. This section showcased a number of invited papers from industry participants and research centers, addressing a wide range of environmental issues and possible paths towards NetZero.

Dr. Brozek also leads the Technical Committee on Semiconductor Manufacturing of the IEEE Electron Device Society, where he organized a series of webinars to raise the awareness of sustainability problems in semiconductor manufacturing for engineers, researchers, and students. The webinars began initial presentation in 2024.

Product Sustainability Strategy

We work with some of the largest logic semiconductor manufacturers in the world to help improve the time-to-market and yield of their manufacturing processes. Our products and services can drive efficiencies for our customers, indirectly help to reduce their consumption of natural resources, including energy, water, and silicon, with significant indirect impacts on waste and greenhouse gas (GHG) emissions, which can indirectly lower their environmental footprint.

We implement hybrid or cloud solutions for semiconductor manufacturers' process control and manufacturing analysis. These solutions use less energy than traditional on-premises IT infrastructure, reduce waste such as paper, and enable remote work, reducing the need for commuting and travel.

We believe sustainability will play an increasing role in our customers' priorities as they seek to decarbonize their operations. Helping our customers achieve their environmental sustainability goals may represent an opportunity for us. In the future, we intend to review the direct and indirect environmental benefits of our solutions and to assess opportunities to integrate environmental factors into the development of new products and may work to identify and measure the direct environmental benefits of our products.

ESG and AI Challenges and Benefits for the Semiconductor Industry

In response to rising geopolitical tensions, many countries are investing heavily in domestic semiconductor manufacturing to reduce reliance on foreign supply chains.[1] While this enhances national security, it also leads to ***redundant capacity*** *across regions. Multiple nations building similar fabrication capabilities results in* ***global overcapacity****, which amplifies the industry's environmental, social, and governance (ESG) footprint beyond what is necessary to meet actual demand.[2]*

Semiconductor manufacturing is ***highly resource-intensive, consuming vast amounts of energy and water,*** *and* ***emitting significant greenhouse gases****—especially from fluorinated gases used in chip production.[3] When countries duplicate manufacturing infrastructure, the cumulative environmental impact increases disproportionately, undermining global sustainability goals.[4]*

Moreover, fragmented and duplicated supply chains complicate ESG oversight, making it harder to enforce consistent standards across borders.[5] This geopolitical fragmentation risks escalating ESG burdens while offering diminishing returns in terms of efficiency or innovation.

The ***integration of artificial intelligence (AI)*** *into semiconductor manufacturing presents a powerful counterbalance to these challenges. AI is increasingly used to* ***optimize production processes****,* ***reduce energy consumption****, and* ***minimize waste*** *in fabs.[6] For example, AI-driven defect detection and predictive maintenance improve yield and reduce resource-intensive rework.[7] Smart fabs equipped with AI and FDC sensors can dynamically adjust operations which leads to reduction of emissions and water usage.[8] Moreover, AI enables real-time ESG data tracking, helping companies align operational decisions with sustainability goals.[9] This is especially critical as ESG regulations tighten globally and supply chain transparency becomes a strategic imperative.[10]*

Yet, the rise of AI also introduces new ESG challenges. The demand for AI-specific chips—such as GPUs and TPUs—has led to ***increased energy use and carbon emissions in both manufacturing and data center operations.****[11] Thus, while geopolitical redundancy increases ESG burdens,* ***AI offers a pathway to mitigate these impacts****—but only if its deployment is coupled with sustainable design, responsible sourcing, and energy-efficient infrastructure.*

Sustainability Strategy

We strive to protect the environment through sound business and operations management practices and decisions.

We look for opportunities to conserve energy, reduce consumption of natural resources, preserve air, soil, and water quality, manage waste properly, and reuse and recycle. We continue to look for opportunities to reduce the use of toxic substances in our operations where possible, including in our cleanroom and lab facilities.

In the future, we intend to conduct self-assessments regarding relevant environmental protection measures and to measure and evaluate our use of energy, water, and the generation of waste in our worldwide facilities. We have no operations in high water stress areas. At our cleanroom and lab facilities, in 2024, we continued to recycle 100% of wood, metal, and recyclable plastic waste. We commit to follow international guidelines for disposal of our electronic waste. We do not directly incinerate any of our non-hazardous waste. All other non-hazardous waste goes to landfill.

Sustainability Oversight and Management

Our Board holds the highest level of responsibility related to our environmental strategy. The Board has delegated this responsibility to the Nominating and Corporate Governance Committee.

