

CORPORATE GOVERNANCE REPORT

Corporate governance practices

Corporate Governance – standards for effective and responsible corporate management

The Management Board and the Supervisory Board of Infineon Technologies AG view corporate governance as a comprehensive concept for responsible, transparent and value-led corporate management. Good corporate governance contributes towards increasing the value of the business on a sustainable basis, while at the same fostering trust in our entity among national and international investors, the financial markets, business partners, employees and the public. The Management Board, the Supervisory Board and the management ensure that corporate governance is actively implemented and continuously developed throughout the entity. Corporate governance at Infineon encompasses not only the German Corporate Governance Code (Deutscher Corporate Governance Kodex – “DCGK”), but also the standards of the internal control system, compliance – especially the Infineon Business Conduct Guidelines – and regulations on organizational and supervisory duties within the entity, which are available to all employees on the Infineon intranet.

Business Conduct Guidelines

We conduct our business responsibly and in compliance with legal requirements and administrative regulations – and we have established several guidelines for this purpose. Infineon Technologies AG’s “Business Conduct Guidelines” as the most important of these are published on the Internet and are mandatory for the Management Board and all employees worldwide. The Business Conduct Guidelines are regularly reviewed and updated. They include regulations on compliance with the law, interaction with business partners and third parties, the avoidance of conflicts of interest, interaction with Company institutions, data and information management and environmental protection, health and safety. The guidelines also contain regulations concerning the handling of complaints and reports of breaches of the guidelines.

@ www.infineon.com/cms/en/about-infineon/investor/corporate-governance/compliance/business-conduct-guidelines/

Corporate Compliance Officer and Compliance Panel

An independent Compliance Office has been in place at Infineon since June 1, 2011, during which time it has been allocated increased budget and staffing levels. The additional resources allocated underline Infineon’s clear commitment to absolute compliance with the law and to maintaining ethical standards which protect the legitimate interests of employees, suppliers, customers, and shareholders, safeguard Infineon’s reputation, and take account of Infineon’s needs. In addition to meet the traditional compliance objectives, such as risk mitigation and increases in efficiency and effectiveness, compliance is promoted with a view to strengthening Infineon’s image as a reliable and fair business partner and thus contributing to its overall success.

Infineon Technologies AG’s Corporate Compliance Officer reports directly to the Infineon Chief Financial Officer (CFO). The Corporate Compliance Officer coordinates the compliance management system, develops the Infineon compliance program based on a risk-oriented approach, sets or works on guidelines, advises employees, receives complaints and tip-offs, including those made anonymously, and leads investigations aimed to clarify compliance-related cases. In addition, he or she carries out regular compliance training measures for employees on topics such as anti-trust law and anti-corruption. Extensive training measures were carried out also during the 2014 fiscal year. The Corporate Compliance Officer is supported by regional Compliance Officers. The Company has also established a Compliance Panel, composed of experienced managers from the Legal, Human Resources, Internal Audit and Security departments and the Corporate Compliance Officer. The members of the Compliance Panel meet regularly.

The primary task of the panel is to deliberate on the current status of compliance throughout Infineon and to discuss key issues and reach decisions aimed at improving the compliance system. A whistleblowing system has been established as an important component of the compliance system. Infineon employees can contact the Corporate Compliance Officer on a confidential basis (anonymously if desired) to report non-compliance with internal guidelines and applicable laws. Since 2011, an external lawyer serving in the capacity of an independent ombudsman has also been available for employees and business partners to pass on confidential information (anonymously if desired) with respect to legal violations at Infineon. The Corporate Compliance Officer follows up every item of information communicated before deciding – in collaboration with the Compliance Panel – whether to initiate an internal investigation.

The audit of the Compliance Management System at Infineon Technologies AG and at two other major Group entities – commissioned at the end of the 2012 fiscal year – was completed in June 2014. Under the terms of this engagement, the Management Board commissioned an independent audit firm to test and report on the appropriateness, implementation and effectiveness of the compliance management system. The audit was conducted in accordance with the “Principles for the Proper Performance of Reasonable Assurance Engagements Relating to Compliance Management Systems (IDW PS 980)” issued by the Institute of Public Auditors in Germany (IDW). The main points of emphasis of the engagement were the prevention of corruption and compliance with anti-trust law.

