

## Corporate Governance Report including the Statement on Corporate Governance in accordance with § 289f and § 315d HGB

Effective implementation of the principles of corporate governance is an important aspect of PUMA's corporate policy. Transparent and responsible corporate governance is a key prerequisite for achieving corporate targets and for increasing the Company's value in a sustainable manner. The Management Board and the Supervisory Board work closely with each other in the interests of the entire Company to ensure that the Company is managed and monitored in an efficient way that will ensure sustainable added value through good corporate governance. In the following the Management Board and the Supervisory Board report on the corporate governance at PUMA SE in accordance with Section 3.10 of the German Corporate Governance Code. This section also includes the Statement of Compliance in accordance with Art. 9(1)c(ii) of the SE Regulation (SE-VO) in conjunction with Section 289f and Section 315d HGB.

PUMA SE has the legal form of a European company (Societas Europaea, or SE). Being an SE headquartered in Germany, PUMA SE is subject to European and German law for SEs while remaining subject to German stock corporation law. As a company listed in Germany, PUMA SE adheres to the German Corporate Governance Code (DCGK).

Until July 9, 2018, PUMA SE had a monistic management system with an Administrative Board as the uniform management and control body. The managing directors managed the company's day-to-day business. After the former majority shareholder of the company, Kering S.A., had announced that it would distribute a portion of its PUMA shares, corresponding to approximately 70% of the share capital of PUMA SE, to the shareholders of Kering S.A. by means of a dividend in kind, the Annual General Meeting of PUMA SE on April 12, 2018 decided to replace the previous monistic management system with the dualistic management system consisting of the Management Board as the management body and the Supervisory Board as the supervisory body. The corresponding amendment to the Articles of Association took effect on July 9, 2018.

### **Statement of Compliance pursuant to Section 161 AktG for 2018:**

In their Statement of Compliance the Management Board and the Supervisory Board of PUMA SE declare at least once a year whether the DCGK has been and is being observed. On November 9, 2018, the Management Board and the Supervisory Board declared that PUMA SE has complied and will comply with the recommendations of the DCGK (version dated February 7, 2017) since the last Statement of Compliance dated November 9, 2017, with the following exceptions and, if not, why not.

## Exceptions to the Code's recommendations

- In derogation of No. 3.8 p. 3 of the Code, members of the Supervisory Board are provided with D&O insurance with no deductible. The Supervisory Board feels that it can dispense with a deductible for members of the Supervisory Board, because the D&O insurance is group insurance for people in Germany and abroad, and a deductible is fairly unusual abroad.
- According to No. 4.2.3 p. 2 s. 4 of the Code both positive and negative developments shall be taken into account when determining variable remuneration components. As regards negative developments this recommendation is deviated from, since the structure of the PUMA Monetary Unit Plan may not fully comply with the purpose of the recommendation, but it comes fairly close.
- In derogation of No. 4.2.3 p. 2 s. 6 of the Code the compensation of the members of the Management Board does not show the maximum amount limits in total or their variable compensation components. This is due to the fact that neither the existing PUMA Monetary Units Plans 2016/2017/2018 nor the PUMA Board Member Bonus Plan nor the discretionary extra bonus clause provide for a maximum amount.
- In derogation of No. 4.2.3 p. 2 s. 8 of the Code subsequent amendments to the performance targets or comparison parameters are not excluded. This provides the possibility to the Supervisory Board to react to extraordinary effects using its equitable discretion.
- According to No. 4.2.3 p. 3 of the Code the target level of pension benefits for every pension commitment shall be established by the Supervisory Board. Due to the defined contribution plans, PUMA does not comply with this recommendation.
- In derogation of No. 4.2.3 p. 5 of the Code no limits on severance payments for premature termination as a managing director due to a change of control have been agreed until June 5, 2018. As part of the change of the governance structure from a monistic SE to a dualistic SE and the conclusion of new service agreements with the members of the Management Board, a limit has been included into the agreements. Insofar the Code recommendation has been fully met since the conclusion of the agreements on June 6, 2018.
- In accordance with the authorization by the Annual General Meeting on April 12, 2018, pursuant to Section 286 p. 5 HGB, the Company shall not publish the amounts of compensation for individual members of the Management Board until the authorization expires (Nos. 4.2.4 and 4.2.5 of the Code). The members of the Management Board shall adhere to the authorization when they prepare the annual financial statements. Based on the authorization of the Annual General Meeting, and in derogation of No. 4.2.5 p. 3 of the Code the information stated in this Section regarding the compensation of the members of the Management Board is not included in the Compensation Report.
- In derogation of No. 5.4.6 p. 2 s. 2 of the Code, members of the Supervisory Board receive performance-based compensation that is not linked to the sustainable success of the Company. The compensation was authorized by the Annual General Meeting on April 12, 2018, it is stipulated in the Articles of Association and is deemed to be proper and correct by PUMA SE.

