



Remuneration system

1. Principles of the remuneration system

Infineon always views its business activities from a long-term perspective, with the objective of consistently creating added value for its customers and shareholders, for its employees, for society and for the Group itself. Decarbonization and digitalization are the key challenges of the future and therefore the main strategic drivers for Infineon. Infineon is enabling a climate-neutral economy and connecting the real world with the digital world. The Group is focusing strongly on structurally growing markets which offer above-average growth potential in the long term.

Infineon aims to be a leader in IoT and power systems. This is based on its "Product to System" strategic approach, according to which the Group's entire value chain is geared towards a comprehensive understanding of customer requirements. Building on this understanding, Infineon's innovative power enables it to create higher-quality solutions and targeted benefits for customers. This approach is supported by the constant pursuit of technological leadership, a high level of quality awareness, in-house production that differentiates it from its competitors and a sales strategy tailored to its various key markets. As a result, Infineon is able to offer its customers market-leading products of outstanding quality as well as reliability of supply, enabling it to grow at a faster rate than the market, yet at the same time increase its profitability.

Infineon defines success not only by the objectives it achieves, but also by the path it takes to accomplish them: sustainability plays a key role in the way its people think and act. Long-term thought and action apply not only to commercial objectives. Beyond gaining a more comprehensive understanding of customers' systems, optimizing products and solutions and achieving an appropriate level of profitability, other essentials for Infineon are sustainable corporate governance and responsible commitment to the common good.

As an integral part of this strategy, the remuneration system of the Management Board makes an important contribution towards attaining the corporate objectives described above. The fact that key performance indicators are built into the Management Board remuneration system provides incentives for long-term sustainable growth and increasing profitability. Comparing Infineon's performance to that of its relevant peers is also aimed at ensuring that it

outperforms its competitors in the long run, thus aligning the interests of the Management Board and the shareholders. Infineon is also aware of its responsibility towards society as a whole. For this reason, non-financial (Environmental, Social & Governance or ESG) performance criteria are also used to determine the remuneration of the Management Board.

When devising the Management Board remuneration system, the Supervisory Board was therefore guided by the following principles:

Table 1

Principles of the Management Board remuneration system

	To promote the sustainable, long-term development of Infineon and support its corporate strategy
	To comply with the regulatory requirements of the German Stock Corporation Act and the German Corporate Governance Code
	To rigorously pursue performance-related remuneration by setting ambitious but realistic targets (pay-for-performance basis)
	To create incentives to achieve above-average performance by setting relative performance criteria in relation to major competitors
	To consider the interests of shareholders and the requirements of relevant stakeholders
	To consider Environmental, Social & Governance (ESG) criteria with the aim of promoting sustainable corporate development
	To communicate Management Board remuneration both internally and externally in a transparent manner
	To synchronize and standardize internal target structures for the Management Board and senior executives

This remuneration system, which has been modified to take account of current business challenges, applies principally with effect from 1 October 2022 for all members of the Management Board whose service contracts are newly concluded or extended from the date of the Annual General Meeting at which this modified remuneration system was submitted for approval. In addition, the Company also intends to make adjustments to the service contracts of members of the Management Board that were concluded before the date of the Annual General Meeting at which this modified remuneration system was submitted for approval. In order to implement the modified remuneration system, the Company intends to agree the required changes to the existing service contracts with the Management Board members concerned.

In the current fiscal year (1 October 2022 to 30 September 2023), the Supervisory Board is still applying the STI modifier in accordance with the previous remuneration system.

2. Procedures for determining, reviewing and implementing the remuneration system

In accordance with section 87a, paragraph 1 AktG, the Supervisory Board decides upon a clear and understandable system of remuneration for Management Board members and determines the actual remuneration for each Management Board member. The Executive Committee of the Supervisory Board is responsible for preparing Supervisory Board resolutions regarding the remuneration system and for reviewing the system on a regular basis.

With regard to the remuneration system, the Supervisory Board endeavors to ensure that internal corporate targets are synchronized and consistent between the Management Board and senior executives in order to ensure a uniform incentive effect at management level.

The Supervisory Board is required to submit the remuneration system it has decided upon to the Annual General Meeting for approval whenever any significant change is made and every four years at the latest. If the Annual General Meeting does not approve the system as submitted, the Supervisory Board is required to submit a revised remuneration system to the Annual General Meeting for approval by the following Annual General Meeting at the latest.

