Notices of annual general meeting and general meeting 2017

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This document is important and requires your immediate attention.

It contains the resolutions to be voted on at the Company's ANNUAL GENERAL MEETING on Monday, 31 July 2017 at 11.00am ("AGM") and a GENERAL MEETING of the Company on Monday 31 July 2017 at 11.30am (or as soon thereafter as the AGM shall have finished) ("General Meeting").

If you are in any doubt about the action you should take, you are recommended to seek your own financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other independent professional adviser authorised under the Financial Services and Markets Act 2000 (or if you are resident outside the United Kingdom, an appropriately qualified independent financial advisor).

If you have sold or transferred all of your shares in Mothercare plc, please send this document and the accompanying documents at once to the purchaser or transferee, or to the stockbroker or other agent through whom the sale or transfer was effected for delivery to the purchaser or transferee.

Notice of the AGM to be held at the Company's head office, Cherry Tree Road, Watford, Hertfordshire, WD24 6SH at 11.00am on Monday 31 July 2017 is set out at Part III with related notes and explanatory notes at Parts V and VI respectively.

Notice of the General Meeting to be held at the Company's head office, Cherry Tree Road, Watford, Hertfordshire, WD24 6SH at 11.30am (or as soon thereafter as the AGM shall have finished) on Monday 31 July 2017 is set out at Part IV with related notes and explanatory notes and materials at Parts V, VII and VIII respectively.

There are two forms of proxy, one for the AGM and one for the General Meeting. Whether or not you intend to attend the AGM and/or the General Meeting, please complete and return both proxy forms or use the electronic proxy service to lodge your proxy votes.

This document contains:

MOTHERCARE PLC • CHERRY TREE ROAD • WATFORD • HERTFORDSHIRE • WD24 6SH

REGISTERED IN ENGLAND NO 1950509

Part I
Letter from the chairman

Dear Shareholder

Annual General Meeting 2017 and General Meeting
The AGM of the Company will be held at the Company's head office at Cherry Tree Road, Watford, Hertfordshire, WD24 6SH on Monday, 31 July 2017 at 11.00am followed by the General Meeting at 11.30am (or as soon thereafter as the AGM shall have finished) in respect of a replacement Directors' Remuneration Policy and proposed long-term value creation plan. We look forward to meeting as many shareholders as possible. Please note there is limited car parking available.

Shareholder Communications
Those shareholders that elected to receive an email communication should have already received that email and be aware that the Annual Report and Notice of this Annual General Meeting and General Meeting are available on our website at www.mothercareplc.com/financial-reports; printed copies are therefore not being mailed to them. **If you would prefer in future to receive a printed copy of the Annual Report, Notice of Annual General Meeting and General Meeting, and Forms of Proxy, please contact the Company's Registrars, Equiniti Limited, at Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA.** We will be happy to provide it to you.

We wish to encourage as many shareholders as possible to take advantage of the ability to cast their votes on the resolutions before the meeting by the use of the electronic proxy appointment service offered by the Registrars, Equiniti Limited, at www.sharevote.co.uk. All such votes must be received by 11.00am on 27 July 2017 in respect of the AGM and 11.30am in respect of the General Meeting. Using this facility streamlines procedures for the meetings, helps meet our environmental targets and reduces costs.

The directors believe that the resolutions to be proposed at the AGM and the General Meeting are in the best interests of the Company and the shareholders as a whole. The directors therefore recommend shareholders to vote in favour of the resolutions, as they intend to do in respect of their own beneficial shareholdings representing approximately 0.66 per cent of the issued share capital of the Company.

Yours sincerely

Alan Parker CBE
Chairman

Enc: Notice of Annual General Meeting and General Meeting (for those elected to receive a printed copy)
Forms of Proxy and return envelope (for those elected to receive a printed copy)
Report and Accounts (for those elected to receive a printed copy)

Part II

Letter from the chair of the remuneration committee

Dear Shareholder,

Mothercare's current Directors' Remuneration Policy ("Policy") was approved by shareholders in 2014 and is due to expire at the end of the 2017/18 financial year. As we enter the second phase of Mothercare's transformation, Mothercare's Remuneration Committee ("Committee") believes that this is the appropriate time to review the existing Policy and ensure we have a Policy that is designed to incentivise the management team to execute the next phase of our transformation, and achieve sustainable growth in profitability and shareholder value. We would like to put this new Policy for approval at a General Meeting immediately following the AGM on 31 July 2017.

What we have achieved

On 18 May 2017 Mothercare announced its preliminary results for the 2016/17 financial year. We reported that Mothercare was making good progress despite some challenging conditions, and this can now be illustrated in a number of ways:

- Our UK business has returned to profit in the second half of FY2016/17 for the first time in six years,
- 70% of our UK store estate is now in the new 'Club' format and benefits from an agile, average lease length of five years,
- We have doubled the proportion of our sales through digital channels from 19% to over 40%, upgraded our website, extensively developed our customer database and enhanced our CRM capability. Today we sell 75% of our pushchairs, car seats and nursery furniture in store using iPads to place an order directly with our online warehouse,
- We have returned Mothercare to its previous position as a full price retailer, and
- We have started to export many of our learnings from the UK to our international partners.

Mark Newton-Jones and his team have achieved much of what we set out to do in our 2014 Six Pillar Strategy and this has resulted in a material improvement in UK and group profitability.

The future of our brand

We are now in an excellent place to enter the next phase of Mothercare's transformation under Mark's leadership. This next phase builds on all the learnings of the last three years. It is an ambitious plan that will make us a leaner and more profitable specialist retailer focused on responding to changing customer behaviours and a shifting retail landscape. This next phase will concentrate on six key areas:

- A true specialist supported by data-driven actions,
- Half of our turnover digitally-generated,
- Supported by a network of regional stores,
- Products and services focused on the core customer,
- A leaner, simpler organisation, and
- Exporting our brand internationally.

As Mark outlined on 18 May 2017 and during the subsequent roadshow, the plan entails sharpening our focus in the core markets of maternity, newborn and baby and toddler up to pre-school. This is where Mothercare has the greatest right to win, where we hold strong market share and where we are most profitable. We will be reducing our exposure to some older-age product categories where this is not the case.

UK store space will continue to reduce as we focus our estate around regional destination stores that are right-sized for our full range of products and services and set up with consistent equipment to simplify the management of range and space. The store network will support both our digitally-led approach and digitally-enabled customer and we will invest in technology to enable us to see all our interactions with a customer in one place, regardless of channel. We recognise that our upgraded stores differentiate us from e-commerce pure play and generalist physical retailers and we plan to capitalise on this point of difference (a) by delivering inspiring product presentation and demonstration, (b) through helpful specialist services and (c) with excellent customer service from knowledgeable, expert colleagues. In addition, we will be significantly up-weighting the spend on in-store colleague training. Such simplification and focus will lead to a leaner, more agile business both in the UK and internationally.

Our aim is to ensure that the Mothercare business is more specialist, more simple, more robust, more exportable and ultimately, more profitable. The Board and management team are excited by this next phase of the transformation and remain confident of the group's future prospects.

Letter from the chair of the remuneration committee continued

Rationale for change

Mothercare's current Policy was approved by shareholders in 2014 and is due to expire at the end of the 2017/18 financial year. As we enter the second phase of the transformation, the Committee believes that this is the appropriate time to review the existing Policy and ensure we have a Policy that is designed to incentivise the management team to execute the next phase of our transformation, and achieve sustainable growth in profitability and shareholder value.

Within this context, the Committee concluded that the current LTIP structure provided a reasonable incentive to carry on 'business as usual' activities. However, the annual setting of different performance conditions would be a distraction from the main goal of executing the next phase of our transformation and recovering the Company's share price in the expected timeline. The Committee also considered a variety of different remuneration constructs including restricted share plans. However, the Committee concluded that these were not suitable to support the delivery of the second phase of Mothercare's transformation.

The Committee is very mindful of the generally held concerns around executive pay quantum at the present time and so has set out to design a Policy which will not generally increase pay-outs For example, where performance is in the target range (equating to roughly double the current share price), the pay-outs are expected to be lower than the current LTIP structure. Where performance substantially exceeds the expected target range, the pay-outs could be higher, consistent with delivering substantial returns to shareholders above the current share price.

The execution of the next phase of the transformation requires a substantial amount of work and effort. We need to be able to continue to attract new talent at senior management level. This almost entirely new team now needs to be stabilised and incentivised to stay with the Company to ensure the next phase of the transformation is delivered effectively.

