

# Corporate Governance Report

## Corporate governance practices

### Corporate governance – standards for effective and responsible corporate management

The Management Board and the Supervisory Board of Infineon Technologies AG view corporate governance as a comprehensive concept for responsible, transparent and value-led corporate management. Good corporate governance contributes towards increasing the value of the business on a sustainable basis, while at the same fostering trust in our entity among national and international investors, the financial markets, business partners, employees and the public. The Management Board, the Supervisory Board and management ensure that corporate governance is actively implemented and continuously developed throughout the entity. Corporate governance at Infineon encompasses not only the German Corporate Governance Code (Deutscher Corporate Governance Kodex – “DCGK”), but also the standards of Infineon’s internal control system, compliance – particularly the Infineon Business Conduct Guidelines – and regulations on organizational and supervisory duties within the entity. The Business Conduct Guidelines and the Regulations on Organizational and Supervisory Duties are available to all employees on the Infineon intranet and can be downloaded.

### Business Conduct Guidelines

We conduct our business responsibly and in compliance with legal requirements and administrative regulations and have established several guidelines that contribute towards achieving this objective. Infineon Technologies AG’s “Business Conduct Guidelines” – as one of the key elements of our corporate governance system – are published online at ([@ www.infineon.com/cms/de/about-infineon/investor/corporate-governance/compliance/business-conduct-guidelines/](http://www.infineon.com/cms/de/about-infineon/investor/corporate-governance/compliance/business-conduct-guidelines/)) and are mandatory for the Management Board and all employees worldwide. They include regulations on compliance with the law, interaction with business partners and third parties, the avoidance of conflicts of interest, the use of company assets, data and information as well as environmental protection, health and safety topics. Also included are regulations relating to the handling of complaints and communication relating to violations of the Business Conduct Guidelines and other rules mandatory for Infineon.

### Corporate Compliance Officer and Compliance Panel

Infineon maintains an independent Compliance Office, underlining Infineon’s clear commitment to absolute compliance with the law and to maintaining ethical standards which protect the legitimate interests of employees, suppliers, customers and shareholders, safeguard Infineon’s reputation, and which nevertheless take account of its needs. In addition to meeting the traditional compliance objectives, such as risk mitigation and increases in efficiency and effectiveness, compliance is promoted with a view to strengthening Infineon’s image as a reliable and fair business partner and thus contributing to its overall success.

Infineon Technologies AG’s Corporate Compliance Officer reports directly to the Chief Financial Officer (CFO). The Corporate Compliance Officer coordinates the Compliance Management System, develops the Infineon compliance program based on a risk-oriented approach, draws up and revises guidelines, advises employees, receives complaints and tip-offs, including those made anonymously, and leads investigations aimed at clarifying compliance-related cases. In addition, the Corporate Compliance Officer carries out regular compliance training measures for employees on a range of topics, in particular anti-trust law and the prevention of corruption. Extensive training measures were again carried out during the 2018 fiscal year.

The Corporate Compliance Officer is supported by regional Compliance Officers. The Company has also established a Compliance Panel that meets on a regular basis and is composed of experienced managers from the Legal, Human Resources, Internal Audit and Security departments and the Corporate Compliance Officer. The primary task of the panel is to deliberate on the current status of compliance throughout the Company, discuss key issues and reach decisions aimed at improving the compliance system.

A whistleblowing system has been established as an important component of the compliance system. Infineon employees can contact the Corporate Compliance Officer on a confidential basis (anonymously if desired) to report any non-compliance with internal guidelines and applicable laws. An external lawyer, serving in the capacity of an independent ombudsman, is also available to enable employees and business partners to pass on confidential information (anonymously if desired) with respect to any statutory violations at Infineon. In collaboration with the Compliance Panel, the Corporate Compliance Officer follows up on every item of information communicated and decides whether to initiate an internal investigation.

The sustainability of the Compliance Management System in place at Group companies is ensured by means of regular internal audits.

### Risk management

The Management Board sees the systematic and effective management of risks and opportunities as an important part of good corporate governance and a key success factor for our business. The system in place ensures that risks and opportunities are detected at an early stage and risk exposures are minimized. The transparency of the Group's risk profile contributes to the systematic and continuous increase in the value of the Company.

Our Group-wide Risk and Opportunity Management System, which is continuously adapted to changes in circumstances, consists of the following sub-processes: identification, analysis, controlling and monitoring of risks and opportunities. Its effectiveness is reviewed regularly by the Supervisory Board's Investment, Finance and Audit Committee.

