

SUSTAINABILITY AT INFINEON

SETTING STANDARDS – THROUGH INNOVATION AND VOLUNTARY RESPONSIBILITY

Global society can only meet the challenges of the future by acting according to the principles of sustainability. The term sustainability describes economic, ecological and social action in concert. This definition was embodied in the report of the Brundtland Commission in 1987 and remains valid to this day. As a participant in the UN Global Compact, we at Infineon have voluntarily committed to this fundamental idea.

The creation of a sustainable society requires the collaboration of all key actors – society, the business community and political decision makers. Existing potential for optimization – for example with regard to energy efficiency – must be made use of and new courses of action taken. Innovation plays an important role in creating these new courses of action, as for example in climate protection and energy efficiency, in developing automobiles and transportation and also with regard to security. Without these innovations, a sustainable society cannot develop.

Our corporate strategy, supported by the pillars of energy efficiency, mobility and security, aims at tackling key challenges that need to be overcome on the path towards a sustainable society.



Our renewed inclusion to the Dow Jones Sustainability Europe IndexSM as well as our listing in the “Sustainability Yearbook 2011” demonstrate that this voluntary responsibility is also being actively practiced. The latter lists the 15 percent most sustainable companies worldwide out of 2,500 invited companies that can be evaluated in terms of sustainability. We are all very proud of this fact. We will not rest on our laurels, however, and will continue our constant search for improvement opportunities.

WE ARE SOCIALLY ENGAGED

During the fiscal year under report, the inconceivable human suffering caused by the famine in East Africa was beyond all imagination. Our Company helps the less fortunate all over the world on a voluntary basis. For this reason we decided to donate money to relief organizations in order to make a contribution to alleviating the suffering of the victims. We also felt a strong willingness to provide immediate help in the aftermath of the earthquake and the tsunami in Japan that was followed by the reactor accident in Fukushima. In addition to immediately setting up a crisis team to protect our locally based employees, we also provided direct support with donations and aid by deliveries of much needed goods in a spirit of worldwide cooperation, commitment and willingness to assume responsibility.

Our employees stand up for other people, be it, for example, by giving personal donations and organizing charity events for Japan or by cooperating with organizations that give Christmas gifts. The aim of this Christmas campaign is to give pleasure to children in difficult situations. The children wrote their wishes on notes, which were then attached to a Christmas tree. Our employees then proceeded to help make the children's wishes come true.

RESPONSIBILITY FOR OUR EMPLOYEES

We incorporate modern concepts for occupational safety in all our operations. Ensuring our employees are protected is a global issue for us. Assuming responsibility for our employees primarily means prevention.

Our annual accident rate is considerably below the average of the Accident Insurance Institution for the Energy, Textile, Electrical and Media Products sectors (BG ETEM). In order to make the reporting of accidents as sensitive as possible, any accidents occurring at our Company are reported starting with a one-day absence from the workplace, whereas the BG ETEM's statistics include only accidents causing absences of at least three days. The chart impressively illustrates the high effectiveness of the Infineon Integrated Management Program for Environment, Safety and Health (IMPRES). Our IMPRES system is implemented worldwide and embraces all processes, strategies and objectives in these fields. IMPRES is highly efficient and our manufacturing facilities are certified according to ISO 14001 and OHSAS 18001 standards. Due to specific national aspects, our manufacturing facilities in Villach, Austria is additionally certified in accordance with EMAS. We ensure that we not only comply with legal and governmental regulations, but also continuously improve even beyond these requirements. In this context, we are also planning to integrate an energy management system in IMPRES.

OUR SEMICONDUCTOR PRODUCTION – A BENCHMARK FOR SUSTAINABILITY

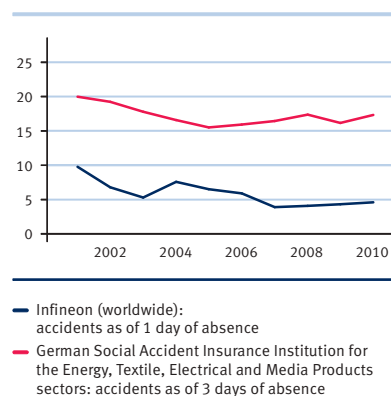
Industrial production is not possible without the use of resources such as energy, water and raw materials. At the same time, the careful handling of natural resources is the key to the survival of our planet.

Manufacturing processes are successful when they are sustainable, in other words when they unite economic, ecological and social aspects, both in the design and the constant optimization of a process. We have made that our principle.

In the field of energy efficiency, the global society is faced with major challenges. The use of new technologies in the field of renewable energy and the creation of intelligent networks offer ideal ways of mastering these challenges in the future. Furthermore, existing savings potential must be exploited wherever sensible.

