

# Report of the Supervisory Board to the Annual General Meeting



**Dr. Wolfgang Eder**  
Chairman of the  
Supervisory Board

*Ladies and Gentlemen,*

One year ago, I expressed my conviction in this report that Infineon was extremely well positioned to meet the challenges of the coronavirus pandemic and would emerge even stronger from the global health and economic crisis.

Today we can safely state that Infineon can look back upon a highly successful year. An increasing number of global megatrends are being driven by microelectronics technologies, particularly future-critical areas such as electrification and digitalization. Infineon focuses its strategy precisely on these trends and thus continues to tread the path of profitable growth and sustainable value creation. The fact that this development has not escaped the notice of the capital market is underlined not only by the outstanding performance of the Infineon share, but also by its inclusion in the EURO STOXX 50 index.

The huge demand for microchips will continue to influence how Infineon performs in the current fiscal year. Last summer, our most recently constructed fabrication plant went into operation in Villach (Austria). Built at a cost of €1.6 billion, the new plant was the culmination of one of the largest investment projects ever undertaken in the European microelectronics industry. In view of the rapidly growing global demand for power semiconductors, our timing could not have been better. At the time when Infineon took this investment decision, the massive upswing in demand was not in the least foreseeable, but now means that the Group has an advantage over its competitors. This is not only good news for our customers, it also helps Infineon to continue generating a solid return for you, our shareholders. Against this backdrop, the Management Board and the Supervisory Board jointly propose to increase the dividend for the 2021 fiscal year to €0.27 per share.

The market environment remains dynamic, and although that can entail uncertainties going forward, it also gives rise to opportunities, which our management team continues to leverage with great determination. Last but not least, agility is one of the core strengths of Infineon as a high-tech company – true to the motto adopted for the opening of the plant in Villach: “Ready for Mission Future”.

## Main activities of the Supervisory Board

During the 2021 fiscal year, the Supervisory Board once again performed its duties with the utmost diligence in accordance with the law, Infineon’s statutes and the Supervisory Board’s own terms of reference. It advised and monitored the Management Board in equal measure, based on detailed written and oral reports presented by the Management Board at Supervisory Board and committee meetings regarding all issues relevant to the Company, focusing for the most part on corporate strategy and planning, current business performance, financial position and risk profile as well as matters relating to risk management and compliance. The Supervisory Board

was always given ample opportunity to thoroughly examine the reports presented by the Management Board and was thus able to satisfy itself that the governance of Infineon's corporate affairs was lawful, compliant and appropriate in every respect. The Supervisory Board was provided with written quarterly reports on Infineon's business performance, key financial data, risks and opportunities and major areas of litigation as well as other specific topics of relevance. Between quarterly reports, the Management Board also provided the Supervisory Board with additional information in the form of monthly reports on current business performance and developments.

As Chairman of the Supervisory Board, I was also in regular contact with both the Chairman (CEO) and the other members of the Management Board between meetings, focusing for the most part on Infineon's corporate strategy, business performance and financial position. Either at or in the context of regular Supervisory Board meetings, the CEO also kept me well informed at all times of other key events – several of which occurred over the course of the challenging twelve-month period under report.

In the 2021 fiscal year, the full Supervisory Board convened six times, holding five ordinary meetings and one extraordinary meeting during that period. One resolution was also passed on the basis of written communication. The attendance rate at Supervisory Board meetings was close to 100 percent; Mr. Scholz was excused from attending two meetings. The attendance rate at the Supervisory Board's committee meetings was 100 percent in all cases. Details of the individual attendance record of Supervisory Board members are provided in the Statement on Corporate Governance [www.infineon.com/declaration-on-corporate-governance](https://www.infineon.com/declaration-on-corporate-governance). Due to pandemic-related restrictions, some of the meetings were held either fully or partially using a virtual format.

In preparation for ordinary Supervisory Board meetings, separate preliminary meetings were held for both the shareholder representatives and the employee representatives. The Supervisory Board also convened regularly without the presence of Management Board members.

### Corporate strategy

The Infineon Supervisory Board remains fully committed to providing the Management Board with support in the task of developing and implementing corporate strategy. For this reason, in addition to the regular meetings of the Strategy and Technology Committee, a meeting of the full Supervisory Board was again held during the fiscal year under report with the primary aim of discussing strategic topics. At this strategy meeting, Infineon's growth opportunities, corporate strategy, business model and financial targets were deliberated upon as a coherent whole, also taking into account the fact that semiconductors have increasingly become part of the political agenda in the context of geopolitical tensions and the impact they could have on Infineon. The strategy meeting also focused on digital transformation – a complex range of topics that both the Supervisory Board and the Management Board view as particularly relevant for the future development of the Group.