As a result, the Committee is proposing the following key changes to the current Policy:

- The introduction of the Value Creation Plan ("VCP") to replace the current LTIP; and
- Amendments to the Annual Bonus Plan.

Shareholder consultation

The Company values open and transparent communication with its shareholders and therefore, prior to proceeding, elected to engage with its shareholders to gather their feedback on the proposals. As a result, the Committee carried out an extensive consultation on the proposed Policy seeking to meet 22 shareholders representing over 87% of the shareholder register. In addition, we consulted with the key shareholder advisory bodies: the Investment Association, Institutional Shareholder Services and Glass Lewis.

The feedback from shareholders to the proposed Policy including the introduction of the proposed VCP to replace the LTIP and amendments to the annual bonus was exceptionally positive. In particular, the Committee was pleased that the overwhelming majority of shareholders were understanding of the business rationale for the changes and believed in the management team's ability to deliver the second phase of the Company's transformation.

Shareholders were supportive of the overarching goal to recover Mothercare's share price. They were also encouraging of the move to a five-year plan under the VCP which is an extension to the four-year time horizon of the last LTIP award and which provides a longer lock-in for management.

Each shareholder shared their observations on the proposals. We took a balanced approach to assessing these and summarised them into three key themes – namely, that:

a. the pay-out hurdle could be more ambitious,

b. there should be a maximum potential upside under the plan with the introduction of a hard cap which continues to stretch management but ensures pay-outs are not excessive, and

c. Committee discretion should be included to ensure that the plan does not reward value created exclusively through external influences rather than as a result of management's successful implementation of the strategy.

Our aim in our response to these was, in the round, to address all feedback. We therefore revised the initial proposals and now present the proposed Policy following the consultation process.

Summary of the new Remuneration Policy

The Committee has adhered to the following principles in developing the new Policy:

- Long-term rewards will only pay out for sustainable absolute returns to shareholders,
- The plan has been calibrated so that pay-outs are consistent with the LTIP for the target range of performance over the next five years,
- Key metrics aligned to the next phase of our transformation are introduced into the Annual Bonus Plan, and
- The deferral mechanism under the Annual Bonus Plan is adjusted to provide a smoother pay-out schedule.

Value Creation Plan

The overriding purpose of the VCP is to incentivise management to execute the second phase of the transformation and deliver a recovery in Mothercare's share price. As a result, management do not receive any benefit under the plan until a share price (including any dividends paid) of £2.00 per share is achieved. Further, management's reward under the VCP would be no more than that under the current LTIP unless a share price (including any dividends paid) of £2.40 is achieved. The introduction of a longer holding period (compared to previous LTIPs) ensures further focus on the long-term, sustainable performance of the company beyond the VCP performance period and delivery of absolute total shareholder returns.

If the £2.00 hurdle is met participants in the VCP will share between them a pool of up to 12.5% of the value created in excess of £1.50. Mark Newton-Jones will receive 35% of this pool. It is only once £2.40 is reached that the potential pay-outs under the VCP exceed those available under the current LTIP and so the overall value deliverable is broadly unchanged other than for exceptional performance. This is demonstrated in Part VII - Explanatory notes relating to the business to be conducted at the General Meeting.

However, to ensure that awards under the VCP are not excessive, the plan is capped such that the maximum number of shares deliverable under the plan is 12.9 million in total, with a maximum 4.5 million shares for the CEO. There is a 5% dilution cap across all executive share plans (including this plan) and any shares required to satisfy awards in excess of this will be market purchased shares. In addition, the Committee will have discretion to restrict awards in the event that management does not successfully execute the second stage of the transformation and that the share price performance is considered to have been achieved exclusively by factors outside of management's control – for example, foreign exchange gains and other market movements.

We are increasing the overall time horizon of our long-term award from four years under the last LTIP award to five years under the VCP. Only one-third of the value under the VCP will be deliverable after three years, with one third deferred until the fourth anniversary of grant and the final third deferred until the fifth anniversary.

Annual Bonus Plan

The proposed changes to the annual bonus will introduce metrics that, on an annual basis, focus management on delivering some key financial measures as well as core strategic initiatives closely linked to the next phase of our transformation.

The overall opportunity of the scheme will remain at 125% of base salary but the performance conditions will be revised to incentivise both delivery of financial and strategic objectives. This change is again designed to further re-inforce the importance of execution of the strategy and to align management interests with delivery of the turnaround.

Since the proposed VCP will pay out over a longer time horizon than the current LTIP, to incentivise delivery of the second phase of the turnaround over the next three years, we are proposing amending the deferral mechanism of the annual bonus such that only bonus paid above 100% of salary must be deferred. This is a change from the current Policy that requires 30% of any bonus paid to be deferred. The deferral period will remain three years.

I am convinced that with your feedback and support we have put in place a policy closely aligned to the execution of the strategic plan that will drive growth and incentivise the management team to deliver exceptional returns. Members of your Board will be voting their own shares in the Company in favour of the proposals and we unanimously recommend that you do so as well.

Yours sincerely,

Tea Colaianni
Chair of the Remuneration Committee

Part III
Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Mothercare plc ("Company") will be held at Cherry Tree Road, Watford, Hertfordshire, WD24 6SH on Monday, 31 July 2017 at 11.00am. You will be asked to consider and if thought fit to pass the resolutions below. Resolutions 15 to 18 (inclusive) will be proposed as special resolutions. All other resolutions will be proposed as ordinary resolutions.

As Ordinary Resolutions:

1 To receive the Company's annual accounts, together with the directors' report, the strategic report, the directors' remuneration report and the auditors' report on those accounts and the auditable elements of the directors' remuneration report for the financial year ended 25 March 2017.

2 To approve the directors' remuneration report (other than the part containing the directors' remuneration policy) for the 52 weeks ended 25 March 2017.

3 To re-elect Alan Parker as a director of the Company.

4 To re-elect Mark Newton-Jones as a director of the Company.

5 To re-elect Richard Smothers as a director of the Company.

6 To re-elect Lee Ginsberg as a director of the Company.

7 To re-elect Richard Rivers as a director of the Company.

8 To re-elect Nick Wharton as a director of the Company.

9 To elect Tea Colaianni as a director of the Company.

10 To elect Gillian Kent as a director of the Company.

11 To re-appoint Deloitte LLP as auditors of the Company to hold office from the conclusion of the meeting until the conclusion of the next general meeting of the Company at which accounts are laid.

12 To authorise the directors to determine the remuneration of the auditors.

13 The Board be generally and unconditionally authorised to allot shares in the Company and to grant rights to subscribe for or convert any security into shares in the Company:

(A) up to a nominal amount of £28,477,971 (such amount to be reduced by the nominal amount allotted or granted under paragraph (B) below in excess of such sum); and

(B) comprising equity securities (as defined in section 560(1) of the Companies Act 2006) up to a nominal amount of £56,955,943 (such amount to be reduced by any allotments or grants made under paragraph (A) above) in connection with an offer by way of a rights issue:

(i) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and

(ii) to holders of other equity securities as required by the rights of those securities or as the Board otherwise considers necessary,

and so that the Board may impose any limits or restrictions and make any arrangements which it considers necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter,

each such authority to apply until the end of next year's annual general meeting (or, if earlier, until the close of business on 31 October 2018) but, in each case, during this period the Company may make offers and enter into agreements which would, or might, require shares to be allotted or rights to subscribe for or convert securities into shares to be granted after the authority ends and the Board may allot shares or grant rights to subscribe for or convert securities into shares under any such offer or agreement as if the authority had not ended.

14 That, in accordance with sections 366(2) and 367(3) of the Companies Act 2006, the Company and all companies that are its subsidiaries at any time during the period for which this resolution is effective are authorised, in aggregate, to:

(A) make political donations to political parties and/or independent election candidates not exceeding £50,000 in total;

(B) make political donations to political organisations other than political parties not exceeding £50,000 in total; and

(C) incur political expenditure not exceeding £100,000 in total,

(as such terms are defined in sections 363 to 365 of the Companies Act 2006) during the period of one year beginning with the date of the passing of this resolution and provided that the authorised sum referred to in paragraphs (A), (B) and (C) above may be comprised of one or more amounts in different currencies which, for the purposes of calculating that authorised sum, shall be converted into pounds sterling at such rate as the board of the Company in its absolute discretion may determine to be appropriate.

