



**PIXELWORKS, INC.  
CODE OF BUSINESS CONDUCT & ETHICS  
EFFECTIVE OCTOBER 2011**

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## **PURPOSE OF THIS CODE**

This Code of Business Conduct and Ethics (the “Code”), is designed to promote a responsible and ethical work environment at Pixelworks, Inc. (“Pixelworks” or the “Company”), and to help ensure compliance with legal requirements. This Code is intended to help employees, officers and directors make appropriate decisions by identifying areas of ethical risk, providing guidance on dealing with ethical issues and providing ways to report unethical conduct. To the extent this Code requires a higher standard than required by commercial practice or applicable laws, rules or regulations, we adhere to these higher standards. This document is not an employment contract between the Company and any of its employees, officers or directors, and does not alter the Company’s policy of at-will employment.

## **YOUR RESPONSIBILITIES UNDER THIS CODE AND DUTY TO COME FORWARD**

Ethical conduct is crucial to Pixelworks’ success, and the Company expects honest and ethical behavior from all of its personnel. All employees, officers and directors are expected to read and understand this Code, and to uphold the standards contained herein in both letter and spirit. Additionally the Company requires that all directors, officers and employees report any actual or apparent violations of law or ethical standards to the Company so that they can be investigated and dealt with appropriately. Violations of this Code or other legal or regulatory requirements can create significant liability for you, the Company and its directors, officers and other employees.

The Company will take appropriate action against any director, officer or employee whose actions are found to violate this Code. Disciplinary actions may include immediate termination of employment at the Company’s sole discretion. Where the Company has suffered a loss, it may pursue remedies against the individuals responsible. Where laws have been violated, the Company will cooperate fully with the appropriate authorities.

## **OUR OPEN DOOR POLICY**

This Code is not intended to be a comprehensive rulebook and cannot address every situation that you may face. If you feel uncomfortable about a situation or have any doubts about whether it is consistent with the Company’s ethical standards, we encourage you to seek help. Indeed, open communication is an essential part of the Pixelworks philosophy. The Company maintains an open door policy to hear from you about issues that may arise under this Code and about violations of any laws, rules or regulations. You may bring any such issues to your supervisor, the Human Resources Department, any other appropriate member of Company. Additionally, the Company has set up a telephone hotline and web based reporting system with an independent third party which employees, officers, directors and third parties may use to anonymously and confidentially report unethical business and accounting practices, fraud and employment related matters. Reports can be filed by calling 1-866-ETHICSP or accessing [www.ethicspoint.com](http://www.ethicspoint.com).

## **OUR NO RETALIATION POLICY**

It is against Pixelworks' policy for anyone to take action against an employee, officer or director for reporting, or threatening to report, a violation of this Code, or for cooperating with investigations relating to such violations, provided that the person making the report has acted in good faith and with reasonable belief that the information provided is true.

It is also against Company policy for anyone to take an adverse action against an employee, officer or director for (a) lawfully providing information or assisting in an investigation of activities which he or she reasonably believes violates the law, or (b) providing truthful information to the government, a government agency or law enforcement officers relating to the commission of a legal offense.

### **CHANGES TO THIS CODE**

Over time, new policies will need to be written, and old ones revised. While we reserve the right to make these changes without notice, we will try to let you know about changes to this Code as soon as possible. The most recent version of this Code can be found on the Company's website at [www.pixelworks.com](http://www.pixelworks.com).

### **WAIVERS OF CODE PROVISIONS**

For employees, the provisions of this Code may only be waived by the Company's Chief Executive Officer. For executive officers and directors, the provisions may only be waived by the Board of Directors. Any waiver of this Code for an executive officer or director will be promptly disclosed as required by law or stock exchange regulation.

### **GENERAL STANDARDS OF CONDUCT**

Although a business such as Pixelworks has an economic reason for existence, it is an organization of people that must recognize and act on human values in addition to legal and economic requirements. We are committed to acting honestly, morally, ethically and legally in the conduct of all of our affairs. These qualities are characterized by truthfulness and freedom from deception or fraud, and do not vary by business, product, country or culture.

