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If you sell or otherwise transfer, or have sold or otherwise transferred, all of your Ordinary Shares, you should send this Circular (but not the personalised Form of Proxy) as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected for delivery to the purchaser or transferee. If you have sold or otherwise transferred only part of your holding of Ordinary Shares, you should retain these documents and consult the stockbroker, bank or other agent through whom the sale or transfer was effected. This Circular should not be forwarded to or sent in or into any jurisdiction in which to do so would constitute a breach of the relevant laws of such jurisdiction. If you receive this Circular as a purchaser or transferee, please contact the Registrar for a personalised Form of Proxy.

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## **Mothercare plc**

*(Incorporated and registered in England and Wales with registered number 01950509)*

### **PROPOSED NEW DIRECTORS' REMUNERATION POLICY AND ADOPTION OF NEW LONG-TERM INCENTIVE PLAN**

**and**

### **NOTICE OF GENERAL MEETING OF SHAREHOLDERS**

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This document is not a prospectus but a shareholder circular and does not constitute an offer or invitation to purchase or subscribe for any securities or a solicitation of an offer or invitation to purchase or subscribe for any securities.

**This Circular should be read as a whole. Your attention is drawn to the letter from the Chairman of Mothercare plc which is set out in Part I (*Letter From The Chairman Of Mothercare plc*) of this Circular in which the Board unanimously recommends that you vote in favour of the Resolutions to be proposed at the General Meeting referred to below and sets out certain information relating to the New Remuneration Policy and the New Long-Term Incentive Plan.**

Notice of the General Meeting of the Company to be held at the Company's offices at Cherry Tree Road, Watford, Hertfordshire WD24 6SH at **10.00 a.m. on 29 March 2019** is set out at the end of this Circular. The Form of Proxy to be used in connection with the Resolutions to be proposed at the General Meeting is enclosed.

**A summary of the action to be taken by Shareholders in relation to the General Meeting is set out in paragraph 7 of the letter from the Chairman of the Company set out in Part I (*Letter From The Chairman Of Mothercare plc*) of this Circular and in the accompanying Notice of General Meeting.** Whether or not you intend to attend the General Meeting in person, you are requested to complete and sign the Form of Proxy in accordance with the instructions printed on it and return it as soon as possible by post or (during normal business hours only) by hand but, in any event, so as to be received by the Company's Registrars, Equiniti Limited of Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, as soon as possible but in any event to be received by the Registrars by no later than **10.00 a.m. on 27 March 2019** (or, in the case of an adjournment, not later than 48 hours before the time fixed for the holding of the adjourned meeting).

If you hold Ordinary Shares in CREST, you may appoint a proxy by completing and transmitting a CREST Proxy Instruction (in accordance with the procedures set out in the CREST Manual) to the Registrars, under CREST participant ID number RA19. Alternatively, you may give proxy instructions by logging onto [www.euroclear.com](http://www.euroclear.com) and following the instructions. Proxies sent electronically must be sent as soon as possible and, in any event, so as to be received by no later than **10.00 a.m. on 27 March 2019** (or, in the case of an adjournment, not later than 48 hours before the time fixed for the holding of the adjourned meeting).

Completion and return of a Form of Proxy, the giving of a CREST Proxy Instruction or the completion of a proxy form online will not preclude Shareholders from attending and voting in person at the General Meeting, or any adjournment thereof, (in each case, in substitution for their proxy vote) if they wish to do so and are so entitled.

Any reproduction or distribution of this Circular, in whole or in part, and any disclosure of its contents or use of any information contained in this Circular for any purpose other than considering the Proposals is prohibited.

The delivery of this Circular shall not imply that there has been no change in the Company's affairs or that the information set forth in this Circular is correct as at any date subsequent to the date hereof.

**This Circular is dated 13 March 2019**

## TABLE OF CONTENTS

	<b>Page</b>
COMPANY DETAILS AND ADVISERS	3
EXPECTED TIMETABLE OF PRINCIPAL EVENTS	4
PART I LETTER FROM THE CHAIRMAN OF MOTHERCARE PLC	5
PART II NEW LONG-TERM INCENTIVE PLAN	10
PART III NEW REMUNERATION POLICY	13
PART IV ADDITIONAL INFORMATION	31
PART V DEFINITIONS	33
MOTHERCARE PLC NOTICE OF GENERAL MEETING	36

## COMPANY DETAILS AND ADVISERS

<b>Directors</b>	Clive Whiley ( <i>Chairman</i> ) Mark Newton-Jones ( <i>Chief Executive Officer</i> ) Glyn Hughes ( <i>Chief Financial Officer</i> ) Gillian Kent ( <i>Non-executive Director</i> ) Nick Wharton ( <i>Non-executive Director</i> )
<b>Company Secretary</b>	Lynne Medini
<b>Registered Office</b>	Mothercare plc Cherry Tree Road Watford Hertfordshire WD24 6SH
<b>Joint Financial Adviser and Joint Corporate Broker</b>	Numis Securities Limited The London Stock Exchange Building 10 Paternoster Square London EC4M 7LT
<b>Joint Financial Adviser and Joint Corporate Broker</b>	finnCap Ltd. 60 New Broad Street London EC2M 8FF
<b>Legal Advisers to the Company</b>	DLA Piper UK LLP 160 Aldersgate Street London EC1A 4HT
<b>Registrar</b>	Equiniti Limited Aspect House Spencer Road Lancing, West Sussex BN99 6DA

## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Event	Expected Time/Date
Publication and posting of this document	13 March 2019
Record date for entitlement to vote at the General Meeting	6.30 p.m. on 27 March 2019
Latest time and date for receipt of Forms of Proxy for the General Meeting	10.00 a.m. on 27 March 2019
Latest time and date for receipt of CREST Proxy instructions for use at the General Meeting	10.00 a.m. on 27 March 2019
General Meeting	10.00 a.m. on 29 March 2019

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**Notes:**

- (1) Each of the times and dates in the above timetable is based on current expectations and is subject to change by Mothercare plc. If any of the above times and/or dates change, the revised times and dates will be notified to Shareholders by a Regulatory Information Service.
- (2) All references to times in this Circular are to London times unless otherwise stated.

## PART I

### LETTER FROM THE CHAIRMAN OF MOTHERCARE PLC

*(Incorporated and registered in England and Wales with registered number 01950509)*

**Registered office:**

Mothercare plc  
Cherry Tree Road  
Watford  
Hertfordshire  
WD24 6SH

13 March 2019

**Directors and Officers:**

Clive Whiley (*Chairman*)  
Mark Newton-Jones (*Chief Executive Officer*)  
Glyn Hughes (*Chief Financial Officer*)  
Gillian Kent (*Non-executive Director*)  
Nick Wharton (*Non-executive Director*)

Dear Shareholder,

**Proposed New Directors' Remuneration  
Policy and Adoption of New Long-Term Incentive Plan  
and  
Notice of General Meeting**

#### 1. INTRODUCTION

In order to ensure that executive directors and senior management incentives are aligned to the turnaround ambitions of the business and to incentivise them accordingly if the strategic transformation plan is successfully implemented, it is proposed that a new long-term incentive plan ("LTIP") is adopted for the management team. These changes to the executive director and senior management incentives requires the adoption of a new directors' remuneration policy (the "**Policy**", together with the LTIP, the "**Proposals**") and which include the introduction of a more traditional LTIP for the CEO and CFO, a one-off award of restricted shares to the Executive Chairman ("**Chairman's Award**") and increased shareholding requirements. The Chairman's Award is a one-off award to help align the Executive Chairman's incentives with the CEO and CFO particularly in this period before moving to a non-executive role. The new LTIP will also be offered to selected employees of the Group to help retain them through this next period of consolidation. Resolutions 1 and 2 to approve the adoption of the new Policy and the new LTIP will be proposed at the General Meeting of Shareholders.

The purpose of this Circular is to (i) give you further details of the proposed adoption of the new Policy; (ii) give you further details of the new LTIP; (iii) explain why the Board considers the adoption of the new Policy and the new LTIP to be in the best interests of the Company and the Shareholders as a whole; and (iv) convene the General Meeting to obtain, amongst other things, Shareholder approval for the Proposals.

Capitalised terms used but not defined in this letter shall have the meanings given to them in Part V of this document.

For the avoidance of doubt the Executive Directors have not participated in the decision by the Directors to approve the Proposals.

**Shareholders should read the whole of this Circular and not only rely on the information set out in this letter.**

#### 2. BACKGROUND TO AND REASONS FOR THE PROPOSALS

On 17 May 2018 Mothercare announced a comprehensive refinancing of the Group and a restructuring of the Company's UK operations. This resulted in the £117.5 million refinancing of the Group, alongside CVA

and administration procedures necessarily implemented at three subsidiary companies, all of which were successfully completed in the summer of 2018.

Since, as noted in the trading update released on 9 January 2019, we have been focused upon delivering the multiple work-streams associated with a root and branch review of every facet of the business and identifying non-core assets.

We remain confident of achieving all elements of the Group's strategic transformation plan, including:

- the UK store closure program, which will result in a total estate of 80 stores by the end of March 2019, ahead of the original schedule and down from 137 in May 2018;
- commencement of a product outsourcing initiative which will begin to yield margin benefits from Autumn/Winter 2019;
- creation of a leaner organisational structure, which led to a collective consultation exercise with all employees at Head Office, which was completed in December 2018; and
- on track to deliver cost savings of at least £19 million per annum in aggregate.

Throughout the last ten months we have been progressively reducing net debt, where our aspiration remains to be bank debt free by the end of 2019: an objective greatly assisted by the completion of the sale and leaseback of the UK head office for £14.5 million in cash consideration in late December 2018 and the disposal of the business and certain assets of Early Learning Limited (the "**ELC Business**") to TEAL Brand Limited, a subsidiary of TEAL Group Holdings Limited, the holding company of the Entertainer group of companies (the "**Entertainer**") for a total expected cash consideration and earn out fees of up to £13.5 million. Of this amount, £6 million is to be received on completion of the disposal of the ELC Business, with up to £5.5 million in respect of inventory due within a few months of completion and a further £2 million earn out fees over the next two years. We are retaining ownership of approximately £6 million of inventory relating to ELC that we intend to sell over the next few months. The net proceeds from the disposal and inventory sales will be used to reduce the Group's bank debt by approximately £17.5 million over the next year.

The Entertainer is the largest independent toy retailer in the UK with a strong High Street presence of 163 stores operating alongside a successful website platform (TheToyShop.com) which has over 29 million visits annually.

