



## Significant agreements in the event of a change of control

**P** see page 142 f.

Various financing contracts with lending banks and capital market creditors (see note 12 to the Consolidated Financial Statements) contain defined change-of-control clauses which give creditors the right to call for early repayment. These clauses reflect standard market practice.

Furthermore, certain patent cross-licensing agreements, development agreements, subsidy agreements and approvals, supply contracts, joint venture agreements and license agreements contain customary change-of-control clauses, according to which a change in control of Infineon Technologies AG triggers the right of the other party at its sole discretion to terminate or to continue the agreement as well as other rights which may, under certain circumstances, be unfavorable for Infineon.

If a member of the Management Board leaves his or her position in connection with a defined change of control (namely, where a party holds at least 50 percent of the voting rights in Infineon Technologies AG) that member is currently entitled to continued payment of the relevant annual remuneration for the entire remaining contract term. In accordance with a special contract termination right granted to members of the Management Board, the period of continued payment is capped at a maximum of 36 months in the event that the member resigns, or at a minimum of 24 months and a maximum of 36 months in the event that the member is removed from office or dismissed by Infineon Technologies AG. Further details are contained in the Compensation Report.

**P** see page 99 ff.

The change-of-control clauses agreed with the members of the Management Board correspond to the recommendation made in section 4.2.3, paragraph 5, of the German Corporate Governance Code. Such clauses are intended to give members of the Management Board financial security in the event of a change of control, with a view to preserving their independence in this situation.

Comparable arrangements for employees are only in place in a small number of individual cases. Notwithstanding the above points, the conditions of both the Performance Share Plan (open to participation by members of the Management Board, managers and other selected employees of the worldwide company) and the Restricted Stock Unit Plan (additionally applicable to specified employees of Infineon in the USA) contain rules that are triggered in the event of a defined change of control (namely holding at least 30 percent of the voting rights of Infineon Technologies AG). For the most part, these rules specify that the vesting periods that are envisaged by the relevant plans are aborted in the event of a change of control. The corresponding rule in the Performance Share Plan does not, however, apply to members of the Management Board, given that the service contracts take precedence.

## Corporate Governance Report

The Corporate Governance Report is publicly available.

@ [www.infineon.com/corporate-governance-report](http://www.infineon.com/corporate-governance-report)

## Declaration concerning the management of the Company

The Declaration on Corporate Governance in accordance with section 289a and section 315, paragraph 5, of the German Commercial Code (HGB)<sup>1</sup> has been made publicly accessible.

@ [www.infineon.com/cms/en/about-infineon/investor/corporate-governance/corporate-governance](http://www.infineon.com/cms/en/about-infineon/investor/corporate-governance/corporate-governance)

## Compensation report

This Compensation Report, which forms part of the Combined Management Report, explains the principles applied in determining compensation for the Management Board and Supervisory Board of Infineon Technologies AG and the level of remuneration paid to the individual members of the Management Board and Supervisory Board in accordance with the applicable legal requirements and the recommendations of the German Corporate Governance Code in the version dated 7 February 2017 (Deutscher Corporate Governance Kodex – “DCGK”). Infineon believes that transparent and understandable reporting of Management Board and Supervisory Board compensation represents a fundamental element of good corporate governance.

<sup>1</sup> In accordance with Article 80 of the Introductory Act to the German Commercial Code (EGHGB), the sections 289f and 315d of the German Commercial Code (HGB) – in the version pertaining to the CSR Directive Implementation Act dated 11 April 2017 – are applicable for the first time for the fiscal year beginning after 31 December 2016 (i.e. for Infineon's 2018 fiscal year).

## Management Board compensation

### Compensation system

The Management Board compensation system – similar to the compensation paid to the individual members of the Management Board – is defined and regularly reviewed by the full Supervisory Board on the basis of proposals made by the Executive Committee. In accordance with applicable legal requirements and the recommendations of the DCGK, the compensation paid to members of the Management Board is intended to reflect the typical level and structure of management board compensation at comparable companies, as well as Infineon's economic position and future prospects. The duties, responsibilities and performance of each member of the Management Board are also to be considered, as is Infineon's wider pay structure. This includes considering Management Board compensation in relation to the compensation of senior management and of the workforce as a whole, including changes in the level of compensation over time. The stated objective is that the compensation structure should be designed in such a way that it promotes sustainable business development, with a cap in place in the event of exceptional developments. Infineon aims to set compensation at a level that is competitive both nationally and internationally, so as to inspire and reward dedication and success in a dynamic environment.

The periodic review of the Management Board compensation system by an external independent compensation expert, started during the previous fiscal year, was completed during the 2017 fiscal year. Notwithstanding the existence of some scope for maneuverability, the expert concluded that the Company's compensation system complies with the requirements of the German Stock Corporation Act (Aktiengesetz) and the DCGK and is in line with current market conditions (for details of the review see "Review of the Management Board compensation system and individual contracts" in this chapter).

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### Components of the Management Board compensation system

There have been no changes to the Management Board compensation system in the 2017 fiscal year compared to the previous fiscal year.

All members of the Management Board receive as compensation for their service an annual income which – based on target achievement of 100 percent – comprises approximately 45 percent fixed compensation and approximately 55 percent variable compensation components:

- › **Fixed compensation:** The fixed compensation comprises a contractually agreed basic annual salary that is not linked to performance and is paid in twelve equal monthly installments.
- › **Variable (performance-related) compensation:** The variable compensation comprises three components – an annual bonus (short-term incentive), a multiple-year bonus (mid-term incentive) and a long-term variable compensation component (long-term incentive).

The **short-term incentive (STI)** is intended to reward performance over the preceding fiscal year, reflecting Infineon's recent progress. Assuming a 100 percent target achievement of the variable compensation, the STI constitutes approximately 20 percent of target annual income. It is set by the Supervisory Board in a two-phase process:

- (i) At the beginning of each fiscal year, the target functions with respect to the two key performance indicators "free cash flow" and "Return on Capital Employed (RoCE)" are defined uniformly for all members of the Management Board. Underpinning the consistent approach taken to managing the business, the same target indicators – supplemented by the Segment Result – are used as the basis for determining the variable compensation components (bonus payments) for Infineon managers and employees. The two key performance indicators referred to above, which are described in more detail in the chapter "Internal Management System", are equally weighted for the purposes of measuring the STI.
- (ii) At the end of the fiscal year, the actual levels of target achievement for free cash flow and RoCE and, hence the amount of the STI payouts, are determined by the Supervisory Board.