No code of conduct can hope to spell out the appropriate ethical or moral behavior for every possible business situation you may encounter. Whenever you find yourself with a hard decision, you should seek counsel from your colleagues, your manager, and most importantly from your good judgment. If you do find yourself in a situation that represents a possible violation of these principles, you should immediately make your supervisor, the Human Resources Department, any other appropriate member of management aware of the facts. You may also make a report anonymously and confidentially by calling the ethics hotline at 1-866-ETHICSP or accessing [www.ethicspoint.com](http://www.ethicspoint.com).

These are the overriding principles that must guide us as we conduct business. What follows are more specific responsibilities that you have as a Pixelworks employee, officer or director.

## **LEGAL COMPLIANCE**

### **General**

Pixelworks has a policy of strict compliance with all laws that are applicable to our business, wherever conducted. Pixelworks has offices and employees in many different countries and conducts business all over the world. As a result, our operations are subject to the laws of many countries. In all of our affairs, we will comply with applicable laws, regulations and guidelines.

In some instances, there may be a conflict between the applicable laws of two or more countries. In other instances, laws and regulations might be ambiguous or difficult to interpret. In such cases, you should seek advice to ensure that you are in compliance with this policy, and that you are observing all applicable laws and regulations. If you have need for such advice or counsel, contact your supervisor, the Human Resources Department, any other appropriate member of management.

### **Equal Opportunity**

We will provide equal opportunity to all qualified employees and applicants for employment. All aspects of employment will be governed on the basis of merit, competence, and qualifications and will not be influenced in any manner by race, color, religion, sex, sexual orientation, marital status, national origin, ancestry, disability, medical condition, age or any other basis prohibited by law. All decisions made with respect to recruiting, hiring, and promotions for all job classifications will be based on individual qualifications related to the requirements of the position and our sole discretion.

Additionally, we make reasonable accommodation for employees' religious beliefs and practices unless it would be an undue hardship on the organization.

### **Americans with Disabilities Act**

In accordance with the Americans with Disabilities Act and other laws, where applicable, Pixelworks ensures equal employment opportunities to individuals with disabilities and will make reasonable accommodations for the known physical or mental disabilities of otherwise qualified individuals, unless undue hardship to the Company would result.

Any employee who requires an accommodation to perform the essential functions of his or her job should inform his or her Manager or Human Resources. Information regarding disabilities will be kept confidential to the extent practicable and consistent with our obligation to provide an accommodation.

### **Discrimination and Harassment**

We are committed to providing an environment in which we treat each other with respect, both in the workplace and in any other work-related situation. Pixelworks is dedicated to an environment free from discrimination, intimidation or harassment (a kind of discrimination) of any kind based on sex, race, color, sexual orientation, religion or other factors protected by applicable law. Harassment has no place in the work environment, is inconsistent with good business practice and is illegal under state and

federal law. Violations of this policy will not be tolerated. Anyone engaging in such activity is acting beyond the scope of any authority they have from the Company.

Discrimination is a complicated issue. If you have any doubts about conduct that could be considered unlawful discrimination or harassment, please contact the Human Resources Department. Individuals who observe or who are subjected to harassment or intimidation should report the incident or situation immediately. If you feel that you or another employee, officer or director has been discriminated against or harassed:

- Notify your manager; or
- Notify the next-level manager; or
- Notify an officer of the Company; or
- Notify any member of the Human Resources Department; or
- Make an anonymous and confidential report by calling 1-866-ETHICSP or accessing [www.ethicspoint.com](http://www.ethicspoint.com).

Managers notified of possible discrimination must report the incident immediately to the Human Resources Department. Any manager or supervisor who is made aware of a complaint of harassment or discrimination and fails to take prompt action is in violation of this policy.

Pixelworks will respond promptly to any inquiries and/or investigate any complaints. Questions or complaints will be handled confidentially. All investigations will be carried out in good faith and any employee accused of violating this policy will be given an opportunity to respond.

