Remuneration system for the Management Board

Infineon Technologies AG



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Revision of the Management Board remuneration system

In November 2025, the Supervisory Board of Infineon Technologies AG (hereafter referred to as "Infineon" or "the Company"), based on preparatory work by its Executive Committee, decided upon a revised remuneration system for the Management Board. The remuneration system complies with the regulatory requirements set out in the German Stock Corporation Act (AktG), and with the principles, recommendations and suggestions laid down in the German Corporate Governance Code (DCGK) as well as with current market practice and trends, and takes account of feedback from shareholders about the existing remuneration system.

As a result of the changes to the remuneration system, the remuneration of the Management Board will have a more consistent focus on "pay for performance", and the revised system creates a strong link between the remuneration of the Management Board and the performance of Management Board members and the success of Infineon.

Subject to its submission to the 2026 Annual General Meeting, the revised Management Board remuneration system should come into effect retroactively for all current and future Management Board members from 1 October 2025.

Looking back at the 2025 Annual General Meeting

In February 2025, a modified Management Board remuneration system was submitted for approval to the Annual General Meeting. Some of the shareholders as well as one voting rights advisor expressed criticism: in particular, on the following points:

- the discretionary powers associated with the Short-Term Incentive (STI) due to the STI modifier,
- the incomplete clawback regulations with regard to erroneous financial statements,
- the change-of-control provisions, and
- the level of ambition in the Total Shareholder Return (TSR) target in the Long-Term Incentive (LTI).

Against this backdrop, the Supervisory Board once again conducted a thorough examination of Infineon's Management Board remuneration system and made further adjustments to take account of these criticisms.

Changes to the remuneration system

The overview below explains the major changes to the remuneration system and the strategic considerations underpinning them:

Significant changes to the remuneration system

Remuneration component	Configuration of the 2026 remuneration system	Justification
Short-Term Incentive (STI)	Abolition of the modifier (0.7 – 1.3)	To ensure a simple, transparent configuration of the STI, the modifier is being abolished. This means that the discretionary powers previously available are being eliminated and the STI will henceforth be measured solely on the basis of easily quantifiable performance criteria derived from Infineon's financial reporting. These criteria remain unchanged and are an integral part of the management of the Company.
Long-Term Incentive (LTI)	Extension of the duration of the LTI to five years	The extension of the duration of the LTI from four to five years creates even stronger incentives for the long-term sustainable development of Infineon, aligning the interests of the Management Board with those of the shareholders. The five-year duration will comprise in future a four-year performance period (during which performance will be measured using the performance criteria) and a one-year waiting period.
Malus & clawback	Introduction of additional malus & clawback regulations in the event of erroneous data	In addition to the existing malus & clawback regulations that apply to compliance-related cases, Infineon is introducing regulations for restatement correction and restatement clawback that are customary in the market. These new regulations will result in a reduction or reclamation of variable remuneration in the event that such remuneration was determined on the basis of erroneous data (e.g., incorrect consolidated financial statements).
Change of control	Abolition of change-of-control provisions	The abolition of the change-of-control provisions for all present and future Management Board members will align the remuneration system even more closely with current market practice and investor expectations.

The Supervisory Board also again undertook a thorough examination of the ambition level of the TSR in the LTI. It concluded that the TSR and the other performance criteria in the LTI should be retained in their current configuration.

Background to the discussion about the TSR in the remuneration system

The Supervisory Board continues to consider that TSR is a significant and widely-used parameter for measuring Infineon's capital market performance and incentivizing outperformance in comparison with selected competitors. TSR is thus a key indicator for ensuring the concept of "pay for performance" in the remuneration of the Management Board and for the synchronization of interests between the Management Board and the shareholders.

To achieve the optimal incentive effect, various design parameters need to be defined for the TSR. These include the selection of the peer group, interaction with the other performance criteria in the LTI, and calibration of the target achievement curve, so as to achieve a broadly balanced opportunity and risk profile.

TSR peer groups

The companies included in the peer group in the 2021 remuneration system were international companies in the semiconductor industry sector. The Supervisory Board scrutinized this peer group to determine whether it had the greatest incentive effect. It is the view of the Supervisory Board that, in times of global interconnectedness yet also increasing challenges as a result of global changes and uncertainties, it is important to compare Infineon's performance not only with that of its key competitors in the semiconductor industry (the core semiconductor peer group) but also with the performance of the German capital market. In the course of its modification of the 2025 remuneration system, the Supervisory Board therefore added a second peer group (DAX companies) to its initial peer group (the core semiconductor peer group).

The core semiconductor peer group has been greatly refined when compared to that included in the 2021 remuneration system. Now it only includes companies that are direct competitors of Infineon and that as a whole reflect equivalence as far as possible between the regions of Europe, the Americas and Asia-Pacific. Generally, these companies must generate revenue of no less than €3 billion and be listed throughout the performance period, and therefore face similar challenges on the capital market. The DAX peer group comprises the largest German companies (excluding financial services providers, due to their clearly different business models). Thus Infineon is setting itself the challenge of outperforming other DAX companies while, at the same time, proving successful in international competition, thereby giving equal weight to global and local market developments.

Interaction between the performance criteria in the LTI and the TSR target achievement curve

To ensure greater alignment of the LTI with Infineon's long-term strategy and management, the additional performance criteria of the Target Operating Model (TOM) were introduced as part of the 2025 remuneration system. The TOM proposes ambitious targets that are also communicated to the capital market and incentivizes the generation of growth and an increase in Infineon's long-term profitability and liquidity. The TOM targets (revenue growth, Segment Result Margin, and adjusted Free Cash Flow as a percentage of revenue) together carry a 40% weighting, a significant proportion of the LTI. Because the LTI performance criteria cover a four-year performance period and their measurement is therefore independent of the cyclical nature of Infineon's operating business, the LTI has an incentive effect clearly differentiated from that of the STI.

