



NOTICE OF 2018 ANNUAL GENERAL MEETING

BABY BUNTING GROUP LIMITED

Notice is given that the annual general meeting of Baby Bunting Group Limited will be held at the offices of Ashurst Australia at Level 26, 181 William Street, Melbourne on Monday, 19 November 2018 at 10.00am (Melbourne time).

Business

Notice is given that the annual general meeting of Baby Bunting Group Limited will be held at the offices of Ashurst Australia at Level 26, 181 William Street, Melbourne on Monday, 19 November 2018 at 10.00am (Melbourne time).

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 24 June 2018.

2. Election and re-election of directors

a. To re-elect Ian Cornell

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

b. To re-elect Melanie Wilson

Melanie Wilson 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 24 June 2018.

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 2018 Annual General Meeting, be approved for all purposes, including for the purpose of ASX Listing Rule 10.14."

5. Approval of potential termination benefits to key management personnel

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

"That, for the purposes of sections 200B and 200E of the Corporations Act, approval is given for the Company and any relevant superannuation fund to give benefits to each current and future eligible senior executive, as described in the Explanatory Notes to this Notice of 2018 Annual General Meeting, in connection with the retirement of that person from any office in the Company or a related body corporate of the Company referred to in section 200B of the Corporations Act."

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 of his associates.

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

- as a proxy for a person entitled to vote in accordance with the directions on the proxy form; or
- by the Chairman of the Meeting as proxy for a person entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Voting restrictions for item 5 (Approval of potential termination benefits)

As required by the Corporations Act, no votes on item 5 may be cast (in any capacity) by or on behalf of an eligible senior executive who may, as a retiree, receive a benefit approved by item 5, or any associate of such a person, other than where a vote:

- is cast by a person as a proxy appointed by writing that specifies how the proxy is to vote on the resolution; and
- is not cast on behalf of the retiree or an associate of the retiree.

Other voting restrictions for items 4 and 5 (being resolutions related to remuneration)

In addition to the voting restrictions referred to above, as required by the Corporations Act, a vote cast as a proxy on item 4 or 5 by a member of the Company’s KMP and closely related parties of members of the KMP will be disregarded, other than where the vote 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.

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 Saturday, 17 November 2018.

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

Alternatively, proxy appointments and authorities may be sent by fax to 1800 783 447 (within Australia) or +61 3 9473 2555 (outside Australia).

Shareholders may also submit their proxy instructions electronically to the Company’s share registrar by visiting www.investorvote.com.au, and Intermediary Online subscribers only (custodians) should visit www.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.

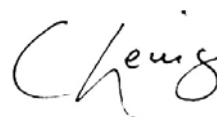
Voting by Attorney

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 bring to the Meeting evidence of their appointment, including any authority under which it is signed, unless it has previously been given to the Company.

By order of the Board



Corey Lewis
Company Secretary

16 October 2018

Explanatory Notes

Item 1

Annual Reports

A copy of the Company's 2018 Annual Report, including the Financial Report and the Reports of the Directors and the Auditor for the year ended 24 June 2018, can be found on the Company's website at babybuntingcorporate.com.au/reports. It was first released to ASX on 10 August 2018.

Shareholders may elect to receive by mail, free of charge, the Company's 2018 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

For more information on the Directors seeking re-election at the Meeting, refer to the Corporate Governance Statement and pages 14 and 15 of the 2018 Annual Report.

Item 2(a)

To re-elect Ian Cornell

Ian Cornell was first appointed a Director of the Company in January 2015.

Ian was last re-elected as a Director at the 2017 Annual General Meeting. At that meeting, two other current Non-executive Directors were also re-elected. Ian has chosen to seek re-election at the 2018 Annual General Meeting to facilitate a better distribution of the schedule for director re-elections in future years. If re-elected, he will next be required to retire and seek re-election at the 2021 Annual General Meeting.

