

The aforementioned change of control clauses relating to the convertible bond reflect standard market practice for financial instruments of this nature in the interests of creditor protection. The change of control clauses negotiated with the contract partners of Infineon Technologies AG as part of its general business activities are also in line with standard market practice. The same applies for the subsidy agreements and approvals as well as the joint venture agreements entered into by Infineon.

#### Agreements for compensation in the event of a takeover bid

If a member of the Management Board leaves his or her position in connection with a change of control, that member is currently entitled to continued payment of the relevant annual remuneration for the entire remaining contract term. In accordance with a special contract termination right granted to members of the Management Board, the period of continued payment is capped at a maximum of 36 months in the event the member resigns, or at a minimum of 24 months and a maximum of 36 months in the event the member is removed from office or dismissed by Infineon Technologies AG. Further details are contained in the Compensation Report.

The change of control clauses agreed with the members of the Management Board correspond to the recommendation made in section 4.2.3, paragraph 5, of the German Corporate Governance Code. Such clauses are intended to give members of the Management Board security if a change of control situation occurs, and to preserve their independence in the event of a takeover bid.

There are no comparable arrangements for employees.

## CORPORATE GOVERNANCE REPORT

### Corporate Governance practices

#### Corporate Governance – standards for effective and responsible corporate management

The Management Board and the Supervisory Board of Infineon Technologies AG view corporate governance as a comprehensive concept for responsible, transparent and value-led corporate management. Good corporate governance fosters trust in our entity among national and international investors, the financial markets, business partners, employees and the public. The Management Board, the Supervisory Board and the management ensure that corporate governance is actively implemented and continuously developed throughout the entity. Corporate governance at Infineon encompasses not only the German Corporate Governance Code (Deutscher Corporate Governance Kodex – “DCGK”), but also the standards of the internal control system, compliance – especially the Infineon Business Conduct Guidelines – and regulations on organizational and supervisory duties within the entity, which are available to all employees on the Infineon intranet.

#### Business Conduct Guidelines

We conduct our business responsibly and in compliance with legal requirements and administrative regulations – and we have established several guidelines for this purpose. Infineon Technologies AG’s “Business Conduct Guidelines” as the most important of these are published on the Internet at [www.infineon.com/conductguidelines](http://www.infineon.com/conductguidelines) and are mandatory for the Management Board and all employees worldwide. The Business Conduct Guidelines are regularly reviewed and updated. They include regulations on compliance with the law, interaction with business partners and third parties, the avoidance of conflicts of interest, interaction with Company institutions, data and information management and environmental protection, health and safety. The guidelines also contain regulations concerning the handling of complaints and reports of breaches of the guidelines.

### Corporate Compliance Officer and Compliance Panel

The independent Compliance Office set up on June 1, 2011, was allocated an increased budget in the 2012 and 2013 fiscal years, and its staffing levels were increased. These measures confirm Infineon's clear commitment to absolute compliance with the law and to maintaining ethical standards which protect the legitimate interests of employees, suppliers, customers, and shareholders, safeguard Infineon's reputation, and take account of Infineon's needs. In addition to meeting the traditional compliance objectives, such as risk mitigation and increases in efficiency and effectiveness, compliance is promoted with a view to strengthening Infineon's image as a reliable and fair business partner and thus contributing to its overall success.

The Infineon Technologies AG's Corporate Compliance Officer reports directly to the Infineon Chief Financial Officer (CFO). He or she is involved in setting guidelines, develops the Infineon compliance program, initiates or takes part in compliance audits, advises employees, receives complaints and tip-offs, including those made anonymously, and coordinates investigations into compliance-related incidents. In addition, he or she carries out regular compliance training measures for employees on topics such as anti-trust law and anti-corruption. Extensive training measures were carried out during the 2013 fiscal year. The Corporate Compliance Officer is supported by regional Compliance Officers. The Company has also established a Compliance Panel, composed of experienced managers from the Legal, Human Resources, Internal Audit and Security departments and the Corporate Compliance Officer. The members of the Compliance Panel meet regularly. The primary task of the panel is to deliberate on the current status of compliance throughout Infineon and to discuss issues and reach decisions aimed at improving the compliance system at Infineon.