To analyze the implications of the revised ambitious peer groups for the TSR, the Supervisory Board conducted extensive TSR backtesting of Infineon's historic performance compared with its competitors. In addition, the Supervisory Board conducted simulations of the effects of the TOM targets on the historic payouts from the LTI based on the revised TSR peer groups. To ensure a balanced opportunity and risk profile while maintaining

a high level of ambition for Infineon, the Supervisory Board decided to revise the TSR target achievement curve to one that is typical both in Germany and internationally. This provides for 100% target achievement at the 50th percentile, a lower limit of 0% target achievement at the 25th percentile and an upper limit of 200% target achievement at the 75th percentile. To provide sufficient incentive to exceed the performance criteria, the maximum target achievement was set at an appropriate level that is typical both in Germany and internationally of 200%.

After renewed detailed examination of the configuration of the LTI, the Supervisory Board takes the view that the combination of the two TSR peer groups and their interaction with the TOM targets and the ambitious strategy-derived Environment, Social & Governance (ESG) targets reflects a competitive approach, a clear focus on “pay for performance”, and a balanced opportunity and risk profile. In the course of its revision of the Management Board remuneration system, the Supervisory Board therefore made the decision to retain the configuration of the LTI in this form.

Taking all these aspects into account, the Supervisory Board is convinced that the configuration of the remuneration system described below represents competitive, ambitious and market-typical remuneration for the Management Board that is in the best interests of Infineon and its shareholders.

Principles of the remuneration system

Infineon always views its business activities from a long-term perspective, with the objective of consistently creating added value for its customers and shareholders, for its employees, and for the Company itself. Its business activities therefore concentrate on two issues that are fundamental to Infineon, decarbonization and digitalization, culminating in a focus on the following growth areas: energy efficiency, future mobility, and a smart and secure Internet of Things (IoT). Within these markets, Infineon orients itself towards structural drivers: i.e., areas that are expected to see above-average growth in the long term and have major potential for innovation.

Infineon aims to be a leader in IoT and power systems. This is based on its "Product to System" strategic approach, according to which the Company’s entire value chain is geared towards a comprehensive understanding of customer requirements. Building on this understanding, Infineon’s innovative power enables it to create higher-quality solutions and targeted benefits for customers. This approach is supported by the constant pursuit of technological leadership, a strong sense of quality awareness, in-house production that differentiates it from its competitors, and a sales strategy tailored to its various markets. As a result, Infineon is able to offer its customers market-leading products of outstanding quality as well as reliability of supply, allowing it to grow at a faster rate than the market, yet at the same time increase its profitability.

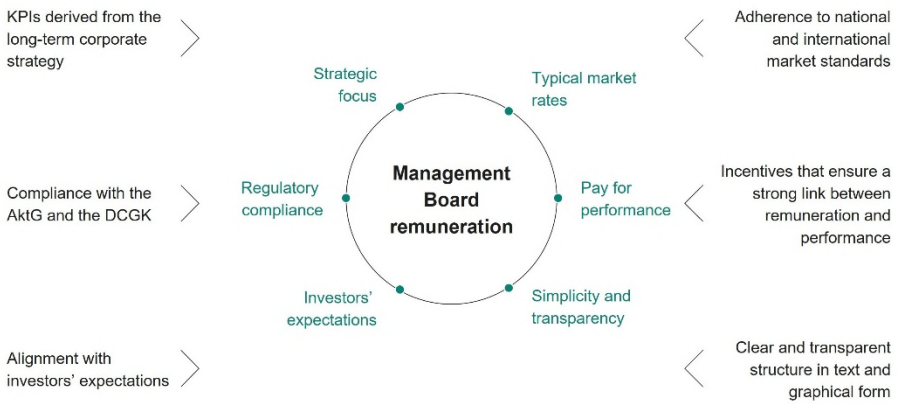
Infineon defines success not only by the objectives it achieves, but also by the path it takes to accomplish them: sustainability plays a key role in the way its people think and act. Long-term thought and action apply not only to commercial objectives. Beyond gaining a more comprehensive understanding of customers’ systems, optimizing products and solutions, and achieving an appropriate level of profitability, other essentials for Infineon are sustainable corporate governance and responsible commitment to the common good.

As an integral part of this strategy, the remuneration system of the Management Board makes an important contribution towards the attainment of the corporate objectives described above. Incentives are provided for long-term sustainable growth and increasing profitability. Comparing Infineon’s performance to that of its relevant competitors aims to ensure that it outperforms its competitors in the long run, thereby aligning the interests of the Management Board with those of the shareholders. At the same time, Infineon is aware of its responsibility towards society as a whole. For this reason, non-financial (Environmental, Social & Governance) performance

criteria are also used to determine the remuneration of the Management Board.

When devising this Management Board remuneration system, the Supervisory Board was therefore guided by the following principles:

Principles of the remuneration system



Overview of the remuneration system

Management Board remuneration components

The Management Board remuneration system comprises both fixed and variable components:

- The fixed remuneration components are the basic annual salary, fringe benefits, and the company pension plan.
- The variable remuneration components are the STI and the LTI. In accordance with recommendation G.7, sentence 1 of the German Corporate Governance Code (DCGK), these are linked to the achievement of defined performance criteria.

The remuneration system also comprises other elements. These include malus and clawback clauses customary in the market, Share Ownership Guidelines (SOG), and maximum remuneration.

A detailed description of the individual components of the remuneration system is provided in the following overview:

Components of the remuneration system

Fixed remuneration	
Basic annual salary	Fixed, non-performance-related remuneration paid in twelve equal monthly installments
Fringe benefits	A company car with chauffeur (also for private use) and an allowance for health and nursing care insurance as well as various insurance and general employee benefits
Company pension plan	Defined contribution plan that provides an annual pension contribution and capital market-oriented interest rate

Variable (performance-related) remuneration	
Short-Term Incentive (STI)	
Plan type	Target bonus
Duration	One year
Performance criteria	• 1/3 Return on Capital Employed (RoCE) • 1/3 Adjusted Free Cash Flow (adjusted FCF) • 1/3 Segment Result Margin (SRM) • Target achievement: 0 % - 250 %
Limitation/cap	250 % of the allocation amount
Payment	In cash and/or in shares
Long-Term Incentive (LTI)	
Plan type	Performance Share Plan
Duration	Five years
Performance criteria	• 40 % relative Total Shareholder Return (TSR) • 40 % Target Operating Model (TOM): Targets (1/3 Adjusted FCF in relation to revenue, 1/3 SRM, 1/3 revenue growth) • 20 % ESG targets • Target achievement: 0 % - 200 %
Limitation/cap	250 % of the allocation amount
Payment	In shares

Other remuneration components	
Maximum remuneration	• Chief Executive Officer: €7,200,000 (after four years €9,200,000) • Full member of the Management Board: €4,200,000 (after four years €5,300,000)
Malus & clawback	Compliance and restatement malus & clawback
Share Ownership Guidelines	• Chief Executive Officer: 150 % of gross basic annual salary • Full member of the Management Board: 100% of gross basic annual salary • Holding period: throughout the Board member's appointment and for two subsequent years

Structure of the target remuneration

Total target remuneration and direct target remuneration

Total target remuneration comprises all the components of the Management Board's remuneration:

- the basic annual salary,
- contractual fringe benefits,
- the company pension plan,
- the STI target amount and
- the LTI target amount.

