

# Compensation Report

## Compensation Philosophy

The Management Board compensation system is designed to create incentives for a sustainable and profit-oriented company performance. The objective of the compensation system is to stimulate the implementation of long-term Group strategy by ensuring that the relevant success parameters that govern the performance-based compensation are aligned with the PUMA SE management system. Furthermore, the long-term interests of our shareholders are taken into account by making the variable compensation strongly dependent on the performance of the PUMA SE share.

With a greater share of performance-based and therefore variable compensation, the intention is to reward the contribution of our Management Board members towards a sustainable development of our Company, while negative deviations from the set targets will result in a significant reduction of variable compensation.

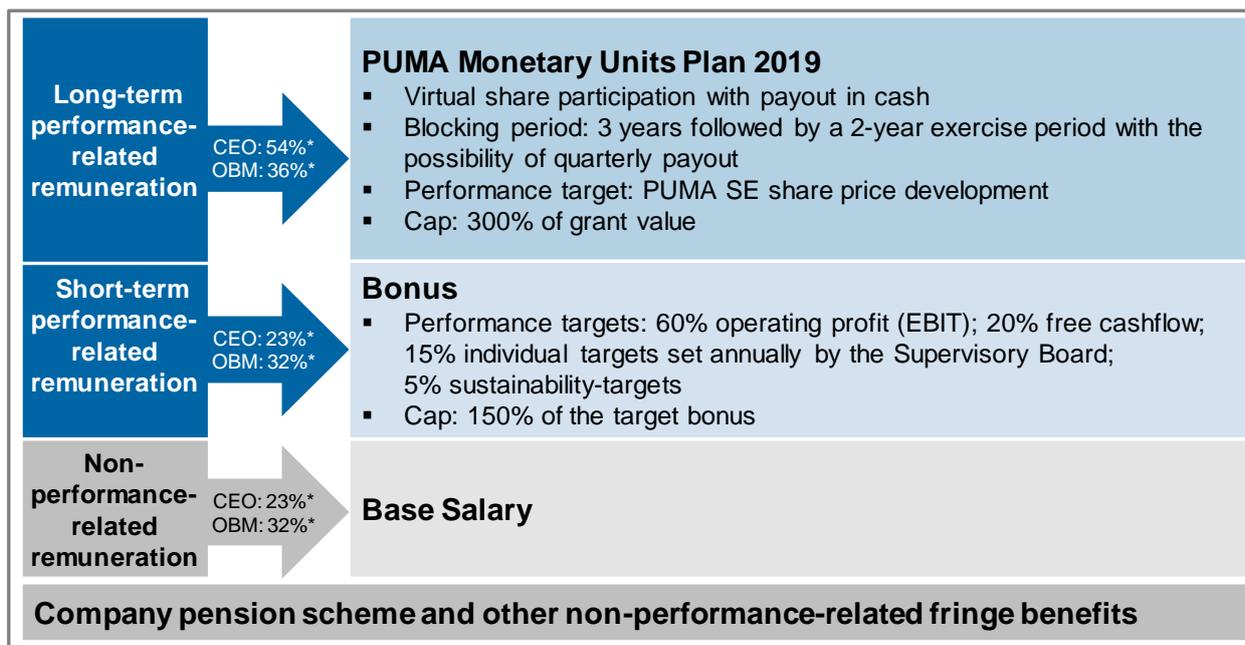
## Governance in Compensation Matters

It is the responsibility of the PUMA SE Supervisory Board to determine the compensation of the Management Board. The entire Supervisory Board decides on matters relating to the compensation of the Management Board members based on the respective recommendations of the Personnel Committee which is comprised of members of the Supervisory Board. Criteria for calculating the total compensation are the responsibilities and performance of the individual Management Board member, the economic situation, long-term strategic planning and related goals, the sustainability of targeted results and the company's long-term prospects.

## Overview of compensation elements

The compensation of the Management Board consists of non-performance-based and performance-based components. The non-performance-based components comprise the basic compensation, company pension contributions and other fringe benefits, while the performance-based components are divided into two parts, a bonus and a component with long-term incentive effect:

## Target Compensation Structure



\* Figures in % of target compensation (total 100 %)

CEO: Chief Executive Officer / OBM: Ordinary Board Member

## Non-performance-based Compensation and Fringe Benefits

### Basic Compensation

The members of the Management Board receive a fixed basic salary which is paid monthly. This salary is based on the duties and responsibilities of the member of the Management Board. For employment periods of less than twelve months in a calendar year, all compensation payments are paid on a prorated basis.

