

DESTINATION MATERNITY CORPORATION

CORPORATE GOVERNANCE PRINCIPLES

I. PURPOSE:

The Board of Directors (the “Board”) of Destination Maternity Corporation (the “Company”) has adopted these Corporate Governance Principles (the “Principles”) to address significant corporate governance issues. The Principles provide a structure within which directors and management can effectively pursue the Company’s objectives for the benefit of its stockholders. The Principles should be interpreted in the context of all applicable laws and the Company’s Certificate of Incorporation, bylaws, and other corporate governance documents. The Principles are guidelines which are intended to serve as a flexible framework within which the Board may conduct its business and not as a set of legally binding obligations. The Principles are subject to modification from time to time by the Board as the Board may deem appropriate in the best interests of the Company or as required by applicable laws and regulations or stock exchange listing requirements.

II. BOARD STRUCTURE:

A. **Board Size and Composition.** The Board will periodically assess the needs of the Company to determine the appropriate size of the Board. At all times, a majority of the Board will be independent.

B. **Board Independence.**

1. Definition of Independent Director: The Board shall review annually the independence of the Board. The following persons shall not, under any circumstances, be determined by the Board to be independent:

a. any person who has been employed by the Company or any parent or subsidiary of the Company, at any time within the previous three years, other than employment as an executive officer on an interim basis for not more than one year;

b. any person whose Family Member has been employed as an executive officer by the Company or any parent or subsidiary of the Company, at any time within the previous three years;

c. any person who is (or has a Family Member who is) a current partner of the Company’s outside auditors, or was a partner or employee of the Company’s outside auditors who worked on the Company’s audit at any time within the previous three years;

d. any director who accepted, or who has a Family Member who accepted, payments (including political contributions) in excess of \$120,000 from the Company or a parent or subsidiary of the Company (other than for board or board committee service, non-discretionary compensation, compensation to a Family Member who is a non-executive employee, pursuant to a tax qualified retirement plan or compensation received by the director

for former service as an interim executive officer provided that such interim employment did not last longer than one year) in the current or any of the three previous fiscal years;

e. any director who is, or has a Family Member who is, a partner in, or controlling stockholder or executive officer of, any organization to which the Company made or from which the Company received payments for property or services in the current or any of the past three fiscal years that exceed the greater of \$200,000 or 5% of the recipient's consolidated gross revenues for that year (except for investments by the Company in the securities of such entity or payments under non-discretionary charitable contribution matching programs);

f. any director of the Company who is (or has a Family Member who is) an executive officer of another entity where, at any time during the past three years, any other executive officer of the Company served on the compensation committee of such other entity; or

g. any person who does not satisfy the definition of "independent" as that term is defined from time to time by the listing standards of Nasdaq.

h. For the purposes of these Principles, except as otherwise noted, a director's Family Member includes his or her spouse, parents, children, siblings, mothers and fathers-in-law, sons and daughters-in-law, brothers and sister-in-law and anyone (other than domestic employees) who shares the director's home.

C. Selection of the Non-Executive Chair of the Board. The Chair shall be selected by the Board from among the independent directors.

D. Separation of Non-Executive Chair and Chief Executive Officer Positions. The Board's policy is that the roles of the non-executive Chair of the Board and the Chief Executive Officer should be separate and should not be held simultaneously by the same individual.

E. Lead Director Concept. The Board does not believe that a lead director is currently necessary. However, the Board in Executive Session would establish a lead director in the event of the need for emergency succession actions with respect to either or both of the Chair and the Chief Executive Officer or for other purposes as the Board may determine.

