Sustainability at Infineon

Supplementing the Annual Report 2016

Content

Introduction

Neubiberg, November 2016

Acting entrepreneurially and taking responsibility

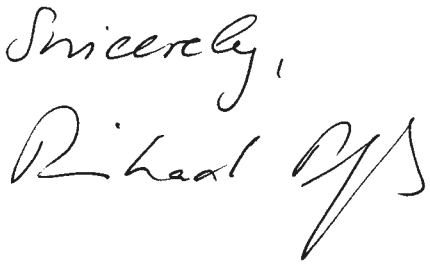
In the year 2050 population on earth will exceed nine billion. This will place increasing demands on living space, food, energy and mobility, while resources continue to become scarcer. Curbing climate change is a particularly urgent priority, which means significantly reducing carbon dioxide emissions.

Infineon helps solve the great challenges faced by our global society. Our products and innovations enable savings of approximately 52 million tons of CO_2 during their use in the end-products. This is approximately equivalent to the CO_2 emissions derived from the electricity consumption of about 70 million people: more than the total population of the ten largest cities in the European Union. In doing so and in comparison with the CO_2 emissions resulting from our product manufacturing we create a considerable net benefit.

Microelectronics is the key to achieve more while using less. Highly efficient semiconductors reduce energy consumption and improve the performance of electric devices. Chips from Infineon help control the increasing volume of road traffic, making it safer and reducing congestion. They also increase productivity in agriculture and help people keep living independently – even at an advanced age.

Infineon has adopted the Ten Principles of the UN Global Compact and marries entrepreneurial success with responsible acting. We focus on conservation of natural resources and solve important challenges faced by society: energy efficiency, environmentally friendly mobility and security in a networked world.

At Infineon 36,000 women and men from over 90 countries take on this responsibility every day and help make life easier, safer and greener.



Dr. Reinhard Ploss
Chief Executive Officer

About this report

GRI G4 – 18, G4 – 23

This report documents Infineon's environmental and social performance during the 2016 fiscal year. We would like to illustrate how sustainability contributes to Infineon's business success and how our activities in this area create value for all our stakeholders.

@ www.infineon.com/annualreport

Information on Infineon's financial status and performance in the 2016 fiscal year has been published in the Infineon Annual Report 2016.

The reporting period covers the 2016 fiscal year, from October 1, 2015 to September 30, 2016. We publish this supplemental report for the first time this year and will continue to report this information on an annual basis. The previous report on sustainability was published in November 2015 as part of the Annual Report 2015.

Unless otherwise specified, the statements and key figures included in this report refer to the 2016 fiscal year.

In order to help readers identify and interpret the trends relating to quantitative disclosures, the report includes data for at least the 2015 and 2016 fiscal years.

GRI G4 – 18, G4 – 23

Reporting

The non-financial performance figures contained in the present report have been prepared in accordance with the G4 Guidelines of the Global Reporting Initiative ("GRI"), on the basis of the GRI "Core" option.

The information contained in this report also serves as "Communication on Progress" for the United Nations Global Compact initiative (see the chapter "Business ethics").

S see page 11 f.

KPMG AG Wirtschaftsprüfungsgesellschaft, Munich, has provided independent "limited assurance" regarding the specified sustainability performance information provided in this report in accordance with the International Standard for Assurance Engagements 3000 and the International Standard on Assurance Engagements 3410, the pertinent standards for assuring sustainability information.[1]

@ www.infineon.com/csr_reporting

The Infineon website contains the explanatory notes on the main data and other information pertaining to this report. The certification by KPMG AG Wirtschaftsprüfungsgesellschaft, Munich has been published on our website and is also included at the end of this report.

GRI G4 – 25, G4 – 26, G4 – 27

Determining the content of the report

Infineon engages in continuous dialog with all its stakeholders. In our materiality analysis we evaluate the expectations and requirements of our internal and external stakeholders with regard to sustainability in various topics in accordance with the sustainability reporting guidelines GRI G4.

First, we identified Infineon's most important stakeholders, taking into account the dimensions "Responsibility", "Influence", "Proximity", "Dependency", and "Representation" in the "Stakeholder Engagement Manual" drawn up by the organization "AccountAbility".

1 Selected information and key data in the chapter "Human resources management" are also part of the Combined Management Report (as of September 30, 2016) of Infineon Technologies AG.

In a second step, consideration was given to general as well as sector and company-specific sustainability standards appropriate for determining the material aspects for assessing Infineon's sustainability performance. Afterwards, relevant topics were pre-selected on our corporate strategy and stakeholder expectations.

GRI G4 – 23, G4 – 25, G4 – 26, G4 – 27

In a fourth step, we assembled our in-house experts to discuss the topics chosen and any potentially related risks or opportunities which could impact the long-term performance of the organization. The various Infineon divisions and departments use different communication channels and continuously engage in conferences, forums, industry association activities and surveys to ensure targeted communication with the corresponding stakeholder groups.

The results of this analysis and the material topics were then confirmed by the Infineon Management Board. The present report describes these topics.

In accordance with the GRI G4 sustainability reporting guidelines, the table below shows the areas of the value chain that Infineon regards as key fields of activity.

GRI G4 – 19, G4 – 20, G4 – 21

Material aspects along the value chain

	Supply chain	Infineon internal	Product use
Long-term viability of core business	●	●	●
Responsible manufacturing		●	
Diversity and equal opportunity	●	●	●
Presence in local markets	●	●	●
Contribution through sustainable products		●	●
Business ethics	●	●	●
Labor relations		●	

Effective risk and opportunity management is a key element of our business activities. It supports the achievement of our strategic goals, namely sustainable profitable growth and preservation of financial resources through efficient use of capital. We have established a variety of coordinated risk management and control system elements oriented towards the realization of our risk strategy. These elements include in particular the systems "Risk and Opportunity Management System" and the "Internal Control System with respect to Financial Reporting Processes" as well as the associated planning, management and internal reporting processes and our Compliance Management System. Further information is available in the "Group strategy" and "Risk and opportunity report" chapters of the Annual Report 2016.

S see page 22 ff. and page 83 ff. of the Annual Report 2016

The progress during the 2016 fiscal year as well as the achievement of our targets and the associated key performance indicators are described in the following chapters of this report as well as in the chapter "Group strategy" of the Annual Report 2016.

TARGETS see page 34 ff.

S see page 22 ff. of the Annual Report 2016

Long-term viability of core business: Energy efficiency, mobility and security are important key fields of action for the global society that offer enormous growth potential. Infineon occupies leading positions in these sectors. We expect our innovative power and technological expertise to continue to drive sustainable and profitable growth going forward.

The steady progress of digitalization and networking is one of the most vital technological trends of our time, with the potential of radically changing how companies and consumers interact with one another and with the surrounding infrastructure. In the "Internet of Things" (IoT) the physical and virtual worlds converge in ways never seen before. More and more physical "objects" – ranging from people and places to cars and computers all the way to household appliances and industrial machines – are being equipped with electronic systems, software and sensors and connected to the Internet.

GRI G4 – 19, G4 – 20, G4 – 21

This opens the door to a new dimension of connectivity and intelligence with far-reaching consequences for our society and our economy. As a worldwide leading provider of semiconductor solutions, Infineon supplies manufacturers in all market segments with key components for applications in the "IoT". International Data Corporation (IDC) estimates that, at a growth rate of 17.5 percent, there will be 28.1 billion installed IoT devices and systems by calendar year 2020. At that time the data volume generated annually is expected to reach 40 zettabytes (1 zettabyte = $1{,}000^7$ bytes). At the same time the world market for IoT solutions will grow by 20 percent annually, from US$1.9 trillion in calendar year 2013 to US$7.1 trillion in calendar year 2020. Our sensors, processors, security controllers and actuators set the standards for highly-developed sensor technologies, cross-application control and optimized power management: they make the "IoT" intelligent, secure and energy-efficient.

Responsible manufacturing: Respect for human rights is essential for Infineon. As a participant in the United Nations (UN) Global Compact, Infineon made a voluntary commitment to uphold the Ten Principles outlined there. Principles 1 and 2 relate to human rights. In our Business Conduct Guidelines we anchor our mandatory compliance with valid human rights. Additional information on this topic can be found in the chapters "Business ethics" and "Human rights".

S see page 11 f. and page 13

We also demand that our supply chain upholds these principles. This is why we have defined a Group-wide approach aimed at ensuring the necessary transparency within the supply chain. We expect our suppliers to commit to the values outlined in our Principles of Purchasing. The chapter "Our responsibility along the supply chain" contains further information on this topic.

S see page 29 f.

Availability of natural resources is one of the greatest global challenges. Efficient resource management is therefore a central component of our Infineon Integrated Management Program for Environment, Energy, Safety and Health (IMPRES). The energy prices have been subject to fluctuations and increases in the past that were partly related to legal regulations. This economic benefit is another motivation for reducing our specific consumption, namely increasing our energy efficiency, and has been part of our sustainability strategy for years.

Manufacturing semiconductors requires a wide variety of chemicals. At Infineon we guarantee that we handle hazardous materials in a highly responsible way.

We are subject to many laws and regulations which apply, among others, to the areas of environmental and climate protection, as well as to the field of energy. Present or future environmental legislation and other government regulations, or amendments thereto, could require an adjustment to our operating activities and result in higher costs. Infineon keeps abreast of planned legislative changes and engages in these issues in various associations and organizations on an ongoing basis.

S see page 19 ff.

Additional information on these topics can be found under "Sustainable use of resources at our manufacturing sites" in the chapter "Environmental sustainability".

Diversity and equal opportunity: Diversity management provides a framework for a corporate culture that values the individuality of each staff member and promotes equal opportunities. International customer relationships demand great cultural competence. Qualified job applicants expect an open working environment. As an international company, staff diversity is particularly important to us. The promotion of women to leadership positions is a key aspect of Infineon's diversity management. Changes within the organization that support successful career development of female managers are prerequisites for meeting our targets.

GRI G4 – 19, G4 – 20, G4 – 21

Promoting an adequate work-life balance is also essential for the professional success of our employees and is part of our human resources work. As emphasized in our Business Conduct Guidelines, our employees are paid on the basis of work-related criteria such as job requirements and performance. Men and women are paid equally at Infineon. This topic, of great importance to us, is discussed in further detail in the section “Encouraging diversity” in the chapter “Human resources management”.

S see page 16

Presence in local markets: We are present at locations around the world dedicated to sales, research and development as well as manufacturing. The global presence of our sites is illustrated on page 49 ff. of the Annual Report 2016.

We continuously expand our presence in key regions in order to better serve our customers locally and to meet their specific local requirements. Our goal is to gain an even better understanding of the factors that determine customer success in each region.

This globalization can entail risks related to economic and geopolitical crises in regional markets. We have to consider country-specific laws and regulations that influence investment parameters and opportunities to practice free trade. We have implemented systems that assist us in compliance with tax, legal and administrative regulations in support of our entrepreneurial activities.

In the context of our Corporate citizenship activities we also address local social needs. Our corresponding Corporate Rule defines focus areas and further options for action.

S see page 22 ff. and page 40 ff. of the Annual Report 2016 and page 31 ff. in this report

The chapters “Group strategy” and “The segments” of the Annual Report 2016 as well as the chapter “Corporate citizenship” in this report contain additional information regarding this topic.

Contribution through sustainable products: Microelectronics made by Infineon is the key to attaining better living standards. Our invention power and commitment let us create value for customers, staff and investors. We understand how technical systems can be made increasingly efficient through the use of semiconductors, providing sustainable solutions for the world of today and the world of tomorrow. This makes our customers more successful and is an important contribution to society.

We make life easier, safer and greener – with technology that does more, uses less and is available to everyone.

As described in our Infineon IMPRES policy, potential environmental impacts are examined at the earliest possible stage and taken into account when developing products and processes. This applies to all our company activities, from procurement, development and manufacturing all the way to the sale of our products. All our actions are based on compliance with applicable legislation and regulations. For more information see the chapter “Contribution through sustainable products”.

S see page 26 ff.

According to the World Health Organization, in the calendar year 2050 the earth will have approximately 9.7 billion inhabitants, most of them living in cities. One consequence of this development will be a worldwide rise in the need for energy. Using energy more efficiently is one of the greatest challenges of the future, and semiconductors play a decisive role here.

The biggest lever in energy savings, is increasing efficiency of use. The savings potential represented by today’s worldwide several hundred million industrial motors and billions of household appliances is gigantic.

The connected vehicle is the future of the automotive industry. Cars will have complete access to the Internet; vehicles will communicate with one another and will interact with road infrastructures. However, the increasing degree of connectivity will also make it easier for hackers to attack vehicles. Software and hardware in vehicles will have to be secure in order to reduce the risk of damage resulting from potential cyber-attacks.

GRI G4 – 19, G4 – 20, G4 – 21

We want to make driving a car safer for everybody. A new system will support drivers and significantly reduce the number of accidents: it will detect signs of driver fatigue (microsleep) or distraction. Infineon is also working in the area of “eCall” (Emergency Call), an emergency call system integrated in the car. In case of an accident “eCall” automatically transmits the location and other important data to the emergency services, drastically reducing the amount of time needed before reaching the driver.

Today, Infineon already has solutions that meet the high requirements of active and passive assistance systems. They enable, for example, piloted driving in traffic jams and automated parking. In the future the car-to-car communication will improve safety and efficiency in road traffic. For example, it will be possible to warn drivers of road damage or accidents on their route.

S see page 27 f. in this report and page 40 ff. of the Annual Report 2016

The section “The Infineon CO_2 footprint” in the chapter “Contribution through sustainable products” in this report as well as in the chapter “The segments” in the Annual Report 2016 contain additional information on this material topic.

Business ethics: We need to be aware of risks both inside and outside the organization in order to meet our own high business ethics standards and simultaneously interact with our stakeholders as a sustainable and reliable partner. As part of the Compliance Management System, each year a formal assessment of our risks is made, especially in terms of corruption and antitrust law. The necessary measures derived from the assessment are summarized in the compliance program.

Employees and business partners can report any breaches to the usual internal bodies (Management, Human Resources, and Compliance) or use an anonymous hotline and an external ombudsman.

The Infineon Business Conduct Guidelines define our basic principles for ethical and legal conduct. They are an important foundation for our everyday activities. They apply to all employees and members of corporate bodies around the world, when dealing with one another and with our customers, shareholders, business partners and with the public.

Infineon reports on the measures implemented in the context of the UN Global Compact’s Principles in the “UN Global Compact Communication on Progress” in this report.