You should know that it is prohibited for anyone to be punished or penalized for raising a complaint of discrimination or harassment in good faith, or for truthfully cooperating in an investigation. If it is established that an employee has violated this policy, or has taken or threatened action against someone who has reported alleged discrimination or harassment, the offender will be subject to corrective action up to and including termination.

### **Immigration Law Compliance**

Pixelworks is committed to employing only individuals who are legally authorized to work, and does not unlawfully discriminate on the basis of citizenship or national origin. For example, in the United States, Pixelworks will only employ US citizens and aliens who have obtained the legal right to work in the US. Each new US employee, as a condition of employment, must complete the Employment Eligibility Verification Form I-9 and present documentation establishing identity and employment eligibility. Former US employees who are rehired must also complete the I-9 form if they have not completed one with the Company within the past thirty-six months, or if their previous I-9 is no longer on file or valid.

## **Alcohol and Drugs**

Pixelworks' policy is to provide a safe and productive work environment. No employee shall report to work while under the influence of any illegal drug, or any other substance that could impair an employee's ability to perform job functions. The use, sale, transfer or possession of illegal drugs or controlled substances on the job, on Company property or in Company vehicles is also prohibited. It is also a violation of this policy to sell, transfer or distribute personal prescription drugs on Company premises, in Company vehicles, or during work hours. Violators will be subject to disciplinary action up to and including dismissal. The only exception to this policy is that alcohol may be consumed by people of legal drinking age at Company-sponsored functions. While the consumption of alcohol at these events does not violate this policy, we consider individuals responsible for self-monitoring the quantity consumed and its influence.

## **Workplace Violence**

Pixelworks has zero tolerance for workplace violence. Consistent with this policy, acts or threats of physical violence, including intimidation, harassment, and/or coercion, which involve or affect the Company or its employees, will not be tolerated. Additionally, to preserve employee safety and security, weapons, firearms, ammunition, explosives and incendiary devices are forbidden on Company premises or in Company vehicles.

## **Environmental Commitment**

Pixelworks is committed to minimizing any negative impact of our business activities on the environment. All employees are responsible for complying with applicable environmental laws and Company policies.

## **Respecting Intellectual Property Rights**

As we expect others to recognize the legal rights we have in our products and designs, we respect the legal rights that others have in their brands, designs, software, articles and other legally protected materials. You should never make unauthorized copies of material from copyrighted books, magazines, newspapers, videotapes or computer programs. While you may generally make a copy for your own business use, making copies without permission violates copyright laws.

## **Fair Dealing**

You should always deal fairly and honestly with the Company's customers, suppliers, vendors, competitors and other employees. You should not take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, falsification, misrepresentation of material facts, or any other intentional unfair dealing practice. Statements about the Company's products should never be intentionally deceptive or fraudulent.

Our relationships with suppliers are based on price, quality, service and reputation. Employees and directors dealing with suppliers should carefully guard their objectivity. Specifically, no employee, officer or director should accept or solicit any personal benefit from a supplier or potential supplier that might compromise, or appear to compromise,

their objective assessment of the supplier's products and prices. Employees, officers and directors can give or accept promotional items of nominal value or moderately scaled entertainment within the limits of responsible and customary business practice. Please see the section below entitled "Entertainment, Gifts, Favors and Gratuities" for additional guidelines in this area.

### **Bribes, Improper Payments and Foreign Corrupt Practices Act**

The Company requires full compliance with the Foreign Corrupt Practices Act of 1977 (FCPA) by all of its employees and agents. The FCPA was enacted to deter illegal corporate payments by prohibiting certain payments or promises to foreign officials. Employees or agents of the Company should never directly or indirectly offer, promise to pay, or authorize payment of, money, products, services or anything else of value to any government official or agent in any country in order to influence acts or decisions of the government official in order to receive special treatment for the Company or for personal gain.