- In derogation of No. 5.4.6. p. 3 of the Code, the compensation of the Supervisory Board members is not shown individually. In the opinion of PUMA SE, this is not additional information relevant to the capital market as the respective remuneration regulations included in the Articles of Association are in the public domain.

Herzogenaurach, November 09, 2018

PUMA SE

For the Management Board

For the Supervisory Board

Bjørn Gulden

Michael Lämmermann

Jean-François Palus

### **Relevant disclosures of corporate governance practices that are applied beyond the regulatory requirements**

#### CORPORATE SOCIAL RESPONSIBILITY

In order to fulfill our ecological and social responsibility as a global sporting goods manufacturer, PUMA has developed groupwide guidelines on environmental management and on compliance with workplace and social standards. PUMA is convinced that only on such a foundation can a lasting and sustainable corporate success be achieved. That is why PUMA is committed to the principles of the UN Global Compact. The PUMA Code of Conduct prescribes ethical and environmental standards with which both employees and suppliers are required to comply. The PUMA Code of Conduct was revised in 2016 and explicitly addresses PUMA's obligation and commitment in respect of human rights and combating corruption. Detailed information on the company's corporate social responsibility strategy can be found in the Sustainability section of the Annual Report or on the company's homepage (<http://about.PUMA.com> under "SUSTAINABILITY").

#### COMPLIANCE MANAGEMENT SYSTEM

Compliance with laws and internal regulations and values are of key importance for PUMA's corporate governance. For this reason, PUMA has introduced a compliance management system (CMS) to identify, control and monitor compliance risks at an early stage. By developing policies as well as advising and training employees, the CMS aims to prevent potential financial losses or reputational damage from the company and to prevent misconduct.

The Code of Ethics of the PUMA Group sets out the principles governing our actions and values. In addition to the general principles of conduct described as well in the PUMA Code of Conduct, among other things, the policy contains rules on the handling of conflicts of interest, personal data, insider information and prohibits anti-competitive behavior as well as corruption in any form. The Code of Ethics is an integral part of every employment contract. In order to further reduce the risk of misconduct, the PUMA Code of Ethics is accompanied by concrete guidelines governing selected risk areas in detail.

With the help of various measures such as risk-based face-to-face trainings and e-learnings, the employees of the PUMA Group are familiarized with the relevant legal regulations and internal guidelines and trained. In the past financial year, training was provided in particular in the areas of anti-corruption and antitrust law. In 2018, all PUMA employees were instructed by the CEO of PUMA SE to complete an e-learning course on the Code of Ethics including modules on managing conflicts of interest, financial integrity and confidentiality. The clear tone from the top led to 99% of PUMA employees successfully completing the e-learning on the Code of Ethics.

The Management Board have overall responsibility for the proper functioning of the CMS. The Management Board is supported by a compliance organization consisting of a Chief Compliance Officer and compliance officers in the most important operational Group companies. The Audit Committee of the Supervisory Board of PUMA SE is regularly informed about the current status of the implementation of the compliance structures and serious compliance violations. The Chief Compliance Officer works closely with the Legal Department and Internal Audit. In addition, regular meetings of the PUMA SE Risk & Compliance Committee are held. Among other things, the committee analyses and evaluates compliance risks and defines and adopts appropriate measures (policies, training courses, etc.).