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An STI is paid only if, on the basis of the approved financial statements, the levels of target achievement reach at least the 50 percent threshold for both performance indicators (free cash flow, RoCE). If one of the two target thresholds is not achieved, no annual bonus is paid for the relevant fiscal year. If the thresholds are achieved, the arithmetic mean of the two target achievements is calculated and used as the percentage rate to determine the actual STI amount. A cap of 250 percent applies, meaning that the maximum amount that can be paid is two-and-a-half times the target STI (= 100 percent), regardless of an actual higher achievement level. The Supervisory Board



may, in addition, increase or reduce the amount to be paid in each case by up to 50 percent, as it sees fit, based on the performance of the Management Board as a whole, Infineon's position, and any exceptional factors. A lower limit applies in this case such that the amount to be paid cannot be less than the amount that would be due given 50 percent target achievement. The upper limit for an upward adjustment is the cap of 250 percent.

If the term of office on the Board begins or ends during a fiscal year, the entitlement to STI is reduced on a pro-rata monthly basis (by one twelfth for each full month missing from the complete STI tranche). A member of the Management Board is not entitled to receive an STI bonus for the fiscal year in which he/she resigns from office (unless the resignation is for a reason ("good cause"), for which the member is not responsible) or if the board member's contract is terminated by the Company for good cause.

The **mid-term incentive (MTI)** is intended to reward sustained performance by the Management Board reflecting Infineon's medium-term progress. In combination with the long-term incentive, the MTI therefore ensures compliance with the stock corporation law requirement that the structure of compensation is "oriented toward sustainable growth of the enterprise". Assuming a 100 percent target achievement of the variable compensation, the MTI constitutes approximately 20 percent of target annual income.

A new MTI tranche, each with a term of three years, commences every fiscal year. The incentive is paid in cash at the end of the three-year term. The amount of the payment is determined on the basis of actual RoCE and free cash flow figures during each three-year period. For these purposes, the target values for RoCE and free cash flow for each individual year of an MTI tranche correspond to the STI targets set each year in advance. The level of achievement for both the RoCE target and the free cash flow target must reach a threshold of 50 percent in each year of the relevant three-year period, otherwise it is deemed – for MTI purposes – to be zero for the year concerned. If the thresholds are exceeded, the level of target achievement determined for the STI applies for the relevant annual tranche of the MTI. The MTI to be paid at the end of the three-year period is determined by calculating the arithmetic mean of the three annual target achievement levels. Unlike the STI, the MTI is paid as calculated, even if the mean level of target achievement for the three-year period is below 50 percent. A cap of 200 percent applies, meaning that the maximum amount that can be paid is two times the target MTI (= 100 percent), regardless of the actual achievement level.

The Supervisory Board may increase or reduce the amount to be paid under the MTI in each case by up to 50 percent, as it sees fit, based on the performance of the Management Board as a whole, Infineon's situation and any exceptional factors. When exercising its judgment in this respect, the Supervisory Board also takes into account the extent to which the three-year target for revenue growth and Segment Result (set each year by the Supervisory Board exclusively for this purpose) has been achieved and the degree of success achieved complementing organic growth through M&A activities. Unlike the STI, there is no lower limit for the amount by which the Supervisory Board can adjust the MTI; for the upper limit, however, the cap applies (200 percent).

If the term of office commences during a fiscal year, the MTI tranche is reduced on a pro-rata basis (by 1/36 for each full month missing from the complete MTI tranche). Upon leaving Infineon, regulations ensure as a general rule that the member of the Management Board can only receive an MTI payment for the number of MTI tranches corresponding to the member's term of office, reduced where appropriate, on a pro-rata basis. MTI tranches already started are forfeited if a mandate or service contract of a member of the Management Board comes to an end before the due date, for instance if a member resigns from office (unless the resignation is for good cause for which the member is not responsible) or if the board member's contract is terminated by the Company for good cause.

The **long-term incentive (LTI)** is intended to reward long-term and, similar to the MTI, sustained performance on the part of members of the Management Board and, additionally, to ensure that their interests are aligned with the interest of the Company's shareholders regarding a positive share price development. Assuming a 100 percent target achievement of the variable compensation, the LTI constitutes approximately 15 percent of target annual income.

With effect from the 2014 fiscal year, the LTI is awarded in the form of a Performance Share Plan. As well as being relevant for members of the Management Board, the new LTI also applies – with minor differences attributable to specific circumstances and as a benefit paid voluntarily by the Company – to Infineon managers and selected Infineon employees worldwide.



(Virtual) performance shares were allocated previously on 1 October of each fiscal year for the fiscal year beginning on that date – initially on a provisional basis. Following a recommendation made by the Executive Committee, on 3 August 2017 the Supervisory Board resolved that the provisional allocation of performance shares for LTI purposes will take place in future on 1 March of each fiscal year. Consequently, based on the four-year term of the relevant tranche, the definitive allocation of (real) Infineon shares will take place at the end of the month of February four years later.

The performance shares are allocated on the basis of the contractually agreed “LTI allocation amount” in euro. This amount is reduced accordingly if the member of the Management Board takes up office during a fiscal year. The number of performance shares is determined by dividing the LTI allocation amount by the average price of the Infineon share (Xetra closing price) during the nine months prior to the allocation date. The prerequisites for the definitive allocation of the – at that stage still virtual – performance shares are (i) that the member of the Management Board invests 25 percent of his/her individual LTI allocation amount in Infineon shares in compliance with an own-investment requirement pertaining to the provisional allocation) and (ii) that the holding period of four years applicable both for the member’s own-investment and for the performance shares has come to an end. 50 percent of the performance shares are also performance-related; they are only allocated definitely if (iii) the Infineon share outperforms the Philadelphia Semiconductor Index (SOX) between the date of the performance shares’ provisional allocation and the end of the holding period. If the conditions for the definitive allocation of performance shares – either of all or of only those that are not performance-related – are met at the end of the holding period, the member of the Management Board acquires a claim against the Company for the transfer of the corresponding number of (real) Infineon shares. Performance shares which do not achieve the target are forfeited. The value of the performance shares definitively granted to the member of the Management Board per LTI tranche at the end of the holding period may not exceed 250 percent of the relevant LTI allocation amount; the performance shares above this amount are forfeited (cap).

