



# Management Board remuneration as of the 2025 financial year

Infineon Technologies AG  
January 2025



# Remuneration of the Management Board

## The adjustments as of the 2025 financial year at a glance



### Existing Management Board remuneration system:

- The existing Management Board remuneration system was approved by the 2023 Annual General Meeting with 87.7%.
- The upcoming 2025 Annual General Meeting will not focus on the level of remuneration, but on structural changes.
- The structural changes are being implemented two years ahead of schedule, encompassing enhancements in governance, transparency, and notably, a closer alignment with Infineon's strategic objectives.

### The adjustments in detail:

	After Adjustment	Before Adjustment
LTI	Target structure LTI <sup>1</sup> <ul style="list-style-type: none"> <li>- 40% Total Shareholder Return (TSR),</li> <li>- 40% Target Operating Model (TOM),</li> <li>- 20% Environmental, Social &amp; Governance (ESG).</li> </ul>	Target structure LTI <sup>1</sup> <ul style="list-style-type: none"> <li>- 80% Total Shareholder Return (TSR),</li> <li>- 20% Environmental, Social &amp; Governance (ESG).</li> </ul>
	Adjustment and transparent criteria for TSR peer group in the LTI (two peer groups in future: DAX excluding financial service providers and relevant competitors from the semiconductor industry).	No published criteria for the peer group selection, which comprises 30 companies of varying sizes in the semiconductor industry.
	100% target achievement for TSR = 50th percentile of the defined peer group.	100% target achievement for the TSR = 60th percentile of the defined peer group.
	Maximum target achievement = 200%.	Maximum target achievement = 150%.
STI	Proportionate payment of the STI <sup>2</sup> in form of Infineon shares. This portion is subject to a holding obligation until the relevant number of shares - based on the Share Ownership Guideline - has been built up.	No payout of the STI in form of Infineon shares.

<sup>1</sup> LTI = Long Term Incentive, long-term variable remuneration

<sup>2</sup> STI = Short Term Incentive, short-term variable remuneration

# Remuneration of the Management Board

## Compensation elements at Infineon



The remuneration for the Management Board essentially comprises the two main components

1. non-performance-related remuneration and
2. performance-related remuneration.

### The overall structure in detail:

- Basic Annual Salary
- Benefits/Pensions
  - The non-performance-related remuneration includes standard market fringe benefits and a defined contribution pension commitment.
- STI and LTI
  - Performance-related remuneration elements are combined in the STI and LTI. The targets in the STI relate to the respective financial year, while the LTI defines cycle-independent targets for a four-year period and in particular takes into account the long-term development of the company and the share price, also relative to competitors. Key performance indicators are derived from Infineon's long-term financial targets.
- Other structural features
  - In addition, there are further remuneration regulations for the members of the Management Board, in particular malus and clawback regulations as well as a Share Ownership Guideline (SOG).

