



BabyBunting®

Notice of 2023 Annual General Meeting

Notice of 2023 Annual General Meeting

Notice is given that the annual general meeting of Baby Bunting Group Limited (**Baby Bunting** or the **Company**) will be held in person at Level 16, 80 Collins Street, Melbourne at 10.00am (Melbourne time) on Tuesday, 10 October 2023.

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 2 July 2023.

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 2 July 2023.

The vote on this resolution is advisory only and does not bind the Company.

4. Approval of the grant of performance rights to the Company's CEO 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 Company's CEO, Mark Teperson, under the Company's Long Term Incentive Plan, as described in the Explanatory Notes to this Notice of 2023 Annual General Meeting, be approved for all purposes, including for the purpose of ASX Listing Rule 10.14."

5. Approval of the grant of sign-on rights to the Company's CEO

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

"That the grant of rights to the Company's CEO, Mark Teperson, under the Company's Long Term Incentive Plan, as described in the Explanatory Notes to this Notice of 2023 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 Chair of the Meeting as proxy for a person entitled to vote and the Chair has received express authority to vote undirected proxies as the Chair sees fit, even though the resolution is connected with the remuneration of members of the KMP.

Voting restrictions for items 4 and 5 (relating to the grant of rights to the CEO)

The Company will disregard any votes cast in favour of the proposed resolutions in item 4 and 5 by or on behalf of the Company's CEO, Mark Teperson, 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.

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 Chair of the Meeting as proxy or attorney for a person entitled to vote, in accordance with a direction given to the Chair to vote as the Chair decides, even though the resolution is connected with the remuneration of a member of the KMP; or
- by a holder 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 on the resolution in accordance with the beneficiary's directions.

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 Chair of the Meeting as proxy for a person entitled to vote and the Chair has received express authority to vote undirected proxies as the Chair sees fit.

Voting Restrictions

continued

Chair's voting intention for undirected proxies

The Chair of the Meeting intends to vote undirected proxies (where the Chair 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, 8 October 2023.

Eligible Shareholders may attend the Meeting, ask questions and vote in person at Level 16, 80 Collins Street, Melbourne.

Registration will commence at 9.30am (Melbourne time).

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.

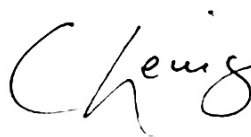
Voting by attorney

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

7 September 2023

Explanatory Notes

Item 1: Annual Reports

A copy of the Company's 2023 Annual Report, including the Financial Report and the Reports of the Directors and the Auditor for the year ended 2 July 2023, can be found on the Company's website at investors.babybunting.com.au. It was first released to ASX on 11 August 2023.

Shareholders may elect to receive by mail, free of charge, the Company's 2023 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

Having last been re-elected at the 2020 Annual General Meeting, Gary Levin and Donna Player retire and seek re-election at the 2023 Annual General Meeting.

Each Director has specifically confirmed to the Company that they will have sufficient time to fulfil their responsibilities as a Director if re-elected.

Item 2(a): 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 Chair of the Audit and Risk Committee.

Gary has over 40 years' management, executive and non-executive experience in public and private companies including in the retail, investment and online industries.

As a founder, Gary has built and grown many successful retail businesses, and as a non-executive director he has been closely involved in the transformation and growth of retail and digital businesses. These businesses include Rabbit Photo (former joint managing director), JB Hi-Fi (former non-executive director), Catch Group (former Chair), Cheap as Chips (a discount variety retailer) (current Chair), Mwave Australia (an e-commerce computer retailer) (current Chair) as well as his role at Baby Bunting.

Gary holds a Bachelor of Commerce and a Bachelor of Laws and is a member of the Australian Institute of Company Directors.

Item 2(b): To re-elect Donna Player

Donna Player was first appointed a Director of the Company in December 2018.

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

Donna is a member of the Remuneration and Nomination Committee.

Donna has over 40 years' experience in retail, marketing and product development gained in both retail and wholesale industries. Currently she is Director of Merchandise for Camilla Australia and has had executive responsibilities for merchandise, planning, branding, sourcing and supplier strategies in previous roles.

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) and the Children's Tumour Foundation.

Board recommendation:

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

Explanatory Notes

continued

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 2 July 2023; and
- details of the changes that have been made to the Company's executive remuneration arrangements since the last Meeting.