Direct target remuneration is part of total target remuneration and comprises the basic annual salary, the STI target amount and the LTI target amount.

Principles for the design of the remuneration system

In accordance with section 87, paragraph 1, sentence 2 AktG, the Management Board remuneration system is geared towards the long-term sustainable development of Infineon. It follows the "pay for performance" principle and ensures that:

- around two-thirds of the direct target remuneration comprises variable, performance-related components and
- around two-thirds of this figure, in turn, is calculated on performance over several years and is predominantly share-based.

This means that the share of total variable remuneration contributed by long-term variable remuneration exceeds that of the short-term components – in compliance with recommendation G.6 of the DCGK. This increases the focus on sustainable value creation and aligns the interests of the Management Board with those of shareholders.

Structure of the total target remuneration

The individual components of the total target remuneration are as follows:

Duration of remuneration components and share of total target remuneration

Remuneration component	Share of total target remuneration	Duration / Assessment period
Basic annual salary	Around 20-26 %	Annual, fixed
STI	Around 17-27 %	One year (short-term, performance-related)
LTI	Around 32-48 %	Five years (multi-year, share-based)
Company pension plan	Around 6-12 %	Ongoing, long-term
Fringe benefits	Around 1-3 %	Ongoing, specific to individual Management Board members

The relative share of the various remuneration components may vary slightly from these figures, depending on individual uptake of fringe benefits and individual company pension costs as well as any benefits associated with taking office.

Maximum remuneration

The Supervisory Board ensures that the targets applicable to the performance criteria in the variable remuneration components are ambitious and present a balanced opportunity and risk profile. If the targets are missed, the payments relating to the STI and/or LTI are reduced. In cases where the thresholds are not reached, payments may not be made at all. Moreover, to provide incentives for significantly exceeding the performance criteria and to continue to ensure appropriate remuneration, payments relating to the STI and LTI are limited in each case to 250% of the individual target amount.

In accordance with section 87a, paragraph 1, No. 1 AktG, the Supervisory Board has set a cap (maximum remuneration) for the total of all remuneration components (i.e., basic annual salary, fringe benefits, company pension plan, STI and LTI). For the Chief Executive Officer, this remains at €7.2 million per annum and for full Board members €4.2 million per annum. After four years' service on the Management Board and based on the function performed by the Board member, the maximum remuneration rises, as before, to €9.2 million per annum for the Chief Executive Officer and €5.3 million per annum for full Management Board members.

The maximum remuneration hereby limits the payment commitments that can be made for a fiscal year, irrespective of when the amounts are actually paid.

Remuneration system in detail

Fixed, non-performance-related remuneration components

Basic annual salary

The basic annual salary is fixed, non-performance-related remuneration that is paid in twelve equal monthly installments. The amount of the basic annual salary is based on the experience, areas of activity, and responsibilities of each individual Management Board member. Furthermore, when

determining the amount, it is compared with remuneration in similar entities to ensure that the level of remuneration is both appropriate and competitive.

Fringe benefits

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

In individual cases, the Supervisory Board may grant benefits to a new Management Board member in recognition of their assuming office. In particular, such payments are intended to offset any losses of variable remuneration a new Management Board member were to suffer as a result of joining Infineon from a previous employer (replacement award). Other fringe benefits that might arise in such a case include the reimbursement of the cost of running two households and of journeys to the family home and removal costs.

Such benefits must always be at an appropriate level. Furthermore, they are included in and therefore limited by the amount of maximum remuneration determined for the Board member concerned.

Pension benefits

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

If the entitlements of Management Board members have either not yet legally vested or have legally vested but are not protected by the state pension insurance scheme (*Pensionssicherungsverein*), the Company protects them against insolvency by granting a contractual security interest (such as a reinsurance policy).

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

Variable performance-related remuneration components

Variable remuneration components comprise around two-thirds of the direct target remuneration of the Management Board members. Variable remuneration is divided into short-term (STI) and long-term (LTI) variable remuneration. To incentivize the long-term sustainable development of Infineon in accordance with the requirements set out in section 87, paragraph 1 AktG, variable remuneration is predominantly calculated on performance over several years and, in compliance with recommendation G.10, sentence 1

DCGK, share-based. This creates the best possible alignment between the interests of the Management Board and those of the shareholders.

The performance criteria embodied in the STI and LTI are derived from Infineon's strategy and create incentives for Infineon's long-term sustainable development. By employing both financial and non-financial performance criteria, Infineon ensures it is taking an overall view of its performance.

Performance-related remuneration components

	Performance criterion	Incentive set
STI	Return on Capital Employed (RoCE)	Efficient use of resources and increasing return on investment
	Adjusted Free Cash Flow (Adjusted FCF)	Ensuring liquidity and generating cash inflows
	Segment Result Margin (SRM)	Increasing profitability
LTI	Relative Total Shareholder Return (TSR)	Measuring capital market performance - with the aim of outperforming selected peers
	Target Operating Model (TOM)	Generating long-term growth, increasing profitability and creating investment potential
	ESG targets	Promoting long-term sustainable development through ESG targets derived from Infineon's strategy

