

# 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 time 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 the 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 the 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 on the internet at <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, interaction with Company institutions, data and information management 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 mandatory Infineon specific rules. The Business Conduct Guidelines were revised during the 2016 fiscal year, whereby the content and format were updated and revamped with a view to making them easier to understand for all addressees. Publication of the revised guidelines was accompanied by a variety of communications activities and a newly developed web-based training program for staff.

### 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 Infineon’s 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, he or she carries out regular compliance training measures for employees on topics, in particular anti-trust law and the prevention of corruption. Extensive training measures were again carried out during the 2016 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 Infineon and to 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 non-compliance with internal guidelines and applicable laws. Since 2011, an external lawyer serving in the capacity of an independent ombudsman has also been available to enable employees and business partners to pass on confidential information (anonymously if desired) with respect to statutory violations at Infineon. In collaboration with the Compliance Panel, the Corporate Compliance Officer follows up every item of information communicated before deciding whether to initiate an internal investigation.

With effect from the 2015 fiscal year, the sustainability of the Compliance Management System in place at Group companies is also being 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 of the value of the business.

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 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 and the internal control system at Infineon.

### Transparent management

We submit a regular quarterly report to our shareholders, covering business developments and Infineon's position, 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. Reports, notices and disclosures are usually 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 value of the Infineon share.

The Company has a Disclosure Committee comprising experienced managers from the investor relations, communication, finance, financial reporting and accounting, legal and internal audit 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 ("Bilanzaid"). The information required for this purpose is confirmed internally to the Management Board 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 of claims made in particular against members of the Management and Supervisory Boards for the indemnification of losses incurred in the performance of their duties. 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

Starting with 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.

Infineon's financial reporting system for the 2016 fiscal year is audited by KPMG AG Wirtschaftsprüfungsgesellschaft, Munich (KPMG). The Half-Year Financial Report as well as the Quarterly Financial Reports were subject to review by KPMG. The audits also consider the Company's system for the early identification of risks and the submission of the Declaration of Compliance in accordance with section 161 AktG. The Investment, Finance and Audit Committee discusses the Half-Year Financial Report and the Quarterly Financial Reports with the Management Board prior to publication. It has been agreed with KPMG that the Chairman of the committee should be informed without delay if any possible reasons for exclusion or bias occur during the audit, unless they can be eliminated immediately. The auditors should also report immediately on all findings and occurrences material to the Supervisory Board's work that arise in the course of the audit and review engagements.

## Directors' dealings

Persons discharging managerial responsibilities (in Infineon's case, members of the Management and Supervisory Boards) as well as 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 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 in one calendar year. The Company is obliged to publish the notifications it receives without undue delay and have them recorded in the Company Register. Such notifications are also reported to BaFin.

The following transactions with financial instruments were notified to the Company during the 2016 fiscal year:

Last name, first name	Gruber, Peter
Function	Member of the Supervisory Board
Description	New shares in Infineon Technologies AG
ISIN/WKN	DE000A1615M6/A1615M
Date of transaction	December 16, 2015
Purchase/sale	Sale
Price (per unit)	€12.80
Number of units	30,000
Total volume	€384,000.00
Transaction location	otc

Last name, first name	Bauer, Peter
Function	Member of the Supervisory Board
Description	New shares in Infineon Technologies AG
ISIN/WKN	DE000A1615M6/A1615M
Date of transaction	December 16, 2015
Purchase/sale	Sale
Price (per unit)	€12.80
Number of units	147,000
Total volume	€1,881,600.00
Transaction location	otc

Last name, first name	Asam, Dominik
Function	Member of the Management Board
Description	Shares in Infineon Technologies AG
ISIN/WKN	DE0006231004/623 100
Date of transaction	December 16, 2015
Purchase/sale	Purchase
Price (per unit)	€13,175
Number of units	5,800
Total volume	€76,415.00
Transaction location	otc