The timing of the disposal, ten months after the refinancing, allows for both the realisation of more attractive total cash proceeds from ELC and associated inventory, and accelerates the reduction of our bank debt providing the financial flexibility and resources to support our core strategic initiatives.

Whilst Mothercare has a solid presence in the toy market through the ELC brand, the Group does not have the necessary capital, resources or scale in this category to continue to invest and develop own brand ELC toys needed to maximise returns from this specialist brand. Furthermore, in the intensely competitive toy market, where third party and branded product is key to a successful customer offer, especially in the older age ranges, the Group lacks the scale to construct a compelling product range to achieve acceptable margins. This was also the reason behind our strategic decision two years ago to withdraw from product categories for older age ranges.

The disposal of the ELC Business secures attractive cash proceeds for ELC and its inventory, with additional long term arrangements with the Entertainer for an improved toy retailing proposition within our UK stores and for supply to ELC's overseas partners. These new, arm's length and long term concession arrangements for the supply of toys in the UK to our stores and online will be supported by the skill and scale of the Entertainer team, with their proven specialism in the sourcing of own brand and third party toy products giving a wider range than Mothercare's current offering.

The revised Group structure has been designed to drive a greater focus towards strengthening our global brand, with improved product design, marketing and distribution of Mothercare products around the world. At the same time the UK management team is now singularly focused upon operating with the discipline of a typical franchise partner, with the objective of bringing the UK business back towards profitability. In order to ensure that management incentives are aligned to the turnaround ambitions of the business and to incentivise them accordingly if the strategic transformation plan is successfully implemented, it is proposed that a new long-term incentive plan is adopted for the management team and the adoption of this new LTIP

will require the adoption of a new directors' remuneration policy. These Proposals set out incentives for participants, which are balanced to provide adequate incentive to drive superior performance and therefore returns for Shareholders with sufficient reward for participants to incentivise achieving that performance and their employment and commitment to the Group.

### 3. NEW LONG-TERM INCENTIVE PLAN

The principal features of the LTIP are set out in Part II (*New Long Term Incentive Plan*) of this Circular.

The Company intends to make awards in nil-cost options under the new LTIP with the following features and performance conditions:

- Award levels for the financial year 2019 to be set at 70 per cent. of salary for the CEO and CFO, below the proposed maximum under the Policy. The Committee will only make awards at the maximum level if there is significant recovery of the share price.
- Relative Total Shareholder Return ("TSR"): the Company's TSR must out-perform a selected group of FTSE retailers. For median performance, 25 per cent. of the award will vest. For upper quartile performance, 100 per cent. of the award will vest. There will be straight line increasing vesting in between. This ensures that any pay-outs are as a result of management and Company performance rather than a result of an overall recovery in UK retail.
- Share price underpin: the Company's share price must be at or above 30 pence at the end of the performance period for any vesting to take place. Based on the closing share price of 16.8 pence as at 11 March 2019 (the latest practicable date before publication of this Circular), this represents an increase of almost double. This underpin provides a link to share price recovery.
- Performance period of three years and a two year post-vesting holding period will apply to these awards, bringing the structure of the LTIP in line with the UK Corporate Governance Code.

Discretion: the Committee will retain discretion to override the formulaic outcome on vesting where in the opinion of the Committee this outcome is not reflective of corporate performance or significant share price movement is derived exclusively from external factors outside of management's control (e.g. FX rates and other circumstances).

The rules of the LTIP are available for inspection during normal business hours at the registered office of the Company and at the offices of DLA Piper UK LLP at 160 Aldersgate Street, London EC1A 4HT from the date of despatch of the Notice of General Meeting until the conclusion of the General Meeting and will also be available for inspection at the General Meeting venue immediately prior to and during the meeting itself.

### 4. NEW REMUNERATION POLICY

A new remuneration policy in the form set out in Part III (*New Remuneration Policy*) of this Circular is proposed for Shareholder approval at the General Meeting. The Policy will be adopted in substitution for the directors' remuneration policy approved by Shareholders at the 2017 annual general meeting of the Company. The Committee believes that the proposed changes to the Policy support the sustained recovery of Mothercare's share price, the incentivisation of its management team and the retention of the Chairman in general. The main changes to the existing remuneration are as follows:

- the CEO and CFO voluntarily reduced their pension contributions from 15 per cent. to 10 per cent. in a step towards aligning executive director pension contribution rates with those of the workforce;
- the CEO and the CFO have agreed to reduce their annual maximum bonus entitlement from 125 per cent. of base salary to 100 per cent. in line with similar size small cap companies. Any bonus paid above 75 per cent. of salary will be paid in shares deferred for 3 years subject to continued employment;
- in line with the emerging best practice governance, new incentive plans including the LTIP and Chairman's Award will be subject to enhanced malus and clawback provision which now include reputational damage and corporate failure as triggers in addition to misconduct, misstatement and calculation errors; and

- the Company's Value Creation Plan ("VCP") will be allowed to continue rather than cancel awards at this point. In the unlikely event that the VCP does pay out based on performance, the new LTIP will not pay out to those participating in the VCP.

The differences between the Policy and the remuneration policy adopted in 2017 are set out in detail in Part III (*New Remuneration Policy*) of this Circular.

## **5. DIVIDEND POLICY**

The Company has not paid a dividend since 3 February 2012. We do not expect to pay dividends until the business is returned to a sustainable and stable financial footing. We understand the importance of optimising value for Shareholders and it is our intention to return to paying a dividend as soon as we believe it is financially prudent for the Group to do so. Under the agreement reached with the Pension Protection Fund in 2018 as part of the Group's capital refinancing, we will also have to make cash payments to the pension schemes if the Company makes dividend payments to its Shareholders.

## **6. GENERAL MEETING**

A notice convening a general meeting of the Company to be held at 10.00 a.m. on 29 March 2019 at the Company's registered office at Cherry Tree Road, Watford, Hertfordshire WD24 6SH is set out at the end of this Circular. A Form of Proxy to be used in connection with the General Meeting is enclosed. The purpose of the General Meeting is to seek Shareholders' approval for the Proposals. Resolution 1 and 2 propose the adoption of the new Policy and the new LTIP in accordance with the Companies Act, respectively.

## **7. ACTION TO BE TAKEN**

You will find enclosed with this Circular a Form of Proxy to be used in connection with the General Meeting. It is important to us that our Shareholders have the opportunity to vote even if they are unable to come to the General Meeting. If you are unable to come to the General Meeting you can use the enclosed Form of Proxy to nominate someone else to come to the meeting and vote for you (this person is called a proxy). You can, if you wish, nominate me to vote on your behalf in accordance with your instructions. To appoint a proxy you need to send back the Form of Proxy enclosed with this Circular to the Registrar as soon as possible and in any event so as to arrive no later than 10.00 a.m. on 27 March 2019, being 48 hours before the time appointed for holding the General Meeting.

If you hold your Ordinary Shares in uncertificated form (i.e. in CREST), you may appoint a proxy by completing and transmitting a CREST Proxy Instruction in accordance with the procedures set out in the CREST Manual so that it is received by the Registrar by no later than 10.00 a.m. on 27 March 2019.

Unless the Form of Proxy or CREST Proxy Instruction is received by the date and time specified above, it will be invalid.

Completing and posting of the Form of Proxy or completing and transmitting a CREST Proxy Instruction will not preclude you from attending and voting in person at the General Meeting if you wish to do so.

## **8. ADDITIONAL INFORMATION**

Your attention is drawn to the additional information contained in Part IV (*Additional Information*) of this Circular.

## **9. RECOMMENDATION**

The Directors (other than the Executive Directors, who have not participated in the decision by the Directors to approve the Proposals) believe that the proposed new Policy and adoption of the new LTIP will promote the long term success of the Company and are in the best interests of the Company and Shareholders as a whole.

Accordingly, the Directors (other than the Executive Directors, who have not participated in the decision by the Directors to approve the Proposals) recommend that you vote in favour of the Resolutions to be proposed at the General Meeting. Given their eligibility to participate, the Executive Directors have informed the Directors that they will not vote on the Resolution. The Non-Executive Directors intend to vote in favour of the Resolutions at the General Meeting in respect of their own Ordinary Shares to which they are beneficially



entitled (representing approximately 0.004 per cent. of the total issued share capital of the Company as at 8 March 2019 (being the last practicable date prior to publication of this Circular).

Yours faithfully,

**Clive Whiley**  
*Chairman*

## **PART II**

### **NEW LONG-TERM INCENTIVE PLAN**

The Mothercare Long-Term Incentive Plan (“**LTIP**”) is a discretionary plan under which awards may be granted to executive directors and employees of the Group.

#### **Eligibility**

Awards may be granted to selected employees of the Group (including executive directors) at the discretion of the Committee.

#### **First awards**

It is anticipated that the first Awards will be granted following approval of the LTIP and the Policy in 2019 in accordance with the rules of the Mothercare LTIP.

#### **Forms of awards**

Awards may be granted in different forms as follows: (a) a conditional right to acquire Ordinary Shares in the future at no cost, (b) an option with a nil or nominal exercise price, (c) restricted Ordinary Shares or (d) a right to receive a cash amount based on the underlying value of a number of Ordinary Shares. In this summary, references to “Shares” include the notional shares to which a cash-based award relates.

#### **Overall plan limits**

In any 10 year period, not more than five per cent. of the issued share capital of the Company may be issued under the Mothercare LTIP and any other discretionary employees’ share plans operated by the Company. In any 10 year period, not more than 10 per cent. of the issued share capital of the Company may be issued under the Mothercare LTIP and all other employees’ share plans operated by the Company. These limits do not include awards or options which have lapsed but will include awards or options satisfied with treasury Shares as if they were newly issued Ordinary Shares for so long as this is required by UK institutional investor guidelines.

#### **Individual limits**

The market value of Ordinary Shares over which an Award may be granted shall not exceed the maximum award value for executive directors permitted under the Company’s Policy. The Committee will determine the value of awards to be granted to each participant in a financial year. The first awards, intended to be granted following approval of the LTIP and the Policy in 2019 will be granted over Ordinary Shares with a value of up to a maximum of 70 per cent. of base salary. Where an award under the main Mothercare LTIP is linked to a “Qualifying Option” under the tax qualifying schedule (see below), the Ordinary Shares subject to the Qualifying Option will not count towards these limits.

#### **Source of Shares**

Awards under the Mothercare LTIP may be granted over newly issued Ordinary Shares, Ordinary Shares held in treasury or Ordinary Shares purchased in the market.

