



Infineon Tax Compliance and Governance Report

September 2021



Welcome to Infineon's Tax Compliance and Governance Report



Infineon is one of the world's leading microelectronic manufacturers. Infineon Technologies AG is a world leader in semiconductor solutions that make life easier, safer and greener. Microelectronics from Infineon are the key to a better future.

Infineon combines entrepreneurial success with responsible behavior. While taking a conscientious approach to the use of natural resources, we contribute to solving some of the most critical challenges our society is facing: demographic & social change, climate change and resource scarcity, urbanization, and digital transformation. People from more than 100 countries make Infineon a successful international company – with their skills, their enthusiasm and the courage to challenge the status quo and open up new horizons.

Our business activities form the basis of a substantial amount and variety of taxes. We pay corporate income taxes, production taxes, stamp duties and other taxes. In addition, we collect and pay employee taxes, not to mention indirect taxes such as VAT. The taxes we pay and collect form a significant part of our economic contribution to the countries in which we operate. The payment of tax, therefore, contributes to building a sustainable future.

In this report we provide transparency about Infineon's approach to tax, its tax governance, control and risk management as well as stakeholder engagement and management of concerns related to tax. We welcome feedback to this report.

Sven Schneider, Chief Financial Officer

Approach to Tax

[Infineon's Global Tax Policy](#) describes Infineon's global approach to tax and is publicly available on its website. The Global Tax Policy forms part of the larger framework of governance, risk and compliance. We refer to our Business Conduct guidelines as set out in our CSR Policy, and to the UN Global Compact, to which we have made a commitment to adhere to.

We are committed to compliance with the laws and practices of the countries in which we operate. Compliance for us means paying the right amount of tax in the right place at the right time. This commitment is underpinned by the following approach to tax havens and transfer pricing:

- Observe all applicable laws, rules, regulations and disclosure requirements and ensure no tax avoidance is performed e.g., by way of engaging with secrecy jurisdictions. Therefore, we do not operate in any of the countries listed on the EU's list of non cooperative jurisdictions. If entities in these jurisdictions become part of the Infineon Group through an acquisition, we will look to liquidate the respective entities as soon as reasonably possible.
- Conduct Intra-group transactions on an arm's length basis that reflect the business and commercial realities of the transaction and adhere to the relevant guidance issued by the Organisation for Economic Co-operation and Development (OECD) with regard to international tax matters. We, therefore, will not engage in the artificial transfer of profits and value created to low tax jurisdictions.

Infineon's Management Board is responsible for Infineon's tax strategy. The tax function is embedded in the Finance function. The Chief Financial Officer regularly reviews the Global Tax Policy and proposes changes where needed. The Chief Financial Officer also regularly reports to and aligns with the Management Board and Supervisory Board on tax strategy and policy matters, tax developments and risk assessment including tax.

The Infineon tax strategy is closely aligned with the business strategy. The commercial needs of the Group are paramount and all tax planning is being undertaken in this context. All transactions must therefore have a business purpose or commercial rationale. Due consideration is given to the Group's reputation, brand, corporate and social responsibilities when considering tax initiatives, as well as the applicable legal and fiduciary duties of directors and employees of the Group. Consideration of these duties and responsibilities form part of the overall decision-making and risk assessment process.

Infineon does not accept the violation of any compliance requirement. All employees, business partners, customers or other stakeholder can report violations of any law or internal guidelines including those relevant for tax to the Infineon [Integrity Line](#).

In addition, Infineon has established a binding "Tax Code of Conduct", which is applicable for all employees and entities worldwide. It includes a "Tax Risk Management Strategy", which is available via Infineon's intranet. The global rule is reviewed and recertified annually.

Tax Governance, Control and Risk Management

Infineon's approach to tax risk management is embedded in Infineon's general approach to corporate risk management. Infineon actively and continuously identifies, assesses, monitors and manages tax risks at a local and, to the extent material, at a global level.

The major commitments of the Infineon Tax Risk Management Strategy are:

- › Infineon complies with all tax regulations and disclosure requirements in all countries in which it operates;
- › Infineon submits all returns by their due dates in line with local tax law;
- › All material positions taken in the tax returns must be supportable in terms of documentation and legal interpretation. Clear documentation of facts and circumstances shall be recorded at the time of any transaction;
- › The tax function monitors changes in relevant tax laws and practice and undertakes regular training in order to assess any consequences for the group;

- › The tax function manages its compliance affairs to minimize the risk of any adverse public comment.

The Group aims for certainty on tax positions it adopts but where tax law is unclear or subject to interpretation, written advice or confirmation will be sought as appropriate to ensure that our position would, more likely than not, be settled in Infineon's favor. Potential major transfer pricing disputes are mitigated through advance pricing agreements with a number of countries. And for other major uncertainties, Infineon seeks to obtain tax rulings to obtain clarification in advance and mitigate future tax exposures.

Infineon has proven reporting mechanisms at various levels, a financial reporting guideline and tools to ensure local tax risks can be identified, appropriately managed and reflected in the financial statements.

Infineon has received external auditor's assurance on the appropriateness of its Tax Compliance Management Systems implemented in Germany and Austria. The Infineon Risk and Internal Controls Team tests compliance with the requirements established in these Tax Compliance Management Systems and reports violations to the Chief Financial Officer.

Stakeholder Engagement and Management of Concerns related to Tax



The tax function maintains a constant exchange with internal and external stakeholders.

Openness, honesty and transparency are paramount in all dealings with the tax authorities and other relevant bodies.

Infineon is committed to

- › develop and foster good working relationships with tax authorities, government bodies and other related third parties as well as
- › undertake all dealings with tax authorities, government officials, ministers and other third parties in a professional, courteous and timely manner.

Infineon is a participant of the horizontal monitoring process in Austria, which allows for almost real time tax audits. Infineon also has applied and obtained for various advance transfer pricing agreements (APAs). Initiating APAs allows for transparency towards the respective tax authorities.

Infineon also participates in a number of industry groups and tax policy groups globally.

Investors, non-profit organizations and the press enter into dialogue with Infineon through its investor relations and its communications group respectively.



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