Risk management

The Management Board considers the systematic and effective management of risks and opportunities as part of good corporate governance and one of our key success factors. It forms a part of our business operations and ensures that risks and opportunities are detected early and exposure to risk is minimized. This transparency of the risk exposure Group-wide also makes a contribution to the systematic and continuous increase in the value of the business.

Our Group-wide Risk and Opportunity Management System, which is continuously adapted to changes in circumstances, consists of four sub-processes: Risk and opportunity identification, analysis, controlling and monitoring. Its effectiveness is reviewed regularly by the Supervisory Board’s Investment, Finance and Audit Committee.

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Details of risk management at Infineon are presented in the chapter “Risk and opportunity report”, which provides an in-depth description of both risk and opportunity management and the internal control system at Infineon.

Transparent management

We submit a regular quarterly report covering our business developments and Infineon’s financial position and performance to our shareholders according to a defined financial calendar. The members of the Management Board regularly inform shareholders, analysts, media and general public about the quarterly and annual results. Our comprehensive investor relations service features regular meetings and telephone conferences with analysts and institutional investors. All notices and disclosures are usually available on our website (www.infineon.com) in German and English.

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Infineon Technologies AG also issues ad hoc announcements in addition to its regular reporting to publicize information that is not in the public domain and the disclosure of which is deemed to affect the value of the Infineon share significantly.

The Company has a Disclosure Committee comprising experienced managers from the investor relations, communication, financial reporting and accounting, legal and internal audit departments. The Disclosure Committee reviews and approves specified financial and other material information published in conjunction with regular financial reporting or ad hoc announcements.

German law requires the Management Board to render a responsibility statement (“Bilanzzeit”). The information required for this purpose is confirmed internally to the Management Board by senior executives bearing management responsibility.

D&O insurance

The Company maintains a directors' and officers' group liability insurance policy ("D&O insurance"). The D&O insurance policy covers personal liability in the event of claims made in particular against members of the Management and Supervisory Board for indemnification of losses incurred in the performance of their duties. A deductible of 10 percent of the loss up to the amount of one and a half times the annual fixed compensation of the member of the Management or Supervisory Board concerned has been agreed in accordance with the statutory regulation in section 93, paragraph 2, of the German Stock Corporation Act (AktG) (for the Management Board) and the recommendation in section 3.8 of the DCGK (for the Supervisory Board).

Financial reporting and auditing

Starting with the 2009 fiscal year, Infineon Technologies AG has prepared its Consolidated Financial Statements exclusively in accordance with International Financial Reporting Standards (IFRS) as applicable in the EU. The separate Financial Statements of Infineon Technologies AG continue to be prepared in accordance with the German Commercial Code (HGB). The separate and consolidated Financial Statements of Infineon Technologies AG and the combined Management Report (Lagebericht) are published within 90 days of the end of the fiscal year after approval by the Supervisory Board.

Infineon's financial reporting for the 2014 fiscal year is audited by KPMG AG Wirtschaftsprüfungsgesellschaft, Munich (KPMG). The Quarterly Reports were also subjected to review by KPMG. The audit also considers the Company's system for the early identification of risks and the submission of the Declaration of Compliance in accordance with section 161 AktG. The Investment, Finance and Audit Committee discusses the quarterly reports and the half-yearly financial report with the Management Board prior to publication. We have agreed with KPMG that the Chairman of the committee should be informed immediately if any possible reasons for exclusion or bias occur during the audit, unless they can be eliminated immediately. The auditors should also report immediately on all findings and occurrences material to the Supervisory Board's work that arise in the course of the audit and review engagements.

Directors' dealings

Members of the Management Board and the Supervisory Board and specified persons bearing management responsibility with, among other things, regular access to inside information, as well as parties related to them, are required pursuant to Section 15a of the German Securities Trading Act (Wertpapierhandelsgesetz) to notify the Company as well as the Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht – BaFin) of own transactions involving Company shares or related financial instruments. This only applies, however, if the total value of the transactions made by one of the above-mentioned persons amounts to €5,000 or more in one calendar year. The Company is obliged to publish the notifications it receives and have them recorded in the Company Register. Such notices are also reported to BaFin.