The Remuneration Report, which is part of the 2023 Annual Report, can be found on the Company's website at investors.babybunting.com.au 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 and strength. On this basis, the Board recommends that shareholders eligible to do so vote in favour of item 3.

Items 4 and 5: Grants of incentives to the Company's Chief Executive Officer

On 23 May 2023, the Company announced the appointment of Mr Mark Teperson as the Company's new Chief Executive Officer. Mark commenced his employment on 2 October 2023.

As part of his remuneration arrangements, the Board has agreed to provide Mark with an opportunity to participate in the Company's Long Term Incentive Plan and to provide him other incentives in connection with his commencement, subject to shareholder approval.

In accordance with Listing Rule 10.14.1, the Company must not issue equity securities under an employee incentive scheme to a director of the entity unless it obtains shareholder approval. Listing Rule 10.14 therefore applies to the grant of performance rights and sign-on

rights to Mark, as he is the Managing Director and Chief Executive Officer of the Company.

As shareholder approval is sought under Listing Rule 10.14 for items 4 and 5, approval under Listing Rule 7.1 is not required, in accordance with Listing Rule 7.2 Exception 14.

Items 4 and 5 seek shareholder approval in relation to those elements of Mark's remuneration.

Item 4: Grant of performance rights to the Chief Executive Officer under the Company's Long Term Incentive Plan

The Company is asking shareholders to approve a proposed grant of 612,980 performance rights to the Company's Chief Executive Officer, Mark Teperson, 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, 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 FY2023 to the conclusion of FY2026. The proposed grant is referred to as the FY2023-FY2026 LTIP grant.

Proposed grant

Item 4 is a proposal to grant Mark Teperson 612,980 performance rights under the Company's Long Term Incentive Plan as part of the FY2023-FY2026 LTIP grant.

The number of performance rights to be granted to the Chief Executive Officer was determined by taking 150% of his fixed annual remuneration (salary inclusive of superannuation) (FAR) of \$850,000 and dividing it by \$2.08. This was the volume weighted average price of the Company's shares traded on ASX during August 2023.

The grant has been structured to provide Mark with a target variable LTI opportunity equal to 100% of his FAR when EPS CAGR and TSR CAGR is at 20%. The grant will provide him with a maximum variable LTI opportunity equal to 150% of his FAR, which will be achieved when EPS CAGR and TSR CAGR is 30% or above.

The Board believes that the offer of performance rights under the FY2023–FY2026 LTIP grant is an important part of the CEO's remuneration and provides alignment with the pursuit of long-term shareholder value. The award of performance rights means that the actual value (if any) of shares Mark Teperson 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 FY2023–FY2026 LTIP grant are described below.

Two performance conditions

For the FY2023–FY2026 LTIP grant, 40% of the rights will be subject to the earnings per share (EPS) compound annual growth condition and 60% of the rights will be subject to the total shareholder return (TSR) compound annual growth condition. The Board has selected this mix having regard to the growth initiatives and the Company's expansion plans currently being implemented to ensure that there is an appropriate weighting to target long term shareholder value growth.

Performance condition 1 – EPS compound annual growth

The EPS growth performance condition will be measured as the compound annual growth (CAGR) in the Company's earnings per share from the base level of the EPS in FY2023 to the EPS for FY2026 (ie a 3 year performance period).

Earnings per share will be determined by dividing the Company's pro forma net profit after tax (NPAT) (excluding any unusual items) by the weighted average number of shares for the relevant financial year. Pro forma NPAT will be determined including the share-based payment accounting expense.

The number of performance rights that vest for the 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 20% – then 66.67% of the EPS performance rights vest; and
- if the EPS CAGR is 30% or more – then 100% of the EPS performance rights vest.

If EPS CAGR is between two of the levels above, then vesting will occur on a straight line pro rata basis applicable to the EPS CAGR performance.

Performance condition 2 – TSR compound annual growth

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 \$2.08 which was the volume weighted average price of the Company's shares on ASX during August 2023. Growth in the Company's share price will be measured by reference to the volume weighted average price during August 2026.

The number of performance rights that vest for the 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 20% – then 66.67% of the TSR performance rights vest; and
- if the TSR CAGR is 30% or above – then 100% of the TSR performance rights vest.

If TSR CAGR is between two of the levels above, then vesting will occur on a straight line pro rata basis applicable to the TSR CAGR performance.

