



## **Compensation system for Management Board members**

### **1. Principles of the compensation system**

Infineon always views its business activities from a long-term perspective with the objective of consistently creating added value for its customers, shareholders, employees and the company alike. Infineon's strategy is guided by global megatrends that will continue to shape the world going forward, including demographic and social change, climate change, the scarcity of resources, urbanization and digital transformation. In light of these overriding global trends, Infineon focuses on the fast-growing areas of energy efficiency, mobility, security, the IoT and big data. Within these markets, Infineon orients itself towards structural drivers, i.e. areas that are expected to see above-average growth in the long term on the back of these trends or those which have major potential for innovation.

At the heart of this strategy is Infineon's "Product to System" approach, which focuses the entire value chain on achieving commercial success for its customers. The approach is also supported by other factors, including a broadly based culture of innovation, the constant pursuit of technological leadership, a high level of quality awareness, in-house production that differentiates us from our competitors and a sales strategy tailored to our various key markets. As a result, Infineon is able to offer its customers market-leading products of outstanding quality and deliverability, enabling it to achieve profitable growth and expand faster than the market as a whole. All these factors promote Infineon's goal of achieving and securing a leading position in the markets and applications in which it operates, while at the same time successfully addressing forward-looking issues.

Infineon defines success not only by the objectives it achieves, but also by the path it takes to accomplish them: sustainability plays a key role in the way its people think and act. However, the long-term corporate concept of responsible thought and action applies not only to commercial objectives. In addition to gaining a more comprehensive understanding of customers' systems, optimizing products and solutions, and achieving an appropriate level of profitability, it is also essential that Infineon is managed in a sustainable and responsible manner for the common good.

As an integral part of this strategy, the Management Board compensation system makes an important contribution towards attaining the corporate objectives described above. The fact that Infineon's key performance indicators are built into the Management Board compensation system helps incentivize Infineon's long-

term sustainable growth objectives, simultaneously improving both profitability and return on investment. It is also considered important to reward performance that contributes to Infineon's strategic, technical and structural development. Taking account of performance compared to that of its relevant peers is also aimed at ensuring that Infineon outperforms its competitors in the long run, while at the same time aligning the interests of the Management Board and shareholders more closely. Infineon is also aware of its responsibility towards society as a whole. For this reason, non-financial criteria – primarily environmental, social and governance (ESG) factors – also play an important role in determining the compensation of Management Board members.

When developing the Management Board compensation system, the Supervisory Board was therefore guided by the following key principles:

Table 1

*Principles of the Management Board compensation system*

	To promote the long-term, sustainable development of Infineon's business and support its key corporate strategies
	To comply with the regulatory requirements of the German Stock Corporation Act and the German Corporate Governance Code
	To rigorously pursue performance-related compensation by setting ambitious, but realistic targets (pay-for-performance basis)
	To create incentives to outperform relevant peers through relative performance criteria
	To consider the interests of shareholders and the requirements of relevant stakeholders
	To add Environmental, Social and Governance (ESG) criteria with the aim of promoting sustainable corporate development
	To communicate Management Board compensation both internally and externally in a transparent manner
	To synchronize and standardize internal target structures with the aim of ensuring equal incentives for the Management Board and senior executives
	To incorporate state-of-the art, standard market elements and mechanisms

The compensation system applies to all members of Infineon's Management Board appointed to their functions subsequent to the resolution passed by the Supervisory Board on 20 November 2020.

For Management Board members already in office at that date, the compensation system will principally apply with effect from 1 October 2021 (and thus from the beginning of the 2022 fiscal year). The rules relating to the Long Term Incentive

(LTI), on the other hand, are to be applied as soon as the next allocation is made on 1 April 2021 (and thus for the 2021 fiscal year). The rationale for the early implementation of the new LTI rules is, firstly, that the Performance Share Plan (PSP) for employees (which has also been conceived as an LTI plan) is to be converted with effect from 1 April 2021 and that it is therefore desirable to synchronize that change with the Management Board's LTI. Secondly, the procedure ensures that a further Mid Term Incentive (MTI) tranche will not need to be allocated in the 2021 fiscal year, as the MTI is no longer a component of the compensation system and is now incorporated in the LTI.

In order to implement the compensation system, the Supervisory Board intends to agree upon corresponding modifications to the service contracts of the current Management Board members on Infineon's behalf.

## **2. Procedures for determining, reviewing and implementing the compensation system**

In accordance with section 87a, paragraph 1, AktG, the Supervisory Board decides upon a clear and understandable system of compensation for Management Board members and determines the actual compensation for each Management Board member on this basis. The Executive Committee of the Supervisory Board is responsible for preparing Supervisory Board resolutions regarding the compensation system and for reviewing the system as a whole on a regular basis.

With regard to the compensation system, the Supervisory Board endeavors to ensure that internal corporate targets are synchronized and consistent between the Management Board and senior executives in order to ensure a uniform incentive effect at management level.

The Supervisory Board is required to submit the compensation system it has decided upon to the Annual General Meeting for approval whenever any significant change is made and every four years at the latest. If the Annual General Meeting does not approve the system as submitted, the Supervisory Board is required to submit a revised compensation system to the Annual General Meeting for approval by the following Annual General Meeting at the latest. All service contracts that need to be amended, extended or newly concluded must be based on this compensation system.