### Risk management

The Management Board considers the systematic and effective management of risks and opportunities as part of good corporate governance and one of our key success factors. It forms a part of our business operations and ensures that risks and opportunities are detected early and exposure to risk is minimized. This transparency of the risk exposure group-wide also makes a contribution to the systematic and continuous increase in the value of the Company.

Our group-wide risk and opportunity management system, which is continuously adapted to changes in circumstances, consists of four sub-processes: risk identification, risk analysis, risk controlling, and risk monitoring. Its effectiveness is reviewed regularly by the Supervisory Board's Investment, Finance and Audit Committee.

Details of risk management at Infineon are presented in the Risk and Opportunity Report, which provides an in-depth description of both risk and opportunity management and the internal control system at Infineon.

### Transparent management

We submit a regular quarterly report covering our business developments and Infineon's financial position and performance to our shareholders according to a defined financial calendar. The members of the Management Board regularly inform shareholders, analysts, media and general public about the quarterly and annual results. Our comprehensive investor relations service features regular meetings and telephone conferences with analysts and institutional investors. All notices and disclosures are usually available on our website ([www.infineon.com](http://www.infineon.com)) in German and English.

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Infineon Technologies AG also issues ad hoc announcements in addition to its regular reporting to publicize information that is not in the public domain and the disclosure of which is deemed to affect the value of the Infineon share significantly.

The Company has a Disclosure Committee comprising members from various specialist departments to review and approve certain financial and other material information, either published in the course of the regular financial reporting or ad hoc announcements.

German law requires the Management Board to render a responsibility statement. The information required for this purpose is confirmed internally vis-à-vis the Management Board by senior executives bearing management responsibility.

#### D&O insurance

The Company maintains a directors' and officers' group liability insurance ("D&O Insurance"). The D&O Insurance policy covers personal liability in the event of claims made in particular against members of the Management and Supervisory Board for indemnification of losses incurred in the performance of their duties. A deductible of 10 percent of the loss up to the amount of one and a half times the annual fixed compensation of the Management or the Supervisory Board member concerned has been agreed in accordance with the statutory regulation in section 93, paragraph 2, of the German Stock Corporation Act (AktG) (for the Management Board) and the recommendation in section 3.8 of the DCGK (for the Supervisory Board).

#### Financial reporting and auditing

Starting with the 2009 fiscal year, Infineon Technologies AG has prepared its Consolidated Financial Statements exclusively in accordance with International Financial Reporting Standards (IFRS) as applicable in the EU. The Separate Financial Statements of Infineon Technologies AG continue to be prepared in accordance with the German Commercial Code (HGB). The Separate and Consolidated Financial Statements of Infineon Technologies AG and the combined Management Report (Lagebericht) are published within 90 days of the end of the fiscal year after approval by the Supervisory Board.

Infineon's financial reporting system for the 2013 fiscal year is audited by KPMG AG Wirtschaftsprüfungsgesellschaft, Munich (KPMG). The Quarterly Reports were also subjected to review by KPMG. The audit also considers the Company's system for the early identification of risks and the submission of the Declaration of Compliance in accordance with section 161 AktG. The Investment, Finance and Audit Committee discusses the quarterly reports and the half-yearly financial report with the Management Board prior to publication. We have agreed with KPMG that the Chairman of the committee should be informed immediately if any possible reasons for exclusion or bias occur during the audit, unless they can be eliminated immediately. The auditors should also report immediately on all findings and occurrences material to the Supervisory Board's work that arise in the course of the audit and review engagements.

#### Directors' dealings

Members of the Management Board and the Supervisory Board and specified persons bearing management responsibility with, among other things, regular access to inside information, as well as parties related to them, are required pursuant to section 15a of the German Securities Trading Act (Wertpapierhandelsgesetz) to notify the Company as well as the Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht – BaFin) of own transactions involving Company shares. This only applies, however, if the total value of the transactions made by one of the above mentioned persons amounts to €5,000 or more in one calendar year. The Company is obliged to publish the notifications it receives and have them recorded in the Company Register. Such notices are also reported to BaFin.

The following securities transaction was notified to the Company during the 2013 fiscal year.