The following securities transactions were notified to the Company during the previous fiscal year.



Last name, first name	Dr. Ploss, Reinhard
Function	Chairman of the Management Board
Description	Shares in Infineon Technologies AG
ISIN/WKN	DE0006231004/623 100
Date of transaction	March 12, 2014
Purchase/sale	Purchase
Price (per unit)	€8.21
Number of units	8,500
Total volume	€69,742.50
Date of transaction	March 12, 2014
Purchase/sale	Purchase
Price (per unit)	€8.20
Number of units	2,500
Total volume	€20,495.00
Total volume of transactions	€90,237.50
Transaction location	Frankfurt/Main Stock Exchange (Xetra)
Last name, first name	Asam, Dominik
Function	Member of the Management Board
Description	Shares in Infineon Technologies AG
ISIN/WKN	DE0006231004/623 100
Date of transaction	November 21, 2013
Purchase/sale	Purchase
Price (per unit)	€7.21
Number of units	1,943
Total volume	€14,005.14
Date of transaction	November 21, 2013
Purchase/sale	Purchase
Price (per unit)	€7.21
Number of units	6,365
Total volume	€45,872.56
Total volume of transactions	€59,877.70
Transaction location	Frankfurt/Main Stock Exchange (Xetra)
Last name, first name	Gruber, Peter
Function	Member of the Supervisory Board
Description	Shares in Infineon Technologies AG
ISIN/WKN	DE0006231004/623 100
Date of transaction	November 20, 2013
Purchase/sale	Sale
Price (per unit)	€6.90
Number of units	16,000
Total volume	€110,400.00
Transaction location	Frankfurt/Main Stock Exchange (Xetra)

Compensation of the Management Board and the Supervisory Board

Details of Management Board and Supervisory Board compensation in the 2014 fiscal year are presented in the comprehensive Compensation Report, which also forms part of the Group Management Report of Infineon Technologies AG.

Share based compensation schemes for employees and members of the Management Board

Infineon's share based compensation schemes are detailed in note 27 to the Consolidated Financial Statements; the full text of the plans may be viewed at www.infineon.com ("About Infineon/Investor/Corporate Governance/equity based compensation").

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 www.infineon.com

As part of the long-term remuneration of executives and selected Infineon employees worldwide, a so-called "Performance Share Plan" (PSP) came into force for the first time in the 2014 fiscal year, replacing the previous stock option plan. The same plan also applies to members of the Management Board, whereby the latter – unlike other plan participants – have a contractually secured claim. The principal conditions of the plan for members of the Management Board are described in the Compensation Report, which also forms part of the Group Management Report. Essentially the same conditions apply to other PSP participants, with differing rules only with respect to the requirement of members of the Management Board to invest in Infineon shares and in the event of early termination; moreover, the cap only applies to members of the Management Board.

Declaration concerning the management of the Company (Part of the Group Management Report – unaudited)

Declaration of compliance with the German Corporate Governance Code issued for the 2014 fiscal year by the Management Board and Supervisory Board of Infineon Technologies AG in accordance with section 161 of the German Stock Corporation Act

The Management Board and Supervisory Board issued the following declaration pursuant to section 161 AktG in November 2014:

1. Since the submission of the last Declaration of Compliance in November 2013, Infineon Technologies AG has, with one exception, complied with all recommendations of the German Corporate Governance Code in the version of May 13, 2013 ("Code"). The one exception, stated and explained in the November 2013 declaration, relates to the following:

Section 5.4.6 of the Code recommends that performance-related compensation of the members of the Supervisory Board shall be oriented toward sustainable growth of the enterprise. The similarity in terminology to the requirements contained in the German Stock Corporation Act with respect to compensation of members of the Management Board seems to imply that performance-related compensation should also be based on a "multi-year assessment" for members of the Supervisory Board.

