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INTRODUCTION OF SHARE RIGHTS PLAN | REMUNERATION REVIEW

Melbourne, 9 June 2022: Bubs Australia Limited (ASX: BUB) announces that it has undertaken a review of its remuneration arrangements and made certain changes with a view enabling the Company to better attract, motivate, retain and incentivise eligible Bubs employees in this highly competitive market for talent.

Introduction of Share Rights Plan

The Company is introducing a new Share Rights Plan (the **Plan**) for eligible Bubs employees.

The Plan is to form part of the Company's overall remuneration framework. The main objectives of the Plan are to assist the Company to:

- a) attract, motivate and retain eligible Bubs employees;
- b) create a stronger link between employee performance and reward on the one hand, and Company performance on the other; and
- c) better align the interests of eligible employees with those of Bubs shareholders.

The Plan aims to do this by providing incentives in the form of Share Rights (being conditional rights to be delivered fully paid ordinary shares in the Company (**Bubs Shares**)) to, and encouraging ownership of Bubs Shares by, eligible employees engaged in the Bubs business.

A summary of the rules of the Plan is set out in schedule 1 to this announcement.

FY22 grants under the Plan

The Company is proposing to make an initial award under the Plan of FY22 Share Rights to eligible full-time Bubs employees.

Vesting of employees' FY22 Share Rights will be subject to certain employee "service conditions", namely, that the relevant employee not resign or give notice of resignation, and the employee's employment not be terminated for cause, before:

- for 50% of the award—the date of release of the Company's FY22 audited financial results to ASX;
- for the other 50% of the award—the date of release of the Company's FY23 audited financial results to ASX

A key objective of these service conditions is to retain and motivate eligible Bubs employees in this highly competitive market for talent.

The total number of FY22 Share Rights awarded to eligible employees under the Plan will be notified to ASX in due course in accordance with Listing Rule 3.10.3A.



FY23 grants under the Plan

The Company also proposes to make awards to eligible full-time Bubs employees in FY23.

Vesting of each tranche of the FY23 Share Rights will be subject to a Company performance condition as well as an employee service condition.

Relevant details of awards of FY23 Share Rights will also be notified to ASX in due course in accordance with Listing Rule 3.10.3A.

Awards to key management personnel

As part of the above awards of Share Rights, awards of FY22 and FY23 Share Rights will be made to key management personnel of the Company (**KMP**), but no awards will be made to the Company's Executive Chairman or CEO and Managing Director at this time. In accordance with the Listing Rules shareholder approval for their awards will be sought at this year's annual general meeting.

FY23 remuneration salary review

The Company has also conducted its annual salary remuneration review with the objective of ensuring that the overall remuneration offered by Bubs to its employees will be in-line and competitive with market for FY23.

An outcome of this review is that, on and from 1 July 2022, the annual base salaries of the Executive Chairman and the CEO & Managing Director will be adjusted as follows. The adjustment to the Fixed Pay of the CEO & Managing Director has been calculated based on the Median (P50) Fixed Pay for the same position in comparable ASX listed companies, as determined by an independent remuneration consultant.

	FY23 Annual Base Salary ¹	Director's fees ¹
Executive Chairman, Dennis Lin	\$350,000 ² (FY22: \$150,000)	\$170,000 ³ (FY22: \$100,000)
CEO & Managing Director, Kristy Carr	\$660,000 (FY22: \$450,000 ⁴)	Nil

The Company's FY22 Remuneration Report will include additional information about the Company's remuneration arrangements with KMP in accordance with the Corporations Act.

This announcement has been authorised by the Company's Board of Directors.

¹ Exclusive of superannuation contributions

² For role as Executive

³ For role as Chairman of the Board

⁴ Ms Carr will remain eligible for a variable cash bonus of up to \$150,000 in respect of FY22



SCHEDULE 1

Summary of Key Terms of Share Rights Plan

The Board may issue invitations under the Plan to eligible Bubs employees. The Board will determine eligibility criteria. Invitations and Share Rights are personal and not transferrable.

Each Share Right is a conditional right to be delivered a Bubs Share on the terms and subject to the conditions set out in the Plan and the invitation. Subject to the rules of the Plan, Bubs Shares will be delivered if and when, and to the extent that, the Board determines that Share Rights vest in accordance with the Plan.

