Internal Compliance Program (ICP) : Sharing of Experience

By Infineon Technologies (Kulim) Sdn. Bhd.

8th Jan’14

STA 2010: Regulatory Compliance Seminar
Internal Compliance Program – Industry Approach
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The Company

- Infineon provides semiconductor and system solutions, focusing on three central needs of our modern society: Energy Efficiency, Mobility and Security
- Revenue in FY 2013: € 3.843 billion
- 26,725 employees worldwide (as of September 2013)
- Strong technology portfolio with more than 18,650 patents and patent applications (as of September 2013)
- More than 20 R&D locations
- Germany's largest and Europe's second largest semiconductor company
Infineon Holds Top Positions in All Target Markets

### Automotive
- **Renesas**: 14%
- **Infineon**: 9%
- **STMicro**: 8%
- **Freescale**: 7%
- **NXP**: 6%

Automotive semiconductors in calendar year 2012.
Source: Strategy Analytics, April 2013.

### Power
- **Infineon**: 12%
- **Toshiba**: 7%
- **Mitsubishi**: 7%
- **STMicro**: 6%
- **Fairchild**: 6%

Power semiconductors and modules in calendar year 2012.
Source: IHS, September 2013.

### Chip Card
- **Infineon**: 24.1%
- **NXP**: 23.8%
- **Samsung**: 22%
- **STMicro**: 17%
- **SHHIC**: 6%

Microcontroller-based smart card ICs in calendar year 2012.
Source: IHS, September 2013.
Proportional Revenue Infineon Group by Regions: FY 2013 and FY 2012

- **Americas**: 12% (FY 2012), 13% (FY 2013)
- **Europe, Middle East, Africa (EMEA)**: 44% (FY 2012), 41% (FY 2013)
- **Asia / Pacific**: 38% (FY 2012), 40% (FY 2013)
- **Japan**: 6% (FY 2012), 6% (FY 2013)

Therein:
- **Germany**: 16% (FY 2012), 18% (FY 2013)
- **China**: 23% (FY 2012), 21% (FY 2013)
26,725 Employees Worldwide

<table>
<thead>
<tr>
<th>Region</th>
<th>Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>USA</td>
<td>499</td>
</tr>
<tr>
<td>East Coast</td>
<td>172</td>
</tr>
<tr>
<td>West Coast</td>
<td>327</td>
</tr>
<tr>
<td>USA</td>
<td>499</td>
</tr>
<tr>
<td>East Coast</td>
<td>172</td>
</tr>
<tr>
<td>West Coast</td>
<td>327</td>
</tr>
<tr>
<td>Europe</td>
<td>12,587</td>
</tr>
<tr>
<td>Great Britain</td>
<td>71</td>
</tr>
<tr>
<td>Austria</td>
<td>3058</td>
</tr>
<tr>
<td>Germany</td>
<td>8520</td>
</tr>
<tr>
<td>Portugal</td>
<td>90</td>
</tr>
<tr>
<td>France</td>
<td>35</td>
</tr>
<tr>
<td>Italy</td>
<td>97</td>
</tr>
<tr>
<td>Romania</td>
<td>184</td>
</tr>
<tr>
<td>Sweden</td>
<td>23</td>
</tr>
<tr>
<td>Hungary</td>
<td>502</td>
</tr>
<tr>
<td>Other Europe</td>
<td>7</td>
</tr>
<tr>
<td>Asia/Pacific</td>
<td>13,639</td>
</tr>
<tr>
<td>Singapore</td>
<td>1831</td>
</tr>
<tr>
<td>Indonesia</td>
<td>1918</td>
</tr>
<tr>
<td>India</td>
<td>234</td>
</tr>
<tr>
<td>Malaysia</td>
<td>7709</td>
</tr>
<tr>
<td>China*</td>
<td>1615</td>
</tr>
<tr>
<td>Japan</td>
<td>122</td>
</tr>
<tr>
<td>Korea</td>
<td>89</td>
</tr>
<tr>
<td>Taiwan</td>
<td>112</td>
</tr>
<tr>
<td>Australia</td>
<td>9</td>
</tr>
</tbody>
</table>

*) incl. Hong Kong
Infineon Technologies in Malaysia

Infineon Kulim

Infineon Malacca
What is an Internal Compliance Program?

6. An internal compliance program (ICP) is a set of procedures that company officials must satisfy before an item is exported from the company. It ensures that transactions satisfying the export control regulations enacted by the government. An ICP is a prerequisite for Malaysian enterprises that wish to avail themselves and multiple-use permits under the STA.

