



New Compensation System for the Infineon Management Board

January 2021



Disclaimer

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Guidelines



Focus on **long-term corporate strategy** and **sustainable business success**



Conformity with the **regulatory requirements** of AktG and DCGK*



Ambitious and at the same time realistic target level (**pay-for-performance**)



Consideration of **shareholder interests** and needs of **relevant stakeholders**



Implementation of **Malus & Clawback regulations** and **share ownership guidelines (SOG)**



Consideration of **environmental, social and governance (ESG)** criteria in Long-Term Incentive



Transparent communication internally and externally



Synchronization and **consistency** of company targets

*German Stock Corporation Act (AktG), German Corporate Governance Code (DCGK).

Summary of primary changes



Implementation of

- › Malus & Clawback;
- › Share Ownership Guideline;
- › New target structure for Long-Term Incentive (LTI)
 - › 20% ESG Targets (Diversity & Environmental)
 - › 80% TSR Target

Change

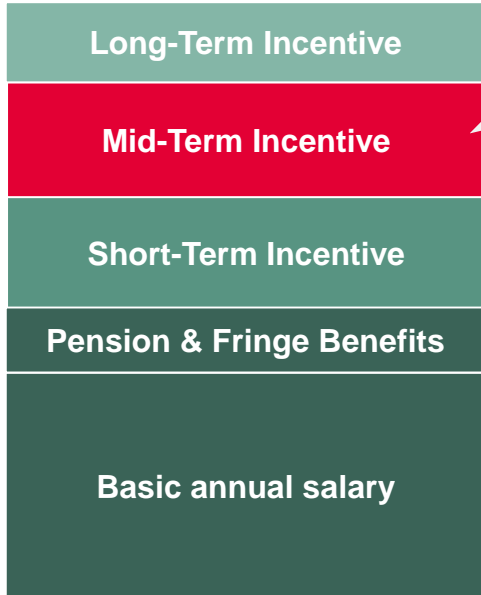
- › of the overall compensation structure and aligned with market practice;
- › from hybrid RSU/PSP plan with 50% RSU portion to a pure Performance Share Plan;
- › of STI targets to "as planned" key figures (instead of „adjusted“). Any possible adjustments compared to the "as reported" figures are made transparent ex-post.

Elimination of the

- › 50% RSU component in Performance Share Plan;
- › non-market standard Mid-Term Incentive (MTI);
- › special or recognition bonus.