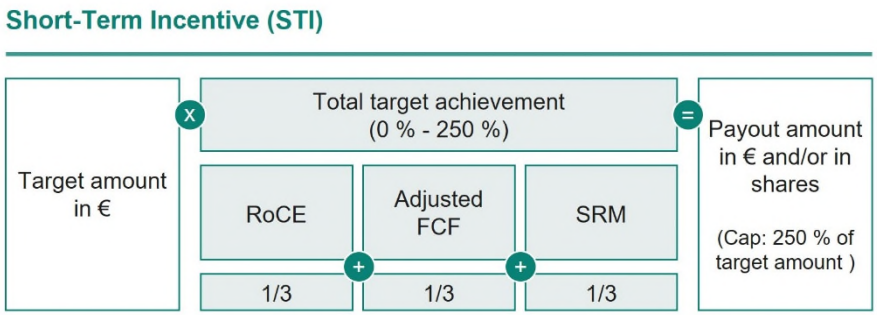
In the event of extraordinary developments (such as M&A activities) and in accordance with recommendation G.11, sentence 1 DCGK, the Supervisory Board may adjust the target achievement levels relating to the variable remuneration components that have been set according to the rules of this remuneration system. This may lead to an increase or decrease in the variable remuneration that might otherwise have arisen. This is designed to take account of unusual special situations not adequately recognized in the targets originally set (not merely, for example, generally unfavorable market conditions) and must be specifically justified in the Remuneration Report.

STI

How it functions

The STI provides incentives for increasing operating earnings performance and focuses therefore on improving Infineon's profitability, return on capital and liquidity. Return on Capital Employed (RoCE), adjusted Free Cash Flow (adjusted FCF) and Segment Result Margin (SRM) are used as performance indicators, each with a weighting of one third and then added together. The payout amount is dependent on the target achievement of the performance criteria and may be between 0% and 250%.

If a Management Board member joins the Board during a fiscal year, the STI is awarded on a pro rata monthly basis for the period covered by the appointment.



Performance criteria

The performance indicators used for the STI are generally the same as those published in Infineon's Group reporting ("as reported").

RoCE

RoCE measures the return on capital and shows the correlation between operating profitability and the capital resources required to run the business. Utilizing RoCE as one of the performance criteria for determining Management Board remuneration provides incentives for efficient use of resources, for increasing return on investment, and for value-based corporate management in the long term.

When determining RoCE for the purposes of the STI, the figure differs from that included in the Group reporting in that it comprises the Segment Result net of income taxes, divided by capital employed.

Adjusted FCF

Aligning Management Board remuneration with the generation of a sustainably positive FCF incentivizes effective, systematic management of the Company's operating net current assets and investments. Adjusted FCF as a performance criterion, calculated in line with the figure for Group reporting, thus makes a significant contribution to the successful pursuit of Infineon's growth strategy.

SRM

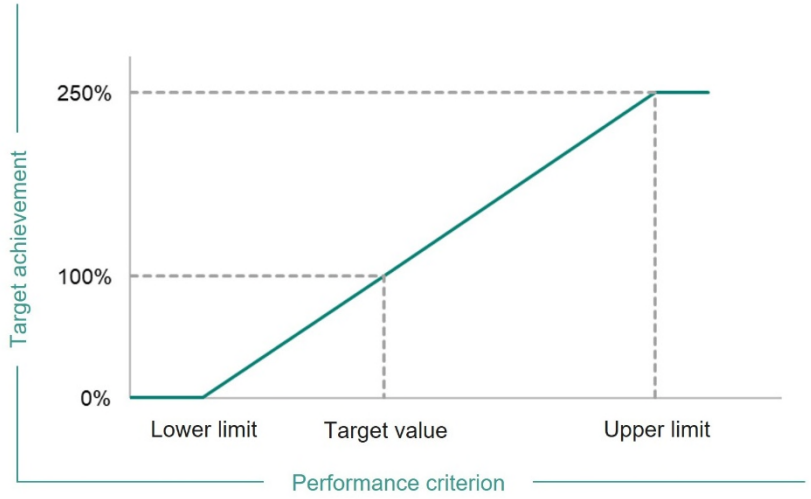
The SRM measures Infineon's operating profitability and demonstrates how successfully the Group is managing its business. Including the SRM as reported in the Group reporting as a determinant in the Management Board remuneration provides clear incentives to achieve a sustainable increase in Infineon's operating earnings performance.

Target-setting and target achievement curves

For each performance criterion, the Supervisory Board decides on an ambitious target achievement curve. At the beginning of each fiscal year, the Supervisory Board sets a target value (100% target achievement), a threshold (lower limit) and a maximum value (upper limit) for each

performance criterion for the relevant fiscal year. The Supervisory Board can also stipulate other values between these values.

Example target achievement curve in the STI



The actual level of target achievement is determined on the basis of the defined target achievement curve and may be between 0% and 250%.

The total target achievement level of the STI is derived from the arithmetic average of the equally weighted target achievement levels of the three performance criteria and may also be between 0% and 250%.

The threshold, target and maximum values and the resulting target achievement levels are transparently disclosed in the Remuneration Report.

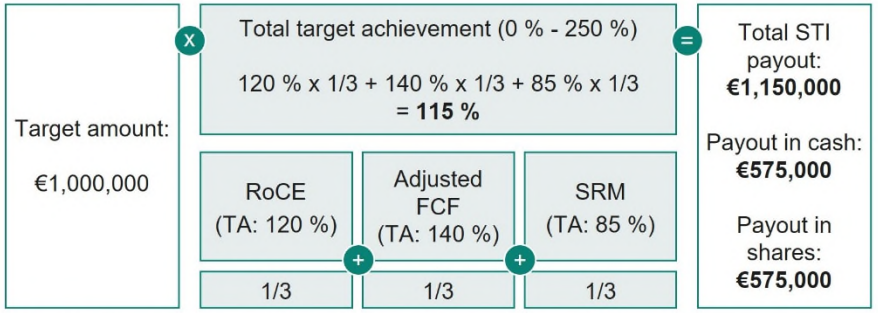
Payout

The STI payout amount is calculated by multiplying the STI target amount by the total target achievement. In general, 50% of the STI payout amount will be settled in cash and 50% in the form of shares in the Company. The Supervisory Board may deviate from this and determine a different split between cash and shares or even a payout entirely in cash or entirely in shares.

If the Management Board member concerned has already accumulated the full shareholding required by the Share Ownership Guidelines, there is no need for him or her to continue to hold the Infineon shares thus granted. If the shareholding required by the Share Ownership Guidelines has not yet been accumulated in full, the Infineon shares granted should initially be used for this purpose.