Explanatory Notes

continued

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.

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 2024 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

In the event of a change of control of the Company, the Board has discretion to determine whether a change in control has occurred and the treatment of the rights at that time. Treatment may include permitting some or all outstanding unvested rights to vest or determining that unvested rights have lapsed.

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.

New issues and bonus issues

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 Mark Teperson 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 612,980 performance rights (ie the maximum that could vest) to Mark Teperson under the FY2032-FY2026 LTIP grant.

If approval is not obtained, then the Board will have regard to developing alternative remuneration arrangements for Mark 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:

- Mark Teperson is the only director entitled to participate in the Company's Long Term Incentive Plan.
- It is proposed that Mark Teperson be issued with 612,980 performance rights.
- The details of the remuneration framework applying to Mark Teperson and his current remuneration applying in FY2024 consist of:
 - salary and superannuation (FAR) of \$850,000;
 - an opportunity to receive a payment of up to 100% of FAR after the conclusion of FY2024 under the Company's short-time incentive plan for FY2024. The general structure of the plan is described in the 2023 Remuneration Report. Whether a payment is received is subject to the Company achieving year-on-year growth targets as well as specific KPIs; and
 - participation in the Company's Long Term Incentive Plan.

- The Company has also agreed to provide Mark Teperson with 467,289 rights as a one-off grant, subject to shareholder approval. Further details are set out in item 5 of this Notice of 2023 Annual General Meeting.
- Mark Teperson has not previously been granted rights under the Company's incentive plans.
- It is the intention of the Board that the performance rights will be granted to Mark Teperson by 27 October 2023 (but in any event, not more than 3 years after the date of the Annual General Meeting).
- No amount will be payable by Mark Teperson on grant of the performance rights. If vesting occurs, no amount is payable by Mark 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 Mark Teperson 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 Mark's interests with shareholders and provides an incentive linked to continued growth of the 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.

Item 5: Grant of sign-on rights to the Chief Executive Officer

The Company is asking shareholders to approve a proposed grant of 467,289 rights to the Company's Chief Executive Officer, Mark Teperson, on the terms and conditions set out below.

Proposed grant

The Company announced the appointment of Mark as the Company's new Chief Executive Officer on 23 May 2023 and he commenced in his role on 2 October 2023. As part of his commencing, the Company agreed to provide Mark with a sign-on grant of rights.

These rights will be granted under the Company's Long Term Incentive Plan.

The Board believes that the sign-on grant is appropriate in order to provide Mark Teperson with remuneration sufficient to attract and incentivise him as he commences his new role with the Company.

One third of the rights will vest and become exercisable on each of the first, second and third anniversary of the commencement of Mark's employment.

Vesting is conditional upon Mark being employed by the Company (and not serving out a period of notice) at the time of vesting.

Other terms

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

Once a right has vested, Mark 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.

The terms described for item 4 relating to "Treatment on change of control", "Malus and clawback", "New issues and bonus issues" and "What will happen if the resolution is, or is not, approved" apply to the sign-on rights contemplated by this item 5.

Explanatory Notes

continued

Treatment on cessation of employment

Upon resignation or in instances where Mark Teperson's employment is terminated for cause or as a result of unsatisfactory performance, his unvested rights will lapse.

In other circumstances, the Board has discretion to permit Mark 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 2024 annual general meeting.

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

Other information

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

- Mark Teperson is the only director entitled to participate in the Company's Long Term Incentive Plan.
- It is proposed that Mark Teperson be issued with 467,289 rights.
- The details of the remuneration framework applying to Mark Teperson are described in item 4 above.
- Mark Teperson has not previously been granted rights under the Company's incentive plans.
- It is the intention of the Board that the rights will be granted to Mark Teperson by 27 October 2023 (but in any event, not more than 3 years after the date of the Annual General Meeting).
- No amount will be payable by Mark Teperson on grant of the rights. If vesting occurs, no amount is payable by Mark upon the exercise of vested rights.

- There is no loan scheme in relation to the 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 Mark Teperson because of his interest) considers that the proposed grant of rights is appropriate and in the best interests of the Company and its shareholders. The grant provides appropriate remuneration to Mark and strengthens the alignment of his interests with shareholders over the next three years. On this basis, the Board recommends that shareholders eligible to do so vote in favour of item 5.

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