Details of risk management at Infineon are presented in the chapter "Risk and opportunity report" within the Combined Management Report, which provides an in-depth description of both risk and opportunity management as well as the internal control system at Infineon.

### Transparent corporate management

We report to our shareholders four times a year on business developments and Infineon's business situation, according to a defined financial calendar. The members of the Management Board inform shareholders, analysts, media and the general public about the quarterly and annual results. Our comprehensive investor relations service features regular meetings and telephone conferences with analysts and institutional investors. As a rule, reports, notices and disclosures are available on our website (@ [www.infineon.com](http://www.infineon.com)) in German and English.

Infineon Technologies AG also issues ad hoc announcements in addition to its regular reporting to make known information that is not in the public domain and the disclosure of which is deemed to have a significant impact on the Infineon share price.

The Company has a Disclosure Committee comprising experienced managers from the Investor Relations, Communication, Finance, Financial Reporting and Accounting, Controlling and Tax as well as Legal departments. The Disclosure Committee reviews specified financial and other material information published in conjunction with regular financial reporting or ad hoc announcements.

German law requires the Management Board to draw up a responsibility statement ("Bilanzeit"). The information required for this purpose is confirmed to the Management Board internally by senior executives bearing management responsibility.

### D&O insurance

The Company maintains a directors' and officers' group liability insurance policy ("D&O insurance"). The D&O insurance policy covers personal liability in the event that claims for losses incurred in the course of the performance of their duties are brought against members of the Management and Supervisory Boards and other specified managers. A deductible of 10 percent of the loss up to the amount of one-and-a-half times the annual fixed compensation of the member of the Management or Supervisory Board concerned has been agreed upon in accordance with the statutory regulation in section 93, paragraph 2, of the German Stock Corporation Act (AktG) (for the Management Board) and the recommendation in section 3.8 of the DCGK (for the Supervisory Board).

## Financial reporting and auditing

Since the 2009 fiscal year, Infineon Technologies AG has prepared its Consolidated Financial Statements exclusively in accordance with International Financial Reporting Standards (IFRS) as applicable in the EU. The Separate Financial Statements of Infineon Technologies AG continue to be prepared in accordance with the German Commercial Code (HGB). The Separate and Consolidated Financial Statements of Infineon Technologies AG and the Combined Management Report (Lagebericht) are published within 90 days of the end of the fiscal year upon approval by the Supervisory Board.

The Separate and Consolidated Financial Statements for the 2018 fiscal year were audited by KPMG AG Wirtschaftsprüfungsgesellschaft, Munich (KPMG). The audit also considered the Company's system for the early identification of risks as well as the submission of the Declaration of Compliance in accordance with section 161 AktG. In addition, KPMG performed a review of the Half-Year Financial Report in accordance with section 115, paragraph 5, of the German Securities Trading Act (WpHG). Prior to publication, the Half-Year Financial Report, the Separate Financial Statements and the Consolidated Financial Statements were deliberated on by the Management Board together with the Supervisory Board's Investment, Finance and Audit Committee.

## Managers' Transactions

Persons carrying out executive responsibilities (in Infineon's case, members of the Management and Supervisory Boards) and certain parties related to them, are required by law to notify the Company as well as the Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht – "BaFin") of any of their own transactions involving Company shares or Company debt securities or related financial instruments within three business days. This requirement only applies, however, if the total value of the transactions made by a person subject to notification requirements amounts to €5,000 or more within a given calendar year. The Company is obliged to publish the notifications it receives without undue delay, at the latest within three days, and have them recorded in the Company Register. Such notifications are also reported to the BaFin.

The following transactions with financial instruments were notified to the Company during the 2018 fiscal year:

Dr. Reinhard Ploss, Chairman of the Management Board		
Date of transaction	23 August 2018	12 October 2017
Description	Shares in Infineon Technologies AG	Shares in Infineon Technologies AG
ISIN/WKN	DE0006231004/623 100	DE0006231004/623 100
Type of transaction	Purchase	Sale
Price (per unit)	€21.5946	€21.553898
Number of units	3,900	11,800
Total volume	€84,219.00	€254,336.00
Transaction location	Frankfurt Stock Exchange	Tradegate Exchange
Dominik Asam, member of the Management Board		
Date of transaction	14 June 2018	2 October 2017
Description	Shares in Infineon Technologies AG	Shares in Infineon Technologies AG
ISIN/WKN	DE0006231004/623 100	DE0006231004/623 100
Type of transaction	Purchase	Sale
Price (per unit)	€25.52	€21.643
Number of units	3,142	8,308
Total volume	€80,183.84	€179,812.45
Transaction location	Frankfurt Stock Exchange	Frankfurt Stock Exchange

