



BabyBunting



Notice of 2020 Annual General Meeting

Notice is given that the annual general meeting of Baby Bunting Group Limited (**Baby Bunting** or the **Company**) will be held virtually on Tuesday, 6 October 2020 at 10.00am (Melbourne time).

Baby Bunting Group Limited
ABN 58 128 533 693

Notice of 2020 Annual General Meeting

Virtual AGM

This year, Baby Bunting's 2020 Annual General Meeting will be held virtually as a result of the COVID-19 pandemic. In addition, Baby Bunting's Notice of Annual General Meeting is being distributed electronically and is available to view and download at babybunting.com.au/investor.

Your participation in the Meeting is important to us. The Meeting will be webcast live via the Lumi online platform. You will be able to listen to the proceedings, view the presentations, ask questions and vote.

Further information on how to participate in the Meeting is provided in this Notice of Annual General Meeting, and in the Virtual AGM Online Guide, which you can access at babybunting.com.au/investor.

If you will not be able to attend the Meeting online at the scheduled time, you can participate in the Meeting by appointing a proxy to attend and vote on your behalf. Details on how to appoint a proxy are contained in this Notice of Annual General Meeting.

Copies of both the Chairman's and CEO and Managing Director's addresses will be available on both the ASX website at asx.com.au and Baby Bunting's website babybunting.com.au/investor.

Participation at the AGM

Watch and participate live online

Shareholders are invited to participate in Baby Bunting's 2020 Annual General Meeting by watching and participating in the AGM virtually via the online platform by using:

- **computer:** enter the following URL in your browser: <https://web.lumiagm.com/396071302>; or
- **mobile device:** use the Lumi AGM app, which is available for download from the Apple App Store or Google Play Store.

To participate in the Meeting you will be required to enter the unique 9 digit meeting ID: **396071302**. Your username is your SRN/HIN. Your password is your postcode registered on your holding if you are an Australian shareholder. Overseas shareholders should refer to the Virtual AGM Online Guide.

Participating in the meeting online enables shareholders to view the Meeting live, ask questions and cast votes at the appropriate times during the Meeting. All shareholders will have an equal opportunity to participate in the online meeting regardless of their physical location.

Shareholders, once verified, will be taken to be present at the Meeting for all purposes, until either the Meeting ends or the shareholder exits the online platform. It is important that you are connected to the internet at all times during the Meeting in order to vote when balloting commences.

Voting options

Voting on all resolutions at the Meeting will be conducted by a poll. Shareholders have two options to cast votes at the Meeting:

- appointing a proxy to vote on your behalf; or
- voting online during the Meeting.

Questions

At the Meeting, shareholders may ask questions online once they have been verified. It may not be possible to respond to all questions. However shareholders as a whole will have a reasonable opportunity to ask questions about or make comments on the management of the Company.

Shareholders are encouraged to lodge questions prior to the Meeting by submitting your questions online at investorvote.com.au. To use this facility, you will need your six-digit Control Number and Securityholder Reference Number (SRN) or Holder Identification Number (HIN), which are located on the front of the letter sent to shareholders advising you of the arrangements for the 2020 Annual General Meeting.

Business

1. Annual Reports

To consider the Annual Report, the Financial Report and the Reports of the Directors and of the Auditor for the year ended 28 June 2020.

2. Re-election of directors

(a) To re-elect Gary Levin

Gary Levin is retiring in accordance with the Company's Constitution and, being eligible, offers himself for re-election as a Director.

(b) To re-elect Donna Player

Donna Player is retiring in accordance with the Company's Constitution and, being eligible, offers herself for re-election as a Director.

3. Adoption of the Remuneration Report

To adopt the Remuneration Report for the year ended 28 June 2020.

The vote on this resolution is advisory only.

4. Approval of the grant of performance rights to the CEO and Managing Director under the Company's Long Term Incentive Plan

To consider and, if thought fit, pass the following as an ordinary resolution:

"That the grant of performance rights to the CEO and Managing Director, Matt Spencer, under the Company's Long Term Incentive Plan, as described in the Explanatory Notes to this Notice of 2020 Annual General Meeting, be approved for all purposes, including for the purpose of ASX Listing Rule 10.14."