If the Supervisory Board consults an external remuneration expert to develop the remuneration system and assess the appropriateness of the remuneration, it is required to ensure that the expert is independent of the Management Board and of Infineon and to take precautions to avoid any conflicts of interest.

a. Independence; avoidance of and treatment of conflicts of interest

The Supervisory Board and its Executive Committee take appropriate measures to ensure that any potential conflicts of interest with regard to Supervisory Board members involved in discussions and decisions on the remuneration system are avoided and, where necessary, resolved. Each member of the Supervisory Board is required to report any conflicts of interest to the Chair of the Supervisory Board. The Chair of the Supervisory Board is required to disclose any conflicts of interest concerning his/her own person to the Deputy Chair of the Supervisory Board. The Supervisory Board decides on a case-by-case basis how to deal with any conflicts of interest that may arise. In particular, any Supervisory Board member who is affected by a conflict of interest may not attend a meeting or participate

in individual deliberations and decisions made by the Supervisory Board or its Executive Committee.

b. Reviewing the appropriateness of Management Board remuneration

In accordance with applicable legal requirements and the recommendations of the German Corporate Governance Code, the remuneration of Management Board members is required to reflect the typical level and structure of management board remuneration at peer companies as well as Infineon's economic position and future prospects. The duties, responsibilities and performance of each Management Board member are also considered, as is Infineon's wider pay structure.

To ensure appropriateness, the Supervisory Board performs both horizontal and vertical comparisons at regular intervals.

The horizontal view compares the remuneration of Infineon's Management Board members with that of comparable companies.

A vertical view is also taken, whereby Infineon's internal remuneration structure is assessed by comparing the remuneration of the Management Board with that of senior executives (in Germany and for internationally comparable functions) and the workforce as a whole. Apart from the current status, changes in the level of remuneration over time are also considered.

3. Overview of Management Board remuneration components

The Infineon Management Board's remuneration system comprises the components shown in the following overview. Fixed remuneration consists of the basic annual salary, fringe benefits and the company pension plan. Variable (i.e. performance-related) remuneration comprises the one-year Short Term Incentive (STI) and the four-year Long Term Incentive (LTI).

Table 2

Overview of the various components of the remuneration system

Fixed remuneration	
Basic annual salary	Fixed, non-performance-related remuneration paid in twelve equal monthly installments
Fringe benefits	Primarily a company car with chauffeur (also for private use) and an allowance for health and nursing care insurance as well as various

	insurance and general employee benefits
Company pension plan	Defined contribution plan that provides an annual pension contribution and capital market-oriented interest rate
Variable (performance-related) remuneration	
Short Term Incentive (STI)	
Performance criteria	<ul style="list-style-type: none"> › 1/3 Return on Capital Employed (RoCE) as planned › 1/3 Free Cash Flow (FCF) as planned › 1/3 Segment Result Margin (SRM) as planned
Modifier (0.7 to 1.3)	Modification option in the case of extraordinary developments
Performance period	One year
Limitation/cap	250% of the allocation amount
Payment	In cash
Long Term Incentive (LTI)	
Plan type	Performance Share Plan
Performance criteria	<ul style="list-style-type: none"> › 70 - 80% relative Total Shareholder Return (TSR)) › 20 - 30% ESG targets
Performance period	Four years (from the beginning of the fiscal year)
Waiting period	Four years (from the beginning of the provisional allocation)
Limitation/cap	250% of the allocation amount (on fulfillment)
Payment	In shares
Other contractual elements	
Malus and clawback	Partial or complete reduction or reclamation of variable remuneration components
Share Ownership Guidelines (SOG)	Mandatory personal investment in Infineon shares

Chief Executive Officer	150% of gross basic annual salary
Full member of the Management Board	100% of gross basic annual salary
Accumulation phase	Generally five years
Maximum remuneration	Maximum remuneration payable to the Management Board capped in accordance with section 87a, paragraph 1, No. 1 AktG (including fringe benefits and the company pension plan)
Chief Executive Officer	€7,200,000, after four years €9,200,000
Full member of the Management Board	€4,200,000, after four years €5,300,000
Change-of-control clause	In the event of a change of control, right of extraordinary termination within limited period of time and with restricted severance pay regulation

4. Remuneration structure

Total target remuneration is defined as the sum of the fixed remuneration (comprising basic annual salary, fringe benefits and company pension) and variable remuneration components (based on an assumed target achievement of 100% for the STI and LTI). The following table shows the estimated proportion of the total target remuneration comprised by the various remuneration components.

