

**PIXELWORKS, INC.**  
**CHARTER OF THE COMPENSATION COMMITTEE**  
**OF THE BOARD OF DIRECTORS**

**I. COMMITTEE PURPOSE**

The Compensation Committee (the “Committee”) of Pixelworks, Inc. (the “Company”) is appointed by the Board of Directors (the “Board”) to assist the Board in fulfilling its responsibilities with respect to compensation of the Company’s directors, executive officers and employees and oversight and administration of the Company’s incentive and stock-based compensation plans.

**II. COMMITTEE STRUCTURE**

**A. COMMITTEE SIZE AND MEMBERSHIP**

The Committee shall be comprised of three or more directors. Members shall be appointed by the Board based on the recommendations of the Corporate Governance and Nominating Committee, and may be removed by the Board at any time and for any reason. Each member shall be an “independent director” as determined by the Board in accordance with applicable law in effect from time to time, including within the meaning of applicable rules and listing standards of the NASDAQ stock market, applicable rules under Section 16(b) of the Securities Exchange Act of 1934, as amended, related to “non-employee directors” (as such term is defined in Rule 16b-3(b)(3)(i) of the Securities Exchange Act of 1934, as amended) and applicable regulations under Section 162(m) of the Internal Revenue Code of 1986, as amended, related to “outside directors” (subject to any exceptions allowed by such rules and any waivers granted by such authorities). Each member shall be otherwise free from any relationship that, in the judgment of the Board, would interfere with his or her exercise of business judgment as a Committee member. The Committee shall have the authority to delegate any of its functions to a subcommittee thereof to the extent permitted by law.

**B. COMMITTEE CHAIR**

The Board may appoint one member to serve as Committee Chair to convene and chair all regular and special sessions of the Committee, to set agendas for Committee meetings, and to determine and communicate to management and the full Board the informational, professional, advisory, and other needs of the Committee. If the Board fails to appoint a Committee Chair, the members of the Committee shall elect a Chair by majority vote of the full Committee.

### **III. COMMITTEE MEETINGS**

Meetings shall be held as often as may be deemed necessary or appropriate, in the Committee's judgment. The Committee may also act by unanimous written consent in lieu of a meeting. The Committee Chair shall prepare and/or approve an agenda in advance of each meeting. The Committee will cause to be kept adequate minutes of all of its proceedings, and will either submit the minutes of each of its meetings to the Board, or report the matters raised at each of its meetings directly to the Board. The Committee is governed by the same rules regarding meetings (including meetings by teleconference or similar remote communications), actions without a meeting, notice, waiver of notice and quorum and voting requirements as are applicable to the Board.

### **IV. DUTIES AND RESPONSIBILITIES**

In furtherance of its purpose, the Committee shall have the following specific duties and responsibilities:

#### **A. ESTABLISH COMPENSATION PHILOSOPHY**

The Committee is responsible for establishing and periodically reviewing the Company's philosophy for executive, management, and staff compensation.

#### **B. MAINTAIN THE COMMITTEE CHARTER**

The Committee is responsible for reviewing and reassessing the adequacy of this Charter at least annually, and for recommending any proposed changes to the Board for approval.

#### **C. EVALUATE CANDIDATES FOR EXECUTIVE POSITIONS**

The Committee will assist the Board in evaluating potential candidates for executive positions, including the Chief Executive Officer (the "CEO") position.

#### **D. EVALUATE EXECUTIVE COMPENSATION PROGRAMS**

The Committee shall review trends in executive compensation and the competitiveness of the Company's compensation programs to promote attraction and retention of executive officers, motivation of the executive officers to achieve the Company's business objectives, and alignment of the interests of executive officers with the long-term interests of the Company's shareholders, and shall assess the results of the Company's most recent advisory vote on executive compensation when such vote is required to be held by law or determination of the Company's shareholders. The Committee shall oversee the Company's compliance with applicable Securities and Exchange Commission rules and regulations regarding shareholder approval of certain executive compensation matters, including advisory votes on executive compensation and the frequency of such votes when such votes are required to be held by law, and any requirement under the NASDAQ rules that, subject to certain exceptions, shareholders approve equity compensation plans.

#### E. REVIEW CEO PERFORMANCE AND APPROVE CEO COMPENSATION

At least annually, the Committee shall review and approve the Company's goals and objectives relevant to CEO compensation. The Committee shall evaluate the CEO's performance in light of those goals and objectives, and based on this evaluation, approve the CEO's annual compensation, including salary, bonus, incentive, equity and other forms of compensation. In determining the long-term incentive component of CEO compensation, the Committee shall consider the CEO's position and responsibilities, the CEO's performance and anticipated contributions, the value of similar incentive awards to CEOs at comparable companies, and the awards given to the CEO in past years, as well as any additional factors that the Committee deems appropriate. The CEO may not be present during the Committee's voting or deliberations regarding the CEO's compensation.