Members of the Supervisory Board of Infineon Technologies AG receive both fixed and performance-related compensation, the latter only being paid if earnings per share exceed a pre-defined amount.

Both the Management Board and the Supervisory Board have deliberated on this topic on several occasions. They concluded in each case that the compensation system currently in place for the Supervisory Board is already oriented toward sustainable growth of the enterprise even without a multi-year assessment, since the minimum amount required to trigger the compensation payment increases year-on-year, thus setting an incentive for improving earnings each year. As a consequence, neither of the boards saw any requirement to change the Supervisory Board compensation system approved with a large majority at the Annual General Meeting. The Management Board and the Supervisory Board have not changed their assessment of the situation.

2. The new version of the Code dated June 24, 2014 became effective on September 30, 2014. With the exception – described in point 1 of this declaration – of the unchanged recommendation contained in section 5.4.6 of the Code, Infineon Technologies AG has also complied, and will comply in the future, with the recommendations contained in this version of the Code.

Relevant disclosures in respect of corporate governance practices

The Company complies with all legal requirements with respect to corporate governance. With one exception stated in the Declaration of Compliance, Infineon complies with the recommendations of the German Corporate Governance Code. Furthermore, corporate governance practices in particular underpin the guidelines for corporate conduct (“Infineon Business Conduct Guidelines”) as well as the regulations relating to organizational and supervisory duties. Both of these sets of regulations are available to all employees worldwide on the Infineon intranet.

Shareholders and Annual General Meeting

Infineon shareholders take their decisions at the Annual General Meeting, which is held at least once a year. Each share carries one vote. Shareholders can attend the Annual General Meeting as long as they are registered in the share register and have duly registered for the meeting. The Annual General Meeting decides on all issues assigned to it by law, most notably on the formal approval of the conduct of business by the Management Board and the Supervisory Board, the profit appropriation, the election of the auditors and amendments to the Articles of Association. Shareholders are entitled to make counterproposals to motions introduced by management and to speak and ask questions at the Annual General Meeting. They also have the right, subject to certain conditions, to challenge resolutions of the Annual General Meeting, to request an extraordinary judicial review and to claim damages from corporate bodies of the Company on behalf of the Company when they identify incidences of misconduct or serious deficiencies in the Company’s management and control. We wish to support our shareholders as far as possible in the exercise of their rights at the Annual General Meeting. Shareholders can register for our Annual General Meeting electronically, participate in voting by postal voting or by sending online instructions e.g. to their proxies and they can follow the general debate via the Internet. All documents and information relating to the Annual General Meeting can be found on our website. Our Investor Relations Department, moreover, can be contacted throughout the year both by telephone and electronically to ensure the exchange of information between us and our shareholders.

Description of the mode of operation of the Management Board and Supervisory Board and of the composition and mode of operation of the Supervisory Board’s committees

Infineon Technologies AG is subject to German stock corporation law, which stipulates a two-tier administrative system, with the Management Board responsible for management and the Supervisory Board responsible for corporate oversight. We are convinced that this separation of the two functions is an important precondition for good corporate governance. The Management Board and the Supervisory Board cooperate closely in Infineon’s interest.

Management Board

Infineon Technologies AG’s Management Board currently comprises three members. In accordance with the DCGK, the Supervisory Board has set an age limit for Management Board membership under which members of the Management Board in general should be no more than 67 years old. In accordance with its rules of procedure, the Supervisory Board takes account of diversity as well as technical and personal suitability in respect of the composition of the Management Board and will in particular endeavor to ensure appropriate female representation. The Management Board currently comprises only men (100 percent), of whom two are in the middle age-group of between 30 and 50 years of age (66.7 percent) and one (33.3 percent) is in the 50 + age-group.

The Management Board is the Company's executive body. It is obliged to serve the Company's interests and thereby pursue the goal of sustainably increasing Infineon's value taking into account the interests of all stakeholders. It determines Infineon's commercial objectives, strategic direction and corporate policy and defines how the Group is to be organized.