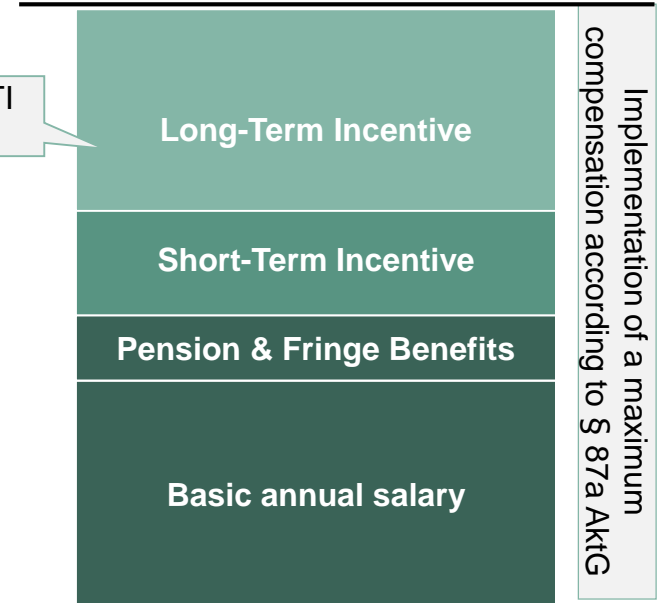
Overview of structural changes

Previous structure



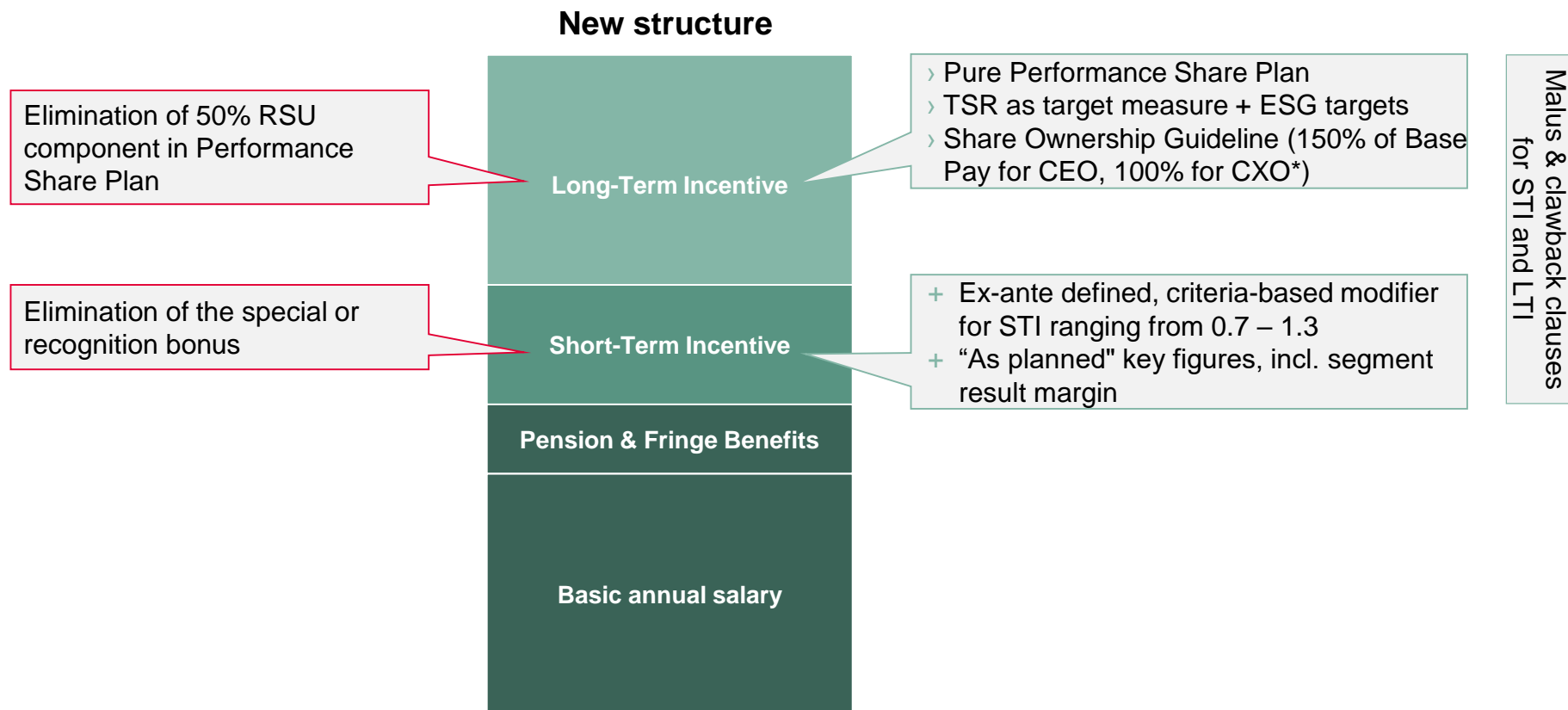
Elimination of the mid-term incentive, which is not a market standard

