

Security Ownership of Certain Beneficial Owners and Management

The following table sets forth the beneficial ownership as of April 19, 2024, of (i) each person known to us to be the beneficial holder of more than 5% of our outstanding common stock, (ii) each director and each director nominee, (iii) each Named Executive Officer identified in the Summary Compensation Table on page 62 of this Proxy Statement, and (iv) all executive officers and directors as a group.

Beneficial ownership is determined in accordance with SEC rules. In computing the number of shares beneficially owned by a person, we have included shares for which the named person has sole or shared power over voting or investment decisions. The number of shares beneficially owned also includes ownership of which the named person has the right to acquire, through conversion, option, and warrant exercise or otherwise, within 60 days after April 19, 2024.

Percentage of beneficial ownership is based on 38,402,270 shares outstanding as of April 19, 2024. For each named person, the percentage ownership includes beneficial ownership which the person has the right to acquire within 60 days after April 19, 2024. However, such beneficial ownership shall not be deemed outstanding with respect to the calculation of ownership percentage for any other person. Except as otherwise indicated, the address for each person listed as a director or executive officer is c/o PDF Solutions, Inc., 2858 De La Cruz Boulevard, Santa Clara, California 95050.

The Company has relied upon information provided to the Company by its directors and Named Executive Officers and copies of documents sent to the Company that have been filed with the SEC by others for purposes of determining the number of shares each person beneficially owns. Beneficial ownership is determined in accordance with the rules and regulations of the SEC and generally includes those persons who have voting or investment power with respect to the securities. Except as otherwise indicated, and subject to applicable community property laws, the persons named in the table have sole voting and investment power with respect to all shares of our common stock beneficially owned by them.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
5% Stockholders:		
BlackRock, Inc.(1)	4,840,071	12.6
Avantest America, Inc.(2)	3,306,924	8.61
The Vanguard Group(3)	3,089,669	8.05
John K. Kibarian(4)	2,512,474	6.54
Directors, Nominees and Named Executive Officers:		
John K. Kibarian(4)	2,512,474	6.54
Kimon W. Michaels(5)	1,580,189	4.11
Joseph R. Bronson(6)	25,284	*
Chi-Foon Chan	2,417	*
Nancy Erba(7)	30,139	*
Michael B. Gustafson(8)	13,020	*
Ye Jane Li(9)	8,945	*
Adnan Raza	28,212	*
Andrzej Strojwas	57,280	*
Shuo Zhang(10)	14,709	*
All current directors and executive officers as a group (10 persons)(11)	4,272,669	11.13

* Represents beneficial ownership of less than 1% of the outstanding shares of common stock.

- (1) Based solely on the Schedule 13G/A filed on January 23, 2024 (the “BlackRock 13G”). The BlackRock 13G indicates that BlackRock, Inc. has sole voting power over 4,788,077 shares and sole dispositive power over 4,840,071 shares. The stockholder’s address is 50 Hudson Yards, New York, NY 10001.
- (2) Based solely on the Schedule 13G filed jointly by Advantest America, Inc. and Advantest Corporation on August 6, 2020 (the “Advantest 13G”). The Advantest 13G indicates that Advantest America, Inc., a wholly-owned subsidiary of Advantest Corporation, holds of record 3,306,924 shares of Common Stock over which it has sole voting power and sole dispositive. The stockholder’s address is 3061 Zanker Road, San Jose, California 95134.
- (3) Based solely on the Schedule 13G/A filed on February 13, 2024 (the “Vanguard 13G”). The Vanguard 13G indicates that The Vanguard Group has sole dispositive power over 3,006,975 shares, shared voting power over 54,649 shares and shared dispositive power over 82,694 shares. The stockholder’s address is 100 Vanguard Blvd., Malvern, PA 19355.
- (4) Dr. Kibarian has sole voting and dispositive power to 39,718 shares, and shared voting and dispositive power to 2,472,756 shares, which are held in The John Kibarian and Gloria Chen Trust for which Mr. Kibarian is a trustee.
- (5) Dr. Michaels has shared voting and dispositive power to 1,580,189 shares. Includes 24,547 shares held by Dr. Michaels’ spouse as separate property.
- (6) Includes 558 shares issuable to Mr. Bronson upon the vesting of RSUs that will vest within 60 days after April 19, 2024.
- (7) Includes 558 shares issuable to Ms. Erba upon the vesting of RSUs that will vest within 60 days after April 19, 2024.
- (8) Includes 558 shares issuable to Mr. Gustafson upon the vesting of RSUs that will vest within 60 days after April 19, 2024.
- (9) Includes 558 shares issuable to Ms. Li upon the vesting of RSUs that will vest within 60 days after April 19, 2024.
- (10) Includes 558 shares issuable to Ms. Zhang upon the vesting of RSUs that will vest within 60 days after April 19, 2024.
- (11) Consists of 4,272,669 shares held by our current directors and executive officers, as a group, of which 2,790 shares issuable upon the exercise of stock options and the vesting of RSUs that will vest within 60 days after April 19, 2024.