As Special Resolutions:

15 THAT a general meeting other than an annual general meeting may be called on not less than 14 clear days' notice, provided that this authority expires at the end of the Company's next annual general meeting after this resolution is passed.

16 THAT, if resolution 13 is passed, the Board be given power to allot equity securities (as defined in section 560(1) of the Companies Act 2006) for cash under the authority given by that resolution and/or to sell ordinary shares held by the Company as treasury shares for cash as if section 561 of the Companies Act 2006 did not apply to any such allotment or sale, such power to be limited:

(A) to the allotment of equity securities and sale of treasury shares for cash in connection with an offer of, or invitation to apply for, equity securities (but in the case of the authority granted under paragraph (B) of resolution 13, by way of a rights issue only):

(i) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and

(ii) to holders of other equity securities, as required by the rights of those securities, or as the Board otherwise considers necessary,

and so that the Board may impose any limits or restrictions and make any arrangements which it considers necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter; and

(B) to the allotment (otherwise than under paragraph (A) above) of equity securities or sale of treasury shares up to a nominal amount of £4,271,695,

such power to apply in each case until the end of next year's annual general meeting (or, if earlier, until the close of business on 31 October 2018) but, in each case, during this period the Company may make offers, and enter into agreements, which would, or might, require equity securities to be allotted (and treasury shares to be sold) after the power ends and the Board may allot equity securities (and sell treasury shares) under any such offer or agreement as if the power had not ended.

17 THAT, if resolution 13 is passed, the Board be given power in addition to any authority granted under resolution 16 to allot equity securities (as defined in section 560(1) of the Companies Act 2006) for cash under the authority given by that resolution and/or to sell ordinary shares held by the Company as treasury shares for cash as if section 561 of the Companies Act 2006 did not apply to any such allotment or sale, such power to be:

(A) limited to the allotment of equity securities or sale of treasury shares up to a nominal amount of £4,271,695; and

(B) used only for the purposes of financing (or re-financing, if the authority is to be used within six months after the original transaction) a transaction which the Board determines to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this Notice,

such power to apply in each case until the end of next year's annual general meeting (or, if earlier, until the close of business on 31 October 2018) but, in each case, during this period the Company may make offers, and enter into agreements, which would, or might, require equity securities to be allotted (and treasury shares to be sold) after the power ends and the Board may allot equity securities (and sell treasury shares) under any such offer or agreement as if the power had not ended.

Part III

Notice of Annual General Meeting continued

18 THAT the Company be authorised for the purposes of section 701 of the Companies Act 2006 to make one or more market purchases (as defined in section 693(4) of the Companies Act 2006) of its ordinary shares of 50 pence each ("Ordinary Shares"), such power to be limited:

(A) to a maximum number of 17,086,783 Ordinary Shares; and

(B) by the condition that the minimum price which may be paid for an Ordinary Share is 50 pence per share and the maximum price which may be paid for an Ordinary Share is the highest of:

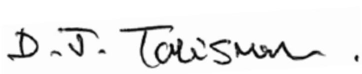
(i) an amount equal to 5 per cent above the average market value of an Ordinary Share for the five business days immediately preceding the day on which that Ordinary Share is contracted to be purchased; and

(ii) the higher of the price of the last independent trade and the highest current independent bid on the trading venues where the purchase is carried out,

in each case, exclusive of expenses;

such power to apply until the end of next year's annual general meeting (or, if earlier, until the close of business on 31 October 2018) but in each case so that the Company may enter into a contract to purchase Ordinary Shares which will or may be completed or executed wholly or partly after the power ends and the Company may purchase Ordinary Shares pursuant to any such contract as if the power had not ended.

By order of the Board



Dan Talisman
General Counsel and Group Company Secretary

Registered office: Cherry Tree Road, Watford, Hertfordshire, WD24 6SH. Registered in England and Wales, No. 01950509

28 June 2017

Please see the explanatory notes to the notice of Annual General Meeting, at Part VI.

Part IV
Notice of General Meeting

Notice is hereby given that a General Meeting of Mothercare plc ("Company") will be held at Cherry Tree Road, Watford, Hertfordshire, WD24 6SH on Monday, 31 July 2017 at 11.30am (or as soon thereafter as the AGM shall have finished). You will be asked to consider and if thought fit to pass the resolutions below which will be proposed as ordinary resolutions.

As Ordinary Resolutions:

1 To approve the revised Directors' Remuneration Policy as set out in Parts VII and VIII of this document.

2 To approve the establishment of a long-term value creation plan ("VCP") the principal terms of which are summarised in Part VII of this document and the rules of which are produced to the General Meeting and initialled by the Chairman for the purposes of identification; and to authorise the directors of the Company to do all acts and things necessary to establish and carry the VCP into effect.

By order of the Board

Dan Talisman
General Counsel and Group Company Secretary

Registered office: Cherry Tree Road, Watford, Hertfordshire, WD24 6SH. Registered in England and Wales, No. 01950509

28 June 2017

Please see the explanatory notes to the notice of General Meeting, at Part VII.

Part V

Notes to the notices of Annual General Meeting and General Meeting ("Meetings")

1 Biographical details, including relevant qualifications and experience, of the directors proposed for election and re-election are given on page 52 of the Company's annual report and accounts.

2 An explanation of the business to be conducted at the Meetings is given on pages 13 to 20 of this Notice.

3 Only those shareholders on the register of members of the Company as at 6.30pm on 27 July 2017 (or, in the event of any adjournment, at 6.30pm on the day that falls two days before the reconvened meeting) will be entitled to attend, speak or vote at the Meetings and they may only vote in respect of the number of shares registered in their name at the relevant time. Change 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 Meetings.

4 Any member attending the Meetings 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 Meetings but no such answer need be given if (a) to do so would interfere unduly with the preparation for the Meetings 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 Meetings that the question be answered.

5 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 Meetings. A member may appoint more than one proxy in relation to the Meetings, 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 is enclosed with 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 11.00am on 27 July 2017 (excluding non-working days). 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 (as described in paragraph 8) will not preclude a member from attending and voting in person at the Meetings. 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 8.30am to 5.30pm, Monday to Friday (excluding public holidays in England and Wales).

6. 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).

7 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.

8 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 for the Meetings to be held on 31 July 2017 and any adjournments thereof 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 ("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 11.00am on 27 July 2017 (excluding non-working days). 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.

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.

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.

9 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 Limited, including the lodgement of an electronic form of proxy, that is found to contain a computer virus will not be accepted.

10 Under section 527 of the Companies Act 2006 members meeting the threshold requirements set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the auditors' report and the conduct of the audit) that are to be laid before the meeting; or (ii) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Companies Act 2006. The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with section 527 or 528 of the Companies Act 2006. Where the Company is required to place a statement on a website under section 527 of the Companies Act 2006, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the meeting includes any statement that the Company has been required under section 527 of the Companies Act 2006 to publish on a website.

11 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 2006, ("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 5 above does not apply to nominated persons. The rights described in paragraph 5 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 2006, writes to you directly for a response.

12 The following documents, which are available for inspection during normal business hours at the registered office of the Company on any weekday (public holidays excluded), will also be available for inspection at the offices of Slaughter and May, One Bunhill Row, London, EC1Y 8YY, Monday – Friday (except for public holidays) from the date of this circular until the time of the Meetings and at the place of the Meetings from 10.45am on the day of the Meetings until the conclusion of the Meetings:

(i) copies of service contracts and letters of appointment of the directors of the Company;
(ii) copies of the deeds of indemnity of the directors;
(iii) a copy of the Company's Articles of Association (under article 136 of which the directors have the benefit of a "qualifying third party indemnity provision" for the purposes of sections 232, 234 and 236 of the Companies Act 2006); and
(iv) a copy of the rules of the Mothercare plc Long-Term Value Creation Plan referred to in Resolution 2 of the General Meeting.

Notes to the notices of Annual General Meeting and General Meeting ("Meetings") continued

13 As at 21 June 2017 (being the last practicable business day prior to the publication of this Notice) the Company's issued share capital consisted of 170,867,830 ordinary shares of 50 pence each, carrying one vote each. The Company holds no shares in treasury therefore the total voting rights in the Company as at that date were 170,867,830.

14 A copy of this Notice and other information required by section 311A of the Companies Act 2006 can be found at www.mothercareplc.com.

15 Except as provided above, members who have general queries about the Meetings should use the following means of communication (no other methods of communication will be accepted):

- calling our 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 8.30am to 5.30pm, Monday to Friday (excluding public 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

You may not use any electronic address provided either in this Notice or any related documents (including the chairman's letter and proxy form) to communicate with the Company for any purposes other than those expressly stated.