Date of transaction	December 6, 2012
Last name, first name	Mayrhuber, Wolfgang
Function	Chairman of the Supervisory Board
Description	Shares in Infineon Technologies AG
ISIN/WKN	DE0006231004/623 100
Purchase/sale	Purchase
Price (per unit)	€5.75
Number of units	17,500
Total volume	€100,625
Transaction location	Frankfurt Stock Exchange (Xetra)

### Compensation of the Management Board and the Supervisory Board

Details of Management Board and Supervisory Board compensation in the 2013 fiscal year are presented in the comprehensive Compensation Report, which also forms part of the Group Management Report of Infineon Technologies AG.

### Shareholders and Annual General Meeting

Infineon shareholders take their decisions at the Annual General Meeting, which is held at least once a year. Each share carries one vote. Shareholders can attend the Annual General Meeting as long as they are registered in the share register and have duly registered for the meeting. The Annual General Meeting decides on all issues assigned to it by law, most notably on the formal approval of the conduct of business by the Management Board and the Supervisory Board, the profit appropriation, the election of the auditors and amendments to the Articles of Association. Shareholders are entitled to make counterproposals to motions introduced by management and to speak and ask questions at the Annual General Meeting. They also have the right, subject to certain conditions, to challenge resolutions of the Annual General Meeting, to request an extraordinary judicial review and to claim damages from corporate bodies of the Company on behalf of the Company when they identify incidences of misconduct or serious deficiencies in the Company's management and control. We wish to support our shareholders as far as possible in the exercise of their rights at the Annual General Meeting. Shareholders can register for our Annual General Meeting electronically, participate in voting by postal voting or by sending online instructions e.g. to their proxies and they can follow the general debate via the Internet. All documents and information relating to the Annual General Meeting can be found on our website. Our Investor Relations Department, moreover, can be contacted throughout the year both by telephone and electronically to ensure the exchange of information between us and our shareholders.

### Infineon stock option plans

Infineon's stock option plans are detailed in the notes to the Consolidated Financial Statements note 32; the full text of the plans may be viewed at [www.infineon.com](http://www.infineon.com) (► About Infineon/Investor/Corporate Governance/Stock Option Plan).

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## Declaration concerning the management of the Company (Part of the Group Management Report – unaudited)

### Declaration of compliance with the German Corporate Governance Code issued for the 2013 fiscal year by the Management Board and Supervisory Board of Infineon Technologies AG in accordance with section 161 of the German Stock Corporation Act

The Management Board and Supervisory Board issued the following declaration pursuant to § 161 AktG in November 2013:

1. “Since the submission of the last Declaration of Compliance in November 2012, Infineon Technologies AG has, with one exception, complied with all recommendations of the Government Commission of the German Corporate Governance Code (“Government Commission”) in the version of May 15, 2012. The one exception, stated and explained in the November 2012 declaration, relates to the following:

Section 5.4.6 of the Code includes the recommendation that performance-related compensation of the members of the Supervisory Board “shall be oriented toward sustainable growth of the enterprise”. The similarity in terminology to the requirements contained in the German Stock Corporation Act with respect to compensation of Management Board members seems to imply that performance-related compensation should also be based on a “multi-year assessment” for Supervisory Board members.

Members of the Supervisory Board of Infineon Technologies AG receive both fixed and performance-related compensation, the latter only being paid if earnings per share exceed a pre-defined amount.

Both the Management Board and the Supervisory Board have investigated this topic over the past year. They concluded that the compensation system currently in place for the Supervisory Board is already oriented toward sustainable growth of the enterprise even without a multi-year assessment, since the minimum amount required to trigger the compensation payment increases year-on-year, thus setting an incentive for improving earnings each year. As a consequence, neither of the boards saw any requirement to change the Supervisory Board compensation system recently approved with a large majority at the Annual General Meeting.

2. The new version of the Code dated May 13, 2013 became effective on June 10, 2013. Infineon Technologies AG has also complied, and will comply in the future, with the recommendations contained in this version of the Code; this also applies for the amended recommendations relating to Management Board compensation contained in sections 4.2.2 and 4.2.3 of the Code, as discussed by the Supervisory Board at its meeting on August 6, 2013.

The recommendation relating to Supervisory Board compensation contained in section 5.4.6 of the Code is not complied with for the reason previously given.”