S see page 11 f. in this report and page 102 ff. of the Annual Report 2016

The chapter “Business ethics” in this report, as well as the “Corporate Governance Report” in the Annual Report 2016 contain additional information on this material topic.

Labor relations: We are convinced that effective human resources and a secure working environment are prerequisites to our business success. Long-term high performance is only viable with satisfied and successful employees. In our daily activities we undertake to promote employees’ performance and realize their potential in the best possible way based on the three pillars “Leadership excellence”, “Promoting talent” and “Our workforce”.

Our commitment to comply with internationally applicable human rights and work-related standards, including the protection of individual personal dignity and privacy, is anchored in our Business Conduct Guidelines.

Our occupational safety and health management system has been certified in accordance with the OHSAS 18001 standard at all of our large manufacturing sites as well as at our corporate headquarters. The system is designed to ensure that the required measures are taken to minimize risks identified in the working environment that could endanger our employees.

S see page 14 ff. and page 18

The chapters “Human resources management” and “Responsibility for our employees” in this report contain additional information on this material topic.

Key figures

Worldwide leader in semiconductor solutions that make life **easier, safer** and **greener.**

Revenue of
€6,473 million

4 business segments

€770 million research and development expenses

77 sites in
30 countries
and more than 90 nationalities in our teams

36,299 employees
of whom 17 percent work in research and development

€826 million
of investments in property, plant and equipment and intangible assets
including **€98** million
of capitalized development costs

Notable events 2016

October 2015

Infineon initiates the "Industry 4.0" in Austria with expanded manufacturing capacities

The future of connected production is already being practiced at Infineon. Infineon Technologies Austria AG has opened a new building complex in Villach (Austria) for production, research and development. The expansion will be driven forward through 2017 by investments and research expenditure totaling €290 million. The focus is on designing the development and production environment according to the principles of Industry 4.0.

Infineon added to the "STOXX Global ESG Leaders Index"

A worldwide benchmark by the renowned analysis firm for sustainability topics confirms Infineon's leading role, resulting in its renewed addition to the "STOXX Global ESG Leaders Index". Accordingly Infineon is considered one of the leading global companies in areas of environmental protection, social engagement and corporate governance.

January 2016

Infineon included in the "Sustainability Yearbook" for the sixth year in a row

In the 2016 fiscal year Infineon qualifies for inclusion in the "Sustainability Yearbook" for the sixth consecutive time. Infineon is once again among the ten best semiconductor manufacturers in the world in terms of entrepreneurial sustainability.

February 2016

Infineon earns the S&P Investment Grade Rating "BBB"

For the first time, the international rating agency S&P Global Ratings (S&P) issues a long-term credit rating for Infineon. S&P rates Infineon's creditworthiness with "BBB" (outlook "stable"), giving Infineon the best current S&P rating of any European semiconductor manufacturer. The analysis recognizes Infineon's strong above-average growth compared to the rest of the industry, as well as its leading market position in several areas. The analysis recognizes Infineon's strong above-average growth compared to the rest of the industry, as well as its leading market position in several areas and its strong financial profile.

March 2016

Infineon invests in the Regensburg (Germany) site

Over the coming three years Infineon will invest approximately €100 million in the expansion of the manufacturing facilities in Regensburg (Germany). In doing so, Infineon will create additional capacities to cover growing demand for semiconductors from the automotive industry, in particular for radar sensor ICs. This will add approximately 2,000 square meters of cleanroom space, an expansion of about 10 percent.

April 2016

Infineon successfully concludes private placement of bonds worth US$935 million in the USA

In the USA Infineon successfully concludes a private placement of bonds with a volume of US$935 million. This is the first transaction of its kind in the Company's history. Infineon will use the proceeds of the issue to refinance the five-year bank loan denominated in US dollars which the Company took out in August 2014 for the acquisition of International Rectifier. Infineon is also significantly improving its maturity profile. The transaction consists of three tranches: one for US$350 million with a tenor of eight years; one for US$350 million with a tenor of ten years and one for US$235 million with a tenor of twelve years.

May 2016

Volume production begins at Kulim 2

Installation of manufacturing equipment in the cleanroom in Kulim 2, the second production module in Kulim (Malaysia) began in January 2016. Volume production officially began in May. In existence since 2006, the site is currently the only Infineon frontend site in Asia. Infineon doubles its capacity by opening the second plant in Kulim. The chips manufactured will be used for products in automotive applications and power supplies. The new production site is equipped according to the principles of Industry 4.0 standards, namely intelligent production and shelving systems help optimize workflow efficiency.

New members of the Infineon Management Board

Infineon announces the expansion of its Management Board from three to four members. The leadership team is thus reinforced to keep up with the strong growth of recent years and the successful integration of International Rectifier in order to continue the road of success. Jochen Hanebeck, previously Division President Automotive, has been appointed Member of the Board for the newly created "Operations" function, effective July 1, 2016. Dr. Helmut Gassel, previously Division President Industrial Power Control, has been appointed Member of the Management Board and Chief Marketing Officer. He is responsible for Sales & Marketing, Regions, Strategy Development, Mergers & Acquisitions and Intellectual Property, also effective July 1, 2016. Arunjai Mittal, previously responsible for these areas as member of the Management Board, leaves Infineon for private family reasons effective September 30, 2016.

Infineon receives a "Gold" rating from EcoVadis in the area of sustainability

EcoVadis, an independent rating agency that monitors the sustainability of suppliers, analyzes Infineon with regard to ecological, social, ethical and financial influencing factors. The result: Infineon is awarded the status "Gold" for the second time in a row.

June 2016

Infineon listed in the "Euronext Vigeo Eurozone 120 Index"

This index lists the 120 most advanced companies in corporate responsibility in the Eurozone region.

EU Business School Munich honors Infineon with CSR Award

The CSR Award is presented to companies or individuals that take on long-term social responsibility with a clear corporate responsibility strategy. These companies act according to fundamental values and promote the development of their employees.

July 2016

Infineon plans to acquire Wolfspeed for US$850 million

Infineon plans to purchase the business unit Wolfspeed Power and RF of the US semiconductor manufacturer Cree for US$850 million in cash. The purchase agreement with Cree also includes the so-called materials business with the associated raw silicon carbide wafers for power semiconductors and radio-frequency power components. This acquisition will enable Infineon to provide the broadest offering in compound semiconductors and will further strengthen Infineon as a leading supplier. Infineon thus strengthens its leading position in power electronics and radio-frequency power components for growth markets such as electromobility, renewable energies and next-generation wireless mobile phone infrastructure for the "Internet of Things". Transaction closing is subject to approval by various public authorities and is expected at the beginning of the calendar year 2017.

"CSR Contribution Award" announced

In the "CSR Best Practice Ranking", initiated by the press office of the Shanghai city government for the topic "Green Development & Shared Future", Infineon receives the "CSR Contribution Award" for its China University Program. The concept of the "Green Development & Shared Future" ranking is collaboration with leading companies in order to implement the five development areas: "Innovation, Coordination, Green, Openness and Sharing".

September 2016

Infineon listed in the "Dow Jones Sustainability™ World Index"

For the seventh time in a row, Infineon has been listed in the "Dow Jones Sustainability™ Europe Index" and for the second time in the "Dow Jones Sustainability™ World Index" – as the only European semiconductor company.

Infineon receives the "Building Public Trust Award"

The corporate auditing firm PricewaterhouseCoopers honors Infineon with the "Building Public Trust Award" in the "go-getter" category ("Durchstarter"). This award recognizes companies that succeed in credible reporting of non-financial performance indicators.

Infineon receives the "Alstom Supplier Award" of the "Railsponsible" initiative

At InnoTrans 2016, the international trade fair for rail traffic in Berlin, the industry initiative "Railsponsible" awards Infineon the "Supplier Award" in the area of Corporate Social Responsibility for the first time. The initiative focuses in particular on sustainability in purchasing and works among other things to improve supply chain management standards in the rail traffic sector. Here in addition to increased transparency the objectives include improvements in the areas of environment and social issues, including sharing best practices and joint development of knowledge.

Sustainability strategy

We understand Corporate Social Responsibility (CSR) as our voluntary responsibility towards both international and local societies. Our commitment is based on compliance with current legal requirements, the Ten Principles of the UN Global Compact and the principle of sustainability as the symbiosis of economy, ecology and social engagement. Based on these tenets we have identified six fields of activity: Business Ethics, Occupational Health and Safety, Environmental Sustainability, CSR Supply Chain Management, Corporate Citizenship, as well as Human Resources Management and Human Rights.

Infineon CSR Concept

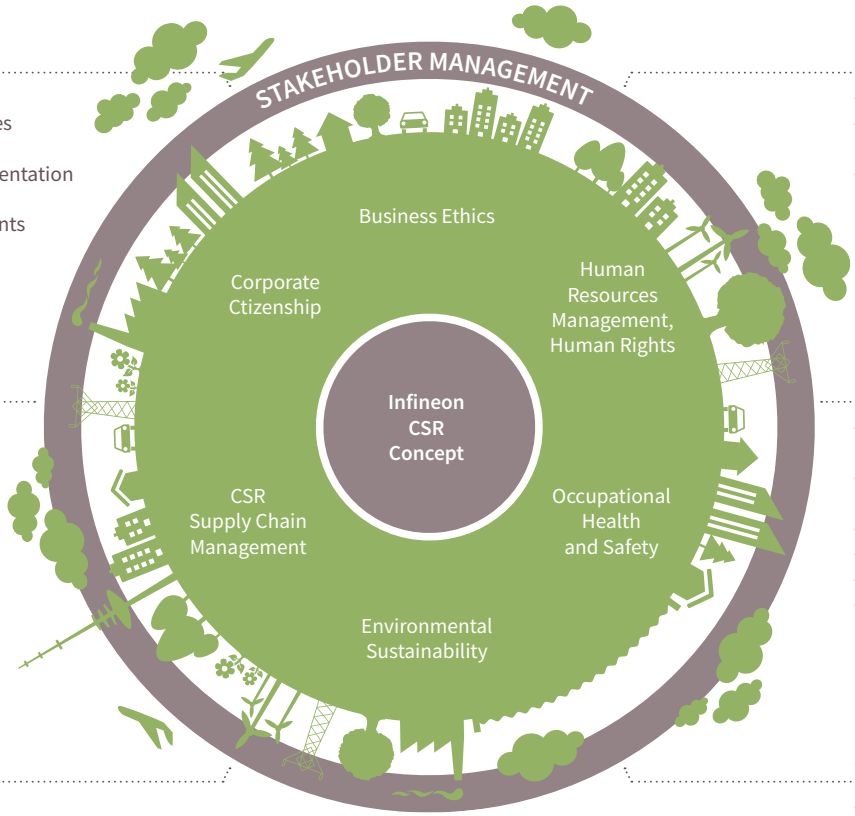
GRI G4 – 24, G4 – 26, G4 – 27

Investors

- Annual General Meeting
- Roadshows & conferences
- Quarterly Reports
- Quarterly segments presentation
- Annual Report
- Yearly Financial Statements
- Sustainability reporting

Politics

- Political dialogs
- Employees involved in Industry associations
- Workshops



Customers

- Audits
- Services provided by experts
- Infineon Service Center 24/7
- Product requirements
- Roadshows

Employees

- “Great Place to Work” Survey
- Quarterly “All-Hands Meetings”
- Daily internal news
- Compliance hotline 24/7
- Training
- Committees for CSR topics e.g. “Corporate citizenship Panel”

Suppliers

- Suppliers’ assessment
- Principles of Purchasing
- Compliance website
- Awareness-raising campaign about water-stressed areas

Social stakeholders

- Participation in surveys and studies
- Citizenship activities
- Conferences & workshops

Business ethics

MATERIAL TOPICS
- Business ethics
- Diversity and equal opportunity
- Labor relations

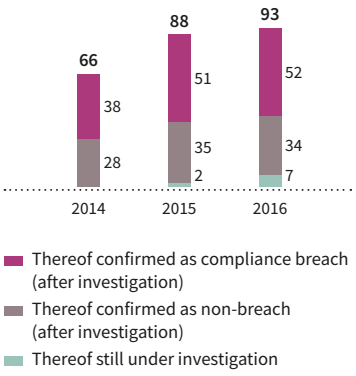
THE REVISED INFINEON BUSINESS CONDUCT GUIDELINES WERE PUBLISHED IN A TOTAL OF 14 DIFFERENT LANGUAGES IN MAY 2016.

TARGETS see page 34 ff.

In the last years Infineon has structured its Compliance Management System according to the IDW PS 980 standard. Infineon Technologies AG and selected major subsidiaries subjected their Compliance Management System to confirmation of appropriateness, implementation and effectiveness by an external independent auditing firm. The evaluation focused on antitrust law and prevention of corruption and was completed during the 2014 fiscal year. Afterwards the standard was extended to all other Group companies including the former International Rectifier companies during the 2015 and 2016 fiscal years. Compliance is monitored by regular internal audits of the Compliance Management System in the various subsidiaries.

The Compliance Management System includes an annual formalized risk assessment, in particular with regard to corruption and antitrust law. This evaluation then serves as the basis for the definition of the necessary measures which are ultimately summarized in the compliance program.

Reports of possible compliance breaches



The Corporate Compliance Officer, heading a worldwide team, is responsible for coordinating the Compliance Management System and reports directly to the member of the Infineon Technologies AG Management Board responsible for Finance. In addition to the development of the Infineon compliance program, the officer helps create guidelines, advises employees, receives complaints and information on relevant issues and heads investigations of compliance cases.

Employees and business partners took advantage of the available internal and external possibilities (Management, Human Resources department, Compliance, anonymous whistleblower hotline and ombudsman) to report actual or suspected violations during the 2016 fiscal year. The number of reports and the number of subsequent investigations were comparable to previous year levels.

The Infineon Business Conduct Guidelines form the central element of our Compliance Management System. As a code of conduct, the Guidelines are an essential basis for our daily actions and apply to all employees and corporate bodies worldwide, when dealing with one another, with our customers, shareholders, business partners or with the public.

The Business Conduct Guidelines were revised during the 2016 fiscal year. This included updating and modernizing the content and layout with the objective of making the code of conduct as easy to understand as possible for all target groups. The publication was supplemented by a wide range of communication measures and a newly deployed training program.