In 2022, we established an ESG Steering Committee, which includes members of our executive leadership team and internal experts with knowledge of relevant environmental topics, to (i) establish programs, policies, and practices relating to ESG matters, and (ii) assist the NCG Committee of the Board in fulfilling its oversight responsibilities with respect to ESG matters. The ESG Steering Committee is chaired by the General Counsel.

Sustainable Operations

In the future, we intend to look for ways to reduce energy consumption in our worldwide facilities. When feasible, we seek to lease facilities that have been built or remodeled to have features such as LED lighting, motion detector lighting, and smart thermostats. Our headquarters, cleanroom, and lab facilities are compliant with California's Title 24 energy efficiency standards.

We track and monitor energy consumption in our cleanroom and lab facilities.

Water is a critical sustainability challenge for our customers in the semiconductor industry but is not material in our own operations. We do not use water in our product development and manufacturing processes. In 2024, we used water only in connection with kitchens and restrooms, which all have low flow valves at our headquarters, cleanroom, lab, and Canadian facilities.

Our product development and manufacturing processes are inert, producing no off gas or emissions. The only reportable, hazardous material that we use is in our cleanroom: liquid nitrogen. The liquid nitrogen is stored in a tank external to our building and monitored using telematics by an independent third-party specializing in such activity. In 2024, we had no reportable incidents related to liquid nitrogen stored at i our facilities. We have both a main, permanently installed nitrogen tank, as well as a smaller, dewar tank. The main tank is refilled on site, while the dewar tank is exchanged and refilled offsite for future exchange. We have a program for the management of hazardous waste, which seeks to reduce waste through reuse when feasible and requires any disposal of such waste in accordance with local laws. In 2024, since our tanks are both reusable, we did not dispose of any nitrogen containers.

Responsible Sourcing

We are committed to responsible sourcing in our product supply chain, including ethical production, and the protection of human rights.

Although we are not a member of the Responsible Business Alliance ("RBA") (formerly the Electronics Industry Citizenship Coalition or EICC), in 2021 in an effort to further our ESG efforts, we incorporated the RBA Code of Conduct into our Supplier Code of Conduct to supplement our Code of Ethics, including the specific policies of the RBA Code relating to the five critical areas of corporate social responsibility: labor, health and safety, environment, management systems, and ethics. A copy of the Supplier Code of Conduct is available at www.pdf.com/company/trust-center/working-with-pdf-solutions/supplier-code-of-conduct/. Our diligence policy includes reviewing reports of violations of human rights, reported corruption, and other business-related practices.

We are committed to sourcing components and materials from companies that share our values around human rights, ethics, and environmental responsibility. As part of this commitment, we support the goals and objectives of Section 1502 of the Dodd-Frank Act (the "Act"). As part of our compliance with the Act, we perform due diligence and file annual reports regarding the use of conflict minerals in our products.

We request that our suppliers adhere to our Supplier Code of Conduct, the RBA Code of Conduct, and the Act by flowing this requirement through our commercial contracts. Specifically with respect to conflict minerals, we expect all of our suppliers to comply with the Act, and to exercise due diligence on the source and chain of custody of any tantalum, tin, tungsten, or gold used in the products made for us and make their due diligence measures available to us. Under the Supplier Code of Conduct, our suppliers are responsible for passing these same requirements on to their suppliers. We seek to source products only from suppliers that comply with these requirements.

If we become aware of a supplier failing to comply with the RBA Code of Conduct, our Code of Ethics, our Supplier Code of Conduct, our Human Rights, our Environmental Guidelines, or Conflict Minerals Policy, or any other related policy, our procedure is to follow-up with the supplier. Non-compliance with any of these codes or policies is one criterion we consider when deciding which suppliers we will work with.

We have a variety of resources available to assist suppliers with reporting questionable behavior or possible violation of our supplier standards, including our Ethics Hotline and emailing our legal department directly. We do not tolerate any retribution or retaliation taken against any individual who has, in good faith, sought out advice or has reported questionable behavior and/or a possible violation.

Human Capital Management

We believe we have a responsibility to foster a healthy, balanced, and ethical work environment for everyone in our organization through sound ethical and organizational governance, by promoting business ethics and integrity, and by embracing equality, diversity, and inclusion throughout our organization and even extending to the board room.