#### **Timing of awards**

Awards may normally only be granted within the six week period beginning with the Company’s announcement of its results for any period or on a day on which the Committee determines that exceptional circumstances exist justifying the grant of Awards. The first award will be made immediately following the approval of the LTIP at the General Meeting. If a grant cannot be made at these times due to dealing restrictions, awards may be granted within the six week period beginning on the date the restrictions are lifted. No awards may be granted more than 10 years after the Mothercare LTIP is adopted.

### **Performance conditions**

Unless the Committee decides otherwise, the vesting of awards will be subject to the satisfaction of performance conditions set by the Committee before the grant of an award and measured over a period of at least three financial years. The application of performance conditions to awards granted to executive directors will be in line with the Policy. The Committee may amend or substitute a performance condition if an event occurs which causes the Committee to consider that an amendment or substitution would be appropriate, provided that the revised performance condition would not be materially less difficult to satisfy. If an Award is subject to more than one performance condition and performance is assessed before the end of the performance period, the Committee may vary the weighting between performance conditions in its discretion to assess performance on the most appropriate basis.

The Committee has the discretion to reduce the level of any vesting to take into account the underlying financial health of the Group.

### **Vesting of awards**

In normal circumstances, awards will vest after the performance period to the extent the performance conditions have been met. Awards without performance conditions will usually vest on the third anniversary of grant.

### **Holding period**

Awards may be granted subject to a holding period of up to two years from vesting. During the holding period, the award will be subject to malus and clawback (see below) but not to the leaver provisions. Instead, a participant will only lose the award where he is summarily dismissed. An award that is subject to a holding period will normally be released following the end of the holding period. An award that is not subject to a holding period will ordinarily be released on the date of vesting.

### **Cash alternative**

At any time before the Ordinary Shares under award are delivered to a participant, the Committee may elect, instead of delivering Ordinary Shares, to pay cash to the participant equal to the market value of the Ordinary Shares subject to the award (subject to deduction of tax or similar liabilities).

### **Dividend equivalents**

The Committee may decide at any time before an award is released that participants should receive an additional benefit calculated by reference to any dividends that they would have received during any part of the vesting and/or holding period if they had been the holders of vested Ordinary Shares. The Committee may determine the basis on which this additional benefit is calculated, including by assuming the reinvestment of the dividends into Ordinary Shares. The benefit can be provided as a cash sum or in the form of Ordinary Shares.

### **Tax-qualifying options**

Part of the Mothercare LTIP has been designed to meet the requirements of Schedule 4 of the Income Tax (Earnings and Pensions) Act 2003, so that employees can be granted UK tax-qualifying market value options ("Qualifying Options"). Qualifying Options will have an exercise price equal to the market value of an Ordinary Share at the date of grant and a participant may hold Qualifying Options over Ordinary Shares with a market value of up to £30,000. Awards under the main Mothercare LTIP may be linked to a Qualifying Option, on the basis that the extent to which the award may be exercised will be scaled back to take account of any gain made on the exercise of the Qualifying Option, so that the pre-tax position is the same as if the option had not been granted. The provisions of the Mothercare LTIP summarised in this Part II (*New Long Term Incentive Plan*) of this Circular apply to Qualifying Options, except as required by applicable tax legislation.

### **Malus and clawback**

The Committee may, at any time before an award has vested, decide to reduce the number of Ordinary Shares to which an award relates ("malus"). Alternatively, the Committee may, at any time after vesting up to the second anniversary of the vesting date, reduce the number of Ordinary Shares to which an award relates during any holding period or require the participant to make a repayment in respect of an award ("clawback").

Malus and clawback may be applied where there is a corporate failure, reputational damage, material error or material misstatement of results, material failure of risk management, material misconduct by the participant or where information comes to light that, had it been known, would have affected the grant or vesting decision.

### **Leaving the Group**

If a participant ceases employment by reason of death, the award will be released as soon as practicable, for unvested awards to the extent that any performance conditions have been met and, unless the Committee determines otherwise, pro-rated for time across the performance period or, for any Award not subject to performance conditions, the vesting period. If a participant ceases employment before an award vests by reason of ill-health, injury, disability, redundancy, retirement, transfer of the employing company or business out of the Group, transfer of employment to a company which is not a Group company, or for any other reason at the discretion of the Committee, the award will be released as soon as practicable, for unvested awards to the extent that any performance conditions have been met and, unless the Committee determines otherwise, pro-rated for time across the performance period or, for any Award not subject to performance conditions, the vesting period. If he ceases employment before an award vests for any other reason, the award will lapse on cessation.

If a participant ceases employment during the holding period for an award, the award will normally be released on the normal release date (unless the participant is summarily dismissed, in which case the award will lapse), unless the Committee determines otherwise.

### **Takeovers and reorganisation**

Awards will vest in the event of a change of control of the Company to the extent any performance conditions have been met up to the event in question and, unless the Committee decides otherwise, will be pro-rated for time across the performance period or, for any Award not subject to performance conditions, the vesting period. On an internal re-organisation, awards may be exchanged for equivalent awards in a different company rather than triggering the early vesting of awards. If any other corporate events occur (such as a winding-up of the Company or a demerger, delisting, special dividend, or other event which, in the opinion of the Committee, may affect the current or future value of Ordinary Shares), the Committee may determine that awards will vest. In this case awards will vest to the extent any performance conditions have been met up to the event in question and, unless the Committee decides otherwise, will be pro-rated for time across the performance period or, for any Award not subject to performance conditions, the vesting period.

### **Variation of capital**

In the event of any variation in the share capital of the Company or a demerger, delisting or special dividend or other event which, in the opinion of the Committee, may affect the current or future value of Ordinary Shares, the Committee may make such adjustments as it considers appropriate to the number of Ordinary Shares under award and/or any performance conditions.

### **General**

Awards granted under the Mothercare LTIP will not be transferable except on death. Awards will not form part of pensionable earnings.

### **Amendments**

The Committee can amend the Mothercare LTIP in any way. However, Shareholder approval will be required to amend certain provisions to the advantage of participants. These provisions relate to eligibility, individual and plan limits, the basis for determining a participant's entitlement to, and the terms of, the Ordinary Shares or cash comprised in awards and the adjustment of awards on any variation of the Company's share capital. Minor amendments can however be made without Shareholder approval to benefit the administration of the Mothercare LTIP, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment. Any other amendment (other than to individual and plan limits) can also be made without Shareholder approval to take account of local tax, exchange control or securities laws in any country. Any amendment that is to the material disadvantage of participants in relation to awards already granted to them requires their majority consent.

## PART III

### NEW REMUNERATION POLICY

#### Directors' Remuneration Policy

The Committee believes that the Directors' Remuneration Policy ("**Policy**") has an important contribution to make to the success of the Company both in facilitating the recruitment and retention of high calibre executive directors and senior executives and aligning their interests with those of shareholders. Within this context the remuneration policy needs to:

- be transparent and aligned to the delivery of strategic objectives at a Company and individual level;
- be flexible enough to take into account changes to the business or remuneration environment;
- ensure poor performance at Company or individual level is not rewarded; and
- link remuneration to sustained share price recovery.

The Committee works to ensure that the Policy does not promote unacceptable behaviours or risk taking by considering the appropriate level of stretch in performance conditions, the balance of short- and long-term incentives, the ability to recover or withhold awards and the mix of awards granted in cash and shares.

The Committee recognises the importance of having a significant share based element of the remuneration package to ensure that executive directors have clear and obvious alignment with the longer term interests of shareholders in the business. Remuneration packages are constructed accordingly.

The Committee reviews the level of individual remuneration packages for executive directors and the executive committee annually. Whilst pay benchmarking provides a context for setting pay levels, it is not considered in isolation; any review of the remuneration package will take into account all elements of remuneration to ensure it remains competitive, and does not look at any single element in isolation. Occasionally the Committee may review the package of an individual during the year to reflect, for example, changes to that person's responsibilities in the business.

The Company presents this Policy for approval at the General Meeting on 29 March 2019. If approved by Shareholders, the Policy will be in effect from that date.

#### Changes to the Policy

The table below summarises the changes in the proposed Policy and the Committee's rationale for the changes.

Current Policy	Proposed Policy	Rationale
<ul style="list-style-type: none"><li>• Annual bonus maximum opportunity 125% of salary</li><li>• Any bonus above 100% of salary paid in shares deferred for 3 years</li></ul>	<ul style="list-style-type: none"><li>• Maximum opportunity of 100% of salary</li><li>• Any bonus above 75% of salary deferred in shares deferred for 3 years</li></ul>	<ul style="list-style-type: none"><li>• The Committee is proposing a reduction to bring the maximum opportunity under the annual bonus in line with companies of a similar size</li></ul>
<p>Long-term incentives:</p> <ul style="list-style-type: none"><li>• 2017 Policy – VCP. Under the current Policy, executive directors are eligible to participate in the VCP, sharing in share price growth above a threshold</li></ul>	<ul style="list-style-type: none"><li>• 2019 Policy – LTIP awards with a focus on share price recovery</li><li>• Maximum opportunity under the proposed Policy of 100% of salary with 2019 award levels at 70% of salary for the CEO and CFO</li><li>• LTIP Awards vest based on performance over 3 years and are subject to a two-year post-vesting holding period</li></ul>	<ul style="list-style-type: none"><li>• The VCP is no longer functioning as an effective long-term incentive plan</li><li>• Given the VCP is two years in to its three year performance period and is expected to lapse, the Committee would like to introduce a long-term incentive which is better aligned to the principles of the Policy</li></ul>