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

He was appointed Chairman of the Board in November 2016. He is a member of the Remuneration and Nomination Committee and the Audit and Risk Committee.

Ian has extensive experience in the retailing and property industries in Australia. He held senior executive corporate roles with the Westfield Group until 2012, including responsibility for all HR functions and the overall management of retail functions of the Group. Prior to joining Westfield, Ian had a 23 year career with Woolworths. His roles included Chief General Manager of Woolworths' Supermarket division and Chairman and CEO of Franklins.

Ian is currently a non-executive director of Myer Holdings Limited.

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

Board recommendation:

The Board (excluding Ian because of his interest) endorses the re-election of Ian Cornell as a Director.

Item 2(b)

To re-elect Melanie Wilson

Melanie Wilson was first appointed a Director of the Company in February 2016.

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

Melanie is Chairman of the Remuneration and Nomination Committee and is a member of the Audit and Risk Committee.

Melanie has more than 15 years' retail experience in senior management roles. Her appointments included Limited Brands (Victoria's Secret, Bath & Bodyworks – New York), Starwood Hotels (New York), Woolworths and Diva/Lovisa and have covered a wide spectrum of retail including store operations, merchandise systems, online e-commerce, marketing, brand development and logistics/fulfilment.

She is currently a non-executive director of iSelect Limited, Shaver Shop Group Limited and EML Payments Limited.

Melanie 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 Melanie because of her interest) endorses the re-election of Melanie Wilson as a Director.

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; and
- remuneration details for key management personnel for the period ended 24 June 2018.

The Remuneration Report, which is part of the Directors' Report, can be found on the Company's website at babybuntingcorporate.com.au/reports 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 600,000 performance rights to the Company's CEO and Managing Director, Matt Spencer, on the terms and conditions set out below.

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, rights entitle the participant to one fully paid ordinary share in the Company.

The Company's has made grants under the Long Term Incentive Plan in conjunction with the Company's October 2015 ASX listing. The performance periods for these rights end once FY2020 concludes.

To provide a long term incentive in relation to future periods, the Board has determined to make new grants of long term incentives measured in relation to the three year period from the conclusion of FY2018 to the conclusion of FY2021. For future periods, the Board will assess making awards of long term incentives on an annual basis (and subject to shareholder approval where required).

The proposed grants are referred to as the **2018 LTIP grant**.

A copy of the Long Term Incentive Plan is available upon request from the Company Secretary.

Proposed grant

Item 4 is a proposal to grant Matt Spencer 600,000 performance rights under the Company's Long Term Incentive Plan as part of the 2018 LTIP grant.

The terms that apply to the 2018 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 FY2018 to the EPS for FY2021 (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.

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 25% – 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 25% 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 the Company's share price (assuming dividend are reinvested). TSR will be measured as the increase in the Company's share price from a reference share price of \$2.22 (this was the volume weighted average price of the Company's shares on ASX in the period 1 July 2018 to 30 September 2018 (inclusive)). Growth in the Company's share price will be measured to the volume weighted average price in the period 1 July 2021 to 30 September 2021 (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 EPS performance rights
- if the TSR CAGR is 20% or above – then 100% of the TSR performance rights vest.

Payment on vesting and exercise

No amount is payable upon exercise of a vesting performance right. Upon exercise, the Company will provide the participant with a fully paid ordinary share.

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.

Treatment on cessation of employment

The treatment of unvested performance rights upon cessation of employment is described in the notes to item 5 (below). Shareholder approval is being sought in item 5 for the purposes of section 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 certain circumstances upon ceasing employment.

Explanatory Notes

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 (being two years from the time the right vested).

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.

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.

Other information

The Company provides the following additional information in relation to the proposed grant of performance rights to Matt Spencer.

Matt Spencer is the only director entitled to participate in the Company's Long Term Incentive Plan.

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 share underlying them).

If approval to grant the performance rights under this item 4 is obtained, approval is not required under Listing Rule 7.1 for the issue of securities.