In February 2024, our Compensation and Human Capital Management Committee and Board of Directors each approved the adoption of a Human Rights Policy. This Human Rights Policy is rooted in our core values and reflected in our Code of Conduct and other policies and agreements. In developing this Policy, we leveraged the human rights standards set forth in the Responsible Business Alliance Code of Conduct and other internationally recognized human rights standards, including, without limitation, UN Guiding Principles on Business and Human Rights, the International Bill of Human Rights (including the Universal Declaration of Human Rights), OECD Guidelines for Multinational Enterprises, ISO 45001, and other regional and national laws and policies. We are committed to the following guiding principles:

- Treating all people with respect and dignity.
- A workplace free of harassment and discrimination.
- An inclusive and diverse workplace.
- A safe and healthy workplace, including the right to access water.
- Fair wages and benefits.
- Protection of personal data from unauthorized access, use, or disclosure.
- Zero tolerance for child labor or forced labor, including but not limited to bonded labor, slavery, and trafficking of persons.

As of December 31, 2024, we had 515 employees worldwide, including 182 field application engineers and consultants, 180 in research and development, 100 in sales and marketing, and 53 in general and administrative functions. Of these employees, 295 are located in North America, 180 in Asia, and 40 in Europe. We are committed to respecting unions and collective bargaining agreements, where they exist or apply to our workforce.

Our commitment to human capital management is embedded in our governance structure. We encourage our employees, contractors, partners, and suppliers to speak up about any concerns or suspected violations of our Human Rights Policy.
They are encouraged to report any suspected violations of this Policy by contacting the following hotlines or the PDF Solutions' legal department at:

- PDF Solutions' Whistleblower Hotline (administered by NAVEX) – online at https://secure.ethicspoint.com/domain/media/en/gui/36091/index.html or by telephone at +1-855-208- 8579
- PDF Solutions' internal Corporate Legal Department (CLD) – by email at legal.department@pdf.com, by mail/courier at PDF Solutions, Inc., Attention: Legal Department, 2858 De La Cruz Blvd, Santa Clara, CA 95050 (USA), or by telephone at +1-408-938-6437

As part of our on-going human rights due diligence, we will continue to encourage the identification of any such concerns so they can be investigated, mitigated, and remedied.

More than 1 million additional skilled workers will be needed by 2030 in the semiconductor industry.[A] Thus, there is a growing need to improve identifying and developing future skills across the engineering and manufacturing workforce. To this end, in 2024, we continued to foster our relationships with universities and engineering schools, looking for opportunities to teach this required knowledge and mentor future generations.

At the Board level, our Compensation and Human Capital Management Committee is tasked with oversight of the development, implementation and effectiveness of the Company's policies and strategies relating to human capital management, including but not limited to strategies regarding culture, recruiting, selection, career development and progression, diversity, equity and inclusion, human health and safety and total rewards.

[A] Deloitte. Perspective: The Global Semiconductor Talent Shortage. https://www.deloitte.com/us/en/Industries/tmt/articles/global-semiconductor-talent-shortage.html

Talent Development

We recognize that investing in our employees' development is essential to sustaining long-term organizational success. Our commitment to talent development is reflected in a range of initiatives designed to enhance current capabilities while preparing our workforce for future challenges.

In 2024, we promoted the use of online training resources available through ADP, covering key topics such as inclusive leadership, non-discrimination, anti-corruption practices, and technical proficiency, including emerging programming languages. These resources support both personal and professional growth across all levels of the organization.

To further encourage continuous learning, our Learning Reimbursement Program provides financial support for employees pursuing external education, attending industry symposia, and engaging with professional organizations. This initiative helps ensure our team remains at the forefront of industry knowledge and innovation.

Our formal promotion process was actively utilized in 2024, resulting in the advancement of 72 employees based on performance and potential. This reflects our commitment to merit-based career progression and internal mobility.

We continue to invest in our engineering talent through targeted in-house training programs. In 2024, these included discussions on semiconductor analytics, wafer mapping, data visualization, and our current product line advancements, reinforcing our position as a market and technology leader.

As part of our broader career development strategy, we expanded access to internal job postings, empowering employees to explore new opportunities within their departments or across the organization. This initiative supports career mobility and aligns with our desire to foster a dynamic and engaged workforce.

Looking ahead, we remain committed to evolving our development programs to meet the changing needs of our employees and the business.

Employee Engagement

Employee engagement is crucial for the overall health of the organization. Our 2024 employee engagement survey had 66% of our global employees participate. An increase of 16% over the previous year. In total, more than 340 employees across our global workforce participated in the survey, including individuals with tenure from 1 to 30 years. The Employee Net Promoter Score (eNPS) score is a survey-based method of determining whether employees are happy, satisfied, and loyal to their workplace, and are used by many employers to take an overall gauge of the engagement health of their organization. Our eNPS based on the survey remained high at 3.97 against a benchmark of 4.02 for employers that had 500-999 employees (source: Qualtrics). This was a definite success in a dynamic year with a lot of changes for our teams.