### Personnel matters relating to the Management Board

In light of these and other considerations, the Supervisory Board enlarged the Management Board with effect from 15 April 2021 by creating the new position of Chief Digital Transformation Officer (CDTO). With the appointment of Constanze Hufenbecher, we were able to secure the services of an excellent manager to take up this key role. Ms. Hufenbecher has extensive experience in the relevant fields, particularly with transformation management and the development and establishment of consistent processes across organizations. Ms. Hufenbecher has been very involved since taking office and is already an integral part of the Management Board team.

Furthermore, during the year under report, the Supervisory Board extended the mandate and service contract of Dr. Sven Schneider (CFO) by a further five years with effect from the end of his first term of office in April 2022. Over the past two-and-a-half years, Dr. Schneider has repeatedly demonstrated his wide-ranging capabilities, such as with the highly acclaimed refinancing concept he developed for the acquisition of Cypress. We are therefore extremely pleased that Dr. Schneider will remain with the Infineon Management Board as CFO in the long term.

With the mandate of Infineon's long-serving CEO Dr. Reinhard Ploss due to expire at the end of 2022, both the Executive Committee and the full Supervisory Board have been working on a suitable succession plan for some time now. During the fiscal year under report, the Supervisory Board engaged a well-known external personnel consultant who has helped create a role profile for the position of Chair of the Management Board.

### Management Board remuneration

The new Management Board remuneration system decided upon by the Supervisory Board in November 2020 was approved by a large majority at the Annual General Meeting held in February 2021, and the new rules were fully incorporated into the service contracts of all Management Board members, effective 1 October 2021. Some of these rules were, however, already relevant for the 2021 fiscal year. In particular, the tranche allocated on 1 April 2021 (for the 2021 fiscal year) for the long-term incentive (LTI) variable remuneration component is already covered by the new remuneration regime. As in the previous system, the LTI continues to be based on a four-year performance period and is geared towards settlement in the form of shares. The target structure, however, has been significantly changed, the most notable difference being that it now includes ESG targets for the first time alongside financial targets.

- › Firstly, the Supervisory Board has set a sustainability target derived from Infineon's strategic focus on sustainability. Infineon has long been one of the world's most sustainable companies and is a well-established member of the Dow Jones Sustainability Index. Among other things, Infineon has committed to becoming carbon-neutral by 2030. Forward-thinking corporate governance, ecological action and social commitment are indispensable prerequisites for Infineon's resilience and long-term corporate success. The current sustainability target is to achieve 50 per cent carbon neutrality by the end of the 2024 fiscal year.

- › Secondly, the Supervisory Board has set a diversity target with a specific focus on gender diversity, namely to increase the proportion of women in management positions.

The changes relating to the short-term incentive (STI) variable remuneration component do not become relevant until the 2022 fiscal year. However, in view of the changes to be made to the STI going forward – including the introduction of a criteria-based modifier and the addition of the Segment Result Margin to financial targets – it was necessary to make some related decisions during the 2021 fiscal year. The purpose of the criteria-based modifier is to enable the Supervisory Board to assess the Management Board's collective performance as well as the impact of any extraordinary that were not adequately reflected in targets set at an earlier stage. The collective performance assessment is meant to reward the extent to which the Management Board in its entirety contributes to the sustainable development of the Company – in strategic, technical and structural terms. Prior to the beginning of each fiscal year, the Supervisory Board selects the criteria that it has determined are relevant for the fiscal year in question. At the recommendation of the Executive Committee, the Supervisory Board has defined two specific criteria for the 2022 fiscal year. Based on these criteria, the Management Board's performance will therefore be measured firstly in terms of its success in implementing Infineon's digital transformation strategy and secondly in terms of its ability to develop key technologies and innovative solutions or, expressed more specifically, by its ability to grow business with SiC and GaN products on this strategically important market for Infineon.

Further information on Management Board remuneration – particularly the amounts paid to individual members in or for the 2021 fiscal year – is available in the detailed remuneration report. [p. 132 ff.](#)

## Litigation

The Supervisory Board was regularly provided with in-depth information regarding major legal disputes during the 2021 fiscal year, which it then discussed at length with the Management Board. These included, in particular, the appeal brought by Infineon before European courts (which has meanwhile been resolved) regarding an antitrust fine imposed by the EU Commission in 2014 and the related follow-up proceedings, as well as the legal dispute with the insolvency administrator of Qimonda AG pertaining to alleged residual liability claims, which has been ongoing for years.