### **Free and Fair Competition**

Most countries have rules and regulations designed to encourage and protect free and fair competition. Pixelworks is committed to obeying both the letter and the spirit of these laws. Employees, officers and directors should avoid actions that reasonably could be construed as being anti-competitive, monopolistic or otherwise contrary to laws governing competitive practices in the marketplace, including federal and state antitrust laws. Specifically, in the United States and many other countries, it is unlawful to collaborate with competitors or anyone representing them for the purposes of establishing or maintaining prices, division of markets or customers, group boycotts, or restraining trade. It is also unlawful to collaborate with competitors or anyone representing them to restrain competition in other ways such as restricting production or agreeing not to do business with specific customers. Employees and officers who are involved in trade associations and professional groups should be vigilant that discussions in these forums do not violate ethical or legal standards. It also is unlawful to misappropriate and/or misuse a competitor's confidential information or make false statements about the competitor's business and business practices. If you have doubts as to whether a contemplated action may have the effect of restraining competition, you should consult your supervisor, any other appropriate member of management.

### **Customs Regulations**

Pixelworks will comply with customs laws and regulations wherever we do business. Generally, the laws require complete and accurate statements to customs authorities about the value, kind and origin of goods that are imported. It is against Pixelworks policy to lower customs values or describe an item in misleading terms. Failure to make correct statements can lead to fines and penalties and could potentially affect the ease and timeliness of the import process for the Company.

Exports of products are also subject to export control and applicable sanctions laws. Failure to comply with these laws can result in product seizure and significant civil liability. Certain countries, including Cuba, Iran, and North Korea, are subject to strict sanctions by the U.S. government. No business dealings may take place with or in these

countries and no products may be shipped to these countries, directly or indirectly, without prior approval by an Officer of the Company and any required licenses.

### **Records on Legal Hold**

A legal hold suspends all document destruction procedures in order to preserve appropriate records under circumstances such as litigation or government investigations. The Company's Chief Financial Officer will notify you if a legal hold is placed on records for which you are responsible. Records or supporting documents that have been placed under a legal hold must not be destroyed, altered or modified under any circumstances, and you must preserve and protect the necessary records in accordance with instructions from the Chief Financial Officer. A legal hold remains in effect until it is officially released in writing by the Chief Financial Officer. If you are unsure whether a document has been placed under a legal hold, you should preserve and protect that document while you check with the Chief Financial Officer.

### **COMPANY ASSETS**

Protecting Pixelworks' assets is a key fiduciary responsibility of every employee, officer and director. Care should be taken to ensure that assets are not misappropriated, loaned to others, sold or donated without appropriate authorization. Anyone who demonstrates poor judgment in the manner in which they use a Company asset may be subject to disciplinary action, up to and including termination of employment at the Company's sole discretion.

### **Company Funds**

Pixelworks' funds are for Company purposes only and not for personal benefit. Employees, officers and directors must:

- Protect all Company funds entrusted to them;
- Abide by Company policies for the security of Company funds;
- Ensure that the Company receives good value in exchange for Company funds or for personal funds that will be reimbursed by the Company; and
- Only seek reimbursement for expenses that are reasonable, actual and authorized. (See Pixelworks' Expense Reporting Policy available for guidance.)

If you become aware of any evidence of fraud or dishonesty, you should immediately advise a supervisor, the Chief Financial Officer, the Human Resources Department or file an anonymous and confidential report by calling 1-866-ETHICSP or accessing [www.ethicspoint.com](http://www.ethicspoint.com) so that the situation may be promptly investigated further.

### **Confidential/Proprietary Information and Inventions**

All confidential and proprietary business information relating to Pixelworks is to be used solely for Company purposes and is not to be provided to unauthorized persons, used for the purpose of furthering a private interest or for making a personal profit.



Confidential and proprietary business information includes trade secrets, proprietary know-how, personnel records, employee lists, business plans and proposals, capacity and production information, marketing or sales forecasts and strategies, client and customer lists, pricing lists or strategies, supplier data, business leads and research and development information. Confidential information also includes information regarding third parties (such as customers and suppliers). Confidential and proprietary information should only be disclosed to those people with a legitimate business need to know that serves Pixelworks' interests. Do not discuss such information with people outside of Pixelworks. Do not leave confidential records or documents in places where others might read them. Do not discuss or work with Pixelworks' data in public areas where the conversation may be overheard or the data compromised.

