TCFD alignment

Overview of our reporting in line with recommendations outlined by the Task Force on Climate related Financial Disclosures (TCFD)

Infineon description	Disclosure location
Governance : Disclose the organization´s governance around climate related risks and opportunities	
At Infineon, the Management Board, the Supervisory Board and other levels of management ensure that corporate governance is actively practiced and continuously developed through the entity. The responsibility for climate-related aspects remains within the Management Board of Infineon. They are responsible by decision-making on sustainability strategy, approve policies and management guidelines, approve materiality analysis covering climate-related issues, risk management and target setting and monitoring of the achievement. Sustainability performance (including climate-related aspects) and formulation of the following year's operational direction and goals are discussed once a year by the Sustainability department together with the Management Board in the yearly Management Review meeting. The Supervisory Board monitors at least annually how ecological (including climate related aspects) and social sustainability is considered in the corporate strategy and its implementation that strategic and operational plans comprise financial as well as sustainability-related objectives (including climate objectives) and that internal control and risk management system is also geared towards sustainability-related matters (including climate risks). Infineon set up the CSR Board, a cross functional corporate-wide decision-making body composed by members of the Top-Management representing Accounting Controlling and Taxes, Communication, Competence Center, Finance, Human Resources, Investor Relations, Legal, Operations, Procurement, Sustainability and respective Board members. The CSR Board holds meetings every 6 weeks to have in-depth discussions on ESG[1] topics, such as climate strategy, that can affect long-term business strategies. Main responsibility for climate change topics (below Board level) lies with the Senior vice-President of the Business Continuity department and Vice-President of the Sustainability department with an assigned organization of managers and experts on global, regional and site level. The Sustainability department is responsible for the identification and assessment of climate related risks and opportunities and developing and supervising the planned and implemented climate corporate wide strategies and programs at site level. Furthermore, they are responsible for target setting, development of action plans in response to the specific sustainability targets, monitoring implementation progress of these plans and evaluate performance, consolidation of sustainability information for non-financial disclosure and support of the continuous improvement process.	Annual Report 2023, (p. 15, 65-69) Sustainability Report 2023, (p. 8, 61) CSR Policy
Strategy: Disclosure the actual and potential impacts of climate-related risks and opportunities on the organization´s businesses, strategy, and financial planning where such information is material.	

Risks

Annual Report 2023 (p. 65-72, 76-78)

Sustainability Report 2023, (p. 11-12, 28, 34)

Market transition Risk: Manufacturing cost trends – raw materials prices, cost of materials and process costs (High)

Our medium-term and long-term forecasts are based on expected manufacturing cost trends. In this context, measures aimed at optimizing manufacturing costs for raw materials and supplies, energy, labor and automation, as well as for bought-in services from external business partners, may not be feasible to the extent envisaged. Moreover, our dependence on energy supplies for our production and on various components (such as wafers), raw materials (including gold, copper and rare earths) and specialty gases expose us to substantial price and supply risks. In particular, a restriction of or interruption to the supply of natural gas for manufacturing sites in Europe could result in significant disruptions to production. Raw material and energy prices are currently subject to substantial fluctuations due, among others, to inflation. These fluctuations in market prices are expected to persist. In such a situation, if we are unable to offset cost increases or pass them on to customers, it could have an adverse impact on our financial position and earnings.

To deal with the described risks we have carried out an energy impact assessment to identify the most energy consuming sites. Based on this, we implemented an energy management system according to ISO 50001 in our European frontend sites including the backend sites Warstein (Germany) and Cegléd (Hungary) and the Campeon Corporate Headquarters (Germany). This Management System has been integrated into Infineon Integrated Management Program for Environment, Energy, Safety and Health (IMPRES) and is externally certified. In 2020, Infineon has committed to become carbon neutral by the end of the 2030 fiscal year. As part of our strategy and new commitment, Infineon implemented an internal virtual carbon pricing in 2020. The internal CO_2 price supports projects by which direct or indirect emissions may be reduce. Besides the financial benefit due to energy demand reduction and consequently energy cost reduction, an additive virtual financial benefit is created. Additionally, more than half of Infineon's total costs occur with its suppliers. Therefore, we implemented optimized processes for our procurement activities and built enabling organizational structures, using new leading technologies. Our suppliers must continuously improve their performance and thereby their costs as well as ours.