After the separation from Kering PUMA introduced a new whistleblower platform operated by an external provider that is available to PUMA employees throughout the Group and to whom unethical, illegal or criminal activities can be reported - if desired, anonymously as well. The introduction of the new platform was communicated throughout the Group by the CEO and the communication was accompanied by appropriate information material. In addition to the complaint system for PUMA employees, there is a worldwide hotline for external whistleblowers from the supply chain.

### **Description of the working practices of the Management Board and the Supervisory Board**

PUMA SE has three bodies - the Management Board, the Supervisory Board and the Annual General Meeting.

#### **MANAGEMENT BOARD**

The Management Board of PUMA SE manages the company on its own responsibility with the goal of sustainable value creation. It develops PUMA's strategic orientation and coordinates it with the Supervisory Board. In addition, it ensures group-wide compliance with legal requirements and an effective risk management and internal control system.

The members of the Management Board are appointed by the Supervisory Board. The Supervisory Board has set a general age limit of 70 years for the members Management Board. The Management Board currently consists of three members and has a CEO. Further information on the areas of responsibility of the members of the Management Board can be found in the Notes to the Consolidated Financial Statements (last chapter).

The members of the Management Board are obliged to disclose conflicts of interest to the Supervisory Board without delay and to inform the other members of the Management Board accordingly. They may only assume secondary activities, in particular supervisory board and comparable mandates outside the PUMA Group, with the prior consent of the Supervisory Board. In the past fiscal year, the members of the Management Board of PUMA SE did not report any conflicts of interest.

The principles of cooperation of the Management Board of PUMA SE are set out in the Rules of Procedure for the Management Board, which can be viewed at <http://about.PUMA.com> under "Corporate Governance".

#### SUPERVISORY BOARD

The German Co-determination Act does not apply to PUMA SE as a European company. Rather, the size and composition of the Supervisory Board are determined by the Articles of Association of PUMA SE and the Agreement on the Involvement of employees in PUMA SE dated July 11, 2011 and its amendment dated February 7, 2018. The Supervisory Board of PUMA SE consists of six members, four of whom are shareholder representatives and two of whom are employee representatives. The term of office of the current Supervisory Board members ends at the end of the Annual General Meeting which resolves on the discharge of the members of the Supervisory Board for the financial year 2022. Further information on the members of the Supervisory Board can be found in the Notes to the Consolidated Financial Statements (last chapter).

The Supervisory Board monitors and advises the Management Board on the implementation of the strategy. It appoints the members of the Management Board and may dismiss them at any time for good cause. In addition, it decides on the remuneration system and determines the respective remuneration of the members of the Management Board. The Management Board informs the Supervisory Board regularly, promptly and comprehensively about all issues of relevance to the Company relating to planning, business development, the risk situation, risk management and compliance. It deals with deviations in the course of business from the established plans and targets, stating the reasons. The Supervisory Board is involved by the Management Board in decisions of paramount importance for the company or beyond the ordinary course of business of PUMA SE and the PUMA Group.

## ANNUAL GENERAL MEETING

The shareholders of PUMA SE exercise their rights, in particular their information and voting rights, at the Annual General Meeting. Each share has one vote. Our shareholders can exercise their voting rights themselves or through a proxy appointed by the company and bound by instructions. All documents and information on the Annual General Meeting are available on the website of PUMA SE.

### **Description of the working practices and the composition of the committees of the Supervisory Board**

The Supervisory Board meets at least every three months. Meetings must also be held if the best interests of the Company so require or if a member of the Supervisory Board requests that the meeting be convened. The Supervisory Board has established three committees to perform its duties and receives regular reports on their work. The principles of cooperation of the Supervisory Board of PUMA SE and the duties of the committees are set out in the Rules of Procedure for the Supervisory Board, which can be viewed at <http://about.PUMA.com> under "Corporate Governance".