All employees are required to sign an *Employee Non-Disclosure and Developments Agreement* as a condition of their employment with the Company. This agreement provides, in part, that while employed by Pixelworks, employees:

- May not reveal any confidential information to anyone except other employees who have a need to know the information in order to perform their job, or as authorized by an officer of the Company;
- Must disclose any inventions conceived or developed during their employment and must acknowledge that any such invention is the property of Pixelworks; and
- May not use any confidential information acquired at another company for Pixelworks business.

Employees who leave Pixelworks may not:

- Use any confidential/proprietary Pixelworks information for their own or another's personal gain; or
- Keep any originals or copies of notebooks, proposals, documents, drawings, reports or other documents or proprietary information belonging to Pixelworks, including but not limited to documents that are electronically stored on personal computers, iPhones, Blackberries and other PDA, email accounts or any other electronic storage device.

Employees who engage customers, contractors, consultants and other business partners should ensure that these individuals have completed and signed a *Non-Disclosure Agreement* with Pixelworks. Likewise, employment candidates with whom Pixelworks' technology, products and future developments will be discussed, must sign Pixelworks' *Non-Disclosure Agreement* prior to the discussion taking place.

All employees who have access to, or use, Pixelworks' computers and other electronic devices are responsible for safeguarding and properly using the information entered, stored or produced on such computers and devices. Each employee is also responsible for following the procedures that are established by the Information Technology (I.T.) Department to help prevent unauthorized access to Pixelworks' computers and systems. These procedures include logging out at the end of the day, locking rooms containing

computers or terminals, using suitable individual and secret passwords and being aware of the need to prevent unauthorized access. Any employee who notices any unusual behavior in a computer, such as the number of processes, unexplained decreases in speed, or changes in login prompts should immediately notify the I.T. Department.

### **Interactions with the Public**

To ensure that we comply with the law while still protecting the Company's confidentiality and interests, only individuals who are specifically trained in particular areas, and whose job responsibilities include corporate communications, should represent Pixelworks to the public or to the media. Inquiries from securities analysts, institutional investors, investment advisors and the media should be directed to the Chief Financial Officer. Individuals who speak directly to the public or to the media without going through the proper channels risk providing incorrect information or revealing proprietary strategies and are subject to disciplinary action, up to and including termination.

### **Information Technology Assets**

Pixelworks relies on computer systems and telecommunications systems to achieve our operational, financial and informational requirements. It is essential that these systems be protected from misuse. All employees must read and comply with Pixelworks' Information Technology policies, procedures and guidelines.

### **Insider Trading**

Any employee, officer or director having access to confidential or "inside information" not available to the general public, or special knowledge acquired in the course of business in Pixelworks, must not disclose such information to others or use the information for private gain for themselves or others. For example, any person with such information must not capitalize on it by trading in Pixelworks' stock before the information is available to the public. Officers and directors of the Company must comply with Securities and Exchange Commission (SEC) requirements for reporting of and timing of transactions in the Company's stock. Additionally, no directors, officers or other employees may trade in any interest or position relating to the future price of the Company's stock, such as a put, call or short sale, irrespective of whether such person is in possession of material non-public information.

In addition, Company directors, officers and employees are strictly prohibited from recommending, "tipping" or suggesting that anyone else buy or sell stock or other securities of the Company on the basis of material, nonpublic information. Company directors, officers and employees who obtain material non-public information about another company in the course of their service with Pixelworks are prohibited from trading in the stock or securities of the other company while in possession of such information or "tipping" others to trade on the basis of such information. Violation of insider trading laws can result in severe fines and criminal penalties, as well as disciplinary action by the Company, up to and including termination of employment.