Voting Restrictions

Voting restrictions for item 3 (Remuneration Report)

Item 3 is a resolution connected directly with the remuneration of members of the key management personnel (KMP) of the Company. The Corporations Act restricts KMP and their closely related parties from voting on such resolutions. Closely related party is defined in the Corporations Act and includes a spouse, dependant and certain other close family members, as well as any companies controlled by the member of the KMP.

Any votes cast in any capacity (eg as a shareholder, proxy or corporate representative) on the proposed resolution in item 3 by or on behalf of:

- Directors and the other members of the KMP details of whose remuneration are included in the Remuneration Report; and
- closely related parties of those persons,

will be disregarded. In addition, any votes cast as a proxy on this item by other members of the KMP (and their closely related parties) will also be disregarded.

However, the Company will not disregard the vote as a result of these restrictions if it is cast:

- as proxy for a person entitled to vote in accordance with a direction on the proxy form; or
- by the Chairman of the Meeting as proxy for a person entitled to vote and the Chairman has received express authority to vote undirected proxies as the Chairman sees fit.

Voting restrictions for item 4 (Grant of performance rights to the CEO and Managing Director)

The Company will disregard any votes cast **in favour** of the proposed resolution in item 4 by or on behalf of the Company's CEO and Managing Director, Matt Spencer, or any person referred to in Listing Rules 10.14.1, 10.14.2 or 10.14.3 who is eligible to participate in the Long Term Incentive Plan, or an associate of that person or persons.

In addition, any vote cast as a proxy by members of the KMP or their closely related parties will also be disregarded.

However, the Company will not disregard the vote as a result of these restrictions if it is cast:

- as a proxy or attorney for a person entitled to vote in accordance with the directions given to the proxy or attorney to vote on the resolution in that way; or
- by the Chairman of the Meeting as proxy or attorney for a person entitled to vote, in accordance with a direction given to the Chairman to vote as the Chairman decides, even though the resolution is connected with the remuneration of a member of the KMP; or
- by a shareholder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution, and the holder votes in accordance with the beneficiary's directions.

Chairman's voting intention for undirected proxies

The Chairman of the Meeting intends to vote undirected proxies (where he has been appropriately authorised, having regard to the Voting Restrictions above) in favour of each item of business.

Entitlement to attend and vote

The Board has determined that, for the purposes of the Meeting (including voting at the Meeting), shareholders are those persons who are registered as holders of the Company's shares at 10.00am (Melbourne time) on Sunday, 4 October 2020.

Voting by proxy

A shareholder who is entitled to attend and cast a vote at the Meeting may appoint a proxy. A proxy need not be a shareholder. A person can appoint an individual or a body corporate as a proxy. If a body corporate is appointed as a proxy, it must ensure that it appoints a corporate representative in accordance with section 250D of the Corporations Act to exercise its power as a proxy at the Meeting.

A shareholder who is entitled to cast two or more votes may appoint up to two proxies and may specify the proportion or number of votes each proxy is appointed to exercise.

Proxy appointments and any authorities under which they are signed (or certified copies of those authorities) may be:

- mailed to Computershare Investor Services Pty Limited GPO Box 242 Melbourne Victoria 3001 Australia; or
- sent by fax to 1800 783 447 (within Australia) or +61 3 9473 2555 (outside Australia).

Alternatively, proxy instructions can be submitted electronically to the Company's share registrar by visiting investorvote.com.au, and Intermediary Online subscribers only (custodians) should visit intermediaryonline.com.

To be effective, a proxy appointment and, if the proxy appointment is signed by the shareholder's attorney, the authority under which the appointment is signed (or a certified copy of the authority) must be received by the Company at least 48 hours before the commencement of the Meeting.

For more information concerning the appointment of proxies and the addresses to which proxy forms may be sent, please refer to the proxy form.

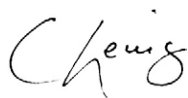
Voting by attorney

A shareholder may appoint an attorney to vote on their behalf. For an appointment to be effective for the Meeting, the instrument effecting the appointment (or a certified copy of it) must be received by the Company at its registered office or the address listed above for the receipt of proxy appointments at least 48 hours before the commencement of the Meeting.

Corporate representatives

A body corporate which is a shareholder, or which has been appointed as a proxy, may appoint an individual to act as its representative at the Meeting. The appointment must comply with the requirements of section 250D of the Corporations Act. The representative should ensure that a copy of their appointment, including any authority under which it is signed, has been provided to the Company's share registrar in sufficient time before the Meeting.