Current Policy	Proposed Policy	Rationale
<ul style="list-style-type: none"> <li>2014 Policy – LTIP. Whilst the LTIP is included in the current Policy, it was agreed that further awards would not be made under the LTIP if the VCP was approved by shareholders. The maximum opportunity under the LTIP was 200% of salary</li> </ul>	<ul style="list-style-type: none"> <li>Enhanced malus &amp; clawback provisions to apply to awards</li> <li>No further awards under the VCP but the inflight award will be allowed to vest in accordance with the Policy</li> </ul>	<ul style="list-style-type: none"> <li>In the unlikely event that the VCP does pay out based on performance, the new LTIP will not pay out to those participating in the VCP</li> <li>The Committee recognises that maintaining the same LTIP maximum opportunity as the 2014 Policy (200% of salary for the CEO) would be inappropriate given the current size of the Company and is therefore proposing a new maximum opportunity of 100% of salary</li> <li>Awards for 2019 will be 70% of salary for the CFO &amp; CEO and the Committee will only make awards at the maximum level if there is significant recovery of the share price</li> </ul>
<p>Executive Chairman remuneration:</p> <ul style="list-style-type: none"> <li>No long-term award in current Policy</li> </ul>	<ul style="list-style-type: none"> <li>Introduction of a one-off Chairman's Award of Restricted Stock with no performance conditions of up to 30% of salary</li> <li>Award vests after three years subject to continued service only and is subject to a minimum 2 year holding period</li> <li>Furthermore, the Chairman must hold all shares vesting (after income tax and NI) under the award while on the Board and is subject to a further requirement to hold the shares for a minimum of two years after stepping down from the Board</li> </ul>	<ul style="list-style-type: none"> <li>The Executive Chairman is key to the recovery of Mothercare and the Chairman's Award is to ensure the services of the Executive Chairman are retained over the next crucial period for the Company</li> <li>Given the planned transition of the Executive Chairman to a non-executive role at the end of the year, the Committee recognises that it is not appropriate to make him an LTIP award with performance conditions</li> <li>The requirement to hold vested shares is in line with the key principle of sustained share price growth</li> </ul>

Current Policy	Proposed Policy	Rationale
<p>Pensions:</p> <ul style="list-style-type: none"> <li>Maximum contribution of 15% of salary</li> <li>Recruitment provisions in line with the Policy</li> </ul>	<ul style="list-style-type: none"> <li>Maximum contribution reduced to 10% of salary</li> <li>The maximum pension contribution for newly appointed executive directors will be in line with pension contributions prevailing in the wider workforce. The pension contribution rate for the majority of the workforce is currently 4% of salary which may vary year to year</li> </ul>	<ul style="list-style-type: none"> <li>The Committee is conscious of the requirement under the Code that pension contributions should be aligned with the wider workforce</li> <li>The Executive Directors who previously received a pension entitlement of 15% agreed during the year to reduce this to 10% of salary voluntarily</li> </ul>
<p>Minimum shareholding requirement:</p> <ul style="list-style-type: none"> <li>150% of salary shareholding requirement for the CEO and 100% of salary requirement for the CFO</li> <li>75% of vested awards (after income tax and NI) LTIP awards must be retained until the requirement is met</li> <li>No post-cessation of employment shareholding requirement in place</li> </ul>	<ul style="list-style-type: none"> <li>Increased minimum shareholding requirements of 200% of salary for the CEO and CFO</li> <li>100% of vested awards (after income tax and NI) must be retained until the requirement is met</li> <li>Introduction of a post-cessation shareholding requirement of the lower of the shareholding requirement immediately prior to departure or actual shareholding on departure for two years from the date of cessation</li> </ul>	<ul style="list-style-type: none"> <li>A key facet of this Policy is sustained share price growth</li> <li>These changes help align the interests of executive directors and shareholders in ensuring that the focus is on sustained shareholder value</li> </ul>

### Proposed Directors' Remuneration Policy Table

The table below summarises each element of the proposed Policy for the Executive Directors, explaining how each element operates and how each part links to the corporate strategy.

Base salary	
Purpose and link to strategy	<p>The salary provides the basis on which to recruit and retain those key employees of appropriate calibre who are responsible for the delivery of the Company's strategy. The level of salary should reflect the market value of the role and the post holder's experience, competency and performance within the Company.</p>
Operation	<p>Paid four-weekly in cash via payroll</p> <p>Salaries are normally reviewed annually by the Committee, and fixed for 52 weeks commencing from the beginning of the new financial year. Any salary increase may be influenced by:</p> <ul style="list-style-type: none"> <li>an individual's experience, expertise or performance,</li> <li>changes to responsibilities during the year,</li> <li>average change in pay elsewhere in the workforce, and</li> <li>affordability and general market conditions.</li> </ul> <p>Occasionally there may be a review of an individual's salary during the year in the event of material change.</p> <p>No recovery or withholding applies to base salary.</p>



<b>Base salary</b>	
Maximum opportunity	<p>The general policy when setting executive salary is to benchmark against mid-market levels when compared to other companies of similar scale, revenue and complexity. Any annual increases in salary that are approved will typically be in line with any salary increases awarded to the wider workforce. Increases beyond those granted to the workforce may be awarded at the Committee's discretion, such as where there is a change in the individual's responsibility or where the salary set at initial appointment was below the expected level.</p> <p>There may also be circumstances where the Committee agrees to pay above mid-market levels to secure or retain an individual who is considered, in the judgement of the Committee, to possess significant and relevant experience which is required to enable the delivery of the Company's strategy.</p>
Performance measures	<p>Executive directors participate in the Company's annual performance management process.</p> <p>Both individual and Company performance is taken into account when determining whether any salary increases are appropriate.</p>
<b>Pension</b>	
Purpose and link to strategy	The Company offers market competitive and cost effective retirement benefits to its executive directors in line with those commonly offered by other similar companies.
Operation	<p>The Company makes a payment into a defined contribution registered pension scheme or by way of cash supplement, or a combination of cash and pension contributions.</p> <p>No recovery or withholding applies to pensions payments.</p>
Maximum opportunity	<p>Executive directors are eligible for a company contribution/cash supplement of up to 10% of base salary.</p> <p>Newly appointed executive directors will receive a pension contribution in line with pension contributions prevailing in the wider workforce. The pension contribution rate for the majority of the workforce is currently 4% of salary which may vary year to year.</p>
Performance measures	No performance metrics apply.
<b>Benefits</b>	
Purpose and link to strategy	The Company offers competitive and cost-effective benefits to complement the base salary in line with those commonly offered by other similar companies as part of its policy to recruit and retain high calibre executive directors.
Operation	<p>Benefits offered include private medical insurance family cover, a car or cash allowance, life assurance and permanent health insurance. Cash alternatives are available to suit individual circumstances.</p> <p>Relocation and related benefits may be offered where a Director is required to relocate in line with Company policy.</p> <p>There is no recovery of general benefits but relocation and related benefits may be subject to repayment either in full or part if an executive resigns within two years of relocating.</p> <p>No recovery or withholding applies to benefits.</p>
Maximum opportunity	The aim is to provide market competitive benefits and their value may vary from year to year depending on the cost to the Company from third party providers.
Performance measures	No performance metrics apply.



Annual Bonus	
Purpose and link to strategy	<p>The purpose of the annual bonus is to incentivise executive directors to achieve specific, pre-determined goals during a one-year period (typically a financial year) and to reward financial and individual performance that is linked to the Company's strategy.</p> <p>To preserve the alignment with shareholder interests, provide an element of retention, and protect against unacceptable behaviour or risk taking, a proportion of bonus is awarded in shares and deferred for three years.</p>
Operation	<p>The Committee sets challenging targets at the start of the financial year to support the Company's strategy. The level of any bonus payment is determined by the Committee following the end of the relevant financial year by reference to the performance criteria.</p> <p>Any bonus payable up to an amount equal to 75% of salary is payable in cash with the remainder deferred into shares for a further three years.</p> <p>Dividend equivalents may accrue on deferred shares during the vesting period.</p> <p>Malus and Clawback provisions will apply in full to the annual bonus.</p>
Maximum opportunity	<p>The maximum bonus entitlement for executive directors is 100% of base salary.</p> <p>At threshold levels of performance up to 25% of the bonus entitlement will be payable. At target and stretch levels of performance up to 50% and 100% (respectively) of the bonus entitlement will be payable.</p>
Performance measures	<p>The policy is for at least 70% of the bonus entitlement to be based on an appropriate mix of financial measures and financially based strategic measures. No more than 30% of the bonus entitlement will be linked to non-financial strategic measures. The targets set in relation to non-financial strategic measures will be similarly challenging to the range of financial targets set.</p> <p>The Committee reviews all targets annually to ensure that they support the Company's strategy for the relevant financial year.</p> <p>The Committee may exercise its discretion to reduce the level of any bonus award if it considers that the payment of an award is inconsistent with the underlying performance of the Company.</p>

<b>Long-term incentive: LTIP</b>	
Purpose and link to strategy	The purpose of providing executive directors (excluding the Executive Chairman) with a long-term incentive award is to reward performance in line with the Company's strategy, grow the business profitably to deliver sustainable long-term shareholder returns over the performance period and support recruitment and retention.
Operation	<p>The LTIP allows for annual grants of awards (usually in the form of nil-cost options) subject to certain performance conditions measured over at least 3 years. Vested awards will be subject to a two-year holding period.</p> <p>Participants may be entitled to dividend equivalents on unvested awards between the date of award and vesting and this is paid in additional shares in respect of awards that vest.</p> <p>The Committee also has the discretion under the Rules to reduce the level of any vesting to take into account the underlying financial health of the Company.</p> <p>Malus and clawback provisions set out below will apply.</p> <p>The Committee may, at its discretion, structure awards as Qualifying LTIP Awards, consisting of a tax-qualifying CSOP option with a per share exercise price equal to the market value of a share at the date of grant and an ordinary nil-cost LTIP award, with the ordinary award scaled back at exercise to take account of any gain made on exercise of the Company Share Option Plan ('<b>CSOP</b>') option.</p>
Maximum opportunity	<p>The maximum level of award is 100% of salary. It is the intention in the first year of the Policy to grant at a level below the maximum. There is a 5% dilution cap across all executive share plans and any shares required to satisfy awards in excess of this will be market purchased shares.</p> <p>If a Qualifying LTIP is granted, the value of shares subject to the CSOP option will not count towards the limit referred to above, reflecting the provisions for the scale back of the ordinary LTIP award.</p>
Performance measures	The Committee has the discretion to set different performance conditions, including performance measures and weightings, for each year by way of future award. Previous awards have measured profit measures including Group PBT and EPS, and share price measures including absolute share price and relative TSR.

<b>Chairman's Award</b>	
Purpose and link to strategy	To retain the Executive Chairman in order to support the recovery and long-term interests of the Company.
Operation	<p>A one-off award aimed at retaining the services of the Executive Chairman and providing a link between the remuneration of the Executive Chairman and shareholders.</p> <p>The award vests after 3 years subject to continued employment only and vested shares must be held (after income tax and NI) for a minimum of two further years. In addition, the Chairman must hold all vested shares (after income tax and NI) while on the Board and is subject to a further requirement to hold the shares for a minimum of one year after stepping down from the Board.</p>
Maximum opportunity	One off award of 30% of salary. There is a 5% dilution cap across all executive share plans and any shares required to satisfy awards in excess of this will be market purchased shares.
Performance measures	No performance measures in line with governance best practice.