The Personnel Committee consists of three members. The Personnel Committee is responsible for entering into and making changes to the Management Board members' employment contracts and for establishing policies for Human Resources and personnel development. The entire Supervisory Board decides on issues involving the Management Board members' compensation based on recommendations from the Personnel Committee.

The Audit Committee consists of three members. The Chairman of the Audit Committee must be an independent shareholder representative and must have expertise in the fields of accounting and auditing in accordance with Section 100(5) AktG. In particular, the Audit Committee is responsible for accounting issues and monitoring the accounting process, the effectiveness of the internal control system, the risk management system, internal audits, compliance and the statutory audit of the financial statements, with particular regard to the required independence of the statutory auditors, issuing the audit mandate to the statutory auditors, defining the audit areas of focus, any additional services to be performed by the auditors and the fee agreement. The recommendation of the Supervisory Board on the selection of the statutory auditors must be based on a corresponding recommendation by the Audit Committee. Once the Annual General Meeting has appointed the statutory auditors, and the Supervisory Board has issued the audit assignment, the Audit Committee shall work with the statutory auditors to specify the scope of the audit and the audit areas of focus. The statutory auditors shall attend a meeting to review the annual financial statements and the consolidated financial statements and shall report on the key findings of their audit. They shall also inform the Committee about other services they have provided in addition to auditing services and shall confirm their independence. Each month, the Audit Committee shall receive financial data on the PUMA Group, which will allow the tracking of developments in net assets, financial position, results of operations and the order books on a continual basis. The Audit Committee shall also deal with issues relating to the balance sheet and income statement and shall discuss these with Management. In

addition, when the internal audit projects are completed, the Audit Committee shall receive the audit reports, which must also include any actions taken.

The Nominating Committee has three members, who may only be representatives of the shareholders on the Supervisory Board. The Nominating Committee proposes suitable shareholder candidates to the Supervisory Board for its voting recommendations to the Annual General Meeting.

The current composition of the committees can be found in the Notes to the Consolidated Financial Statements (last chapter).

## **Diversity Concept for the Supervisory Board**

### **a) Objectives for the composition of the Supervisory Board**

The Supervisory Board of PUMA SE is composed in such a way that its members as a group possess the appropriate knowledge, skills and professional experience necessary for the proper performance of their duties. The composition of the Supervisory Board is primarily determined by appropriate qualification, taking into account diversity and the appropriate involvement of women. Based on Section 5.4.1 of the Code, the Supervisory Board has set targets for his composition that have been fulfilled. In detail:

- The members of the Supervisory Board as a group have the experience and knowledge in the field of management and/or monitoring market-oriented companies as well as in the business segments and sales markets of PUMA.
- A sufficient number of members have strong international backgrounds.
- Including the employees' representative on the Supervisory Board, the Supervisory Board has an appropriate number of independent members.
- The Chairman of the Audit Committee has specialist knowledge and experience in the application of accounting principles and internal control procedures and is independent.
- The members have sufficient time to perform his/her mandate in the Supervisory Board.
- The Supervisory Board prevents potential significant and not only temporary conflicts of interest of its members by regularly monitoring and critically scrutinizing its members' other activities.
- According to Section 1(4) of the Rules of Procedure for the Supervisory Board, Supervisory Board members may, in principle, not be over 70 years of age and their maximum term of office may not exceed three terms.

### **b) Profile of skills and expertise**

The Supervisory Board has determined a competence profile for the entire Board. It stipulates that the members of the Supervisory Board as a whole must cover the following professional competencies:

- Managing of large or mid-sized international companies
- Leadership experience in the sporting or luxury goods industry
- International corporate background
- Leadership experience with various distribution channels, including e-commerce
- Expertise in building strong international brands

- Marketing, sales and digital know how
- Financial expertise (accounting, treasury, risk management, corporate governance)
- Expertise in serving on the Administrative or Supervisory Boards of publicly listed companies
- Experience with mergers & acquisitions
- Understanding of the industrial constitution law and advocating the interests of the employees
- HR expertise
- IT expertise

The Supervisory Board of PUMA SE is currently composed in such a way that it has the competence profile as an overall body.