The transfer of Infineon shares and the payout amount in cash are limited in total to 250% of the individual STI target amount.

Example calculation for the Short-Term Incentive (STI)



TA = Target achievement

LTI

How it functions

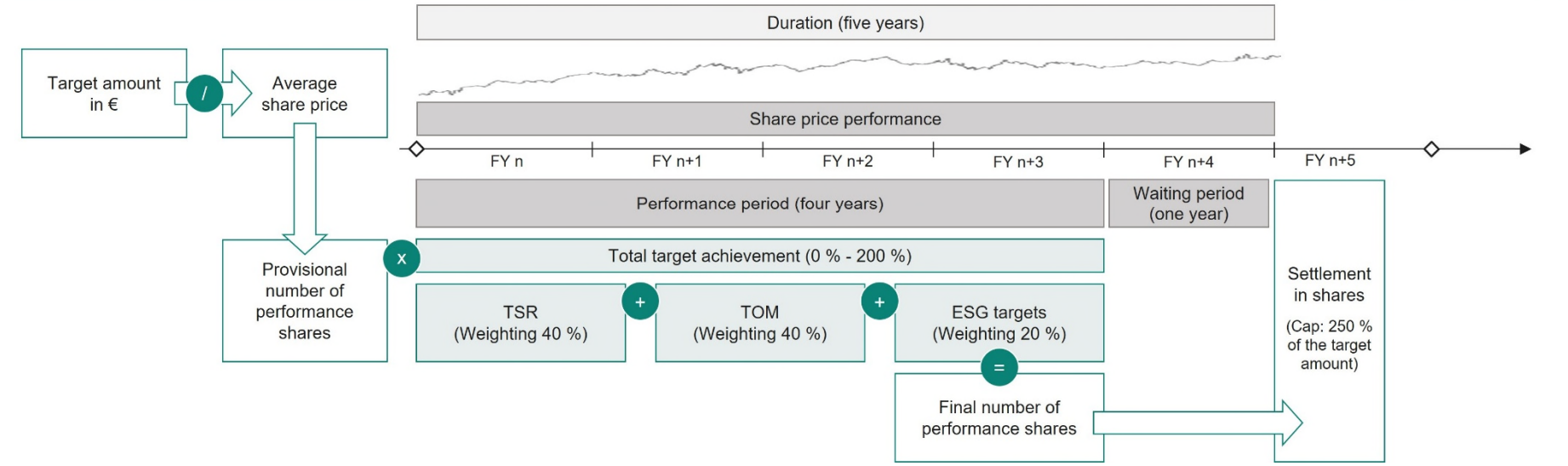
The LTI is designed as a Performance Share Plan and, in accordance with recommendation G.10, sentence 1 DCGK, is share-based. The duration of the LTI is five years, divided into a four-year performance period and a one-year waiting period. The five-year duration of the LTI ensures, in particular, that the interests of the Management Board are aligned with those of the shareholders and promotes long-term value creation at Infineon.

The LTI is allocated in annual rolling tranches based on the average price of Infineon shares (Xetra closing prices) over the last 60 trading days prior to the beginning of the performance period. The number of performance shares to be provisionally allocated is calculated by dividing the target amount in euros by the average share price. If the service contract of a Management Board member begins during the first fiscal year of the performance period, the LTI target amount is reduced on a pro rata monthly basis.

Once the four-year performance period has been completed, the final number of performance shares is calculated by multiplying the number of provisionally allocated performance shares by the total target achievement of the performance criteria. Subsequent to the four-year performance period, Infineon's share price performance over the following year has an impact on the value of the payout amount.

The performance criteria that apply for the LTI are the TSR compared to two selected peer groups, the financial criteria from the TOM, and ESG targets. The TSR and the TOM performance criteria are each weighted at 40% and the ESG targets are weighted at 20%. By combining financial and non-financial performance criteria, the LTI provides incentives for long-term sustainable value creation as well as the generation of growth and an increase in Infineon's profitability, thus maintaining a balanced opportunity and risk profile. Setting ambitious performance criteria also promotes a strong correlation with "pay for performance".

Performance Share Plan



Performance criteria

Relative TSR

The TSR measures total shareholder return, thus reflecting Infineon's appreciation in value on the capital market. The TSR describes the share price performance of Infineon (including notionally reinvested dividends) over the four-year performance period compared to two previously defined peer groups. Comparing Infineon's performance with that of two ambitious peer groups incentivizes outperformance on the capital market and, in particular, reflects shareholders' interests.

The two peer groups comprise, on the one hand, Infineon's most important international competitors (the core semiconductor peer group) and, on the other, the German capital market, represented by the DAX (excluding financial services providers). The comparison with the core semiconductor peer group (consisting of its major international competitors) reflects Infineon's competitive position within the semiconductor industry. The comparison with DAX companies serves as a key reference point for evaluating Infineon's performance on the German capital market, thereby taking account of market developments in Germany. Each peer group has a 50% weighting. The companies included in the core semiconductor peer group at the time of the resolution about this remuneration system are set out in the table below:

Core semiconductor peer group

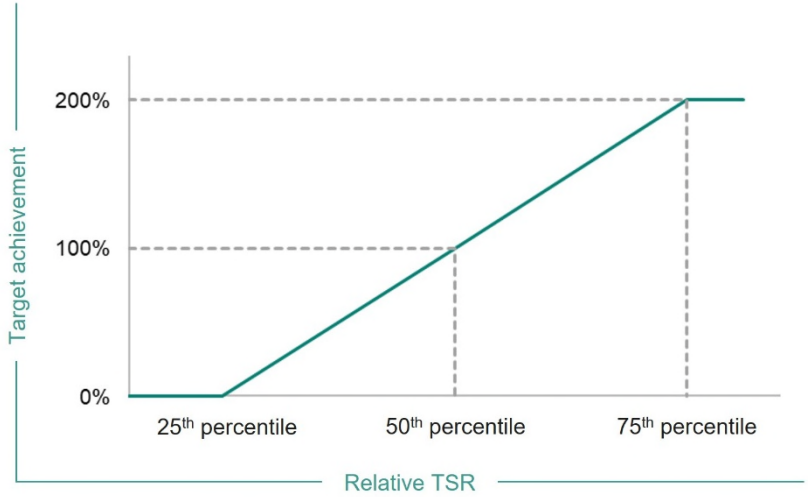
ams-OSRAM	Renesas Electronics
Fuji Electric	ROHM
Microchip Technology	STMicroelectronics
NXP Semiconductors	Texas Instruments
ON Semiconductor	Qorvo

If a company in the core semiconductor peer group no longer meets certain specified criteria (such as the lower revenue limit of €3 billion or a stock market listing) and its inclusion is therefore no longer appropriate, the Supervisory Board may, prior to the beginning of the new performance period, remove the relevant company from the peer group for future LTI tranches, either without replacement or by replacing that company with another company that does meet those criteria.