If the Supervisory Board consults an external compensation expert to develop the compensation system and assess the appropriateness of compensation, it is required to ensure that the expert is independent of the Management Board and the company and take precautions to avoid any conflicts of interest.

**a. Independence; avoidance of and treatment of conflicts of interest**

The Supervisory Board and its Executive Committee take appropriate measures to ensure that any potential conflicts of interest with regard to Supervisory Board members involved in discussions and decisions on the compensation system are avoided and, where necessary, resolved. Each member of the Supervisory Board is required to report any conflicts of interest to the Chair of the Supervisory Board. The Chair of the Supervisory Board is required to disclose any conflicts of interest concerning his/her own person to the Deputy Chair of the Supervisory Board. The Supervisory Board decides on a case-by-case basis how to deal with any conflicts of interest that may arise. In particular, any Supervisory Board member who is affected by a conflict of interest may not attend a meeting or participate in individual deliberations and decisions made by the Supervisory Board or its Executive Committee.

**b. Reviewing the appropriateness of Management Board compensation**

In accordance with applicable legal requirements and the recommendations of the DCGK, the compensation paid to members of the Management Board is required to reflect the typical level and structure of management board compensation at peer companies as well as Infineon's economic position and future prospects. The duties, responsibilities and performance of each Management Board member are also considered, as is Infineon's wider pay structure.

To ensure appropriateness, the Supervisory Board performs both horizontal and vertical comparisons at regular intervals.

The horizontal view compares the compensation of Infineon's Management Board members with that of comparable companies.

A vertical view is also taken, whereby the company's internal compensation structure is assessed by comparing the compensation of the Management Board with that of senior executives (in Germany and for internationally comparable functions) and the workforce as a whole. Apart from the current status, changes in the level of compensation over time are also considered.

**3. Overview of Management Board compensation components**

The Infineon Management Board's compensation system comprises the components shown in the following overview. Fixed compensation consists of the basic annual salary, fringe benefits and the company pension scheme. Variable (i.e. performance-related) compensation comprises the one-year Short Term Incentive (STI) and the four-year Long Term Incentive (LTI).

Table 2

*Overview of the various components of the compensation system*

<b>Fixed compensation</b>	
<b>Basic annual salary</b>	Fixed, non-performance-related compensation paid in twelve equal monthly installments
<b>Fringe benefits</b>	Primarily a company car with chauffeur (also for private use) and an allowance for health and nursing care insurance as well as various insurance and general employee benefits
<b>Company pension plan</b>	Defined contribution plan that provides an annual pension contribution and capital market-oriented interest
<b>Variable (i.e. performance-related) compensation</b>	
<b>Short Term Incentive (STI)</b>	
Performance criteria	<ul style="list-style-type: none"> <li>› 1/3 Return on Capital Employed (RoCE) as planned</li> <li>› 1/3 Free Cash Flow (FCF) as planned</li> <li>› 1/3 Segment Result Margin (SRM) as planned</li> </ul>
Modifier (0.7 to 1.3)	<ul style="list-style-type: none"> <li>› Collective performance of the Management Board</li> <li>› Extraordinary developments</li> </ul>
Performance period	One year
Limitation/cap	250% of the allocation amount
Payment	In cash, after performance period ends
<b>Long Term Incentive (LTI)</b>	
Plan type	Performance Share Plan
Performance criteria	<ul style="list-style-type: none"> <li>› 80% relative Total Shareholder Return (TSR)</li> <li>› 20% ESG targets</li> </ul>
Performance period	Four years
Waiting period	Four years
Limitation/cap	250% of the allocation amount

Payment	Generally in shares, after waiting period expires
<b>Other contractual elements</b>	
<b>Malus and clawback</b>	Partial or complete reduction or reclamation of variable compensation components
<b>Share Ownership Guidelines (SOG)</b>	Mandatory personal investment in Infineon shares
Chairman of the Management Board (CEO)	150% of gross annual basic salary
Full member of the Board	100% of gross annual basic salary
Accumulation phase	Generally five years
<b>Maximum compensation</b>	Maximum compensation payable to the Management Board capped in accordance with section 87a, paragraph 1, number 1, AktG (including fringe benefits and expenses for company pension plans)
Chairman of the Management Board (CEO)	€7,200,000
Full member of the Board	€4,200,000
<b>Change-of-control clause</b>	In the event of a change of control, right of extraordinary termination within limited period of time and with restricted severance pay regulation

#### 4. Compensation structure

Total target compensation is defined as the sum of the fixed compensation (comprising annual basic salary, fringe benefits and company pension) and variable compensation components (based on an assumed target achievement of 100% for the STI and LTI). Basic annual salary, fringe benefits and the company pension plan account for 36%, 1% and 11% respectively of the target total compensation set for the Chairman of the Management Board, while the STI and the LTI account for 17% and 35% respectively. In line with the pay-for-performance model, variable compensation therefore exceeds fixed compensation. Moreover, the stronger weighting of the LTI compared to the STI is designed to promote Infineon's sustainable, long-term development. In the case of the ordinary members of the Management Board, slightly different percentages within a very low single-digit range apply for the LTI and fringe benefits.