<b>Long-term incentive: VCP</b>	
Purpose and link to strategy	<p>The purpose of providing executive directors with a long term incentive award is to reward performance in line with the Company's strategy, execute the second phase of the transformation, deliver share price growth, grow the business profitably to achieve superior long-term share price growth over the performance period and support recruitment and retention.</p>
Operation	<p>The Committee does not intend to grant new awards under the VCP and the inflight award will be allowed to vest in accordance with the Policy.</p> <p>A single award was granted following approval of the VCP at the General Meeting in 2017 with vesting dependent on the achievement of a hurdle share price (adjusted for dividends paid) of £2.00 at the end of the three year performance period. Further awards may be made to new joiners during the performance period.</p> <p>Two-thirds of any value earned under the VCP is subject to a further two year holding period and will become exercisable at the end of FY2020/21 as to one-third and at the end of FY2021/22 as to the final third.</p> <p>Awards were made as nil-cost options over Company shares.</p> <p>The Committee will have discretion to adjust the level of awards on vesting in the event that management does not successfully execute the second phase of the transformation and significant share price movement is derived exclusively from external factors outside of management's control (e.g. oil price, FX rates, and other circumstances).</p> <p>Separate to this discretion, the awards are subject to Malus and Clawback provisions.</p>
Maximum opportunity	<p>No further awards under the VCP.</p> <p>The total pool available under the VCP is 12.5% of the total value created at the end of FY2019/20 above £1.50.</p> <p>The CEO is entitled to 35% of the pool and the CFO is entitled to up to 17.5% of the pool. The maximum number of shares that can be awarded to the CEO under the plan is 4.5 million shares. The maximum number of shares that can be delivered under the plan is 12.9 million shares. There is a 5% dilution cap across all executive share plans and any shares required to satisfy awards in excess of this will be market purchased shares.</p>
Performance measures	<p>Absolute total shareholder return measure. Participants will only be entitled to share of value if the 90 day average share price of £2.00 (adjusted for any dividends paid) is met at the end of 2019/20. If this hurdle is not met, the awards will lapse.</p>

<b>All Employee Share Plan (SAYE)</b>	
Purpose and link to strategy	All employees (including executive directors) are eligible to become shareholders through the operation of the HMRC approved Save as you Earn (SAYE) plan (and/or such other HMRC approved all-employee share plans as the Company may adopt in the future).
Operation	<p>The SAYE is the only current all employee scheme and has standard terms under which all UK employees including executive directors may participate.</p> <p>Executive directors may be eligible to participate in any other HMRC approved all employee share plans which the Company may adopt.</p> <p>No recovery or withholding applies.</p>
Maximum opportunity	All eligible employees can save up to the HMRC limits applying over a three year savings period.
Performance measures	No performance metrics apply.

<b>Share ownership policy</b>	
Purpose and link to strategy	The purpose of requiring executive directors to own shares in the Company is to align the long term interests of management and shareholders in the success of the Company.
Operation	<p>Shareholding requirement for the CEO and CFO to hold shares in the Company to the value of 200% of base salary within five years of appointment to the board.</p> <p>100% of vested LTIP awards (after sale of shares to cover associated personal tax liabilities) must be retained until the guideline is met.</p> <p>The Committee has discretion to extend the period for meeting the requirement, where, for example, there have been low or no bonus and LTIP pay-outs, the share price has moved significantly but there has been a clear pattern of an individual building up their personal shareholding.</p> <p>Executive Directors must also hold shares post-cessation of employment equal in value to the lower of the shareholding requirement immediately prior to departure or actual shareholding on departure for two years.</p> <p>All vested but unexercised nil-cost options will count towards the shareholding requirement.</p> <p>No recovery or withholding applies.</p>
Maximum opportunity	N/A
Performance measures	No performance metrics apply.

### **Incentive plan discretions**

The Committee will operate (i) the annual bonus plan, (ii) LTIP awards (including the Chairman's Award), and (iii) the VCP according to their respective rules, the policy set out above and in accordance with the Listing Rules and HMRC rules where relevant. Copies of the annual bonus plan, VCP and LTIP rules are available on request from the Company Secretary. The Committee, consistent with market practice, retains discretion over a number of areas relating to the operation and administration of these plans. These include (but are not limited to) the following:

- Who participates in the plans,
- The timing of grant of award and/or payment,
- The timing of any bonus payment,
- The choice of (and adjustment of) performance measures, weighting and targets for each incentive plan in accordance with the policy set out above and the rules of each plan,
- Discretion relating to the measurement of performance in the event of a change of control or reconstruction;
- Ability to amend the performance conditions and/or measures in respect of any award or pay-out if one or more events have occurred which would lead the Committee to consider that it would be appropriate to do so, provided that such an amendment would not be materially less difficult to meet,
- Determination of a good leaver (in addition to any specified categories) for incentive plan purposes based on the rules of each plan and the appropriate treatment under the plan rules,
- Adjustments required in certain circumstances (e.g. rights issues, corporate restructuring, on a change of control and special dividends),
- Discretion in relation to all employee share plans would be exercised within the parameters of HMRC and UKLA Listing Rules, and,
- Discretion to reduce the level of any incentive award if it considers that the payment of an award is inconsistent with the underlying performance of the Company.

Any use of the above discretions would, where relevant, be explained in the Annual Report on Remuneration and may, as appropriate, be the subject of consultation with the Company's major shareholders.

### **Malus and Clawback**

Malus and Clawback provisions apply to the Annual Bonus, VCP, LTIP and the Chairman's Award. This approach applies to all executive directors and executive committee members. Malus will typically be an adjustment to the cash award or number of shares before an award has been made or released.

Clawback requires the executive to make a cash repayment to the Company or the surrender of shares or other benefits provided by the Company. The provisions apply to all cash and share awards granted since FY2015/16. The overall intention is that, except in exceptional circumstances, malus will apply before awards are paid or vest. Clawback will apply under the annual bonus scheme, for up to three years from when the cash payment is made, and malus will apply to any deferred shares (awarded at the same time as the cash payment) for the three year period of the deferral. Under the VCP, clawback will apply for up to two years following the end of the three year performance period. Under the LTIP, clawback will continue to apply for up to two years following a three year measurement period and for up to one year following a four year measurement period. Clawback will apply to the Chairman's Award for two years after the vesting period.

As a minimum, the events in which malus and clawback may apply are as follows:

Triggers for malus or reduction of awards	Triggers for clawback or recovery of awards
Material misstatement of financial statements.	Material misstatement of financial statements.
Gross misconduct/fraud of the participant.	Gross misconduct/fraud of the participant.
Where performance has driven vesting which is clearly unsustainable	Where there has been an error in the calculation of performance outcomes
Where there has been an error in the calculation of performance outcomes.	Participant has wholly or in part caused the corporate failure of the Company
Participant has wholly or in part caused the corporate failure of the Company	Participant has caused reputational damage to the Company
Participant has caused reputational damage to the Company	

Malus and clawback may be applied to any CSOP option granted under the LTIP to the extent permitted by the applicable tax legislation.

#### Chairman and Non-Executive Directors' Remuneration Policy

<b>Fees and benefits</b>	
<b>Purpose and link to strategy</b>	To attract and retain non-executive directors of appropriate calibre and experience.  The Company currently has an Executive Chairman and this Policy below outlines how fees will be set for a non-executive chairman.
<b>Operation</b>	The chairman's fee will be reviewed annually by the Committee (without the chairman present).  The remuneration policy for the non-executive directors is determined by a sub-committee of the board comprising the chairman and the executive directors, based on independent surveys of fees paid to non-executive directors of companies of similar scale, revenue and complexity to Mothercare. Remuneration is set taking account of the commitment and responsibilities of the relevant role.  No performance conditions apply.  No recovery or withholding applies.
<b>Maximum opportunity</b>	The chairman will receive a single fee to cover all his board duties.  Non-executive directors receive a fee for carrying out their duties together with additional fees for those non-executive directors who chair the primary board committees and a senior independent director.  Details of current fee levels are set out in the Annual Report on Remuneration.

#### Recruitment policy

The Committee's overriding objective is to appoint executive directors with the necessary background, skills and experience to ensure the continuing success of the Company. The Committee recognises that the increasing pace of change and multi-channel development in our industry, as well as the international nature of the Group, will mean that the right individuals may often be highly sought after.

The remuneration package for a new director will therefore be set in accordance with the Company's Policy subject to approval and such modifications as are described below. The maximum level of variable remuneration (excluding any buyout arrangements) that may be offered on an annual basis to a new director will be in accordance with the limits as set out in the Policy table, being 100% of salary in the annual bonus plan and 100% of salary in the LTIP.

In the majority of cases, where an external appointment is made, the individual will forfeit incentive awards connected with their resignation from their previous employment. The Committee may decide to offer further cash or share-based payments to 'buy-out' these existing entitlements by making awards of a broadly equivalent value, in the Committee's view, under either the Company's existing incentive plans or under other arrangements. In determining the appropriate form and amount of any such award, the Committee will consider various factors, including the type and quantum of award, the length of the performance period and the performance and vesting conditions attached to each forfeited incentive award.

Where an individual is appointed to the board, different performance measures may be set for the year of joining the Board for the annual bonus, taking into account the individual's role and responsibilities and the point in the year the executive director joined.

For any internal appointment to the board, any variable pay element granted in respect of the prior role may be allowed to pay out according to its terms, adjusted as appropriate to take into account the terms of the director's appointment.

The salary level for a new director will be determined with care by the Committee, taking into account the individual's background, skills, experience, the business criticality and nature of the role being offered, the Company's circumstances, and relevant external and internal benchmarks.

In certain circumstances, the Committee will have set a starting salary, which is positioned below the relevant market rate and may therefore wish to adjust the director's salary at a level above the average increase in the Company as the individual gains experience and establishes a strong performance track record in the role. Conversely, there may also be circumstances where paying above a mid-market salary is required to attract or retain an individual considered to possess significant and relevant experience.

The Committee will of course need to exercise a degree of judgement in determining the most appropriate salary for the new appointment.

The maximum pension contribution for newly appointed executive directors will be in line with pension contributions prevailing in the wider workforce.

Benefits will be provided in accordance with the approved Company policy. Relocation expenses or allowances, legal fees and other costs relating to the recruitment may be paid as appropriate in line with the proposed benefits policy.