### Fringe Benefits

In addition, the Management Board members receive in-kind compensation, such as use of company cars, accident insurance and D&O insurance. These are part of the non-performance-based compensation.

### Company Pension

Pension benefits are available for the members of the Management Board in the form of deferred compensation paid out of the performance-based and/or the non-performance-based compensation, and for which the Company has taken out pension liability insurance. The proportion of the pension capital that is already financed through contributions to the pension liability insurance is deemed to be vested.

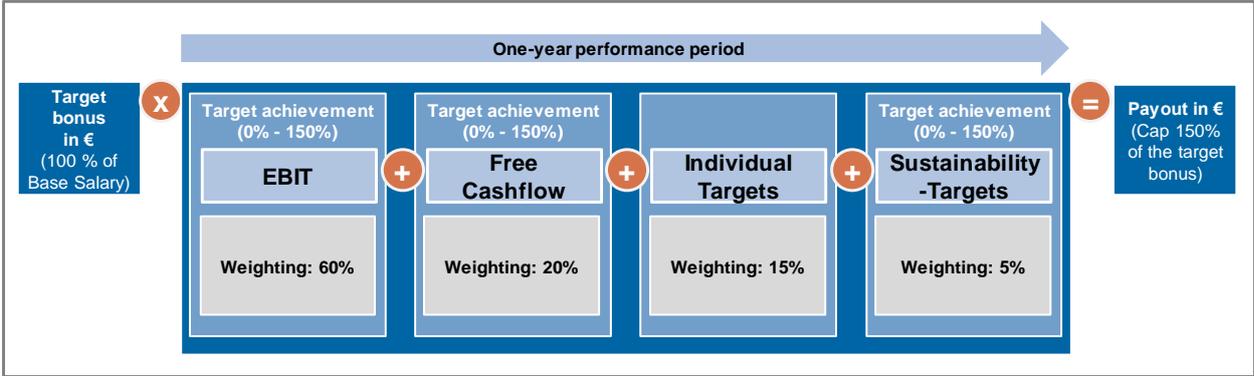
### Performance-based Compensation

In addition to the non-performance-based compensation, the members of the Management Board receive performance-based and therefore variable compensation. The amount of this compensation is based on the attainment of previously defined financial and non-financial targets. It consists of a bonus and a component with a long-term incentive effect. In the event of any outstanding performance, the Supervisory Board may, at its discretion, grant the members of the Management Board a voluntary one-off payment.

**Short-term variable Compensation – Bonus**

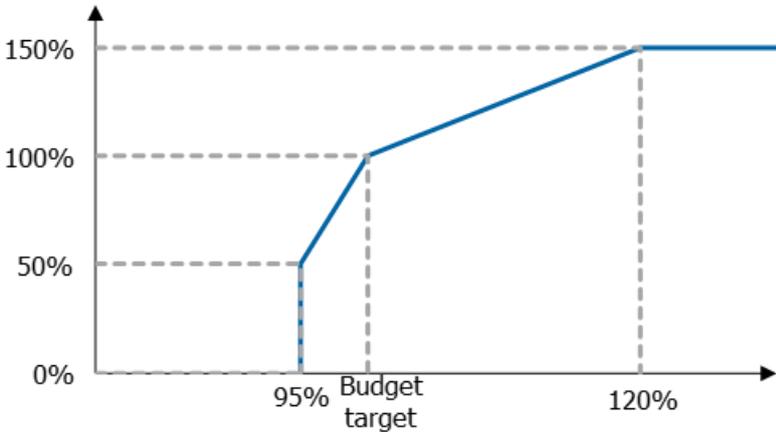
As part of the performance-based compensation, the bonus is primarily based on the financial goals of the operating result (EBIT) and free cash flow (FCF) of the PUMA Group and the individual performance of the respective Management Board member as well as the attainment of Group-wide sustainability targets. The Supervisory Board assesses the individual performance of the Management Board member based on previously defined criteria, such as sustainable leadership, strategic vision and good corporate governance. The sustainability targets include goals to reduce CO<sub>2</sub> emissions, compliance targets and occupational health and safety objectives, are applied throughout the PUMA Group and measured quantitatively on a standardized basis. The two financial success targets are weighted with 60% for EBIT and 20%, respectively, for FCF. The individual performance is included in the calculation with a weighting of 15%. The degree to which the sustainability targets have been achieved is taken into account in the calculation with a weighting of 5%. If 100% of the target is achieved ("target bonus"), the amount of the bonus, is 100% of the annual basic compensation for the Chair of the Management Board and the Management Board members.