Last name, first name	Asam, Dominik
Function	Member of the Management Board
Description	New shares in Infineon Technologies AG
ISIN/WKN	DE000A1615M6/A1615M
Date of transaction	December 16, 2015
Purchase/sale	Sale
Price (per unit)	€12.80
Number of units	155,000
Total volume	€1,984,000.00
Transaction location	otc

Last name, first name	Dr. Ploss, Reinhard
Function	Chairman of the Management Board
Description	New shares in Infineon Technologies AG
ISIN/WKN	DE000A1615M6/A1615M
Date of transaction	December 16, 2015
Purchase/sale	Sale
Price (per unit)	€12.80
Number of units	88,000
Total volume	€1,126,400.00
Transaction location	otc

Last name, first name	Bauer, Peter
Function	Member of the Supervisory Board
Description	New shares in Infineon Technologies AG
ISIN/WKN	DE000A1615M6/A1615M
Date of transaction	December 17, 2015
Purchase/sale	Sale
Price (per unit)	€13.13
Number of units	211,900
Total volume	€2,782,247.00
Transaction location	otc

Last name, first name	Asam, Dominik
Function	Member of the Management Board
Description	New shares in Infineon Technologies AG
ISIN/WKN	DE000A1615M6/A1615M
Date of transaction	December 17, 2015
Purchase/sale	Sale
Price (per unit)	€13.13
Number of units	11,800
Total volume	€154,934.00
Transaction location	otc

Last name, first name	Dr. Ploss, Reinhard
Function	Chairman of the Management Board
Description	Shares in Infineon Technologies AG
ISIN/WKN	DE0006231004/623 100
Date of transaction	December 17, 2015
Purchase/sale	Purchase
Price (per unit)	€13.39
Number of units	8,700
Total volume	€116,493.00
Transaction location	Munich

Last name, first name	Dr. Ploss, Reinhard
Function	Chairman of the Management Board
Description	New shares in Infineon Technologies AG
ISIN/WKN	DE000A1615M6/A1615M
Date of transaction	December 17, 2015
Purchase/sale	Sale
Price (per unit)	€13.13
Number of units	7,200
Total volume	€94,536.00
Transaction location	otc

Last name, first name	Bauer, Peter
Function	Member of the Supervisory Board
Description	New shares in Infineon Technologies AG
ISIN/WKN	DE000A1615M6/A1615M
Date of transaction	December 18, 2015
Purchase/sale	Sale
Price (per unit)	€13.05
Number of units	950
Total volume	€12,397.50
Transaction location	otc

Last name, first name	Asam, Dominik
Function	Member of the Management Board
Description	New shares in Infineon Technologies AG
ISIN/WKN	DE000A1615M6/A1615M
Date of transaction	December 18, 2015
Purchase/sale	Sale
Price (per unit)	€13.05
Number of units	940
Total volume	€12,397.50
Transaction location	otc

Last name, first name	Dr. Ploss, Reinhard
Function	Chairman of the Management Board
Description	New shares in Infineon Technologies AG
ISIN/WKN	DE000A1615M6/A1615M
Date of transaction	December 18, 2015
Purchase/sale	Sale
Price (per unit)	€13.05
Number of units	600
Total volume	€7,830.00
Transaction location	otc

Last name, first name	Dr. Sünner, Eckart
Function	Member of the Supervisory Board
Description	Shares in Infineon Technologies AG
ISIN/WKN	DE0006231004/623 100
Date of transaction	February 04, 2016
Purchase/sale	Purchase
Price (per unit)	€11.03
Number of units	10,000
Total volume	€110,300.00
Transaction location	otc

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

Details of Management Board and Supervisory Board compensation in the 2016 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 of 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).

A so-called "Performance Share Plan" (PSP) was used again in the 2016 fiscal year as part of the long-term remuneration of executives and selected Infineon employees worldwide. 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 of personal investment in Infineon shares and in the event of early termination. Moreover, the cap stipulated for Performance Shares only applies to members of the Management Board.