The Committee recognises that its shareholders need to understand fully the remuneration package for a new executive director and is committed to communicating full details and its reasons for agreeing the remuneration at the time of appointment. The Company will identify any remuneration elements, which are specific to the initial appointment.

### **Service contracts and payment for loss of office**

All the Directors will offer themselves for re-election at the forthcoming Annual General Meeting.

The table below sets out the details of all service contracts with Executive and Non-Executive Directors.

New non-executive directors will be appointed through letters of appointment and fees set at a competitive market level and in line with the other existing non-executive directors. Letters of appointment are normally for an initial term of three years followed by annual re-election at the Company's AGM and are subject to a notice period of one month by either party.

Copies of the Executive Directors' service contracts and Non-Executive Directors' letters of appointment are available for inspection at the Company's registered office: Mothercare plc, Cherry Tree Road, Watford, Hertfordshire, WD24 6SH and at the offices of DLA Piper UK LLP at 160 Aldersgate Street, London EC1A 4HT during normal business hours on each business day from the date of the notice for the General Meeting until the end of the General Meeting.

<i>Director</i>	<i>Date of appointment</i>	<i>Notice period</i>
<b>Executive Directors</b>		
Clive Whiley	19 April 2018	12 weeks
Mark Newton-Jones	17 July 2014	26 weeks
Glyn Hughes	1 December 2017	26 weeks
<b>Non-Executive Directors</b>		
Nick Wharton	14 November 2013	1 month
Gillian Kent	16 March 2017	1 month

### **Leavers**

The Committee has agreed certain terms and policies that are to be included in its service contracts with executive directors. The period of notice for executive directors will not exceed 12 months and, accordingly, the employment contracts of the current Executive Directors are terminable on 26 weeks' notice by either party with the exception of the Executive Chairman.

In the event of an Executive Director's departure from the Company, and subject to the 'good leaver' provisions set out below, the Company's policy on termination payments is as follows.

The definition of a good leaver is as follows:

- Cash and deferred elements of the Annual Bonus – a leaver by reason of:
  - o Death,
  - o ill-health,
  - o injury or disability,
  - o redundancy,
  - o retirement,
  - o employing company ceasing to be a Group company,
  - o transfer of employment to a company which is not a Group company, and/or
  - o at the discretion of the Committee.
- LTIP (including the Chairman's Award) – a leaver by reason of:
  - o death,
  - o ill-health,
  - o injury or disability,
  - o redundancy,
  - o retirement,
  - o employing company ceasing to be a Group company,
  - o transfer of employment to a company which is not a Group company, and/or
  - o at the discretion of the Committee.



- VCP (during the performance period) – a leaver by reason of:
  - o death;
  - o ill-health;
  - o injury or disability;
  - o redundancy;
  - o retirement;
  - o employing company ceasing to be a Group company;
  - o transfer of employment to a company which is not a Group company; and
  - o at the discretion of the Committee.
- VCP (during the holding period) – an employee who gives notice during the two year holding period and who has neither been dismissed for gross misconduct nor is in breach of contractual obligations; otherwise at the discretion of the Committee.
  - o death;
  - o ill-health;
  - o injury or disability;
  - o redundancy;
  - o retirement;
  - o employing company ceasing to be a Group company;
  - o transfer of employment to a company which is not a Group company; and
  - o at the discretion of the Committee.

Cessation of employment in circumstances other than those set out above is cessation for “other reasons” (also known as bad leaver).

Remuneration element	Treatment on Cessation of Employment
<b>General</b>	The period of notice for executive directors will not exceed 12 months and, accordingly, the employment contracts of the current Executive Directors are terminable on 26 weeks’ notice by either party with the exception of the Executive Chairman.
<b>Salary, Benefits and Pension</b>	The Company may pay basic salary and the fair value of other benefits in lieu of notice for the duration of the notice period. The instalments may cease or be reduced proportionally if the executive director accepts alternative employment that starts before the end of the notice period.
<b>Cash bonus</b>	<p><b>Good leaver:</b></p> <p>A performance-related bonus will be paid at the normal time and this will be time pro-rated based on the proportion of the bonus year for which the individual was employed; the bonus may be paid wholly in cash, or part cash and part shares.</p> <p><b>Other reason:</b></p> <p>No bonus payable for year of cessation.</p> <p><b>Discretion:</b></p> <p>The Committee has the following elements of discretion to:</p> <ul style="list-style-type: none"> <li>• determine that an executive director is a good leaver,</li> <li>• amend the performance conditions and/or measures in respect of any award or pay out if one or more events have occurred which would lead the Committee to consider that it would be appropriate to do so, provided that such an amendment would not be materially less difficult to meet, and</li> <li>• determine whether to pro-rate the bonus to time and to test for performance.</li> </ul>

Remuneration element	Treatment on Cessation of Employment
<b>Deferred share awards</b>	<p><b>Good leaver:</b> All subsisting deferred share awards will vest,</p> <p><b>Other reason:</b> Lapse of any unvested deferred share awards.</p> <p><b>Discretion:</b> The Committee has the following elements of discretion to:</p> <ul style="list-style-type: none"> <li>• determine that an executive director is a good leaver, and</li> <li>• allow vesting of deferred shares at the end of the original deferral period or at the date of cessation. The Committee will make this determination depending on the reason resulting in the cessation.</li> </ul>
<b>LTIP (including the Chairman's Award)</b>	<p><b>Good leaver:</b> Pro-rated for time and tested for performance in respect of each outstanding LTIP award, exercisable for up to six months following cessation (12 months following death).</p> <p><b>Other reason:</b> Lapse of any unvested LTIP awards.</p> <p><b>Discretion:</b> The Committee has the following elements of discretion to:</p> <ul style="list-style-type: none"> <li>• determine that an executive director is a good leaver,</li> <li>• measure performance over the original performance period or at the date of cessation. The Committee will make this determination depending on the type of good leaver reason resulting in the cessation,</li> <li>• amend the performance conditions and/or measures in respect of any award or pay out if one or more events have occurred which would lead the Committee to consider that it would be appropriate to do so, provided that such an amendment would not be materially less difficult to meet, and</li> <li>• determine the length of period award holders have to exercise awards following the end of the performance period and when awards are to be released. Exceptionally, the Committee may decide to release the LTIP shares, following cessation of employment but subject to the Committee's assessment of performance, which can be exercised in the six months after the leaving date (or such longer period as the Committee permits and up to 12 months in the case of death) and/or to allow a greater number of shares to vest than if the level of vesting was calculated on a pro-rata basis.</li> </ul>

<b>Remuneration element</b>	<b>Treatment on Cessation of Employment</b>
<b>VCP</b>	<p><b>Good leaver:</b></p> <p>Leaver during three year performance period – award is retained but pro-rated until cessation, exercisable under the normal schedule to the extent it vests.</p> <p>Leaver during two year holding period post vesting – vested awards are exercisable in full under the normal schedule.</p> <p><b>Other reason:</b></p> <p>Leaver during three year performance period – award is forfeited In full.</p> <p>Leaver during two year holding period post vesting – unexercised vested award is forfeited.</p> <p><b>Discretion:</b></p> <p>The Committee has the following elements of discretion to:</p> <ul style="list-style-type: none"> <li>• determine that an executive director is a good leaver, and</li> <li>• allow award to be retained for leavers within the three year performance period, pro-rated until cessation, exercisable under the normal schedule to the extent it vests.</li> </ul>
<b>Other contractual obligations</b>	There are no other contractual provisions.

### Change of control

The contracts of the Executive Directors do not provide for any enhanced payments in the event of a change of control of the Company or for liquidated damages. However, in the event of a change of control or other corporate events, the Company's normal policy for variable pay awards is set out in the table below:

<b>Remuneration element</b>	<b>Normal position</b>	<b>Committee discretion</b>
<b>Annual Bonus (cash)</b>	Pro-rated for time and performance to the date of the change of control.	The Committee has discretion to pro-rate the bonus for time and its normal policy is to do so. The Committee will use its discretion not to pro-rate only where there is an appropriate business case, which will be explained in full to shareholders.
<b>Annual Bonus (deferred shares)</b>	Subsisting deferred share awards will vest on a change of control.	The Committee has discretion to pro-rate the award for time and its normal policy is to do so having regard to the nature of the change of control.

Remuneration element	Normal position	Committee discretion
<b>LTIP (including the Chairman's Award)</b>	The number of shares subject to LTIP awards will vest on a change of control, pro-rated for time and performance.	The Committee has discretion to pro-rate the LTIP awards for time and its normal policy is to do so. The Committee will use its discretion not to pro-rate only where there is an appropriate business case, which will be explained in full to shareholders.
<b>VCP</b>	<p>Date of change of control becomes the end of the performance period and offer price becomes the price used to assess achievement of hurdle.</p> <p>If the offer price is greater than the hurdle price, the award will vest in full.</p> <p>If the offer price is less than hurdle, awards will lapse in full.</p>	The Committee has discretion to apply pro-rating for time and can reduce the award accordingly either in respect of the performance period alone or the combined performance and holding period.

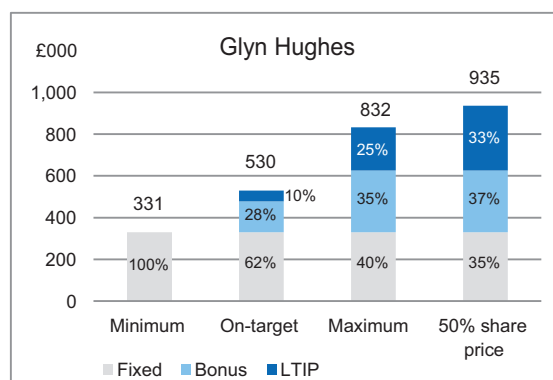
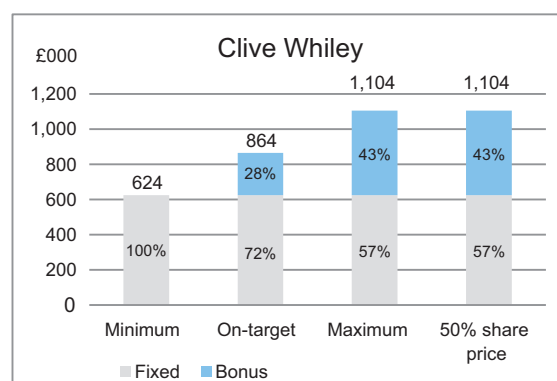
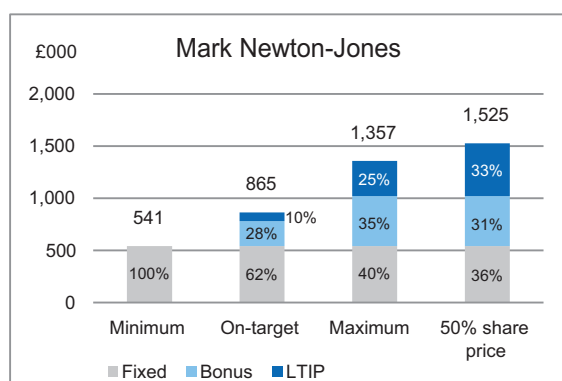
### Other directorships

Executive directors are permitted to accept external, non-executive appointments with the prior approval of the board where such appointments are not considered to have an adverse impact on their role within the Group. Fees earned may be retained by the Director.