The target achievement for the TSR is determined by ranking companies within the respective peer groups. To do so, the TSR is calculated for Infineon and all the companies in the peer groups. The initial values of the companies and their final values are taken to be the average TSR values of the respective past 60 trading days prior to the start and end of the performance period. The companies are then ranked by TSR in descending order. This ranking produces the Infineon's percentile rank within the core semiconductor peer group and DAX peer group.

The TSR target achievement in both peer groups can range between 0% and 200%. If Infineon's TSR in one peer group is at the 50th percentile, the target achievement in this peer group is 100%. A position on or below the 25th percentile results in a target achievement of 0% in the relevant peer group, while a position at or above the 75th percentile results in a target achievement of 200% in the relevant peer group. Target achievements between the defined target achievement points are linearly interpolated.

Target achievement curve for relative Total Shareholder Return (TSR)



The TSR target achievement is calculated by adding together the equally weighted TSR target achievements in the two peer groups.

The TSR actually achieved and the resulting target achievement level are transparently disclosed in the Remuneration Report.

TOM

The performance criteria applied in the Target Operating Model (TOM) are revenue growth, adjusted Free Cash Flow (adjusted FCF) as a percentage of revenue, and Segment Result Margin (SRM) in line with Group reporting. The TOM creates incentives for Infineon's long-term growth and healthy liquidity. Measuring the performance criteria over the four-year performance period reduces the impact of cyclical effects.

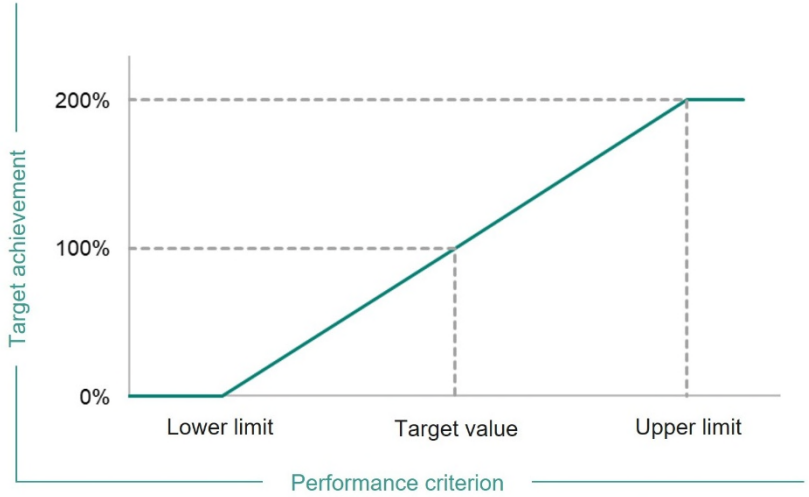
Each of the three performance criteria comprises one third of the TOM target achievement and this, in turn, comprises 40% of the total target achievement of the LTI.

The Supervisory Board decides on an ambitious target achievement curve for each performance criterion. At the beginning of an LTI tranche, therefore, the Supervisory Board sets a target value (100% target achievement) as well as a threshold (lower limit) and a maximum value (upper limit) for each performance criterion. The Supervisory Board can set other values between these values.

In order to determine the various target achievement levels, the actual values achieved are compared with the target values. For adjusted FCF as a percentage of revenue and for the SRM, the average of the actual values in the four fiscal years of a performance period are calculated. For revenue growth, the actual figure achieved in the last year of the performance period is used as a reference point and an average annual growth rate over the entire four-year performance period (Compound Annual Growth Rate) is calculated.

Actual target achievement is determined on the basis of the defined target achievement curve and can range between 0% and 200%.

Example target achievement curve for the TOM performance criteria



The target values, thresholds and maximum values and the resulting target achievement levels are transparently disclosed in the Remuneration Report.

ESG targets

ESG targets are defined as performance criteria relating to environmental, social & governance matters (ESG). They play a key role in Infineon's business activities and are an important component of its long-term corporate strategy. The ESG targets therefore have a 20% weighting in the LTI.

The specific ESG targets and their relative weighting are set by the Supervisory Board before the beginning of the performance period of an LTI tranche. For each LTI tranche, the Supervisory Board may select up to three ESG targets relevant to Infineon's strategy. When determining the ESG targets, the Supervisory Board ensures that the targets are derived from Infineon's materiality analysis, and that they are ambitious and measurable.

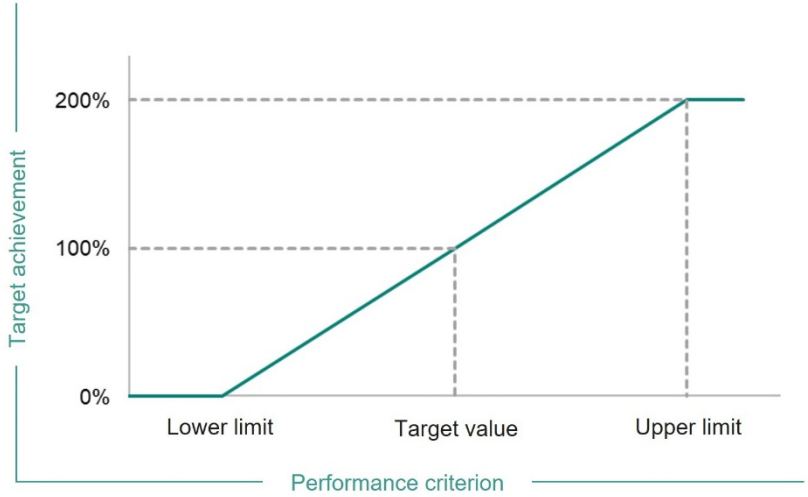
Depending on the Group's strategic priorities, the ESG targets selected may be weighted equally or differently.