The aforementioned performance targets are combined. For EBIT, FCF and the sustainability targets, the bandwidth of possible target attainments ranges from 0% to 150%. It is therefore possible that no short-term variable compensation at all is paid out if minimum targets are not attained.



An identical target attainment curve has been created, respectively, for the two financial goals. If the budget target for EBIT or FCF is reached, the target attainment is 100% (target value). If EBIT/FCF are less than 95% of the target value, this results in a target attainment of 0%. If EBIT/FCF reach 95% of the target value, the target attainment is 50%. If EBIT/FCF reach 120% or more above target value, the target attainment is limited to 150% (maximum value). Target attainments between the determined target attainment points are interpolated on a linear basis. This results in the following target attainment curve for the EBIT and FCF performance targets:

**Target Attainment Curve EBIT/FCF**



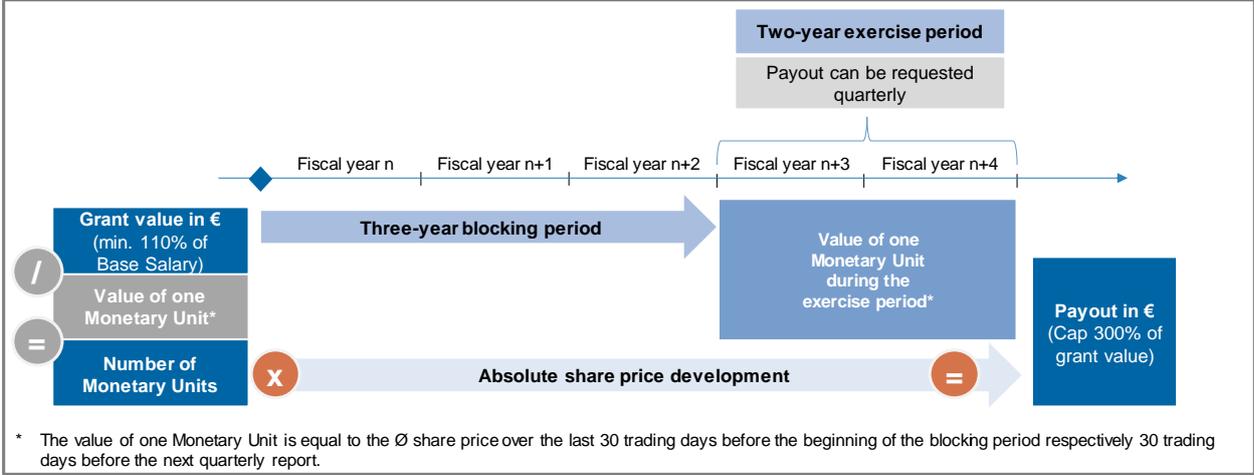
**Target Attainment Sustainability Targets**

The Supervisory Board determines four target criteria for calculating the sustainability targets every year. At the end of the performance period, the Supervisory Board evaluates the degree of attainment of the target criteria. For every target criterion that has been met or exceeded, a target attainment percentage of 1.25% is credited.