Part VI
Explanatory Notes to the Proposed Resolutions of the AGM

The Ordinary Resolutions will be passed if the votes cast for the resolutions are more than those cast against. The resolutions to be proposed as Special Resolutions will be passed if at least 75 per cent of the votes cast for and against the resolutions are in favour.

As Ordinary Resolutions:
Resolution 1: To receive the Company's annual accounts together with the directors' report, strategic report, directors' remuneration report and the auditors' report upon the accounts and the auditable elements of the directors' remuneration report for the financial year ended 25 March 2017. The directors will present these reports and accounts and shareholders may raise any questions on these at the meeting.

Resolution 2: To approve the directors' remuneration report (other than the part containing the directors' remuneration policy which was approved by shareholders in 2014 and is proposed to be replaced by a revised policy to be considered at the general meeting immediately following the AGM). The report can be found on pages 76 to 86 of the Annual Report and Accounts for the financial year ended 25 March 2017.

Resolutions 3 to 10: Re-election and election of directors. The Company's articles of association require that one third (or if not three or a multiple of three, the number nearest to but not less than one third) of the directors that are required to retire by rotation must retire. In line with UK Corporate Governance Code requirements, all the directors are up for re-election.

Each of the directors standing for re-election has been subject to a formal performance evaluation. The Board believes that each of them should be re-elected, subject to shareholder approval, because they have continued to be effective members of the Board and have demonstrated commitment to their respective roles. Alan Parker is the non-executive Chairman. Lee Ginsberg and Nick Wharton are non-executive directors. Richard Rivers is the senior independent non-executive director. Tea Colaianni and Gillian Kent were appointed as non-executive directors to the Board in October 2016 and March 2017 respectively and offer themselves for election.

Mark Newton-Jones and Richard Smothers were appointed to the Board in July 2014 and March 2015 as CEO and CFO respectively.

Resolution 11: Re-appointment of auditors. Deloitte LLP has indicated its willingness to act as auditors to the Company and accordingly an ordinary resolution to re-appoint them will be proposed.

Resolution 12: To authorise the directors to determine the remuneration of the auditors.

Resolution 13: Authority to allot shares. Paragraph (A) of this resolution would give the directors the authority to allot ordinary shares or grant rights to subscribe for or convert any securities into ordinary shares up to an aggregate nominal amount equal to £28,477,971 (representing 56,955,943 ordinary shares of 50 pence each). This amount represents approximately one-third (33.33%) of the issued ordinary share capital of the Company as at 21 June 2017, the latest practicable date prior to publication of this Notice.

In line with guidance issued by the Investment Association ("IA"), paragraph (B) of this resolution would give the directors authority to allot ordinary shares or grant rights to subscribe for or convert any securities into ordinary shares in connection with a rights issue in favour of ordinary shareholders up to an aggregate nominal amount equal to £56,955,943 (representing 113,911,886 ordinary shares), as reduced by the nominal amount of any shares issued under paragraph (A) of this resolution). This amount (before any reduction) represents approximately two-thirds (66.66%) of the issued ordinary share capital of the Company as at 21 June 2017, the latest practicable date prior to publication of this Notice.

The authorities sought under paragraphs (A) and (B) of this resolution will expire at the earlier of 31 October 2018 and the conclusion of the annual general meeting of the Company held in 2018.

The directors have no present intention to exercise either of the authorities sought under this resolution, other than pursuant to the Company's share option schemes. However, the Board wishes to ensure that the Company has maximum flexibility in managing the Group's capital resources. However, if they do exercise the authorities, the directors intend to follow IA recommendations concerning their use (including as regards the directors standing for re-election in certain cases).

As at the date of this Notice, no ordinary shares are held by the Company in treasury.

Part VI

Explanatory Notes to the Proposed Resolutions of the AGM

Explanatory note for political donations resolution (14)
Part 14 of the Companies Act 2006 prohibits companies from making political donations exceeding £5,000 in aggregate in any 12 month period to (i) political parties, (ii) other political organisations and (iii) independent election candidates and from incurring political expenditure without shareholders' consent. However, as the definitions used in the Companies Act 2006 are broad, it is possible that normal business activities, which might not be thought to be political expenditure in the usual sense, could be caught.

It remains the policy of the Company not to make political donations or incur political expenditure within the ordinary meaning of those words and the directors have no intention of using the authority for that purpose. The authority being sought in this resolution will not change that policy, but is being sought as a precaution to ensure that the Company's normal business activities are within the Companies Act 2006.

As Special Resolutions:
Resolution 15: General meeting notice. Changes made to the Companies Act 2006 by the Companies (Shareholders' Rights) Regulations 2009 increased the notice period required for general meetings of companies to 21 days unless shareholders approve a shorter notice period, which cannot however be less than 14 clear days.

The directors believe it is in the best interests of shareholders to preserve this ability and Resolution 15 seeks such approval. The approval will be effective until the Company's next annual general meeting, when it is intended that a similar resolution will be proposed. Annual general meetings will continue to be held on at least 21 clear days' notice.

It is intended that this flexibility will only be used for non-routine business and where merited in the interests of shareholders generally.

Resolutions 16 and 17: Disapplication of statutory pre-emption rights. This resolution would give the directors the authority to allot ordinary shares (or sell any ordinary shares which the Company elects to hold in treasury) for cash without first offering them to existing shareholders in proportion to their existing shareholdings.

The authority set out in resolution 16 would be limited to (a) allotments or sales in connection with pre-emptive offers and offers to holders of other equity securities if required by the rights of those shares or as the Board otherwise considers necessary, or (b) otherwise up to an aggregate nominal amount of £4,271,695 (representing 8,543,391 shares). This aggregate nominal amount represents 5% of the issued ordinary share capital of the Company (excluding treasury shares) as at 21 June 2017, the latest practicable date prior to publication of this Notice of AGM.

The authority set out in resolution 17 would be limited to allotments or sales of up to an aggregate nominal amount of £4,271,695 (representing 8,543,391 shares) in addition to the authority set out in resolution 16 which are used only for the purposes of financing (or refinancing, if the authority is to be used within six months after the original transaction) a transaction which the Board determine to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this Notice of AGM. This aggregate nominal amount represents 5% of the issued ordinary share capital of the Company (excluding treasury shares) as at 21 June 2017, the latest practicable date prior to publication of this Notice of AGM.

In respect of the authority referred to in resolution 17(B), the directors confirm their intention to follow the provisions of the Pre-Emption Group's Statement of Principles regarding cumulative usage of authorities within a rolling three-year period where the Principles provide that usage in excess of 7.5% of issued ordinary share capital of the Company (excluding treasury shares) should not take place without prior consultation with shareholders, except in connection with an acquisition or specified capital investment as referred to above.

The authority will expire at the earlier of 31 October 2018 and the conclusion of the annual general meeting of the Company held in 2018.

Resolution 18: Purchase of own shares. Authority is sought for the Company to purchase up to 10 per cent of its issued Ordinary Shares (excluding any treasury shares), renewing the authority granted by the shareholders at previous annual general meetings. The Company has not purchased any Ordinary Shares in the period from the last annual general meeting to the date of this Notice under the existing authority.

The directors have no present intention to exercise the authority sought under this resolution, other than pursuant to the Company's share option schemes including, subject to shareholder approval, the Plan. The directors will exercise this authority only when to do so would be in the best interests of the Company, and of its shareholders generally, and could be expected to result in an increase in the earnings per share of the Company.

Ordinary Shares purchased by the Company pursuant to this authority may be held in treasury or may be cancelled. The directors will consider holding any Ordinary Shares the Company may purchase as treasury shares. The Company currently has no Ordinary Shares in treasury. The minimum price, exclusive of expenses, which may be paid for an Ordinary Share is 50 pence. The maximum price, exclusive of expenses, which may be paid for an Ordinary Share is the highest of (i) an amount equal to 5% above the average market value for an Ordinary Share for the five business days immediately preceding the date of the purchase and (ii) the higher of the price of the last independent trade and the highest current independent bid on the trading venues where the purchase is carried out.