8. An ICP within the enterprise is a commitment to voluntarily support the authorities. The controls and procedures are in place to ensure that items are not being taken advantage of by the government or by other means. An ICP provides the enterprise with the assurance to consider offering bulk quantities if it reflects the enterprise to carry out government interference, in particular by the responsibility on export control on the part of the enterprise.

9. Agreement to the ICP is satisfied when the enterprise has established procedures in place to ensure that thorough investigations of the buyer and the end-user had been undertaken prior to shipment and export of strategic items and/or technology.
Infineon Corporate ICP

The Internal Control Program for Export Control and Customs defines internal measures to ensure compliance with national and international regulations and sanctions programs.

Infineon Technologies AG

Responsibility:
Sponsor: CFO
Guidelines authority:
Export Control Officer

Internal Control Program

Affiliates

Responsibility:
Sponsor: member of board
Guidelines authority:
Nominated by board

Board Decision
Internal Control Program

Self developed or of IFAG

- Regulation, surveillance, controls of legal compliance
- Organizational and supervisory responsibilities
- Definition of competence and tasks
## Component of Corporate ICP

<table>
<thead>
<tr>
<th>Defined ECC Organization</th>
<th>A designated officer to oversee the implementation of the ICP with clear responsibilities</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Establish good working relationship between enterprise and export licensing authorities;</td>
</tr>
<tr>
<td></td>
<td>Remain up-dated on the Government’s export control laws, Regulations and Orders</td>
</tr>
<tr>
<td>Policy &amp; Procedure</td>
<td>Clear compliance policy and procedures</td>
</tr>
<tr>
<td></td>
<td>Incorporation of statutory provisions in the ICP, including US foreign trade law</td>
</tr>
<tr>
<td></td>
<td>Enduse &amp; End user screening and Product Classification</td>
</tr>
<tr>
<td></td>
<td>Early warning and screening of all enquiries and orders</td>
</tr>
<tr>
<td>Export Control Awareness &amp; Training</td>
<td>Engagement of all employees</td>
</tr>
<tr>
<td></td>
<td>Continuous training provided within the organization</td>
</tr>
<tr>
<td>Audit &amp; Record</td>
<td>Frequent audit of procedures for compliance</td>
</tr>
<tr>
<td></td>
<td>Transparent reporting and decision-making responsibilities for exports</td>
</tr>
<tr>
<td></td>
<td>Proper documentations of all transactions of strategic items</td>
</tr>
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- Key Take Away
Management Commitment

- Infineon in Malaysia have adopted guidelines and Internal Control Program ICP set forth by Infineon Technologies AG (IFAG).

- The management has undertaken to comply with the Malaysia and International export control regulations (including EU, German and US) and the Malaysia Customs regulations.

- As the sanction of these regulations can result in substantial financial damage and impact our company’s reputation and standing in the international market, any personnel violating the regulation will be subjected to disciplinary actions.

- In order to control implementation of these regulations, each company needs to check the performance regularly and accurately by means of spot checks, self assessment and Audits.

- When necessary a circular letter with all relevant information regarding Export Control will be sent out via e-mail to all our employees as well as it will be published on our intranet page.
Why do we follow Strict Compliance?

Excerpt from Infineon Business Conduct Guidelines:

A 1. Behavior which Abides by the Law

- Every Infineon-Employee shall obey the laws and regulations of the legal systems within which they are acting.
- Violating the law must be avoided under all circumstances.
- Regardless of the sanctions foreseen by the law, any Infineon-Employee guilty of a violation will be liable to disciplinary consequences because of the violation of his/her employment duties.

A 4. Management, Responsibility, and Supervision

- It will be the responsibility of every manager that there is no violation of laws within his/her area of responsibility which proper supervision could have prevented or rendered more difficult.
- The manager still remains responsible, if he/she delegates particular tasks.
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Export Control & Custom Organization Structure

Vice President & CFO
(Infineon Kulim Board member)

Export Control Officer (ECO)
Custom Officer (CO)

Export Agent

Maintenance Dept
Human Resource Dept
Purchasing Dept
Facility Management Dept
Information Technologies
Shipping & Warehouse
Security Dept
Technologies Dept
Ensure that export control and customs is covered in all relevant business processes and IT systems.