New structure



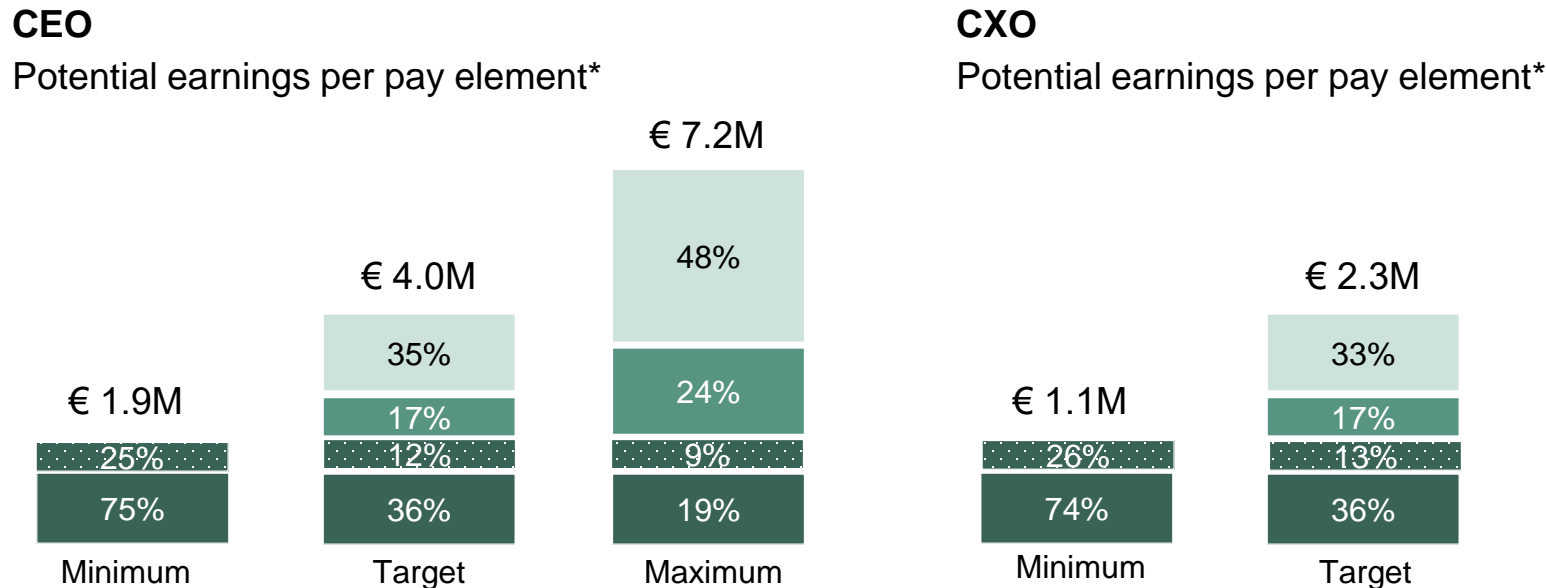
Market-oriented adjustment of the compensation structure.
Elimination of compensation elements that are uncommon in the market.

Overview of the changes in content



* COO, CFO and CMO

Illustration of potential earnings per pay element



The maximum compensation for STI and LTI is 250% of the respective target value. In relation to the base salary, this corresponds to 121% for the STI for the CEO (120% for the other Management Board members) and 248% for the LTI for the CEO (229% for the other Management Board members).

■ Basic Annual Salary ■ Pension & Fringe Benefits ■ STI ■ LTI

* would also include any sign-on bonuses

Temporary increase of STI Allocation Amount

The previous variable compensation element Mid-Term Incentive (MTI) will be eliminated.

- › In the fiscal years 2022, 2023 and 2024, the STI allocation amount will be increased to compensate for the discontinuation of the MTI which would have paid out annually; in this respect, also a temporary increase in the maximum compensation will apply:
 - › CEO: € 8,200,000
 - › CXO's: €4,800,000
- › One reason for this is that a substantial part of future compensation is shifted from a less risky to a higher risk compensation element. The MTI has paid out well over 100% on average in recent years.
- › The previous LTI also included a de facto guaranteed compensation component in the form of 50% RSU. These elements are now all being converted into a fully at-risk LTI. To soften this transition to some degree, the MTI will still be paid on a pro-rata basis via the STI. It also fills the gap created by the four-year cliff vesting in the new LTI, which would not have existed under the MTI with associated annual payouts.
- › Over the three-year period, we expect pro rata payments comparable to those that would have been incurred under the MTI.

› STI Modifier

- › As the STI-modifier is linked to specific targets for the Management Board that are made transparent ex ante, it primarily has a guiding impact for targets that are not covered by the FCF, RoCE and SRM performance indicators. As we also see non-financial targets as important strategic decisions and want to reward them in exceptional cases, we have chosen this slightly modified system, which is widely used in peer companies in Germany.
- › For clarification, the STI-modifier does not increase the STI in the event that the maximum 250% target is achieved.