According to German stock corporation law, the Management Board has overall responsibility for the management of the Company. The Company's Management Board has adopted rules of procedure with the consent of the Supervisory Board. These rules stipulate that the Company is managed jointly by all of the members of the Management Board, who should work together in a cooperative manner to this end. Collaboration between the Management Board and the Supervisory Board is coordinated by the Chief Executive Officer (CEO). The CEO maintains regular contact with the Chairman of the Supervisory Board, with whom he discusses the key aspects of Infineon's strategy, planning, course of business and risk management. At the ordinary meetings of the Supervisory Board, the Management Board reports comprehensively and promptly on Infineon's business performance, its economic situation, the economic situation of the individual segments, as well as Infineon's financial and investment planning. The CEO notifies the Chairman of the Supervisory Board without delay of any matters that are of material importance for assessing the position and development of the Company or for its management.

Supervisory Board

Work of the Supervisory Board

The Supervisory Board advises and monitors the Management Board as it manages the entity. The Supervisory Board is informed by the Management Board regularly, comprehensively, and in a timely manner on all matters of relevance and agrees Infineon's corporate strategy and its implementation with the Management Board. The Supervisory Board discusses the quarterly reports and reviews and approves both the Separate Financial Statements and the Consolidated Financial Statements of Infineon Technologies AG. Major decisions of the Management Board, such as Group-wide financial and investment planning and major acquisitions and equity investments, divestitures, and financial measures, are subject to its approval. Further details are stipulated in the rules of procedure of the Management Board and the Supervisory Board. When Supervisory Board votes end in ties, the Chairman of the Supervisory Board has two votes if voting is carried out a second time and again results in a tie.

The duties of the Supervisory Board and its committees are regulated by law, by the Articles of Association and by the rules of procedure of the Supervisory Board and its committees. In addition, the DCGK contains recommendations about Supervisory Board work.

The Supervisory Board reviews the efficiency of its work, including its interaction with the Management Board, once a year. The efficiency review is performed on the basis of a questionnaire addressing different areas and criteria of the Supervisory Board's work. The results were subsequently discussed at a Supervisory Board meeting. In the 2010 fiscal year, an external independent consultant was engaged for the first time to conduct a detailed survey of Supervisory Board activities. The most recent efficiency review took place in summer 2014, again on the basis of a questionnaire. No deficits in efficiency were identified.

Composition of the Supervisory Board

The Supervisory Board of Infineon Technologies AG currently has 12 members and comprises an equal number of shareholder representatives and employee representatives as stipulated in the German Co-Determination Act (Mitbestimmungsgesetz). The shareholder representatives are elected by the Annual General Meeting, the employee representatives by employee delegates at Infineon's German facilities in accordance with the German Co-Determination Act. The normal term of office of members of the Supervisory Board is approximately five years. The most recent regular election of shareholder representatives and employee representatives to the Supervisory Board took place in the 2010 fiscal year for periods of office through to the end of the 2015 Annual General Meeting. The Annual General Meeting held on February 17, 2011 elected Mr. Wolfgang Mayrhofer as a member of the Supervisory Board as successor to Prof. Dr. Klaus Wucherer. At its meeting held on the same day, the Supervisory Board elected Mr. Mayrhofer as its Chairman.

Section 6 (1) of the Articles of Association stipulate that the Supervisory Board shall consist of the minimum number of members required by law. The Company previously had fewer than 10,000 employees in Germany and, therefore, the Supervisory Board currently comprises 12 members in accordance with paragraph 7 section 1, sentence 1, number 1 of the German Co-Determination Act. Due to the fact that the Company and its subsidiaries in Germany in the meantime have more than 10,000 employees, the Management Board initiated so-called “status proceedings” in the 2014 fiscal year, with a view to increasing the size of the Supervisory Board from its current 12 to 16 members. In future, the Supervisory Board will, therefore, comprise eight shareholder representatives and eight employee representatives. The elections for employee representatives will take place in December 2014, the elections for shareholder representatives at the 2015 Annual General Meeting.