The Company has options outstanding over 9,453,177 Ordinary Shares, representing 5.53 per cent of the Company's ordinary issued share capital as at 21 June 2017. If the existing authority given at the 2016 AGM and the authority now being sought by resolution 18 were to be exercised in full and the shares purchased were cancelled, the options to subscribe for ordinary shares would represent 6.91 per cent of the Company's resulting issued ordinary share capital following such purchases and cancellations.If the existing authority given at the 2016 AGM is not exercised at all before the 2017 AGM, but the authority being sought by resolution 18 is exercised in full and the shares purchased were cancelled, the options to subscribe for ordinary shares would represent 6.15 per cent of the Company's resulting issued ordinary share capital following such purchases and cancellations. The Company holds no shares in treasury.

The authority will expire at the earlier of 31 October 2018 and the conclusion of the annual general meeting of the Company held in 2018.

Part VII

Explanatory Notes relating to the business to be conducted at the General Meeting

The notes in this Part of the circular explain the proposed resolutions to be proposed at the General Meeting.

Resolutions 1 and 2 will be proposed as ordinary resolutions. This means that, for each of those resolutions to be passed, more than half of the votes cast must be in favour of the resolution.

As Ordinary Resolutions:
Resolution 1: To approve the revised directors' remuneration policy.

Resolution 2: To approve the establishment of a long-term value creation plan ("VCP") the rules of which are produced to the General Meeting and initialled by the Chairman for the purposes of identification; and to authorise the directors of the Company to do all acts and things necessary to establish and carry the VCP into effect.

Resolution 1 – Approval of the revised Directors' Remuneration Policy
The Company's Remuneration Committee ("Committee") has reviewed the existing Directors' Remuneration Policy in light of the Company's strategy. As we enter the second phase of the transformation, the Committee believes that this is the appropriate time to review the existing Policy and ensure we have a Policy that is designed to incentivise the management team to execute the next phase of our transformation, and achieve sustainable growth in profitability and shareholder value.

The Committee is very mindful of the generally held concerns around executive pay quantum at the present time and so has set out to design a Policy which will not generally increase pay-outs. For example, where performance is in the target range (equating to roughly double the current share price), the pay-outs are expected to be lower than the current LTIP structure. Where performance substantially exceeds the expected target range, the pay-outs could be higher, consistent with delivering substantial returns to shareholders above the current share price.

The execution of the next phase of the transformation requires a substantial amount of work and effort. We need to be able to continue to attract new talent at senior management level. This almost entirely new team now needs to be stabilised and incentivised to stay with the company to ensure the next phase of the transformation is delivered effectively.

The revised Directors' Remuneration Policy ("Policy") is set out in full in Part VIII of this document and includes a summary of the changes from the existing policy.

In developing the revised Policy and the new long-term incentive ("VCP"), we consulted with our largest shareholders (representing over 87% of the shareholder register) and with our major shareholder representative bodies: ISS, the Investment Association and Glass Lewis. The feedback received during the consultation period has been reflected in the proposed Policy and VCP design. The key design elements of the VCP are summarised below.

Statement of implementation on the revised Policy in FY2017/18
Base pay
Executive Director Salaries are normally reviewed in March each year. The Committee reviewed the salaries of the Executive Directors and took into account the factors set out in the existing approved Policy including individual performance, changes to responsibilities, average pay changes across workforces in the UK, affordability and general market conditions. It also noted that both individuals had performed strongly during the year. In respect of both executive directors the Committee concluded that an award of 1% was appropriate. This takes Mark Newton-Jones' salary to £618,120 and Richard Smothers' salary to £358,550.

Job Title	Name	FY2017/18	FY2016/17	Increase
CEO	Mark Newton-Jones	£618,120	£612,000	1%
CFO	Richard Smothers	£358,550	£355,000	1%

The Chairman and Non-Executive Director fees remain unchanged again this year as detailed below. Expenses incurred are reimbursed in accordance with the normal business expense policy.

Job Title	Name	FY2017/18	FY2016/17	Increase	Notes
Chairman	Alan Parker	£200,000	£200,000	0	
NED	Richard Rivers	£55,000	£55,000	0	Includes supplementary of £5,000 as Senior Independent Director
NED	Lee Ginsberg	£57,500	£57,500	0	Includes supplementary of £7,500 as Chair of the Audit & Risk Committee
NED	Nick Wharton	£50,000	£50,000	0	
NED	Tea Colaianni	£57,500	£57,500[1]	0	Includes supplementary of £7,500 as Chair of the Remuneration Committee
NED	Gillian Kent	£50,000	£50,000[1]	0	

1 fees shown are annual fees which were prorated in relation to the date of joining (14 October 2016 for Tea Colaianni and 16 March 2017 for Gillian Kent).

Pensions and benefits

There are no changes proposed for pensions and benefits, and these will be provided in line with the approved Policy.

Annual bonus

The maximum bonus opportunity for FY2017/18 will remain at 125% for the CEO and CFO. It is intended that the annual bonus will be measured on the following conditions:

- 50% on Group PBT
- 20% on financially based strategic measures
- 30% on non-financial strategic measures

The specific strategic measures, and the targets of these measures as well as the Group PBT measure referred to above are considered commercially sensitive because the confidential nature of the information that disclosure would provide to the Company's competitors. The Company will disclose details of the measures as well as the targets retrospectively in the FY2017/18 annual report along with achievement against the targets.

Up to 100% of salary is payable in cash and any bonus payable in excess of this will be delivered in shares vesting after three years subject to continued employment.

Explanatory Notes relating to the business to be conducted at the General Meeting continued

Proposed VCP

The key parameters of the VCP are outlined in the table below.

VCP parameter	Proposed implementation
Hurdle	Share price of £2.00 • This is adjusted for any dividends paid • This is sufficiently stretching and ensures management are only rewarded once shareholders have seen significant returns on the current share price • This is measured as the 90 day average prior to the end of FY2019/20
Performance & holding period	Overall 5 year period: • 3 year performance period - this is aligned to the period over which the strategy will be delivered • 2 year phased holding period - one-third of the award will be exercisable immediately after 3 years, one-third after 4 years and one-third after 5 years
Participation pool / value delivered	If hurdle of £2.00 is achieved at the end of the 3 year period, award delivers 12.5% of growth in value above £1.50
Participation	• CEO – 35% of the pool • CFO – up to 17.5% of the pool • other participants – up to 47.5% of the pool • the current CFO is not entitled to participate as he is currently serving notice
Measurement and value delivered	If share price adjusted for dividends at end of 3 years (using a 90 day average) is at least £2.00, award delivers 12.5% of growth in value above £1.50
Award limit	The CEO's award is capped at 4.5m shares of a total cap of 12.9m shares. Dilution is limited to 5% of issued share capital over 5 years for all executive share plans. Any shares deliverable above this limit will be satisfied through market purchased shares.

- The Committee will have the discretion to adjust the level of awards on vesting in the event that management does not successfully execute the second stage 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). This will ensure that management's gain through the VCP will be as a result of the decisions made by the CEO and his team and their success in delivering the second phase of the Company's transformation.
- This discretion will be in addition to the malus and clawback provisions in place for all of our incentive schemes.
- The Committee has a history of being rigorous in exercising discretion and that no discretion has been applied to, for example, allow annual bonuses or LTIPs to vest for the last three years.
- Should the VCP under Resolution 2 not be approved, then the Committee shall grant awards under the existing LTIP.

Resolution 2 – Approval of the Mothercare plc Value Creation Plan

The principal terms of the Mothercare plc Value Creation Plan ("Plan") are as follows:

- **Operation –** The Committee will supervise the operation of the Plan.
- **Eligibility –** Employees (including executive directors) of the Company and its subsidiaries are eligible to participate in the Plan.
- **Grant of awards –** The Committee will decide who will be granted awards and over how many ordinary shares of the Company ("Shares"). It is intended that participation will be limited to those senior employees who will play a key role in implementing the transformation. It is intended that most awards will be granted to participants on a single occasion occurring within six weeks of shareholder approval of the Plan. Further awards may be made only to new joiners whose role is to implement the transformation and those awards will normally only be granted within six weeks of the announcement of the Company's results for any period. Awards will be in the form of nil cost share options with a normal exercise period of up to 10 years from grant. No payment is required for an award. No awards can be granted more than three years after the Plan's approval by shareholders.

