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Remuneration report etc

Background

The board of directors in KappAhl AB (publ) (the “Company”) has established a remuneration committee which has consisted of Christian W. Jansson (chairman) and Amelia Adamo. The annual general meeting for 2011 decided on guidelines for remuneration and other conditions of employment for the management in the Company, including the CEO (“Management Persons”). The starting-point was that salary and other conditions of employment shall be such that the group always can attract and retain competent Management Persons. Variable remuneration was primarily based on the operating profit (EBIT) of the KappAhl Group and was established per each financial year. For the financial year 2011/2012 no variable remuneration was paid. To take part of the complete guidelines for remuneration to Management Persons, see the Company’s website and the complete proposals before the annual general meeting.

Report

The remuneration committee has evaluated the guidelines from the previous annual general meeting and their application as is present remuneration structures and remuneration levels for Management Persons. The committee has found that the guidelines have enabled the Company to attract and retain competent Management Persons. The committee is of the opinion that the guidelines effectively have fulfilled their purpose and that current remuneration structures and remuneration levels for the management are reasonable and well functioning. The committee has therefore recommended the board of directors to propose for the annual general meeting 2012 to authorize unchanged remuneration guidelines, except that severance pay apart from salary may be paid. If all goals are fulfilled the total variable remuneration for the financial year 2012/2013 amounts to approximately MSEK 8.6 including social security contribution.

The remuneration committee has evaluated and found that the existing incentive program for employees, which was introduced at the annual general meeting on 23 November 2011, has been appropriate and effective. In conclusion, it is our opinion that the Company pays remunerations which are both market oriented and competitive as well as in terms of structures and levels. The major part of the remuneration is fixed salary. At the same time, the fulfillments of certain specific goals are promoted by a limited variable remuneration.

November 2012

The board of directors thorough the remuneration committee in KappAhl AB (publ)