



## **Compensation system for Supervisory 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.

The Supervisory Board advises and monitors the Management Board and is therefore closely involved in key aspects of operational and strategic issues of corporate management. As a requisite for effective action, the competency profile and the catalog of objectives set out for the composition of the Supervisory Board need to be met to the fullest possible extent. Supervisory Board compensation also plays a key role in this context. The amount of compensation paid should be commensurate with the various tasks performed by the members of the Supervisory Board and the company's economic situation (cf. section 113, paragraph 1, third sentence, AktG) and should also ensure that the Infineon Supervisory Board is attractive for suitable candidates in the face of national and international competition. An appropriate level of Supervisory Board compensation in line with market conditions therefore promotes Infineon's business strategy and long-term development.

In line with a DCGK suggestion, the recommendation of most investors and voting rights advisors and the predominant practice of DAX 30 companies, Supervisory Board compensation at Infineon consists exclusively of fixed compensation. This approach corresponds to the function of the Supervisory Board as an independent advisory and monitoring body within the framework of German stock corporation law.

The Supervisory Board compensation system as described here is due to apply from 1 October 2021 and therefore from the beginning of the 2022 fiscal year.

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

A resolution on the compensation of Supervisory Board members is required to be adopted by the Annual General Meeting at least every four years, based on a proposal put forward by the Management Board and the Supervisory Board in accordance with section 113, paragraph 3, first sentence, AktG. In this resolution the Annual General Meeting can either confirm the compensation of the Supervisory Board or amend the respective provisions in the Articles of Association regarding the compensation system.

In accordance with the Supervisory Board's rules of procedure, Supervisory Board resolutions on proposals to be submitted to the Annual General Meeting relating to Supervisory Board compensation are prepared by the Executive Committee.

## **3. Overview of Supervisory Board compensation components**

The structure of Supervisory Board compensation at Infineon is based on the fundamental idea that, apart from an appropriate level of basic compensation, the greater time commitment of the Chair and the Deputy Chair of the Supervisory Board, as well as that of the various chairpersons and members of committees, should be adequately taken into account in the form of function-based supplements.

### **a. Basic compensation**

The annual basic compensation for a member of the Supervisory Board is €100,000.

### **b. Function-based supplements**

The annual function-based supplements take account of the additional responsibility and greater time commitment associated with the various functions. Furthermore, this approach ensures compliance with recommendation G.17 contained in the DCGK.

#### **(1) Chair and Deputy Chair**

The annual function-based supplements amount to 100% of the basic compensation for the Chair and 30% of the basic compensation for the Deputy Chair of the Supervisory Board.

The Chair of the Supervisory Board plays a key role, serving as the primary point of contact for the Chairman and other members of the Management Board, including the contact necessary both outside of and between meetings, and is responsible for coordinating and organizing the activities of the Supervisory Board. The Deputy Chair assists the Chair in performing these tasks.

## **(2) Committee members**

Committees contribute significantly to the effectiveness of the Supervisory Board. Membership in a committee generally involves a significant time commitment. Members of the Investment, Finance and Audit Committee therefore receive a function-based supplement of €40,000, while members of other Supervisory Board committees – with the exception of the Mediation Committee – receive €25,000.

## **(3) Committee chairpersons**

As a general rule, the Chair of the Supervisory Board chairs the meetings of the Mediation, Executive and Nomination Committees. Since the additional time commitment involved is already compensated for by the function-based supplement payable to the Chair of the Supervisory Board, no separate function-based supplement is provided for in the Supervisory Board compensation system.

The Chair of the Investment, Finance and Audit Committee receives an annual function-based supplement equivalent to 200% of that payable to the Investment, Finance and Audit Committee's members. The higher amount of compensation reflects the particular responsibility of this committee and its chairperson. The importance of an effective audit committee for an enterprise has been amply demonstrated by the accounting scandals that have come to light in the recent past.

In addition to the Investment, Finance, and Audit Committee, the Strategy and Technology Committee is particularly important for a highly innovative high-tech company such as Infineon. Its chairperson therefore receives an annual function-based supplement equivalent to 200% of that payable to the Strategy and Technology Committee's members.

## **(4) Limitation of committee-related function-based supplements**

A committee-related function-based supplement is paid on condition that at least three committee meetings have taken place in the respective fiscal year. This condition ensures that Supervisory Board members only receive

more than the basic compensation if a relevant additional time commitment has actually been necessary.

If Supervisory Board members perform more than one function, they are entitled to receive all the function-based supplements specified for them. However, in the case of the committee-related function-based supplements described under (2) and (3), the maximum they can receive may not exceed an amount equivalent to 100% of the basic compensation. In line with the above rules, the compensation of a member of the Supervisory Board is limited to €200,000, that of the Chair of the Supervisory Board to €300,000 and that of the Deputy Chair to €230,000.

**c. Meeting attendance fees**

Supervisory Board members receive an attendance fee of €2,000 per meeting of the Supervisory Board or one of its committees that is attended in person. For extraordinary meetings in the form of telephone or video conference calls, during which a resolution is not taken, a reduced attendance fee of €1,000 is paid to reflect the fact that such meetings usually involve a lesser time commitment. If more than one meeting is held on a single day, the attendance fee is only payable once as a fixed amount of €2,000.

**4. Payment date; pro-rata payment**

The basic compensation and any function-based supplements are payable within one month of the end of the fiscal year to which the compensation relates. Meeting attendance fees fall due for payment within one month of the relevant meeting.

Any member who joins the Supervisory Board, takes up a position in one of its committees, takes on a specific function within the Supervisory Board during the current fiscal year, or ceases to perform any of those duties during the current fiscal year are entitled to receive one twelfth of the relevant annual compensation component for each (started) month of membership or performance of function.

**5. Reimbursement of out-of-pocket expenses**

Supervisory Board members are reimbursed for any expenses incurred in connection with the performance of their duties, including any value added tax payable by law. In addition, Infineon bears the cost of any employer's social security contributions that may be payable for supervisory board activities under foreign laws.

**6. D&O insurance**

Supervisory Board members are covered by a financial loss liability insurance policy for representative bodies and specified executives (D&O insurance) in the event that Infineon maintains such a policy.

**7. Compensation-related legal transactions**

No compensation-related legal transactions pursuant to section 87a, paragraph 1, second sentence, number 8, AktG have been concluded with the members of the Supervisory Board.