The shares are transferred to a securities custodian account attributable to the member of the Management Board; thereafter he/she can freely dispose of them. The same also applies to Infineon shares acquired in conjunction with the own-investment requirement at the end of the holding period.

The Supervisory Board has the right, at the end of the holding period, to make a value-equivalent cash settlement to the member of the Management Board rather than actually transfer Infineon shares. On 3 August 2017 the Supervisory Board resolved that the performance shares maturing on expiry of 30 September 2017 relating to the tranche awarded on 1 October 2013 will not be allocated in the form of Infineon shares, but rather – in accordance with the option specified in the Performance Share Plan – will be settled in cash.

If the member of the Management Board leaves office during the first two years of the full four-year holding period applicable to the performance shares of a particular LTI tranche, those performance shares are forfeited unless the reason for leaving office is ill-health, good cause for which the member is not responsible or the fact that the age limit specified in the service contract has been reached. Only the holding period for the own-investment shares expires when the member of the Management Board leaves office; at that stage the member of the Management Board concerned can freely dispose of the shares. If the member of the Management Board resigns from office at a later date – unless the resignation is for good cause for which the member is not responsible or if the board member’s contract is terminated by the Company for good cause – the LTI tranche (including the own-investment) remains in place unchanged. The member of the Management Board is then treated in all respects as if he/she were still in office; there is no pro rata reduction in the LTI tranche due to leaving office early.

The Supervisory Board is required to define suitable alternative LTI instruments of commensurate value if it is impossible or not desired by the Supervisory Board to offer an LTI on the basis of the Performance Share Plan.

Prior to the introduction of the Performance Share Plan, the Company maintained a stock option plan as an LTI, which was resolved at the 2010 Annual General Meeting. Subject to compliance with the terms of the Stock Option Plan 2010 – particularly the attainment of the absolute and percentage performance targets – the stock options allocated to members of the Management Board on the basis of this plan may still be exercised until 14 December 2019.

Additionally, the Supervisory Board has the option – based in all cases on its own best judgment – to grant a **special bonus**, among other things for special achievements of the Management Board or its individual members. This bonus is capped, however, at a maximum of 30 percent of the fixed compensation of the member of the Management Board.



## Management Board compensation in the 2017 fiscal year in accordance with German Accounting Standard 17 (DRS 17)

### Total compensation

Total compensation to members of the Management Board pursuant to DRS 17 and benefits to the individual members of the Management Board – also presented in accordance with DRS 17 – are shown in the following table:

in €	Dr. Reinhard Ploss Chief Executive Officer		Dominik Asam Chief Financial Officer		Dr. Helmut Gassel <sup>3</sup> Member of the Management Board	
	2017	2016	2017	2016	2017	2016
<b>Fixed compensation</b>						
Basic annual salary	1,075,000	1,075,000	750,000	750,000	685,000	171,250
Fringe benefits	36,154	35,724	43,203	41,185	47,728	8,714
<b>Total fixed compensation</b>	<b>1,111,154</b>	<b>1,110,724</b>	<b>793,203</b>	<b>791,185</b>	<b>732,728</b>	<b>179,964</b>
<b>Variable compensation</b>						
Single-year variable compensation (STI)	670,080	474,720	474,640	336,260	429,968	76,153
Multi-year variable compensation						
Mid Term Incentive (MTI) <sup>1</sup>						
2014 – 2016 tranche	–	288,460	–	201,537	–	–
2015 – 2017 tranche	243,040	158,240	172,153	112,087	–	–
2016 – 2018 tranche	243,040	158,240	172,153	112,087	155,951	25,384
2017 – 2019 tranche	243,040	–	172,153	–	155,951	–
Long Term Incentive (LTI)						
Performance Share Plan <sup>2</sup>	315,608	244,367	211,838	164,024	190,238	–
<b>Total variable compensation</b>	<b>1,714,808</b>	<b>1,324,027</b>	<b>1,202,937</b>	<b>925,995</b>	<b>932,108</b>	<b>101,537</b>
<b>Total compensation</b>	<b>2,825,962</b>	<b>2,434,751</b>	<b>1,996,140</b>	<b>1,717,180</b>	<b>1,664,836</b>	<b>281,501</b>

1 The values include the annual MTI tranche granted in the respective fiscal year based on the fulfilment of the plan requirements.

2 The figures for the active members of the Management Board in the 2017 fiscal year are based on a fair market value per performance share amounting to €11.25 (2016: €7.07), which was calculated using a Monte-Carlo simulation model taking account of the value-reducing cap.

3 With effect from 1 July 2016 Dr. Helmut Gassel was appointed to the Management Board with responsibility for strategy development, sales and marketing, and the regions.

in €	Jochen Hanebeck <sup>3</sup> Member of the Management Board		Arunjai Mittal <sup>4</sup> Member of the Management Board		Total Management Board	
	2017	2016	2017	2016	2017	2016
<b>Fixed compensation</b>						
Basic annual salary	685,000	171,250	–	562,500	3,195,000	2,730,000
Fringe benefits	32,016	7,697	–	26,962	159,101	120,282
<b>Total fixed compensation</b>	<b>717,016</b>	<b>178,947</b>	<b>–</b>	<b>589,462</b>	<b>3,354,101</b>	<b>2,850,282</b>
<b>Variable compensation</b>						
Single-year variable compensation (STI)	429,968	76,153	–	336,260	2,004,656	1,299,546
Multi-year variable compensation						
Mid Term Incentive (MTI) <sup>1</sup>						
2014 – 2016 tranche	–	–	–	201,537	–	691,534
2015 – 2017 tranche	–	–	–	112,087	415,193	382,414
2016 – 2018 tranche	155,951	25,384	–	112,087	727,095	433,182
2017 – 2019 tranche	155,951	–	–	–	727,095	–
Long Term Incentive (LTI)						
Performance Share Plan <sup>2</sup>	190,238	–	–	–	907,922	408,391
<b>Total variable compensation</b>	<b>932,108</b>	<b>101,537</b>	<b>–</b>	<b>761,971</b>	<b>4,781,961</b>	<b>3,215,067</b>
<b>Total compensation</b>	<b>1,649,124</b>	<b>280,484</b>	<b>–</b>	<b>1,351,433</b>	<b>8,136,062</b>	<b>6,065,349</b>

1 The values include the annual MTI tranche granted in the respective fiscal year based on the fulfilment of the plan requirements.