The relative share of individual compensation elements may vary slightly for new appointments, depending on the level of fringe benefits and company pension plan expenses in each case. In addition, the relative share may deviate from those stated above in the event of any payments made to a newly appointed member in recognition of taking up office for the first time.

In the 2022, 2023 and 2024 fiscal years, the STI allocation amount for Management Board members with service contracts already in place at the time the new compensation system is introduced will be temporarily increased to offset any shortfall in payments resulting from the discontinuation of the Mid Term Incentive (MTI) (see point 5. b. (1) (d)). In these fiscal years, basic annual salary, fringe benefits and the company pension plan will account for 33%, 1% and 11% respectively of the target total compensation set for the Chairman of the Management Board. The STI will account for 24% and the LTI for 32% of target total compensation, whereby it is ensured in all cases for these purposes that the LTI amount will exceed the STI amount. In the case of the ordinary members of the Management Board, slightly different percentages within a very low single-digit range apply for the STI, LTI and fringe benefits.

## **5. The individual compensation components**

### **a. Fixed compensation**

#### **(1) Basic annual salary**

The basic annual salary is a fixed, non-performance-related compensation that is paid in twelve equal monthly installments. The amount of basic annual salary paid is based on the experience and the areas of activity as well as the responsibility taken by each individual Management Board member. Furthermore, when determining the amount, consideration is given to the compensation paid by a peer group of entities to ensure that the level of compensation is both appropriate and competitive.

#### **(2) Fringe benefits**

In accordance with their service contracts, Management Board members are entitled to a chauffeur-driven company car, which may also be used for private purposes. Infineon also pays an allowance for health and nursing care insurance. Furthermore, an accident insurance policy is maintained to cover Management Board members. Other fringe benefits relate mainly to statutory obligations (such as the payment of inventor's fees) or general benefits that are also available to other Infineon employees. These include

in particular the use of company social facilities (where applicable at reduced rates) such as the canteen, the fitness studio, child vacation care, the Medical Service Center and underground parking (including an e-charging station). The company also bears the cost of medical health tests and preventive medical check-ups.

### **(3) Pension benefits**

Each member of the Management Board receives a defined-contribution pension entitlement that is largely based on the pension plan applicable for all company employees. Infineon sets up a personal pension account (basic account) for each beneficiary and makes annual pension contributions accordingly. Interest is added annually to the balance of the basic account using the highest statutory interest rates valid for the life insurance industry (guaranteed interest rates) until disbursement of the pension begins. Infineon may also award surplus credits to the account. 95% of any income earned over and above the guaranteed interest rate is credited to the pension account, either at the date when disbursement of the pension begins or, at the latest, when the beneficiary reaches the age of 60. The balance of the basic account when disbursement of the pension begins (due to age, invalidity or death) – increased by an adjusting amount in the event of invalidity or death – constitutes the retirement benefit entitlement and is paid out to Management Board members or their surviving dependents in twelve annual installments, or, if so requested by the Management Board member, in eight annual installments, as a lump sum or as a life-long pension.

If the entitlements of Management Board members have either not yet legally vested or have legally vested but are not protected by the state pension insurance scheme (*Pensionssicherungsverein*), Infineon maintains pension reinsurance policies in favor of, and pledged to, the Management Board members concerned.

In line with the plan rules applied to Infineon employees, the amounts credited to the pension accounts of Management Board members are paid out upon or after reaching the age of 67, provided the service contract has ended. Upon request, amounts can also be paid out at an earlier point in time if the service contract arrangements end on or after reaching the age of 60 or, in the case of commitments made from 2012 onwards, on or after reaching the age of 62. If beneficiaries elect to have their pension paid out in monthly installments, the pension amount is adjusted automatically each year in accordance with the Infineon pension plan.



**(4) Other fixed compensation components**

In individual cases, the Supervisory Board may grant a payment to a new Management Board member in recognition of their taking up office. A payment of this nature could be awarded in particular to offset any variable compensation a new Management Board member were to lose as a result of joining Infineon from a previous employer. Such payments must always be at an appropriate level. Furthermore, they are included in and therefore limited by the amount of maximum compensation determined for the member concerned.

**b. Variable compensation**

**(1) Short Term Incentive (STI)**

The STI focuses on incentivizing profitability and return on investment, while taking into account the collective performance of the Management Board. On the one hand, Infineon's three key performance indicators – Return on Capital Employed (RoCE), Free Cash Flow (FCF), and Segment Result Margin (SRM) – are integrated in the STI as performance-related criteria and linked accumulatively. On the other hand, a criteria-based modifier is used to assess the collective performance of the Management Board (e.g. for achieving strategic corporate targets) and to determine possible corrections by the Supervisory Board in the event of extraordinary developments. The Supervisory Board determines the level of target achievement after the end of each fiscal year, also taking into account the criteria-based modifier.