Dr. Helmut Gassel, member of the Management Board		
Date of transaction	15 March 2018	15 November 2017
Description	Shares in Infineon Technologies AG	Shares in Infineon Technologies AG
ISIN/WKN	DE0006231004/623 100	DE0006231004/623 100
Type of transaction	Purchase	Sale
Price (per unit)	€23.4377	€23.417
Number of units	2,800	1,586
Total volume	€65,625.64	€37,139.36
Transaction location	Frankfurt Stock Exchange	Frankfurt Stock Exchange

  

Jochen Hanebeck, member of the Management Board		
Date of transaction	28 August 2018	27 August 2018
Description	Shares in Infineon Technologies AG	Shares in Infineon Technologies AG
ISIN/WKN	DE0006231004/623 100	DE0006231004/623 100
Type of transaction	Purchase	Purchase
Price (per unit)	€22.15	€21.83
Number of units	100	500
Total volume	€2,215.00	€10,915.00
Transaction location	Frankfurt Stock Exchange	Frankfurt Stock Exchange

### Composition of the Supervisory Board

Concrete objectives for the composition of the Supervisory Board were specified during the 2011 fiscal year in accordance with the recommendation contained in section 5.4.1 DCGK and have been supplemented from time to time in subsequent years. During the 2017 fiscal year, the Supervisory Board revised this catalog of objectives and expanded it to create a comprehensive competency profile. The composition of the Supervisory Board meets the stipulated objectives and the competency profile. In the opinion of the Supervisory Board, all of its current members are independent within the meaning of the DCGK. Further details are presented in the Corporate Governance Statement.

### Avoidance of conflicts of interest

The members of the Management Board and Supervisory Board disclose any conflicts of interest to the Supervisory Board without delay. No conflicts of interest arose in connection with the members of the Management Board and Supervisory Board in the 2018 fiscal year.

Prior to members of the Management Board assuming sideline activities, especially supervisory board mandates outside the Company, the DCGK requires that permission be given by the Supervisory Board. During the fiscal year under report, the Supervisory Board or its Executive Committee respectively gave its permission for the following mandates:

- › Member of the Senate of the German Research Foundation (Dr. Ploss)
- › Member of the Steering Committee of the Learning Systems Platform of the Federal Ministry of Education and Research (Dr. Ploss)
- › Member of the Industrial Advisory Board of the “Munich School of Robotics and Machine Intelligence” (MSRM) of the Technical University of Munich (Dr. Ploss)
- › Member of the Executive Board of acatech – National Academy of Science and Engineering (Dr. Ploss)
- › Member of the Board of Trustees of the Fraunhofer Institute for Microelectronic Circuits and Systems IMS (Dr. Gassel)

### **Shareholdings of members of the Management and Supervisory Board**

As of 30 September 2018, the shares in Infineon Technologies AG held by all members of the Management Board and Supervisory Board did not exceed 1 percent of the total number of the shares issued by the Company.

### **Compensation of the Management Board and the Supervisory Board**

Details of Management Board and Supervisory Board compensation in the 2018 fiscal year are presented in the comprehensive Compensation Report, which is part of the Combined Management Report.

### **Share-based compensation programs for employees and members of the Management Board**

The full text relating to share-based compensation programs can be viewed on Infineon's website at @ [www.infineon.com](http://www.infineon.com) (about Infineon/Investor/Corporate Governance/equity-based compensation).

As an element of the long-term remuneration of management and selected Infineon employees worldwide, a "Performance Share Plan" (PSP) was again applied in the 2018 fiscal year. The same plan applies to members of the Management Board, whereby the latter – unlike other plan participants – have a contractual claim to entitlements under the plan. The principal conditions of the plan for members of the Management Board are described in the Compensation Report. Essentially the same conditions apply to other PSP participants, with rules differing only with respect to mandatory personal investment in Infineon shares and in the event of premature contract termination. Moreover, the cap stipulated for performance shares only applies to members of the Management Board. The Management Board has also resolved a "Restricted Stock Unit Plan" (RSUP) for the USA, based on local market conditions.