- **Individual limits –** The Committee has discretion to decide on the size of awards, but it is intended that no award will exceed the maximum award which may be granted to an executive director as set out in the revised Policy.
- **Performance conditions –** The Committee will set performance conditions which are specifically designed to promote and reward the success of the Company's strategy. An award will only vest to the extent that these performance conditions are satisfied. For the award to be made under the proposed Policy the performance condition will be a hurdle share price of £2.00 (adjusted for any dividends paid).
- **Plan limits –** Awards may be satisfied with new issue Shares, Treasury shares or Shares purchased in the market up to a total cap of 12.9m shares. In any 10 calendar year period, not more than 10% of the issued ordinary share capital of the Company may be issued or be issuable under the Plan and all other employees' share plans adopted by the Company. In addition, in any 10 calendar year period, not more than 5% of the issued ordinary share capital of the Company may be issued or be issuable under all executive share plans adopted by the Company. These limits do not include awards which have lapsed. Treasury shares transferred to satisfy an award will be counted as if new shares had been issued unless institutional investors decide that they need not count.
- **Vesting of awards –** Awards will normally vest at the end of the 2019/20 financial year. A vested award will be exercisable until the tenth anniversary of its grant provided the participant remains an employee or officer of Mothercare, but this period will be curtailed if a participant becomes a good leaver or awards vest early as a result of a corporate event (see below). Shares will be issued or transferred to a participant after exercise of the award, unless the Company decides to satisfy the award in cash or shares or other securities in another company if the Committee decides that it is appropriate in the circumstances.
- **Dividend Equivalents –** Participants would receive a cash payment or shares on or following the exercise of their awards representing the dividends or any other distributions they would have received if they had been owners of their vested shares between the end of the 2019/20 financial year and the earliest possible exercise date. The Committee will decide the basis of calculation of any such dividend equivalent payment which may assume reinvestment. The Committee will have discretion to pay participants in the form of any dividend or distribution in specie made to shareholders over this period and whether to include or exclude any special dividend.
- **Leaving employment –** If a participant leaves during the VCP performance period a 'good leaver' will typically keep their awards but the number of shares vesting will be pro-rated to reflect the time they were employed during the VCP performance period. In addition, the Committee has discretion to determine that an individual is a good or bad leaver based on the rules of the VCP, and to allow awards to be retained by good leavers within the three-year performance period, pro-rated until cessation and exercisable under the normal schedule to the extent they vest. Bad leavers will forfeit their VCP awards immediately.
- **Change in control and other corporate events –** the date of the change in control becomes the end of the performance period and offer price becomes the price used to assess achievement of hurdle. If the offer price is greater than the hurdle price, the award will vest in full. If the offer price is less than hurdle, awards will lapse in full. 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.
- **Malus –** The Committee may reduce the number of Shares under an award prior to the date of vesting of an award, if any of the following circumstances apply: (i) material misstatement of financial statements; (ii) gross misconduct/fraud of the participant; (iii) where performance (which is clearly unsustainable) has driven vesting; (iv) where there has been an error in the calculation of performance outcomes.
- **Clawback –** the Committee may decide during the period of two years from the vesting of an award (on a net of tax basis if applicable), to claw back value delivered under an award if any of the following circumstances apply: (i) material misstatement of financial statements; (ii) gross misconduct/fraud of the participant; (iii) where performance (which is clearly unsustainable) has driven vesting.
- **Holding period –** two-thirds of the award will be subject to a holding period post vesting, one-third will be subject to a one year holding period and the remaining one-third will be subject to a two year holding period. If a participant leaves during the holding period then a good leaver (as defined on page 31) will receive vested awards at the normal time (i.e. one third on the fourth anniversary and one third on the fifth).
- **Adjustment of awards –** the number of Shares subject to an award may be adjusted to reflect any variation in the share capital of the Company or any demerger, special dividend or similar event which has a material effect on the Company's share price.

- **General** – awards are not transferable (except to personal representatives on death) and are not pensionable. Any shares issued following the exercise of awards will rank equally with shares of the same class in issue on the date of allotment except in respect of rights arising by reference to a prior record date.
- **Amendments** – the Committee can amend the Plan 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 terms of, the Shares or cash to be acquired and the adjustment of awards. However, the Committee can, without shareholder approval, make minor amendments to benefit the administration of the plan, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment. They can also amend any performance conditions without shareholder approval provided the amendment does not make the conditions materially less difficult to satisfy. The Board may, without shareholder approval, establish schedules to the Plan based on the Plan rules but modified to take account of overseas securities laws, exchange controls or tax legislation. Shares made available under such schedules will be treated as counting against any limits on individual or overall participation in the Plan.

Documents available for inspection

Copies of the Rules of the Mothercare plc Value Creation Plan referred to in Resolution 2 are available for inspection at the registered office of the Company and at the offices of Slaughter and May, One Bunhill Row, London, EC1Y 8YY during normal business hours on each business day from the date of this notice until the end of the General Meeting and at the place of the Meeting from at least 15 minutes prior to the General Meeting until the end of that meeting. These documents will also be available in the AGM/General Meeting section of the Company's website until the end of those meetings.

Part VIII

New Directors' Remuneration Policy

The new Directors' Remuneration Policy (the "Policy") will be subject to a binding shareholder vote at the General Meeting to be held on 31 July 2017. The Policy will take effect for a period of up to three years from the date of shareholder approval and will be displayed on the Company's website from that date. The Policy was developed taking into account the principles of the UK Corporate Governance Code 2016, and the latest guidelines from investor groups.

Overview

As we enter the second phase of the transformation, the Committee believes that this is the appropriate time to review the current Policy and ensure we have a Policy that is designed to incentivise the management team to execute the next phase of our transformation, and achieve sustainable growth in profitability and shareholder value.

The Committee has adhered to the following principles in developing the Policy:

- Long-term rewards will only pay out for sustainable absolute returns to shareholders;
- The proposed Value Creation Plan (the "VCP") has been calibrated so that pay-outs are consistent with the LTIP for the target range of performance over the next five years;
- Key metrics aligned to the next phase of our transformation are introduced into the Annual Bonus Plan, and
- The deferral mechanism under the Annual Bonus Plan is adjusted to provide a smoother pay-out schedule.

The Committee is proposing the following key changes to the current Policy:

- Introduction of the VCP to replace the current LTIP; and
- Amendments to the Annual Bonus Plan.

The Committee has sought to design and implement a Policy which ensures that incentive awards only pay-out for strong performance which is above and beyond the remit of day-to-day business. The table below outlines the key changes the Committee is proposing to ensure the Policy can achieve its purpose and adheres to the principles outlined above.

Summary of Policy changes

Remuneration Element	Existing Policy	Proposed Policy	Rationale for change
Annual Bonus	70% of the bonus is payable in cash with the remaining 30% deferred into shares for three years.	Any bonus payable up to an amount equal to 100% of salary is payable in cash with the remainder deferred into shares for three years.	The change allows liquidity during the years in which the second phase of the turnaround is being delivered and incentivises delivery of the new strategic objectives over the first three years.
	The Committee will not award any bonus unless at least a gateway level of financial performance has been achieved.	70% of the bonus entitlement will be linked to key financial measures. No more than 30% of the bonus entitlement will be linked to non-financial strategic measures linked directly to the turnaround of the Company.	The annual bonus is the vehicle through which to measure delivery of strategic objectives in each year of the transformation.

Remuneration Element	Existing Policy	Proposed Policy	Rationale for change
Long-Term Incentive: VCP	Typically, awards are granted annually with vesting dependent on the achievement of stretching performance conditions over a three or four year period.	A one-off award will be granted under the VCP which allows participants to share in a pool of returns delivered to shareholders, above a threshold hurdle share price (adjusted for dividends) of £2.00.	A key goal of the new Policy is to support the recovery of Mothercare's share price. The VCP is considered the most appropriate structure to incentivise this and it creates direct alignment between Executives and shareholders over the next three to five years.
	Awards made during FY2016/17 (LTIP 5) were based on attainment of equally weighted relative TSR and underlying EPS growth metrics.	Subject to shareholder approval, the VCP will replace future awards under the LTIP. If the £2.00 threshold hurdle is met participants in the VCP will share between them a pool of up to 12.5% of the total shareholder value created in excess of £1.50. Mark Newton-Jones will receive 35% of this pool. The maximum number of shares he is able to receive under this plan is 4.5m shares. The CFO will receive up to 17.5% of the pool with a maximum number of shares determined on a pro-rata basis. (The current CFO resigned on 10 May 2017 and the expectation is that the successor CFO will participate in the VCP.) 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).	We have undertaken extensive modelling of the potential pay-outs under the VCP as against the current LTIP and this has shown that the overall value deliverable is unchanged other than for exceptional performance above £2.40.
	The vesting of any awards will occur after three years for 50% of the award and after four years for the remaining 50% of the award.	Only one-third of the value under the VCP will be deliverable after three years, with one third deferred until the fourth anniversary of grant and the final third deferred until the fifth anniversary.	
	Participants may be entitled to dividend equivalents on unvested shares between the date of award and vesting and this is paid in additional shares in respect of awards that vest.	Participants may be entitled to dividend equivalents on vested awards between the date they vest and the date on which they become exercisable	

Remuneration Element	Existing Policy	Proposed Policy	Rationale for change
Malus and clawback		The malus and clawback provisions outlined in the 2016 Directors' Remuneration Report are now being formally incorporated into Policy.	The changes reflect the Committee's continued commitment to ensuring that the Executive Directors are rewarded only for sustainable performance.
Executive Director share ownership		Shareholding requirement thresholds will remain the same but the Committee wishes to clarify the following: • The Committee has discretion to extend the period for achievement of the requirement, where circumstances are such that achievement within the Policy timeframe is unrealistic but there has been a clear pattern of seeking to achieve the requirement by building up shareholding; and • All vested unexercised nil-cost options will count towards the shareholding requirement.	For clarification only.