### Relevant disclosures in respect of corporate governance practices

The Company complies with all legal requirements with respect to corporate governance. With one exception stated in the Declaration of Compliance, Infineon complies with the recommendations of the German Corporate Governance Code. Furthermore, corporate governance practices in particular underpin the guidelines for corporate conduct (“Infineon Business Conduct Guidelines”) as well as the regulations relating to organizational and supervisory duties. Both of these sets of regulations are available to all employees worldwide on the Infineon Intranet.

## Description of the mode of operation of the Management Board and Supervisory Board and of the composition and mode of operation of the Supervisory Board's committees

Infineon Technologies AG is subject to German stock corporation law, which stipulates a two-tier administrative system, with the Management Board responsible for management and the Supervisory Board responsible for corporate oversight. We are convinced that this separation of the two functions is an important precondition for good corporate governance. The Management Board and the Supervisory Board cooperate closely in Infineon's interest.

### Management Board

Following Peter Bauer's departure from office on September 30, 2012 and with effect from October 1, 2012, the Management Board has comprised three members. In accordance with the DCGK, the Supervisory Board has set an age limit for Management Board membership under which members of the Management Board in general should be no more than 67 years old. In accordance with its rules of procedure, the Supervisory Board takes account of diversity as well as technical and personal suitability in respect of the composition of the Management Board and will in particular endeavor to ensure appropriate female representation. The Management Board currently comprises only men (100 percent), of whom two are in the middle age-group of between 30 and 50 years of age (66.7 percent) and one (33.3 percent) is in the 50+ age-group.

The Management Board is the Company's executive body. It is obliged to serve the Company's interests and thereby pursue the goal of sustainably increasing the entity's value taking into account the interests of all stakeholders. It determines the entity's commercial objectives, strategic direction and corporate policy and defines how the Company is to be organized.

According to German stock corporation law, the Management Board has overall responsibility for the management of the Company. The Company's Management Board has adopted rules of procedure with the consent of the Supervisory Board. These rules stipulate that the Company is managed jointly by all of the Management Board members, who should work together in a cooperative manner to this end. Collaboration between the Management Board and the Supervisory Board is coordinated by the Chief Executive Officer (CEO). The CEO maintains regular contact with the Chairman of the Supervisory Board, with whom he discusses the key aspects of Infineon's strategy, planning, course of business and risk management. At the ordinary meetings of the Supervisory Board, the Management Board reports comprehensively and promptly on Infineon's business performance, its economic situation, the economic situation of the individual segments, as well as Infineon's financial and investment planning. The CEO notifies the Chairman of the Supervisory Board without delay of any matters that are of material importance for assessing the position and development of the Company or for its management.

### Supervisory Board

#### Work of the Supervisory Board

The Supervisory Board advises and monitors the Management Board as it manages the entity. The Supervisory Board is informed by the Management Board regularly, comprehensively, and in a timely manner on all matters of relevance and agrees Infineon's corporate strategy and its implementation with the Management Board. The Supervisory Board discusses the quarterly reports and reviews and approves both the Separate Financial Statements and the Consolidated Financial Statements of Infineon Technologies AG. Major decisions of the Management Board, such as group-wide financial and investment planning and major acquisitions and equity investments, divestitures, and financial measures, are subject to its approval. Further details are stipulated in the rules of procedure of the Management Board and the Supervisory Board. When Supervisory Board votes end in ties, the Chairman of the Supervisory Board has two votes if voting is carried out a second time and again results in a tie.

The duties of the Supervisory Board and its committees are regulated by law, by the Articles of Association and by the rules of procedure of the Supervisory Board and its committees. In addition, the DCGK contains recommendations about Supervisory Board work.

The Supervisory Board reviews the efficiency of its work, including its interaction with the Management Board, once a year. The efficiency review is performed on the basis of a questionnaire addressing different areas and criteria of the Supervisory Board's work. The results were subsequently discussed at a Supervisory Board meeting. In the 2010 fiscal year, an external independent consultant was engaged for the first time to conduct a detailed survey of Supervisory Board activities. The most recent efficiency review took place in summer 2013, again on the basis of a questionnaire. No significant deficits in efficiency were identified.