**c) Commitments to promote the participation of women in management positions in accordance with Art. 9(1)c(ii) of the SE Regulation (SE-VO) in connection with Section 76(4) and Section 111(5) AktG**

The Supervisory Board has adopted the targets set by the Administrative Board for the proportion of women on the Supervisory Board, at the level of the Management Board and the two management levels below the Management Board. For the Supervisory Board of PUMA SE a target of 30% women was set; for the level of the Management Board a target of 20% was set, on the condition that the Management Board of PUMA SE consists of five or more members. The Supervisory Board adopted targets of 25% for the first management level below the Management Board and 30% for the second management level. At Group level, the proportion of women is expected to increase to 30% for the first management level below the Management Board and to 40% for the second management level. All implementation deadlines run until October 31, 2021.

The current composition of the Supervisory Board largely implements the diversity concept. With regard to the target figure for the proportion of women on the Supervisory Board, targets have been set to be achieved by October 31, 2021.

**Diversity Concept for the Management Board**

The Supervisory Board and the Management Board promote an agile, open corporate culture in which the advantages of diversity are consciously utilized and everyone can freely unfold their potential for the best of the company. PUMA strives to fill Management Board positions and senior management positions primarily with people developed within the company.

The Supervisory Board's decision regarding a particular appointment to the Management Board is always taken in consideration of the Company's best interests based on the professional and personal suitability of the candidate. It must be ensured that the members of the Management Board as a whole have the knowledge, skills and experience required for the best possible fulfillment of the tasks of a member of the Management Board of a sporting goods manufacturer such as PUMA. It is not necessary for every member of the Management Board to reflect all technical requirements of all areas of the Management Board. The diversity concept for the Management Board therefore stipulates that gender, internationality, age, educational background and experience must be taken into account in its composition:

#### - Gender

PUMA aims to have 20% women on the Management Board by October 31, 2021, provided that the Board has five or more Management Board members. In order to achieve this goal, the Management Board ensures that an appropriate proportion of female candidates are included on the succession lists within the framework of the internal global management structure for the development of junior staff for the Management Board. In the future, the participation of women in the Management Board is to be guaranteed in the event of a necessary replacement, in particular by giving special consideration to women in various equally qualified candidates. Insofar as external candidates are to be appointed, suitably qualified female candidates shall be considered in particular. The same applies to the filling of management functions. In order to involve women even more in management functions in the future, PUMA promotes the compatibility of family and career, for example through part-time and half-day models as well as flexible working hours and the provision of childcare places.

#### - Internationality

PUMA is a globally operating company. An appropriate number of board members must therefore have international experience either due to their origin or due to their many years of professional experience abroad.

#### - Age

The Supervisory Board ensures a balanced age structure in the Management Board. This is important to ensure the continuity of the Management Board's work and to facilitate smooth succession planning. In principle, members of the Management Board may not be older than 70 years.

#### - Training and experience background

With regard to the educational and professional background, the selection of Management Board members should be based on the competencies required in the PUMA Management Board in general as well as for the respective Management Board with regard to corporate management, strategy development, finance and accounting, supply chain, sales and HR. The same criteria apply here as were developed for the competence profile of the Supervisory Board. These competencies do not have to be acquired as part of university studies or other educational training, but may also have been acquired in other ways within or outside PUMA.

The current composition of the Management Board largely implements the diversity concept. With regard to the target figure for the proportion of women on the Management Board, targets have been set for the period up to 31 October 2021.

### **Directors' Dealings**

In the reporting year, the members of the Management Board and the members of the Supervisory Board have acquired no PUMA shares. No sales were reported to us.