As a UN Global Compact participant, Infineon is committed to abide by the stated Principles and reports below on the measures implemented in an exemplary manner in its “Communication on Progress”:

UN Global Compact	Measures implemented
Human Rights	
Principle 1: Support for human rights Principle 2: Non-complicity in human rights abuses	› Our Business Conduct Guidelines define our responsibility towards our customers, employees, suppliers, community and societies as well as to our shareholders around the world, including respect for and protection of human rights. Our CSR policy describes our strategic CSR focus areas and our voluntary commitment to fulfill the corresponding obligations. Both our strategic objectives and our daily actions must always be based on high ethical and legal standards. › Training for all employees on Business Conduct Guidelines which reflect our commitment to respect and uphold international human rights. › We conducted various evaluations in the area of human rights at our manufacturing sites around the world. On the basis of these evaluations we concluded that our activities are in compliance with the International Bill of Human Rights and with the conventions and principles of the International Labour Organization (Fundamental ILO Conventions). › We require our suppliers and service providers to comply with permanently defined regulations in our Principles of Purchasing. Infineon purchases components and materials only from companies that respect human rights.
Labor	
Principle 3: Uphold freedom of association Principle 4: Elimination of all forms of forced labor Principle 5: Abolition of child labor Principle 6: Elimination of discrimination	› Our Business Conduct Guidelines prohibit discrimination and any form of forced labor. › There are various options available for reporting compliance violations, ranging from a report to the supervisor to a report to the Corporate Compliance Officer, the respective responsible regional Compliance Officer or the external ombudsman. Cases can also be submitted, either openly or anonymously, via the whistleblower hotline. The Compliance Officer investigates any cases received and decides on the initiation of internal investigations. › We react rigorously to demonstrated violations with balanced and suitable measures within the limits of company and legal regulations. Here we follow the principle of proportionality. We therefore decide on an individual case basis which consequences are appropriate, necessary and suitable. › Infineon published a new global rule for “Management of Compliance Cases” in 2016. › 76 percent of our employees work at sites that have entered into collective agreements and where independent employee representatives are in place. › More than 90 percent of our employees work at production sites where committees are in place that also offer employers, employees and/or employee representatives the opportunity to discuss and receive advice on topics relating to environmental protection, occupational safety and health. › We uphold and promote the fundamental principles defined in the conventions of the International Labour Organization (ILO), such as protection from discrimination in the selection, hiring, employment and promotion of employees, the right to form workers’ councils, as well as the rejection of child labor and all forms of forced labor. Persons under the age of 15 years are not allowed to work at Infineon. Exceptions apply for countries subject to ILO Convention 138 (minimum age reduced to 14 years) and for job training or training programs which are authorized by the respective government and which demonstrably promote those participating.
Environment	
Principle 7: Precautionary approach to environmental protection Principle 8: Support initiatives for greater awareness of environmental responsibility Principle 9: Development and diffusion of environmentally friendly technologies	› Our IMPRES (Infineon Integrated Management Program for Environment, Energy, Safety and Health) is globally certified in accordance with ISO 14001 and OHSAS 18001 standards. Relevant EU frontend sites and our corporate headquarters are additionally certified under ISO 50001. › Our IMPRES policy is an essential part of our management system which contains binding internal strategies, processes, goals and requirements in the areas of environmental protection, energy, occupational safety and health. › The responsible member of the Infineon Management Board defines the framework for the objectives in this area within the Infineon Group. As part of these definitions, the responsible management sets appropriate targets at site level and makes sure that all goals are realized. › Internal environmental, energy, health and occupational safety audits and external certification audits take place at the sites in the context of our multi-site certification.
Anti-corruption	
Principle 10: Action against corruption	› Raising awareness among all new hires everywhere around the world in certain target groups and previous International Rectifier employees with a specific web-based training program for prevention of corruption. › The topic of reporting compliance violations is generally described in the Infineon Business Conduct Guidelines. Details of the reporting and notification process in case of violations of laws, the Business Conduct Guidelines and other internal regulations are also part of the worldwide rule “Management of Compliance Cases”, published in the 2016 fiscal year. › Implementation of the rules and compliance processes applicable to Infineon (for example covering gifts and invitations) at the former International Rectifier sites. › Formalized risk assessment as a part of the Compliance Management System and derivation of the necessary measures.

Human rights

MATERIAL TOPICS

- Labor relations
- Diversity and equal opportunity
- Business ethics
- Responsible manufacturing

INFINEON COMPLIES WITH THE FUNDAMENTAL PRINCIPLES OF THE INTERNATIONAL LABOUR ORGANIZATION (ILO).

TARGETS see page 34 ff.

Compliance with internationally proclaimed human rights and labor standards is a matter of course for us.

The Infineon Business Conduct Guidelines embody our commitment and define our standards as well as their implementation in this area for all employees worldwide. Our standards are in compliance with the "International Bill of Human Rights" and the "Fundamental Principles" of the International Labour Organization (ILO).

Our employees receive regular training on the Business Conduct Guidelines. In addition, we have implemented external hotlines which our employees, suppliers, customers and business partners can contact, openly or anonymously. All cases reported are investigated by our Compliance experts (see chapter "Business ethics").

S see page 11 f.

We do not tolerate any form of forced labor, bonded or involuntary prison labor. All work is performed without coercion of any kind and can be terminated by each employee by means of appropriate resignation.

We do not tolerate child labor. The term "child" refers to persons under the age of 15. Exceptions apply for certain countries subject to ILO Convention 138 (minimum age reduced to 14 years) and for job training or training programs which are authorized by the respective government and which demonstrably promote those participating.

Our employees are compensated in accordance with applicable wage legislation and in compliance with the respective applicable minimum wage, regulations on overtime hours and legally prescribed additional benefits.

Infineon requires its suppliers to comply with all valid laws including those dealing with human rights as well as fair business practices (see chapter "Our responsibility along the supply chain").

S see page 29 f.

The "Corporate Governance Report" in the Annual Report 2016 contains additional detailed information.

S see page 106 of the Annual Report 2016

Human resources management

MATERIAL TOPICS
› Labor relations
› Diversity and equal opportunity

IN THE 2016 FISCAL YEAR INFINEON INVESTED €10.1 MILLION IN THE FURTHER TRAINING OF ITS STAFF.

Our engagement in Human Resources is an essential factor in our efforts towards sustainability. Only contented and successful employees will ensure high performance in the long run. And this conviction characterizes all our employee development measures as well as measures for attracting new employees.

TARGETS see page 34 ff.

The regularly occurring “Great Place to Work (GPtW)” survey is our barometer for measuring our progress in terms of employee satisfaction.

Values such as openness, diversity and work-life balance play a central role in creating attractive workplaces for our employees; thus the promotion of the role of women in leadership positions is a focal point in our diversity management activities.

A strong culture of promoting and developing our talented employees and managers runs throughout our entire range of human resources management activities. During the “leadership dialog” managers receive clearly structured feedback from their staff.

Number of employees

Infineon is active on a worldwide basis. Almost half of the 36,299 (previous year: 35,424) employees worked in Asia-Pacific (17,256). 42 percent of all employees were employed in Europe (15,176), the majority of these were employed in Germany (9,855).

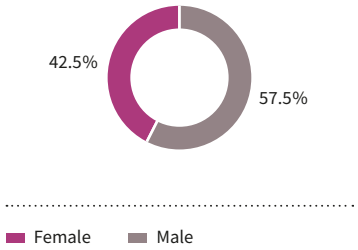
Employees by geographical region	2016			2015		
	Total	Female	Male	Total	Female	Male
Europe	15,176	3,742	11,434	14,533	3,499	11,034
Therein: Germany	9,855	2,572	7,283	9,426	2,415	7,011
Asia-Pacific	17,256	8,303	8,953	17,035	8,312	8,723
Therein: China	2,004	1,006	998	1,986	980	1,006
Japan	176	36	140	174	36	138
Americas	3,691	1,535	2,156	3,682	1,475	2,207
Therein: USA	2,047	677	1,370	2,136	682	1,454
Total	**36,299**	**13,616**	**22,683**	**35,424**	**13,322**	**22,102**

In the workforce as a whole, as of September 30, 2016, 2,231 female employees and 1,828 male employees had fixed-term contracts and 11,385 female employees and 20,855 male employees had permanent contracts. A total of 1,452 employees were working part-time as of that date.

		2016			2015		
		Total	Full-time	Part-time	Total	Full-time	Part-time
Employees on permanent contracts	Male	20,855	20,327	528	20,113	19,626	487
	Female	11,385	10,477	908	10,910	10,056	854
Employees on fixed-term contracts	Male	1,828	1,824	4	1,989	1,982	7
	Female	2,231	2,219	12	2,412	2,402	10
Total		**36,299**	**34,847**	**1,452**	**35,424**	**34,066**	**1,358**

Employees who were, for example, on parental leave or in the non-working phase of early retirement part-time working arrangements are not active employees and therefore not included in the tables above. Furthermore, on September 30, 2016 Infineon employed a total of 294 apprentices and dual students, 127 interns as well as 890 working students. 111 new apprentices and dual students were hired in the 2016 fiscal year. Temporary employees are also excluded from the data above. As of September 30, 2016, 2,627 temporary employees were working for Infineon worldwide, of whom 1,246 were female and 1,381 male. Approximately 76 percent of the external employees worked in production, giving Infineon flexibility in its manufacturing capacities in the context of fluctuations in capacity utilization.

Female/male employees
(new entries worldwide 2016)



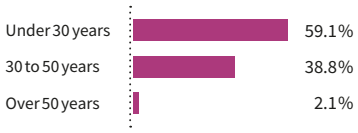
New hiring and fluctuation

Fluctuation rates and the number of new hires are important indicators for us in our efforts to satisfy our demand for high performance and to achieve excellence in management. In the 2016 fiscal year there were 4,427 new hires worldwide, of which 1,882 were female and 2,545 male. 2,616 employees were under the age of 30, 1,719 employees in the age group of 30 to 50-year-old and 92 employees over the age of 50.

	Total	Europe	Therein: Germany	Asia-Pacific	Therein: China	Japan	Americas	Therein: USA
Newly hired employees	4,427	968	604	2,356	216	26	1,077	149
Rate of newly hired employees[1]	12.2	6.4	6.1	13.7	10.8	14.8	29.2	7.3
Staff departures	3,764	486	238	2,114	203	25	1,139	290
Rate of staff departures[2]	10.5	3.3	2.5	12.3	10.2	14.6	30.8	13.8

1 Figures expressed in percent based on the workforce as of September 30, 2016, in the respective region.
2 Figures in percent, calculated on the basis of the monthly workforce in the 2016 fiscal year.

Age structure
(new entries worldwide 2016)



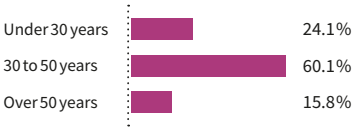
Worldwide there were 3,764 staff departures from Infineon in the 2016 fiscal year. Of these, the majority (2,114 employees) were in the Asia-Pacific region, where the majority of new recruitments also occurred (2,356 employees). Employee fluctuation in the Americas region rose from 21.7 percent in the previous year to 30.8 percent in the 2016 fiscal year. The change is primarily due to the integration of International Rectifier in the USA and to the continued high rate of fluctuation at our manufacturing site in Tijuana (Mexico). Relatively high employee fluctuation rates are common at companies of comparable size in Mexico. At Infineon we take this issue very seriously and are continuously working on lowering the fluctuation rate. Successful realization of the corresponding measures will however take some time. Thus, we are continuing to work together with local management on these topics with the clear objective of reducing fluctuation rates.

Of the departures, 1,724 were women and 2,040 men. 1,943 employees were in the under-30 age group, 1,432 in the middle age group (30-50 years) and 389 in the over-50 age group. The worldwide employee fluctuation rate during the 2016 fiscal year was 10.5 percent, which represents a slight increase of 1.5 percent compared to 9.0 percent in the previous year.

Age structure and length of service

Demographic change is one of the megatrends of the 21st century and also impacts the age structure at Infineon.

Age structure
(Infineon worldwide 2016)



The average age among employees worldwide is 38.5 years; in the 2016 fiscal year it is slightly higher than the previous year (2015 fiscal year: 38.1 years). The share of employees below 30 years of age fell (2016 fiscal year: 24.1 percent, 2015 fiscal year: 25.3 percent). On the other hand, the share of employees in the middle age group (2016 fiscal year: 60.1 percent, 2015 fiscal year: 59.9 percent) has risen slightly. The share in the group of employees over the age of 50 has also risen (2016 fiscal year: 15.8 percent, 2015 fiscal year: 14.8 percent).

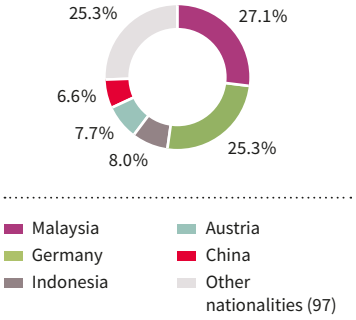
The higher average age of employees is reflected in a slight increase in the average length of service of Infineon employees worldwide, which rose slightly from 9.6 years in the previous year to 9.9 years in the 2016 fiscal year.

Encouraging diversity

TARGETS see page 34 ff.

As an international company, the diversity of our staff is particularly important to us. We live out a culture that appreciates the individuality of each and every person and that promotes equal opportunity regardless of age, disability, ethnic-cultural origin, gender, religion, ideology or sexual identity. Our global diversity management program with diversity managers at all major sites guarantees that we support the needs of our employees on location and continue to develop our culture of diversity.

Nationalities
(Infineon worldwide 2016)



Infineon employs a total of 36,299 persons of different nationalities. The five most prevalent nationalities represent a total of 74.7 percent of the workforce, with Malaysian nationals accounting for 27.1 percent and German nationals for 25.3 percent.

	Employees total	Under 30 years [1]	30 to 50 years [1]	Over 50 years [1]
Middle and senior level management [2]	5,999	0.1	68.5	31.4
Entry level management [2]	6,538	4.2	82.1	13.7
Non-management staff	23,762	35.7	51.9	12.4
Total	**36,299**	**24.1**	**60.1**	**15.8**

1 Figures expressed in percent based on the workforce as of September 30, 2016, in the respective comparison group.
2 At Infineon, the management function includes not only the leadership of employees but also leadership through specialist expertise as defined in the internal job evaluation system.

Distribution of genders and age structure: Out of 13,616 female employees 34.1 percent are under 30 years old, 54.1 percent are in the middle age group and 11.8 percent are over 50 years old. Out of 22,683 male employees 18.2 percent are under 30 years of age, 63.7 percent are in the middle age group and 18.1 percent are over 50 years old.

