

PIXELWORKS, INC.
POLICY FOR AUDIT AND NON-AUDIT SERVICES

I. INTRODUCTION

A. REGULATIONS REQUIRING PRE-APPROVAL OF SERVICES

Under Section 10A of the Securities Exchange Act of 1934, as amended (the “Act”), issued in compliance with the Sarbanes-Oxley Act of 2002, a proposed engagement for audit or non-audit services must either be:

- Specifically approved (“specific pre-approval”) by the Audit Committee (“the Committee”); or
- Pre-approved pursuant to pre-approval policies and procedures established by the Committee (“general pre-approval”), provided that the pre-approval policies and procedures (i) are detailed as to the particular service, (ii) provide that the Committee is informed of each service on a timely basis, and (iii) do not delegate Committee responsibilities under the Act to management.

Although the Act allows for de-minimus exceptions to the pre-approval requirements, this policy requires the pre-approval of all audit services to be provided by the independent auditors or any other accounting firm.

B. SERVICES OUTSIDE THE SCOPE OF AUDITORS

The Committee must evaluate the effect of non-audit services on an auditor’s independence against the following three basic principles (the “Principles”):

1. The auditor must not audit its own work;
2. The auditor must not perform management functions; and
3. The auditor must not serve as an advocate for the client.

The Company may not engage its independent auditors to perform the following prohibited services unless an exemption applies to the provisions of such service, and the Company has complied with the requirements of such exemption:

- Bookkeeping or other services related to the accounting records or financial statements;
- Financial information systems design and implementation;
- Appraisal or valuation services, fairness opinions or contribution-in-kind reports;
- Actuarial services;
- Internal audit outsourcing services;
- Management functions or human resources;
- Broker or dealer, investment adviser or investment banking services;
- Legal services and expert services unrelated to the audit; and

- Any other service that the Public Company Accounting Oversight Board determines, by regulation, to be impermissible.

C. PURPOSE OF THIS POLICY

This policy sets forth guidelines to be followed by the Company when engaging its independent auditors to perform audit and non-audit services, and guidelines to be followed prior to engaging any other accounting firm to provide audit services. It does not delegate the Committee's responsibility to pre-approve services performed by the independent auditor to management.

II. PRE-APPROVAL PROCEDURES

A. FACTORS OF CONSIDERATION

For general pre-approval and specific pre-approval decisions, the Committee will consider:

- Whether the proposed services are consistent with the Act and the rules promulgated by the Securities and Exchange Commission (the "SEC"), including the Principles;
- Whether the independent auditor is best positioned to provide the most effective and efficient service, for reasons such as its familiarity with the Company's business, personnel, culture, accounting systems, risk profile and other factors, or there is another compelling reason to use the auditor for these services;
- Whether the proposed services might enhance the Company's ability to manage or control risk or improve audit quality;
- The ratio between the total amount of fees for audit, audit-related and tax services, and the total amount of fees for certain permissible non-audit services classified as "all other" services;
- Detailed information, including back-up documentation (which may be provided by the auditor, management and/or another source), regarding the particular services to be provided such that the Committee can make a well-reasoned assessment of the impact of the services on the auditor's independence; and
- Any other factor the Committee deems relevant.

All these factors will be considered as a whole, and no one factor will necessarily be determinative.

B. PERMITTED NON-AUDIT SERVICES

The Committee must pre-approve all permitted non-audit services provided by the Company's independent auditors.

C. DELEGATION OF AUTHORITY

As permitted by the Act, the authority to pre-approve services may be delegated to one or more designated members of the Committee who are independent members of the Board of Directors. If a designated member does pre-approve services, the pre-approval will be reported to the full Committee at its next regularly scheduled meeting.

D. METHODS OF APPROVAL

a. General Pre-Approval

The Committee may review services to be performed over an extended period of time for general pre-approval. General pre-approvals will apply for one year from the date of pre-approved commencement of services, unless the Committee specifically provides for a different period. All requests or applications for general pre-approval of services to be provided by the independent auditor will be submitted to the Committee (or the Chairman of the Committee) jointly by the Company's independent auditor, or other accounting firm, and the Chief Financial Officer. Any such submission must include:

- A statement as to whether, in their opinion, the request or application is consistent with the rules promulgated by the SEC and otherwise meets the standards set forth in this policy; and
- The following information for each individual service:
 - The type of service to be performed;
 - A detailed description of each particular service; and
 - A range of fees.

b. Specific Approval

If an engagement has not received general pre-approval, it must be specifically approved before it is entered into. The same information must be provided to obtain specific pre-approval as general pre-approval.

E. LIMIT ON ENGAGEMENT FEES

Engagement fees may not exceed the amounts pre-approved unless subsequent approval is obtained from the Committee following identification of an over-run or increase in scope of services.

III. FEE DISCLOSURES

In each proxy statement filed in connection with the Annual Meeting of Shareholders, the Company will disclose aggregate fees billed by the Company's independent auditors in the following four categories:

1. Audit Fees, which includes fees billed for the audit of the Company's annual financial statements and review of the Company's quarterly financial statements, as well as services that are provided in connection with statutory and regulatory filings.
2. Audit-Related Fees, which includes fees billed for assurance and related services that are related to the performance of the audit or review of the Company's financial statements, but not reported as Audit Fees.
3. Tax Fees, which includes fees billed for services rendered for tax compliance, tax advice and tax planning.
4. All Other Fees, which includes fees billed for services provided and not reported in any of the three categories above.

The Company will describe the nature of services provided under the last three categories, and present the required information for the two most recent fiscal years.