In response to our 2023 survey results, in 2024, we committed to supporting our employees and creating an engaged workforce by accomplishing the items below in the areas of development, recognition, career-family equilibrium, and integration:

- Personal growth through training and development was provided through ADP courses that employees could select.
- Rewarding our people for their commitment to our values and our organization by company acknowledgement and promotions.
- Committing to support hybrid work and schedules with a policy that ensures we support balance between business requirements and employee needs.
- Connecting our organizational community through transparent communication of changes, investing in in-person working and team building events, and an intranet where employees can have access to work resources and news.

Future focus will include the areas of leadership, connection and collaboration, and consistency in communication. We are acutely aware and recognize that our most valuable asset is our people.

Health and Safety

We are committed to ensuring that proper working conditions exist for the safety of our employees, such as developing, implementing, and improving health and safety systems and conditions, and providing appropriate preparation, education, reporting, and controls. For example, at our headquarters, we have Illness Prevention and Ergonomics Evaluation programs and an Emergency Action Plan for employee health and safety. We are developing these programs for worldwide facilities. In addition, for worker safety at our lab and cleanroom facilities we have, for example, Lockout/Tag out, Forklift Safety, Electrical Safety, Hand and Power Tools Safety, Ladder Safety, and Hazard Communication programs.

Our headquarters, lab, and cleanroom facilities use an independent safety consultant for the review of policies, evaluation, assessment, analysis, development of written safety process, training, reports, and research for resolving safety issues.

We have a safety handbook, and every employee located at our lab and cleanroom facility goes through environmental and lab safety training. In 2024, employees completed 100% of the required training. Our safety consultant was on-site at our lab and cleanroom bi-weekly to help oversee our environmental, health and safety management. Our employees take additional safety training if required by our customers for access to their sites. Additionally, at our headquarters, cleanroom, and lab, we host CPR and AED classes every two years for employees to participate and become certified.

We are proud of our safety record. In 2024, we had no significant work-related injuries to report to the Occupational Safety and Health Administration (OSHA) and no lost time due to work-related injuries.

Diversity, Equity, and Inclusion

We embrace equality, diversity, and inclusion throughout our organization. We strive to foster an environment where our employees feel respected, valued, and empowered. We know that diversity of thought and experiences makes our collaboration and results better, and our team members are at the forefront in helping us promote and sustain an inclusive workplace. We work to ensure that our business practices support diversity and inclusion to build an innovative workforce and to strive toward having our organization reflect the complexion of our customers and suppliers.

In February 2024, our Compensation and Human Capital Management Committee and Board of Directors each approved the adoption of a Diversity, Equity, and Inclusion Global Policy. This policy is intended to encourage a connection between our Company values and our actions by building on a foundation of:

- Respectful communication and cooperation between all employees.
- Teamwork and employee participation, permitting the representation of all groups and employee perspectives.

Since 2023, we have formalized the connection between cash bonus for performance and consistent practice of our core values. Further, employees who exemplify our core values were highlighted in every quarterly meeting in 2024.

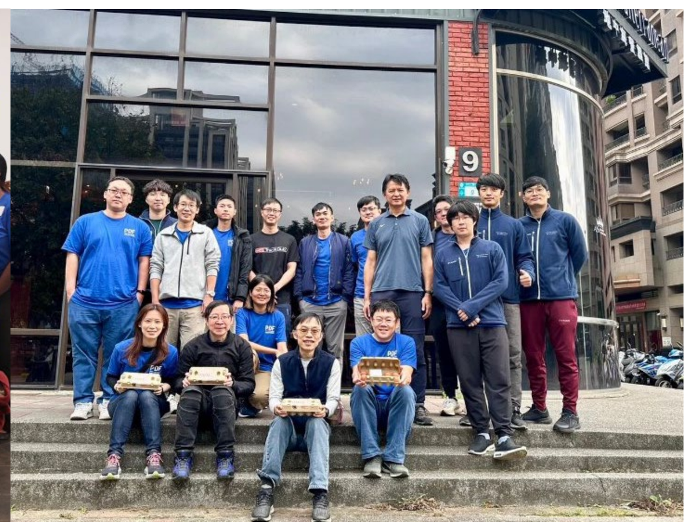
We value a range of diverse perspectives with reference to our business model and specific needs, including, but not limited to, gender, age, race, language, cultural background, educational background, industry experience, professional experience and veteran and active armed service status or other similar characteristics. Our Board has adopted a Board Diversity Policy, pursuant to which Board nomination and appointments will continue to be made on a merit basis, based on the Board’s business needs from time to time while taking into account diversity. 38% of our Board is gender diverse, and 38% of our Board is racially diverse.