### Illustrations of application of Remuneration Policy

The Policy results in a significant proportion of the remuneration received by executive directors being dependent on Company performance. The charts below show how total pay for the CEO, CFO and Executive Chairman vary in various performance scenarios.

Minimum	Target	Maximum	Maximum with 50% share price growth
Comprises fixed elements of pay being salary, benefits and pension.  The Executive Chairman does not receive any additional benefits or a pension	Comprises fixed elements of pay	Comprises fixed elements of pay	Comprises fixed elements of pay
The value of salary and pension is calculated based on the annual salary and employer pensions contributions. The value of the benefits received is for the FY2017/8 year end	Assumes 50% pay-out of the annual bonus	Assumes 100% pay-out of the annual bonus	Assumes 100% pay-out of the annual bonus
This scenario assumes no pay-out under the annual bonus and LTIP	Assumes threshold pay-out of the LTIP	Assumes maximum pay-out of the LTIP	Assumes maximum pay-out of the LTIP plus the value resulting from a share price growth of 50%
For the Executive Chairman, the Chairman's Award is included in full as fixed pay as there are no performance conditions attached to this award. No share price appreciation has been shown for the Chairman's Award as there are no performance conditions.			



### Consideration of employment conditions elsewhere in the Company

The Policy for the executive directors is designed with regard to the policy for employees across the Group as a whole.

Mothercare operates in a number of different territories and has employees who carry out diverse roles across a number of countries. All employees, including senior managers, are paid by reference to the local market rate and base salary levels are reviewed regularly.

When considering salary increases for directors, the Company will be sensitive to pay and employment conditions across the wider workforce. The Committee is kept updated through the year on general employment conditions, budgets for any basic salary increase, the level of bonus pools and pay-outs, and participation in share plans. Therefore the Committee is aware of how total remuneration of executive directors compares to the total remuneration of the general population of employees and the Committee will continue to monitor the progress of retail pay versus that of senior management. The Committee does not formally consult with employees on the Policy. A greater proportion of executive directors' remuneration is variable when compared to other employees given their increased line of sight to the performance of the business.

Common approaches to remuneration policy which apply across the Group include:

- a consistent approach to 'pay for performance' is applied throughout the Group, with annual bonus schemes being offered to all employees,
- offering pension and life assurance benefits for all employees, ensuring that salary increases for each category of employee are considered taking into account the overall rate of increase across the Group, as well as Company and individual performance, and
- encouraging broad-based share ownership through the use of all-employee share plans.

**Consideration of shareholders views**

The Committee engages pro-actively with the Company's major shareholders. For example, when any material changes are made to the Policy, the Committee Chair will consult with major shareholders in advance. The Committee has consulted with the major shareholders and shareholder advisory bodies: the Investment Association, Institutional Shareholder Services and Glass Lewis in respect of this Policy.

The Committee recognises the greater attention placed on executive remuneration over the past number of years from both a political and corporate governance perspective and is accordingly intends to propose a Policy which the majority of shareholders supportive of following the consultation process.

## PART IV

### ADDITIONAL INFORMATION

#### 1. Mothercare details

The Company was incorporated and registered in England and Wales on 26 September 1985 as a company limited by shares with the name 15th Legibus plc and company number 01950509. The Company changed its name to Storehouse plc on 6 December 1985 and to Mothercare plc on 3 August 2000. The principal legislation under which the Company operates is the Companies Act and the regulations made thereunder.

The Company is a public limited company domiciled in England and Wales with its registered office at Cherry Tree Road, Watford, Hertfordshire WD24 6SH. The telephone number of the Company's registered office is +44 (0)1923 241 000.

The principal legislation under which Mothercare operates is the Companies Act 2006.

#### 2. Directors

The Directors of the Company and their positions as at the date of this Circular are as follows:

<i>Name of Director</i>	<i>Position</i>
Clive Whiley	Chairman
Mark Newton-Jones	Chief Executive Officer
Glyn Hughes	Chief Financial Officer
Gillian Kent	Non-executive Director
Nick Wharton	Non-executive Director

#### 3. Members of the Board Interests

The direct or indirect interests of Directors, and their respective closely associated persons, in the ordinary share capital of the Company as at 8 March 2019 (being the latest practicable date prior to the date of this Circular), as identified by them pursuant to the Disclosure Guidance and Transparency Rules are as follows:

<i>Name of Director</i>	<i>Ordinary Shares</i>	
	<i>Number</i>	<i>Percentage of issued share capital</i>
<b>Executive Directors</b>		
Clive Whiley <sup>(1)</sup>	250,000	0.07
Mark Newton-Jones <sup>(2)</sup>	2,259,857	0.66
Glyn Hughes	273,204	0.08
<b>Non-Executive Directors</b>		
Nick Wharton <sup>(3)</sup>	14,592	0.004

(1) Clive Whiley's interest is held by Zodiac Executive Pension Scheme, of which he is the sole beneficiary.

(2) In respect of Mark Newton-Jones' interest in 201,305 Ordinary Shares, this is held by his partner, a person closely associated with him for the purposes of the Disclosure Guidance and Transparency Rules.

(3) Nick Wharton's interest is held by his spouse, a person closely associated with him for the purposes of the Disclosure Guidance and Transparency Rules.

Other than as disclosed in this paragraph 3 of this Part IV (*Additional Information*) of this Circular and pursuant to the Employee Share Schemes, there are no other persons to whom any capital of any member of the Group is under option or agreed conditionally or unconditionally to be put under option.

No Director has or has had any interest in any transactions which are or were: (i) unusual in their nature or conditions; or (ii) significant to the business of the Group (or any member of the Group), and which were effected by the Group (or any member thereof) during either: (i) the current or immediately preceding financial year; or (ii) an earlier financial year, and which remain in any respect outstanding or unperformed.

There are no outstanding loans or guarantees granted or provided by any member of the Group to or for the benefit of any Director.

#### 4. Major Shareholders

As at 1 March 2019 (being the latest practicable date prior to the date of this Circular), in so far as is known to the Company, the name of each person who, directly or indirectly, is interested in voting rights representing 3 per cent. or more of the total voting rights in respect of the Company's issued ordinary share capital, and the amount of such person's holding, is as follows:

<i>Name of Shareholder</i>	<i>Ordinary Shares</i>	
	<i>Number</i>	<i>Percentage of issued share capital</i>
Mr Richard Griffiths	60,922,473	17.83
M&G Investment Management	54,756,237	16.02
FIL Investment International	34,162,735	10.00
UBS Global Asset Management	33,000,986	9.66
Majedie Asset Management	27,500,000	8.05
DC Thomson & Co	27,169,375	7.95
Jupiter Asset Management	17,069,983	5.00

So far as the Company is aware, the Company is not directly or indirectly owned or controlled by another corporation, any foreign government or any other natural or legal person, severally or jointly.

None of the major Shareholders referred to above have different voting rights from other Shareholders.

#### 5. Directors' service agreements and letters of appointment

- 5.1 Since the date of the Prospectus, Mark Newton-Jones and Glyn Hughes agreed to a reduction (i) in the notice period of their respective service agreements from 12 months to 26 weeks with effect from 30 December 2018 and (ii) in their pension cash supplement from 15 per cent. of their salary to 10 per cent. with effect from 1 February 2019. In addition, with effect from 14 December 2018, Clive Whiley receives private medical insurance and life assurance of four times his annual salary.
- 5.2 Since the date of the Prospectus and with an effective date of 13 September 2018, Nick Wharton and Gillian Kent received letters setting out the supplementary fee payable to each of them as chair of their respective committees, which is to be prorated over the course of the financial year to end on 30 March 2019. Their respective basic annual fee is therefore £40,000 with £7,500 supplementary fee for chairing the committee each

#### 6. Documents available for inspection

Copies of the following documents may be physically inspected at the Company's registered office and at the offices of DLA Piper UK LLP at 160 Aldersgate Street, London EC1A 4HT, during usual business hours on any weekday (public holidays excepted), from the date of this Circular up to and including the date of the General Meeting, and will also be available for inspection at the General Meeting for at least 15 minutes before the General Meeting and until the General Meeting ends:

- (a) the articles of association of the Company;
- (b) the new LTIP;
- (c) the Policy; and
- (d) this Circular and the Form of Proxy.