III. DIRECTOR SELECTION AND EVALUATION

A. Directors' Roles, Selections and Standards

1. Director Responsibilities. The directors' principal responsibility is to promote the best interests of the Company and its stockholders in overseeing the management of the Company's business and affairs. Accordingly, the following are the responsibilities of the directors of the Company:

a. Represent the interests of the Company's stockholders in maintaining and enhancing the success of the Company's business, including optimizing long-term returns to increase stockholder value.

b. Select, evaluate and compensate a well-qualified Chief Executive Officer ("CEO") of high integrity, and approval of other executive officers, and oversee CEO succession planning.

c. Approve and maintain a succession plan for the CEO and other executive officers, including an emergency succession plan for the CEO.

d. Oversee and interact with senior management with respect to key aspects of the business including strategic planning, management development and succession, operating performance, and stockholder returns.

e. Provide general advice and counsel to the Company's CEO and senior executives.

f. Adopt and oversee compliance with the Company's Code of Business Conduct and Ethics. Promptly disclose any waivers of the Code of Business Conduct and Ethics for directors or executive officers, as required by applicable laws and regulations or stock exchange listing requirements.

g. Hold regularly scheduled executive sessions of independent directors. Formally evaluate the performance of the CEO and other executive officers each year in executive sessions.

h. Regularly attend Board meetings and review meeting materials in advance.

i. Review, approve, and monitor fundamental financial and business strategies and major Company actions.

2. Director Selection. Each year the Nominating and Corporate Governance Committee considers the needs of the Board, reviews the performance of directors and recommends a slate of director candidates to nominate for election at the annual meeting of stockholders. The Nominating and Corporate Governance Committee may consider candidates proposed before the meeting by stockholders, but has the sole discretion to recommend a slate of candidates for the Board's approval. Directors are elected by stockholder vote at the annual meeting of stockholders. Between annual meetings, the Board may elect directors to fill vacancies, including vacancies created by an increase in the size of the Board.

3. Director Qualification Standards. Nominees for director shall be selected on the basis of, among other things, their integrity, experience, achievements, judgment, intelligence, personal character, and capacity to make independent analytical inquiries, ability and willingness to devote adequate time to Board duties, and likelihood that he or she will be able to serve on the Board for a sustained period. The Nominating and Corporate Governance Committee shall review and make recommendations to the entire Board concerning the qualification and selection of candidates for the Board. The Board shall be committed to a diversified membership.

B. **Director Term Limits.** The Board's present sense is that it should not establish term limits for Directors. While term limits could help ensure that fresh ideas and viewpoints are available to the Board, they give rise to the disadvantage of losing the contribution of directors who, over a period of time, have developed an increasingly profound insight into the Company and its business and operations and, therefore, provide an invaluable contribution to the Board as a whole.

C. **Director Retirement.** The Board does not believe that an arbitrary term or age limits on directors' service are appropriate, since it values the insight and experience of the directors who have served on the Board for an extended period of time.

D. **Change in Circumstances or Occupation.** The Board does not believe directors who retire or change their principal occupation or business association should necessarily leave the Board. However, promptly following any such event, the director will be expected to provide notice to the Nomination and Corporate Governance Committee, so that there is an opportunity for the Board, through the Nominating and Corporate Governance Committee, to review the continued appropriateness of Board membership under the new circumstances.

E. **Director Compensation.** Employee directors shall not receive any additional compensation above their normal salary for their service on the Board or its committees. The Nominating and Corporate Governance Committee shall have the responsibility of recommending to the Board compensation for non-employee directors. In discharging this duty, the Nominating and Corporate Governance Committee shall be guided by the following: (i) compensation should be competitive and fairly compensate directors for the time and effort required of the Board and committee members in a company of the Company's considerable size and scope; (ii) compensation should align directors' interests with the long-term interests of stockholders; and (iii) the structure of the compensation should be simple, transparent and easy for stockholders to understand. Periodically the Nominating and Corporate Governance Committee shall review non-employee director compensation.

F. **Service on Other Boards of Directors.** Directors shall inform the Chair of the Board prior to joining any additional outside boards. An employee director should not serve simultaneously on the boards of more than three public companies, including the Company. Non-employee directors should not serve simultaneously on the boards of more than six public companies, including the Company. In order not to disrupt existing affiliations with other boards, a director may maintain current positions, even if the number of those positions exceed these limits, unless the Board determines that permitting the position to continue will impair the director's ability to serve on the Board.

G. **Board and Committee Self-Evaluation.** The Board and each of the committees will perform an annual self-evaluation. Each of the directors will be requested to provide his or her assessment of the effectiveness of the Board and the committees on which he or she serves. If determined by the Board to be desirable, the Board may retain independent corporate governance experts to assist the Board and the committees with the self-evaluations.