	Employees total	Female [1]	Male [1]
Middle and senior level management [2]	5,999	13.4	86.6
Entry level management [2]	6,538	25.7	74.3
Non-management staff	23,762	46.9	53.1
Total	**36,299**	**37.5**	**62.5**

1 Figures expressed in percent based on the workforce as of September 30, 2016, in the respective comparison group.
2 At Infineon, the management function includes not only the leadership of employees but also leadership through specialist expertise as defined in the internal job evaluation system.

Qualifications and training

We regard ourselves as forerunners for outstanding performance. Accordingly, the continuing education of our staff is very important to us. We do all we can to support them in optimally developing their respective individual abilities and apply these abilities towards the success of Infineon.

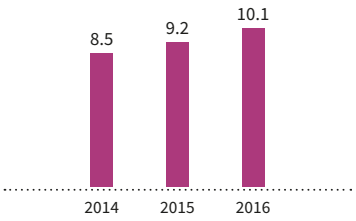
In 2016, our staff participated in a total of 1,177,170 hours of training. 38.8 percent of training hours were given to female employees and 61.2 percent to male employees. Production training hours accounted for the majority of the hours utilized, at 77.9 percent.

Training hours	Per employee[1]	Female[1]	Male[1]
Middle and senior level management[2]	24.92	33.15	23.53
Entry level management[2]	32.26	32.10	32.32
Non-management staff	31.06	31.07	31.06
Total	**30.23**	**31.33**	**29.57**

1 Calculated on the basis of the monthly workforce in the 2016 fiscal year.
2 At Infineon, the management function includes not only the leadership of employees but also leadership through specialist expertise as defined in the internal job evaluation system.

Training expenses[1]

€ in millions



1 Starting from the fiscal year 2016 the data from the former International Rectifier sites are included.

Training hours	Per employee[1]
Production	32.35
Research and development	27.71
Sales and Marketing	20.48
Administrative	18.34
Total	**30.23**

1 Calculated on the basis of the monthly workforce in the 2016 fiscal year.

Fringe benefits

Fringe benefits are a longstanding tradition at Infineon and are also offered in various forms. All benefits form an integral part of the overall remuneration concept and reflect Infineon's responsibility to its staff. The scale and nature of the benefits are determined in accordance with the relevant regional statutory and standard market requirements. No distinction is made in this respect between full-time and part-time staff.

In Germany and the Asia-Pacific region (including Japan), for example, in addition to employer and employee-financed pension plans, benefits granted include the items listed below (the exact arrangements are specific to each location):

Industrial accident insurance	Company car for work or as additional benefit
Paid sick leave beyond the statutory minimum	Private car leasing from gross deferred compensation
Continued wage payment to surviving dependants in the event of death	Long-service awards
Sabbatical	Preventive health program
Flexible transition to retirement pension	Family-friendly services, such as for example in-house kindergartens or working together with local organizations offering day care facilities for children, vacation activities for children

In the Asia-Pacific region (including Japan), in addition to these benefits, site-specific life insurance as well as hospital group insurance policies are also offered, which extend beyond the statutory provisions. One noteworthy example for the USA is the attractive Company pension plan.

Infineon also encourages various work-time models aimed for example at keeping working hours flexible, depending on individual employees' circumstances – such as in the form of trust-based working hours, part-time work or teleworking arrangements. In the Asia-Pacific region (including Japan), for example, 90 percent of all sites already offer flexible working time and 70 percent of all sites offer teleworking options.

Compensation

Infineon wants to attract the best available talent and for that reason attractive, market-oriented remuneration and appropriate participation in the Company's success are a matter of course.

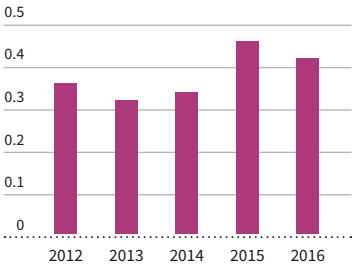
We pay our staff on the basis of work-related criteria, such as job requirements and performance, and in accordance with the respective local market requirements. Men and women are paid equally at Infineon. Each employee receives appropriate, transparent remuneration for their work, in compliance with all legal standards.

Responsibility for our employees

MATERIAL TOPICS
› Labor relations
› Responsible manufacturing

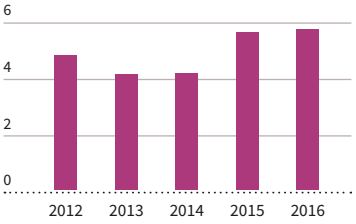
IN THE 2016 FISCAL YEAR WE INVESTED APPROXIMATELY 54,993 HOURS IN TRAINING AND CONTINUING EDUCATION FOR OUR SPECIALIZED EXPERTS WORLDWIDE IN THE AREAS OF OCCUPATIONAL SAFETY AND HEALTH AS WELL AS IN FIRE PREVENTION.

Injury Rate (IR) [1]



1 The Injury Rate is calculated as follows: total number of injuries / total hours worked x 200,000. Holidays and public holidays are included in the working hours.

Lost Day Rate (LDR) [1]



1 The Lost Day Rate is calculated as follows: total number of lost days / total hours worked x 200,000. Holidays and public holidays are included in the working hours.

TARGETS see page 34 ff.

Ensuring a safe working environment is a very high priority at Infineon. Here we take a preventive approach.

Our occupational health and safety management system, certified according to OHSAS 18001, has been implemented at all major manufacturing sites as well as at corporate headquarters. Through workplace-related risk assessments which are carried out worldwide we want to ensure that workplace-related risks which may result in a danger to employees are identified and required protective measures are taken to minimize risks. This preventive approach is examined and revised on a regular ongoing basis.

Qualified safety experts supervise the implementation of the protective measures. Creating safe and ergonomic workplaces is a matter of course for us. In addition to work areas in production and other technical areas, office workplaces are also analyzed in terms of improvements. One example of realization in everyday practice is the information brochure for our corporate headquarters Campeon (Germany) which includes tips and advice on topics such as indoor climate and office acoustics.

As another element in our preventive approach, we carry out fire prevention training and evacuation exercises at all our main production sites as well as the corporate headquarters on a regular basis.

The recording and evaluation of work-related accident figures in the course of our general data collection process is performed in accordance with GRI G4 requirements on the basis of the standardized Injury Rate (IR) and the Lost Day Rate (LDR). All work-related accidents that have led to more than one lost day have been taken into account.

There were no fatal work-related accidents at Infineon in the 2016 fiscal year. Our Injury Rate of 0.42 in the 2016 fiscal year is presented on the margin in the graphic above. The Lost Day Rate of 5.76 in the 2016 fiscal year is illustrated on the margin in the graphic below.

Environmental sustainability

MATERIAL TOPIC
› Responsible manufacturing

MORE THAN 59 PERCENT OF THE WASTE GENERATED IS RECYCLED.

Our global management system IMPRES integrates targets and processes relating to environmental sustainability as well as occupational safety and health. IMPRES is certified in accordance with ISO 14001 and OHSAS 18001 worldwide. Additionally it has been certified in accordance with ISO 50001 energy management standard at our largest European manufacturing sites as well as our corporate headquarters. Major former International Rectifier sites that became a part of Infineon in the course of the acquisition will be integrated in our multi-site certification by the end of calendar year 2016.

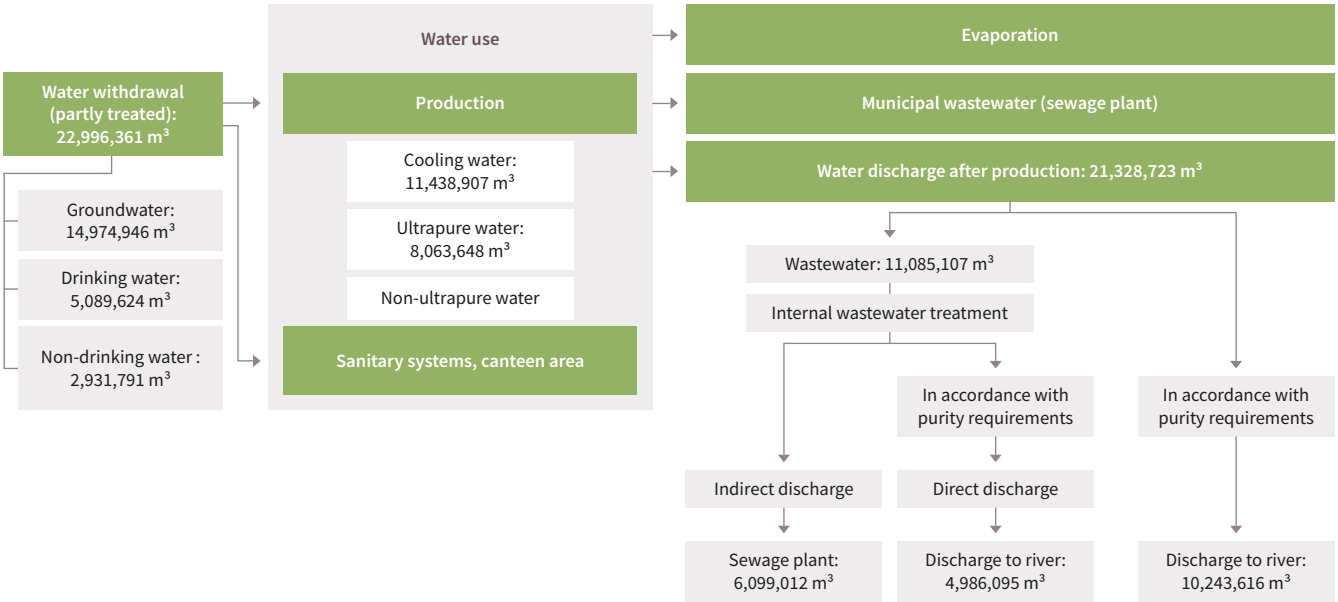
Sustainable use of resources at our manufacturing sites

The limited availability of natural resources is one of the greatest global challenges. Increasing resource efficiency enables both environmental and economic potential and is an essential pillar in our sustainability strategy.

Water management

Infineon's water balance for the 2016 fiscal year is shown in schematic form in the following chart.

Water balance
in cubic meters (m^3)



Water is used at our manufacturing sites, for example, for cooling equipment or for generation of ultrapure water. If the water that we withdraw does not meet the applicable purity standards, it is subject to further treatments.

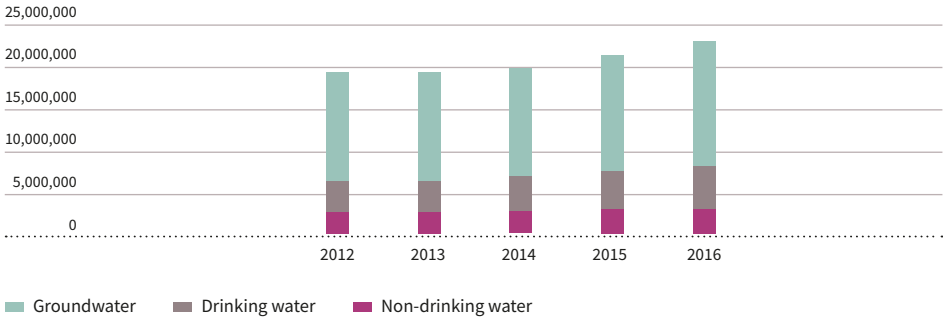
TARGETS see page 34 ff.

Part of the withdrawn water can be re-used after its initial use. During the reporting period, 700,892 cubic meters (8.69 percent) of ultrapure water and 1,180,185 cubic meters (10.65 percent) of production wastewater were re-used.

Infineon withdrew 22,996,361 cubic meters of water during the year under report. Infineon sources water either from its own groundwater wells or from local providers, who supply both drinking and non-drinking water of lesser quality than drinking water. Our water sources are shown in the following graph.

Water consumption

in cubic meters (m^3)



Standardized water consumption

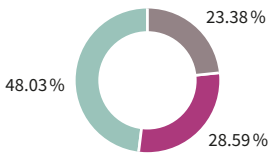
per square centimeter manufactured wafer

1 Frontend sites worldwide.

The World Semiconductor Council (WSC) has defined “water consumption in liters per square centimeter of manufactured wafer” as the unit for measuring the efficiency of water use. The Infineon frontend sites consumed approximately 33 percent less water to manufacture a square centimeter of wafer in calendar year 2015 than the global average of the WSC.

According to the definition of the “World Business Council for Sustainable Development” (WBCSD), water stress begins with an available total amount of renewable water resources of less than 1,700 cubic meters per person in the population per year. We used the “Global Water Tool Version 2015” of the WBCSD to perform a risk analysis at country level. The results show that only our manufacturing site in Singapore (Singapore) is located in a water stress area. This site consists primarily of office and test operations with a comparatively low level of water consumption. Although during the 2016 fiscal year only 0.62 percent of our total water volume was consumed there, we implemented measures to ensure efficient water use at site as well. Two buildings at the site have been awarded the “Water Efficient Building” certificate by the local water authority “PUB”. Since March 2016 a technical innovation has made it possible to make more efficient use of the water in the cooling towers, reducing annual water demand by more than 4,500 cubic meters.

Water discharges 2016



- Wastewater – direct discharge
- Wastewater – indirect discharge
- Other water discharges (excluding wastewater)

After water has exited the production area, it is either directly or indirectly discharged, depending on its level of purity, the technical conditions and official permissions. The percents of water discharged are shown in the chart on the left.

The high priority given to sustainable water consumption is demonstrated through our participation in the United Nations “CEO Water Mandate”. On our Internet page we publish the Infineon “Communication on Progress” for this initiative of the UN Secretary-General. By participating in the “Carbon Disclosure Project (CDP) Water Disclosure” we also inform our stakeholders about how we handle water and the associated opportunities and risks.

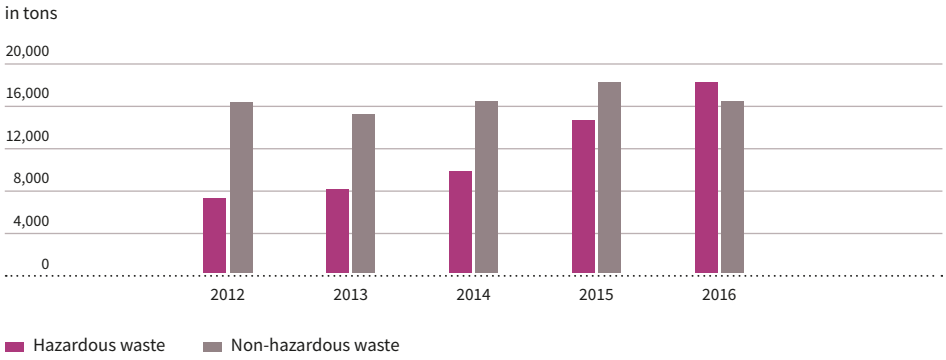
@ www.infineon.com/csr_reporting

TARGETS see page 35 f.