- Work instructions for export control and customs.
- Train and inform staff in ECC issues.
- Perform spot checks and audits.
- Act as contact partner for authorities and external audits.
- Coordinate export control issues in the company.
- Assist in the classification of products and technologies.
- Assist in end-use controls and warning list checks.
- Process & apply export licenses.
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- Key Take Away
Classification, End Use and & End User Control
Know your products

<table>
<thead>
<tr>
<th>Shipment request</th>
<th>Process</th>
<th>Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standard Shipment</td>
<td>Shipment request</td>
<td>ERP System</td>
</tr>
<tr>
<td></td>
<td>Standard route</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Non-Standard Shipment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shipment request</td>
</tr>
<tr>
<td>Manual Interface</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Non-Standard Shipment</th>
</tr>
</thead>
<tbody>
<tr>
<td>ERP System</td>
</tr>
<tr>
<td>ECO assign License</td>
</tr>
</tbody>
</table>
# Classification, End Use and & End User Control

Know your products

<table>
<thead>
<tr>
<th>Goods</th>
<th>Standard Shipments</th>
<th>Non-Standard Shipments</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Inhouse</td>
<td>Inhouse /3rd party</td>
</tr>
<tr>
<td>Technical specs</td>
<td>Available</td>
<td>Not always available</td>
</tr>
<tr>
<td>ECCN</td>
<td>In basic data systems</td>
<td>From suppliers</td>
</tr>
<tr>
<td>Systems</td>
<td>Fully automated in ERP systems</td>
<td>Partly manual</td>
</tr>
<tr>
<td>Recipient</td>
<td>Standard customers</td>
<td>Existing and new contacts</td>
</tr>
<tr>
<td>Need for individual awareness</td>
<td>Medium</td>
<td>Very high</td>
</tr>
<tr>
<td>Non-compliance risk</td>
<td>Low</td>
<td>High</td>
</tr>
<tr>
<td>Usage</td>
<td>Specific departments</td>
<td>Individuals (\sim 7,600)</td>
</tr>
</tbody>
</table>

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How Do I know, whether a Product or Item is controlled or not?

**Infineon Product - Standard Shipment**

- Every product will be categorized during the development process
- Information is available in Corporate ERP system.

For external material and equipment: Contact the supplier via PUR
How Do I know, whether a Product or Item is controlled or not?

Non Infineon Product – Non Standard Shipment

1st step:

- Contact OEM via Purchaser/requestor (preferable purchaser) to obtain correct ALNR/ECCN/MYCLASS/SICLASS classification.

If not available

2nd Step:

- Get confirmation from service/repair vendor who had technical competence and EC team to counter check.

If also not available

3rd Step (not preferred)

- EC together with requestor to perform specification check
  - Requestor attach evidence of above check in nostas.
  - Submit ALNR/ECCN/MYCLASS/SICLASS listing to EC for update if available.

EC will apply the permit accordingly before shipment out.
IFX Sanctioned Parties Screening

- Where is Sanctioned Parties Screening necessary?
  - everywhere, where contacts with (external) partners occur!

- When is Sanctioned Parties Screening necessary?
## Partner Information

<table>
<thead>
<tr>
<th>Status</th>
<th>Potential Match</th>
</tr>
</thead>
<tbody>
<tr>
<td>Embargo</td>
<td>No</td>
</tr>
<tr>
<td>Partner Name</td>
<td>icko trad</td>
</tr>
<tr>
<td>Contact Name</td>
<td></td>
</tr>
<tr>
<td>Secondary Contact Name</td>
<td></td>
</tr>
<tr>
<td>Organization</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Address 1</th>
<th>Address 2</th>
<th>Address 3</th>
<th>Address 4</th>
<th>City</th>
<th>State / Province</th>
<th>Country</th>
<th>Zip / Postal</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>düsseldorf</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

## Address Match Details (1)

<table>
<thead>
<tr>
<th>Entity ID</th>
<th>List Name</th>
<th>Address</th>
<th>Match Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>ENTITY1982452</td>
<td>DOC-ENT</td>
<td></td>
<td>87%</td>
</tr>
</tbody>
</table>
### Classification, end use and End User Interface

#### End-User and End-Usage:
- Red flag indicator result

#### Export control classification for relevant regions

#### Proof for classification:
- e.g. supplier documents
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**System Set up & Control**

- Export Control Awareness & Training Programs
- Internal Audit, Spot Check & Record Keeping
- Key Take Away
Export Control Classifications ≠ N will lead to shipment block in TrAco system.
System Setting & Control

After permit assignment, delivery note can be created.

Permit information will be available in SAP...
...permit number and ECCN will be printed on delivery note

Deliver note will be marked as “Strategic Goods”
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Training and Awareness Program

Periodical Export control & custom training plan
Create awareness among employees
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- Periodically by Regional EC

- Audits / System-checks: program, planning, performance, audit reviews, reporting.

- On going Spot Check on Department and business processes (eg. Export control clause in contracts with external parties)

- Corporate rules required minimum of 10 years

- Includes digital and hard copy information

- Maintained on servers or kept off-site
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Key Take Away

Management Commitment is key to a successful ICP.

Compliance is whole organization responsibilities

Process owner need to integrate Export Control Requirements in corporate rules and procedure.
THANK YOU