## Supervisory Board topics

### Basic and ongoing training

Supervisory Board members are responsible for undertaking any basic and ongoing training measures considered necessary to perform their duties and receive appropriate support from Infineon to do so. In-house information events are held to provide targeted training as the need arises. As part of the onboarding process for new Supervisory Board members, Infineon offers a series of workshops covering a broad range of topics, including the individual operating segments, the underlying elements of Infineon's corporate strategy, the target business model and investment planning as well as manufacturing strategy and life cycle management. In addition, Supervisory Board members are regularly provided with information on the regulatory environment relevant to their work as well as any other legal developments that may affect them.

### Committee work

The Supervisory Board's various committees are responsible for drawing up resolutions and preparing other major topics that need to be dealt with by the full Supervisory Board. Moreover, the Supervisory Board has delegated certain decision-making powers to its committees, to the extent permitted by German law. The chairpersons of each committee are required to report on committee meetings at the next relevant full Supervisory Board meeting.

### Mediation Committee

The Mediation Committee did not need to convene during the 2021 fiscal year.

### Nomination Committee

The Nomination Committee did not convene during the 2021 fiscal year.

### Executive Committee

The Executive Committee faced a number of challenging tasks during the 2021 fiscal year and will continue to do so going forward. Over the twelve-month period under report, it was closely involved in implementing new requirements relating to Management Board and Supervisory Board remuneration as well as creating the new Management Board function responsible for digital transformation and appointing Ms. Hufenbecher to the post. In the course of the current fiscal year, the Supervisory Board will continue to deal with the topic of succession planning for the Management Board. In view of the workload involved, on 6 August 2021, the Supervisory Board resolved to temporarily enlarge the Executive Committee from four to six members until 30 September 2022 and therefore elected Ms. Engelfried and Ms. Suckale as new Committee members.

The Executive Committee held two ordinary and seven extraordinary meetings during the fiscal year under report.

At the ordinary meetings, the Executive Committee focused primarily on preparing the Supervisory Board's resolution to determine the level of variable remuneration to be paid to Management Board members. This included, firstly, determining the target achievement levels for the 2020 fiscal year and setting new target values for the 2021 fiscal year, and secondly – for the first time – determining the STI modifier criteria, confirming the ESG targets for limiting carbon emissions and increasing diversity relevant for the LTI, and confirming the composition of the TSR peer group.

In addition to remuneration matters, the main topic of the extraordinary meetings was the aforementioned succession planning for the Management Board.

### **Investment, Finance and Audit Committee**

The Investment, Finance and Audit Committee convened for five ordinary meetings during the 2021 fiscal year.

Its activities centered on monitoring the financial reporting process, reviewing the half-year and quarterly financial statements, conducting the preliminary audit of the Separate Financial Statements, Consolidated Financial Statements and Combined Management Report for Infineon Technologies AG and the Infineon Group, and discussing the audit reports with the auditor. In addition, the Committee examined Infineon's financial and investment budget. It also received regular reports on the internal control, internal audit, risk management and compliance management systems and deliberated on their effectiveness. The Committee was also provided with continuous updates concerning significant legal disputes.

The Committee's recommendation to the full Supervisory Board to propose to shareholders at the Annual General Meeting that KPMG AG Wirtschaftsprüfungsgesellschaft, Munich, (KPMG) be elected as Company and Group auditor was based on a Declaration of Independence obtained from KPMG as well as an analysis of the non-audit services provided by KPMG. There were no indications of conflicts of interest, grounds for exclusion, or other lack of independence on the part of the auditor. The recommendation was also based on the Committee's confirmation that it is free from undue influence by third parties and that it has not been subject to any restriction regarding the selection of auditors within the meaning of section 16, paragraph 6 of the EU Statutory Audit Regulation. The Committee also considered the fee arrangements and issued contracts for the relevant audit engagements. Supplementary areas for audit emphasis were also defined.

The Act to Strengthen Financial Market Integrity (Finanzmarktintegritätsstärkungsgesetz – "FISG") – key parts of which came into force on 1 July 2021 – significantly restricts the permitted scope of non-audit services. Although these restrictions do

not apply to Infineon until the 2023 fiscal year, the Investment, Finance and Audit Committee has elected to comply with the new rules as of the 2022 fiscal year and accordingly resolved to reduce the scope of services that may be performed by the external auditor.

The representatives of the auditor attended all meetings of the Investment, Finance and Audit Committee and reported in detail on the audit procedures performed.

In light of the legal provisions governing the regular rotation of external auditors, the Investment, Finance and Audit Committee intensified its involvement with this topic and the corresponding requirements of the tender process.