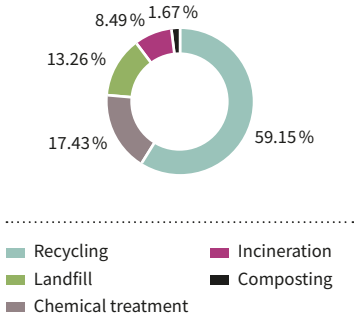
Waste management

Our sustainable waste management is based on classification and separation of waste and the use of safe disposal methods. All manufacturing sites use certified waste management companies. In the 2016 fiscal year the total amount of waste generated was 34,705 tons, with 16,441 tons classified as non-hazardous and 18,264 tons classified as hazardous. Besides statutory requirements, fluctuating production and construction projects have the greatest impact on the amounts of waste generated.

Waste generation



Waste management methods in the 2016 fiscal year



In the 2016 fiscal year 63.82 percent of the non-hazardous waste and 54.96 percent of the hazardous waste were sent to recycling. The percentages of the various waste management methods are illustrated in the chart on the left.

The WSC has defined the “total amount of waste generated in grams per square centimeter of manufactured wafer” as the unit for measuring the efficiency of waste management. Compared to the WSC global average, in the calendar year 2015 our worldwide frontend sites generated approximately 47 percent less waste per square centimeter of manufactured wafer.

At our site in Villach (Austria) reusable packing is replacing the previously used cardboard packing in the transport of sawn wafers in particular for deliveries to our sites in Warstein (Germany) and Cegléd (Hungary). Reusable packing consists of transport boxes made of plastic which can be used multiple times. Currently this makes it possible to save up to 55,000 boxes and up to 110,000 pieces of foam plastic per year. Reusable packing not only means reductions in the amount of waste generated, it is also possible to transport significantly more boxes than before. Reusable packing was developed on a cross-site basis by Infineon employees working together with suppliers.

Our site in Regensburg (Germany) began delivering used cardboard boxes to an external service provider for reuse in March 2016. Moreover, the recovery of precious metals (palladium and gold) from the galvanic sludge of the Regensburg site was awarded a third place medal by the Idea Management Center of the German Institute for Idea and Innovation Management (Deutsches Institut für Ideen- und Innovationsmanagement) in Frankfurt in the “Best Sustainability Idea of 2016” competition.

Our site in Villach (Austria) uses redestillation to successfully externally recycle dimethyl formamide (DMF) in addition to the solvents propyleneglycolmonomethyletheracetate (PGMEA), cyclopentanone and N-methyl-pyrrolidone (NMP). The most effective recycling applies to NMP, where the recycling rate rose from 70 percent to 90 percent.

Standardized waste generation

per square centimeter manufactured wafer

1 Frontend sites worldwide.

Energy efficiency and climate protection

Efficient energy management

At Infineon, energy is used mainly in the form of electricity. Primary energy sources such as oil and gas play only a minor part.

Within our manufacturing sites, the frontend sites consume the majority of the energy, since the physical conditions for production are particularly demanding there. Thus for example additional amount of energy is needed to establish the highly stable climatic conditions in the cleanrooms. In comparison, the backend sites have lower energy consumption due to the nature of their processes. Research and development and the office sites have the lowest energy demand.

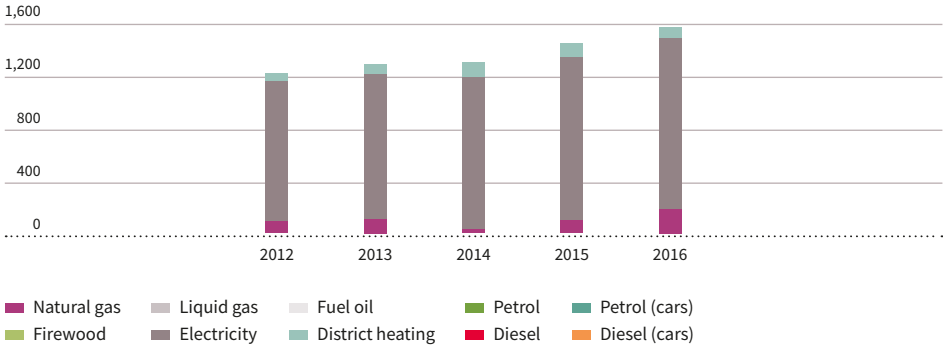
In the 2016 fiscal year Infineon consumed approximately 1,593 gigawatt hours (GWh) of energy worldwide. Furthermore, Infineon gave approximately 1.64 gigawatt hours to external consumers.

Consumption by energy source is shown in the following graph and in the adjoining table.

	GWh
Direct energy (Scope 1) renewable	**0.60**
Firewood	0.60
Direct energy (Scope 1) non-renewable	**198.15**
Natural gas	183.91
Liquid gas	1.01
Petrol	0.05
Petrol (cars)	0.34
Diesel	0.59
Diesel (cars)	11.52
Fuel oil	0.73
Indirect energy (Scope 2) non-renewable	**1,392.69**
Electricity	1,312.66
District heating	80.03

TARGETS see page 35 f.

Energy consumption
in gigawatt hours



At our main manufacturing sites we have implemented the systematic of the energy management standard ISO 50001 according to local requirements, and continually analyze options to further improve energy efficiency.

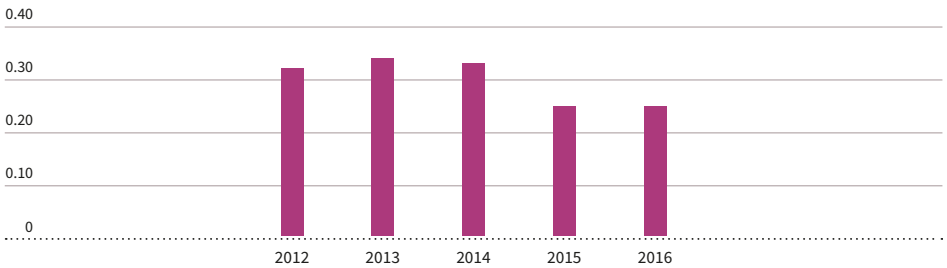
Standardized electricity consumption
per square centimeter manufactured wafer

1 Frontend sites worldwide.

The WSC has defined “electricity consumed per square centimeter manufactured wafer” as the unit for measuring the energy efficiency of frontend sites. Compared to the global average value of the WSC, our frontend sites worldwide used approximately 45 percent less electricity to manufacture one square centimeter wafer in the calendar year 2015.

In the 2016 fiscal year, the energy consumption per revenue was 0.25 kilowatt hours per euro. Figures from previous years are also shown in the following graph as a comparison.

Energy consumption per revenue
in kilowatt hours per €



Greenhouse gas emissions

Infineon started developing strategies to reduce the amount of material used to the technically necessary minimum at an early stage, thereby minimizing CO_2 emissions.

Since 2014 Infineon has been publishing information on opportunities and risks for the Company due to climate change through the "Carbon Disclosure Project" (CDP). Infineon has earned a spot among the best companies in the sector "Information Technology" and the status "Sector Leader" in the DACH region (German, Austria and Switzerland) for this year's CDP climate change reporting.

The classification of direct and indirect emissions in Scope 1, 2 and 3 is performed as set out in the "Greenhouse Gas Protocol". The Scope 2 guidelines require companies to calculate and disclose two values for their Scope 2 emissions: "market-based accounting", based on provider-specific emission factors, and "location-based accounting", based on the average for the regional or national grid.

Scope 1 emissions

The semiconductor industry uses various greenhouse gases in wafer-etching processes for structuring wafers as well as for cleaning production equipment. This includes perfluorinated compounds (PFCs), namely perfluorinated and polyfluorinated carbon compounds, sulfur hexafluoride (SF_6) and nitrogen trifluoride (NF_3). These greenhouse gases cannot be replaced by another class of substances and account for around 87 percent of Scope 1 emissions.

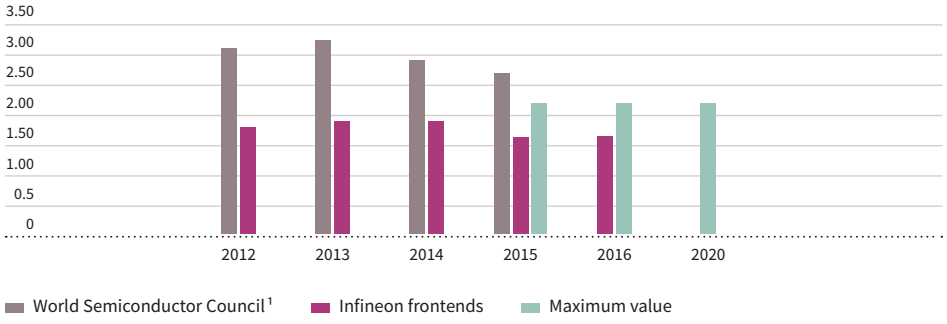
TARGETS see page 35 f.

The increasing level of product complexity results in the tendency towards increased demands for these gases. We are reacting to this trend with continuous optimization of our processes through more efficient manufacturing methods and intelligent abatement concepts. The use of alternative gases with higher utilization rates and lower greenhouse gas potential helps in minimizing the increase in emissions wherever possible.

Since the 2015 fiscal year we have changed our PFC reporting from absolute values to the Normalized Emission Rate (NER) by normalizing the emissions per manufactured wafer surface. The WSC has set the objective to achieve an average normalized emission rate of 2.2 by the year 2020. This corresponds to a reduction of 30 percent compared to 2010. Our target is to remain below the maximum value of 2.2 as early as today. With a NER of 1.65 we have achieved our target.

Normalized Emission Rate

in tons of CO_2 per square meter



1 In preparing this report the WSC 2016 figure was not available.

In addition to the PFC reporting, we calculate emissions for other relevant substances used at our main manufacturing sites on an annual basis. In the 2016 fiscal year 6,420 kilograms of sulfur oxides (SO_X), 45,365 kilograms of nitrogen oxides (NO_X), 400,016 kilograms of volatile organic compounds (VOCs), and 18,976 kilograms of particulate matter (PM) were emitted.

The total Scope 1 emissions in the 2016 fiscal year are equivalent to 295,869 tons of CO_2.

Scope 2 emissions

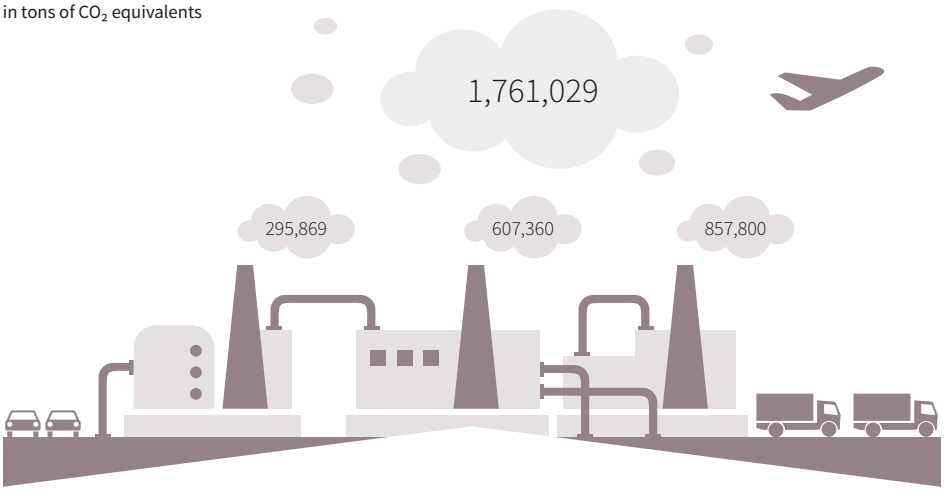
Considering provider-specific emission factors of the energy sources used, our Scope 2 emissions totaled 607,360 tons of CO_2 equivalents in the 2016 fiscal year. This approach was selected in order to illustrate the implementations achieved so far in terms of regenerative energy supply. One example is the use of district heating at the corporate headquarters.

Scope 3 emissions

Scope 3 emissions refer to emissions generated for the provision and disposal of all raw materials and supplies as well as other utilities, operational materials and other process media, goods transportation, travel and energy supply activities (transmission losses). Scope 3 emissions totaled 857,800 tons of CO_2 equivalents.

The following emissions and immissions have been included in the calculation of the Infineon CO_2 footprint:

Calculation of the CO_2 burden
in tons of CO_2 equivalents



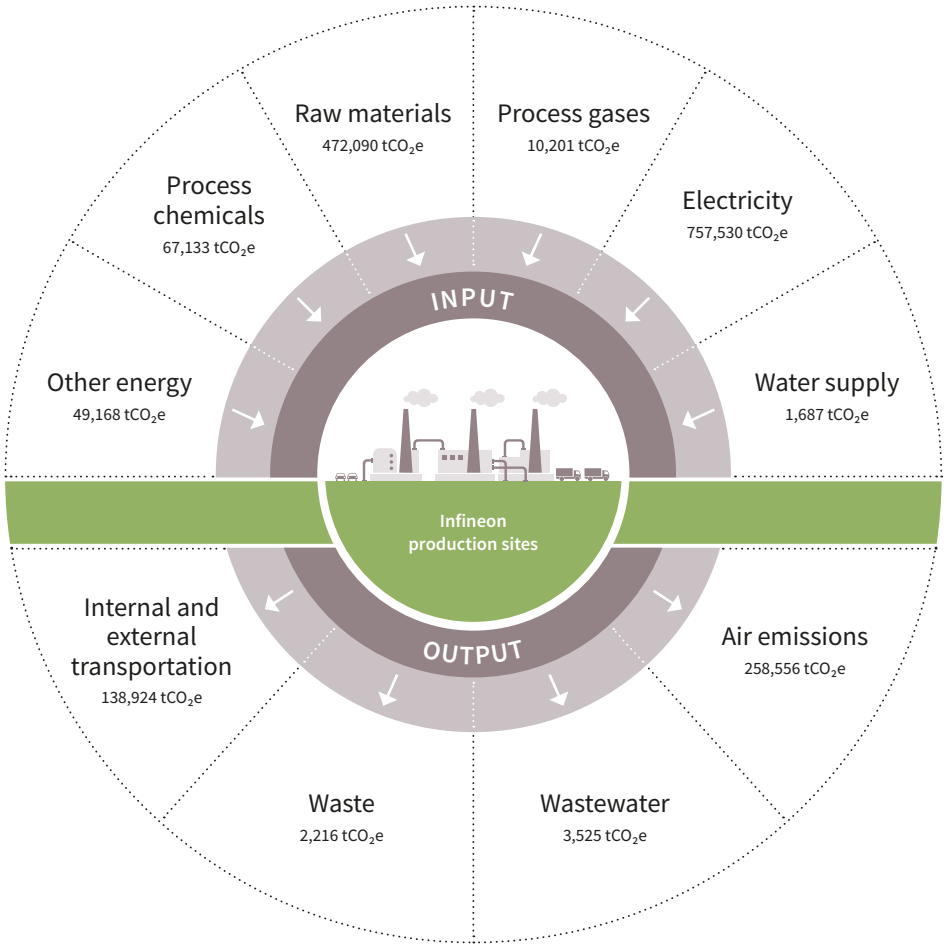
Scope 1 – Direct	Scope 2 – Indirect	Scope 3 – Indirect[1]
PFCs	Electricity	Fuel and energy supply
Gas	District heating	Water supply
Diesel		Wastewater
Fueloil		Waste
Petrol		Materials
Firewood		Raw materials and supplies
Infineon function cars		Flights
		Transportation

1 Further emissions along the value chain.

Altogether, the Infineon environmental carbon footprint totaled 1.76 million tons of CO_2 equivalents in the 2016 fiscal year.