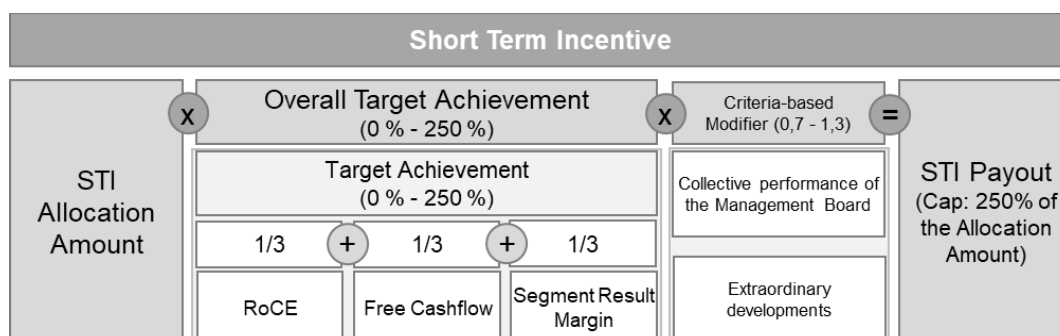


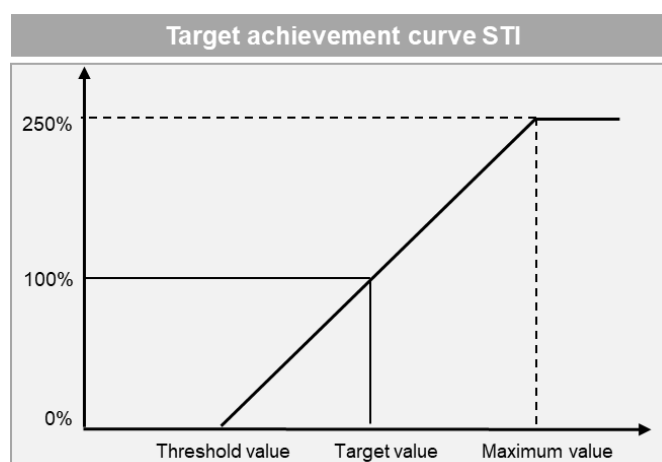
Diagram 1: Illustrative representation of the Short Term Incentive.

The overall target achievement of the performance criteria is calculated using target achievement curves and is limited to a maximum target achievement of 250%. The criteria-based modifier is applied on the basis of criteria defined in advance and determined by the Supervisory Board before the beginning of the respective fiscal year and can range from 0.7 to 1.3. The payout amount is therefore calculated by multiplying the individual allocation

amount by the overall target achievement and the criteria-based modifier and is also limited to 250% of the allocation amount.

**(a) Performance criteria and measuring target achievement**

The STI focuses on Infineon’s three key financial performance indicators – RoCE, FCF and SRM. Each of these three key criteria contributes a one-third proportion to the overall target achievement for the STI.



*Diagram 2: Illustrative target achievement curve for the performance criteria RoCE, FCF and SRM. The specific target, threshold and maximum values are published ex-post in the Compensation Report.*

**Return on Capital Employed (RoCE)**

RoCE is defined as operating income from continuing operations after tax, divided by capital employed, which comprises non-current assets and net working capital. This ratio measures the company's ability to generate returns from a capital market perspective and – by comparing it against the company’s own weighted cost of capital – provides information on the extent to which returns have been generated over and above shareholders’ and debt holders’ expectations. In order to determine RoCE for the purposes of the STI, operating income is based on the Segment Result (for definition, see the comments below on the SRM). The inclusion of RoCE in the calculation of the STI is aimed at ensuring the efficient utilization of the company’s resources and facilitating value-based business management in the long term. The STI is therefore directly linked to the company's operating success and promotes the corporate strategy by providing an incentive to increase RoCE.

**Free Cash Flow (FCF)**

FCF is defined as cash provided by and/or used in investing and operating activities from continuing operations, adjusted for cash flows related to the

purchase and sale of financial investments. This ratio measures operating profitability in cash flow terms by measuring the ability to convert operating success into cash inflows and thus finance day-to-day operations and fund required investments out of the ongoing business. It is therefore a good indicator of the company's ability to repay financial debt. Gearing Management Board compensation to the generation of a sustainable positive FCF helps incentivize the effective and systematic management of net working capital and investments. As a performance criterion, FCF therefore contributes significantly to the successful implementation of Infineon's growth strategy.

### **Segment Result Margin (SRM)**

SRM is defined as the Segment Result expressed as a percentage of revenue. Segment Result measures operating income (or loss) excluding certain impairment losses (such as impairment losses on goodwill), the earnings impact of restructuring and closures, share-based compensation expense, acquisition-related depreciation/amortization and other expenses, gains (or losses) on the sale of businesses or interests in subsidiaries and other income (or expense), including litigation costs. The SRM measures the operating profitability of the individual segments as a percentage of revenue. The inclusion of the SRM as a performance criterion therefore creates an incentive to improve the earnings performance of the various segments on a sustained basis, and hence increase the profitability of Infineon as a whole.