Operation of the committee

The Committee is constituted in accordance with the recommendations of the UK Corporate Governance Code. The Committee is the committee of the Board that determines the Group's policy on the remuneration of the Executive Directors, the Chairman and senior management (being the Executive Committee of the Company). It works within defined terms of reference which are available on the Company's corporate website, www.mothercareplc.com and were updated in 2017 following the appointment of the new Committee Chair.

The principles applied by the Committee when determining the Company's remuneration policy are that it should be competitive, transparent, in the interests of shareholders and aligned to the Company's strategy. The Committee is committed to full disclosure, including in relation to the performance measures (and the extent of their achievement) for the annual bonus provided that such measures are not commercially sensitive. Within the framework of these principles the Committee sets the overall remuneration package of each Executive Director (including base salary, short and long term incentives, benefits and terms of compensation), and the fees paid to the Chairman. In addition, the Committee considers the structure and level of remuneration (and the remuneration package) of members of the Executive Committee of the Company by reference to the package offered to the Executive Directors.

Remuneration policy

The Committee believes that the remuneration 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.
- To be flexible enough to take into account changes to the business or remuneration environment.
- To ensure failure at Company or individual level is not rewarded.
- To ensure that exceptional performance is appropriately rewarded.

The Committee works to ensure that the remuneration 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 table below summarises each element of the New Policy for the Executive Directors, explaining how each element operates and how each part links to the corporate strategy.

Key elements of remuneration

Base salary	
Purpose and link to strategy	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.
Operation	Paid four-weekly in cash via payroll 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: • an individual's experience, expertise or performance, • changes to responsibilities during the year, • average change in pay elsewhere in the workforce, and • affordability and general market conditions. Occasionally there may be a review of an individual's salary during the year in the event of material change. No recovery or withholding applies to base salary.
Maximum opportunity	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 (such as the FTSE 250 & Small Cap General Retailers Index). 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. 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.
Performance measures	Executive Directors participate in the Company's annual performance management process. Both individual and Company performance is taken into account when determining whether any salary increases are appropriate.

Pension	
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	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. No recovery or withholding applies to pensions payments.
Maximum opportunity	Executive Directors are eligible for a company contribution/cash supplement of up to 15% of base salary.
Performance measures	No performance metrics apply.

Benefits	
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	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. Relocation and related benefits may be offered where a Director is required to relocate in line with Company policy. 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. No recovery or withholding applies to benefits.
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	The purpose of the annual bonus (or short term incentive scheme) 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. 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.
Operation	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. Any bonus payable up to an amount equal to 100% of salary is payable in cash with the remainder deferred into shares for a further three years. Dividend equivalents may accrue on deferred shares during the vesting period. Malus and Clawback provisions will apply in full to the annual bonus.

Annual Bonus	
Maximum opportunity	The maximum bonus entitlement for Executive Directors is 125% of base salary. At threshold levels of performance up to 25% of the bonus entitlement based on an appropriate mix of financial measures (e.g. PBT) will be payable. At target and stretch levels of performance up to 50% and 100% (respectively) of the bonus entitlement based on an appropriate mix of financial measures (e.g. PBT) will be payable. A maximum of 20% of the bonus entitlement based on financially based strategic measures will be payable if these measures are achieved. A maximum of 30% of the bonus entitlement based on non-financially based strategic measures will be payable if these measures are achieved.
Performance measures	The policy is for at least 50% of the bonus entitlement to be based on an appropriate mix of financial measures such as profit before tax, cash generation or net debt and an additional 20% of the bonus entitlement to be based on financially based strategic measures linked directly to the delivery of the second phase of the transformation. No more than 30% of the bonus entitlement will be linked to non-financial strategic measures linked to the turnaround strategy. These strategic measures shall include successful implementation of store closures, cost reduction, expansion of international footprint and for example further development of online penetration domestically and internationally. The targets set in relation to non-financial strategic measures will be similarly challenging to the range of financial targets set. The Committee reviews all targets annually to ensure that they support the execution of the second phase of the transformation for the relevant financial year. 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.

Long-term incentive: VCP	
Purpose and link to strategy	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.
Operation	Subject to shareholder approval of both the VCP and the Policy, the VCP will replace the LTIP for future awards for the duration of this Policy. A single award will be granted immediately following approval of the VCP at a General Meeting 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. Awards vest early on a change of control or the occurrence of certain other corporate events provided that the offer price is no less than the hurdle share price of £2.00 in which case the proportion of awards vesting would be determined by the Committee, taking into account the level of satisfaction of the performance conditions and pro-rating the award by time. Two-thirds of any value earned under the VCP will be 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. Awards will be made as nil-cost options over Company shares. 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). Separate to this discretion, the awards will be subject to Malus and Clawback provisions.
Maximum opportunity	The total pool available under the VCP will be 12.5% of the total value created at the end of FY2019/20 above £1.50. The CEO will be entitled to 35% of the pool and the CFO will be 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.

Long-term incentive: VCP	
Performance measures	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. Absolute total shareholder return has been selected for a number of reasons. Firstly, the Committee believes that a successful execution of the second phase of Mothercare's transformation by management is the most likely route to deliver a sustainable recovery in the Company's share price. Secondly, focussing executives on a recovery in the Company's share price clearly aligns the interests of shareholders and management. Thirdly, absolute total shareholder return rewards executives for paying dividends, unlike other measures such as share price or market cap hurdles which exclude this. Fourthly, it is easy to communicate to both shareholders and participants, and also easy to explain on the basis of the value received by participants as a proportion of the value delivered to shareholders. Finally, absolute total shareholder return is the generally accepted measure currently used in the market, when considering recent VCPs implemented by FTSE all share companies.

Long-term incentive: LTIP	
Purpose and link to strategy	Should the VCP (as per Resolution 2) not be approved then the Committee shall grant awards under the existing LTIP.
Operation	If the proposed VCP is approved by shareholders and a grant is made, no further awards will be made under the LTIP to Executive Directors. Should the VCP not be approved then the Committee shall grant awards under the existing LTIP. The LTIP allows for annual grants of awards (usually in the form of nil-cost options) depending on certain performance conditions. Three annual awards have been granted over the past three years, referred to as LTIP3 (granted in FY2014/15), LTIP 4 (granted in FY2015/16) and LTIP 5 (granted in FY2016/17) with vesting dependent on the achievement of stretching performance targets and continued employment over a three to four year performance period. Awards may vest early on a change of control or the occurrence of certain other corporate events. In such cases the proportion of awards vesting would be determined by the Committee, taking into account the level of satisfaction of the performance conditions and (at its discretion) pro rating the award by time. Participants may be entitled to dividend equivalents on unvested shares between the date of award and vesting and this is paid in additional shares in respect of awards that vest. 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 and the level of shareholding achieved by the Executive Directors during the performance period. Malus and Clawback provisions set out below apply to the LTIP awards LTIP 4 and LTIP 5.
Maximum opportunity	Up to 300% of salary may be awarded in certain circumstances, such as recruitment of an Executive Director, although the normal policy maximum is 200% of salary for the CEO and 175% of salary for the CFO.
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.

New Directors' Remuneration Policy continued

All Employee Share Plan (SAYE)	
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	The SAYE is the only current all employee scheme and has standard terms under which all UK employees including Executive Directors may participate. Executive Directors may be eligible to participate in any other HMRC approved all employee share plans which the Company may adopt. No recovery or withholding applies.
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.