Table 3

Overview of the relative proportions of the components comprising total target remuneration

Fixed remuneration (Basic annual salary, fringe benefits, company pension)	39 - 49%
STI (short-term variable remuneration)	17 - 25%
LTI (long-term variable remuneration)	33 - 36%

In line with the pay-for-performance model, variable remuneration exceeds fixed remuneration. Moreover, the stronger weighting of the LTI compared to the STI is designed to promote Infineon's sustainable, long-term development.

The relative share of individual remuneration elements may vary slightly for new appointments, depending on the level of fringe benefits and the company plan

expense in each case. In addition, the relative share may deviate from those stated above in the event of any payments made to a newly appointed member in recognition of taking up office for the first time.

In the 2022, 2023 and 2024 fiscal years, the STI allocation amount for Management Board members with service contracts already in place at the time of the Supervisory Board resolution regarding the new remuneration system (20 November 2020) has been temporarily increased, in order to compensate for the payout shortfall caused by the abolition of the Mid Term Incentive associated with this resolution.

5. The individual remuneration components

a. Fixed remuneration

(1) Basic annual salary

The basic annual salary is fixed, non-performance-related remuneration that is paid in twelve equal monthly installments. The amount of the basic annual salary is based on the experience and areas of activity as well as the responsibility taken by each individual Management Board member. Furthermore, when determining the amount, it is compared with the remuneration in a peer group of entities to ensure that the level of remuneration is both appropriate and competitive.

(2) Fringe benefits

In accordance with their service contracts, Management Board members are entitled to a chauffeur-driven company car, which may also be used for private purposes. Infineon also pays an allowance for health and nursing care insurance. Furthermore, an accident insurance policy is maintained to cover Management Board members. Other fringe benefits relate mainly to statutory obligations (such as the payment of inventor's fees) or general benefits that are also available to other Infineon employees. These include in particular the use of company social facilities (where applicable at reduced rates) such as the canteen, the fitness studio, child vacation care, the Medical Service Center and underground parking (including an e-charging station). Infineon also bears the cost of medical health tests and preventive medical check-ups for members of the Management Board.

(3) Pension benefits

Each member of the Management Board receives a defined contribution pension entitlement that is largely based on the pension plan applicable for all Infineon employees. The Company sets up a personal pension account (basic account) for each beneficiary and makes annual pension

contributions accordingly. Interest is added annually by the Company to the balance of the basic account using the highest statutory interest rates valid for the life insurance industry (guaranteed interest rates) until disbursement of the pension begins. Infineon may also award surplus credits to the account. 95% of any income earned over and above the guaranteed interest rate is credited to the pension account, either at the date when 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 and is paid out to Management Board members or their surviving dependents in twelve annual installments, or, if so requested by the Management Board member, in eight annual installments, as a lump sum or as a lifelong pension.

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

In line with the plan rules applied to Infineon employees, the amounts credited to the pension accounts of Management Board members are paid out upon or after reaching the age of 67, provided the service contract has ended. Upon request, amounts can also be paid out at an earlier point in time if the service contract arrangements end on or after reaching the age of 60 or, in the case of commitments made from 2012 onwards, on or after reaching the age of 62. If beneficiaries elect to have their pension paid out in monthly installments, the pension amount is adjusted automatically each year in accordance with the Infineon pension plan.

(4) Other fixed compensation components

In individual cases, the Supervisory Board may grant a payment to a new Management Board member in recognition of their taking up office. A payment of this nature could be awarded in particular to offset any variable remuneration a new Management Board member were to lose as a result of joining Infineon from a previous employer. Such payments must always be at an appropriate level. Furthermore, they are included in and therefore limited by the amount of maximum remuneration determined for the member concerned.

b. Variable remuneration

(1) Short Term Incentive (STI)

The STI focuses on incentivizing profitability and return on investment, while taking into account the collective performance of the Management Board. Infineon’s three key performance indicators – Return on Capital Employed (RoCE), Free Cash Flow (FCF) and Segment Result Margin (SRM) – are integrated in the STI as performance criteria and linked accumulatively. The German Stock Corporation Act and the German Corporate Governance Code provide for the exceptional application of an appropriate (positive or negative) modifier by the Supervisory Board when there are extraordinary developments. The Supervisory Board determines the level of target achievement after the end of each fiscal year.



Diagram 1: Illustrative representation of the Short Term Incentive

The overall target achievement of the performance criteria is calculated using target achievement curves and is limited to a maximum target achievement of 250%. The modifier is only used by the Supervisory Board in the case of extraordinary developments and can range from 0.7 to 1.3. The payout amount is calculated in this case by multiplying the individual contractual allocation amount by the overall target achievement and if applicable by the modifier, but this is also limited to 250% of the allocation amount.

