

**PIXELWORKS, INC.**  
**BOARD OF DIRECTORS CORPORATE GOVERNANCE GUIDELINES**

**I. INTRODUCTION**

The Board of Directors (the “Board”) of Pixelworks, Inc. (the “Company”) has adopted the following principles as the Company’s Corporate Governance Guidelines (“Guidelines”). The Guidelines are designed to assist the Board in the exercise of its duties and responsibilities. The Guidelines will be applied in a manner consistent with all applicable laws and NASDAQ regulations, as well as the Company’s Articles of Incorporation and Charters of the Board Committees. The Board will review and update these Guidelines at least annually.

**II. DIRECTOR RESPONSIBILITIES**

In discharging their duties, Directors are expected to exercise their best judgment to act in what they reasonably believe to be the best interests of the Company and its stockholders. Director responsibilities include the following:

- Understanding the factors that determine the Company’s success and the risks and problems that affect it;
- Understanding, reviewing, approving and overseeing fundamental business strategies, financial strategies and major corporate actions;
- Nominating directors, reviewing the structure and operation of the Board and overseeing effective corporate governance;
- Establishing a corporate environment that promotes timely and effective disclosure, financial accountability, high ethical standards and compliance with all applicable laws and regulations;
- Understanding the results of operations and financial condition of the Company;
- Evaluating the performance of the Company’s senior executives and taking action where appropriate;
- Approving the compensation of the Company’s senior executives and overseeing succession planning for these executives; and
- Providing advice and assistance to the Company’s senior executives.

In discharging his or her responsibilities as a Director, a Director is entitled to rely in good faith on reports or other information provided by the Company, independent auditors, legal counsel and other persons as to matters the Director reasonably believes to be within such other person’s professional or expert competence and who has been selected with reasonable care by or on behalf of the Company, the Board, or a committee of the Board.

### **III. BOARD STRUCTURE**

#### **A. BOARD SIZE**

The Board's policy is that the number of directors of the Company should not exceed a number that can function effectively. The Corporate Governance and Nominating Committee shall consider and make recommendations to the Board regarding the appropriate size of the Board.

#### **B. PROCESS FOR DIRECTOR SELECTION**

The Corporate Governance and Nominating Committee is responsible for recommending Director candidates for nomination by the Board. 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 shareholders of the Company.

The Corporate Governance and Nominating 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 character, judgment, diversity of experience, business acumen, the extent to which a candidate would fill a present or anticipated need on the Board or the ability of the candidate to devote sufficient time to the affairs of the Company, for Directors. A Director's qualifications in light of these qualifications and factors shall be considered at least each time the Director is re-nominated for election to the Board.

#### **C. DIRECTOR ELECTIONS AND TERMS**

The Directors of the Company shall be elected in the manner set forth in the Company's Articles of Incorporation and Bylaws, as amended from time to time.

#### **D. MAJORITY OF INDEPENDENT DIRECTORS**

The Board shall be comprised of a majority of independent Directors; however the Board also feels that it is appropriate to have members of management including the Chief Executive Officer as Directors. The Board shall annually review and affirmatively determine the independence of its members within the meaning of applicable rules and listing standards of the NASDAQ stock market and the federal securities laws or rules and regulations thereunder.

#### E. COMBINATION OF CHAIRMAN AND CHIEF EXECUTIVE OFFICER POSITIONS

It is the policy of the Company to permit the same person to hold the positions of Chairman of the Board and Chief Executive Officer. Currently, the positions of Chairman of the Board and Chief Executive Officer are separated, and the Chairman of the Board is an independent director. The responsibility of the Board to monitor the performance of senior management is fulfilled by the formation of Board Committees comprised entirely of independent Directors.

#### F. LEAD DIRECTOR POSITION

The Board may designate a Lead Director; formally or informally. If the Chairman of the Board is not an independent director, the Lead Director, if one is designated, shall:

- Chair any meeting of the non-management Directors in executive session;
- Serve as liaison between the chairman and the independent Directors;
- Approve information sent to the board;
- Approve meeting agendas for the board;
- Approve meeting schedules to assure that there is sufficient time for discussion of all agenda items;
- Have the authority to call meetings of independent Directors; and
- If requested by major shareholders, ensure that the Lead Director is available for consultation and direct communication

#### G. BOARD COMMITTEES

The Board shall have the following four committees: Corporate Governance and Nominating, Audit, Office of the Chairman and Compensation. The membership of each committee shall be selected to comply with all applicable listing standards, laws, rules and regulations. The Board may add new committees or remove existing committees as it deems advisable for purposes of fulfilling its primary responsibilities. The duties of each committee may be described as follows:

- Corporate Governance and Nominating Committee: The Corporate Governance and Nominating Committee assists the Board in identifying individuals qualified to be Directors, oversees the composition, structure and evaluation of the Board and its Committees, and develops and maintains a set of Corporate Governance Guidelines.
- Audit Committee: The Audit Committee monitors the integrity of the Company's financial reporting process and systems of internal controls, retains and monitors the Company's independent auditors, and provides an avenue of communication among the independent auditors, management and the Board.
- Office of the Chairman: The Office of the Chairman Committee is responsible for assisting and guiding management in its pursuit of business development opportunities and intellectual property partnerships.

- Compensation Committee: The Compensation Committee reviews and determines salaries and other matters relating to compensation of the executive officers of the Company, oversees succession planning for corporate officers, and administers the Company's stock option plans.

Each Committee has, or will develop within a reasonable period of time from formation, a written Charter that is made publicly available as required by applicable rules and regulations. The number, content, frequency, length and agenda of Committee meetings and other matters of Committee governance will be determined by each Committee in light of the authority delegated by the Board to the Committee, the Committee's Charter, and legal, regulatory, accounting or governance principles applicable to that Committee's function. The Company will afford access to the Company's employees, legal counsel, outside auditors and other professional advisors and resources, as needed to enable committee members to carry out their responsibilities.