Infineon's sustainability strategy currently identifies the following seven action areas: Occupational Health & Safety, CSR Management in the Supply Chain, Community & Social Commitment (Corporate Citizenship), Human Resources Management, Human Rights, Environmental Sustainability & Climate Protection, and Business Ethics.

At the beginning of the performance period of an LTI tranche and for each ESG target, the Supervisory Board sets a target value (100% target achievement), as well as a threshold (lower limit) and a maximum value (upper limit). The Supervisory Board can stipulate other values between these values. The aim is to ensure that each target is underpinned by an ambitious target achievement curve.

Actual target achievement is determined on the basis of the defined target achievement curve and can range between 0% and 200%.

Example target achievement curve for the ESG targets



The ESG targets set and their weighting, as well as the specific target values, thresholds and maximum values and the resulting target achievement levels, are transparently disclosed in the Remuneration Report.

Payout

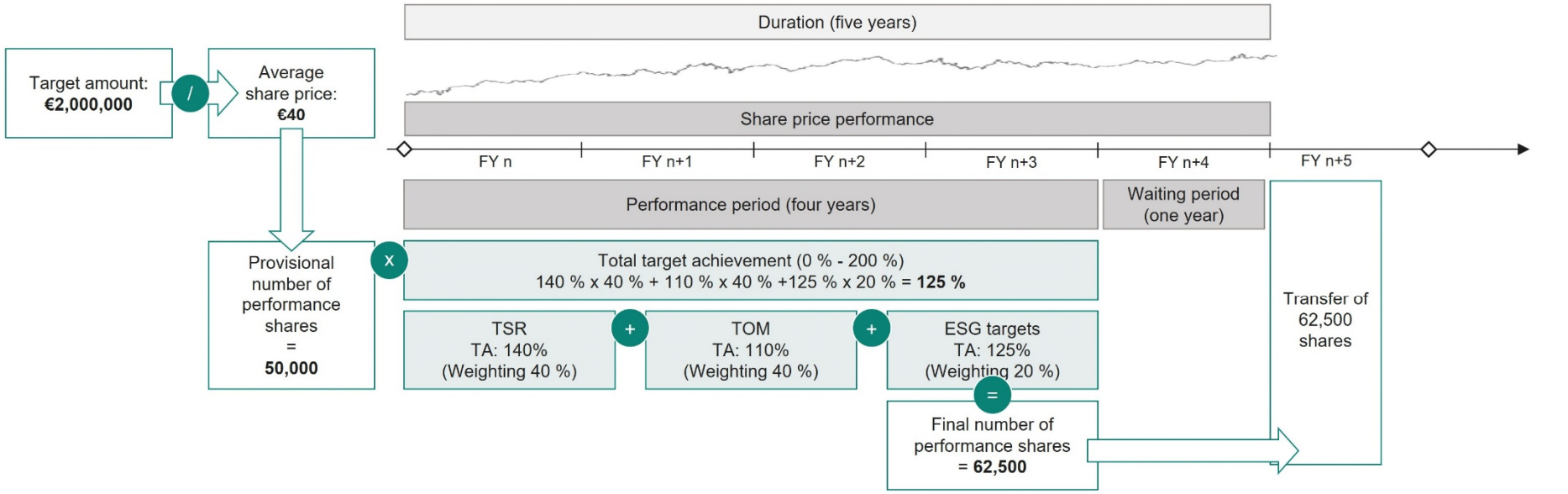
After the end of the four-year performance period, the specific number of performance shares is determined based on the total target achievement level of the three performance criteria. These performance shares are then subject to a one-year waiting period. Once the waiting period is over, Infineon shares corresponding to the definitive number of performance shares are transferred to the Management Board members. The definitive transfer of shares is limited to a maximum figure of 250% of the individual target amount.

The Supervisory Board reserves the right to make a settlement in cash rather than transferring shares. If the Supervisory Board decides to settle in

cash, the amount to be paid out is calculated by multiplying the definitive number of performance shares by the average share price over the last 60 trading days, based on Xetra closing prices for Infineon shares.

Just as for a settlement in shares, the payout is limited to 250% of the target amount.

Example calculation for the Long-Term Incentive



If the Infineon share price increased by 25% over the five-year duration (to a share price of €50), the value of the shares transferred would be €3,125,000.

TA = Target achievement

Share Ownership Guidelines

In order to further align the interests of Management Board members and shareholders and promote the sustainable, long-term development of Infineon, each Management Board member is obliged to invest a fixed euro amount in shares of the Company and to hold these shares on a long-term basis. The amount to be invested is based on the gross basic annual salary of the Management Board member concerned.

The Chief Executive Officer of Infineon is obliged to invest the equivalent of 150% of his gross basic annual salary in Infineon shares, while all other full members of the Management Board are obliged to invest the equivalent of 100% of their respective gross basic annual salaries. An accumulation phase of five years generally applies.

Management Board members are obliged to retain ownership of the required shareholding throughout the term of their service contract and for a period of two years after termination of the service contract. During the holding period, the Management Board members must not pledge or otherwise dispose of the shares acquired under the Share Ownership Guidelines.

Malus & clawback

The service contracts of Management Board members also include "malus and clawback" clauses in accordance with recommendation G.11, sentence 2 DCGK. Under certain conditions, these allow variable remuneration components that have already been paid to be reclaimed or variable remuneration components not yet paid to be reduced.

If a Management Board member has breached the duties set forth in section 93 AktG, either intentionally or through gross negligence, the Supervisory Board may reduce or cancel the payout amount for the STI and/or the LTI (compliance malus). If a breach of duty becomes known at a later date, any STI already paid out can also be reclaimed in full or in part (compliance clawback). The Supervisory Board decides on these matters in each individual case, based on its professional judgement. In reaching its decision, the Supervisory Board is required to prioritize reclaiming the LTI over the STI. The amount of any reduction, cancellation or reclamation must be determined on the basis of the gross amount of the respective variable remuneration component.