IV. **LEADERSHIP DEVELOPMENT**

A. **Evaluation of the CEO.** The Compensation Committee shall establish performance criteria for the CEO, evaluate the CEO's performance annually and provide an evaluation to the Board.

B. **Succession Planning.** The Board shall be responsible for the succession plan for the position of the CEO and for ensuring the Company has in place a succession plan for other executive officers. The CEO will reasonably cooperate with the Board in its evaluation of the Company's succession plans.

C. **Management Development.** The Board shall determine that a satisfactory system is in effect for education, development, and orderly succession of senior and mid-level managers throughout the Company.

V. **COMMITTEES**

A. **Standing Committees.** The Board has the following standing committees to assist the Board in discharging its responsibilities: (1) Audit, (2) Compensation and (3) Nominating and Corporate Governance.

B. **Committee Charters.** All standing committees have charters outlining their duties and responsibilities which have been approved by the Board. The committees review the charters on an annual basis and recommend to the Board any necessary revisions.

C. **Committee Agenda, Background Materials and Reports.** The chair of each Board committee, in consultation with the appropriate members of management and staff, will develop the committee's agenda. At each Board meeting, the chair of each committee (or his or her delegate) shall report the matters considered and acted upon by such committee since the preceding Board meeting, except to the extent covered in a previous written report to the full Board, and shall be available to answer any questions the other directors may have regarding the matters considered and actions taken by such committee.

D. **Committee Attendance by Chair, President and Chief Executive Officer.** The Chair of the Board, President and the Chief Executive Officer may attend the meeting of any committee, even if they are not members of the committee, except when (1) the committee is meeting in executive session or (2) the committee is discussing items affecting their employment or compensation.

VI. **BOARD PROCEDURES**

A. **Meetings.** Directors are expected to regularly attend Board meetings and meetings held each year by committees on which the directors sit. In addition to the foregoing, the non-employee directors of the Company shall meet at regularly scheduled executive sessions without management.

B. **Board Leadership.** The Chair of the Board shall generally preside over each Board meeting.

C. **Agendas and Advance Distribution of Meeting Materials.**

1. The Chair of the Board (in consultation with the CEO, if the same person is not then serving as both the CEO and the Chair of the Board), establishes the agenda for each Board meeting. Each director may suggest additional items for the agenda and may raise at any regular meeting subjects for discussion that are not on the agenda.

2. Directors shall receive information and data that are important to their understanding of the business of the Company in sufficient time to prepare for meetings. This material shall be as brief as possible while still providing the desired information. The information shall be analytic and informational, and shall include highlights and summaries whenever appropriate. Sensitive matters may be discussed at the meeting without the prior distribution of written materials.

3. It is recognized that circumstances will arise when it is not feasible to provide information relating to certain agenda items in advance (or not significantly in advance) of a Board meeting or an action to be taken by written consent. In such event, reasonable steps shall be taken to permit the directors to become reasonably informed as to the matter before voting on it.

D. Board Access to Senior Management.

1. Board members may, in their discretion, have access to management. Board members are generally expected to coordinate direct contact with management through the CEO. At the invitation of the Board, senior management may attend and make presentations at meetings of the full Board, and at such committee meetings as the chairs of the committees request.

E. Separate “Executive Session” Meetings of Independent Directors. The independent directors shall meet at least twice each year without the presence of employee directors, non-independent directors or executive officers of the Company.

VII. CORPORATE GOVERNANCE PRINCIPLES REVIEW AND DISCLOSURE

A. The Nominating and Governance Committee shall review the Principles no less than annually and shall recommend any changes to the Board for its approval. As part of its review, the Nominating and Corporate Governance Committee will consider whether the Principles have been, and are likely to continue to be, effective in enabling the Board to fulfill its responsibilities. The Nominating and Corporate Governance Committee may also compare current practices to the expectations of stockholders; changes in the law or regulation; and the practices of boards of other leading companies.

B. The Principles, and the charters of the each of the Board’s standing committees, shall be published on the Company’s website and made available in print to any stockholder upon request. The Company’s annual report shall contain a statement to the effect of the foregoing sentence.

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