

## **Mothercare's response to voting results at the General Meeting**

At the General Meeting of Mothercare plc (the "Company") held on 31 July 2017 the two resolutions: (1) to approve the new Directors' Remuneration Policy; and (2) To approve the establishment of a long-term value creation plan (VCP) were passed unanimously on a show of hands at the meeting. Proxy votes received in advance of the meeting were 76.13% and 76.05% respectively in favour of both resolutions.

Prior to the vote an extensive shareholder consultation was undertaken reaching out to over 87% of the shareholder register. In addition, the key shareholder advisory bodies: the Investment Association, Institutional Shareholder Services and Glass Lewis were consulted with.

Based on this engagement, the Remuneration Committee made a number of key changes which directly addressed the feedback received as outlined in the Notice of Meeting and meant that the iterations of the VCP and Directors' Remuneration Policy which it had originally sought shareholder views on were adapted to:

- Ensure that the pay-out hurdle was more ambitious ensuring a greater level of shareholder value must be delivered for management to benefit from the VCP;
- Ensure there was a maximum upside under the plan through the introduction of a cap which continued to motivate management whilst limiting the number of shares deliverable under the VCP;
- Allow the Committee to exercise discretion to ensure that the plan does not reward value created exclusively through external influences rather than as a result of management's successful implementation of the strategy.

The Board of Directors recognises that, whilst the majority of our principal shareholders voted in favour of all resolutions, some shareholders and their proxy advisers did not support the above resolutions.

Following the General Meeting the Board of Directors has discussed at length the result and views of individual shareholders in particular with regard to shareholders' dilution and holding period. The Board is committed to continue its engagement with shareholders and their advisory bodies as the implementation decisions for 2017/18 are made in relation to the Remuneration Policy. For example, it is the Remuneration Committee's intention to demonstrate clearly to shareholders the close link between pay outcomes and Company performance in the Directors' Remuneration Report. Our chair recently had productive discussions with ISS, IA and Glass Lewis in this regard. The Board will ensure transparency and clarity in the Remuneration Report.