

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.

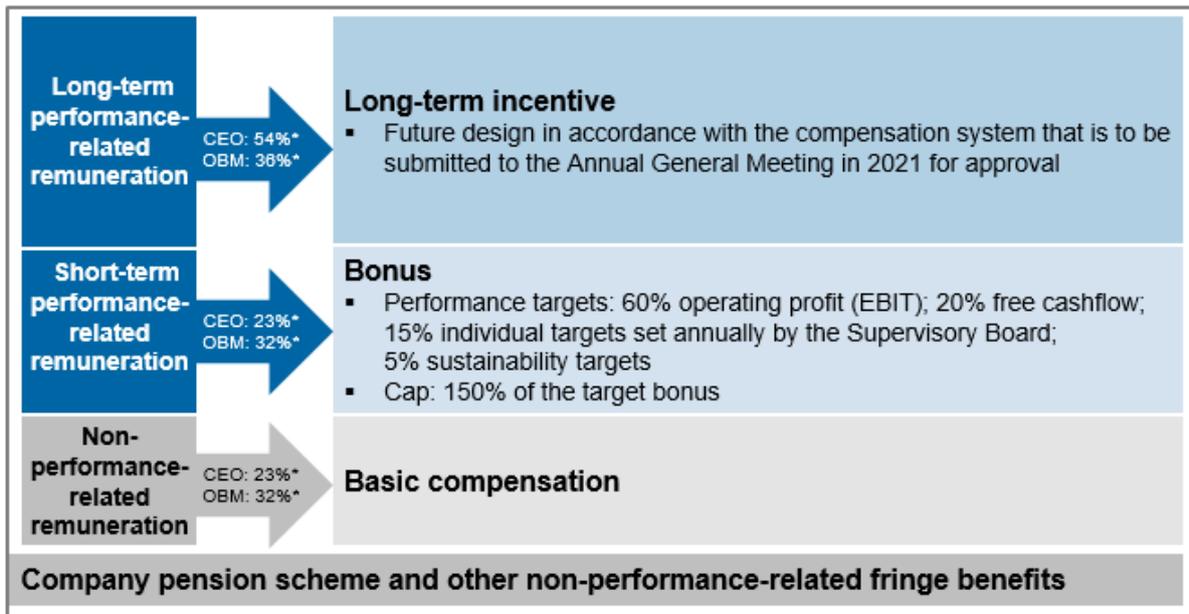
With a greater share of performance-based and therefore variable compensation, the intention is to reward the contribution of our Management Board members towards a sustainable development of our Company, while negative deviations from the set targets will result in a significant reduction of variable compensation. An updated Management Board compensation system that complies with the requirements of the German Act Implementing the Second Shareholder Rights Directive (Gesetz zur Umsetzung der zweiten Aktionärsrechterichtlinie, ARUG II) and the recommendations of the German Corporate Governance Code as amended on December 16, 2019 is to be submitted to the Annual General Meeting for approval on May 5, 2021.

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 of PUMA SE, 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:



* Figures in % of target compensation (total 100%)
 CEO: Chief Executive Officer / OBM: Ordinary Board Member

Change in Compensation Components in 2020 due to the COVID-19 Pandemic and Loan Commitments from KfW Bankengruppe

At the beginning of the COVID-19 pandemic in March 2020, all members of the Management Board of PUMA SE voluntarily waived their respective basic compensation for the months of April and May 2020 to show solidarity with those employees of PUMA for whom short-time work was applied for and with other employees who also forwent part of their remuneration for the months of April and May 2020. For the same reason, all members of the Supervisory Board also waived part of their annual compensation.

In addition, all members of the Management Board waived their respective bonus payment for the financial year 2020, including the bonus for the individual performance of members of the Management Board. The Management Board thus complied with a requirement for the granting of a loan with the participation of KfW Bankengruppe. Nevertheless, provisions of €1.9 million were set up in the financial year 2020 for a long-term incentive program in 2020 on account of individual contractual obligations toward the members of the Management Board. In 2021, the Supervisory Board will decide on the provision of a long-term incentive program for the financial year 2020 and will grant an allocation only on the condition that doing so is in compliance with the requirements of KfW Bankengruppe.

Target Compensation Structure

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. For the months of April and May 2020, the members of the Management Board voluntarily waived their basic compensation.

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, 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

All members of the Management Board waived short-term variable compensation for the financial year 2020.

However, the short-term variable compensation system as it would have been applied if the Management Board had not waived it in 2020 is described below for the sake of completeness.