For a more detailed discussion of these policies, please see Pixelworks' Insider Trading Policy, which is distributed twice per quarter to all employees by the Chief Financial Officer and is also available from the Human Resources Department.

## **FINANCIAL INTEGRITY**

### **Integrity of Records**

Laws and regulations require Pixelworks' records to accurately reflect the events that they represent. Falsifying business records is a serious offense that may result in criminal prosecution, civil action and/or disciplinary action up to and including termination of employment. You should always record data in a timely and accurate manner. You should also remember that all business records and communications might become subject to public disclosure through government investigations, litigation or the media.

### **Side Agreements & Off-Book Financial Transactions**

Pixelworks strictly forbids the use of any side agreements, off-book financial transactions or other arrangements to induce business or improve the terms of business transactions. All terms and conditions associated with any business transaction must be clearly delineated in the Company's regular system of documenting sales, purchases and other business transactions, and must carry the appropriate approvals and authorizations according to the published approval policy.

### **Fair and Accurate Filings**

As a publicly traded company, Pixelworks has an obligation to make full, fair, accurate, timely and understandable disclosures in the reports and documents filed with, or submitted to, the SEC, and in all other public communications. Employees involved in the creation, assembly and approval of these reports and documents should, at all times, perform their duties consistently with this obligation.

All Company books, records and accounts must accurately reflect the true nature of the transactions they record. The financial statements of the Company shall conform to accounting principles generally accepted in the United States of America and the Company's policies. No undisclosed or unrecorded amount or fund shall be established for any purpose. No false or misleading entries shall be made in the Company's books or records for any reason, and no disbursement of corporate funds or other corporate property shall be made without adequate supporting documentation, or for any purpose other than as described in the supporting documents.

### **No Improper Influence on Audits**

Employees, officers and directors are expected to cooperate fully with our external and internal auditors, and must not directly or indirectly take any action to coerce, manipulate, mislead or fraudulently influence any public accountant engaged in the performance of an audit or review of Pixelworks' financial statements.

### **Concerns Regarding Accounting or Auditing Matters**

If any individual has concerns regarding questionable accounting or auditing matters, or complaints regarding accounting, internal controls or auditing matters, he or she should contact a supervisor, any other member of management, the Human Resources

Department or file an anonymous and confidential report by calling 1-866-ETHICSP or accessing [www.ethicspoint.com](http://www.ethicspoint.com).

### **CONFLICTS OF INTEREST**

Pixelworks recognizes that employees may take part in legitimate financial, business and other activities outside of their jobs. However, those activities must be lawful and free of conflicts with their responsibilities as Pixelworks' employees. Employees are expected to avoid conflicts of interest at all times. A conflict of interest occurs when an employee's personal or financial interests interfere with, or appear to interfere with, his or her duties and responsibilities to the organization. For purposes of evaluating a conflict of interest, an "employee's personal or financial interests" includes the interests of family members (spouse, parents, children, siblings and in-laws), and organizations with which an individual, or an individual's family member, has a significant relationship.

Activities which involve the unauthorized use of Company time, equipment, or information; or which significantly interfere with job performance, damage Pixelworks' good reputation, or otherwise conflict with the Company's business interests, are to be avoided. Of particular concern are situations in which your personal interests may conflict with the interests of Pixelworks in relations with present or prospective suppliers, customers, competitors or fellow employees. In essence, you should not use your position, or the assets or influence of the organization, for personal advantage or for the advantage of others. In all of your business activities, you should always strive to act in the best interests of Pixelworks.

While it is not possible to describe all of the conflicts of interest which might develop, the following are set forth for your guidance.

#### **Outside Employment**

An employee may not directly or indirectly conduct outside business that interferes with the proper performance of the employee's job at Pixelworks, is conducted during an employee's normal working hours, utilizes Pixelworks confidential information or specialized skills and knowledge gained as a Pixelworks employee, or puts the employee in a situation where Pixelworks confidential information may be used intentionally or unintentionally. This restriction includes having some types of part-time jobs, becoming a competitor of Pixelworks, or becoming a contractor, consultant or supplier to Pixelworks while being employed by Pixelworks.