2 The figures for the active members of the Management Board in the 2017 fiscal year are based on a fair market value per performance share amounting to €11.25 (2016: €7.07), which was calculated using a Monte-Carlo simulation model taking account of the value-reducing cap.

3 With effect from 1 July 2016 Jochen Hanebeck was appointed to the Management Board with responsibility for operations.

4 With effect from 30 June 2016 Arunjai Mittal resigned from the Management Board, his service contract ended with effect from 30 September 2016.

Members of the Management Board did not receive any loans from Infineon, either in the 2017 or 2016 fiscal years.

Similarly, they did not receive any benefits from third parties in the 2017 and 2016 fiscal years, whether promised or actually paid, for their Board activities at Infineon.

### Fringe benefits

In accordance with their service contracts, members of the Management Board are entitled to a chauffeur-driven company car, which may also be used for private purposes. Operating and maintenance costs for the company car and chauffeur are borne by the Company. Taxes arising on the fringe benefit related to private usage are borne by the members of the Management Board.

The Company also maintains accident insurance policies for members of the Board in the case of death (€3 million) and invalidity (€5 million).

### Share-based compensation

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As described in the section “Management Board compensation”, the contractually agreed LTI is granted to members of the Management Board by the Company in the form of “performance shares”. The average price of the Infineon share relevant for the number of performance shares granted for the 2017 fiscal year was €13.01 (2016: €10.56).

A fair market value of €11.25 (2016: €7.07) per performance share granted in the 2017 fiscal year was determined, taking account – among other things – of the cap of 250 percent cap set on the LTI allocation amount.

The following table shows the number of performance shares awarded to members of the Management Board in the 2017 fiscal year. In addition, the table contains information relating to the Stock Option Plan 2010, on the basis of which stock options were allocated to members of the Management Board for the final time in the 2013 fiscal year.

Member of the Management Board	Fiscal year	Performance Share Plan			
		Virtual performance shares outstanding at the beginning of the fiscal year	Virtual performance shares newly granted at the beginning of the fiscal year		Virtual performance shares outstanding at the end of the fiscal year
		Number	Number	Fair value grant date in €	Number
Dr. Reinhard Ploss (Chief Executive Officer)	2017	125,136	28,054	315,608	153,190
	2016	90,572	34,564	244,367	125,136
Dominik Asam (Chief Financial Officer)	2017	85,288	18,830	211,838	104,118
	2016	62,088	23,200	164,024	85,288
Dr. Helmut Gassel <sup>1</sup> (Member of the Management Board)	2017	-	16,910	190,238	16,910
	2016	-	-	-	-
Jochen Hanebeck <sup>2</sup> (Member of the Management Board)	2017	-	16,910	190,238	16,910
	2016	-	-	-	-
Arunjai Mittal <sup>3</sup> (Member of the Management Board)	2017	-	-	-	-
	2016	62,088	-	-	62,088
<b>Total</b>	2017	<b>210,424</b>	<b>80,704</b>	<b>907,922</b>	<b>291,128</b>
	2016	214,748	57,764	408,391	272,512

1 With effect from 1 July 2016 Dr. Helmut Gassel was appointed to the Management Board with responsibility for strategy development, sales and marketing, and the regions.

2 With effect from 1 July 2016 Jochen Hanebeck was appointed to the Management Board with responsibility for operations.

3 With effect from 30 June 2016 Arunjai Mittal resigned from the Management Board, his service contract ended with effect from 30 September 2016.



Member of the Management Board	Fiscal year	Stock Option Plan 2010					Total expense for share-based compensation in €
		Stock options outstanding at the beginning of the fiscal year	Stock options outstanding at the end of the fiscal year	Stock options exercised in the fiscal year	Stock options expired in the fiscal year <sup>1</sup>	Exercisable stock options outstanding at the end of the fiscal year	
Dr. Reinhard Ploss (Chief Executive Officer)	2017	307,500	-	208,200	99,300	-	376,461
	2016	433,214	307,500	95,800	29,914	120,000	323,243
Dominik Asam (Chief Financial Officer)	2017	130,952	-	62,800	68,152	-	285,173
	2016	350,952	130,952	167,740	52,260	-	213,678
Dr. Helmut Gassel <sup>2</sup> (Member of the Management Board)	2017	-	-	-	-	-	94,858
	2016	-	-	-	-	-	-
Jochen Hanebeck <sup>3</sup> (Member of the Management Board)	2017	-	-	-	-	-	94,858
	2016	-	-	-	-	-	-
Arunjai Mittal <sup>4</sup> (Member of the Management Board)	2017	-	-	-	-	-	-
	2016	229,167	229,167	-	-	-	160,607
<b>Total</b>	2017	<b>438,452</b>	<b>-</b>	<b>271,000</b>	<b>167,452</b>	<b>-</b>	<b>851,350</b>
	2016	1,013,333	667,619	263,540	82,174	120,000	697,528

1 When exercising stock options members of the Management Board may only make gains up to a pre-determined amount (cap). Where the cap has been reached in the fiscal year stock options have expired.

2 With effect from 1 July 2016 Dr. Helmut Gassel was appointed to the Management Board with responsibility for strategy development, sales and marketing, and the regions.

3 With effect from 1 July 2016 Jochen Hanebeck was appointed to the Management Board with responsibility for operations.

4 With effect from 30 June 2016 Arunjai Mittal resigned from the Management Board, his service contract ended with effect from 30 September 2016.

Further details regarding the performance shares granted to the members of the Management Board on 1 October 2016 for the 2017 fiscal year are provided in note 17 to the Consolidated Financial Statements. In a change from previous practice, the performance shares for the 2018 fiscal year will not be allocated to the members of the Management Board until 1 March 2018.

**P** see page 151 f.

### Special bonuses

The Supervisory Board did not award any special bonuses to members of the Management Board during the 2017 fiscal year.