**Long-term variable share-based compensation – PUMA Monetary Units Plan 2019 (LTI)**

The long-term variable compensation program of PUMA SE (PUMA Monetary Units Plan) is designed as a future-oriented, virtual shareholding with cash payments. As part of this program, virtual shares of PUMA SE, the "Monetary Units", are allocated at the start of a three-year vesting period, at the end of which the holder is eligible to receive a cash payment. The amount of the allocation value is 240% of the annual basic salary for the Chair of the Management Board and 110% of the basic salary for the other Management Board members. The number of the allocated Monetary Units is determined by dividing the allocation value by the value of one PUMA Monetary Unit. The relevant value of a Monetary Unit for the tranche of the following year is calculated once per year at the end of December as the average value of the PUMA SE share over the past 30 trading days. The amount of the cash payment is therefore a result of the absolute development of the PUMA SE share. At the end of the three-year vesting period, the Management Board members are able to exercise their Monetary Units within a period of two years. The payment of the amount can be requested on a quarterly basis. The value of the Monetary Units is the average value of the PUMA SE share over the last 30 trading days before the next quarterly report. The fundamental exercise condition

after the vesting period is the existence of an active employment relationship with PUMA SE until the end of the vesting period.



**Rules for Terminating Management Board Activity and other Contractual Provisions**

In the event of a temporary disablement due to illness, the Management Board member retains his or her entitlement to full contractual compensation up to a total duration of six months but for no longer than the end of the employment contract. The Management Board member must offset payments received from health insurance companies or pension insurances in the form of sick pay or pension benefits against the compensation payments, insofar as these benefits are not fully based on contributions by the Management Board member.

In the case of an early termination of the employment contract without good cause within the meaning of section 626 (1) of the German Civil Code (BGB), any payments to be agreed to the Management Board member, including fringe benefits, shall not exceed the amount of two annual compensations (severance cap) and must not exceed the value of the compensation for the remaining duration of the Management Board employment contract. The calculation of the severance cap is based on the total compensation of the past financial year and also on any expected total compensation for the current financial year. In the event of an early termination of the employment contract before the end of the relevant performance period for the bonus and/or the three-year vesting period of the long-term variable compensation, the contract makes no provision for an early payout of the variable compensation components. If the member of the Management Board becomes permanently disabled during the term of the employment contract, the contract is terminated on the day on which the permanent disability is determined. A permanent disability exists within the meaning of this provision, if the member of the Management Board is no longer able, due to illness or accident, to fulfill the responsibilities assigned to him or her. In this respect, the specific duties and particular responsibility of the member of the Management Board must be taken into account.

If the member of the Management Board dies during the term of the employment contract, his or her widow or widower and children, provided they have not yet reached the age of 27, are entitled as joint creditors to receive the unreduced continued payment of the fixed compensation for the month in which

the death occurred and for the six following months, but for no longer than up to the end of the regular term of the contract.

## Management Board Compensation

The following tables show the compensation paid during the financial year and inflows during or for the reporting year and the total related pension expenses for all Management Board members. \*

<b>Compensation paid (€ million)</b>	<b>2018</b>	<b>2019</b>	<b>2019 (min)</b>	<b>2019 (max)</b>
Fixed compensation	2.3	2.0	2.0	2.0
Fringe Benefits	0.1	0.1	0.1	0.1
<b>Total</b>	<b>2.4</b>	<b>2.1</b>	<b>2.1</b>	<b>2.1</b>
Short-term variable compensation	2.8	2.7	0.0	3.0
Long-term variable share-based compensation				
LTI 2019 (2019 to 2021)		3.9	0.0	11.8
LTI 2018 (2018 to 2020)	4.3			
<b>Total variable compensation</b>	<b>7.0</b>	<b>6.6</b>	<b>0.0</b>	<b>14.8</b>
Pension expenses	0.5	0.4	0.4	0.4
<b>Total compensation</b>	<b>9.9</b>	<b>9.1</b>	<b>2.4</b>	<b>17.3</b>

<b>Inflow (€ million)</b>	<b>2018</b>	<b>2019</b>
Fixed compensation	2.3	2.0
Fringe Benefits	0.1	0.1
<b>Total</b>	<b>2.4</b>	<b>2.1</b>
Short-term variable compensation	2.8	2.7
Long-term variable share-based compensation		
LTI 2016 (2016 to 2018)		1.7
LTI 2015 (2015 to 2017)	8.8	
<b>Total variable compensation</b>	<b>11.6</b>	<b>4.3</b>
Pension expenses	0.5	0.4
<b>Total compensation</b>	<b>14.4</b>	<b>6.8</b>

\* The grants and inflows shown below include the portion of the compensation of Ms. Anne-Laure Descours granted to Ms. Descours for her services as a member of the Management Board of PUMA SE. In addition, Ms. Descours receives compensation for her function as General Manager PUMA Group Sourcing of World Cat Ltd, Hong Kong, a subsidiary of PUMA SE.