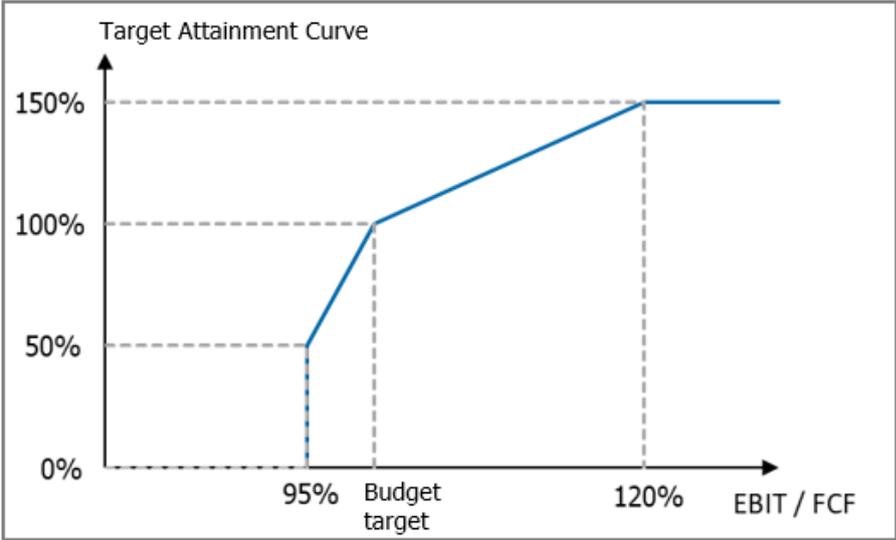
As part of the performance-based compensation, the bonus is primarily based on the financial goals of the operating result (EBIT) and free cash flow (FCF) of the PUMA Group and the individual performance of the respective Management Board member as well as the attainment of Group-wide sustainability targets. The 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 of the target value, the target attainment is limited to 150% (maximum value). Target attainments between the determined target attainment points are interpolated. This results in the following target attainment curve for the EBIT and FCF performance targets:

Target Attainment Curve EBIT/FCF



Individual Performance Target Attainment

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 Supervisory Board determines target criteria for assessing individual performance every year. At the end of the performance period, the Supervisory Board evaluates the degree of attainment of the target criteria. Target attainment can be between 0% and 150%.

Target Attainment Sustainability Targets

The sustainability targets include goals to reduce CO₂ emissions, compliance targets and occupational health and safety objectives. They are applied throughout the PUMA Group and measured quantitatively on a standardized basis. 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. Target attainment can be between 0% and 150%.

Long-term variable share-based compensation

In the financial year 2020, no long-term variable compensation was granted to members of the Management Board. The Supervisory Board thus complied with a requirement for the granting of a loan with the participation of KfW Bankengruppe. Nevertheless, provisions of €1.9 million were set up in the financial year 2020 for a long-term incentive program in 2020 on account of individual contractual obligations toward the members of the Management Board. In 2021, the Supervisory Board will decide on the provision of a long-term incentive program for the financial year 2020 and will grant an allocation only on the condition that doing so is in compliance with the requirements of KfW Bankengruppe. The long-term incentive program then to be granted will be in line with the compensation system that will be presented for approval at the upcoming Annual General Meeting.

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, will 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. *

Compensation paid (€ million)	2019	2020	2020 (min)	2020 (max)
Basic Compensation	2.0	1.7	1.7	1.7
Fringe Benefits	0.1	0.1	0.1	0.1
Total	2.1	1.8	1.8	1.8
Short-term variable compensation	2.7	0.0	0.0	0.0
Long-term variable share-based compensation				
LTI 2019 (2019 to 2021)	3.9	0.0	0.0	0.0
Total variable compensation	6.6	0.0	0.0	0.0
Pension expenses	0.4	0.4	0.4	0.4
Total compensation	9.1	2.2	2.2	2.2

Inflow (€ million)	2019	2020
Basic Compensation	2.0	1.7
Fringe Benefits	0.1	0.1
Total	2.1	1.8
Short-term variable compensation	2.7	2.6
Long-term variable share-based compensation		
LTI 2016 (2016 to 2018)	1.7	6.7
LTI 2017 (2017 to 2019)		6.7
Total variable compensation	4.3	16.0
Pension expenses	0.4	0.4
Total compensation	6.8	18.3

When adding the individual items, there may be slight deviations as a result of rounding.

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: €0.4 million). The present value of the pension benefits granted to active Management Board members of €13.0 million as of December 31, 2020 (previous year: €10.8 million) was netted against the equally high and pledged asset value of the pension liability insurance on the balance sheet. The majority of the present value is attributable to the pension benefits financed by deferred compensation.

* 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.

Compensation for former Management Board Members

In the reporting year, €0.8 million was spent on pro-rata basic compensation, pro-rata fringe benefits and short-term and long-term variable compensation for former members of the Management Board.

There were pension obligations to former members of the Management Board and their widows/widowers amounting to €3.2 million (previous year: €3.3 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 €11.3 million (previous year: €11.6 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

In the reporting year, all members of the Supervisory Board waived part of their annual compensation. The following describes the Supervisory Board compensation system if no components are waived.

The Supervisory Board compensation system has been changed to purely fixed compensation. The Articles of Association were amended following the shareholders' decision at the Annual General Meeting on May 7, 2020. As for the Management Board, the relevant criteria for calculating the compensation are the responsibilities and performance of the individual Supervisory Board member, the economic situation of PUMA SE, the long-term strategic planning and related goals, the sustainability of achieved results and the Company's long-term prospects. For this reason, the Supervisory Board compensation consists of a fixed, non-performance-based amount.

The Supervisory Board compensation 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 membership of committees. The Chair of the Supervisory Board and the Vice Chair receive an additional fixed annual amount of € 25,000.00 and € 12,500.00, respectively. 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.

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 2019 and 2020 are shown in the table below.

Supervisory Board Compensation (€ million)	Fixed compensation		Committee compensation		Total	
	2019	2020	2019	2020	2019	2020
Total	0.2	0.1	0.0	0.0	0.2	0.1