#### **Composition of the Supervisory Board**

The Supervisory Board of Infineon Technologies AG has twelve members and comprises an equal number of shareholder representatives and employee representatives as stipulated in the German Co-Determination Act (Mitbestimmungsgesetz). The shareholder representatives are elected by the Annual General Meeting, the employee representatives by employee delegates at Infineon's German facilities in accordance with the German Co-Determination Act. The normal term of office of Supervisory Board members is approximately five years. New elections were held in the 2010 fiscal year for both the shareholder representative and the employee representative positions on the Supervisory Board. The Annual General Meeting held on February 17, 2011 elected Mr. Wolfgang Mayrhuber as a member of the Supervisory Board as successor to Prof. Dr. Klaus Wucherer. At its meeting held on the same day, the Supervisory Board elected Mr. Mayrhuber as its Chairman. The terms of office of all Supervisory Board members will expire at the end of the Annual General Meeting that resolves on the approval of the actions of the members of the Supervisory Board for the 2014 fiscal year.

The overall composition of the Supervisory Board should comply with the principles of diversity in the opinion of the Supervisory Board. This means firstly that the composition of the Supervisory Board should take into account the diversity to be found in an open and innovative global company like Infineon as far as possible and secondly that nobody should be selected or dropped as a candidate for the Supervisory Board simply because he or she possesses or lacks a certain diversity factor. "Diversity" as the term is used here denotes international (in the sense of roots, upbringing, education or professional activity rather than citizenship), gender and age diversity.

The Supervisory Board specified concrete objectives regarding its composition at its meeting of November 22, 2010 in accordance with the recommendation in section 5.4.1 DCGK (version: May 2010). With effect from the version dated May 15, 2012, the Code includes the recommendation in section 5.4.1 that the Supervisory Board should also specify concrete objectives regarding the appropriate number of independent Supervisory Board members. The Supervisory Board's objectives were therefore expanded in a resolution dated August 7, 2012 as follows:

"The Supervisory Board comprises an equal number of employee and shareholder and representatives. The Supervisory Board cannot influence the selection of candidates for the Supervisory Board by the employees; similarly, shareholder representatives on the Supervisory Board are elected by the Company's shareholders at the Annual General Meeting and not by the Supervisory Board. Nevertheless it is a stated objective of the Supervisory Board that the Supervisory Board should comprise

- (i) at least nine "independent" representatives [...] (including at least four shareholder representatives),
- (ii) at least two women and
- (iii) at least four "international" representatives [...].

The Supervisory Board already meets these minimum criteria and it is intended that it continues to do so at all times in future."



The current composition of the Supervisory Board continues to meet these objectives. Furthermore, the Supervisory Board complies with the age limit defined in its rules of procedure, which states that in general nobody older than the age of 69 should be proposed for membership of the Supervisory Board. The Supervisory Board currently comprises two women (16.7 percent) and ten men (83.3 percent), of whom one (8.3 percent) is in the middle age-group of between 30 and 50 years of age and all others (91.7 percent) are in the 50+ age-group.

The Supervisory Board will take this requirements profile and these objectives into account in its future nominations to the Annual General Meeting. In doing so, the Supervisory Board will also disclose any of the candidate's business or other relationships with Infineon, the Company's representative bodies and/or a major shareholder in the Company, if it considers that an impartial shareholder making an objective decision about the election would consider such information to be of relevance. The same applies in respect of the Nomination Committee insofar as it carries out the preparatory work for the Supervisory Board decision. The Supervisory Board recommends that its members elected by the employees also do what they can, within the scope of their influence, to have the requirements profile and objectives taken into account in the election nominations made by the relevant bodies on the employees' side. The Supervisory Board also recommends that the objectives be taken into account by any of its members making an application for the appointment of a Supervisory Board member by the courts.

#### **Supervisory Board committees**

The Supervisory Board rules of procedure provide for the formation of three committees: the Mediation Committee, the Executive Committee, and the Investment, Finance, and Audit Committee. The Supervisory Board has also established both a Strategy and Technology Committee and the Nomination Committee recommended in the DCGK. All Supervisory Board committees have an equal number of employee representatives and shareholder representatives apart from the Nomination Committee, which consists exclusively of shareholder representatives.