It is the intention of the Board that the performance rights will be granted to Matt Spencer by 23 November 2018 (but in any event, not more than 12 months after the date of the Annual General 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 and four years. On this basis, the Board recommends that shareholders eligible to do so vote in favour of item 4.

Item 5

Approval of potential termination benefits to key management personnel

The Company is seeking shareholder approval in relation to the benefits it can provide to key executives when they cease employment with Baby Bunting including any benefits provided in certain circumstances under the Company's Long Term Incentive Plan. Other than the performance rights set out in item 4, shareholders are not being asked to approve any change or increase in the remuneration or benefits or entitlements for KMP or any variations to the existing discretions of the Board and the Remuneration Committee.

Under the Corporations Act, subject to certain exemptions, shareholder approval must be obtained before the Company (or a related body corporate or a prescribed superannuation fund in relation to the Company) can give a "benefit" in connection with the person's retirement from a managerial or executive office.

Under the Company's Long Term Incentive Plan, eligible employees have been or may be provided with performance rights or options to acquire fully paid ordinary shares in the Company. That plan provides that if a participant ceases to be an employee before a performance right or option has vested or become exercisable due to:

- resignation (other than due to serious illness or total permanent incapacitation (as determined by the Board));
- the participant's employment being terminated with immediate effect; or
- any other circumstance (other than serious illness or total permanent incapacitation), or genuine redundancy or any other circumstance determined by the Board,

then all rights or options granted to the participant will lapse. In addition, if a participant ceases to be an employee due to a reason other than a reason referred to above, then the participant will be entitled to retain a proportion of the rights or options (equal to the proportion of the time elapsed in respect of the relevant performance period). However, the time for assessing whether any applicable vesting condition has been satisfied will be unaffected.

The Long Term Incentive Plan rules also provide that the Board has a discretion to determine a different treatment from that described above. For example, if the Board considers that the circumstances warrant it, it could determine that the participant retains some or all of their rights when they would otherwise lapse. The Board may, for example, exercise that discretion in the event of a person's death or total permanent incapacitation or where the circumstances of the participant's ceasing employment or the participant's contribution to the Company are exceptional and justify the exercise of the discretion. In this situation, the Board could determine that the rights or options (as applicable) vest with or without assessment against the relevant performance conditions.

Permitting rights or options to vest in these or similar circumstances upon a participant ceasing employment may constitute a “termination benefit” for the purpose of Part 2D.2 of the Corporations Act. Shareholder approval may be required if the benefit is provided to a person following their retirement from a managerial or executive office. Accordingly, shareholder approval to permit the Company to provide a benefit in these circumstances, to a person who holds a managerial or executive office, is sought for the purposes of section 200B and 200E of the Corporations Act.

Amount of the benefit

For a person who holds a managerial or executive office with the Company (or a related body corporate), if rights or options vest in connection with ceasing employment (for whatever reason), the person will receive a benefit in connection with retirement from an office, or position of employment, regulated by Part 2D.2 of the Corporations Act. The value of the benefit received will be related to the market price of the fully paid ordinary share that is received upon vesting and exercise of the right or option (less the amount of any exercise price) and the number of shares that are received at that time.

Duration of the approval

There is no time limit on approvals of this kind obtained under the Corporations Act. However, in the interests of good governance, the Board considers it appropriate to return this matter to shareholders for approval every three years.

The Company last obtained shareholder approval of the type contemplated by this item 5, at its 2015 Annual General Meeting. At the time, the approval was obtained for the period ending at the 2018 Annual General Meeting.

The approval sought in item 5 will apply in relation to any termination benefits which may be provided during the period between the date of shareholder approval and the 2021 Annual General Meeting.

Board recommendation:

The Board (excluding Matt Spencer because of this interest) recommends that shareholders eligible to do so vote in favour of item 5.



babybunting.com.au