

The Board of Directors report of the remuneration committee's evaluation of the remuneration of the executive management

The Board of Directors of BioArctic AB (publ) reg. no. 556601-2679 (the “**Company**”) submits the following report of the remuneration committee's evaluation of the Company's remuneration of the executive management in accordance with section 10.3 of the Swedish Corporate Governance Code.

Work and composition of the remuneration committee

The Board of Directors of the Company has established a remuneration committee which consists of three members: Wenche Rolfsen (chairman), Hans Ekelund and Eugen Steiner. All members of the remuneration committee are independent in relation to the Company and its executive management.

The remuneration committee works in accordance with the guidelines established by the Board of Directors. The remuneration committee's main tasks are to prepare decisions on issues concerning principles for remuneration and other terms of employment for the executive management. The remuneration committee shall monitor and evaluate programs for variable remuneration, both ongoing and those that have ended during the year, for the executive management, as well as monitor and evaluate the application of the guidelines for remuneration to the executive management that have been adopted by the annual general meeting.

The remuneration committee has held four meetings (three in 2018 and one in 2019) since the annual general meeting 2018. At these meetings, the committee has discussed existing remuneration systems in the Company and the design of the employee stock option program that has now been presented for decision by the annual general meeting.

The remuneration committee's evaluation and conclusion

The remuneration committee has evaluated existing remuneration structures in the Company. In its work, the remuneration committee has taken into consideration that the Company shall offer market-based terms and conditions that enable senior executives to be recruited and retained. Remuneration to senior executives shall consist of a fixed salary, customary employment benefits and pension. The compensation is based on the individual's responsibility and authority in the Company and is reviewed annually. Variable remuneration may also be paid but shall not exceed an amount corresponding to six monthly salaries.

The CEO is included in the reward program that applies to all employees, which is further described below. In 2018, the CEO was also entitled to variable remuneration of up to 35% of the annual salary. Variable remuneration has also been paid to other members of the executive management.

BioArctic has two reward programs that includes all permanent employees. One condition for receiving variable remuneration is that the employee has been employed more than six months at the time when the goal which linked to the payment of the variable remuneration is achieved. The goals are linked to achieved milestones according to the clinical research programs for drug candidates BAN2401 for Alzheimer's disease and ABBV0805 for Parkinson's disease. Potential variable remuneration to the employee

amounts to a monthly salary per milestone. The variable remuneration does not entitle to pension benefits. For 2018, the variable remuneration payable in accordance with the reward program amounted to one monthly salary per employee.

In 2017, the main shareholders Demban AB and Ackelsta AB issued call options to certain board members and senior executives of the Company, including the CEO, which gives such persons a right to acquire shares from the main shareholders. There are no other share-related incentive programs in the Company. The remuneration committee has made the assessment that it is important and in all shareholders' interest that the Company's management, researchers and other personnel, who are deemed to be important for the Company's further development, have a long-term interest in a good value development of the Company's shares. Against this background, the Board of Directors has proposed that the annual general meeting resolves on an employee stock option program (see the notice to the annual general meeting for more information).

The remuneration committee has evaluated the Company's program for variable remuneration against criteria such as suitability and appropriateness and found that it has fulfilled its purpose. Further, the remuneration committee has concluded that the remuneration structures and remuneration levels in the Company are appropriate. This also applies to other terms of employment for executive management.

Further, the remuneration committee has concluded that the remuneration provided to the executive management has been in accordance with and without deviations from the guidelines adopted by the annual general meeting 2018. The application of the guidelines for remuneration to the executive management has thus been correct.

Stockholm in April 2019

BioArctic AB (publ)

Board of Directors