### Other awards and benefits

In the 2009 fiscal year, the Company entered into a restitution agreement with each of the active members of the Management Board at that time. Dr. Ploss is the only current member of the Management Board affected by the agreement. These agreements stipulate that the Company covers all costs and expenses of any legal, governmental, regulatory and/or parliamentary proceedings and investigations as well as arbitration proceedings, in which the member of the Management Board is involved in conjunction with his/her activities on behalf of the Company. However, the agreements specifically exclude any restitution of costs if the Company initiates proceedings against the member of the Management Board for a breach of the duty of care owed in conjunction with section 93, paragraph 2, German Stock Corporation Act (Aktiengesetz).

### Management Board compensation in the 2017 fiscal year in accordance with the German Corporate Governance Code

The DCGK recommends that the individual compensation components of each member of the Management Board be disclosed in accordance with specified criteria. It also recommends that disclosure is based on the model tables – in part diverging from DRS 17 – provided in the appendix to the Code.

### Compensation granted in accordance with DCGK

The following table shows the value of compensation granted for the 2016 and 2017 fiscal years, including fringe benefits, as well as the minimum and maximum values that can be achieved for the 2017 fiscal year.

Unlike in the disclosures in accordance with DRS 17, the STI is required to be disclosed pursuant to the DCGK at the target value (i.e. the value in the event of 100 percent target achievement). The MTI is required to be disclosed – in a deviation from DRS 17 – at the target value for an “average probability scenario” at the grant date. For these purposes, Infineon assumes 100 percent target achievement. In addition, the pension expense, i.e. the service cost pursuant to IAS 19 (see “Commitments to members of the Management Board upon termination of their Board activities” in this chapter), is also required to be included in the amount of total compensation disclosed in accordance with the DCGK.

**P** see page 108 ff.



Compensation granted to members of the Management Board in accordance with the DCGK (total compensation and compensation components) as well as the minimum and maximum values that can be achieved are shown in the following table:

in €	Dr. Reinhard Ploss Chief Executive Officer				Dominik Asam Chief Financial Officer			
	2017	2016	2017 (min.)	2017 (max.)	2017	2016	2017 (min.)	2017 (max.)
<b>Fixed compensation</b>								
Basic annual salary	1,075,000	1,075,000	1,075,000	1,075,000	750,000	750,000	750,000	750,000
Fringe benefits	36,154	35,724	36,154	36,154	43,203	41,185	43,203	43,203
<b>Total fixed compensation</b>	<b>1,111,154</b>	<b>1,110,724</b>	<b>1,111,154</b>	<b>1,111,154</b>	<b>793,203</b>	<b>791,185</b>	<b>793,203</b>	<b>793,203</b>
<b>Variable compensation</b>								
Single-year variable compensation (STI)	480,000	480,000	-	1,200,000	340,000	340,000	-	850,000
Multi-year variable compensation								
Mid Term Incentive (MTI)								
2016 – 2018 tranche	-	480,000	-	-	-	340,000	-	-
2017 – 2019 tranche	480,000	-	-	960,000	340,000	-	-	680,000
Long Term Incentive (LTI)								
Performance Share Plan <sup>1</sup>	315,608	244,367	157,804	912,500	211,838	164,024	105,919	612,500
<b>Total variable compensation</b>	<b>1,275,608</b>	<b>1,204,367</b>	<b>157,804</b>	<b>3,072,500</b>	<b>891,838</b>	<b>844,024</b>	<b>105,919</b>	<b>2,142,500</b>
Pension expense <sup>2</sup>	321,123	-	321,123	321,123	297,220	271,061	297,220	297,220
<b>Total compensation (DCGK)</b>	<b>2,707,885</b>	<b>2,315,091</b>	<b>1,590,081</b>	<b>4,504,777</b>	<b>1,982,261</b>	<b>1,906,270</b>	<b>1,196,342</b>	<b>3,232,923</b>

1 The figures of the active members of the Management Board in the 2017 fiscal year are based on a fair market value per performance share amounting to €11.25 (2016: €7.07), which was calculated using a Monte-Carlo simulation.

2 Income from past service costs for Dr. Ploss amounting to €1,114,773 have been recorded in the 2017 fiscal year (see “Benefits and pension entitlements in the 2017 fiscal year” in this chapter).

3 With effect from 1 July 2016 Dr. Helmut Gassel was appointed to the Management Board with responsibility for strategy development, sales and marketing, and the regions.

4 With effect from 1 July 2016 Jochen Hanebeck was appointed to the Management Board with responsibility for operations.

5 With effect from 30 June 2016 Arunjai Mittal resigned from the Management Board, his employment ended with effect from 30 September 2016.



Dr. Helmut Gassel <sup>3</sup> Member of the Management Board				Jochen Hanebeck <sup>4</sup> Member of the Management Board				Arunjai Mittal <sup>5</sup> Member of the Management Board			
2017	2016	2017 (min.)	2017 (max.)	2017	2016	2017 (min.)	2017 (max.)	2017	2016	2017 (min.)	2017 (max.)
685,000	171,250	685,000	685,000	685,000	171,250	685,000	685,000	-	562,500	-	-
47,728	8,714	47,728	47,728	32,016	7,697	32,016	32,016	-	26,962	-	-
<b>732,728</b>	<b>179,964</b>	<b>732,728</b>	<b>732,728</b>	<b>717,016</b>	<b>178,947</b>	<b>717,016</b>	<b>717,016</b>	-	<b>589,462</b>	-	-
308,000	77,000	-	770,000	308,000	77,000	-	770,000	-	340,000	-	-
-	231,000	-	-	-	231,000	-	-	-	340,000	-	-
308,000	-	-	616,000	308,000	-	-	616,000	-	-	-	-
190,238	-	95,119	550,000	190,238	-	95,119	550,000	-	-	-	-
<b>806,238</b>	<b>308,000</b>	<b>95,119</b>	<b>1,936,000</b>	<b>806,238</b>	<b>308,000</b>	<b>95,119</b>	<b>1,936,000</b>	-	<b>680,000</b>	-	-
132,853	25,458	132,853	132,853	162,385	29,321	162,385	162,385	-	241,677	-	-
<b>1,671,819</b>	<b>513,422</b>	<b>960,700</b>	<b>2,801,581</b>	<b>1,685,639</b>	<b>516,268</b>	<b>974,520</b>	<b>2,815,401</b>	-	<b>1,511,139</b>	-	-

### Allocation amount in accordance with DCGK

Since compensation granted to members of the Management Board for the 2017 fiscal year does not coincide fully with amounts disbursed in a particular fiscal year, a separate table is presented – in accordance with the relevant DCGK recommendation – showing the amounts flowing to members of the Management Board for the 2017 fiscal year (the “allocation amount” (“Zufluss”)).