**13 March 2019**



## PART V

### DEFINITIONS

The following definitions apply throughout this Circular unless the context requires otherwise:

<b>Board or Directors</b>	the directors of the Company whose names are set out in paragraph 2 of Part IV ( <i>Additional Information</i> ) of this Circular
<b>Business Day</b>	a day (other than a Saturday, Sunday, public or bank holiday) on which banks are generally open for business in London
<b>Chairman</b>	Clive Whiley, the Chairman of the Company
<b>Chairman's Award</b>	has the meaning given to it in paragraph 1 of Part I ( <i>Letter from the Chairman of Mothercare plc</i> ) of this Circular
<b>Circular</b>	this document comprising a circular to Shareholders for the purposes of the Listing Rules and containing the Notice of General Meeting
<b>Committee</b>	the Remuneration Committee of the Company
<b>Company or Mothercare</b>	Mothercare plc, a public limited company incorporated under the laws of England and Wales with registered number 01950509
<b>Companies Act</b>	the Companies Act 2006, as amended from time to time
<b>CREST</b>	the UK-based system for the paperless settlement of trades in listed securities, of which Euroclear is the operator
<b>CREST Manual</b>	the rules governing the operation of CREST, consisting of the CREST Reference Manual, CREST International Manual, CREST Central Counterparty Service Manual, CREST Rules, Registrars Service Standards, Settlement Discipline Rules, CCSS Operations Manual, Daily Timetable, CREST Application Procedure, CREST Glossary of Terms and CREST Terms and Conditions (all as defined in the CREST Glossary of Terms promulgated by Euroclear on 15 July 1996 and as amended since)
<b>CREST Proxy Instruction</b>	a properly authenticated CREST message appointing and instructing a proxy to attend and vote in place of an Shareholder at the General Meeting and containing the information required to be contained in the CREST Manual
<b>Disclosure Guidance and Transparency Rules</b>	the Disclosure Guidance and Transparency Rules made by the FCA under section 73A of FSMA 2000, as amended from time to time
<b>ELC</b>	Early Learning Centre Limited, a subsidiary of the Company and a limited company incorporated under the laws of England and Wales with registered number 00102194
<b>ELC Business</b>	the business and certain assets of ELC which are being sold to the Entertainer
<b>Entertainer</b>	has the meaning given to it in paragraph 2 of Part I ( <i>Letter from the Chairman of Mothercare plc</i> ) of this Circular
<b>FCA Handbook</b>	the FCA's handbook of rules and guidance, as amended from time to time

<b>FCA or Financial Conduct Authority</b>	the UK Financial Conduct Authority of the United Kingdom or any successor body or bodies carrying out the functions currently carried out by the FCA
<b>finnCap</b>	finnCap Ltd., a limited company incorporated under the laws of England and Wales with registered number 6198898
<b>Form of Proxy</b>	the form of proxy relating to the General Meeting being sent to Shareholders with this Circular
<b>FSMA</b>	the UK Financial Services and Markets Act 2000, as amended from time to time
<b>General Meeting</b>	the General Meeting of Shareholders of the Company to be held at 10.00 a.m. on 29 March 2019 at the Company's registered address at Cherry Tree Road, Watford, Hertfordshire WD24 6SH (and any adjournment thereof) for the purposes of considering and, if thought fit, approving the Resolutions
<b>Group</b>	the Company and its subsidiary undertakings from time to time
<b>Listing Rules</b>	the listing rules made by the FCA under section 73A of FSMA 2000
<b>LTIP</b>	the Company's new long-term incentive plan, more details of which can be found in Part II ( <i>New Long Term Incentive Plan</i> ) of this Circular
<b>Mothercare UK</b>	Mothercare UK Limited, a wholly owned subsidiary of Mothercare and a limited company incorporated under the laws of England and Wales with registered number 00533087
<b>Notice of General Meeting</b>	the notice of the General Meeting contained in this Circular
<b>Ordinary Shares</b>	ordinary shares of one penny each in the capital of the Company
<b>Pension Protection Fund</b>	the Board of the Pension Protection Fund as set up by section 107 of the Pensions Act 2004
<b>Policy</b>	the Directors' Remuneration Policy, as more fully described in Part III ( <i>New Remuneration Policy</i> ) of this Circular
<b>Proposals</b>	the LTIP and Policy
<b>Prospectus</b>	the prospectus published by Mothercare on 9 July 2018 in connection with its capital refinancing
<b>Registrar</b>	the Company's registrars, Equiniti Limited of Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA
<b>Regulatory Information Service</b>	a regulatory information service as defined in the FCA Handbook
<b>Resolution 1</b>	the Resolution 1 to be proposed to Shareholders at the General Meeting of Shareholders to approve the adoption of the new Policy and as set out in the Notice of General Meeting of Shareholders contained in this Circular
<b>Resolution 2</b>	the Resolution 2 to be proposed to Shareholders at the General Meeting of Shareholders to approve the adoption of the new LTIP and as set out in the Notice of General Meeting of Shareholders contained in this Circular
<b>Resolutions</b>	Resolutions 1 and 2

**Shareholder**

a holder of Ordinary Shares

**VCP**

the Company's value creation plan

For the purposes of this Circular, "subsidiary", "subsidiary undertaking" and "undertaking" have the meanings given by the Companies Act.

All references to legislation in this Circular are to the legislation of England and Wales unless the contrary is indicated. Any reference to any provision of any legislation shall include any amendment, modification, re-enactment or extension thereof.

Words importing the singular shall include the plural and vice versa, and words importing the masculine gender shall include the feminine or neutral gender.

## MOTHERCARE PLC

*(Incorporated and registered in England and Wales with registered number 01950509)*

### NOTICE OF GENERAL MEETING

**Notice is given** that a general meeting of Mothercare plc ("**Company**") will be held at the Company's registered office at Cherry Tree Road, Watford, Hertfordshire WD24 6SH on 29 March 2019 at 10.00 a.m. for the following purposes:

**To consider and, if thought fit, to pass the following resolutions as ordinary resolutions:**

1. THAT the directors' remuneration policy (as that term is used in section 439A of the Companies Act 2006), as set out in Part III (*New Remuneration Policy*) of the circular to shareholders of the Company dated 13 March 2019, be and is hereby approved and will take effect immediately after the end of the general meeting of the Company on 29 March 2019.
2. THAT:
  - (i) the Company's long-term incentive plan ("**LTIP**") as described in the circular to shareholders of the Company dated 13 March 2019, and a copy of which is produced in draft to the meeting, initialled by the Chairman of the meeting for the purpose of identification) be and is hereby approved, and the directors of the Company (the "**Directors**") be and are hereby authorised to do all such things in accordance with applicable law as may be necessary or desirable to carry the LTIP into effect, including making such modifications as the Directors consider appropriate to take account of the requirements of the Financial Conduct Authority, HM Revenue and Customs and best practice; and
  - (ii) the Directors be authorised to adopt further schemes for the benefit of employees outside the UK based on the LTIP but modified to take account of local tax, exchange control or securities law in overseas territories, provided that any shares made available under such further schemes are treated as counting against any limits on individual or overall participation in the LTIP.

By order of the board

**Lynne Medini**  
*Company Secretary*

13 March 2019

*Registered office*  
Cherry Tree Road,  
Watford,  
Hertfordshire  
WD24 6SH

**Registered in England and Wales No. 01950509**

## NOTES TO THE NOTICE OF GENERAL MEETING

1. The business to be conducted at the meeting is set out on the previous page of this notice of meeting.
2. Only those shareholders on the register of members of the Company as at 6.30 p.m. on 27 March 2019 (or, in the event of any adjournment, at 6.30 p.m. on the day, two days before the reconvened meeting) will be entitled to attend or vote at the general meeting and they may only vote in respect of the number of shares registered in their name at the relevant time. Changes to entries on the register of members after the relevant deadline will be disregarded in determining the rights of any person to attend or vote at the meeting.
3. Any member attending the meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if (a) to do so would interfere unduly with the preparation of the meeting or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
4. A member is entitled to appoint another person as his proxy to exercise all or any of his rights to attend, to speak and to vote at the meeting. A member may appoint more than one proxy in relation to the meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by him. A proxy need not be a member of the Company. A form for appointing a proxy accompanies this Notice. To be effective, the form of proxy must be completed and reach the Company's registrars, Equiniti Limited, at Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA not later than 10.00 a.m. on 27 March 2019. You may also submit your proxy electronically; see your proxy card for details of how to register your vote. Completion of a form of proxy, other such instrument or any CREST Proxy Instruction will not preclude a member from attending and voting in person at the meeting. If you require additional forms of proxy, please contact the Registrars of the Company on +44(0)121 415 7042 if calling from outside the UK or if within the UK on 0371 384 2013. Lines are open 8:30 a.m. to 5:30 p.m., Monday to Friday (excluding bank holidays in England and Wales).
5. In the case of a shareholder which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company.
6. Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.
7. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).
8. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of the same powers as the corporation could exercise if it were an individual member provided they do not do so in relation to the same shares.
9. CREST members holding their shares in uncertificated form who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s) who will be able to take the appropriate action on their behalf. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or relates to an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the issuer's agent (CREST ID RA19) no later than 10.00 a.m. on 27 March 2019. For these purposes, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. No messages received through the CREST network after this time will be accepted. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
10. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear does not make available special procedures in CREST for any particular message. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s)) take(s) such actions as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service provider(s) are referred, in particular, to those sections of the CREST Manual concerning limitation of the CREST system and timings.
11. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001. The CREST Manual can be reviewed at [www.euroclear.com](http://www.euroclear.com).
12. The Company cannot accept responsibility for loss or damage arising from the opening or use of any emails or attachments from the Company and recommends that shareholders subject all messages to virus checking procedures prior to opening or use. Any electronic communication received by the Company and/or Equiniti, including the lodgement of an electronic form of proxy, that is found to contain a computer virus will not be accepted.
13. A person who is not a shareholder of the Company, but has been nominated by a shareholder to enjoy information rights in accordance with section 146 of the Companies Act (a "**nominated person**") does not have a right to appoint any proxy. Nominated persons may have a right under an agreement with the shareholder to be appointed (or to have someone appointed) as a proxy for the meeting. Alternatively, if nominated persons do not have such a right, or do not wish to exercise it, they may have a right under an agreement with the relevant shareholder to give instructions as to the exercise of voting rights. The statement of the rights of

shareholders in relation to the appointment of proxies in paragraph 4 above does not apply to nominated persons. The rights described in paragraph 4 can only be exercised by shareholders of the Company. If you have been nominated to receive general shareholder communications directly from the Company, it is important to remember that your main contact in terms of your investment remains the registered shareholder or custodian or broker who administers the investment on your behalf. Therefore, any changes or queries relating to your personal details and holding (including any administration) must continue to be directed to your existing contact at your investment manager or custodian. The Company cannot guarantee to deal with matters that are directed to them in error. The only exception to this is where the Company, in exercising one of its powers under the Companies Act, writes to you directly for a response.

14. As at 8 March 2019 (being the last practicable business day prior to the publication of this Notice) the Company's issued share capital consisted of 341,743,770 ordinary shares of one penny each, carrying one vote each. Therefore the total voting rights in the Company as at that date were 341,743,770.
15. A copy of this Notice and other information required by section 311A of the Companies Act can be found at [www.mothercareplc.com](http://www.mothercareplc.com).
16. Except as provided above, members who have general queries about the meeting should use the following means of communication (no other methods of communication will be accepted):
  - calling the shareholder helpline on +44(0)121 415 7042 if calling from outside the UK or if within the UK on 0371 384 2013. Lines are open 8.30 a.m. to 5.30 p.m. (excluding bank holidays in England and Wales);
  - by writing to Equiniti Limited, at Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA; or
  - by sending an email to [investorrelations@mothercare.com](mailto:investorrelations@mothercare.com).
17. You may not use any electronic address provided either in this Notice or any related documents to communicate with the Company for any purposes other than those expressly stated.