Impact and Local Communities

We believe that empowering our employees to give back to our community is central to our culture and an expression of our core values. In 2024, we had a meaningful opportunity to give back to the communities where our employees live and work. Volunteering events were held in Vancouver, Salt Lake City, Santa Clara, and Taiwan, where 72 team members contributed over 171 service hours — the equivalent of 21 full-time workdays — to local charities.

Remote employees who did not live near an office were encouraged to pledge volunteer hours in their own communities, allowing everyone to participate meaningfully. In addition, more than $5,000 was donated to charities and schools by our teams in North America, Taiwan, and Italy.

We were proud to support a diverse range of global causes, from food banks and schools to organic farms — all reflecting our commitment to social responsibility and community impact.



Corporate Governance

We are committed to the highest standards of corporate ethics and diligent compliance with financial accounting and reporting rules. Our Board provides independent leadership in the exercise of its responsibilities. Our executive officers oversee a strong system of internal controls and compliance with corporate policies and applicable laws and regulations. Our employees operate in a climate of responsibility, candor, and integrity.

Key highlights of the Board and corporate governance practices are:

- ☑ 6 out of 8 Directors are Independent
- ☑ Separate Chair (or Lead Independent Director if Chair is vacant) and CEO
- ☑ Limit on Outside Public Company Directorships
- ☑ Annual Board and Committee Evaluations
- ☑ Regular Executive Sessions of Independent Directors at quarterly Board and Committee Meetings
- ☑ On-going Education for Directors for Issues Pertinent to the Company's Business (e.g., export)
- ☑ Majority Voting for Director Elections
- ☑ 100% of Committee Chairs and Members are Independent
- ☑ Proxy Access Rights
- ☑ 38% of Directors are Women
- ☑ Stock Ownership Policy for Directors and Section 16 Officers
- ☑ Stockholder Engagement with Approximately 68% of the Company's Outstanding Shares in 2024

Business Ethics and Compliance

We are committed to ensuring ethical organizational governance and promoting business ethics and integrity. Our Code of Ethics describes the expectations for all employees, officers, and directors regarding acceptable ethical behavior at the Company. Our Board of Directors is responsible for setting the standards of conduct contained in the Code of Ethics and for updating these standards as appropriate to reflect legal and regulatory developments. The Audit Committee is charged by the Board with the authority and responsibility to assess the code of ethics and recommend any amendments or waivers for approval by the Board.

We promote an ethical organizational culture and encourage all employees, regardless of position or level, to raise questions or concerns about actual or potential ethical issues and company policies and offer suggestions about how we can make our organization better to address concerns. We circulate the Code of Ethics annually to all employees. Each quarter, our sales employees attest to professional conduct in accordance with the Code of Ethics by confirming compliance with our No Side-Letter Policy. In 2024, the Company made no political contributions.

We have a Whistleblower Hotline that includes global telephone and web access together with local language support. The web portal enables online reporting of concerns about ethics or compliance, where allowed by local law, and a place to ask questions or quickly access ethics and compliance policies. We believe these efforts strengthen our ethics and compliance efforts and foster an environment where employees can express their concerns and have them resolved. In 2024, our Compliance Officer received no inquiries, complaints, or issues via our internal reporting systems.

Board Highlights

Board Independence

Six directors, including our Lead Independent Director, are independent of the Company and management.

Board Tenure

0 to 5 Years:

6 to 10 Years:

10+ Years:

Our directors bring a balance of experience and fresh perspectives to our Board.

Board Refreshment & Diversity

2

New directors appointed in the last five years.

100%

New directors appointed in the last five years that are diverse (gender or ethnicity).

Age Mix

50-60 Years:

61+ Years:

38%

Gender Diversity

38%

Racial Diversity

Our Board Committees

Our Board of Directors has established an Audit Committee, a Compensation and Human Capital Management Committee, and a Nominating and Corporate Governance Committee. The composition and responsibilities of each committee are described below. Each of these committees has a written charter approved by our Board of Directors. Copies of the charters for each committee are available, without charge, in the "Investor Relations" section of our web site. Members serve on these committees until their resignations or until otherwise determined by our Board of Directors.

Nominating and Corporate Governance Committee

Our Nominating and Corporate Governance Committee is responsible for, among other things: identifying, reviewing, evaluating, and recommending candidates to serve as directors on the Board; making other recommendations to the Board regarding affairs related to the directors of the Board; overseeing the Company's corporate governance functions on behalf of the Board; and reviewing and overseeing the Company's programs, policies, practices, risks and opportunities, measures, objectives and performance relating to social and environmental issues.