### **Defining target values for RoCE, FCF and SRM and determining target achievement**

At the beginning of each fiscal year, the Supervisory Board sets the target figures for all target achievement levels up to 250% for the three key financial performance criteria, as derived from the company's annual budget. In order to determine the various target achievement levels, actual values as reported in the respective approved consolidated financial statements of Infineon Technologies AG are compared with the target values set at the beginning of the fiscal year. Actual target achievement is calculated on the basis of the defined target values and target corridors for each performance criterion and can range between 0% and 250%. If the actual value achieved is below or equal to the threshold value, target achievement is deemed to be 0%. If the actual value achieved is equal to or greater than the maximum value, target achievement is deemed to be 250%. Overall target achievement for the purposes of the STI is calculated by adding the equally weighted target achievements determined for each of the three performance criteria and can also range between 0% and 250%. The thresholds, target

and maximum values as well as the actual levels of target achievement are published ex-post in the Compensation Report for the respective fiscal year.

**(b) Criteria-based modifier**

Apart from the financial performance criteria described above, the STI also includes the use of a criteria-based modifier. The criteria-based modifier enables the Supervisory Board to assess the collective performance of the Management Board and take appropriate account of extraordinary developments that were not adequately reflected in the targets set at an earlier stage. After the end of the respective fiscal year, the Supervisory Board applies a factor of between 0.7 and 1.3 to determine the overall level of target achievement.

The collective performance of the Management Board rewards the extent to which the Management Board contributes to the sustainable development of the company as a whole – in strategic, technical or structural terms. Prior to the beginning of each fiscal year, the Supervisory Board selects the criteria that it has determined are relevant for the fiscal year in question, based on the following categories:

- Sustainable strategic, technical or structural development of the business
- Portfolio-related measures, particularly successful mergers and acquisitions as well as corresponding integration measures
- Successful development of new growth markets, expansion of market position
- Optimizations, efficiency improvement programs, restructuring
- Successful completion of key projects
- Improved innovative strength and delivery capabilities
- Progress in Environmental, Social & Governance (ESG) matters

Extraordinary developments include, for example, exceptional, far-reaching and unforeseeable changes in the economic situation (e.g. economic crises). Generally, unfavorable market developments are explicitly excluded from situations deemed to constitute extraordinary developments. The procedure used to determine the criteria-based modifier is published ex-post in the Compensation Report.

**(c) Payout**

The STI payout amount is calculated by multiplying the individual STI allocation amount by the overall target achievement and the criteria-based modifier and is limited to 250% of the individual allocation amount. The actual payment is made in cash as soon as possible after the Supervisory Board has determined the amount to be paid, but no later than five months after the end of the fiscal year.

**(d) Temporary increase of the STI allocation amount for current service contracts**

With the conversion of the current service contracts to the new Management Board compensation system with effect from 1 October 2021 (i.e. for the 2022 fiscal year) and, in the case of the LTI with effect from 1 October 2020 (i.e. with the allocation made on 1 April 2021 for the 2021 fiscal year), the previous variable compensation element MTI will be discontinued. The allocation amount previously awarded for the MTI has now been largely added to the LTI. This change has the effect of increasing the weighting of long-term variable compensation.

The MTI will dwindle to the extent that the MTI tranches already allocated which have not yet expired will continue to run. However, no new MTI tranches will be issued after 1 October 2020. As the previous MTI allocation amount has now been added to the LTI with a four-year performance period, a temporary payout shortfall arises, which will be compensated by temporarily increasing the STI allocation amount for the Management Board members concerned in the 2022, 2023 and 2024 fiscal years.

**(2) Long Term Incentive (LTI)**

The Long Term Incentive (LTI) is a Performance Share Plan with a four-year performance period.

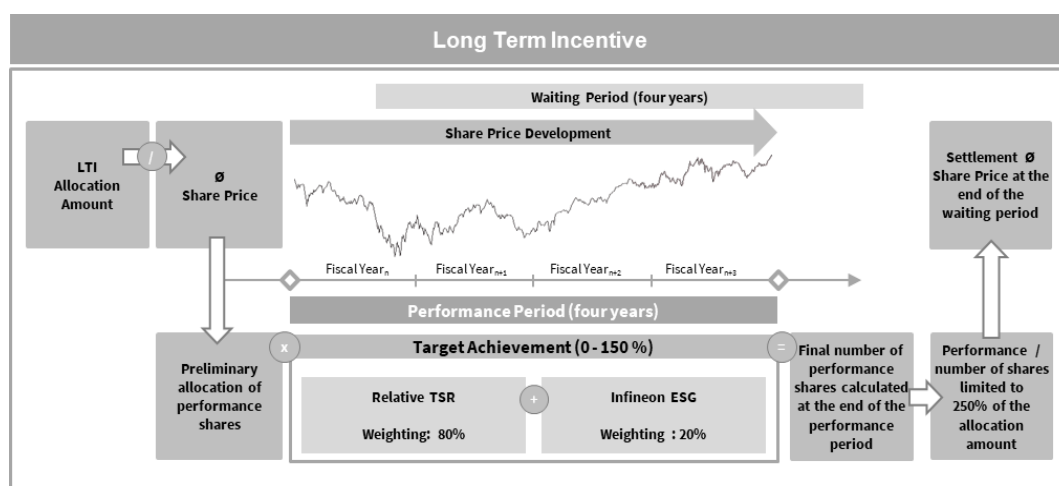


Diagram 3: Illustrative representation of the Long Term Incentive.