Pension benefits are available for the members of the Management Board in the form of deferred compensation paid out of the performance-based and/or the non-performance-based compensation, for which the Company has taken out pension liability insurance. The proportion of the pension capital that is already financed through contributions to the pension liability insurance is deemed to be vested. During the financial year, PUMA allocated € 0.4 million for members of the Management Board (previous year: € 0.5 million). The present value of the pension benefits granted to active Management Board members of € 10.8 million as of December 31, 2019 (previous year: € 10.1 million) was netted against the pledged asset value of the pension liability insurance on the balance sheet.

### **Compensation for former Management Board Members**

The appointment of Lars Radoor Sørensen as member of the Management Board was terminated by mutual agreement with effect from the end of January 31, 2019. At this point, Mr. Sørensen's Management Board employment contract had a remaining term through December 31, 2020. Mr. Sørensen's Management Board employment contract was terminated by mutual agreement with effect from the end of January 31, 2020. For the period from January 31, 2019 until January 31, 2020, the basic salary and short-term variable compensation was paid out assuming a target attainment of 100%. The tranche of the long-term variable compensation was prorated for 2018-2020 and reduced by 11/36. No tranche was granted for 2019-2021. The compensation components for Mr. Sørensen based on his work as a Management Board member are included in section "Management Board Compensation".

There were pension obligations to former members of the Management Board and their widows/widowers amounting to € 3.3 million (previous year: € 3.2 million) as well as contribution-based pension commitments in connection with the deferred compensation of former members of the Management Board and Managing Directors amounting to € 11.6 million (previous year: € 10.6 million). Both items were recognized as liabilities within pension provisions to the extent they were not offset against asset values of an equal amount. Pension obligations to former members of the Management Board and their widows/widowers were incurred amounting to € 0.2 million (previous year: € 0.2 million).

### **Supervisory Board Compensation System**

The Supervisory Board compensation system consists of two components. As for the Management Board, the relevant criteria for calculating the compensation are the responsibilities and performance of the individual Supervisory Board member, the long-term strategic planning and related goals, the sustainability of achieved results and the Company's long-term prospects. For this reason, the first component of the Supervisory Board compensation is a fixed, non-performance-based amount, while the second component is a performance-based compensation.

The non-performance-based component conforms to § 15 of the Articles of Association, according to which each Supervisory Board member receives a fixed annual compensation of € 25,000.00. This amount is payable after the Annual General Meeting for the respective financial year. In addition to the fixed, annual compensation, the members of the Supervisory Board are entitled to an increase of their fixed compensation based on their position on the board and their participation in committees. The Chair of the

Supervisory Board and the Vice Chair receive an additional fixed annual amount of € 25,000.00 respectively € 12,500.00. The chair of a committee additionally receives € 10,000.00, and the members of a committee € 5,000.00, respectively. The respective committees are the Personnel Committee, the Audit Committee and the Sustainability Committee.

In addition to the fixed compensation, each Supervisory Board member receives annual performance-based compensation equal to € 20.00 for each € 0.01 by which the earnings per share figure as disclosed in the consolidated financial statements exceeds a minimum amount of € 16.00 per share. The performance-based compensation amounts to a maximum of € 10,000.00 per year. If earnings per share in the financial year are below the minimum amount, no performance-related compensation is payable. The Chair of the Supervisory Board receives € 40.00 for every € 0.01 exceeding the minimum amount per share and a maximum of € 20,000.00 per year. The Vice Chair receives € 30.00 for every € 0.01 exceeding the minimum amount per share and a maximum of € 15,000.00 per year.

A member of the Supervisory Board who is only active for part of a financial year receives prorated remuneration calculated on the basis of the period of activity determined for full months.

## Supervisory Board Compensation

The compensation for the Supervisory Board for financial years 2018 and 2019 are shown in the table below.

Supervisory Board Compensation (€ million)	Fixed compensation		Variable compensation		Committee compensation		Total	
	2018	2019	2018	2019	2018	2019	2018	2019
<b>Total</b>	0.2	0.2	--	--	0.0	0.0	<b>0.2</b>	<b>0.2</b>