The following chart illustrates the emissions by origin. The input streams show emissions generated in the course of supplying the materials. The output streams show emissions that were directly generated (during production) and through internal and external transportation.

Allocation input and output of emissions by origin
in tons of CO_2 equivalents (tCO_2e)



Contribution through sustainable products

MATERIAL TOPICS
› Responsible manufacturing
› Contribution through sustainable products

DURING THEIR USE-PHASE, INFINEON PRODUCTS MAKE IT POSSIBLE TO SAVE CO_2 EMISSIONS OF ROUGHLY 52 MILLION TONS OF CO_2 EQUIVALENTS.

Semiconductors from Infineon help generate electricity from renewable energy sources. They also offer increased efficiency in all value added stages of the energy sector: in generation, transmission and in particular in the use of electricity. They form a basis for the intelligent and efficient use of energy, in industrial applications, power supplies for computers and entertainment electronics and in motor vehicles. Semiconductors and solutions from Infineon make end-products more energy-efficient during their lifetimes and thus make an essential contribution to the improvement of the “environmental footprint”.

For example, in industrial applications such as drives or motor control units, products from Infineon reduce power loss and thus improve efficiency. Products from Infineon are also used in new technology fields such as LED lamps and induction cookers. The production of energy from renewable sources with large wind power turbines and photovoltaic parks is also enabled by our high-performance products.

The new PrimePACK™ module series has been available since the second quarter of the 2016 fiscal year. This combination of innovative chip packaging technology with next-generation power semiconductors, together with new interconnection technologies marks the next future-oriented milestone in power semiconductor modules. By reducing total power loss while at the same time increasing performance capabilities by up to 25 percent, this innovative module generation makes it possible to sustainably increase energy efficiency. The benefit of these innovations continues with the significantly higher power density and considerably longer service life of these technologies and provides significantly longer system reliability in applications such as energy generation from renewable sources with onshore and offshore windmills. With these future-oriented core properties the new PrimePACK™ module series contributes to the sustainable conservation of resources and raw materials.

The number of electric and hybrid vehicles will have to increase in order to meet the worldwide traffic-related CO_2 targets per car by 2020: 95 grams CO_2 per kilometer in Europe, 121 grams CO_2 per kilometer in the USA, 117 grams CO_2 per kilometer in China and 105 grams CO_2 per kilometer in Japan. The challenge faced in the electrification of an existing vehicle platform is fitting an additional inverter in the engine compartment which usually has to be as small as possible due to the space constraints. The dimensions of such an inverter are essentially determined by the power modules used. They have to be very small and nevertheless have to provide an adequately high power density for controlling and providing power to the electric motor. Usually the size of a power module is determined by two factors: the power consumption of the chips used and the possibilities for optimally cooling these chips.

Here Infineon introduced a new family of power modules in May 2016: The new HybridPACK™ DSC (Double Sided Cooling) Modules with double-sided cooling are extremely compact and are characterized by the fact that they provide a power density high enough for the control and supply of the electric motor in spite of their small dimensions. Thanks to the integrated insulation a HybridPACK™ DSC can be mounted directly onto the heat sink without external insulation, simplifying system integration.

Its internal structure gives it very low stray inductance which means switching with very low losses. In addition the requirements placed on the other components in the system are reduced by about 40 percent. As a result these modules can be used to develop inverters with approximately 25 percent lower switching losses and thus a very high degree of efficiency.

In summary, this new module generation will help achieve future climate-neutral driving and thus is a valuable contribution to achieving worldwide CO_2 targets.

The Infineon CO_2 footprint

When calculating a CO_2 footprint a variety of complex processes and a multitude of influencing factors need to be considered. Therefore carbon footprint calculations by nature are subject to certain estimates. We have further refined our approach in order to improve the accuracy of such estimates. Among other things, the business activities of the former International Rectifier sites have been integrated into the Infineon CO_2 footprint.

TARGETS see page 35 f.

The calculation of CO_2 emissions is based on the ISO 14000 standard, which is further specified by the PAS (Public Available Specification) 2050 guideline issued by the BSI (British Standards Institution) for determining product-specific environmental impacts, as well as by the principles of the “Greenhouse Gas Protocol” for determining carbon footprints (relevance, completeness, consistency, transparency and accuracy).

In calculating the Infineon CO_2 footprint, we have considered the entire manufacturing process in accordance with PAS 2050, including all of the utilities (raw materials and supplies) as well as internal and external logistics including final distribution to customers.

During their use-phase, Infineon products in the fields of automotive electronics, industrial drives, servers, lighting, photovoltaics, wind energy and induction cookers alone, enable CO_2 emissions savings amounting to approximately 52 million tons in CO_2 equivalents, representing an increase of around 40 percent compared to the previous year’s value. This increase is due to several factors. The most significant increase is to be seen in industrial drives, which was also the product category with the highest potential savings in the previous year. The over 50 percent growth in market share is clearly evident here and is reflected in an increase in CO_2 savings of over 13 million tons of CO_2 equivalents. There was also a significant increase in market share for the LED segment. In addition the worldwide market for LED lights has increased by 40 percent. It was also possible to increase the installed performance of photovoltaics and wind power in calendar year 2015 compared to 2014.

Thus, with its products and innovations in combination with efficient production, Infineon achieved an environmental net benefit of approximately 50 million tons of CO_2 equivalents.

Carbon footprint

CO_2 burden[1]
Around **1.8** million tons of CO_2 equivalents

Ratio around 1 : 30

CO_2 savings[2]
Around **52.4** million tons of CO_2 equivalents

Net ecological benefit: CO_2 emissions reduction of around 50 million tons

1 This figure considers manufacturing, transportation, function cars, flights, materials, chemicals, water/wastewater, direct emissions, energy consumption, waste, etc. and is based on internally collected data and externally available conversion factors. All data relate to the 2016 fiscal year.

2 This figure is based on internally established criteria, which are explained in the explanatory notes. The figure relates to the calendar year 2015 and considers the following fields of application: automotive, LED, PC power supply, renewable energy (wind, photovoltaic), drives as well as induction cookers. CO_2 savings are calculated on the basis of potential savings of technologies in which semiconductors are used. The CO_2 savings are allocated on the basis of Infineon market share, semiconductor content and lifetime of the technologies concerned, based on internal and external experts' estimations. Despite the fact that CO_2 footprint calculations are subject to imprecision due to the complex issues involved, the results are nevertheless clear.

Compliance with legal and customer-specific requirements

The processes involved in manufacturing semiconductors are complex and require a wide variety of special chemicals and materials. At Infineon we responsibly manage the handling of hazardous substances to safeguard human health and the environment.

The products manufactured by Infineon meet all of the requirements set out in the European chemicals policy REACH (Regulation EC 1907/2006 "Registration, Evaluation, Authorisation and Restriction of Chemicals").

Two important European directives regulate the use of certain substances defined by the European legislature as hazardous in end-products, the directive 2000/53/EC (ELV directive: "End-of-Life Vehicles") and the directive 2011/65/EU (RoHS directive: "Restriction of the use of certain hazardous substances in electrical and electronic equipment").

No Infineon product is in the scope of these directives. However, our customers expect Infineon products to meet legal requirements in their applications. Infineon products comply with these requirements and are conform with the substances restrictions in the aforementioned legal regulations and thus meet customer requirements.

Furthermore, we provide our customers with information on the chemical composition of the materials contained in our products.

Infineon constantly works to develop and implement alternatives for certain materials, such as lead. Thus for example we participate in the DA5 (DA: Die Attach) partnership working to find lead-free alternatives for high temperature solders which are necessary for specific applications because of their properties.

Our responsibility along the supply chain

MATERIAL TOPICS
› Responsible manufacturing
› Contribution through sustainable products

ALL INFINEON PRODUCTS ARE DRC CONFLICT-FREE.

Infineon overall purchasing volume has increased due to the acquisition of International Rectifier and general business growth. In particular, the purchasing volume with contract manufacturers increased disproportionally with the acquisition of International Rectifier in the 2015 fiscal year. The higher number of suppliers resulting from the acquisition was subsequently significantly reduced as part of the ongoing consolidation activities.

TARGETS see page 35 f.

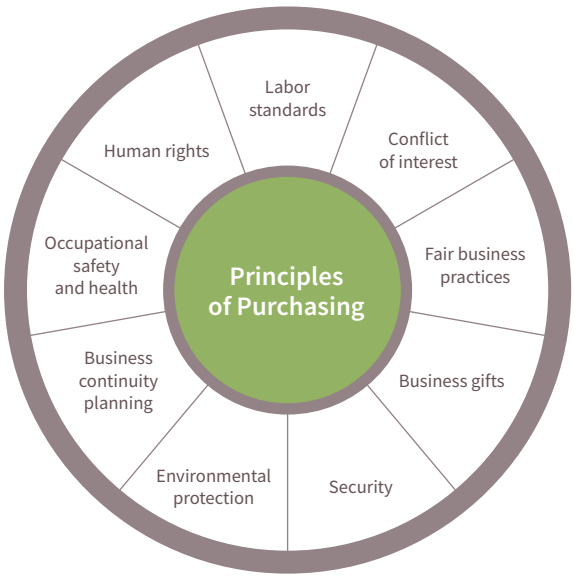
A long-term partnership between Infineon and its suppliers is a core element of our corporate philosophy. In the course of this partnership all our suppliers are managed centrally in a supplier management portal where data is updated as necessary. This system is also used for supplier evaluation. The compliance with our requirements in the areas of environmental protection, occupational safety and health as well as CSR are highly relevant when selecting new suppliers, evaluating existing suppliers, and also for future supplier development. Our Principles of Purchasing are based on internationally recognized guidelines, such as the Principles of the UN Global Compact and the Fundamental Principles of the International Labour Organization (ILO) as well as our Business Conduct Guidelines. The requirements described therein cover the topics shown in the diagram “Principles of Purchasing” on page 30.

Furthermore our new main suppliers are contractually obliged to uphold our environmental, occupational safety and health as well as CSR commitments. Only suppliers that have committed to our basic principles can enter into a business relationship with us.

In the 2015 fiscal year we introduced a supplier management portal to provide our suppliers with a centralized platform for registering and updating relevant CSR parameters. Expanded in 2016, this portal allows suppliers to submit updated certifications.

More than 100 new suppliers and new subsidiaries of existing suppliers are thus categorized every quarter according to their products and services. Depending on this categorization the supplier receives up to eleven questionnaires on various topics in the supplier management portal. The responses received are evaluated by the respective Infineon specialist departments. The supplier is not approved unless it gets a successful evaluation. When necessary, improvement measures are jointly agreed with the supplier. This procedure supports a fast and up-to-date assessment.

Principles of Purchasing



Infineon products without DRC conflict minerals

TARGETS see page 35 f.

The US Dodd-Frank Act (Dodd-Frank Wall Street Reform and Consumer Protection Act) was adopted in July 2010. It contains disclosure and reporting obligations for companies listed on stock exchanges in the USA concerning the utilization of so-called “conflict minerals” that originate from the Democratic Republic of Congo (DRC) or its adjoining countries. The term “DRC conflict minerals” applies to tantalum, tin, gold and tungsten, inasmuch as their extraction and / or trade does directly or indirectly finance or benefit armed groups in the DRC or neighboring countries.

The use of the materials mentioned is absolutely necessary for the functionality of our products.

Respect for human rights is a matter of course for Infineon. The avoidance of conflict minerals throughout the supply chain is a firm contribution towards the prevention of human rights abuses. Infineon is not listed on US stock exchanges and therefore not legally required to publish a report on conflict minerals. Nevertheless, as a member of the Conflict-Free Sourcing Initiative (CFSI), we uphold our voluntary commitment towards our responsibility within the supply chain. At the same time, our comprehensive declaration on the use of conflict materials supports those of our customers who are required to perform due diligence within their supply chains in meeting their reporting duties in accordance with the requirements of the United States Securities and Exchange Commission (SEC).

Since Infineon does not purchase these metals directly from mines or smelters, we identify their origin in close cooperation with our direct suppliers. For this purpose we have introduced a standardized process throughout the organization based on the “OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas” in order to create the necessary transparency within our supply chain.

@ www.infineon.com/csr_reporting

Our targets and requirements towards our supply chain are set forth in the Infineon “Conflict Minerals Policy” and the “Supplier Code for a Responsible Sourcing of Conflict Minerals”, which are published on our website.

In the 2016 fiscal year, Infineon identified 100 percent of its potential suppliers of conflict minerals and evaluated them with regard to their use of conflict minerals. Based on the thorough response of our suppliers and in accordance with the requirements of the OECD guidance, we can duly state that all Infineon products are DRC conflict-free. Moreover, we request our suppliers to continue purchasing only raw materials from smelters that meet the CFSI requirements or those of an equivalent auditing program.