The overall composition of the Supervisory Board should comply with the principles of diversity in the opinion of the Supervisory Board. This means firstly that the composition of the Supervisory Board should take into account the diversity to be found in an open and innovative global company like Infineon as far as possible and secondly that nobody should be selected or dropped as a candidate for the Supervisory Board simply because he or she possesses or lacks a certain diversity factor. “Diversity” as the term is used here denotes international (in the sense of roots, upbringing, education or professional activity rather than citizenship), gender and age diversity.

The Supervisory Board specified concrete objectives regarding its composition at its meeting of November 22, 2010 in accordance with the recommendation in section 5.4.1 DCGK (version: May 2010). With effect from the version dated May 15, 2012, the Code includes the recommendation in section 5.4.1 that the Supervisory Board should also specify concrete objectives regarding the appropriate number of independent members of the Supervisory Board. The objectives of the Supervisory Board were, therefore, expanded in a resolution dated August 7, 2012. With respect to the extension of the Supervisory Board from currently 12 to 16 members, on November 17, 2014, the Supervisory Board resolved to adapt its objectives as follows:

“The Supervisory Board comprises an equal number of representatives of the employee and the shareholder. The Supervisory Board cannot influence the selection of candidates for the Supervisory Board by the employees; similarly, shareholder representatives on the Supervisory Board are elected by the Company’s shareholders at the Annual General Meeting and not by the Supervisory Board. Nevertheless it is a stated objective of the Supervisory Board that the Supervisory Board should comprise

- (i) at least twelve “independent” representatives [...] (including at least four shareholder representatives),
- (ii) at least two women and
- (iii) at least five “international” representatives [...].

The Supervisory Board already meets these minimum criteria and it is intended that it continues to do so at all times in future.”

The current composition of the Supervisory Board continues to meet these objectives. The Supervisory Board considers in particular that all of its current 12 members are independent within the meaning of the recommendation in section 5.4.2 DCGK. Furthermore, the Supervisory Board complies with the age limit defined in its rules of procedure, which states that in general nobody older than the age of 69 should be proposed for membership of the Supervisory Board. Exceptions to this rule are possible, however, in justified cases. The Supervisory Board currently comprises two women (16.7 percent) and ten men (83.3 percent), of whom all (100 percent) are in the 50+ age-group.

The Supervisory Board will take this requirements profile and these objectives into account in its future nominations to the Annual General Meeting. In doing so, the Supervisory Board will also disclose any of the candidate's business or other relationships with Infineon, the Company's representative bodies and/or a major shareholder in the Company, if it considers that an impartial shareholder making an objective decision about the election would consider such information to be of relevance. The same applies in respect of the Nomination Committee insofar as it carries out the preparatory work for the Supervisory Board decision. The Supervisory Board recommends that its members elected by the employees also do what they can, within the scope of their influence, to have the required profile and objectives taken into account in the election nominations made by the relevant bodies on the employees' side. The Supervisory Board also recommends that the objectives be taken into account by any of its members making an application for the appointment of a member of the Supervisory Board by the courts.

Supervisory Board committees

The Supervisory Board rules of procedure provide for the formation of three committees: the Mediation Committee, the Executive Committee, and the Investment, Finance, and Audit Committee. The Supervisory Board has also established both a Strategy and Technology Committee and the Nomination Committee recommended in the DCGK. All Supervisory Board committees have an equal number of employee representatives and shareholder representatives apart from the Nomination Committee, which consists exclusively of shareholder representatives.

The **Mediation Committee**, which consists of the Chairman of the Supervisory Board, the Vice-Chairman, one shareholder representative and one employee representative, submits specific recommendations to the Supervisory Board concerning the appointment of members of the Management Board if the first round of the election on the appointment does not result in the required majority of two thirds of the members of the Supervisory Board.

The **Executive Committee** consists of the Chairman of the Supervisory Board, the Vice-Chairman, one shareholder representative and one employee representative. The duties of this committee include preparing the appointment and dismissal of members of the Management Board and drawing up the resolution (taken by the Supervisory Board) on Management Board compensation. It is also responsible for concluding, amending and terminating contracts with members of the Management Board except in matters involving earnings.