#### **Outside Service as a Director or Officer**

An employee seeking to accept a position as an officer or director of a for-profit or non-profit enterprise must first seek and obtain permission from the Human Resources Department for the purpose of better avoiding conflicts of interest and minimizing potential liability to Pixelworks. This requirement does not apply to an officer or board position for a non-profit organization such as a hobby club, resident's association, or religious group, where the likelihood of any such conflict of interest is low. Similarly, this requirement does not apply to a family or local business not involved in a business with similar interests to that of Pixelworks unless that business is a supplier or customer of Pixelworks.

## **Financial Interests**

Employees who wish to invest in a Pixelworks supplier, customer or competitor must take care to ensure that these investments do not compromise their responsibilities to Pixelworks. Such investments should not constitute a significant financial interest to the employee.

## **Corporate Opportunities**

Directors, officers and employees have an obligation to advance the Company's interests when the opportunity to do so arises. If you discover or are presented with a business opportunity that is directly related to the Company's business or arises through the use of Company property or information or because of your position with the Company ("Business Opportunity"), you should first present the Business Opportunity to the Company before pursuing the Business Opportunity in your individual capacity. No director, officer or employee may use Company property or information, or his or her position with the Company, for personal gain.

If you are an employee, you should disclose to your supervisor the terms and conditions of each Business Opportunity covered by this Code that you wish to pursue. Your supervisor will contact the Legal Department and the appropriate management personnel to determine whether the Company wishes to pursue the business opportunity. Directors should disclose to the Board the terms and conditions of each Business Opportunity covered by this Code that they wish to pursue. If the Company waives its right to pursue the Business Opportunity, you may pursue the Business Opportunity on the same terms and conditions as originally proposed and consistent with the other ethical guidelines set forth in this Code, including rules pertaining to conflicts of interests, outside employment, outside service as a director of officer and financial interests.

## **Personal Relationships**

While we recognize and respect the rights of employees to associate freely and to pursue personal relationships with those they encounter in the work environment, employees must use good judgment in ensuring that those relationships do not negatively impact their job performance, their ability to supervise others or the work environment.

Any workplace conduct arising from a romantic relationship, intimate relationship or friendship between employees may be improper if the conduct creates an uncomfortable work environment for others. It is not appropriate for employees in a romantic relationship to also have a reporting relationship. Additionally, favoritism, open displays of affection and making business decisions based on emotions or friendships rather than on the best interest of the Company are also examples of inappropriate conduct. Employees who find themselves in an intimate relationship or friendship should use tact and good judgment.

## **Employment of Family Members**

Employees' relatives may apply for employment with the Company and will be given equal consideration with all applicants except that Pixelworks will not employ an

employee's family member, nor permit continued employment of family members, where such employment would not reflect reasonable business practice. In particular, it is not acceptable for an employee to report to or supervise a family member. All employment of family members must be approved in advance by a department manager and the Human Resources Department.

For purpose of this Code, "family" is defined to include spouse, biological, adopted and step children, parents, brothers, sisters and dependents, whether or not living in the same household. The definition also includes all other relatives who live in the same household and persons who live together in non-marital, non-related arrangements such as significant others and roommates.

### **Political Activities**

No influence shall be exerted by any employee, officer or director on another employee, officer or director to make any personal political contribution or to engage in any political activity. No political activities are to be conducted during work hours. Employees who participate in political affairs outside of work should make it clear that the employee's political views and actions are personal in nature and are not made on behalf of the Company. For instance, Company letterhead and signature blocks should not be used to send out personal letters or emails in connection with political activities.

Employees may contribute personal funds to political parties or candidates. The Company will not reimburse employees for personal political contributions. Strict laws control, however, any political contributions made by companies. Any corporate political contributions must be approved in advance by the Chief Executive Officer or Chief Financial Officer.

These guidelines are intended to ensure that any political activity pursued by employees is done voluntarily, using the employee's own resources and during non-working hours. Please contact the Legal Department if you have any questions about this policy.