Audit Committee

Our Audit Committee is responsible for, among other things: recommending the engagement of the independent registered public accounting firm and assisting the Board in the oversight of the qualifications and independence of the independent registered public accounting firm; monitoring the Company's compliance with legal and regulatory requirements including preparing the audit committee report that SEC rules require to be included in the proxy statement; monitoring the performance of the Company's internal and external audit efforts; monitoring and assessing the integrity and effectiveness of the Company's financial and accounting organization and the performance of its system of internal accounting controls; overseeing the Company's information security functions on behalf of the Board; and overseeing and reviewing ethics matters on behalf of the Board.

Compensation and Human Capital Management Committee

Our Compensation and Human Capital Management Committee is responsible for, among other things: establishing and administering the Company's policies regarding annual executive compensation, including salaries, cash incentives, and long-term equity incentives; assisting with the administration of the Company's stock incentive and purchase plans; making recommendations to the Board on non-employee director compensation; and overseeing the Company's human capital management function on behalf of the Board.

Data Security and Privacy

Our Approach to Data Security

Information technology and data security, particularly cybersecurity, is a top area of focus for our Board of Directors, who views our focus in these areas as essential for the success of our company and the broader technology industry in which we operate.

As described in the Audit Committee Charter of the Board of Directors, the Audit Committee is tasked with oversight of certain risk issues, including cybersecurity. The Audit Committee is comprised entirely of independent directors, two of whom have significant work experience related to information security issues or oversight. Management reports high severity security incidents to the Audit Committee after they are discovered. Additionally, management provides a summary four times per year of all security incidents to the Audit Committee. The full Board of Directors is also provided an annual assessment of our security program, our internal response preparedness, and assessments led by outside assessors and auditors.

Our Audit Committee is regularly involved in reviewing cybersecurity risk management. At least quarterly, the Vice President of Operations presents and reviews key security metrics with the Audit Committee including a review of cyber-security events, cybersecurity initiatives and new or developing cybersecurity risks relevant to the business.

Our cybersecurity risk management and strategy processes are led by our Vice President of Operations and a cross section of subject matter experts from Information Technology, Exensio Cloud Operations and Corporate Legal and team.

Our Incident Response Policy is reviewed annually and documents the controls and procedures for timely and accurate reporting of material cybersecurity incidents to the relevant parties, including the Audit Committee when applicable. Our Incident Response Team leads the response to any reported cybersecurity event and comprises experts from Engineering, Information Technology, Legal, Cloud Operations, and Data Security.

Cybersecurity Risk Management and Strategy

We recognize the importance of assessing, identifying, and managing material risks associated with cybersecurity threats. We have implemented several cybersecurity processes, technologies, and controls to aid in our efforts to assess, identify, and manage such material risks.

Our process for identifying and assessing material risks from cybersecurity threats operates alongside our broader overall risk assessment process, covering all company risks. As part of this process appropriate disclosure personnel will collaborate with subject matter specialists to gather insights for identifying and assessing material cybersecurity threat risks, their severity, and potential mitigations. We also have a cybersecurity specific risk assessment process, which helps identify our cybersecurity threat risks.

For more than 6 years, we have not experienced any material cybersecurity incidents and the expenses we have incurred from cybersecurity incidents were immaterial. This includes penalties and settlements, of which there were none.

Data Privacy

We respect the privacy rights of our employees and customers and are committed to handling personal data responsibly and in accordance with applicable laws and regulations. We use reasonable organizational, technical, and administrative measures to protect personal data from improper access, use or disclosure. Security measures and tools, such as firewalls, access control tools, network intrusion detection tools, end-point protection software, and anti-virus programs in our primary software and cloud offerings, are in place to help protect against the accidental or unlawful destruction, loss, alteration, unauthorized disclosure, or access to personal data transmitted, stored, or otherwise processed. These measures vary based on the nature of the personal data we collect, process, and store, and the current state of technology.

We also take measures to ensure that third parties that process personal data on our behalf also have appropriate security controls in place. We only transfer personal data to another country or region as permitted under applicable data protection and other laws and regulations, and only if we can ensure adequate safeguards for any transfers of personal data.

Personal data is retained in accordance with applicable laws or regulatory requirements and for as long as necessary to fulfill the purposes for which the personal data was collected, plus any additional time periods necessary for the compliance with laws and regulations, exercise or defense of legal rights, and archiving, back-up, and deletion processes.