Statistics for Occupational Accidents

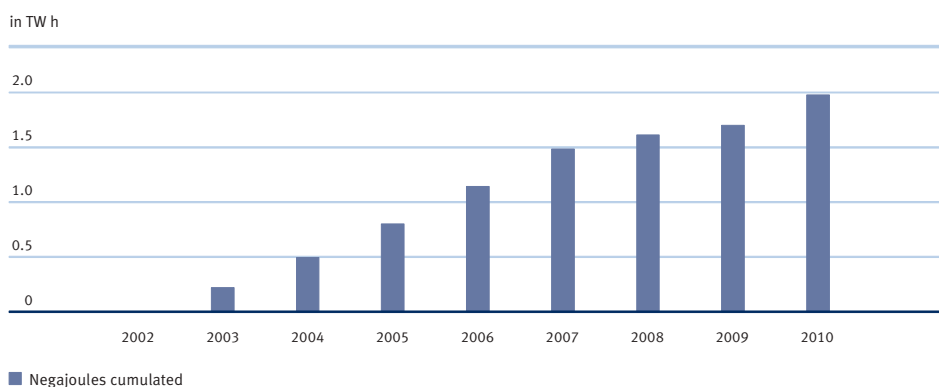
per 1,000 employees



At Infineon we make consistent use of this potential. Our activities range from various types of technical optimization to awareness-raising measures for employees and along our value-added chain. In doing so, it is, of course, of key importance to maintain security of supply. The results we have achieved in this regard are setting new standards.

Most of the energy needed for the manufacturing of semiconductors is consumed in front-end production. For this reason we have concentrated our focus on this area and done so with considerable success. As a result of constant efficiency improvement, we have managed to save the equivalent of almost 2 terawatt-hours of energy at our front-end manufacturing facilities (1 terawatt-hour corresponds to 1 billion kilowatt-hours) from 2002 to 2010.

**Cumulated Amount of Energy Saved (so called Negajoules)
at Our Front-end Production Facilities, Excluding Former Subsidiaries**



The amount of energy we have saved is equivalent to the annual electricity consumption of 446,000 four-person households², or a city of 1.7 million inhabitants respectively.

Even when measured in terms of our specific consumption – measured in kilowatt-hours of energy consumption per square centimeter manufactured silicon wafer – we are amongst the best in the world and we continue to set higher standards. By means of constant optimization, the energy efficiency of our production facilities has been improved such that our energy consumption in front-end production is around 44 per cent lower than the international comparative value which is measured in accordance with the worldwide standardized guidelines of the World Semiconductor Council (WSC).

Despite the fact that our manufacturing facilities are not located in water-stressed areas, we make every effort to use available resources as efficiently as possible. Clean water that has neither been used nor contaminated does not need to be treated using energy and chemicals.

The use of upstream, intermediate and downstream water treatment plants has made it possible to greatly reduce both the volume of fresh water used and the amount of contamination in the wastewater, in the interest of water-friendly production. The specific water consumption of front-end production at Infineon is more than 50 percent below the average international consumption level, according to WSC. We therefore consumed approximately 4.1 million cubic meters of water less than the worldwide average volume in 2010, equivalent to the annual water consumption of a city of more than 82,000 inhabitants.³

By consistently adhering to the principles of recycling we have been able to reduce our front-end production waste per wafer surface area by almost 50 percent in an international comparison. These significant savings mean that we prevented more than 8,500 tons of waste from being produced in 2010.

² According to Fachverband für Energie-Marketing und -Anwendung (HEA) e. V. within the VDEW (Trade Association of the Electricity Industry).

³ At an annual water consumption per inhabitant of approximately 50 cubic meters; source: Munich Water Management Office.

For many years we have been making huge efforts to reduce the amount of greenhouse gases emitted in our production processes. In addition, we have voluntarily dedicated ourselves to this objective. Through voluntary agreements, by 2010 the absolute emission of relevant fluorinated gases (Kyoto gases) was to be reduced by 8 percent in Germany and 10 percent in Europe below the emission value of 1995, calculated in carbon dioxide equivalents. These ambitious targets have meanwhile been achieved.