#### H. DIRECTOR ORIENTATION AND CONTINUING EDUCATION

Upon election, Directors shall receive an extensive review of the Company and its business from senior management. The review is intended to familiarize new Directors with the Company's objectives, strategies and challenges. Continuing education programs are provided and/or funded for Board members and may include a mix of in-house and third party presentations and programs. The Corporate Governance and Nominating Committee shall provide that Directors receive orientation, and shall provide for access to continuing education.

#### I. OTHER DIRECTORSHIPS

A Director shall limit the number of other public company boards on which he serves so that he is able to devote adequate time to his duties to the Company, which include preparing for and attending meetings. Directors should advise the Chairman of the Corporate Governance and Nominating Committee in advance of accepting an invitation to serve on another public company board. Service on other boards and/or committees of other organizations shall comply with the Company's conflict of interest policies.

#### J. CHANGES IN PROFESSIONAL RESPONSIBILITY

The Board does not believe that Directors who retire or change from the position they held when they came on the Board should necessarily leave the Board. The Corporate Governance and Nominating Committee shall review the continued appropriateness of Board membership as these circumstances arise.

#### **IV. BOARD MEETINGS**

##### **A. SCHEDULING AND SELECTION OF AGENDA ITEMS**

Board meetings are scheduled in advance for each quarter. In addition to regularly scheduled meetings, Board meetings may also be called upon appropriate notice at any time to address specific needs of the Company. The Board may also take action from time to time by unanimous written consent.

The Chairman of the Board drafts the agenda for each meeting and distributes it in advance to the other Board members. Any Director may propose the inclusion of items on the agenda. Agendas and supplemental materials are sent far enough in advance for the Directors to have adequate time to prepare for the meetings and to facilitate efficient use of time at Board meetings. The Board acknowledges, however, that certain items to be discussed may be of an extremely confidential or time-sensitive nature, and that the distribution of such materials prior to meetings may not be appropriate or practicable.

##### **B. SEPARATE MEETINGS FOR INDEPENDENT DIRECTORS**

There is time allotted at the end of each Board meeting for an executive session involving only the independent Directors.

#### **V. BOARD OVERSIGHT FUNCTIONS**

##### **A. ACCESS TO EMPLOYEES AND CORPORATE INFORMATION**

Directors have full and free access to all officers and employees of the Company. Any meetings or contacts that a Director wishes to initiate may be arranged through the Chief Executive Officer or by the Director himself. The Board also has full access to information about the Company and encourages senior management to bring employees into Board meetings when they can provide additional insight into the items being discussed because of their personal involvement in the area.

##### **B. REVIEW OF CHIEF EXECUTIVE OFFICER PERFORMANCE**

The Compensation Committee shall be responsible for conducting an annual evaluation of the Chief Executive Officer. The Compensation Committee will also set the Chief Executive Officer's compensation. The Chairman of the Compensation Committee shall be the liaison with the Chief Executive Officer.

##### **C. CHIEF EXECUTIVE OFFICER SUCCESSION PLAN**

As part of the annual Chief Executive Officer evaluation process, the Compensation Committee shall work with the Chief Executive to plan for his succession, as well as to develop plans for interim succession in the event of an unexpected occurrence. The Board may review succession planning more frequently if deemed necessary.

#### D. ACCESS TO ADVISORS

The Board and each Committee have the power to hire and consult with independent legal, financial or other advisors for the benefit of the Board or such Committee when they deem necessary without consulting with or obtaining the approval of any officer of the Company in advance. Such independent advisors may be the regular advisors to the Company. The Board or any such Committee is empowered, without further action by the Company, to cause the Company to pay the compensation of such advisors as established by the Board or any such Committee.

#### E. BOARD INTERACTION WITH SIGNIFICANT CONSTITUENCIES

The Board believes that the Chief Executive Officer or his designates speak for the Company. Individual Directors may, from time to time, meet or otherwise communicate with various constituencies that are involved with the Company, but it is expected that Directors would do this with the knowledge of management and in most instances at the request of management.

### **VI. SHAREHOLDER COMMUNICATIONS**

#### A. PROCESS FOR SHAREHOLDER COMMUNICATIONS

The Board shall establish a process by which shareholders may communicate with the Board. If, under the process, all shareholder communications are not sent directly to the Board, the Board itself shall determine which communications should be relayed to Board members and which communications management should address. The Chairman of the Corporate Governance and Nominating Committee shall be responsible for addressing comments directed to the Board and for reporting such matters to the entire Board at regularly scheduled Board meetings.

#### B. POLICY FOR DIRECTOR ATTENDANCE AT ANNUAL MEETINGS

The Board has established a policy that a majority of Directors' attend the annual meeting of shareholders either in person or via telephone conference

### **VII. BOARD EVALUATION AND DIRECTOR COMPENSATION AND STOCK OWNERSHIP**

#### A. REVIEW OF BOARD AND DIRECTOR PERFORMANCE

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

## B. DIRECTOR COMPENSATION

Director compensation may be paid in the form of equity grants and/or an annual cash retainer. 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 Committee shall periodically review Director compensation levels and practices and will recommend, from time to time, changes in such compensation levels and practices to the Board.

Directors who are also employees of the Company shall receive no additional compensation for Board service.

## C. DIRECTOR STOCK OWNERSHIP

Since a significant ownership stake leads to a stronger alignment of interests between Directors and stockholders, Board membership includes a requirement that within two years of the date of joining the Board, Directors shall own at a minimum the lower of the value of 10,000 shares or \$15,000 worth of Pixelworks stock, to be held during tenure on the Board.

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