By order of the Board



Corey Lewis
Company Secretary

4 September 2020

Explanatory Notes

Item 1: Annual Reports

A copy of the Company's 2020 Annual Report, including the Financial Report and the Reports of the Directors and the Auditor for the year ended 28 June 2020, can be found on the Company's website at babybunting.com.au/investor. It was first released to ASX on 14 August 2020.

Shareholders may elect to receive by mail, free of charge, the Company's 2020 Annual Report. Please contact the Company's share registrar, Computershare, to request a hard copy. The Company mails a copy of the Annual Report only to those shareholders who have made an election to receive it.

Item 2: Re-election of Directors

To re-elect Gary Levin

Gary Levin was first appointed a Director of the Company in August 2014.

The Board considers Gary to be an independent non-executive director.

Gary is the Chairman of the Audit and Risk Committee.

Gary has over 30 years' management, executive and non-executive experience in public and private companies including in the retail, investment and property industries.

Gary was previously the founder and managing director of TLC Dry Cleaners Pty Limited and joint managing director of Rabbit Photo Holdings Limited.

He was a non-executive director of JB Hi-Fi Limited from November 2000 until October 2016.

Gary has specifically confirmed to the Company that he will have sufficient time to fulfil his responsibilities as a Director if elected.

To re-elect Donna Player

Donna Player was first appointed a Director of the Company in January 2017.

The Board considers Donna to be an independent non-executive director.

Donna is a member of the Remuneration and Nomination Committee.

Donna has over 35 years' experience in retail, marketing and product development gained in both retail and wholesale industries. She is currently Director of Merchandise for Camilla Australia.

In the four years to May 2016, Donna was the Group Executive of Merchandise for Fashion, Beauty, Footwear, Accessories and Home for David Jones. Prior to her role at David Jones, Donna was General Manager, Merchandise and Planning for BIG W.

During her career, Donna has had executive responsibilities for merchandise, planning, branding, sourcing and supplier strategies.

Donna holds a Bachelor of Arts from the University of NSW and is a graduate of the Australian Institute of Company Directors.

She is currently a non-executive director of Accent Group Limited (appointed in November 2017).

Donna has specifically confirmed to the Company that she will have sufficient time to fulfil her responsibilities as a Director if re-elected.

Board recommendation:

The Board (excluding Gary and Donna because of their interests) endorses the re-election of Gary Levin and Donna Player as Directors.

Item 3: Adoption of the Remuneration Report

As required by the Corporations Act, the Board presents the Remuneration Report to shareholders for consideration and adoption as a non-binding vote. Among other things, the Remuneration Report contains:

- information about the Board policy for determining the nature and amount of remuneration of the Company's Directors and other key management personnel;
- remuneration details for key management personnel for the period ended 28 June 2020; and
- details of the changes that have been made to the Company's executive remuneration arrangements since the last AGM.

The Remuneration Report, which is part of the 2020 Annual Report, can be found on the Company's website at babybunting.com.au/investor or can be obtained by contacting the Company's share registrar, Computershare.

Board recommendation:

The Board considers that the remuneration policies adopted for the Company are appropriate and reasonable as they are structured to provide incentives and rewards that are linked to the Company's financial performance. On this basis, the Board recommends that shareholders eligible to do so vote in favour of item 3.

Item 4: Grant of performance rights to Matt Spencer

The Company is asking shareholders to approve a proposed grant of 480,000 performance rights to the Company's CEO and Managing Director, Matt Spencer, on the terms and conditions set out below.

In accordance with Listing Rule 10.14, the Company must not issue equity securities under an employee incentive scheme to a director of the entity unless it obtains shareholder approval. As shareholder approval is sought under Listing Rule 10.14, approval under Listing Rule 7.1 is not required, in accordance with Listing Rule 7.2 Exception 14.

Long Term Incentive Plan

The Company has a Long Term Incentive Plan designed to align the interests of executives and senior employees more closely with the interests of the Company's shareholders by providing an opportunity for eligible employees to receive an equity interest in the Company through the grant of performance rights. If the relevant vesting conditions are satisfied, each right entitles the participant to one fully paid ordinary share in the Company.

To provide an incentive for future periods, it is proposed to provide a grant of long term incentives to be measured in relation to the three year period from the conclusion of FY2020 to the conclusion of FY2023. The proposed grant is referred to as the **FY2020-FY2023 LTIP grant**.