#### F. REVIEW EXECUTIVE OFFICER PERFORMANCE AND APPROVE EXECUTIVE OFFICER COMPENSATION

At least annually, the Committee, in consultation with the CEO, shall review and approve the Company's goals and objectives relevant to the compensation of its executive officers (officers having a title of Vice President or above and any "named executive officer" as defined in Item 402 of Regulation S-K promulgated under the Securities Exchange Act of 1934, as amended). In consultation with the CEO, the Committee shall evaluate each executive officer's performance in light of those goals and objectives, and, based on this evaluation, the Committee shall approve the annual compensation including salary, bonus, incentive, equity and other forms of compensation, for such executive officers. In determining the long-term incentive component of executive officer compensation, the Committee shall consider the relative position and responsibilities of each executive officer, the executive officer's performance and anticipated contributions, the value of similar incentive awards to executive officers at comparable companies, and the awards given to the executive officer in past years, as well as any additional factors that the Committee deems appropriate. The Committee shall review and approve compensation packages for new executive officers and termination packages for executive officers, as well as any change in control agreements and change in control provisions affecting any element of compensation and benefits for executive officers.

#### G. SUCCESSION PLAN FOR CEO

On an annual basis, the Committee shall work with the CEO to plan for his succession and the succession of other executive officers, as well as to develop plans for interim succession in the event of an unexpected occurrence. The Committee shall also review management recommendations on organizational structure and executive officer development.

## H. INCENTIVE COMPENSATION AND STOCK BASED PLANS

The Committee shall periodically review the Company's incentive compensation and stock-based compensation plans and recommend changes in such plans to the Board as needed. The Committee shall act as administrator for all of the Company's stock-based compensation plans and otherwise have, and shall exercise, all of the authority of the Board with respect to administration of such plans; provided, however, that except as otherwise expressly authorized to do so by a plan or resolution of the Board, the Committee shall not be authorized to amend any such plan. To the extent permitted by applicable law and the provisions of a given equity-based plan, and consistent with the requirements of applicable law and such equity-based plan, the Committee may delegate to one or more executive officers of the Company the power to grant options or other stock awards pursuant to such equity-based plan to individuals who are not directors or executive officers of the Company. Any executive officer to whom the Committee grants such authority shall regularly report to the Committee grants so made and the Committee may revoke any delegation of authority at any time.

## I. COMPENSATION RISK

Oversee a periodic assessment of the risks related to the Company's compensation policies and practices applicable to executive officers and employees, and review the results of this assessment.

## J. COMPENSATION CONSULTANT CONFLICTS OF INTEREST

At least annually, assess whether the work of compensation consultants involved in determining or recommending executive or director compensation has raised any conflict of interest that is required to be disclosed in the Company's annual report on Form 10-K and proxy statement.

## K. DIRECTOR COMPENSATION

The Committee shall periodically review director compensation levels and practices, including retainer, committee chair fees, equity compensation, and other forms of compensation, and will recommend, from time to time, changes in such compensation levels and practices to the Board.

## L. PREPARE PROXY REPORT

The Committee shall oversee preparation of an annual Compensation Committee Report for the Company's annual proxy statement in compliance with applicable Securities and Exchange Commission rules and regulations. In connection with this responsibility, the Committee shall review and discuss with management compensation discussion and analysis disclosures required to be included in the Company's annual proxy statement and annual report on Form 10-K and determine whether to recommend to the Board that such disclosures be included therein.

#### M. LOANS AND REPURCHASES

The Committee shall review and approve any Company loans to employees and the Company's practice regarding employee loans, and shall monitor the Company's compliance with the requirements under the Sarbanes-Oxley Act of 2002 relating to loans to directors and officers, and with all other applicable laws affecting employee compensation and benefits. The Committee shall review and approve any repurchase of shares from terminated employees pursuant to applicable law.

#### N. SELF EVALUATION

The Committee shall conduct an annual performance evaluation of itself.

#### O. ADDITIONAL RESPONSIBILITIES

In addition to the powers and responsibilities expressly delegated to the Committee in this Charter, the Committee may exercise any other powers and carry out any other responsibilities delegated to it by the Board from time to time.

#### V. ACCESS TO ADVISORS; INVESTIGATIONS; EXPENSES

To the extent that it deems necessary or appropriate, the Committee shall have the authority, in its sole discretion, to retain and obtain the advice of compensation consultants and outside legal or other advisors or experts. The Committee shall be directly responsible and have sole authority for the appointment, compensation and oversight of the work of any consultants, outside legal or other advisors or experts retained by the Committee, and will receive appropriate funding, as determined by the Committee, from the Company for payment of reasonable compensation to any such advisors. The Committee will assess the independence of compensation consultants and outside legal or other advisors or experts (whether retained by the Committee or management) that provide advice to the Committee, prior to selecting or receiving advice from them, in accordance with NASDAQ listing standards, including taking into account the factors specified in NASDAQ Listing Rule 5605(d)(3). Over the course of any fiscal year, any outside compensation consultants retained by the Board or this Committee shall not provide any additional services to the Company or any of its affiliates in excess of \$120,000.

The Committee has the power, in its discretion, to conduct any investigation it deems necessary or appropriate to enable it to carry out its duties. The Committee shall have unrestricted access to the Company's employees and internal and external counsel, and may require any employee of the Company or representative of the Company's outside counsel to attend meetings of the Committee or to meet with any members of the Committee or representative of the Committee's counsel, advisors or experts. The Committee shall also have unrestricted access to any relevant Company records and analyses as necessary to carry out the Committee's duties.

Nothing in this Charter is intended to preclude or impair each Director's ability to rely in good faith on reports or other information provided by the Company, 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 the Committee.

Last amended: May, 2014