The **Investment, Finance, and Audit Committee** ("Audit Committee") consists of the Chairman of the Supervisory Board, the Vice-Chairman and one further representative each of the shareholders and employees. The Chairman of the Investment, Finance, and Audit Committee, Dr. Eckart Sünner, has – among other qualifications – particular expertise in and extensive experience of financial reporting on account of his many years of service as chairman of the audit committee of another DAX-listed corporation and accordingly qualifies as an "independent financial expert" pursuant to section 100, paragraph 5, of the German Stock Corporation Act.

The Audit Committee monitors the Company's financial reporting process and discusses and examines the Separate Financial Statements and Consolidated Financial Statements prepared by the Management Board, the combined Management Report (Lagebericht) and the quarterly and half-yearly financial reports. It gives recommendations with respect to the approval of the Separate Financial Statements and Consolidated Financial Statements by the Supervisory Board based on the independent auditors' report, it submits its recommendations for the selection of the independent auditor to the Supervisory Board, engages the independent auditors selected by the Annual General Meeting to audit the Separate Financial Statements and Consolidated Financial Statements and review the interim financial reports, specifies the key areas to be examined in audit activities jointly with independent auditors and is responsible for setting the independent auditors' compensation.

Other matters addressed by the Audit Committee include the monitoring of the effectiveness of the internal control system, internal audit system and risk management system. It has the authority in this connection both to contact any employee of the entity directly and to seek external assistance. Internal Audit reports annually to the Audit Committee, which can also specify an audit plan and key areas to be considered in audits.

Furthermore, the Audit Committee is responsible for the discussion of compliance issues. The Management Board and the Corporate Compliance Officer regularly report to the Audit Committee on the structure and work of the compliance organization and on any particular compliance issues.

The **Strategy and Technology Committee**, which consists of three shareholder representatives and three employee representatives, concerns itself with Infineon's business strategy and key technology issues.

The **Nomination Committee**, which consists of the Chairman of the Supervisory Board and two further shareholder representatives, proposes to the Supervisory Board suitable candidates for recommendation to the Annual General Meeting.

All committees regularly submit detailed reports on their work to the Supervisory Board. Further information about the work of the Supervisory Board and its committees can be found, together with details of the people who serve on them, in note 36 to the Consolidated Financial Statements and in the report of the Supervisory Board to the Annual General Meeting.

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Avoidance of conflicts of interest

The members of the Management Board and Supervisory Board disclose any conflicts of interest to the Supervisory Board without delay. No conflicts of interest arose among the members of the Management Board and Supervisory Board in the 2014 fiscal year.

The German Corporate Governance Code requires prior approval to be given by the Supervisory Board before members of the Management Board take on mandates on external supervisory boards. In the year under report, the Supervisory Board gave its approval to Mr. Mittal's mandate on the supervisory board of tesa SE.

Material transactions between the Company and members of the Management Board or related parties require the approval of the Supervisory Board. This also applies to consulting and other service or work contracts a member of the Supervisory Board enters into with the Company. As a precaution, the Supervisory Board approved in November 2010 a contract between the Company and the Technische Universität München (Institute for Technical Electronics headed by Prof. Dr. Schmitt-Landsiedel) for the performance of R&D work on the topic of "Sensing for Automotive Applications"; this contract expired on September 30, 2013. The Company is currently in the process of negotiating a continuation of the contract with Technische Universität München; the Supervisory Board has already approved the continuation of the collaboration with Technische Universität München in principle. Dr. Sünner has been Of Counsel with the law firm Allen & Overy LLP since 2011. The Company has in the past engaged Allen & Overy in individual cases, but has never received advice from Dr. Sünner personally in conjunction with any of these engagements. Allen & Overy and Dr. Sünner have also confirmed that Dr. Sünner does not participate – either directly or indirectly – in the fees from any of these engagements. A potential conflict of interest, therefore, does not arise.

Shareholdings of members of Management and Supervisory Board

As of September 30, 2014, the shares in Infineon Technologies AG held by all members of the Management Board and Supervisory Board did not exceed 1 percent of the shares issued by the Company.

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Information regarding the composition of the Management Board, Supervisory Board and the Supervisory Board's committee can be found in note 36 to the Consolidated Financial Statements.