(a) Performance criteria and measuring target achievement

The STI focuses on Infineon’s three key financial performance indicators – RoCE, FCF and SRM. Each of these three performance criteria contributes a one-third proportion to the overall target achievement for the STI.

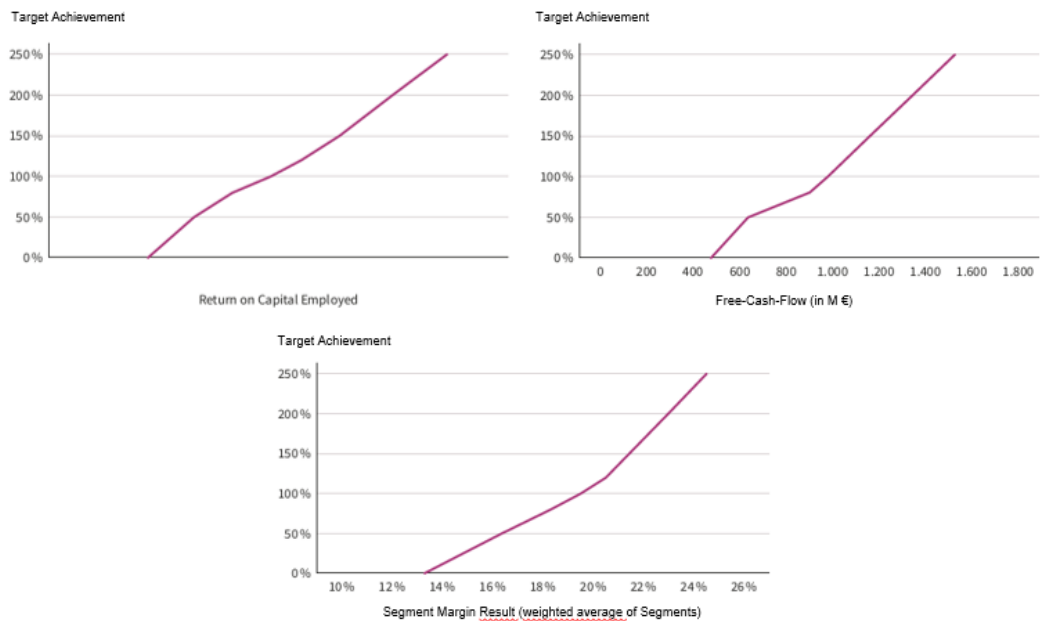


Diagram 2: Illustrative target achievement curves for the RoCE, FCF and SRM performance criteria. In addition to the threshold, target and maximum values, the Supervisory Board can set other values. The target, threshold and maximum values are published ex-post in the remuneration report.

Return on Capital Employed (RoCE)

RoCE is defined as operating profit from continuing operations after tax divided by capital employed (which comprises non-current assets and net working capital). This ratio measures Infineon's ability to generate returns from a capital market perspective and – by comparing it against the weighted cost of capital – provides information on the extent to which returns have been generated over and above the expectations of shareholders and debt providers. To determine RoCE for the purposes of the STI, operating profit is based on the Segment Result (for the definition of the Segment Result, see the comments below on the Segment Result Margin). The inclusion of RoCE in the calculation of the STI as a component of Management Board remuneration is aimed at ensuring the efficient utilization of Infineon's resources and facilitating value-based management in the long term. The STI of the Management Board members is therefore directly linked to operating success and promotes Infineon's corporate strategy by providing an incentive to increase the return on capital employed.

Free Cash Flow (FCF)

FCF is defined as cash flows from investing and operating activities from continuing operations, adjusted for cash flows related to the purchase and

sale of financial investments. This ratio describes operating profitability in cash flow terms by measuring the ability to convert operating success into cash inflows and thus finance day-to-day operations and investments required out of the ongoing business. It is therefore a good indicator of Infineon's ability to repay financial debt. By aligning the remuneration of the Management Board with the generation of sustainably positive free cash flow, an incentive is provided for effective, systematic management of net working capital and investments. As a performance criterion, FCF therefore contributes significantly to the successful implementation of Infineon's growth strategy.

Segment Result Margin (SRM)

SRM is defined as the Segment Result expressed as a percentage of revenue. Segment Result in turn measures operating profit excluding certain impairment losses (in particular on goodwill), the impact on earnings of restructuring and closures, share-based payment, acquisition-related depreciation/amortization and other expenses, gains (or losses) on the sale of businesses or interests in subsidiaries and other income (or expenses), including litigation costs. The SRM measures the operating profitability of the individual segments as a percentage of revenue. The inclusion of the SRM as a performance criterion therefore creates an incentive to improve the earnings performance of the various segments in the long term and hence to continue to increase the profitability of Infineon as a whole.