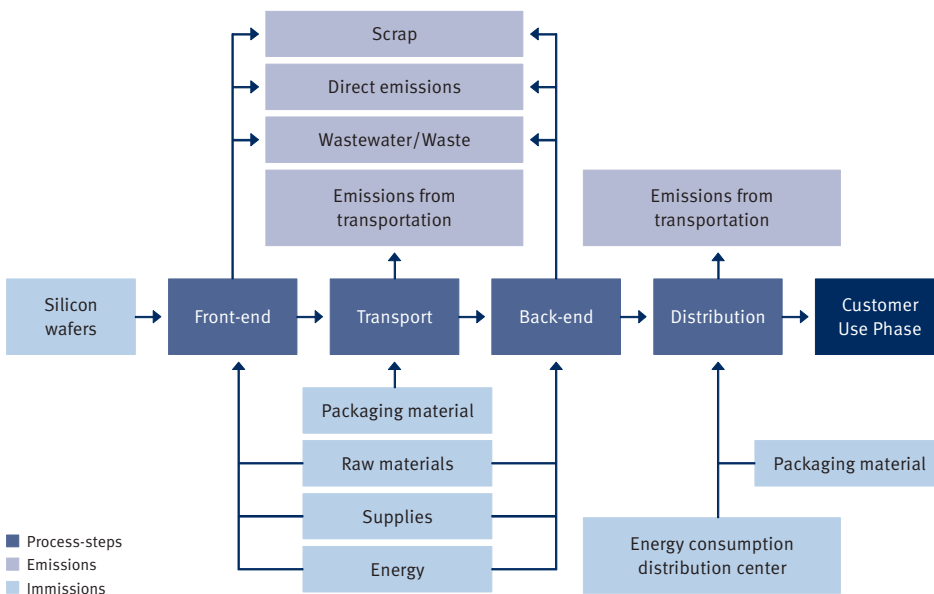
TAKING ECOLOGICAL RESPONSIBILITY WITH OUR PRODUCTS AND SOLUTIONS

At Infineon, innovation and ecological responsibility go hand in hand. The use of our products also makes ecological sense – it “pays off” for the environment. Our products and innovations contribute towards making energy-efficient end products and applications possible. For example, in automobiles alone they contribute to an annual reduction equivalent to 4.0 million tons of carbon dioxide emissions (CO₂ emissions), in LED lamps as a substitute for conventional light bulbs to annual energy savings equivalent to 130,000 tons of CO₂ emissions and in electronic ballasts to annual energy savings equivalent to 385,000 tons of CO₂ emissions.

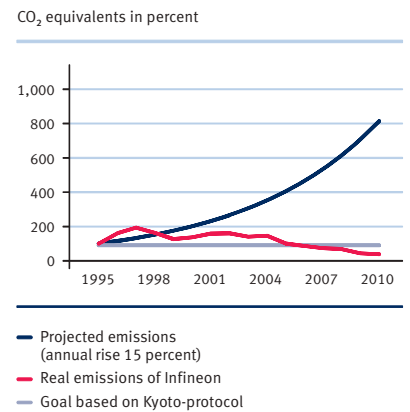
Our products and innovations are subject to a unique life cycle analysis with the aim of optimizing their ecological carbon footprint. In order to specifically state the carbon footprint made by each of our products, we have developed a tool for calculating the related emissions. The calculation of the CO₂ emissions is based on the ISO 14000 standard, set out in the PAS (Publicly Available Specification) 2050 guideline issued by the BSI (British Standards Institution) for determining the carbon footprint of separate products. The first three of the five steps described in the PAS 2050 guideline are taken into account here. They embrace the provision of the raw, auxiliary and working materials, and their processing through to distribution to the customer. The other steps, such as the utilization phase of the products at the customer’s premises and their eventual disposal cannot be calculated automatically, due to the often varying applications and fields of use Infineon products are subjected to.

The following emissions and immissions are taken into account by the calculation tool.

Emissions and Immissions Taken into Account to Measure the CO₂ Footprint



PFC Emissions 1995 to 2010 (EU)



OUR RESPONSIBILITY ALONG THE VALUE-ADDED CHAIN

Our responsibility does not end at the boundaries of our premises and it is our aim to transmit our values throughout the entire value-added chain. Any services provided by our contractors, purchased products and materials or equipment and systems must fulfill our requirements in terms of environmental protection, occupational safety and health protection as well as working and social conditions.

In order to support our suppliers and service providers, we have revised our Principles of Purchasing. These principles define requirements, for example, in the fields of occupational safety and health, environmental protection, human rights and working conditions as well as business practices, and all of these are mandatory for our suppliers.

The so-called “Dodd-Frank Wall Street Reform and Consumer Protection Act” came into effect in the USA in 2010. Section 1502 (the “Conflict Minerals Provision”) focuses on the utilization of metals such as gold, tantalum, tin and tungsten, which are mined in the Democratic Republic of Congo and its neighboring states. Additional declaration requirements exist for companies that are required to report to the U.S. Securities and Exchange Commission.

At the same time, on a voluntary basis, Infineon began gathering information regarding its suppliers and their smelters in order to proactively examine the non-utilization of the above-mentioned metals and also cobalt within our supply chain. During the 2011 fiscal year we voluntarily gathered additional information to facilitate this assessment. The chart shows the regions in which the smelters relevant for our supply chain are located. Based on current information, none of our suppliers use metals or minerals intended for raw materials or products for our Company that originate from smelters supplied from the Democratic Republic of Congo or its neighboring states.

Taking responsibility for both humans and the environment – that is the fundamental idea of the modern integrative concept that combines the fields of activity described and which we at Infineon act in accordance with. The foundations for this concept are developed in accordance with the principles of the UN Global Compact and are put into practice at our Company by means of defined processes and regulations. However, the key point is that social and ecological principles at Infineon are truly filled with life, both now and in the future: in our production facilities, in our products and in our daily activities – entirely in the spirit of sustainability.

Smelters by Region