The **Mediation Committee**, which consists of the Chairman of the Supervisory Board, the Vice-Chairman, one shareholder representative and one employee representative, submits specific recommendations to the Supervisory Board concerning the appointment of members of the Management Board if the first round of the election on the appointment does not result in the required majority of two thirds of the members of the Supervisory Board.

The **Executive Committee** consists of the Chairman of the Supervisory Board, the Vice-Chairman, one shareholder representative and one employee representative. The duties of this committee include preparing the appointment and dismissal of members of the Management Board and drawing up the resolution (taken by the Supervisory Board) on Management Board compensation. It is also responsible for concluding, amending and terminating contracts with Management Board members except in matters involving earnings.

The **Investment, Finance, and Audit Committee** ("Audit Committee") consists of the Chairman of the Supervisory Board, the Vice-Chairman and one further representative each for shareholders and employees. The Chairman of the Investment, Finance, and Audit Committee, Dr. Eckart Sünner, has particular expertise in and extensive experience of financial reporting on account of his many years of service as chairman of the audit committee of another DAX-listed corporation and accordingly qualifies as an "independent financial expert" pursuant to section 100, paragraph 5, of the German Stock Corporation Act.

The Audit Committee monitors the Company's financial reporting process and discusses and examines the Separate Financial Statements and Consolidated Financial Statements prepared by the Management Board, the combined Management Report (Lagebericht) and the quarterly and half-yearly financial reports. It gives recommendations with respect to the approval of the Separate Financial Statements and Consolidated Financial Statements



by the Supervisory Board based on the independent auditors' report, engages the independent auditors selected by the Annual General Meeting to audit the Separate Financial Statements and Consolidated Financial Statements and review the interim financial reports, specifies the key areas to be examined in audit activities jointly with independent auditors and is responsible for setting the independent auditors' compensation.


Other matters addressed by the Audit Committee include the effectiveness of the internal control system, internal audit system and risk management system. It has the authority in this connection both to contact any employee of the entity directly and to seek external assistance. Internal Audit reports annually to the Audit Committee, which can also specify an audit plan and key areas to be considered in audits.

Furthermore, the Audit Committee is responsible for the discussion of compliance issues. The Management Board and the Corporate Compliance Officer regularly report to the Audit Committee on the structure and work of the compliance organization and on any particular compliance issues.

The [Strategy and Technology Committee](#), which consists of three shareholder representatives and three employee representatives, concerns itself with Infineon's business strategy and key technology issues.

The [Nomination Committee](#), which consists of the Chairman of the Supervisory Board and two further shareholder representatives, proposes to the Supervisory Board suitable candidates for recommendation to the Annual General Meeting.

All committees regularly submit detailed reports on their work to the Supervisory Board. Further information about the work of the Supervisory Board and its committees can be found, together with details of the people who serve on them, in note 42 to the Consolidated Financial Statements and in the report of the Supervisory Board to the Annual General Meeting.

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#### [Avoidance of conflicts of interest](#)


The members of the Management Board and Supervisory Board disclose any conflicts of interest to the Supervisory Board without delay. No conflicts of interest arose among the members of the Management Board and Supervisory Board in the 2013 fiscal year. According to the German Corporate Governance Code, members of the Management Board require the approval of the Supervisory Board before taking on Supervisory Board mandates outside the company. In the 2013 fiscal year the Supervisory Board approved the acceptance of a Supervisory Board mandate at EPCOS AG by Mr. Asam.

Material transactions between the Company and members of the Management Board or related parties require the approval of the Supervisory Board. This also applies to consulting and other service or work contracts a Supervisory Board member enters into with the Company. As a precaution, the Supervisory Board approved in November 2010 a contract between the Company and the Technische Universität München (Institute for Technical Electronics headed by Prof. Dr. Schmitt-Landsiedel) for the performance of R&D work on the topic of "Sensing for Automotive Applications"; this contract expired on September 30, 2013. The Company and the Technische Universität München are currently negotiating a renewal of the contract.

#### [Shareholdings of Management and Supervisory Board members](#)

As of September 30, 2013, the shares in Infineon Technologies AG held by all members of the Management Board and Supervisory Board did not exceed 1 percent of the shares issued by the Company.

Information about the composition of the Management Board, Supervisory Board and the Supervisory Board's committee can be found in note 42 to the Consolidated Financial Statements.

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