The performance period begins on 1 October of the first fiscal year of the performance period and ends on 30 September four years later. During this period, performance is measured based on two criteria, namely a financial performance criterion based on relative Total Shareholder Return (TSR) as compared to a selected sector peer group and a non-financial performance criterion derived from strategic ESG targets. The TSR and the ESG targets contribute 80% and 20% to the overall target achievement respectively. Accordingly, the LTI contributes significantly to the long-term and sustainable development of Infineon, while additionally aligning the interests of the Management Board and the shareholders.

The LTI tranche is allocated on 1 April in the first fiscal year of the performance period (allocation date). The waiting period begins on the allocation date. Unlike the performance period, the waiting period ends four years after the allocation date, i.e. on 31 March. To determine the number of Performance Shares provisionally awarded on the allocation date, at the beginning of the performance period the individual LTI allocation amount is divided by the average share price over the last 60 trading days prior to the beginning of the performance period. The extent of target achievement is determined at the end of the four-year performance period. The definitive number of Performance Shares to be allocated after the end of the waiting period is calculated by multiplying the number of provisionally allocated Performance Shares by the total target achievement of the two performance criteria applied during the performance period. The definitive allocation of Performance Shares in an LTI tranche may not result in the Management Board member's gain (before taxes) exceeding 250% of the respective LTI allocation amount. Above this cap, any Performance Shares that could still theoretically be allocated will lapse.

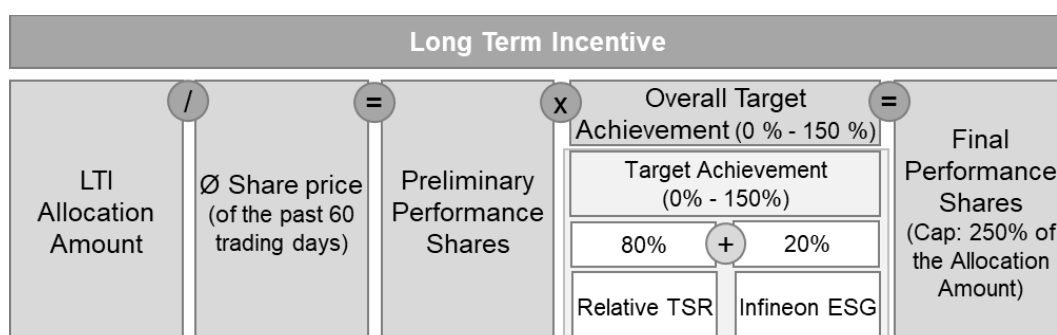


Diagram 4: Illustrative representation of the Long Term Incentive (Performance Share Plan).

**(a) Performance criteria and measuring success**

**Relative TSR**

The Relative TSR is defined as Infineon's share price performance over the performance period, including dividends per share paid during that period (cumulative and notionally reinvested) compared to a pre-defined peer group. The TSR measures the total shareholder return, reflects the overall success of an investment, and is used as an indicator to determine the increase in market or company value. The inclusion of the TSR in the calculation means that Management Board compensation takes account of the company's relative performance, while at the same time linking the interests of the Management Board with those of the shareholders, e.g. the desire to outperform the competition over the long term. Target achievement for the TSR is based on a comparison with Infineon's main international competitors, as shown in Table 3.

Table 3

*Sector peer group*

Analog Devices	NXP Semiconductors
Broadcom	Omron
China Electronics Huada Technology Company	ON Semiconductor
Cree	Power Integrations
Dialog Semiconductor	Qualcomm Incorporated
Elmos Semiconductor	Renesas Electronics
Fuji Electric	Rohm
GigaDevice	Shanghai Fudan Microelectronics Group
Knowles	Silicon Laboratories
Macronix International	STMicroelectronics
MediaTek	Texas Instruments
Microchip	Toshiba
Micron	Vishay Intertechnology
Mitsubishi Electric	Winbond
Nuvoton Technology	

The Supervisory Board considers the sector peer group to be appropriate given that it consists of listed companies operating within the same sub-markets as Infineon and since the companies included are in direct competition with Infineon and therefore operate under comparable market conditions to Infineon. Only companies that exist (and remain) as a legally independent entity throughout the performance period are considered part of the peer group. The Supervisory Board may adjust the peer group as it sees fit prior to the beginning of a new performance period.

The target achievement for Infineon's TSR performance criterion is determined using the ranking method. In this context, the TSR is calculated for Infineon and all companies in the sector peer group and ranked according

to size. The resulting ranking results in a percentile rank showing where Infineon's TSR is positioned.

The TSR target achievement can range between 0% and 150%. If Infineon's TSR is positioned at the 60th percentile, the target achievement is 100%. A position at or below the 25th percentile results in a target achievement of 0%, while a position at or above the 75th percentile results in a target achievement of 150%. Target achievements between the defined target achievement points are interpolated linearly.

80% of the TSR's target achievement is included in the overall target achievement of the LTI.