Proposed grant

Item 4 is a proposal to grant Matt Spencer 480,000 performance rights under the Company's Long Term Incentive Plan as part of the FY2020-FY2023 LTIP grant.

The Board's intention is to move towards a target having the number of rights outstanding under the Long Term Incentive Plan (over any three year period) equal to around 5% of issued capital. The total performance rights to be granted to all participants in the Long Term Incentive Plan for the FY2020-FY2023 LTIP grant will be approximately 2.6 million rights (among 12 participants). The number of performance rights to be granted to the CEO & Managing Director from that amount was selected so as to provide a total remuneration mix for the CEO & Managing Director that was weighted towards long term "at-risk" remuneration.

The Board believes that the offer of performance rights under the FY2020-FY2023 LTIP grant is an important part of the CEO and Managing Director's remuneration and provides alignment with the pursuit of the long-term shareholder value. The award of performance rights means that the actual value (if any) of shares Matt Spencer will receive from this grant is not determined until the end of the three-year performance period and will depend on the extent to which the two performance conditions are achieved, and (if vesting occurs) the share price at the time shares are provided to him.

The terms that apply to the FY2020-FY2023 LTIP grant are described below.

Performance condition 1 - EPS compound annual growth

Half of the performance rights will be subject to an earnings per share (EPS) growth performance condition, which will measure the compound annual growth (CAGR) in the Company's earnings per share measured over the relevant performance period.

The EPS growth performance condition will be measured as the increase in the Company's earnings per share from the base level of the EPS in FY2020 to the EPS for FY2023 (ie a 3 year performance period).

Earnings per share will be determined by dividing the Company's pro forma NPAT (excluding the expense of the LTI Plan recognised in the Company's statutory financial statements and any unusual items) by the number of shares on issue at the end of the relevant financial year increased to include the number of shares that will be issued upon vesting of the EPS performance rights. This will have the effect of taking into account any dilution impact at the time of vesting.

The number of performance rights that vest for a performance period will be determined as follows:

- if the EPS CAGR is less than 10% - no EPS performance rights vest;
- if the EPS CAGR is 10% - then, 30% of the EPS performance rights vest;
- if the EPS CAGR is between 10% and 20% - then vesting occurs on a straight line pro rata basis for between 30% and 100% of the EPS performance rights;
- if the EPS CAGR is 20% or above - then 100% of the EPS performance rights vest.

Performance condition 2 - TSR compound annual growth

Half of the performance rights will be subject to a total shareholder return (TSR) growth performance condition, which will measure the compound annual growth (CAGR) in the Company's total shareholder return.

Broadly, the TSR performance condition will assess the increase in the Company's share price (assuming dividends are reinvested). TSR will be measured as the increase in the Company's share price from a reference share price which will be the volume weighted average price of the Company's shares on ASX in the period 1 July 2020 to 30 September 2020 (inclusive). Growth in the Company's share price will be measured to the volume weighted average price in the period 1 July 2023 to 30 September 2023 (inclusive).

The number of performance rights that vest for a performance period will be determined as follows:

- if the TSR CAGR is less than 10% - no TSR performance rights vest;
- if the TSR CAGR is 10% - then, 30% of the TSR performance rights vest;
- if the TSR CAGR is between 10% and 20% - then vesting occurs on a straight line pro rata basis for between 30% and 100% of the TSR performance rights;
- if the TSR CAGR is 20% or above - then 100% of the TSR performance rights vest.

Payment on vesting

No amount is payable upon exercise of a vested performance right. Upon exercise, the Company will provide the participant with a fully paid ordinary share. Shares may be issued or purchased on-market for the participant.

Once a performance right has vested, the participant will have two years in which to exercise the vested right and be provided with a fully paid ordinary share. Vested rights that have not been exercised at the end of that period will lapse.

To ensure ongoing alignment with shareholders, any shares that are issued to a participant upon vesting and exercise of a performance right will be subject to a 12 month disposal restriction.

Treatment on cessation of employment

Upon resignation or in instances where a participant's employment is terminated for cause or as a result of unsatisfactory performance, their unvested rights will lapse. In other circumstances, a person ceasing employment may retain unvested rights with vesting to be tested at the end of the relevant performance period. However, in all cases, the Board has discretion to permit a participant to retain unvested rights, including a discretion to reduce the number of retained unvested rights to reflect the part of the performance period for which the participant was employed. Shareholder approval has been obtained for the purposes of sections 200B and 200E of the Corporations Act to permit the Company to give a benefit to a participant who holds a managerial or executive office in these circumstances. This approval was expressed to be for the period up to the 2021 annual general meeting.