Defining target values for RoCE, FCF and SRM and determining target achievement

At the beginning of each fiscal year, the Supervisory Board sets the targets for each fiscal year for the three financial performance criteria. For each financial performance criterion, it sets at least the following:

- a threshold, corresponding to 0% target achievement;
- a target, corresponding to 100% target achievement;
- a maximum figure, corresponding to 250% target achievement.

The Supervisory Board can set other figures between the figures shown above.

In order to determine the various target achievement levels, actual values as reported in the relevant approved consolidated financial statements of Infineon Technologies AG are compared with the target values set at the beginning of the fiscal year. Actual target achievement is calculated on the basis of the defined target values and target corridors for each performance

criterion and can range between 0% and 250%. If the actual value achieved is below or equal to the threshold, target achievement is deemed to be 0%. If the actual value achieved is equal to or greater than the maximum figure, target achievement is deemed to be 250%. Overall target achievement for the purposes of the STI is calculated by adding the equally weighted target achievements determined for each of the three performance criteria and can also range between 0% and 250%. The thresholds, targets and maximum figures as well as the actual levels of target achievement are published ex-post in the remuneration report for the relevant fiscal year.

(b) Modifier in the case of extraordinary developments

The modifier, as set out in the German Stock Corporation Act and the German Corporate Governance Code, enables the Supervisory Board to take appropriate account of extraordinary developments that were not adequately reflected in the targets set at an earlier stage. Extraordinary developments consist solely of significant business changes not included in operational planning, such as company purchases and disposals, restructuring and changes in tax or accounting regulations, or far-reaching and unforeseeable changes in the economic situation (such as serious economic crises), the effects of which are not adequately reflected in the target achievement criteria that were originally defined. Generally unfavorable market developments are expressly not considered to be extraordinary developments.

After the end of the relevant fiscal year, the Supervisory Board applies the modifier, but only in exceptional cases. A factor of 0.7 to 1.3 may be applied to determine the overall level of target achievement.

If the modifier is applied, a substantive justification is published ex-post in the remuneration report.

(c) Payout

The STI payout amount is calculated by multiplying the individual contractual STI allocation amount by the overall target achievement and the modifier. It is limited to 250% of the individual contractual allocation amount. The actual payment is made in cash as soon as possible after the Supervisory Board has determined the amount to be paid, but no later than five months after the end of the fiscal year.

(d) Temporary increase of the STI allocation amount for current service contracts

With the conversion to the remuneration system which had just been introduced at the time of the Supervisory Board resolution about that system (20 November 2020) of the current service contracts on 1 October 2021 (i.e. for the 2022 fiscal year) and, in the case of the LTI, with effect from 1 October 2020 (i.e. with the allocation made on 1 April 2021 for the 2021 fiscal year), the previous variable remuneration element MTI (Mid Term Incentive) was abolished. The allocation amount previously awarded for the MTI has now largely been added to the LTI to increase the weighting of long-term variable remuneration.

As the previous MTI allocation amount has now been added to the LTI with a four-year performance period, a temporary payout shortfall arises, which will be compensated by temporarily increasing the STI allocation amount in the 2022, 2023 and 2024 fiscal years for the members of the Management Board in office at the time of the Supervisory Board resolution regarding the new remuneration system on 20 November 2020.

(2) Long Term Incentive (LTI)

The Long Term Incentive (LTI) is a Performance Share Plan with a four-year performance period.