Corporate citizenship

MATERIAL TOPIC
› Local market presence

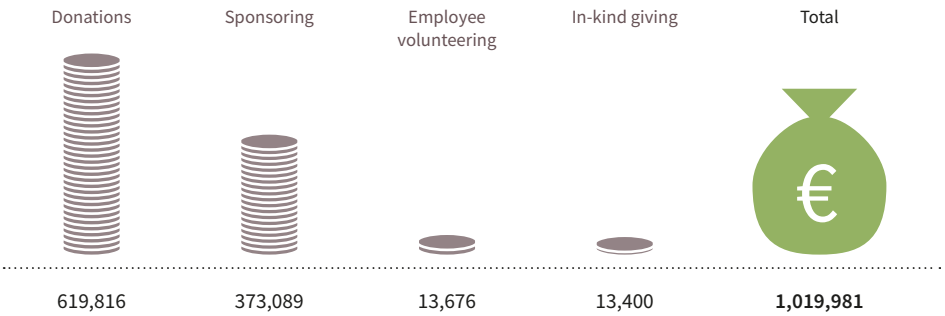
A NEW PLATFORM FOR REPORTING AND TRACKING ACTIVITIES IN THE AREA OF CORPORATE CITIZENSHIP HAS BEEN IMPLEMENTED ON A WORLDWIDE BASIS.

TARGETS see page 35 f.

We understand Corporate citizenship as our voluntary social contribution to the communities in which we operate. Infineon has defined four areas of activity in the field of Corporate citizenship: “Environmental Sustainability”, “Local Social Needs”, “Education for Future Generations” and help in case of “Natural and Humanitarian Disasters”. These focus areas of engagement are contained in our new Corporate citizenship rule. This rule ensures that our Corporate citizenship activities are performed transparently and in line with our ethical principles. We have also appointed a citizenship representative for this topic at all our major sites.

Infineon supported 197 activities worldwide in the 2016 fiscal year. 17 percent of the donations were local investments in the communities we interact with, and 83 percent were donations to charitable activities.

Corporate citizenship expenditure 2016
in €



Donations	Sponsoring	Employee volunteering	In-kind giving	Total
619,816	373,089	13,676	13,400	**1,019,981**

Examples of the Corporate citizenship activities of Infineon in the 2016 fiscal year

Education for Future Generations	› Support for the Zhenglou primary school in Anhui province, China › Support for the Graz University of Technology Master's degree program in Electrical Engineering in Austria › Program "Robot Building Workshops @IFRO" in Romania › Employees organized a free training session on the topic of electrical engineering for students in Batam (Indonesia)
Local Social Needs	› Support for the organization "Habitat for Humanity" in Temecula (USA) › Development of topic-oriented platforms for exchange between university students, commercial enterprises, and professional associations in Austria › Support for public institutions in painting schools and orphanages in Batam (Indonesia) › Support for the "Deutsches Global Compact Netzwerk" foundation
Natural and Humanitarian Disasters	› Support for the Romanian Red Cross in caring for the fire victims of the "Colectiv Nightclub" › Donations to UNICEF Sweden for the purchase of water purification tablets in case of humanitarian disasters
Environmental Sustainability	› Support for the project "Environment Protection - Low-Carbon Life" of the China Youth Development Foundation › Development of the "Go Green" project in Kulim (Malaysia) › Support for the greenhouse gas project of "Asociatia Ana si Copiii" in Romania

Local investments and services

It is important for us to engage with local communities and to invest in them. Through close collaboration with local partners and with its leading semiconductor technologies, Infineon has supported China's efforts to become one of the leading industrialized nations since the introduction of the "Made in China 2025" strategy. Based on Infineon's unique know-how in the area of "Smart Factory" in close collaboration with local partners, our second manufacturing site in Wuxi (China) will play an important role here. We are supporting the redeployment and modernization of local industry and its development with these activities. Meanwhile, in June 2016 Infineon joined the "Sino-German Intelligent Manufacturing Alliance", initiated and supported by the Chinese Ministry of Industry and Information Technology (MIIT). This is one of the most important platforms for the collaboration between China and Germany in the area of "Smart Manufacturing". Here the objective is to achieve an active innovative partnership and exchange between "Made in China 2025" and the German "Industry 4.0" through promoting the establishment of effective communications among government, science and industry.

The official start of volume manufacturing in the second production hall in Kulim (Malaysia) took place in May 2016. The site, in production since 2006, is at present the only Infineon frontend site in Asia. The opening of the second production module will double Infineon's production capacities and increase headcounts. The opening of the second production module in Kulim is another milestone in the partnership between Infineon and the Malaysian state.

Infineon Austria supports the "International School Carinthia". People from 44 countries work at Infineon Austria and would like to have the chance to choose education with international standards. The Federation of Austrian Industries and the Austrian Economic Chamber expect the new school located in Villach (Austria) to draw new, international specialists to Carinthia. The objective is to establish an all-day school at which children of international employees of various companies can learn together. The main teaching languages are English and German.

Memberships and partnerships

Infineon is involved in numerous industry associations and standardization organizations including but not limited to:

Industry associations

- World Semiconductor Council (WSC; organization of regional semiconductor associations)
- Global Semiconductor Alliance (GSA)
- Industrial Internet Consortium (IIC)
- Alliance for the Internet of Things Innovation (AIOTI)
- European Semiconductor Industry Association (ESIA)
- Association representing the Smart Security Industry (EUROSMART)
- China Semiconductor Industry Association (CSIA)
- US Semiconductor Industry Association (SIA)
- Federal Association for Information Technology, Telecommunications and New Media (BITKOM)
- German Electrical and Electronic Manufacturers' Association (ZVEI)
- German Association of the Automotive Industry (VDA)

Standardization organizations

- International Electrotechnical Commission (IEC)
- International Organization for Standardization (ISO)
- Global Standards for the Microelectronics Industry (JEDEC)
- Universal Serial Bus Implementers Forum (USB-IF)
- TCG-Trusted Computing Group (Computer Security Standards)
- European Telecommunications Standards Institute (ETSI)
- Automotive Open System Architecture (AUTOSAR)
- German Institute for Standardization (DIN)
- German Commission for Electrical, Electronic & Information Technologies of DIN and VDE (DKE)

Others

- United Nations Global Compact
- Platform "Industry 4.0"

Our sustainability targets

TARGETS FOR THE 2016 FISCAL YEAR	STATUS	DESCRIPTION
Business ethics		
Implementation of the revised Business Conduct Guidelines worldwide and the corresponding training, which addresses all Infineon employees.	●	The Business Conduct Guidelines were updated in the 2016 fiscal year and made available to all employees. The publication was supplemented by a wide variety of communication measures and a newly deployed training program.
Completion of the integration of the former International Rectifier sites in the existing Compliance Management System: Infineon compliance training and compliance processes will be successively applied to all International Rectifier employees. The revised Business Conduct Guidelines will also apply directly to International Rectifier employees upon publication.	●	The former International Rectifier sites were integrated in the Infineon Compliance Management System over the course of the fiscal year and the employees were familiarized with the corresponding processes.
Human resources management		
Increasing the share of women in management positions to 15 percent by the 2020 fiscal year. Our long-term goal is a 20 percent share of women in management positions.	◐	In spite of a continuous increase over the past years, at our current level of 13.4 percent we have not yet reached our target. We will continue our efforts and work to achieve our target by the 2020 fiscal year. All divisions support this target with individual measures and performance indicators.
Starting in the 2018 fiscal year more than 80 percent of our employees will indicate in the “Great Place to Work” survey that “All in all, Infineon is a very good employer”.	◐	The current 78 percent agreement level shows we have improved by 3 percent since the last survey in 2013.
At least 90 percent of all our managers (Senior Manager level with five or more direct employees and higher[1]) will conduct a “leadership dialog” with their employees within two years.	◐	At present a share of approximately 74.2 percent of managers has conducted their “leadership dialogs” within the last two years. Compared to the last fiscal year we were able to increase this share by 8.2 percent. The efforts initiated in order to increase this share will be continued in the coming fiscal year and will be supported with additional measures at global and local levels.
Responsibility for our employees		
Achievement of an Injury Rate of 0.4 or lower.	○	With an Injury Rate of 0.42 we have almost achieved our target value and will further work on the continuous improvement of our occupational safety measures.
Environmental sustainability		
Water management		
Regardless of growing product complexity, our aim is that our specific water consumption does not exceed 8.5 liters per square centimeter wafer.	●	Our specific water consumption was below 8.5 liters per square centimeter manufactured wafer.
Preparation and approval of Business Continuity Plans for the former International Rectifier sites of Temecula (USA) and Tijuana (Mexico). Business Continuity Plans serve to safeguard business activities in case of serious unforeseeable events, such as natural disasters or fires, and to minimize consequential damage for Infineon and its customers. Water shortages and climate change are part of this assessment.	●	Business Continuity Plans were created and approved for the Temecula (USA) and Tijuana (Mexico) sites.

1 Because of the current integration activities the Americas region has been exempted from the target until the end of the 2017 fiscal year.

● Target achieved ◐ In progress ○ Target not yet achieved

TARGETS FOR THE 2016 FISCAL YEAR	STATUS	DESCRIPTION
Waste management		
Regardless of growing product complexity, our aim is to keep the specific waste generation below 27.5 grams per square centimeter manufactured wafer.	●	Our specific waste generation was below 27.5 grams per square centimeter manufactured wafer.
Efficient energy management		
To implement projects and measures at our manufacturing sites worldwide which are capable of saving a total of 35 gigawatt hours of energy by the end of the 2017 fiscal year.	◐	In the 2016 fiscal year we completed measures which saved an annual volume of 20.35 gigawatt hours of electricity and district heating; considering the last two fiscal years, we achieved 34.66 gigawatt hours.
Greenhouse gas emissions		
To maintain the Infineon Normalized Emission Rate (NER) below 2.2 in the 2016 fiscal year. The typically growing complexity of our products is leading to an increasing need for greenhouse gases. Therefore the target is a challenging and reasonable reference value for the efficiency of our emissions' reduction measures.	●	With a NER of 1.65, Infineon achieved the target.
Contribution through sustainable products		
To integrate International Rectifier data in the carbon footprint calculation.	●	The business activities of the former International Rectifier sites were integrated in the Infineon CO_2 footprint through data extension.
Our responsibility along the supply chain		
To harmonize the supplier evaluation methodology and reporting with International Rectifier in the field of CSR.	●	Using a harmonized method we have evaluated all relevant suppliers in the Supplier Management Portal according to a uniform system.
To maintain the DRC conflict-free supply chain.	●	DRC conflict-free supply chain achieved.
To integrate International Rectifier products in the Infineon conflict minerals declaration.	●	Products from International Rectifier were completely integrated in the conflict minerals declaration.
Corporate citizenship		
To integrate the Corporate citizenship activities of the former International Rectifier sites consistent with our rules.	●	Sites which became part of the Company in the course of the acquisition of International Rectifier have been integrated in our citizenship processes and structures.

● Target achieved ◐ in progress ○ Target not yet achieved

TARGETS FOR THE 2017 FISCAL YEAR

Business ethics

Ensuring sustainable compliance structures at all sites.

Human rights

Introduction of a new modern whistleblower platform: in the past Infineon and former International Rectifier have been using two different platforms.

Human resources management

Increasing the share of women in management positions to 15 percent by the 2020 fiscal year. Our long-term goal is a 20 percent share of women in management positions.

Starting in the 2018 fiscal year more than 80 percent of our employees will indicate in the "Great Place to Work" survey that "All in all, Infineon is a very good employer".

At least 90 percent of all our managers (Senior Manager level with five or more direct employees and higher)[1] will conduct a "leadership dialog" with their employees within two years.

Responsibility for our employees

We will implement the standard OHSAS 18001 at two former International Rectifier sites and will include these sites in our multi-site certification.

Environmental sustainability

Water management

Regardless of growing product complexity, our aim is that our specific water consumption does not exceed 8.5 liters per square centimeter manufactured wafer. The typically increasing complexity of our products requires an increase in the use of water in production. Therefore this target is a challenge and a practical reference unit for the effectiveness of our measures aimed at sustainable use of water.

Waste management

Regardless of growing product complexity, our aim is to keep the specific waste generation below 27.5 grams per square centimeter manufactured wafer. The typically increasing complexity of our products requires an increase in the use of raw materials and supplies. This also means an increase in the amount of waste generated. Therefore this target is a challenge and a practical reference unit for the effectiveness of our measures aimed at waste reduction.

Efficient energy management

Completion of projects and measures at our worldwide manufacturing sites which will save a total of 35 gigawatt hours of energy by the end of the 2017 fiscal year.

Greenhouse gas emissions

PFC-relevant emissions will remain below the World Semiconductor Council target value of 2.2 tons of CO_2 equivalents per square meter of manufactured wafer surface. The challenge here is the constantly increasing complexity of our products and thus the associated increase in the number of process steps requiring the use of climate-relevant gases.

Contribution through sustainable products

Updating of the Infineon CO_2 footprint as well as achievement of a ratio of CO_2 savings through our products in the use-phase compared to the emissions generated in manufacturing our products of approximately 1 to 30.

Our responsibility along the supply chain

Integration of the conflict-mineral activities in the Supplier Management Portal.

Maintaining a DRC conflict-free supply chain and conducting a complete renewed supplier evaluation with regard to the use of conflict minerals. Here the challenge is the dynamic development of the product portfolio and the resulting modified supplier topology.

Corporate citizenship

Introduction of an annual "Best Practice Sharing Workshop" with the local citizenship representatives.

1 Because of the current integration activities the Americas region has been exempted from the target until the end of the 2017 fiscal year.