Certain Relationships and Related Transactions

Related party transactions include, among other things, transactions between the Company, our executive officers and directors, beneficial owners of five percent or greater of our securities, and all other related persons specified under Item 404 of Regulation S-K promulgated by the SEC. Related party transactions have the potential to create actual or perceived conflicts of interest between the Company and its directors, its officers, its employees, and members of their respective families.

Our Board of Directors, upon recommendation of the Audit Committee, adopted a Related Parties Transactions Policy regarding the identification of related parties and transactions, and the approval process for such transactions. Further, the Audit Committee and Board have reviewed the Company’s implementation guidelines for this policy. Pursuant to its charter and the Related Parties Transactions Policy, the Audit Committee reviews and approves all related party transactions as required by the Nasdaq listing rules or as otherwise required to be disclosed by applicable laws and rules adopted by the SEC in the Company’s financial statements or periodic filings with the SEC, and in accordance with the Company’s Related Parties Transactions Policy. The Audit Committee will consider each proposed transaction in light of the specific facts and circumstances presented, including but not limited to the risks, costs, and benefits to us and the availability from other sources of comparable products or services. Additionally, our Code of Ethics prohibits conflicts of interest between an employee and the Company and requires an employee to report any such potential conflict to our compliance officer. Further, each officer and director is expected to identify to the Secretary, by means of an annual director questionnaire, any transactions between the Company and any person or entity with which the director may have a relationship that is engaged or about to be engaged in a transaction with the Company.

To our knowledge, in 2023, we have not been a participant in a transaction in which any related person of the Company had or will have a direct or indirect material interest, as contemplated by Item 404(a) of Regulation S-K.

Equity Compensation Plan Information

The following table provides information as of December 31, 2023, about our common stock that may be issued upon the exercise of options, warrants and rights under all of our existing equity compensation plans.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options Warrants and Rights (a)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (excluding Securities Reflected in Column (a)) (c)
Equity Compensation Plans Approved by Stockholders	2,033,073	\$ 15.92	4,299,592(1)
Equity Compensation Plans Not Approved by Stockholders	—	—	—
Total	2,033,073		4,299,529

(1) Includes 3,705,220 shares available for issuance pursuant to stock awards under the Eighth Amended and Restated 2011 Stock Incentive Plan and 594,309 shares available for issuance pursuant to options under the 2021 Employee Stock Purchase Plan, including 73,854 shares that were purchased during the purchase period under the plan commencing on August 1, 2023, and ending on January 31, 2024.

Executive Compensation

Introduction

This Compensation Discussion and Analysis describes and analyzes the compensation program during the year ended December 31, 2023, for: our principal executive officer, our principal financial officer, and our other two Executive Officers that were serving as executive officers on December 31, 2023.

Collectively, these were our “Named Executive Officers” or “NEOs” for 2023:

- John K. Kibarian, Ph.D., our Chief Executive Officer and President;
- Adnan Raza, our Executive Vice President, Finance and Chief Financial Officer;
- Kimon Michael, Ph.D., our Executive Vice President, Products and Solutions; and
- Andrzej Strojwas, Ph.D., our Chief Technology Officer.

Compensation Governance

We endeavor to maintain good governance standards in our executive compensation program, as reflected by the following policies and practices that were in effect in 2023:

- **CEO Compensation.** In part due to his request, which is based on a desire to conserve equity for other purposes, including granting awards to other employees, Dr. Kibarian has not received an equity award since 2003. As a significant stockholder, Dr. Kibarian’s interests are already strongly aligned with the interests of our other stockholders.