### **Entertainment, Gifts, Favors and Gratuities**

The primary rule to remember regarding gifts and gratuities is that they must not influence, or appear to influence, the recipient's judgment. A gift or hospitality that appears to influence is one that might cause a disinterested, reasonable observer to question whether the gift was a reward for a business decision or was given to gain a business advantage. Pixelworks may also deal with government entities that are prohibited from accepting gifts, gratuities and, in some cases, even minimal entertainment.

Any person or firm who represents Pixelworks must comply with the specific policies for giving or accepting corporate gifts and hospitality as follows:

- Never give, offer or authorize to offer, directly or indirectly, anything of value to a customer or government official to obtain an improper advantage. A business courtesy, such as a gift, contribution or entertainment, should never be offered under circumstances that might create the appearance of an impropriety.

- Cash, or cash equivalent gifts or gratuities are not to be accepted under any circumstances.
- Entertainment at meals, business meetings and social events should not exceed the hospitality that can be returned in the normal course of business entertainment.
- Employees should not solicit or accept directly or indirectly, any gift, favor or other item of more than nominal monetary value from any current or potential vendor or customer of Pixelworks.
- Employees may accept or give personal gifts of reasonable value that are related to recognized special occasions such as a graduation, promotion, new job, wedding, retirement or a holiday. A gift is also acceptable if it is based on a family or personal relationship and unrelated to the business involved between the individuals.
- Employees may accept a gift from a civic, charitable or religious organization specifically related to the employee's service or accomplishment.

Any employee who is offered a gift, gratuity or entertainment outside the limits of this policy, or believes that they are being pressured by someone outside Pixelworks, should report the incident immediately to any member of the Executive Management Team.

### **Non-Solicitation**

No direct solicitation either personally, by e-mail, or by voice mail for any activities (including civic, fraternal, religious, charitable, or educational) will be permitted without the express permission of the Human Resources Department.

Solicitation includes activities such as requests for signatures, contributions for charities, support of political or other organized activities, merchandise purchases and requests for donations.

Corporate contributions or donation requests must be submitted for review to the Chief Executive Officer or Chief Financial Officer.

If you observe an employee soliciting improperly, you should remind the employee that solicitation without proper authorization is prohibited. If the employee continues to solicit, immediately contact the Human Resources Department for additional assistance.

Office locations may designate a common area, such as a bulletin board in the lunchroom, for employee postings for activities that may include activities such as school related fundraising or charitable giving drives. Employee postings of this nature in the office designated area is not a violation of this policy.

### **RESOLVING ETHICAL CONFLICTS & HOW TO REPORT**

Our system for resolving ethical conflicts is simple. First attempt to solve the problem according to the Pixelworks' principles of openness, honesty and integrity. If this approach fails or seems destined to fail, ask your manager or supervisor for help. In instances where it is not appropriate to discuss the matter with your direct supervisor,

you should go to the Human Resources Department or to any other member of the management team. You may also file an anonymous and confidential report by calling 1-866-ETHICSP or accessing [www.ethicspoint.com](http://www.ethicspoint.com). All members of the management staff maintain an open-door policy, and are available to any employee who has questions, concerns or suggestions about how best to conduct business at Pixelworks. The Board serves as final authority with regard to any matters of business conduct.

The ideal time to bring up a question of moral standard or ethical behavior is before the fact, rather than after the fact. However all ethical conflicts should be addressed, even if they occurred in the past. You must never hesitate to talk about a question of business conduct, no matter how small or insignificant it may seem to be.

Any allegation or suspicion of unethical or illegal behavior will receive immediate attention of the appropriate Pixelworks directors and/or officers, will be reported to the CEO and where appropriate, will be thoroughly investigated. Any such investigation will be conducted in a competent, fair and confidential manner, with equal respect being given to the rights of the employee and the objectives of the Company. Whenever possible, such investigation will be done by a director or officer not associated with the department where the incident occurred, or by an outside investigator.