In line with the DCGK recommendations, the fixed compensation and the STI are required to be disclosed as the allocation amount for the relevant fiscal year concerned. In the case of the MTI, the DCGK recommends that this is disclosed as flowing to members of the Management Board in the fiscal year in which the plan term of the relevant MTI tranche ends. In addition to the fixed compensation and the STI granted for the 2017 fiscal year, the allocation amount for the 2015-2017 MTI tranche therefore flowed to the members of the Management Board in the 2017 fiscal year. In accordance with the DCGK, share-based payments are deemed to be allocated on the basis of the relevant time and value for German tax law purposes. The performance shares issued on 1 October 2013 which were settled in cash after the end of the 2017 fiscal year (see “Components of the Management Board compensation system” in this chapter) will not be disclosed as having flowed until the 2018 fiscal year in the following table. In line with the DCGK recommendations, the pension expense (meaning the service cost pursuant to IAS 19) constitutes the allocation amount (see previous table), even though it is not – strictly speaking – an allocation.

**P** see page 100 ff.



The total compensation allocated to the individual members of the Management Board for the 2017 fiscal year in accordance with DCGK – analyzed by component – is shown in the following table:

in €	Dr. Reinhard Ploss Chief Executive Officer		Dominik Asam Chief Financial Officer		Dr. Helmut Gassel <sup>2</sup> Member of the Management Board		Jochen Hanebeck <sup>3</sup> Member of the Management Board		Arunjai Mittal <sup>4</sup> Member of the Management Board	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
<b>Fixed compensation</b>										
Basic annual salary	1,075,000	1,075,000	750,000	750,000	685,000	171,250	685,000	171,250	-	562,500
Fringe benefits	36,154	35,724	43,203	41,185	47,728	8,714	32,016	7,697	-	26,962
<b>Total fixed compensation</b>	<b>1,111,154</b>	<b>1,110,724</b>	<b>793,203</b>	<b>791,185</b>	<b>732,728</b>	<b>179,964</b>	<b>717,016</b>	<b>178,947</b>	<b>-</b>	<b>589,462</b>
<b>Variable compensation</b>										
Single-year variable compensation (STI)	670,080	474,720	474,640	336,260	429,968	76,153	429,968	76,153	-	336,260
Multi-year variable compensation										
Mid Term Incentive (MTI)										
2014 – 2016 tranche	-	706,080	-	507,792	-	-	-	-	-	507,792
2015 – 2017 tranche	678,720	-	480,760	-	-	-	-	-	-	-
Long Term Incentive (LTI)										
Stock Option Plan 2010	1,525,500	550,000	550,000	962,500	-	-	-	-	-	-
Performance Share Plan	-	-	-	-	-	-	-	-	-	-
<b>Total variable compensation</b>	<b>2,874,300</b>	<b>1,730,800</b>	<b>1,505,400</b>	<b>1,806,552</b>	<b>429,968</b>	<b>76,153</b>	<b>429,968</b>	<b>76,153</b>	<b>-</b>	<b>844,052</b>
Pension expense <sup>1</sup>	321,123	-	297,220	271,061	132,853	25,458	162,385	29,321	-	241,677
<b>Total compensation (DCGK)</b>	<b>4,306,577</b>	<b>2,841,524</b>	<b>2,595,823</b>	<b>2,868,798</b>	<b>1,295,549</b>	<b>281,575</b>	<b>1,309,369</b>	<b>284,421</b>	<b>-</b>	<b>1,675,191</b>

<sup>1</sup> Income from past service costs for Dr. Ploss amounting to €1,114,773 have been recorded in the 2017 fiscal year (see "Benefits and pension entitlements in the 2017 fiscal year" in this chapter).

<sup>2</sup> With effect from 1 July 2016 Dr. Helmut Gassel was appointed to the Management Board with responsibility for strategy development, sales and marketing, and the regions.

<sup>3</sup> With effect from 1 July 2016 Jochen Hanebeck was appointed to the Management Board with responsibility for operations.

<sup>4</sup> With effect from 30 June 2016 Arunjai Mittal resigned from the Management Board, his service contract ended with effect from 30 September 2016.

## Commitments to members of the Management Board upon termination of their Board activities

### Benefits and pension entitlements in the 2017 fiscal year

In accordance with the Management Board compensation system in place since 2010, the members of the Management Board have, in the meantime, all received a defined contribution pension commitment, which is essentially identical to the Infineon pension plan applicable to all employees. The Company has accordingly set up a personal pension account (basic account) for each beneficiary and makes annual pension contributions to it. The Company adds annual interest to the balance in the basic account using the highest statutory interest rates valid for the insurance industry (guaranteed interest rates) until disbursement of the pension begins and may also award surplus credits. Ninety-five percent of any income earned over and above the guaranteed interest rate is credited to the pension account, either at the date on which disbursement of the pension begins or, at the latest, when the beneficiary reaches the age of 60. The balance of the basic 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 entitlement and is paid out to the member of the Management Board or his or her surviving dependents in twelve annual installments, or, if so requested by the member of the Management Board, in eight annual installments, as a lump sum or as a life-long pension. In addition to the defined contribution pension plan that has been in place for Dr. Ploss since 1 January 2016, a fully vested fixed-amount pension entitlement of €210,000 p.a. also exists for his Board activities up to 31 December 2015 which will not increase in future.



If the entitlements of members of the Management Board (i) have not yet legally vested or (ii) have legally vested, but are not protected by the state pension insurance scheme (Pensionssicherungsverein), the Company maintains pension reinsurance policies in favor of, and pledged to, the members of the Management Board concerned.

The plan rules applicable to members of the Management Board differ in terms of the initial defined component, the annual transfer to the pension account and the vesting period.