Generally, for Share Rights to vest, applicable Vesting Conditions need to be satisfied (unless waived by the Board). The Board will determine the Vesting Conditions for each award and whether Vesting Conditions are satisfied. The Vesting Conditions may include performance conditions and/or service conditions. The Board may waive, amend or replace a Vesting Condition applicable to an award of Share Rights (including after the grant of the award). Employees participating in the Plan (**participants**) will be notified if and when their Share Rights vest.

Participants do not need to pay any monetary consideration to receive awards of Share Rights or, if Share Rights vest, to be delivered Bubs Shares.

If Share Rights vest, Bubs Shares required to be delivered under the Plan will be newly issued or purchased on-market, as decided by the Board. However, for Share Rights awarded to a director of the Company that vest, the Bubs Shares must be purchased on market unless either shareholders of the Company have approved the grant of the Share Rights to the director in accordance with the Listing Rules or shareholder approval is not required under the Listing Rules for the delivery of newly issued Bubs shares.

Cessation of employment may result in some or all of a participant's Share Rights lapsing, depending on the reason for the cessation. Generally, subject to applicable legal requirements and the Plan, unless the Board determines otherwise, the rules that will apply if a participant ceases employment are as follows:

If a participant ceases employment because of: the participant's unvested Share Rights: and the participant's vested Share Rights (if any): ...
(1) termination of employment for serious misconduct or unlawful conduct	lapse on the participant being given notice of termination or, if no notice is given, on cessation of employment	lapse on the participant being given notice of termination or, if no notice is given, on cessation of employment
(2) resignation (other than where, before cessation, the Board determines that the participant is a "Good Leaver" or resignation for genuine retirement)	lapse on cessation of employment	do not lapse merely because of cessation of employment



If a participant ceases employment because of: the participant's unvested Share Rights: and the participant's vested Share Rights (if any): ...
(3) death or total & permanent disablement	do not lapse merely because of cessation of employment	do not lapse merely because of cessation of employment
(4) redundancy	do not lapse merely because of cessation of employment	do not lapse merely because of cessation of employment
(5) genuine retirement (approved by the Board)	do not lapse merely because of cessation of employment	do not lapse merely because of cessation of employment
(6) a reason to which a preceding row of this table does not apply and the Board determines that the participant is a "Good Leaver"	pro rata number lapse as determined by the Board	do not lapse merely because of cessation of employment
(7) a reason to which a preceding row of this table does not apply	lapse on cessation of employment if the Board so determines before, on, or within two months after, cessation	do not lapse merely because of cessation of employment

Where any unvested Share Rights do not lapse merely because of cessation of employment, they will remain on foot subject to the rules of the Plan (including any relevant performance conditions).

Under the Plan, the Board reserves the right to cancel awards or reduce the number of Share Rights comprising any award of Share Rights. It may do so whether or not the award has vested. The Board may also defer vesting of Share Rights.

The Plan also includes a clawback right for the Company. If this clawback right is exercised the participant may be required to pay to the Company a sum up to the value of the benefit the participant received under the Plan (e.g., the value of the Bubs Shares received following vesting of Share Rights). This clawback right is exercisable for up to 2 years after the participant is delivered Bubs Shares on vesting of Share Rights.

The Board may exercise these rights having regard to any facts, matters and circumstances which the Board decides are relevant in its absolute discretion acting in good faith in the interests of the Company.

In the event of a control transaction in relation to the Company, the Board may determine to vest some or all of a participant's Share Rights in its discretion.

Share Rights do not confer on participants the right to participate in new issues of Bubs Shares or other securities by the Company, nor do they confer the right to any dividends or distributions paid or made on Bubs Shares.



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Subject to applicable law and the Listing Rules, if there is a pro rata issue or bonus issue of Bubs Shares by the Company to the holders of Shares, the Board may change the number of underlying Bubs Shares to which a Share Right relates, or the exercise price (if any) of a Share Right, as it considers appropriate or necessary. If there is a reorganisation of capital of the Company in relation to Bubs Shares (for example, a consolidation of capital, a subdivision of capital, or a return, reduction or cancellation of capital, or a distribution in specie) such adjustments and changes will be made to outstanding Share Rights as are required by the Listing Rules or as the Board otherwise considers appropriate or necessary.