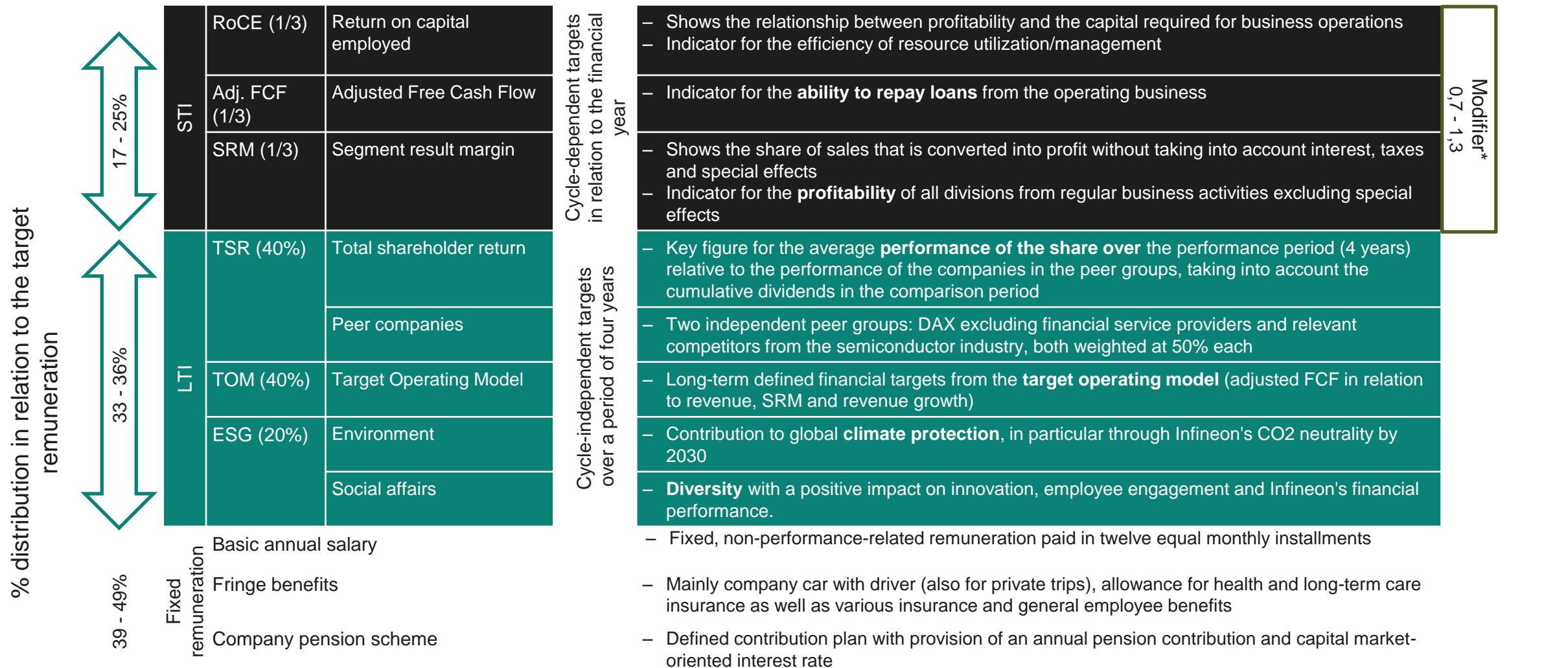
#### **CEO Pay Ratio**

The ratio of the CEO's salary to the median salary of all Infineon employees was 71:1 in 2024.

For comparison: In 2023, the average CEO-to-employee ratio was 268:1 for companies in the S&P 500 Index.

# Remuneration of the Management Board

## Overview of remuneration components and related targets



\* Only in the event of extraordinary developments as provided for in the German Stock Corporation Act and the German Corporate Governance Code

# STI and LTI

## Targets and target structure



To enhance specificity and clarity, the KPI definitions underwent an editorial revision. The primary goal was to ensure seamless alignment with the reported KPIs, thereby achieving maximum consistency and coherence.

<b>STI after Adjustment</b> (Cycle-dependent targets for the fiscal year)		<i>STI* before Adjustment</i>
Target	Weighting	Weighting
adj. Free Cash Flow	33.3̄%	33.3̄%
RoCE	33.3̄%	33.3̄%
Segment Result Margin	33.3̄%	33.3̄%

<b>LTI after Adjustment</b> (Cycle-independent targets for the fiscal year)				<i>LTI before Adjustment</i>		
Target	Weighting	Sub-Target	Weighting	Weighting	Sub-Target	Weighting
<b>Total Shareholder Return (TSR)</b>	40%	DAX Peer Group	20.0%	80%	Semiconductor Peer Group (n=30)	80%
		Core Semiconductor Peer Group	20.0%			
<b>Target Operating Model (TOM)</b>	40%	Revenue	13.3̄%			
		Segment Result Margin	13.3̄%			
		adj. Free Cash Flow relatively to Revenue	13.3̄%			
<b>Environmental, Social &amp; Governance (ESG)</b>	20%	CO2	10.0%	20%	CO2	10.0%
		Diversity	10.0%		Diversity	10.0%

The table outlines the targets for variable remuneration, encompassing both short-term and long-term components. The Segment Result Margin is the only metric featured in both components. A key distinction lies in the target curves for the Segment Result Margin: the STI curve is tied to the respective financial year, whereas the LTI curve is based on the cycle-independent Target Operating Model and spans a four year period. The LTI target for adj. Free Cash Flow relative to Revenue diverges from the STI target, which does not include a revenue reference. This difference in target design ensures that the two remuneration components are distinct and aligned with the respective time horizons.

\* There has been no change in these metrics from the past. The only enhancement is the increased transparency, ensuring that the metrics align with reported figures in the annual report.

# Create performance incentives: The complementary roles of STI and LTI targets



## Why no double incentive?

- The Segment Result Margin target in the STI and LTI does not constitute double incentivization, as the two targets have
  - different time horizons for these goals and
  - different target curves and caps.