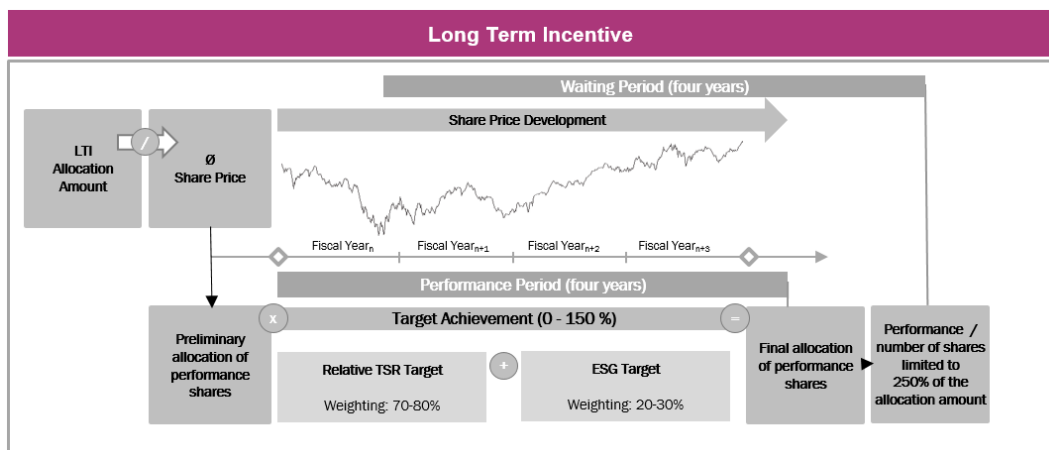


Diagram 3: Illustrative representation of the Long Term Incentive.

The performance period begins on 1 October of the first fiscal year of the performance period and ends on 30 September four years later. During this period, performance is measured based on two criteria, namely a financial performance criterion comprising relative Total Shareholder Return (TSR) compared to a selected industry peer group and a non-financial performance criterion derived from strategic ESG targets. The TSR target

contributes 70 - 80% and the ESG targets 20 - 30% to the overall target achievement. Accordingly, the LTI contributes significantly to the sustainable and long-term development of Infineon, while also aligning the interests of the Management Board and the shareholders.

The LTI tranche is allocated in each case on 1 April in the first fiscal year of the performance period (allocation date). The waiting period begins on the allocation date. Unlike the performance period, the waiting period ends four years after the allocation date, i.e. on 31 March. To determine the number of Performance Shares provisionally awarded on the allocation date, at the beginning of the performance period the individual LTI allocation amount is divided by the average share price over the last 60 trading days prior to the beginning of the performance period. The extent of target achievement is determined at the end of the four-year performance period. The definitive number of Performance Shares to be allocated after the end of the performance period is calculated by multiplying the number of provisionally allocated Performance Shares by the total target achievement of the two performance criteria applied during the performance period.

(a) Performance criteria and measuring success

Relative TSR

Relative TSR is defined as Infineon’s share price performance over the performance period, including dividends per share paid during that period (cumulative and notionally reinvested) compared to a pre-defined peer group. The TSR measures the total shareholder return, reflects the overall success of an investment, and is used as an indicator to determine the increase in market or company value. The inclusion of the TSR in the calculation means that Management Board remuneration takes account of Infineon’s relative performance, while at the same time linking the interests of the Management Board with those of the shareholders, e. g. the desire to achieve above-average performance in the long term compared with its competitors. Target achievement for the TSR is based on a comparison with Infineon’s main international competitors. The companies included in the industry peer group at the time of the resolution about this remuneration system are shown in Table 4.

Table 4

Industry peer group

Analog Devices	NXP Semiconductors
Broadcom	Omron
China Electronics Huada Technology Company	ON Semiconductor

Cree	Power Integrations
Synaptics	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	

The Supervisory Board considers the industry peer group to be appropriate given that it consists of listed companies operating in the same (relevant) sub-markets as Infineon and since the companies included are in direct competition with Infineon and therefore operate under comparable market conditions to Infineon. Only companies that exist (and remain) as a legally independent entity throughout the performance period are considered part of the peer group. The Supervisory Board may adjust the peer group as it sees fit prior to the beginning of a new performance period.

The target achievement for Infineon's TSR performance criterion is determined using the ranking method. In this context, the TSR is calculated for Infineon and all the companies in the industry peer group and the companies are ranked in order according to the figures calculated. This ranking produces the percentile rank for Infineon.

The TSR target achievement can range between 0% and 150%. If Infineon's TSR is at the 60th percentile, the target achievement is 100%. A position at or below the 25th percentile results in a target achievement of 0%, while a position at or above the 75th percentile results in a target achievement of 150%. Target achievements between the defined target achievement points are linearly interpolated.

The TSR target achievement comprises 70 - 80% of the overall target achievement for the LTI. The Supervisory Board determines the exact weighting in each instance prior to the beginning of the performance period.



Diagram 4: Target achievement curve of the relative TSR.

ESG

ESG targets are defined as quantitative and qualitative performance criteria relating to Environmental, Social & Governance (ESG) matters. These include, for example, contributions to global climate protection (such as carbon neutrality by 2030) and the promotion of diversity at Infineon that has a positive impact on innovation, employee commitment and financial performance. Establishing a clear link between ESG targets and Infineon's business and sustainability strategies on the one hand and current market requirements on the other creates incentives for managing the company on a sustainable basis in the best interest of the stakeholders. The ESG targets are therefore important in that they align the interests of the Management Board and other stakeholders and contribute to the long-term sustainable success of the Group as a whole.