We do not sell, rent, share, or otherwise disclose personally identifiable information from customers for commercial purposes.

Please see our Privacy Policy, including GDPR and our California Consumer Privacy Act (CCPA) supplements/policies, on our web site.

Risk Management

Enterprise Risk Management

Our overall risk management process is led by our General Counsel who is responsible for initiating and publishing annual risk factors by taking into account inputs from risk reviewers. The risk reviewers consist of:

- all members of our leadership team,
- all other Vice Presidents; and,
- any senior manager or director who has been nominated by their department VP as a risk reviewer.

Specific business units manage and mitigate detailed business unit risks following a NIST or equivalent framework. Our CEO, CFO, and the Audit Committee of our Board approve the risk factors published in the 10-Q and 10-K filings.

The Corporate Legal Department (CLD) conducts a review annually to identify and develop a management plan for potentially new or developing material risks. The CLD also reviews existing management plans for known material risks against occurrences in the reporting period, together with input from finance.

In addition to the yearly risk review, CLD monitors changes by the U.S. government and updates our systems to reflect the status of customers and vendors with respect to regulatory restrictions, risks related to US or other relevant country export controls and other published trade restrictions.

Business Continuity and Technology Disruptions

We maintain a data repository map and a list of business-critical systems. Owners of each critical system and each data repository are responsible for maintaining a Disaster Recovery plan or documenting compensating controls for the systems and repositories. Owners that manage significant parts of our data and systems are also responsible for testing backup and systems recovery at least once a year.

Our VP of Operations is responsible for creating and maintaining the Business Continuity Policy. The policy outlines the principles of business continuity and the parties responsible for maintaining critical business systems.

Conclusion

Looking Toward the Future

Going forward, we aim to continue to advance our ESG program in a gradual and iterative manner, and plan to explore additional ways of sharing our progress.

We intend to leverage the 2022 ESG Priority Assessment to continue to guide the selection and implementation of ESG workstreams, the review of potential ESG goals, and the identification of appropriate ESG metrics.

We look forward to continuing to drive value for the Company, stockholders, and extended stakeholders through the development of our ESG program.

Materiality Disclaimer

This report contains "forward-looking statements." Forward-looking statements in this report are made pursuant to the safe harbor provisions of Section 21E of the Securities Exchange Act of 1934 and other federal securities laws. These statements are based on management's current opinions, expectations, beliefs, plans, objectives, assumptions, or projections regarding future events or results, including, but not limited to, our ESG commitments, strategies, and initiatives; our business plans and strategy; and our stakeholder engagement efforts. These forward-looking statements are only predictions, not historical fact, and involve certain risks and uncertainties, as well as assumptions. Actual results, levels of activity, performance, achievements, and events could differ materially from those stated, anticipated, or implied by such forward-looking statements. While PDF Solutions believes that its assumptions are reasonable, there are many risks and uncertainties that could cause actual results to differ materially from forward-looking statements, including the risks discussed under the heading "Risk Factors" in our most recent Annual Report on Form 10-K and subsequent 10-Q filings with the U.S. Securities and Exchange Commission ("SEC"). PDF Solutions undertakes no obligation to update or revise any forward-looking statement contained in this report, except as otherwise required by law.

Any references to "priority" or "relevant" in this report do not correspond to the concept of materiality used by the SEC.

This report contains human capital measures or objectives that may be different from or are in addition to the human capital measures or objectives that we are required to disclose in its SEC filings. For a discussion on human capital measures or objectives that PDF Solutions focuses on in managing its business, please see the "Human Capital" section in our most recent Annual Report on Form 10-K.

We currently do not believe that our ESG initiatives or risks are material for SEC disclosure purposes, except to the extent referenced in our Annual Report on Form 10-K and subsequent Form 10-Q filings.

Sources for "ESG and AI Challenges and Benefits for the Semiconductor Industry" Sidebar (page 3)

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11. Chen, S. (2025). *How much energy will AI really consume? The good, the bad and the unknown*. Nature. https://www.nature.com/articles/d41586-025-00616-z

SASB Index

The table below provides content aligning to the Sustainability Accounting Standards Board (SASB) Software & IT Services Standard and the Electrical & Electronic Equipment Standard, which are most relevant to our operations and aligned with our priority ESG topics identified in our 2022 ESG Priority Assessment. Unless otherwise specified, the data and descriptions pertain to year-end 2024.