- › The defined contribution pension plan in place for Dr. Ploss is also based on a fixed contribution amount of 30 percent of the relevant agreed basic annual salary. The pension contribution made by the Company for the 2017 fiscal year amounted to €322,500.
- › On joining the Management Board, the Company made a one-time, contractually vested initial pension contribution of €540,000 on behalf of Mr. Asam as compensation for the loss of vested retirement pension entitlements in connection with the termination agreement with his previous employer. For each fiscal year of his membership on the Management Board, Mr. Asam also receives a pension contribution from the Company amounting to between 25 and 40 percent, as determined by the Supervisory Board, of the relevant agreed basic annual salary. As in the previous year, the pension contribution for Mr. Asam for the 2017 fiscal year has been set at 30 percent of his basic annual salary and therefore amounts to €225,000. The pension entitlements arising from the defined contributions made on behalf of Mr. Asam vested with effect from 31 December 2013.
- › Dr. Gassel and Mr. Hanebeck have statutorily vested pension entitlements as a result of their previous periods of employment in senior management positions with Infineon. The contracts appointing them to the Board specifically state that the amounts made available to cover their vested pension entitlements represent a continuation of those vested entitlements and are, therefore, not subject to any separate vesting arrangements. The Company makes a fixed annual pension contribution on behalf of Dr. Gassel and Mr. Hanebeck for each full fiscal year of service on the Board, equivalent to 30 percent of the relevant agreed basic annual salary. The Supervisory Board is not required to decide each time on the amount to be contributed. The pension contributions for the 2017 fiscal year for Dr. Gassel and Mr. Hanebeck amounted in each case to €205,500.

The amounts credited to the pension entitlement accounts of the members of the Management Board – in line with the plan rules applied to Infineon employees – are paid out on or after reaching the age of 67, provided the service contract has also ended, or, upon request, at an earlier point in time if the service contract ends on or after reaching the age of 60. If the beneficiaries elect that their pension be paid out in monthly installments, the pension amount is adjusted automatically each year in accordance with the Infineon pension plan.

Alongside the annual retirement entitlements and related benefit amounts, the following table shows the present values of pension entitlements earned to date and the service cost in accordance with IFRS. The service cost reported in the table for Dr. Gassel and Mr. Hanebeck only relates to periods of current Board activities. The present value of pension and benefit entitlements is particularly dependent on changes in the discount rate required to be applied (30 September 2017: 1.8 percent, 30 September 2016: 1.0 percent).

## Pension entitlements

in €	Fiscal year	Pension entitlements (annual) as of beginning of pension period	Benefit amounts determined for the relevant fiscal year	Present value of pension and benefit entitlement	Original service cost (earned in the current year)
Member of the Management Board					
Dr. Reinhard Ploss <sup>1</sup> (Chief Executive Officer)	2017	-	322,500	629,343	321,123
		210,000	-	4,876,940	-
	2016	210,000	-	6,832,791	-
Dominik Asam (Chief Financial Officer)	2017	-	225,000	2,586,986	297,220
	2016	-	225,000	2,558,440	271,061
Dr. Helmut Gassel <sup>2</sup> (Member of the Management Board)	2017	-	205,500	2,716,822	132,853
	2016	-	51,375	2,780,620	25,458
Jochen Hanebeck <sup>3</sup> (Member of the Management Board)	2017	-	205,500	3,361,736	162,385
	2016	-	51,375	3,540,697	29,321
Arunjai Mittal <sup>4</sup> (Member of the Management Board)	2017	-	-	-	-
	2016	-	225,000	2,511,117	241,677
<b>Total</b>	<b>2017</b>	<b>210,000</b>	<b>958,500</b>	<b>14,171,827</b>	<b>913,581</b>
	<b>2016</b>	<b>210,000</b>	<b>552,750</b>	<b>18,223,665</b>	<b>567,517</b>

1 The upper line for Dr. Ploss shows the contribution amount, the present value and the service cost relating to the defined contribution entitlements additionally granted to him with effect from 1 January 2016. The second line shows the pension entitlements and the present value of his fixed amount pension plan. Income from past service cost amounting to €1,114,773 was recognized in the 2017 fiscal year.

2 With effect from 1 July 2016 Dr. Helmut Gassel was appointed to the Management Board with responsibility for strategy development, sales and marketing, and the regions.

3 With effect from 1 July 2016 Jochen Hanebeck was appointed to the Management Board with responsibility for operations.

4 With effect from 30 June 2016 Arunjai Mittal resigned from the Management Board, his employment ended with effect from 30 September 2016.

### Early termination of service contracts

The service contracts of members of the Management Board include a change of control clause, which stipulates the terms that apply when the activities of a member of the Management Board are terminated in the event of a significant change in Infineon's ownership structure. A change of control for the purposes of this clause occurs when a third party, individually or together with another party, acquires at least 50 percent of the voting rights in Infineon Technologies AG as defined in section 30 of the German Securities Acquisition and Takeover Act (Wertpapiererwerbs- und Übernahmegesetz – "WpÜG"). Members of the Management Board have the right to resign and terminate their service contracts within twelve months of the announcement of such a change of control and any who choose to do so are entitled to continued payment of their annual remuneration through to the end of the originally agreed duration of their contract, up to a maximum of 36 months. If Infineon Technologies AG removes a member of the Management Board or terminates his or her contract within twelve months of the announcement of a change of control, the members of the Management Board concerned are entitled to continued payment of their annual remuneration through to the end of the originally agreed duration of their contract, subject to a minimum period of 24 months and a maximum period of 36 months.

The Management Board service contracts otherwise contain no promises of severance pay for situations in which contracts are terminated early.

### Payments to former members of the Management Board in the 2017 fiscal year

Total compensation (primarily pension benefits) of €1,324,427.14 (2016: €1,200,241) is granted to the former members of the Management Board in the 2017 fiscal year. As of 30 September 2017, accrued pension liabilities for former members of the Management Board amounted to €67,862,601 (2016: €77,037,350).