The ESG targets for the relevant allocation are determined by the Supervisory Board prior to the beginning of the fiscal year. The Supervisory Board generally defines up to three ESG targets, which are weighted equally. The Supervisory Board is entitled to set additional ESG targets and to determine their relative weighting. The target achievement curves are decided at the beginning of the fiscal year.

At the end of the performance period, target achievement is determined on the basis of a target/actual comparison and, as is the case with the TSR target, can range from 0% to 150%. The ESG targets, target achievement curves and target achievements are disclosed ex-post in the remuneration report.

The ESG target achievement comprises 20 to 30% of the overall target achievement for the LTI.

(b) Payout

After the end of the final fiscal year of the four-year performance period, the Supervisory Board determines the number of Performance Shares that will be definitively allocated. Infineon allocates the definitive number of Performance Shares after the end of the waiting period. Within one month after the end of the waiting period, it transfers these to the members of the Management Board in the form of Infineon Technologies AG shares (ISIN: DE0006231004, "Infineon shares"). The definitive share transfer in connection with the LTI is limited to a value of 250% of the individual allocation amount.

The Supervisory Board reserves the right to make a cash settlement rather than actually transferring Infineon shares. The Supervisory Board is required to make the decision prior to the end of the four-year waiting period; otherwise the right to make a cash settlement lapses. If the Supervisory Board decides to settle in cash, the amount to be paid out is calculated by multiplying the number of Performance Shares definitively allocated by the average share price over the last 60 trading days prior to the end of the four-year performance period. Payment must be made within one month after the end of the waiting period. Here too, the definitive LTI payout amount is limited to 250% of the individual allocation amount.

c. Other contractual elements

(1) Malus and clawback

The service contracts of Management Board members also include "malus and clawback" clauses, which allow variable remuneration amounts that have already been paid to be reclaimed or variable remuneration amounts not yet paid to be reduced under certain conditions.

If a Management Board member has breached the duties set forth in section 93 AktG either intentionally or through gross negligence, the Supervisory Board may, taking into account the circumstances of the individual case and considering the interests of both contracting parties, reduce or cancel the payout amount for the STI and the LTI for the fiscal year in which the breach of duty occurred either in full or in part (malus). If a breach of duty becomes known at a later date, any STI already paid out for the fiscal year in which the breach of duty occurred can also be reclaimed in full or in part if no more than three years have elapsed since payment (clawback). The Supervisory Board decides on these matters in

each individual case, based on its own professional judgement. In reaching its decision, the Supervisory Board is required in particular (but not exclusively) to take account of the significance of the duty that has been breached, the weight of any causal contribution and the amount of any damages incurred. The Supervisory Board is required to prioritize the LTI before reclaiming the STI. The amount of any reduction, cancellation or reclamation must be determined on the basis of the gross amount of the STI and LTI.

Irrespective of any action taken, the Supervisory Board reserves the right to assert other claims in accordance with the service contract and applicable statutory provisions (e. g. claims for damages).

(2) Share Ownership Guidelines (SOG)

In order to further align the interests of Management Board members and shareholders and to ensure the sustainable, long-term development of Infineon, each Management Board member is required to invest a fixed amount in Infineon Technologies AG shares and to hold these shares on a long-term basis. The amount to be invested is based on the gross basic annual salary of the Management Board member concerned.

The Chief Executive Officer of Infineon is required to invest the equivalent of 150% of his gross basic annual salary, while all other full members of the Management Board are required to invest the equivalent of 100% of their respective gross basic annual salaries. An accumulation phase of five years generally applies.

Management Board members are obliged to hold the required number of shares during the term of their service contract and for a period of two years after termination of the service contract.

(3) Maximum remuneration

The individual variable remuneration components as well as the total of all remuneration components of Management Board members, including the basic annual salary, fringe benefits and company pensions (total remuneration) are subject to a cap. The maximum amount of total remuneration that can be awarded to each member of the Management Board for a given fiscal year has been set in accordance with section 87a, paragraph 1, No. 1 AktG.

Accordingly, remuneration may not exceed the following amounts (maximum remuneration):

Table 5

Maximum remuneration	Chief Executive Officer	Full Management Board member
For the first four years	€7,200,000	€4,200,000
After four years	€9,200,000	€5,300,000

If a Management Board member completes four years on the Management Board from his/her initial appointment in the course of a fiscal year, the maximum remuneration is calculated pro rata temporis. Due to the temporary increase in the STI allocation amount for individual service contracts, maximum remuneration of €8,200,000 (Chief Executive Officer) and €5,900,000 (full member of the Management Board) will apply for the 2022, 2023 and 2024 fiscal years.