The Committee also devoted time to considering the Group's Non-Financial Report and, in this context, took a close look at other sustainability issues, including the EU taxonomy.

One special topic that the Investment, Finance and Audit Committee dealt with during the 2021 fiscal year was the private placement of notes with a volume of US\$1.3 billion at very attractive conditions. The considerable over-subscription of the transaction was once again clear evidence of the confidence of capital markets in Infineon's economic prospects, underlining the Group's ability to access all relevant sources of funding. The placement has also improved the maturity profile of Infineon's debt and successfully rounds off the various capital market transactions undertaken during the past two years in conjunction with the refinancing of the acquisition of Cypress.

The high opinion in which Infineon is held by investors and analysts alike was also evident on the occasion of Capital Markets Day. This event took place most recently in 2018 and was again a great success when held in a virtual format at the beginning of October.

### Strategy and Technology Committee

The Supervisory Board's Strategy and Technology Committee convened three times during the fiscal year under report. The topics covered included detailed reports it received from the Management Board regarding the current market situation, competitors, the headway being made in terms of synergies and the progress of integration following the acquisition of Cypress, as well as the annual strategy and technology plan. Other topics of focus included new technologies such as SiC and GaN, the long-term development of key markets, developments relating to software applications, and preparations for the Supervisory Board's Strategy Day. A new framework for future M&A activities was also discussed.

### Supervisory Board remuneration

The changes to Supervisory Board remuneration, which were approved by a large majority at the Annual General Meeting held in February 2021, took effect at the beginning of the 2022 fiscal year, i.e., on 1 October 2021.

## Corporate Governance

### Declaration of Compliance 2021

In the Declaration of Compliance dated November 2021, the Management Board and the Supervisory Board jointly declared that all the recommendations of the German Corporate Governance Code (DCGK) contained in the version dated 16 December 2019 have been complied with and will continue to be complied with in the future.

The actual wording of the Declaration of Compliance 2021, as well as all previous Declarations of Compliance, are available on Infineon's website.

[www.infineon.com/declaration-of-compliance](http://www.infineon.com/declaration-of-compliance)

### Self-assessment by the Supervisory Board

The Supervisory Board regularly assesses how effectively it, as a corporate body, and its related committees perform their duties. An internal self-assessment was performed in summer 2021, based primarily on a questionnaire, the results of which were discussed by the Supervisory Board. The next assessment is scheduled for 2022 and will be supported by an external consultant – as was the case most recently in 2017.

### Examination of potential conflicts of interest

The members of the Management Board and the Supervisory Board are required to disclose any conflicts of interest to the Supervisory Board without delay. No situations occurred during the 2021 fiscal year involving conflicts of interest.

Prior to members of the Management Board assuming sideline activities, particularly supervisory board mandates outside the Company, the DCGK requires that permission be granted by the Supervisory Board. No conflicts of interest were discernible in any of the sideline activities performed. In fact, they were all in the best interest of Infineon.

Further information on the topic of corporate governance is available in the Statement on Corporate Governance, which also includes the Corporate Governance Report.

[www.infineon.com/declaration-on-corporate-governance](http://www.infineon.com/declaration-on-corporate-governance)

### Rules of procedure for the Supervisory Board and the Management Board

All rules of procedure are available on the Infineon website.

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

### Related party transactions

Publicly listed companies such as Infineon require the approval of the Supervisory Board or one of its committees before entering into certain transactions with related parties. In order to identify related party transactions that require approval and to treat them in compliance with the law, Infineon has implemented a procedure based on guidelines that apply across the Group. The Supervisory Board has delegated responsibility in this area to the Investment, Finance and Audit Committee, particularly for resolutions requiring approval. As in the previous fiscal year, there were no related party transactions requiring approval during the twelve-month period under report.

### Act to Strengthen Financial Market Integrity (FISG)

The Act to Strengthen Financial Market Integrity (Finanzmarktintegritätsstärkungsgesetz – “FISG”), which for the most part came into force at the beginning of July 2021, has resulted in various regulatory changes, including some affecting the corporate governance of companies. Most of the new requirements now enacted in legislation had already been standard practice at Infineon for some time. For this reason, action was only needed in a few areas.