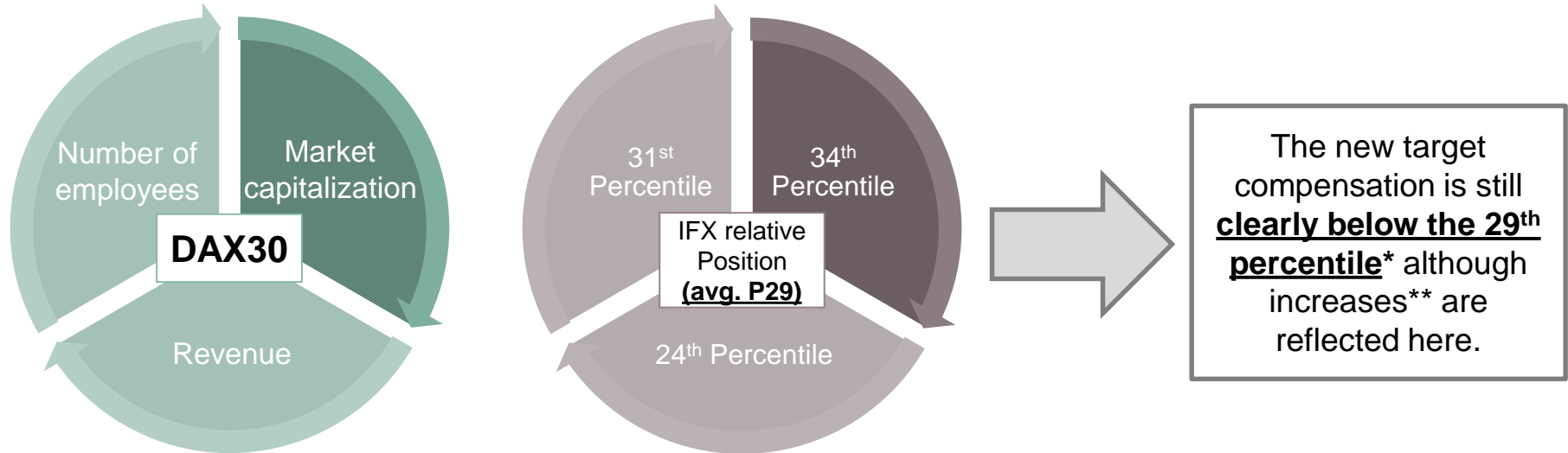
› Change of Control

- › A change of control shall be deemed to occur if someone holds at least 50% of the voting rights in Infineon Technologies AG ("Change of Control").
- › In the event of a resignation / termination, the basic annual salary and variable compensation will continue to be paid until the end of the agreed term of employment, but for a maximum of 24 months.

- › To ensure appropriateness of compensation levels, we perform both horizontal (with peer companies) and vertical (intra-company) compensation benchmarking at regular intervals.
 - Vertical Comparison
 - We compare the vertical compensation between the members of the Management Board and the senior executives as well as the members of the Management Board and all employees (excluding executives) at regular intervals.
 - Infineon's objective is that the ratio determined in this way remains relatively stable over time.
 - The last increase for the Management Board members was implemented four years ago. Since then, there has been no further adjustment to compensation.
 - In the long term, the increase is below the comparable increase for employees paid according to collective bargaining agreements in the company in Germany.
 - Horizontal Comparison
 - We compare with companies of comparable size (in terms of employees, market capitalization, sales) in the DAX30 and do not take into account any US (usually significantly higher paying) or other foreign companies.

Appropriateness of Management Board compensation

With whom we compare ourselves



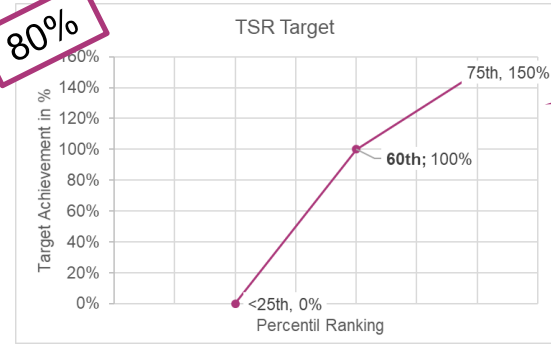
* P11 for the CEO and P17 for the CXOs, i.e. CFO, CMO and COO

** CFO increase only 9% due to higher starting value

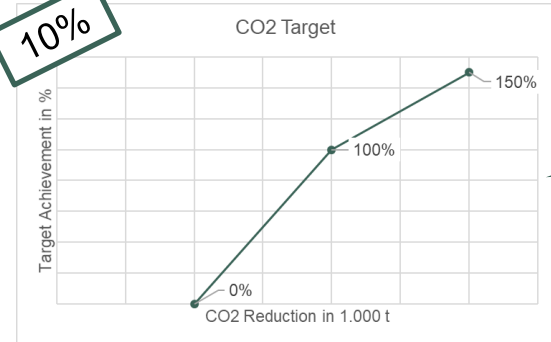
Summary of changes related to MTI, STI and LTI

- › In simple terms, the MTI is transferred long-term in full to the LTI. Short-term the STI is increased proportionally to reflect the shift. This is only applicable to Management Board members already in office (and thus been awarded MTI grants in the past).
- › The STI is adjusted in relation to the target structure. In addition to Return on Capital Employed (“RoCE”) and Free Cash Flow (“FCF”), the target structure is supplemented by the Segment Result Margin (“SRM”).
- › The LTI will be converted into a pure Performance Share Plan. The amount of the MTI is included in this new LTI and therefore fully tied to long-term goals (TSR and ESG).