- **Independence.** The CHCM Committee of our Board of Directors develops, reviews, and approves each element of executive compensation. The CHCM Committee is comprised solely of independent directors. Additionally, pursuant to its Charter, the CHCM Committee has the authority to engage a compensation consultant and other advisers as it deems appropriate or necessary to support it in fulfilling its responsibilities.
- **No Perquisites.** We do not provide perquisites or other personal benefits to our executive officers.
- **No Tax Gross-Ups.** We do not provide tax gross-ups or other tax reimbursement payments to our executive officers.
- **Severance and Change in Control Agreements.** Except in the case of Mr. Raza, whose employment agreement contains certain severance benefits, as described in more detail below, we do not have agreements with our NEOs who are currently employed by us that provide for severance benefits.
- **Exclusive Decision-Making Power.** The CHCM Committee retains and does not delegate any of its exclusive power to determine all matters of executive compensation and benefits, although our Chief Executive Officer and our Human Resources department periodically present compensation and benefit recommendations to the CHCM Committee. The CHCM Committee independently considers, and evaluates, whether to accept management's recommendations with respect to NEO compensation.
- **Periodic Review.** The CHCM Committee, in connection with management, regularly reviews our executive compensation policies, practices and programs, including the mix of elements within our executive compensation program and the allocation between short-term and long-term compensation and cash and non-cash compensation, to ensure that our executive officers are compensated in a manner that is consistent with competitive market practice and sound corporate governance principles, and to reward them for performance tied to our primary business objective of delivering sustained high-performance to our customers and stockholders.
- **Risk Mitigation.** The CHCM Committee regularly considers how the primary elements of our executive compensation program could encourage or mitigate excessive risk-taking and has structured our program to mitigate risk by rewarding performance tied to several reasonable business objectives, and avoiding incentives that could encourage inappropriate risk-taking by our NEOs.
- **Clawback.** In February 2023, the CHCM Committee adopted a compensation recoupment policy, based on the final SEC rules implementing the incentive-based compensation recovery provisions of the Dodd-Frank Act, which provides for the recovery of erroneously awarded incentive-based compensation received by current or former executive officers in the event of a restatement. In November 2023, the CHCM Committee updated this policy to comply with the Nasdaq listing rules and, in April 2024, further updated it to apply to all equity, including both performance-based and time-based equity.

Executive Compensation Objectives

The design and operation of our executive compensation program reflect the following objectives, established by our CHCM Committee, with a strong emphasis on tying NEO pay to Company performance:

- to emphasize performance-based compensation that is progressively weighted with seniority level;
- to align our NEOs' interest with long-term stockholder value;
- to attract and retain talented leadership; and
- to maintain an executive compensation program that encourages our NEOs to adhere to high ethical standards.

Tabular list of Financial Performance Measures

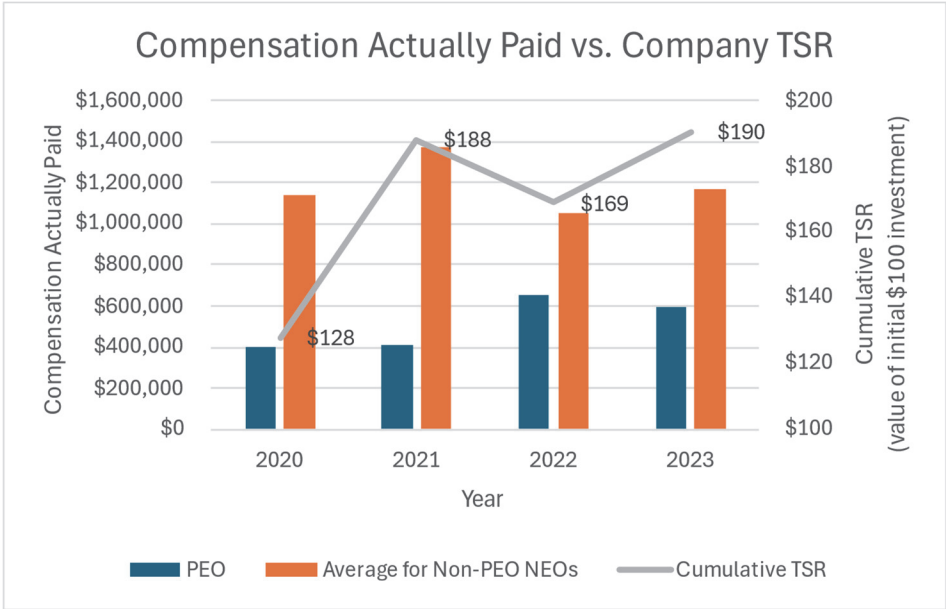
As described in greater detail in “Compensation Discussion and Analysis,” our executive compensation program reflects a variable pay-for-performance philosophy. The most important financial performance measures used by the Company to link executive compensation actually paid to our NEOs, for the most recently completed fiscal year, to our performance are as follows:

- GAAP Revenue Growth
- EBITDA Profitability

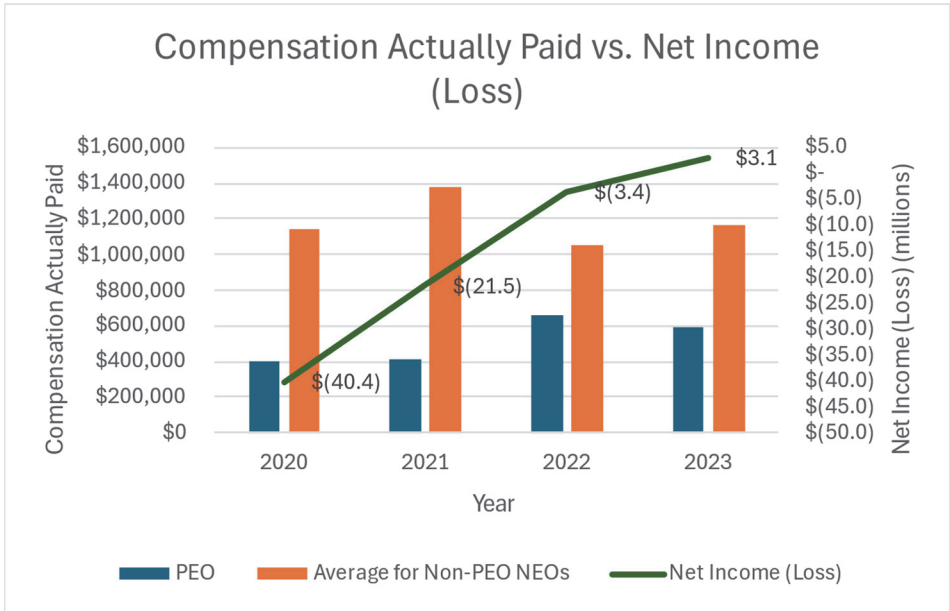
Relationship Between “Compensation Actually Paid” and Performance Measures

In accordance with the Pay Versus Performance Rules, the charts below illustrate how “compensation actually paid” to the NEOs aligns with the Company’s financial performance as measured by TSR, net income (loss), and pre-tax net income, as well as a comparison of TSR and Peer Group TSR.

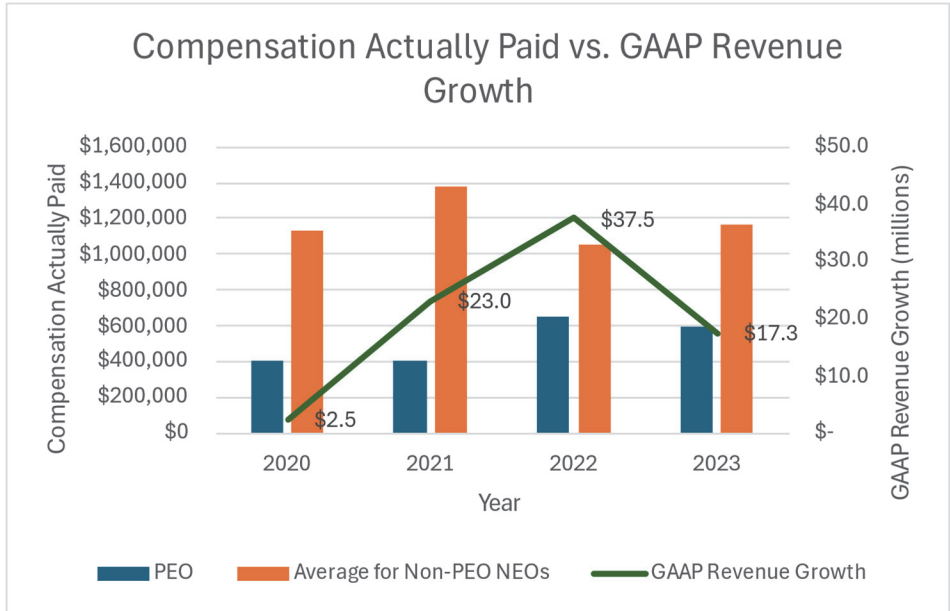
Compensation Actually Paid and TSR



Compensation Actually Paid and Net Income (Loss)



Compensation Actually Paid and GAAP Revenue Growth



TSR of the Company and TSR of the Peer Group