Share ownership policy	
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	Within five years of appointment to the board, the CEO is expected to hold shares to the value of 150% of base salary and the CFO 100% of base salary. 75% of vested LTIP awards (after sale of shares to cover associated personal tax liabilities) must be retained until the guideline is met. 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. All vested but unexercised nil-cost options will count towards the shareholding requirement. No recovery or withholding applies.
Maximum opportunity	N/A
Performance measures	No performance metrics apply.

Incentive plan discretions

The Committee will operate (i) the annual bonus plan, (ii) existing LTIP awards, and (iii) the VCP (or future LTIP if shareholder approval is not given for the VCP as per Resolution 2) 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), and
- Discretion in relation to all employee share plans would be exercised within the parameters of HMRC and UKLA Listing Rules.

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 and LTIP. 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 in FY2015/16 and FY2016/17. 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.

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.	

Chairman and Non-Executive Directors' Remuneration Policy

Fees and benefits	
Purpose and link to strategy	To attract and retain Non-Executive Directors of appropriate calibre and experience.
Operation	The Chairman's fee is 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.
Maximum opportunity	The Chairman receives 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 the 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 as set out on pages 24 to 28, 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 125% of salary in the annual bonus plan and participation in the VCP or LTIP (if shareholder approval is not given for the VCP as per Resolution 2).

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.

Benefits and pension contribution 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 election or 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 will be available from 10.45am on the day of the General Meeting until the conclusion of the General Meeting.

Director	Date of appointment	Notice period
Executive Directors		
Mark Newton-Jones	17 July 2014	12 months
Richard Smothers	23 March 2015	12 months
Non-Executive Directors		
Alan Parker	15 August 2011	6 months
Lee Ginsberg	2 July 2012	1 month
Richard Rivers	17 July 2008	1 month
Nick Wharton	14 November 2013	1 month
Tea Colaianni	14 October 2016	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 Executive Directors are terminable on 12 months' notice by either party.

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:
  - death,
  - ill-health,
  - injury or disability,
  - redundancy,
  - retirement,
  - employing company ceasing to be a Group company;
  - transfer of employment to a company which is not a Group company, and/or
  - at the discretion of the Committee.
- VCP (during the performance period) – a leaver by reason of:
  - death,
  - ill-health,
  - injury or disability,
  - redundancy,
  - retirement,
  - employing company ceasing to be a Group company;
  - transfer of employment to a company which is not a Group company, and/or
  - 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.
  - death,
  - ill-health,
  - injury or disability,
  - redundancy,
  - retirement,
  - employing company ceasing to be a Group company;
  - transfer of employment to a company which is not a Group company, and/or
  - at the discretion of the Committee.
- LTIP – leaver by reason of:
  - death,
  - ill-health,
  - injury or disability,
  - redundancy,
  - retirement,
  - employing company ceasing to be a Group company;
  - transfer of employment to a company which is not a Group company, and/or
  - 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).

Part VIII
New Directors' Remuneration Policy continued

Remuneration element	Treatment on Cessation of Employment
General	The period of notice for Executive Directors will not exceed 12 months and, accordingly, the employment contracts of the Executive Directors are terminable on 12 months' notice by either party.
Salary, Benefits and Pension	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.
Cash bonus	**Good leaver:** 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. **Other reason:** No bonus payable for year of cessation. **Discretion:** The Committee has the following elements of discretion to: • determine that an Executive Director is a good leaver, • 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 • determine whether to pro-rate the bonus to time and to test for performance.
Deferred share awards	**Good leaver:** All subsisting deferred share awards will vest. **Other reason:** Lapse of any unvested deferred share awards. **Discretion:** The Committee has the following elements of discretion to: • determine that an Executive Director is a good leaver, and • 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.
VCP	**Good leaver:** Leaver during three year performance period - award is retained but pro-rated until cessation, exercisable under the normal schedule to the extent it vests. Leaver during two year holding period post vesting – vested awards are exercisable in full under the normal schedule. **Other reason:** Leaver during three year performance period – award is forfeited In full. Leaver during two year holding period post vesting – unexercised vested award is forfeited. **Discretion:** The Committee has the following elements of discretion to: • determine that an Executive Director is a good leaver, and • 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.

Remuneration element	Treatment on Cessation of Employment
LTIP	**Good leaver:** 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). **Other reason:** Lapse of any unvested LTIP awards. **Discretion:** The Committee has the following elements of discretion to: • determine that an Executive Director is a good leaver, • 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, • 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 • 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.
Other contractual obligations	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:

Remuneration Element	Normal position	Committee discretion
Annual Bonus (cash)	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.
Annual Bonus (deferred shares)	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.
VCP	Date of change in control becomes the end of the performance period and offer price becomes the price used to assess achievement of hurdle. If the offer price is greater than the hurdle price, the award will vest in full. If the offer price is less than hurdle, awards will lapse in full.	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.
LTIP	The number of shares subject to subsisting 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.

Part VIII

New Directors' Remuneration Policy continued

Other Directorships

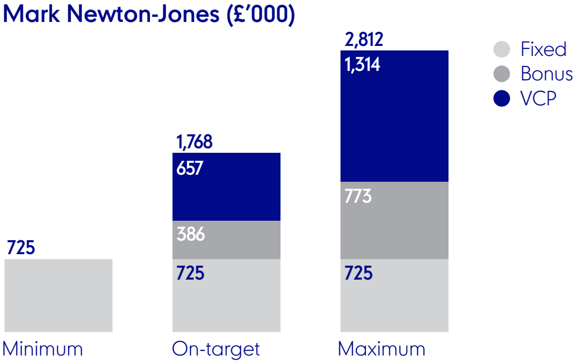
Executive Directors are permitted to accept external, non-executive appointments with the prior approval of the Board where such appointments are not considered to have an adverse impact on their role within the Group. Fees earned may be retained by the Director.

Remuneration scenarios for Executive Directors for FY2017/18

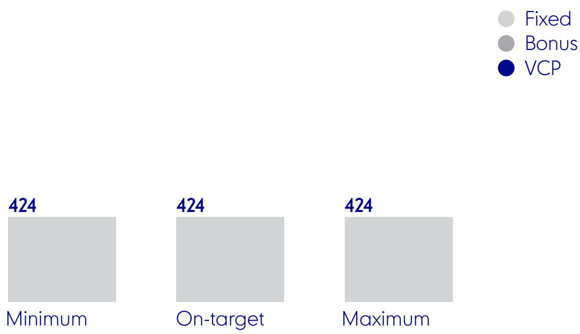
The Policy results in a significant proportion of the remuneration received by Executive Directors being dependent on Company performance. The charts below show how total pay for the CEO and CFO vary under three different performance scenarios:

MINIMUM	TARGET	MAXIMUM
Comprises the fixed elements of pay, being base salary, benefits and pension.	Comprises fixed pay (salary, benefits and pension) and on target level of the maximum annual bonus.	Comprises fixed pay (salary, benefits and pension) and the maximum value of the annual bonus.
The value of base salary and pension is calculated as at 1 April 2017.	For the VCP, this scenario assumes 50% vesting of the total IFRS 2 fair value of the award.	For the VCP, this scenario assumes 100% vesting of the total IFRS 2 fair value of the award.
The value of the benefits received is taken as the actual value for the year ended 25 March 2017.		
No annual bonus is assumed to vest for the minimum scenario.		
No part of the VCP is assumed to vest for the minimum scenario.		

Mark Newton-Jones (£'000)



Richard Smothers (£'000)



No account has been taken of share price growth, or of dividend equivalent payments awarded in respect of the deferred element of bonus or VCP over the relevant periods. The IFRS 2 cost of the VCP is an indicative cost based on the one month average share price to 14 June 2017. The actual cost will be based on share price at the date of grant.

There is no value shown in relation to the VCP and bonus given that Richard Smothers served notice to terminate on 10 May 2017 and will therefore not participate in the annual bonus or the proposed VCP.

Remuneration policy for colleagues

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 the 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 shareholder 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. During May 2017 the Chairman of the Company and the Chair of the Remuneration Committee consulted with 22 shareholders representing over 87% of the shareholder register and with the key shareholder advisory bodies: the Investment Association, Institutional Shareholder Services and Glass Lewis.

The Committee recognises the greater attention placed on executive remuneration this year from both a political and corporate governance perspective and is accordingly proposing a Policy which the overwhelming majority of shareholders were supportive of during the consultation process.

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