



## **Report of the Management Board on item 8 of the Agenda – Creation of a new Authorized Capital 2021/I for employee shares (article 4, paragraph 7 of the Articles of Association)**

Direct shareholdings have long been a proven component of compensation for executives at listed companies. At Infineon, this method of compensation is reflected in the Performance Share Plan (PSP) for Management Board members and Infineon Group executives and in the Restricted Stock Unit Plan (RSUP), which applies to Infineon Group executives (but not to Management Board members). Both plans are due to be revised during the 2021 fiscal year. The PSP and the RSUP are serviced as a general rule by the issuance of Infineon shares.

Under the terms of the PSP, virtual Performance Shares are provisionally granted once a year. Achievement is measured over a four-year performance period – primarily on the basis of the financial performance criterion of relative Total Shareholder Return (TSR) as compared to a selected peer group and partially based on non-financial performance criteria such as environmental, social and governance (ESG) targets. Depending on actual target achievement at the end of the four-year performance period, the virtual Performance Shares are converted as a general rule into Infineon shares. For certain executives, participation in the PSP is linked to the requirement to personally purchase and hold a specified number of Infineon shares (Share Ownership Guidelines).

The RSUP serves to supplement the PSP and is structured so that restricted stock units are also allocated once a year. These restricted stock units are subsequently converted into Infineon shares on a step-by-step basis (25% each year) over the following four years if specified criteria are met.

The issuance of shares in conjunction with the PSP and the RSUP is designed to integrate executives at Infineon and bolster their identification with the enterprise. The arrangements are also intended to enable executives to participate in Infineon's long-term success as responsible-minded shareholders, thus encouraging a greater sense of responsibility throughout the organization. Finally, given the multi-year maturities of the tranches issued under the PSP and RSUP, the two plans are designed to ensure the long-term retention of executives within the company.

Taking all factors into consideration, the issuance of shares in connection with the PSP and the RSUP, with the subscription rights of existing shareholders excluded, is in the

overall interest of Infineon and its shareholders. Moreover, German legislation encourages enabling employees to participate in the share capital of their company, including various simplifications permitted by the German Stock Corporation Act (*AktG*).

The new Authorized Capital of up to €30 million will only be utilized to service the exchange of Performance Shares and Restricted Stock Units allocated to employees and Management Board members of Infineon Technologies AG as well as employees and members of the management of Group companies for real Infineon shares at the end of the four-year waiting period for the purpose of settling PSP and RSUP tranches. In order to issue shares in this manner to the plan participants, it is necessary to exclude the subscription rights of existing shareholders.

The new shares intended for PSP participants will be issued at the lowest issue price in return for a capital contribution in cash. In the case of allocations to employees, shares may also be issued in compliance with the conditions set out in more detail in section 204, paragraph 3, *AktG*, thereby reducing the expense borne by employees. According to this legislation, the contribution to be paid on the shares is covered by the portion of the net income for the year that the Management Board and Supervisory Board could transfer to revenue reserves in accordance with section 58, paragraph 2, *AktG*. In this case, an amount corresponding to the lowest issue price of the new shares is reclassified from special reserves (as recorded in the Separate Financial Statements) to share capital. This procedure does not apply to shares issued to members of the Management Board of Infineon Technologies AG or boards of directors of Group companies.

The proposed nominal amount of the Authorized Capital 2021/I of up to €30 million (i.e. up to 15 million shares) is equivalent to approximately 1.1% of the current share capital. In putting forward this proposal, the Supervisory Board and the Management Board were guided by the expected need for shares to service the PSP and RSUP share plans. No further authorized capital is available to issue shares to employees and members of the Management Board of Infineon Technologies AG or boards of directors of Group companies.

As a general rule, Infineon is also entitled to use repurchased own shares to service rights accruing in conjunction with the PSP and the RSUP. Alternatively, Infineon is entitled to make a cash payment to plan participants. Infineon should, however, have the necessary flexibility to create and issue new shares either as an alternative or in addition to issuing its own shares or making cash-settlement payments. The principal benefits arising from the utilization of Authorized Capital 2021/I to service the PSP and the RSUP are the ability to deploy the shares regardless of any previous buy-back and simultaneously safeguard Infineon's liquidity.

In each specific case, the Management Board will, in future, continue to diligently examine whether the participation of an executive or group of executives in the PSP and the RSUP (and hence the potential issue of Infineon shares to plan participants at a

later date with the subscription rights of existing shareholders excluded) is in the best interest of the company and its shareholders. Similarly, the Management Board and the Supervisory Board will ensure that the utilization of Authorized Capital 2021/I to fulfill the rights of PSP and RSUP participants complies with the aforementioned conditions. Authorized Capital 2021/I will only be utilized to service any rights arising in conjunction with the PSP and the RSUP if deemed to be in the interest of the company and its shareholders.

The Management Board will keep the Annual General Meeting informed of the extent to which Authorized Capital 2021/I is being utilized.

Infineon Technologies AG

The Management Board

Dr. Reinhard Ploss  
(CEO)

Dr. Sven Schneider  
(CFO)

Dr. Helmut Gassel

Jochen Hanebeck