When variable remuneration is determined or paid out on the basis of erroneous data (e.g., incorrect consolidated financial statements or defectiveness of other calculations used to quantify a variable remuneration component), the Supervisory Board can adjust the determination of remuneration components based on the erroneous data accordingly (restatement correction) or, where the remuneration components have already been paid out, it can reclaim them (restatement clawback).

A clawback is generally only possible for variable remuneration relating to the fiscal year in which the breach of duty occurred or in which the correction was made. The potential for clawback remains for the first three years after the payment of the variable remuneration components.

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

Remuneration-related legal transactions

Duration of service contracts

The duration of the service contracts of Management Board members corresponds to the period of appointment and, in the event of reappointment, is extended by the period of reappointment. As a general rule, in accordance with the provisions of recommendation B.3 DCGK, Management Board members are initially appointed for a period of three years.

Due to the fixed term of the service contracts, they do not generally include the option of an ordinary termination of contract (i.e., termination of contract without a compelling reason). In individual cases, the Supervisory Board can

grant Management Board members a unilateral right to terminate a contract. The right of both parties to give extraordinary notice of termination for a compelling reason pursuant to section 626 of the German Civil Code (BGB) remains unaffected.

Regulations governing the early termination of service contracts

If a service contract ends during a fiscal year, the STI and LTI target amounts for the fiscal year concerned are reduced pro rata on a monthly basis. The agreed performance criteria and due dates for payment remain in place in accordance with recommendation G.12 DCGK. Early payment or settlement of the STI and LTI is not possible.

Entitlements to STI and LTI for the fiscal year in which a Management Board member resigns from office lapse without replacement or compensation (unless there is a compelling reason for leaving office for which the Board member is not responsible, or by agreement with the Supervisory Board, or where the service contract agreed between the Supervisory Board and Management Board member explicitly excluded such a lapse in the event of his or her resignation from office) and also if the Management Board member's contract is terminated for a compelling reason for which the Board member is responsible (section 626 BGB). Similarly, all entitlements lapse in connection with LTI tranches allocated for previous fiscal years.

If a severance payment is disbursed in the event of early termination of a service contract, the amount paid must comply with the recommendations made in the current version of the DCGK. Furthermore, the Supervisory Board is entitled to agree a post-contractual non-competition clause and to pay compensation as a result. If a post-contractual non-competition clause has been agreed, this compensation will be taken into account when calculating the settlement payment.

Regulations governing the temporary revocation of an appointment pursuant to section 84, paragraph 3 AktG

The Supervisory Board can agree with members of the Management Board whose appointment as a Board member is temporarily revoked in the event of a leave of absence with the assurance that they will be reappointed pursuant to section 84, paragraph 3 AktG that these Management Board members continue to receive individual remuneration components during the interruption to their term of office.

No change-of-control provisions

The remuneration system does not contain any special provisions in the event of a change of control.

Sideline activities and their impact on remuneration

If a Management Board member takes on external roles and sideline activities, this requires the prior approval of the Supervisory Board. Moreover, the Supervisory Board decides whether and to what extent any remuneration relating to these activities should be counted towards the Management Board remuneration.

Any remuneration for intragroup mandates that is paid separately does count towards the Management Board remuneration.

Procedures for determining, reviewing and implementing the remuneration system

In accordance with section 87a, paragraph 1 AktG, the Supervisory Board decides upon a clear and understandable system of remuneration for Management Board members. The Supervisory Board's Executive Committee is responsible for preparing Supervisory Board resolutions regarding the remuneration system and for reviewing the system on a regular basis.

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

The Supervisory Board is required by section 120a AktG to submit the remuneration system it has decided upon to the Annual General Meeting for approval whenever any significant change is made and at least every four years. If the Annual General Meeting does not approve the system as submitted, the Supervisory Board is required to submit a revised remuneration system to the Annual General Meeting for approval by the following Annual General Meeting at the latest.

If the Supervisory Board consults external advisors to develop the remuneration system and assess the appropriateness of the remuneration, it is required to ensure that they are independent of the Management Board and of the Company and to take precautions to avoid any conflicts of interest.

Independence and avoidance of and treatment of conflicts of interest

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

Reviewing the appropriateness of Management Board remuneration

In accordance with applicable legal requirements and the recommendations of the DCGK, when determining the total target remuneration of the Management Board, the Supervisory Board is guided by the typical level and structure of management board remuneration at peer companies and by the Company's economic situation and its long-term sustainable development. The duties, responsibilities and performance of each Management Board member are also considered, as is the Company's wider pay structure.

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

Horizontal comparison

In the course of the horizontal comparison, the remuneration of Infineon's Management Board members is compared with that of peer companies. In accordance with section 87 AktG, country, size and industry sector are the criteria used to select suitable peer companies. To adequately reflect the country and size criteria, Infineon regularly selects as one of its peer groups companies listed in the DAX (excluding financial services providers). To take account of the industry sector criterion, the Supervisory Board can also select a second industry-specific peer group of international competitors based on the peer group used for the TSR. The peer groups used are transparently disclosed in the Remuneration Report.

Vertical comparison

In addition to the horizontal comparison, a vertical comparison is also made of the Management Board's remuneration. In accordance with recommendation G.4 DCGK, Infineon's internal remuneration structure is assessed by comparing the remuneration of the Management Board with that of senior executives (in Germany and for internationally comparable functions) and that of the workforce as a whole. Apart from the current status, changes in the relative levels of remuneration over time are also considered.

Temporary deviation from the Management Board remuneration system

Under special and extraordinary circumstances (e.g., in the event of a serious financial or economic crisis), in accordance with section 87a, paragraph 2, sentence 2 AktG and only subject to the conditions set out therein, the Supervisory Board may temporarily deviate from the remuneration system if deemed necessary in the interests of the Company's well-being in the long term. Unfavorable market conditions are explicitly excluded from the definition of special and extraordinary circumstances. The Supervisory Board's Executive Committee examines and assesses the necessity for such a temporary deviation. Based on the committee's findings, the Supervisory Board determines the necessity of any deviation in the form of a resolution.

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

If the option to temporarily deviate has been exercised, an explanation of the need to do so is included in the Remuneration Report, together with details of the remuneration components affected by the deviation, in accordance with section 162, paragraph 1, No. 5 AktG.