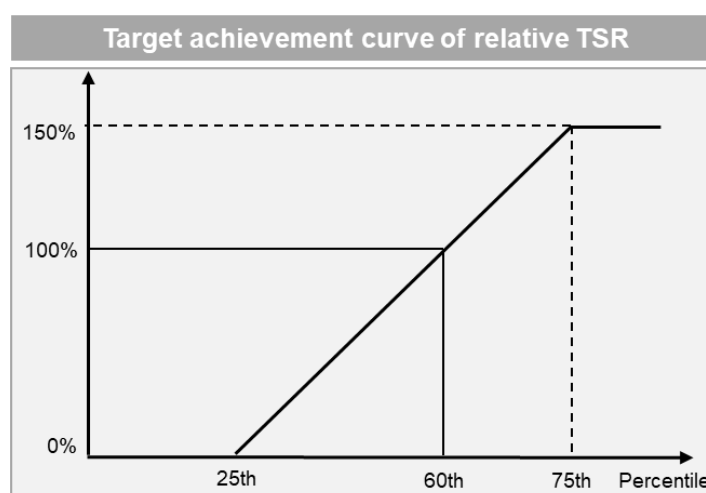


Diagram 5: Target achievement curve of the Relative TSR.

## ESG

ESG targets are defined as non-financial, quantitative and qualitative performance criteria relating to environmental, social and governance (ESG) matters. These include, for example, contributions to global climate protection (such as carbon neutrality by 2030) or the furthering of diversity at Infineon that has a positive impact on innovation, employee commitment and financial performance. Establishing a clear link between ESG targets and Infineon's business and sustainability strategies on the one hand and current market requirements on the other creates incentives for managing the company on a sustainable basis in the best interest of stakeholders. The ESG targets are therefore important in that they align the interests of both the Management Board and other stakeholders and contribute to the long-term sustainable success of the Group as a whole.

The specific ESG targets to be used for a particular tranche are determined and definitively resolved by the Supervisory Board prior to the beginning of the performance period. The Supervisory Board defines up to three specific



ESG targets, which are weighted equally. For the time being, the Supervisory Board will set targets in the areas of diversity (social) and sustainability (environmental). At the end of the performance period, target achievement is determined on the basis of a target/actual comparison and, as in the case of the LTI financial performance criterion, can range from 0% to 150%. The specific ESG targets, target achievement curves and target achievements are disclosed ex-post in the Compensation Report. The Supervisory Board is entitled to determine further ESG targets and their relative weightings.

ESG targets contributes 20% to overall target achievement for the LTI.

#### **(b) Payout**

After the end of the final fiscal year of the four-year performance period, the Supervisory Board determines the number of Performance Shares that will be definitively allocated. Infineon allocates the definitive number of Performance Shares after the end of the waiting period. Within one month after the end of the waiting period, it transfers to the members of the Management Board the number of Infineon Technologies AG shares that corresponds to the number of Performance Shares definitively allocated (ISIN: DE0006231004, "Infineon Shares"). The definitive share transfer in connection with the LTI is limited to a value of 250% of the individual allocation amount.

The Supervisory Board reserves the right to make a cash settlement rather than actually transferring Infineon shares. The Supervisory Board is required to make the decision prior to the end of the four-year waiting period; otherwise the right to make a cash settlement lapses. If the Supervisory Board decides to settle in cash, the amount to be paid out is calculated by multiplying the number of Performance Shares definitively allocated by the average share price over the last 60 trading days prior to the end of the four-year performance period. Payment must be made within one month after the end of the waiting period. Here too, the definitive LTI payout amount is limited to 250% of the individual allocation amount.

#### **c. Other contractual elements**

##### **(1) Malus and clawback**

The service contracts of Management Board members include so-called "malus and clawback" clauses, which allow variable compensation that has either already been paid or not yet paid to be reclaimed or reduced under

certain conditions. All variable components of Management Board compensation, i.e. both the STI and the LTI, are covered by the clauses entitling Infineon to reclaim or reduce amounts.

If a Management Board member has breached the duties set forth in Section 93 AktG either intentionally or through gross negligence, the Supervisory Board may, taking into account the circumstances of the individual case and considering the interests of both contracting parties, reduce or cancel the payout amount for the STI and the LTI for the fiscal year in which the breach of duty occurred either in full or in part (malus). If a breach of duty becomes known at a later date, any STI already paid out for the fiscal year in which the breach of duty occurred can also be reclaimed in full or in part if no more than three years have lapsed since payment (clawback). The Supervisory Board decides on these matters in each individual case, based on its own professional judgement. In reaching its decision, the Supervisory Board is required in particular (but not exclusively) to take account of the significance of the duty that had been breached, the weight of any causal contribution and the amount of any damages incurred. The Supervisory Board is required to prioritize the LTI before reclaiming the STI. The amount of any reduction, cancellation or reclamation must be determined on the basis of the gross amount of the STI and the LTI.

Irrespective of any action taken, the Supervisory Board reserves the right to assert other claims in accordance with the service contract and applicable statutory provisions (e.g. claims for damages).

## **(2) Share Ownership Guidelines (SOG)**

In order to further align the interests of Management Board members and shareholders and to ensure the sustainable, long-term development of Infineon, each Management Board member is required to invest a fixed amount of Infineon Technologies AG shares and hold them on a long-term basis. The amount to be invested is based on the gross annual basic salary of the respective Management Board member.

The Chairman of the Management Board of Infineon (CEO) is required to invest the equivalent of 150% of his gross annual basic salary and all other members of the Management Board the equivalent of 100% of their gross annual basic salaries in Infineon shares. An accumulation phase of five years generally applies.

