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REMUNERATION REPORT ETC.

Background

The Board of Directors in KappAhl AB (publ) (the “**Company**”) has prior to the 2018 Annual General Meeting established a Remuneration Committee which has consisted of Susanne Holmberg (chairman) and Anders Bülow. At the Board of Directors’ constituent meeting, Göran Bille was also elected as member of the Remuneration Committee. In connection with the appointing of Göran Bille as Chief Executive Officer and group Chief Executive Officer of the Company during the financial year 2017/2018, he resigned as a member of the Remuneration Committee. The Annual General Meeting for 2017 decided on guidelines for remuneration and other conditions of employment for the management in the Company, including the Chief Executive Officer (“**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 is primarily based on operating profit (EBIT), or in exceptional cases in other measurable criteria, for the KappAhl group and targets are set for each financial year. For the financial year 2017/2018, no variable remuneration to Management Persons 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 well as 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 guidelines have also contributed to maintaining the remuneration to Management Persons well-balanced. The Committee is of the opinion that the guidelines effectively have fulfilled their purpose and that current remuneration structures and remuneration levels for the group management are reasonable and well-functioning. The Committee has therefore recommended the Board of Directors to propose for the Annual General Meeting 2018 to resolve to approve substantially unchanged remuneration guidelines. If all goals are fulfilled the total variable remuneration for the financial year 2018/2019 is excepted to amount to not more than approximately MSEK 7 including social security payments.

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. The Committee has assessed that the achievement of the Group’s performance is promoted by a limited variable remuneration component.

Möln dal in November 2018

The Board of Directors thorough the Remuneration Committee in KappAhl AB (publ)