## Segment Result Margin

- The target curves for SRM are different between STI and LTI. Specifically, the 2025 STI targets are tailored to the challenging market environment, with the target curve design aligned to Infineon's business performance. In contrast, the LTI target curve for SRM is anchored in our long-term objectives, as outlined in the TOM.
- Different to STI which is capped at 250% target achievement, LTI target curves are capped at 200% target achievement.
- The STI target is focused on the respective financial year, with the target curve influenced by the current semiconductor industry cycle (focus on short-term). In contrast, the LTI target curve is shaped by the long-term strategy outlined in the Target Operating Model (TOM), independent of the cycle (promotion of long-term thinking and strategy).

## Decoupling of STI and LTI target achievement

- The fact that the STI and LTI targets are not directly linked also means that the target achievements do not correlate directly with each other. The LTI payouts always takes into account a 4-year period, which means that the target achievement in the LTI can deviate from the results of a single financial year in the STI.

# TSR target achievement below the median: a common market practice in Europe and the semiconductor industry



## Target achievement below the median as standard market practice

- In Germany, it is standard market practice for a limited portion of the LTI to be paid out below the median in relation to the total shareholder return (TSR). According to market data<sup>1</sup>, 100% of companies in the DAX excluding financial services providers have adopted a similar approach to awarding shares even if targets are achieved below the median. Infineon's current practice is therefore in line with standard market practice.

## Market practice in the semiconductor sector

- This practice is also widespread among international competitors in the semiconductor industry. Many companies in this sector have introduced similar target curves that allow shares to be allocated below the median. Infineon's approach is therefore not only compatible with German and continental European market practice, but is also in line with global and industry-specific practices.

## Reasons for the allocation of shares below the median

- In addition to the reasons already mentioned (market practice) relating to the allocation of shares below the median, the following factors are also relevant, which are related to the special features of the remuneration structure in Germany.
  - In Germany, it is unusual for Management Board members to receive restricted stock units (RSUs) as part of their remuneration package, in contrast to the US and UK, where RSUs are a common<sup>2</sup> form of share-based remuneration for Management Board members. As a result, it is common practice in Germany for shares to be awarded below the median as part of a performance share plan to ensure that Management Board members receive a minimum number of company shares via this remuneration element.
  - In the absence of RSUs as a remuneration element for Management Board members, performance shares therefore play a much greater role in retaining Management Board members and making them shareholders of the company. An allocation of shares for target achievement below the median enables both performance and retention aspects to be taken into account in a balanced manner.

<sup>1</sup> based upon surveys conducted by independent compensation consultancy Willis Towers Watson in 2024

<sup>2</sup> examples with time-based RSUs on Management Board level in 2024 include amongst others: Intel Corporation, ON Semiconductor Corporation, Microchip Technology Inc., Qorvo Inc., Texas Instruments Incorporated, Arm Limited

# TSR Peer Group

The definition of the TSR Peer Group is based on clear and objective criteria:

## Two peer groups:

- DAX peer group:** This peer group consists of companies in the local market, i.e. DAX companies excluding financial service providers. This peer group is also used to assess the appropriateness of Management Board remuneration.
- Semiconductor peer group:** This peer group consists of companies in the semiconductor industry that are relevant to Infineon from a regional and/or competitive perspective.

## Criteria for the selection of companies:

- **Regional focus** with the DAX peer group and **sector focus** with the semiconductor peer group
- **Equal weighting** of the two peer groups (50% each)
- **Minimum turnover of approx. € 3 billion** per company
- Relatively even distribution of companies across the regions within the semiconductor peer group

Semiconductor Peer Group
Fuji Electric Co. Ltd.
Qorvo, Inc.
Texas Instruments Incorporated
STMicroelectronics N.V.
Renesas Elektronik Gesellschaft
NXP Semiconductors N.V.
ROHM Co, Ltd.
ams-OSRAM AG
Microchip Technology Incorporated
ON Semiconductor Corporation

DAX Peer Group
adidas AG
Airbus SE
BASF SE
Bayer AG
Bayerische Motoren Werke AG
Beiersdorf AG
Brenntag SE
Continental AG
Covestro AG
Daimler Truck Holding AG
Deutsche Post AG
Deutsche Telekom AG
Dr. Ing. h.c. F. Porsche AG
E.ON SE
Fresenius SE & Co. KGaA
Heidelberg Materials AG
Henkel AG & Co. KGaA
Mercedes-Benz Group AG

DAX Peer Group (continued)
Merck KGaA
MTU Aero Engines AG
Porsche Automobil Holding SE
QIAGEN N.V.
Rheinmetall AG
RWE AG
SAP SE
Sartorius AG
Siemens AG
Siemens Energy AG
Siemens Healthineers AG
Symrise AG
Volkswagen AG
Vonovia SE
Zalando SE