GRI G4 Content Index

General Standard Disclosures

	Issue	Page Report "Sustainability at Infineon 2016"	Page Annual Report 2016	Remarks	External audit
STRATEGY AND ANALYSIS					
G4 – 1	Statement from the Management Board	1	2 – 5		●
ORGANIZATIONAL PROFILE					
G4 – 3	Name of the organization	Cover page	Cover page		● ●
G4 – 4	Primary brands, products, and services		"Infineon at a glance"		●
G4 – 5	Organization's headquarters		49		●
G4 – 6	Countries where the organization operates		49 – 52		●
G4 – 7	Nature of ownership and legal form		66 – 67		●
G4 – 8	Markets served		40 – 48		●
G4 – 9	Scale of the organization	7	"Infineon key data"		●
G4 – 10	Employee structure	14 – 16			
G4 – 11	Percentage of total employees covered by collective bargaining agreements	12			●
G4 – 12	Organization's supply chain	29 – 30			●
G4 – 13	Significant changes during the year under report	8 – 9			●
G4 – 14	Consideration of precautionary approach		18 – 21, 68 – 69		●
G4 – 15	Externally developed charters, principles and initiatives	2, 12, 13			●
G4 – 16	Memberships	33			●
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES					
G4 – 17	Structure of the organization		49 – 52, 182 – 184		●
G4 – 18	Report's boundaries and limitations on its scope	2			●
G4 – 19	Material aspects	3 – 6			●
G4 – 20	Description of material aspects within the organization	3 – 6			●
G4 – 21	Description of material aspects outside the organization	3 – 6			●
G4 – 22	Effect of any restatements of information		68 – 69	Explanatory Notes (www.infineon.com/csr_reporting)	● ●
G4 – 23	Significant changes in the scope of the Report	2 – 3	68 – 69	Explanatory Notes (www.infineon.com/csr_reporting)	●

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	Issue	Page Report "Sustainability at Infineon 2016"	Page Annual Report 2016	Remarks	External audit
STAKEHOLDER ENGAGEMENT					
G4 – 24	Overview of stakeholder groups	10		At Infineon stakeholders are involved continuously.	●
G4 – 25	Selection of stakeholders	2 – 3			●
G4 – 26	Stakeholder engagement	2 – 3, 10		For the definition of our stakeholders we evaluated international sustainability guidelines and directives, such as the OECD Guidelines for Multinational Enterprises, and applied the EFQM (European Foundation for Quality Management) Model for Excellence and the UN Global Compact Blueprint. For those activities included in the chart on page 10, in which the frequency of engagement is not described, Infineon engagement is carried out regularly whenever required. The following topics require a special frequency of engagement: › "Great Place to Work" survey: carried out every two years. › Suppliers' evaluation: carried out for new suppliers. For specific supplier groups it is also carried out on an annual basis. › Principles of Purchasing: part of contractual negotiations. › Annual Report, sustainability reporting, and yearly financial statements: on a yearly basis.	●
G4 – 27	Consideration of key concerns raised through stakeholders	2 – 3, 10			●
REPORT PROFILE					
G4 – 28	Reporting period	2			●
G4 – 29	Date of most recent previous report	2			●
G4 – 30	Reporting cycle	2			●
G4 – 31	Contact point	47			
G4 – 32	GRI Content Index	37 – 41			
G4 – 33	External verification	42 – 44	187		● ●
GOVERNANCE					
G4 – 34	Governance structure of the organization		106 (Corporate Governance Report)		●
ETHICS AND INTEGRITY					
G4 – 56	Principles, standards and norms of behavior	2, 12, 13			●

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Specific Standard Disclosures

	Issue	Page Report "Sustainability at Infineon 2016"	Page Annual Report 2016	Remarks	External audit
PRESENCE IN LOCAL MARKETS					
Management approach		5			●
G4 – EC4	Financial assistance received from governments		141	Splitting of "received benefits" by country is not relevant. Governments do not participate in Infineon.	● ●
G4 – EC7	Development of significant infrastructure investments and services supported	32			●
G4 – EC8	Significant identified positive and negative indirect economic impacts		22 – 27	Through the use of products in which our semiconductors are used, Infineon has indirect economic impacts, for example in efficiency improvements. The significance of those impacts was – due to external parameters – not determined in each individual case.	● ●
G4 – EN8	Total water withdrawn by source	19 – 20		Indicator applicable due to the production site placed in a water-stressed area and the associated specific local requirements.	●
G4 – SO1	Operations related to local community engagement	10, 31 – 33			●
G4 – SO2	Operations with significant actual and potential negative impacts on local communities	GRI G4 Content Index		During the 2016 fiscal year our worldwide citizenship representatives did not find any adverse effects.	●
LONG-TERM VIABILITY OF CORE BUSINESS					
Management approach		3 – 4			●
G4 – EC1	Direct economic value generated and distributed	31	"Infineon key data", 58, 141 – 146	Retained economic value is not reported. Splitting direct economic value generated and distributed (EVG&D) by region or market is not relevant.	● ●
G4 – EC2	Risks and opportunities posed by climate change	4			●
G4 – EC8	Significant positive and negative indirect economic impacts		22 – 27	Through the use of products in which our semiconductors are used, Infineon has indirect economic impacts, for example in efficiency improvements. The significance of those impacts was – due to external parameters – not determined in each individual case.	● ●
G4 – PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products	GRI G4 Content Index		During the 2016 fiscal year, Infineon could not identify any incidents of non-compliance with regulations and voluntary codes related to the impacts of products and services on health and safety.	●
RESPONSIBLE MANUFACTURING					
Management approach		4			●
G4 – EN3	Energy consumed inside of the organization	22			●
G4 – EN4	Energy consumed outside of the organization	22, 25		The description of the Scope 3 emissions is based on the Infineon CO_2 balance, which includes the whole energy consumption of Infineon, and is reported in metric tons of CO_2 equivalents. The other steps, that is, the use-phase of the products by the customer as well as their disposal, cannot be automatically calculated due to the different potential applications and fields of use of Infineon products.	●
G4 – EN5	Energy intensity	22		Due to the confidentiality of specific information, Infineon reported the specific energy consumption in gigawatt hours per euro.	●

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	Issue	Page Report "Sustainability at Infineon 2016"	Page Annual Report 2016	Remarks	External audit
G4 – EN6	Reductions in energy consumption	35			●
G4 – EN7	Reductions in the energy requirements of sold products	26 – 27			●
G4 – EN8	Total volume of water withdrawn	19 – 20			●
G4 – EN10	Total volume of water recycled and reused	19 – 20			●
G4 – EN15	Direct (Scope 1) GHG emissions	23 – 24			●
G4 – EN16	Indirect (Scope 2) GHG emissions	24			●
G4 – EN17	Other indirect (Scope 3) GHG emissions	24			●
G4 – EN18	GHG emissions intensity	23		Reported by the NER (Normalized Emission Rate). Herewith only PFC emissions were taken into account, since these are the most significant source of CO_2 emissions.	●
G4 – EN19	GHG emissions reductions achieved	35		The avoided CO_2 emissions were reported in the form of energy under the indicator EN6. These are equivalent to 5,555.1 tons CO_2 equivalents.	●
G4 – EN21	Other significant air emissions	24			●
G4 – EN22	Volume of water discharges	19 – 20			●
G4 – EN23	Total weight of hazardous and non-hazardous waste, by disposal methods	21			●
G4 – EN27	Activities to minimize the environmental impacts of products and services	26 – 28			●
G4 – HR6	Measures taken intended to contribute to the elimination of all forms of forced or compulsory labor in the supply chain	29 – 30			●
CONTRIBUTION THROUGH SUSTAINABLE PRODUCTS					
Management approach		5 – 6			●
G4 – EN7	Reductions in the energy requirements of sold products	26 – 27			●
G4 – EN30	Significant environmental impacts of transporting products and other goods and materials	24 – 25, 27 – 28			●
G4 – PR1	Significant product and service categories for which health and safety impacts are assessed for improvement	28			●
G4 – PR3	Legally required information about product and services labeling	28			●
DIVERSITY AND EQUAL OPPORTUNITY					
Management approach		4 – 5			●
G4 – LA12	Governance bodies by diversity categories	14 – 16			
G4 – LA13	Wage differences by gender	17			
G4 – HR3	Incidents of discrimination and measures taken	11			●

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	Issue	Page Report "Sustainability at Infineon 2016"	Page Annual Report 2016	Remarks	External audit
BUSINESS ETHICS					
Management approach		6			●
G4 – SO4	Percentage of employees trained in anti-corruption	12, 34, GRI G4 Content Index		Compliance training is carried out in particular at management level and Board level. Splitting training participation by individual regions or employees category is not an indicator relevant to the management process for Infineon.	●
G4 – SO7	Legal actions for anti-competitive behavior		169		●
G4 – HR2	Employee training on human rights	13, GRI G4 Content Index		Infineon carried out 11,000 hours of training on the Code of Conduct (Business Conduct Guidelines). It included information related to human rights. On the second half of the fiscal year and after publication of the updated Business Conduct Guidelines, a refresher training started, which should be completed during the new fiscal year.	●
G4 – HR3	Incidents of discrimination and measures taken	11			●
LABOR RELATIONS					
Management approach		6			●
G4 – EC3	Coverage of benefit plans		157 – 161		● ●
G4 – EC7	Infrastructure investments and services provided	32			●
G4 – LA1	Employee turnover	15			
G4 – LA2	Benefits provided to full-time employees	17			
G4 – LA5	Committees are in place that also offer employers, employees and/or employee representatives the opportunity to discuss on topics relating to environmental protection, and occupational safety and health	12			●
G4 – LA6	Work-related accidents and lost days	18		In addition to the general accident data, in the 2016 fiscal year we have sorted the information by gender. The female employees had an IR of 0.44 and LDR of 6.65 and the male employees had an IR of 0.41 and LDR of 5.18. Reporting of the accident rate and lost days rate by region is not a global steering-relevant figure. Infineon has currently no globally harmonized information for the reporting of occupational diseases. The absenteeism rate is not a global steering-relevant figure.	●

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Independent Assurance Report

(Translation)[1]

To the Management Board of Infineon Technologies AG, Neubiberg

We have performed an independent limited assurance engagement on the information on Infineon's sustainability performance, published in "Sustainability at Infineon – Supplementing the Annual Report 2016" of Infineon Technologies AG, Neubiberg (further "Infineon"), except for the chapter „Human Resources Management". This is complemented by the information in the pdf-document "Explanatory Notes", published online at @ www.infineon.com/csr_reporting.

In addition, we have performed an independent limited assurance engagement on the information on the aspects "Financial assistance from governments", "Indirect economic impacts" and "Direct economic value generated and distributed", and "Coverage of benefit plans", published in the Annual Report 2016 of Infineon.

Management's Responsibility

The legal representatives of Infineon are responsible for the preparation of the reporting in accordance with the principles and standard disclosures of the G4 Sustainability Reporting Guidelines of the Global Reporting Initiative, in combination with internal guidelines, as well as internally developed criteria for the reporting and calculation of the indicator "CO_2 savings enabled through our products" (further: Reporting Criteria).

This responsibility of the legal representatives includes the selection and application of appropriate methods to prepare the assured information and the use of assumptions and estimates for individual sustainability disclosures which are reasonable under the given circumstances. Furthermore, the responsibility includes designing, implementing and maintaining systems and processes relevant for the preparation of the information in a way that is free of – intended or unintended – material misstatements.

Independence and quality assurance on the part of the auditing firm

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA-Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

1 Our engagement applied to the German version of the Report 2016. This text is a translation of the Independent Assurance Report issued in German language, whereas the German text is authoritative.

The quality assurance system of KPMG AG Wirtschaftsprüfungsgesellschaft is based on the International Standard on Quality Control 1 "Quality Control for Audit, Assurance and Related Service Practices" (ISQC 1) and, in addition, on national statutory requirements and professional standards, especially the Professional Code for German Public Auditors and Chartered Accountants as well as the joint statement of WPK (German Chamber of Public Accountants) and IDW (Institute of Public Auditors in Germany): Requirements for quality assurance in the auditing practice (VO 1/2006).

Practitioner's Responsibility

Our responsibility is to express a conclusion based on our work performed and the evidences obtained on the above mentioned information.

Nature and extent of the assurance engagement

We conducted our work in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): "Assurance Engagements other than Audits or Reviews of Historical Financial Information" and the International Standard on Assurance Engagements (ISAE) 3410: "Assurance Engagements on Greenhouse Gas Statements" of the International Auditing and Assurance Standards Board (IAASB). These standards require that we comply with our professional duties and plan and perform the assurance engagement to obtain a limited level of assurance to preclude that the information above is not prepared, in all material respects, in accordance with the aforementioned Reporting Criteria. In a limited assurance engagement the evidence gathering procedures are more limited than in a reasonable assurance engagement and therefore less assurance is obtained than in a reasonable assurance engagement. The choice of audit procedures is subject to the auditor's own judgement. This includes the assessment of the risk of material misstatement of the assured information under consideration of the Reporting Criteria.

Within the scope of our engagement, we performed amongst others the following procedures:

- Interviewing employees at Group level in order to gain an understanding of the process for determining material sustainability topics and the respective boundaries of Infineon.
- A risk analysis, including a media search, to identify relevant sustainability aspects for Infineon in the reporting period.
- Reviewing the suitability of internally developed Reporting Criteria.
- Evaluating the design and implementation of systems and processes for the collection, processing and control of the sustainability performance information, including the consolidation of the data.
- Interviewing relevant staff at Group level responsible for providing the data and information, carrying out internal control procedures and consolidating the data and information, including the explanatory notes.

- Evaluating internal and external documentation to determine whether the qualitative and quantitative information is supported by sufficient evidence.
- An analytical review of the data and trend explanations submitted by all sites for consolidation at Group level.
- Site visit to Dresden (Germany) and phone interview with Kulim (Malaysia) to assess local data collection and reporting processes and the reliability of the reported data.
- Evaluation of the overall presentation of the quantitative claims and qualitative indicators on the sustainability performance included in the scope of the engagement.

Conclusion

Based on the procedures performed and the evidence received to obtain limited assurance, nothing has come to our attention that causes us to believe that the information on Infineon's sustainability performance as initially described including the explanatory notes, published online at @ www.infineon.com/csr_reporting, and the information on the aspects "Financial assistance from governments", "Indirect economic impacts" and "Direct economic value generated and distributed", and "Coverage of benefit plans", published in the Annual Report 2016 of Infineon, is not prepared, in all material respects, in accordance with the Reporting Criteria.

Purpose of the assurance report

This assurance report is issued based on an assurance engagement agreed upon with Infineon. The assurance engagement to obtain limited assurance is conducted on behalf of Infineon and the assurance report is solely for information purposes of Infineon on the results of the assurance engagement.

Limited liability

This assurance report must not be used as a basis for (financial) decision-making by third parties of any kind. We have responsibility only towards Infineon. We do not assume any responsibility towards third parties.

Munich, November 22, 2016

KPMG AG
Wirtschaftsprüfungsgesellschaft

(original German version signed by:)

Simone Fischer
Wirtschaftsprüferin
(German Public Auditor)

ppa. Thea Renner

Imprint

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Notes:

The following were brand names of Infineon Technologies AG in the 2016 fiscal year: Infineon, the Infineon logo, PrimePACK™ module series, HybridPACK™ DSC (Double Sided Cooling) modules.

Specialized technical terms are explained in the Technology Glossary of the Annual Report 2016 on pages 188 ff.

Forward-looking statements:

This Report contains forward-looking statements about the business, financial condition and earnings performance of the Infineon Group.

These statements are based on assumptions and projections resting upon currently available information and present estimates. They are subject to a multitude of uncertainties and risks. Actual business development may therefore differ materially from what has been expected.

Beyond disclosure requirements stipulated by law, Infineon does not undertake any obligation to update forward-looking statements.

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