A risk assessment on basis of own expected production development in combination with external publications of scenarios such as IEA 2DS was performed considering numerous factors, such as energy demand, possible price development (energy, certificates of origin as well as offsetting certificates) and availability of energy efficient technology was performed. Two possible cost scenarios were considered (most likely expected development and expected worst case development) within a cost of sales evaluation.

Acute physical Risk[2]: Increased severity and frequency of extreme weather events such as cyclones and floods

One of the most significant risks is potential disruption in production. Climate change is causing more extreme weather conditions. Abnormal climate can increase the frequency of climate disasters like storms, floods, drought, and water shortages and could mean a considerable impact on business operations. These climate events can cause severe interruptions in Infineon´s services, Infineon´s suppliers and customers ability to produce, having an adverse impact on earnings. Financial implications depend highly on the type and magnitude of the natural phenomena.

Natural hazardous risks are evaluated in the local Business Continuity (BC) Plans for all production sites on a regular basis at least annually. For each identified risk, measured can be defined. Furthermore, in case a natural disaster would happen, Infineon has a tool (EDDIE) for early detection of disasters, critical incidents and external hazards. Thanks to these systems, whenever an incident occurs we are immediately able to derive counter measures. Additionally, as integral part of our Fire and Loss prevention management program, natural hazards are annually evaluated by a team of external risk control engineers for all relevant sites. The results currently are not indicating an elevated climate risk for Infineon.

We have also carried out an assessment of the potential risks of water stress, using the Aqueduct Water Risk Atlas 3.0 data. Three relevant areas with a high or extremely high risk of water stress

were identified. These sites only use water provided by local suppliers. To reduce the demand for fresh water, the three sites implement effective water recycling measures using reverse osmosis systems. We used the same method of assessment to determine potential future scenarios (RCP[3]4.5 and RCP8.5), with the result that by the end of the 2030 fiscal year other sites might find themselves in areas with water scarcity. In this context, we plan to develop measures within the IMPRES framework in accordance with local circumstances, such as consuming water more efficiently by using it multiple times in the process cycle.
In addition, we are determining other potential future scenarios (RCP 2.6 and RCP 8.5) regarding temperature increase in order to identify possible impacts in our locations.
Regarding our suppliers, in order to be able to do business with Infineon, a supplier must pass a phase-in process. During the phase-in, the supplier has to fulfill our requirements. As part of this assessment, suppliers have to show us that they have a business continuity management process which includes business continuity plans in case of a climate disaster. Suppliers which do not fulfill our requirements during the phase in-process cannot make business with Infineon. Furthermore, every year key suppliers are re-evaluated.

Opportunities

Energy source Opportunity: Decarbonization and acceleration of the energy transition (OC: high)
With a constantly growing world population and increasing industrialization, global demand for energy is rising. Electric power is becoming the most important energy form of the 21st century, while renewables are playing a key role in curbing carbon emissions. The long-term objective is to achieve global decarbonization by the end of the century, as resolved at the Climate Change Conference held in Paris (France) in December 2015. As part of its Green Deal concept, the European Union intends to become carbon-neutral by 2050. To achieve this target, it will be necessary to develop renewable sources of energy at a faster rate than originally envisaged. This should lead to an increase in demand for our products, as Infineon's semiconductors enable electric power to be generated more efficiently from renewable energy sources. Indeed, they offer efficiency gains at all stages of the energy industry's value chain, whether in generation, transmission, storage or, above all, in the use of electric power. They form the basis for the intelligent and efficient use of electric power, for instance, in industrial applications, power supplies for computers, consumer electronics and vehicles.
During their use-phase, our products in the fields of automotive electronics, industrial drives, photovoltaics and wind energy, enabled CO_2 emissions savings of 116.6 million tons of CO_2 equivalents.

Markets Opportunity: Market access and activities in China (Medium)
Infineon generates more revenue in China than in any other country. Accordingly, developments and growth opportunities in China are of great importance to the Group and relate to the following markets we serve: China is the world's largest automotive market, and its growth potential remains high. In particular, high rates of growth for electric-powered vehicles make China one of the largest markets for electromobility. SIAPM, the joint venture formed by Infineon with SAIC Motor (China's largest car manufacturer), which offers power semiconductor solutions for electric vehicles, is strengthening our position in China. With China's ratification of the Paris Climate Agreement in 2016 and with China's last two five-year plans, climate protection has become more important for China. As a consequence, the importance of expanding renewable energy sources in China increased enormously. Our presence in this market, alongside our collaboration with leading companies in the wind and solar power sectors, will create further opportunities for long-term growth