6. Duration of service contracts

The duration of the service contracts of Management Board members corresponds to the period of appointment and, in the event of reappointment, is extended by the period of reappointment. As a general rule, Management Board members are initially appointed for a period of three years. The period of reappointment is usually five years.

Due to the fixed term of the service contracts, they do not generally include the option of an ordinary termination of contract (i.e. termination of contract without a compelling reason). In the event of a change of control, for a limited period of time Management Board members have a special right of termination in accordance with section 9 below. The right of both parties to give extraordinary notice of termination for a compelling reason pursuant to section 626 of the German Civil Code (*Bürgerliches Gesetzbuch – BGB*) remains unaffected. Service contracts end automatically at the end of the month in which a Management Board member would reach the entry age for an unreduced standard retirement pension under the German state pension plan, irrespective of whether the member concerned actually participates in that plan.

7. Regulations governing the early termination of service contracts

If a service contract ends during a fiscal year, the STI and LTI allocation amounts for the fiscal year concerned are reduced pro rata temporis on a monthly basis (by one twelfth for each full month not completed in the relevant fiscal year). The agreed performance criteria and due dates for payment remain in place. Early payment or settlement of the STI and LTI is therefore not possible.

Entitlements to STI and LTI for the fiscal year in which the member leaves office lapse without replacement or compensation (unless there is a compelling reason for leaving office for which the member is not responsible) and also if the Management Board member's contract is terminated for a compelling reason for which the member is responsible (section 626 BGB). Similarly, all entitlements lapse in connection with LTI tranches provisionally allocated for previous fiscal years and which have not yet been definitively allocated.

If a severance payment is disbursed in the event of early termination of a service contract, the amount paid must comply with the recommendations made in the current version of the German Corporate Governance Code. If a post-contractual non-competition clause applies, the severance payment will be taken into account when calculating the settlement payment.

8. Regulations governing the temporary revocation of an appointment pursuant to section 84, paragraph 3 AktG

The Supervisory Board can agree with members of the Management Board whose appointment as a Board member is temporarily revoked with the assurance that they will be reappointed pursuant to section 84, paragraph 3 AktG that these Management Board members continue to receive individual remuneration components during the interruption to their term of office.

9. Change of control

The service contracts of Management Board members include a change-of-control clause, which stipulates the terms that apply when the activities of a Management Board member are terminated due to a significant change in Infineon's ownership structure. A change of control within the meaning of this clause occurs when a third party, either individually or in conjunction with another party, acquires at least 50% of the voting rights in Infineon Technologies AG as defined in section 30 of the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetzes - WpÜG*).

Members of the Management Board have the right to resign and terminate their service contracts within twelve months of the announcement of any such change of control. Any Management Board members who choose to do so are entitled to continued payment of their basic annual salary and variable remuneration components until the end of the originally agreed duration of their term of office, up to a maximum of 24 months.

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

10. Temporary deviation from the Management Board remuneration system

Under special and extraordinary circumstances (e.g. in the event of a serious financial or economic crisis), in accordance with section 87a, paragraph 2, sentence 2 AktG, the Supervisory Board may temporarily deviate from the remuneration system if deemed necessary in the interest of Infineon's long-term well-being. Unfavorable market conditions are explicitly excluded from the definition of special and extraordinary circumstances. The necessity for such a temporary deviation is required to be examined and assessed by the Executive Committee of the Supervisory Board. Based on the findings of the Executive Committee, the Supervisory Board determines the necessity of any deviations in the form of a resolution.

Even in the event of a deviation from the Management Board remuneration system, the remuneration of Management Board members must be geared towards the long-term, sustainable development of Infineon and take into account the company's overall situation as well as the Management Board's performance. The option to deviate temporarily is limited to the remuneration structure, the performance criteria and the weightings of the STI and LTI and their respective ranges of possible target achievement. If it is not possible to recreate the incentive effect of the remuneration system by adjusting the relevant components, the Supervisory Board is also entitled, under the same conditions described above, to temporarily replace individual remuneration components with others or grant additional remuneration components.

If the option to deviate has been exercised, an explanation of the need to do so is included in the remuneration report, together with details of the remuneration components affected by the deviation in accordance with section 162, paragraph 1, No. 5 AktG.