SASB Code	Accounting Metric	Response
Environmental Footprint of Hardware Infrastructure		
TC-SI-130a.1 RT-EE-130a.1	(1) Total energy consumed, (2) percentage grid electricity, (3) percentage renewable	(1) 743.1588 GJ (cleanroom and lab facilities only) (2) 100% of our electricity is supplied from grid electricity (3) 100% of our energy usage at our cleanroom and lab facilities is from renewable and carbon-free sources; we purchase no other renewable energy.
TC-SI-130a.2	(1) Total water withdrawn, (2) total water consumed, percentage of each in regions with High or Extremely High Baseline Water Stress	In 2024, we withdrew and consumed water only in connection with kitchens and restrooms. Our largest facilities are located in areas with low levels of water stress, and we do not use water in our product development and manufacturing processes.
Data Security		
TC-SI-230a.1	(1) Number of data breaches, (2) percentage involving personally identifiable information (PII), (3) number of users affected	We did not experience any material data breaches in 2024. When public disclosure criteria are met, material data breaches are included in our most recent Annual Report on Form 10-K and subsequent 10-Q filings.
TC-SI-230a.2	Description of approach to identifying and addressing data security risks, including use of third-party cybersecurity standards	We maintain a robust approach to identifying and addressing data security risks. See the Data Security and Privacy section of this ESG report, our 2025 Proxy Statement, and our most recent Annual Report on Form 10-K, *Item 1C. Cybersecurity* page 34 for more information.
Recruiting & Managing a Global, Diverse & Skilled Workforce		
TC-SI-230a.1	Percentage of employees that are (1) foreign nationals and (2) located offshore	As of December 31, 2024, 13.7% of our U.S. employees are foreign nationals and 51.6% of our employees were located outside the United States. Our success and competitiveness depend on our ability to retain, attract, motivate, and strategically locate in our offices around the globe, talented employees, including some of our key executives.
TC-SI-230a.2	Employee engagement as a percentage	In 2024, approximately 66% of our global workforce participated in a broad-based survey, including individuals with tenure from 1 to 30 years. Our resulting Employee Net Promoter Score (eNPS) score was 3.97.
Managing Systemic Risks from Technology Disruptions		
TC-SI-550a.2	Description of business continuity risks related to disruptions of operations	See the Risk Management section for a description of our management approach to business continuity. Where material, risks related to business continuity are included in our Form 10-K.
Hazardous Waste Management		
RT-EE-150a.2	Number and aggregate quantity of reportable spills, quantity recovered	We did not have any reportable spills in our operations.

SASB Code	Accounting Metric	Response
Product Safety		
RT-EE-250a.1	Number of recalls issued, total units recalled	In 2024, we did not have any product recalls.
RT-EE-250a.2	Total amount of monetary losses as a result of legal proceedings associated with product safety	In 2024, we did not have any material monetary losses as a result of legal proceedings associated with product safety. When public disclosure criteria are met, monetary losses as a result of legal proceedings are included in our Form 10-K.
Product Lifecycle Management		
RT-EE-410a.3	Revenue from renewable energy-related and energy efficiency-related products	Our products can help improve the time-to-market and yield for our customers, with significant indirect benefits regarding the use energy, water, and silicon, and significant indirect impacts on waste and greenhouse emissions. We intend to work to identify and measure the direct environmental benefits to our customers of use of our solutions.
Materials Sourcing		
RT-EE-440a.1	Description of the management of risks associated with the use of critical materials	We are committed to responsible sourcing and have established processes to identify and assess conflict minerals in the supply chain and respond to risks. See our Responsible Sourcing section for a summary of our approach to ethical production and the protection of human rights in our supply chain, including requirements related to conflict minerals.
Business Ethics		
RT-EE-510a.1	Description of policies and practices for prevention of: (1) corruption and bribery and (2) anti-competitive behavior	We have a Code of Ethics that contains policies against corruption, bribery, and competitive behavior. We also have a Side Letter Policy to prevent undocumented promises to customers. See our Code of Ethics and the Business Ethics and Compliance section of this report for a summary of our policies and practices for the prevention of corruption and bribery and anti-competitive behavior.
RT-EE-510a.2	Total amount of monetary losses as a result of legal proceedings associated with bribery or corruption	In 2024, we did not have any monetary losses as a result of legal proceedings associated with bribery or corruption. When public disclosure criteria are met, monetary losses as a result of legal proceedings are included in our Form 10-K.
RT-EE-510a.3 TC-SI-520a.1	Total amount of monetary losses as a result of legal proceedings associated with anti-competitive behavior regulations	In 2024, we did not have any monetary losses as a result of legal proceedings associated with anti-competitive behavior regulations. When public disclosure criteria are met, monetary losses as a result of legal proceedings are included in our Form 10-K.