If employment ceases after a performance right vests, the participant remains entitled to exercise the right for the time period specified in the terms of the grant.

Treatment on change of control

The Board has discretion to determine whether a change in control has occurred and the treatment of unvested performance rights at that time. Generally, in the event of a change of control of the Company, the Board will assess whether unvested performance rights should vest and whether any vesting should be on a pro rata basis having regard to the proportion of the performance period that has passed and after testing the relevant performance conditions at that time.

Malus and clawback

The terms of the performance rights provide for malus to be applied to unvested awards and for clawback provision to be applied for vested awards. This is to ensure that in the event of serious misconduct or the identification of a serious adverse subsequent event, the relevant participant does not inappropriately benefit in those circumstances.

Other conditions

Subject to the ASX Listing Rules (where relevant), a participant may only participate in new issues of shares or other securities if the performance right has been exercised in accordance with its terms and shares are issued or transferred and registered in respect of the performance right on or before the record date for determining entitlements to the

issue. A participant will also be entitled to receive an allocation of additional shares as an adjustment for bonus issues.

What will happen if the resolution is, or is not approved?

If shareholder approval is obtained under ASX Listing Rule 10.14, the issue of performance rights to Matt Spencer will not count towards the Company's capacity to issue equity securities under ASX Listing Rule 7.1.

Accordingly, approval is sought for the grant of 480,000 performance rights (ie the maximum that could vest) to Matt Spencer under the FY2020-FY2023 LTIP. For the purposes of ASX Listing Rule 10.15, the key terms of the LTIP grant are detailed below.

If approval is not provided, then the Board will have regard to developing alternative remuneration arrangements for Matt Spencer to provide him with an appropriate long term incentive.

Other information

The Company provides the following additional information to shareholders in accordance with Listing Rule 10.15:

- Matt Spencer is the only director entitled to participate in the Company's Long Term Incentive Plan.
- It is proposed that Matt Spencer be issued with 480,000 performance rights.
- The details of the remuneration framework applying to Matt Spencer and his current remuneration applying in FY2021 consist of:
 - salary and superannuation of \$584,592;
 - reimbursement of out-of-pocket expenses up to \$12,500 per annum associated with vehicle costs;
 - an opportunity to receive a payment after the conclusion of FY2021 under the Company's short-time incentive plan for FY2021. The general structure of the plan is described in the 2020 Remuneration Report. Whether a payment is received is subject to the Company achieving year-on-year growth targets as well as specific KPIs. The maximum payment under the plan is capped at 60% of base remuneration; and
 - participation in the Company's Long Term Incentive Plan.
- Since the Company's IPO in October 2015, Matt Spencer has received 3,114,714 rights under the Long Term Incentive Plan. Of these, 437,878 rights have vested and 990,857 rights have lapsed, with 1,650,019 rights outstanding. Of this total, Matt Spencer received 533,000 performance rights following shareholder approval at the 2019 Annual General Meeting. All performance rights have a nil exercise price.

- It is the intention of the Board that the performance rights will be granted to Matt Spencer by 30 October 2020 (but in any event, not more than 3 years after the date of the Annual General Meeting).
- No amount will be payable by Matt on grant of the performance rights. If vesting occurs, no amount is payable by Matt upon the exercise of vested performance rights.
- There is no loan scheme in relation to the performance rights (or the shares underlying them).
- Details of any securities issued under the scheme will be published in the relevant Annual Report, along with a statement that approval for the issue was obtained under Listing Rule 10.14. Any additional persons covered by Listing Rule 10.14 who become entitled to participate in the Long Term Incentive Plan after this resolution is approved will not participate until approval is obtained at a future meeting.

Board recommendation:

The Board (excluding Matt Spencer because of his interest) considers that the proposed grant of performance rights is appropriate and in the best interests of the Company and its shareholders. The grant strengthens the alignment of Matt's interests with shareholders and provides an incentive linked to continued growth of Company's earnings and share price over the next three years. On this basis, the Board recommends that shareholders eligible to do so vote in favour of item 4.



BabyBunting

www.babybunting.com.au