## Review of the Management Board compensation system and individual contracts

In accordance with section 4.2.2 DCGK, the Supervisory Board has engaged an external, independent compensation expert to review the Management Board compensation system in place since 1 October 2010 and conclude on its compliance with applicable legislation and its overall appropriateness. In this context, the target annual incomes of each individual member of the Management Board were subjected to detailed scrutiny. The expert's report concluded that the Company's compensation system complies with legal requirements and with the recommendations set out in the German Corporate Governance Code (DCGK). In particular, the expert concluded that the compensation of Infineon's Management Board is commensurate with market conditions and that the variable compensation component is oriented towards the sustainable growth of the enterprise. Notwithstanding the conclusion that the individual target annual incomes of the members of the Management Board are appropriate, both horizontally (i.e. looking at comparable companies) and vertically (i.e. looking at Infineon's various employee groupings), the report points out the existence of some scope for maneuverability. The results of the compensation expert's review, presented in a final report in fall 2016, were discussed in detail during the Executive Committee meetings held on 24 October 2016 and 9 May 2017 and by the full Supervisory Board on 15 November 2016 and 18 May 2017. The Supervisory Board concurred with the conclusions reached by the compensation expert. It has therefore resolved to increase the compensation of the members of the Management Board with effect from 1 October 2017 – in the case of Dr. Ploss by 15 percent and in the case of Mr. Asam, Dr. Gassel and Mr. Hanebeck by 10 percent respectively. The intention is for the relation of the individual compensation components and hence the compensation structure overall to remain unchanged.

## Supervisory Board compensation

### Compensation structure

The Supervisory Board compensation system was most recently amended at the Annual General Meeting held on 18 February 2016, with (retrospective) effect from 1 October 2015. The objective of the amendment was to remove the previous variable compensation component and structure Supervisory Board compensation in future in compliance with the recommendations of the DCGK.

The compensation due to the Supervisory Board in each fiscal year (total compensation) is governed by section 11 of the Company's Articles of Association and comprises the following:

- › A **fixed compensation (basic remuneration)** of €90,000. This amount applies to each member of the Supervisory Board and is payable within one month of the close of the fiscal year.
- › An **allowance** recognizing the additional work involved in performing certain functions within the Supervisory Board: The Chairman of the Supervisory Board receives an allowance of €90,000, each Vice-chairman receives an allowance of €30,000, the Chairman of the Investment, Finance and Audit Committee and the Chairman of the Strategy and Technology Committee each receive an allowance of €25,000 and each member of a Supervisory Board committee receives an allowance of €15,000 – with the exception of the Nomination Committee and the Mediation Committee. The additional allowance is payable only if the body to which the Supervisory Board or committee member belongs has convened or passed resolutions in the fiscal year concerned. A member of the Supervisory Board performing more than one of the functions indicated receives only the highest single additional allowance payable to a member performing the functions concerned. The allowance is paid to the relevant holder of office within one month of the end of the fiscal year.
- › A meeting attendance fee of €2,000 per meeting of the Supervisory Board or one of its committees that is attended in person. The meeting attendance fee is paid only once if more than one meeting of the relevant committees takes place on a given day.

In the event that a member, during a fiscal year, joins (or leaves) the Supervisory Board or one of its committees, or takes on a Supervisory Board function for which an allowance is paid, the relevant compensation components are disbursed on a pro-rata basis, i.e. payment of one twelfth of the relevant annual compensation component for each (started) month of membership or exercise of function.

Members of the Supervisory Board, moreover, are reimbursed for all expenses incurred in connection with the performance of their Supervisory Board duties and for any value-added tax payable by them in this connection. The Company also pays any value-added tax incurred on their total remuneration (including meeting attendance fees) for the members of the Supervisory Board.



## Compensation of the Supervisory Board for the 2017 fiscal year

The total compensation (including meeting attendance fees) paid to the individual members of the Supervisory Board in the 2017 fiscal year comprises the following (these figures do not include value-added tax at 19 percent):

### Supervisory Board compensation

in €	Fiscal year	Fixed compensation	Allowance for specific functions	Meeting attendance fees	Total compensation
<b>Member of the Supervisory Board</b>					
Peter Bauer	2017	90,000	25,000	18,000	133,000
	2016	90,000	10,417	16,000	116,417
Johann Dechant	2017	90,000	30,000	26,000	146,000
	2016	90,000	30,000	30,000	150,000
Dr. Herbert Diess	2017	90,000	-	6,000	96,000
	2016	90,000	-	14,000	104,000
Annette Engelfried	2017	90,000	15,000	20,000	125,000
	2016	90,000	15,000	20,000	125,000
Peter Gruber	2017	90,000	15,000	18,000	123,000
	2016	90,000	15,000	22,000	127,000
Gerhard Hobbach	2017	90,000	15,000	18,000	123,000
	2016	90,000	15,000	24,000	129,000
Hans-Ulrich Holdenried	2017	90,000	15,000	24,000	129,000
	2016	90,000	15,000	28,000	133,000
Prof. Dr. Renate Köcher	2017	90,000	-	16,000	106,000
	2016	90,000	-	12,000	102,000
Dr. Susanne Lachenmann	2017	90,000	15,000	18,000	123,000
	2016	90,000	15,000	22,000	127,000
Wolfgang Mayrhuber	2017	90,000	90,000	36,000	216,000
	2016	90,000	90,000	34,000	214,000
Géraldine Picaud <sup>1</sup>	2017	60,000	-	6,000	66,000
	2016	-	-	-	-
Dr. Manfred Puffer	2017	90,000	-	20,000	110,000
	2016	90,000	-	14,000	104,000
Prof. Dr. Doris Schmitt-Landsiedel <sup>2</sup>	2017	15,000	-	-	15,000
	2016	90,000	16,667	22,000	128,667
Jürgen Scholz	2017	90,000	15,000	18,000	123,000
	2016	90,000	15,000	22,000	127,000
Kerstin Schulzendorf	2017	90,000	-	12,000	102,000
	2016	90,000	-	10,000	100,000
Dr. Eckart Süner	2017	90,000	25,000	20,000	135,000
	2016	90,000	25,000	24,000	139,000
Diana Vitale	2017	90,000	-	12,000	102,000
	2016	90,000	-	16,000	106,000
<b>Total</b>	2017	<b>1,425,000</b>	<b>260,000</b>	<b>288,000</b>	<b>1,973,000</b>
	2016	<b>1,440,000</b>	<b>262,084</b>	<b>330,000</b>	<b>2,032,084</b>

1 Joined as Member of the Supervisory Board since 16 February 2017. The compensation for 2017 therefore was awarded on a pro-rata basis.

2 Joined as Member of the Supervisory Board until 8 November 2017. The compensation for 2017 therefore was awarded on a pro-rata basis.

Members of the Supervisory Board did not receive any loans from Infineon in either the 2017 or 2016 fiscal years.

Neubiberg, 17 November 2017

Management Board

Dr. Reinhard Ploss

Dominik Asam

Dr. Helmut Gassel

Jochen Hanebeck