Management Board members are obliged to hold the required number of shares during the term of the service contract and for a period of two years after termination of the service contract.

### **(3) Maximum compensation**

The individual variable compensation components as well as the total of all compensation components of Management Board members, including fringe benefits and company pensions (total compensation) are subject to a cap. The maximum amount of total compensation that can be awarded to each member of the Management Board for a given fiscal year has been set in accordance with section 87a, paragraph 1, number 1, AktG. Accordingly, compensation may not exceed the amount of €7,200,000 for the Chairman of the Management Board or €4,200,000 for a full member of the Management Board (maximum compensation).

Due to the temporary increase in the STI allocation amount for current service contracts, a maximum compensation of €8,200,000 (Chairman of the Management Board) and €4,800,000 (full member of the Management Board) will apply for the 2022, 2023 and 2024 fiscal years.

## **6. Duration of service contracts**

The duration of the service contracts of Management Board members corresponds to the period of appointment and, in the event of reappointment, is extended by the period of reappointment. As a general rule, Management Board members are initially appointed for a period of three years. The period of reappointment is usually five years.

Due to the fixed term of the service contracts, they do not generally include the option of an ordinary termination of contract (i.e. termination of contract without compelling reason). In the event of a change of control, for a limited period of time Management Board members have a special right of termination in accordance with section 8 below. The right of both parties to give extraordinary notice of termination for compelling reason pursuant to section 626 of the German Civil Code (*Bürgerliches Gesetzbuch – (BGB)*) remains unaffected. Service contracts end automatically at the end of the month in which a Management Board member would reach the entry age for an unreduced standard retirement pension under the German state pension plan, irrespective of whether the member concerned actually participates in that plan.

## **7. Regulations governing the early termination of service contracts**

If a service contract ends during a fiscal year, the STI and LTI allocation amounts for the fiscal year concerned are reduced pro rata temporis on a monthly basis (by one twelfth for each full month not completed in the respective fiscal year). The agreed performance criteria and due dates for payment remain in place. Early payment or settlement of the STI and LTI is therefore not possible.

Entitlements to STI and LTI for the fiscal year in which the member leaves office lapse without replacement or compensation (unless there is a compelling reason for leaving office for which the member is not responsible) and also if the member's contract is terminated for a compelling reason for which the member is responsible (section 626, BGB). Similarly, all entitlements lapse in connection with LTI tranches provisionally allocated for previous fiscal years and which have not yet been definitely allocated.

If a severance payment is disbursed in the event of early termination of a service contract, the amount paid must comply with the recommendations made in the current version of the DCGK. If a post-contractual non-competition clause applies, the severance payment will be taken into account when calculating the settlement payment.

## **8. Change of control**

The service contracts of Management Board members include a change-of-control clause, which stipulates the terms that apply when the activities of a Management Board member are terminated due to a significant change in Infineon's ownership structure. A change of control within the meaning of this clause occurs when a third party, either individually or in conjunction with another party, acquires at least 50% of the voting rights in Infineon Technologies AG as defined in section 30 of the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz – WpÜG*).

Members of the Management Board have the right to resign and terminate their service contracts within twelve months of the announcement of any such change of control. Any members who choose to do so are entitled to continued payment of their annual basic salary and variable compensation components until the end of the originally agreed duration of their term of office, up to a maximum of 24 months.

At the date of the Supervisory Board's resolution on the Management Board compensation system, in line with the previous recommendation contained in section 4.2.3, paragraph 5, DCGK 2017, the severance payment for the service contracts of current members of the Management Board was limited to 36 months rather than 24 months. The period is due to be reduced to 24 months when the service contracts are amended.

The service contracts of Management Board members otherwise contain no promises of severance pay for situations in which contracts are terminated early.

## **9. Temporary deviation from the Management Board compensation system**

Under special and extraordinary circumstances (e.g. in the event of a serious financial or economic crisis), in accordance with section 87a, paragraph 2, second sentence, AktG, the Supervisory Board may temporarily deviate from the compensation system if deemed necessary in the interest of Infineon's long-term well-being. Unfavorable market developments are explicitly excluded from the definition of special and extraordinary circumstances. The necessity for such a temporary deviation is required to be examined and assessed by the Executive Committee of the Supervisory Board. Based on the findings of the Executive Committee, the Supervisory Board determines the necessity of any deviations in the form of a resolution.

Even in the event of a deviation from the Management Board compensation system, the compensation of Management Board members must be geared to the long-term and sustainable development of Infineon and take into account the company's overall situation as well as the Management Board's performance. The option to temporarily deviate is limited to the compensation structure, the performance criteria and the weightings of the STI and the LTI as well as their respective ranges of possible target achievement. If it is not possible to recreate the incentive effect of the compensation system by adjusting the relevant components, the Supervisory Board is also entitled, under the same conditions described above, to temporarily replace individual compensation components with others or grant additional compensation components.

If the option to deviate has been exercised, the Compensation Report is required to include an explanation of the necessity for the deviation and details of the compensation components affected by the deviation in accordance with section 162, paragraph 1, number 5, AktG.