Products and Services Opportunity: Further growth of semiconductor content in vehicles (Medium)
We expect semiconductor content per vehicle to continue growing. The primary driving force behind this trend is the rising demand for electromobility, active safety and comfort features and driver assistance systems. We are convinced that current global carbon emissions targets cannot be achieved without further electrification. The need for increased efforts in this field is relevant

not only for electromobility (i.e., hybrid, plug-in hybrid and all-electric vehicles) but also for power units in vehicles with combustion engines. Moreover, the trend towards automated and autonomous driving offers great potential for our sensors and microcontrollers. Infineon semiconductors make a substantial contribution to reducing automobile CO_2 emissions. Without the use of hybrid or purely electric vehicles, the EU limits on automobile CO_2 emissions will not be reachable. The future belongs to emission-free, fully electric vehicles. We expect the semiconductor value per vehicle to increase further. Thanks to our expertise in the field of security controllers, Infineon is extremely well positioned for opportunities in this area. 51% of Infineon revenue in 2023 FY was related to Automotive products.	

Risk Management: Disclose how the organization identifies, assesses and manages climate-related risks	
Infineon's centralized risk management system is based on a Group-wide, management-oriented Enterprise Risk Management (ERM) approach, which aims to cover all relevant risks and opportunities. The approach is based on the "Enterprise Risk Management – Integrated Framework" developed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). All relevant risks and opportunities are assessed uniformly across the Group in quantitative and/or qualitative terms, based on the factors degree of impact on result and/or business objectives, reputation, compliance, on the one hand, and likelihood of occurrence, on the other. Concerning the Climate related risks; these can be classified in transition risks and physical risks. The physical risks evaluation is performed using a list of defined risk titles, including natural disasters like earthquake, flood, or hurricane, external surrounding related risks like political risk or power outage, and internal risks like fire or IT breakdown. This evaluation is part of our sites´ Business Continuity Plans and is updated regularly with each plan update. The risk assessment is done according to the Infineon´s global approach described above. Regarding the legal risks, Infineon keeps abreast of planned legislative changes and continuously participates in various associations on this matter. Additionally, we carried out an assessment of the potential risks of water stress, using the Aqueduct Water Risk Atlas (with reference to Aqueduct 3.0 data) released by the World Resources Institute. We used the same method of assessment to determine potential future scenarios.	Annual Report 2023 (p. 65-69) Sustainability Report 2023, (p. 9-13, 34) Business Continuity Management at Infineon webpage

Metrics and Targets: Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material	
Infineon has set itself the goal of becoming carbon-neutral by the end of the 2030 fiscal year in terms of scope 1 and scope 2 emissions. We want to make an active contribution to global CO_2 reduction and to the implementation of the targets set out in the Paris Climate Agreement. As part of our strategy and commitment, Infineon implemented an internal virtual carbon pricing in 2020. By the end of the 2025 fiscal year, Infineon is aiming to reduce its own emissions by 70 percent compared with the 2019 calendar year. By the end of the 2023 fiscal year, our emissions were already 56.8% lower than the emissions in the base year 2019. To achieve our targets, we focus in particular on avoiding direct emissions and increasing energy efficiency. We have the objective to switch to 100% green electricity with guarantees of origin in the medium-term. In 2021, we joined the corporate initiative RE100. Our first step on joining the RE100 initiative was to switch our electricity consumption in the 2021 fiscal year at sites in Europe over to 100% green electricity. Additionally, we set long term targets on water and waste intensity to manage costs, and impacts related to climate. We also monitor regulatory compliance, stakeholder engagement and reputation metrics impacted by climate-related risks. ESG targets are important to the long-term sustainable success of Infineon and play an important role in determining the compensation of Management Board members. The carbon neutrality target contributes 10% to the overall target achievement of the Long Term Incentives.	Sustainability Report 2023, (p. 28-38, 40-46, 47, 53, 58-59, 62-64) Explanatory notes to the information published in the Sustainability Report 2023, (p. 2-6) Annual Report 2023, (p. 14, 15, 45)

1 ESG: Environmental, Social and Governance.
2 Acute physical Risk: This is an additional separate information to the risks reported in the Infineon´s Annual Report.
3 RCP: Representative Concentration Pathway.