

2019

NOTICE OF 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 11, 5 Martin Place, Sydney on Tuesday, 8 October 2019 at 10.00am (Sydney time).



**BABY BUNTING'S VISION IS TO BE
THE MOST LOVED BABY RETAILER
FOR EVERY FAMILY, EVERYWHERE.**

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 30 June 2019.

2. Election of director

To elect Gary Kent

Gary Kent having been appointed a Director since the last annual general meeting is retiring in accordance with the Company's Constitution and, being eligible, offers himself for election as a Director.

3. Adoption of the Remuneration Report

To adopt the Remuneration Report for the year ended 30 June 2019.

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 2019 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 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.

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 (Sydney time) on Sunday, 6 October 2019.

BUSINESS

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
4 September 2019

EXPLANATORY NOTES

Item 1

Annual Reports

A copy of the Company's 2019 Annual Report, including the Financial Report and the Reports of the Directors and the Auditor for the year ended 30 June 2019, can be found on the Company's website at babybuntingcorporate.com.au/reports. It was first released to ASX on 16 August 2019.

Shareholders may elect to receive by mail, free of charge, the Company's 2019 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

Election of Director

To elect Gary Kent

Gary Kent was first appointed a Director of the Company in December 2018.

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

Gary is a member of the Audit and Risk Committee.

Gary has an extensive background in the retail and services sector, with considerable experience in corporate finance transactions. He had a career of 18 years with Coles Myer and the Coles Group, during which time his roles included Chief Financial Officer of the Coles Group and Group General Manager for Finance at Kmart and Myer. More recently, Gary has served as the Chief Executive Officer of the Western Bulldogs AFL club, where he has also served as a non-executive director and as chair of the club's audit and risk committee.

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

Board recommendation:

The Board (excluding Gary because of his interest) endorses the election of Gary Kent 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 30 June 2019.

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 533,000 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.

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 FY2019 to the conclusion of FY2022. The proposed grant is referred to as the **FY2019-FY2022 LTIP grant**.

EXPLANATORY NOTES

Proposed grant

Item 4 is a proposal to grant Matt Spencer 533,000 performance rights under the Company's Long Term Incentive Plan as part of the FY2019-FY2022 LTIP grant.

The terms that apply to the FY2019-FY2022 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 FY2019 to the EPS for FY2022 (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 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 2019 to 30 September

2019 (inclusive). Growth in the Company's share price will be measured to the volume weighted average price in the period 1 July 2022 to 30 September 2022 (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.

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, half of 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.

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.

Matt Spencer received 600,000 performance rights following shareholder approval granted at the 2018 annual general meeting. These performance rights were granted under the Long Term Incentive Plan and have a performance period from the end of FY2018 to the end of FY2021.

There is no loan scheme in relation to the performance rights (or the shares 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 11 October 2019 (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 years. On this basis, the Board recommends that shareholders eligible to do so vote in favour of item 4.

BABY BUNTING GROUP LIMITED

Annual General Meeting

Venue: Ashurst Australia
Address: Level 11,
5 Martin Place, Sydney
Date: Tuesday,
8 October 2019
Time: 10.00am (Sydney time).





Baby Bunting Group Limited
ABN 58 128 533 693