Section 109, paragraph 1, sentence 3 of the German Stock Corporation Act (Aktien-gesetz) now stipulates that the Management Board is generally not permitted to attend meetings of the Supervisory Board and its committees in the event that the auditor is called upon to attend these meetings as an expert, unless the Supervisory Board or the committee concerned deems the Management Board’s attendance to be necessary. The Supervisory Board is of the opinion that the attendance of the Management Board and its involvement in any discussions with the auditor is beneficial for all parties concerned, including the Supervisory Board and its committees in the performance of their (audit-related) activities, not least with regard to the specialized expertise of the Chief Financial Officer. The Supervisory Board therefore considers it necessary for the Management Board to continue attending such meetings in the future and until further notice, in particular the meetings of the Investment, Finance and Audit Committee as well as the meeting of the full Supervisory Board at which

the financial statements are deliberated upon. If a Supervisory Board or committee member wishes to discuss a particular matter with the auditor at a specific meeting without the Management Board being present, the Chairman of the Supervisory Board or relevant committee is required to take this request into account by dealing with the relevant agenda item either in full or temporarily without the presence of the Management Board.

In addition, the agendas of all Supervisory Board and committee meetings at which the auditor is either involved or (partially) present will in future include a discussion between the Supervisory Board and the auditor without the presence of the Management Board as a standard agenda item.

### Separate and Consolidated Financial Statements

KPMG audited the Separate Financial Statements of Infineon Technologies AG and the Consolidated Financial Statements as of 30 September 2021, as well as the Combined Management Report for Infineon Technologies AG and the Infineon Group, and issued unqualified audit opinions thereon.

The Half-Year Financial Report was also reviewed by KPMG. No issues were identified that might indicate that the condensed Interim Group Financial Statements and Interim Group Management Report were not prepared in accordance with the applicable provisions in all material respects.

KPMG has audited the Separate Financial Statements of Infineon Technologies AG and the Consolidated Financial Statements of the Group and reviewed the Interim Financial Statements of the Group since the 1999 fiscal year (short fiscal year from 1 April 1999 to 30 September 1999). Mr. Pritzer, the auditor responsible for the engagement, signed the auditors’ report for the first time for the 2017 fiscal year (1 October 2016 to 30 September 2017), and Mr. Schmitt, as co-signatory, for the first time for the 2021 fiscal year (1 October 2020 to 30 September 2021).

At the meeting of the Investment, Finance and Audit Committee held on 8 November 2021 and continued in a conference call on 18 November 2021, thorough discussions were held with the auditor regarding the Separate Financial Statements, the Consolidated Financial Statements, the Combined Management Report, the appropriation of profit, and the auditor's findings. The Committee deliberated at length on the key audit matters as well as on the related audit procedures performed by the auditor. Based on the insights gained in the course of these deliberations, the Investment, Finance and Audit Committee resolved to suggest to the Supervisory Board that the financial statements drawn up and presented by the Management Board be approved and the proposed appropriation of profit agreed to.

The Separate Financial Statements, the Consolidated Financial Statements, the Combined Management Report, the Management Board's proposal for the appropriation of unappropriated profit (all prepared by the Management Board) and KPMG's long-form audit reports were all made available to the Supervisory Board at the meeting held on 25 November 2021. At this meeting, the Chairman of the Investment, Finance and Audit Committee reported in depth on the corresponding recommendations of the Committee. In addition, all material issues relevant to the financial statements and the audit, including key audit matters, were exhaustively discussed with the auditor and closely examined by the Supervisory Board. The examination also covered the proposal to pay a dividend of €0.27 per entitled share.

The Supervisory Board concluded that it has no objections to the financial statements and the audits performed by the auditor. In its opinion, the Combined Management Report complies with all legal requirements. The Supervisory Board also concurs with the assertions regarding Infineon's future development contained therein as well as with the results of the audit of the financial statements. It therefore approved the Separate Financial Statements of Infineon Technologies AG and the Consolidated Financial Statements of the Infineon Group for the 2021 fiscal year. The Separate Financial Statements were accordingly adopted. The Supervisory Board also approved the Management Board's proposal for the appropriation of unappropriated profit.

The Investment, Finance and Audit Committee and the full Supervisory Board also deliberated on the combined separate Non-Financial Report for the year ended 30 September 2021 drawn up by the Management Board. KPMG performed a "limited assurance" engagement for the report that was extended to a "reasonable assurance" engagement in regards to specific aspects. KPMG issued an unqualified opinion thereon. The documents were carefully examined by the Investment, Finance and Audit Committee at its meeting held on 8 November 2021, which was continued in a conference call on 18 November 2021, and by the Supervisory Board at its meeting held on 25 November 2021. The Supervisory Board positively acknowledged the combined separate Non-Financial Report drawn up by the Management Board.

The Supervisory Board wishes to thank the entire staff and the Management Board of Infineon once again for their tremendous commitment and outstanding achievements during a fiscal year that has been a challenging one in every respect.

Neubiberg, November 2021

On behalf of the  
Supervisory Board



**Dr. Wolfgang Eder**  
Chairman of the Supervisory Board