Long Term Incentive (PSP) Target Overview

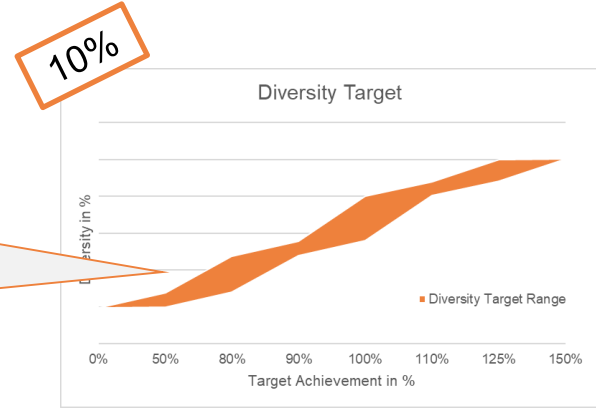


100% target achievement only if competitors are outperformed and Infineon is ranked at P60



In contrast to the other target figures, no individual values are defined but a target range to take into account legal requirements from the USA.

Long term target CO2 neutrality reflected in this measure, 0% target achievement if less than 50% carbon neutrality achieved



Infineon's financial performance is reflected in the various targets in the STI (RoCE, FCF and SRM). In order to avoid duplicate incentives and to keep the overall compensation structure simple and comprehensible, we have not included similar targets in the LTI.

Long Term Incentive (PSP) – Target Overview

TSR Peer Group



The peer group is based on market studies and analyst reports and includes companies at the same or comparable value-added level and sub-markets as well as relevant competitors. 10 (34%) out of the 29 companies are also listed in the SOX* (Philadelphia Semiconductor Index).

TSR Peer Group	
Analog Devices*	NXP Semiconductors*
Broadcom*	Omron
China Electronics Huada Technology Company	ON Semiconductor*
Cree*	Power Integrations
Dialog Semiconductor	Qualcomm Incorporated*
Elmos Semiconductor	Renesas Electronics
Fuji Electric	Rohm
GigaDevice	Shanghai Fudan Microelectronics Group
Knowles	Silicon Laboratories*
Macronix International	STMicroelectronics
MediaTek	Texas Instruments*
Microchip*	Toshiba
Micron*	Vishay Intertechnology
Mitsubishi Electric	Winbond
Nuvoton Technology	Infineon Technologies

Peer group adjustment are only allowed in case of a merger or insolvency of a currently defined company. In this case, a relevant successor company would be defined for the future. It is also in our interest to keep this peer group as stable as possible. Any adjustment would be made transparent in the remuneration report.

Summary of Compensation Components (new structure)

Fixed compensation	Basic annual salary	Fixed contractually agreed compensation paid in twelve monthly instalments
	Pension contribution	Annual contribution of 30% of basic annual salary
	Fringe Benefits	Mainly expenses for company car, insurance and general employee benefits
Short-term incentive (STI) <small>NEW</small>	Plan design	Short Term Incentive (STI)
	Possible target achievement	0% - 250%, adjustment via criteria-based modifier possible (up to \pm 30%) only if ex-ante defined
	Limitation / Cap	250% of the allocation amount
	Performance period	One year (fiscal year)
	Payment	After the end of the annual performance period
	Performance criteria	<ul style="list-style-type: none"> • 1/3 ROCE • 1/3 Free cash flow • 1/3 segment profit margin
Long-term Incentive (LTI) <small>NEW</small>	Plan design	Long Term Incentive (LTI)/Performance Share Plan (PSP)
	Possible target achievement	0% – 150%
	Limitation / Cap	250% of the allocation amount
	Performance period	Four years (reference to the fiscal year)
	Settlement	After expiry of the four-year waiting period
	Performance criteria	<ul style="list-style-type: none"> • 80% Total shareholder return (TSR) relative to relevant peer group • 20% Environment, social and governance objectives (ESG)
Others <small>NEW</small>	Malus / Clawback	Partial or complete reduction or reclamation of short-term and/or long-term variable compensation possible
	Share Ownership Guideline	<ul style="list-style-type: none"> • The number of shares to be held is 100% of annual base pay for ordinary members of the Board and 150% for the Chairman of the Board • The necessary shares can be acquired within five years



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