

The Board of Director's proposal for guidelines for remuneration to senior executives

The Board of Directors in BioArctic AB (publ), corp. reg. no. 556601-2679 ("BioArctic" or the "Company") proposes that the annual general meeting resolves to adopt the following guidelines for the remuneration of the senior executives.

The scope and applicability of the guidelines

These guidelines apply to remuneration payable to the CEO and other members of BioArctic's senior management from time to time. The guidelines also apply to the members of the board, to the extent that they work for or provide services to the Company outside the scope of their board assignment.

The guidelines apply to remuneration that is agreed, and to amendments to agreed remuneration that are made, after the guidelines have been adopted by the Annual General Meeting 2020. Transfers of securities and the right to acquire securities from the Company in the future is considered to be remuneration.

The guidelines do not apply to remuneration which is decided or approved by the Annual General Meeting, such as share-related incentive programs. At the Annual General Meeting 2019, it was decided to introduce an employee stock option program for the company's management, researchers and other employees. The employee stock option program is described in more detail in the annual report.

Senior executives that are board members or deputy board members in other group companies shall not be entitled to additional compensation for such assignments.

How the guidelines contribute to the Company's business strategy, long-term interests and sustainability

BioArctic is a Swedish research-based biopharmaceutical company focused on disease-modifying treatments and reliable biomarkers and diagnostics for neurodegenerative diseases, such as Alzheimer's disease and Parkinson's disease. BioArctic focuses on innovative treatments in areas with a great medical need. The project portfolio is a combination of fully funded projects which are carried out in partnership with global pharmaceutical companies as well as own innovative projects with large market and out-licensing potential.

BioArctic's vision is to create world-leading pharmaceutical products that improve the lives of patients with diseases affecting the central nervous system. The Company's work is based on scientific discoveries and BioArctic's researchers collaborate with strategic partners such as research groups at universities and large pharmaceutical companies. Within BioArctic there is leading scientific expertise and a long-standing experience of developing pharmaceutical products from idea to market. BioArctic's business model is to initially carry out early research and development projects in-house and subsequently to enter into research collaboration agreements or to license certain commercial rights to global pharmaceutical companies once the projects have reached a development phase that requires more resources or expertise.

The successful implementation of the Company's strategy and the safeguarding of the Company's long-term interests is depending on that the Company can recruit and retain a management with high qualifications and the capacity to achieve set goals. These

guidelines contribute to the Company's business strategy, long-term interests and sustainability by giving the Company the opportunity to offer senior executives a competitive remuneration.

Types of remuneration

The company's remuneration system shall be competitive and in accordance with market practice. The remuneration may consist of fixed salary, variable cash remuneration, pension benefits and other benefits.

Fixed salary shall be determined individually for each senior executive and be based on the executive's position, responsibility, skills, experience and performance. The senior executive may be offered salary exchange arrangements given that this is cost neutral for the Company.

Variable remuneration shall be related to the outcome of the Company's goals and strategies and shall be based on predetermined and measurable criteria designed to promote long-term value creation. The share of the variable compensation in relation to the total compensation may vary depending on the executive's position. However, variable remuneration should not exceed an amount corresponding to 50 percent of the executive's annual fixed salary. The variable remuneration shall not qualify for pension benefits, unless otherwise required pursuant to mandatory collective bargaining agreements. The board shall have the possibility to request, in accordance with law or agreement, that variable remuneration that has been paid on incorrect grounds be repaid to the company.

Pension benefits shall be paid to a defined contribution scheme (premium based), unless the executive is covered by a defined benefit scheme in accordance with mandatory collective bargaining agreements. Pension benefits shall not exceed 40 percent of the executive's annual fixed salary.

Other benefits may consist of car benefits, corporate health benefits, life and health insurance and other similar benefits. These benefits shall be of limited value in relation to the total remuneration and may correspond to a maximum of 10 percent of the executive's annual fixed salary.

Consultancy fees shall be payable on market terms. To the extent that a board member performs consultancy services for the Company, the board member in question will not be entitled to participate in the board's (or the remuneration committee's) handling of remuneration-related matters regarding the consultancy services.

In addition to and regardless of these guidelines, the Annual General Meeting may decide on share-based incentive schemes and similar remunerations.

Criteria for payment of variable remuneration

The criteria for variable remuneration shall be determined annually by the board in order to ensure that the criteria are in line with BioArctic's current business strategy and financial targets. The criteria can be individual or collective, financial or non-financial and shall be designed in such a way that they promote the Company's business strategy, sustainability strategy and long-term interests. For example, the criteria may be linked to the Company achieving certain goals within the framework of its clinical studies, the Company initiating or completing a certain step or achieving a certain research result within its development projects, the Company initiating a research collaboration with a particular partner or the

Company entering into a certain agreement. The criteria may also be linked to the employee, for example a requirement that the employee has been employed by the Company for a certain minimum period of time.

The fulfillment of the criteria shall be assessed based on a measurement period which is at least one year. The assessment of the extent to which the criteria have been met shall be made at the end of the measurement period. The assessment of whether financial criteria have been met shall be based on the latest financial information published by the Company. The board decides on the payment of any variable remuneration, after preparation in the remuneration committee.

Salary and employment conditions for employees

To evaluate the fairness and reasonableness of the proposed remuneration guidelines, the board has as a part of the preparation of this proposal considered the salary and employment conditions for the employees of the Company. In this context, the board has taken into account information regarding the employees' total income, the components of the remuneration and the increase and growth rate of the remuneration over time.

Termination and severance pay

The notice period for the CEO shall not exceed twelve months, if the employment is terminated by the Company, and shall not exceed six months, if the employment is terminated by the CEO.

For senior executives other than the CEO, the notice period shall be at least three months and a maximum of twelve months, if the employment is terminated by the Company, and be at least three months and a maximum of six months, if the employment is terminated by the employee, unless otherwise required by applicable law.

Severance pay may be paid to senior executives if the employment is terminated by the Company. Fixed salary during the notice period and severance pay shall, in total, not exceed an amount corresponding to the fixed salary during a two-year period.

Additionally, remuneration may be paid for non-compete undertakings. Such remuneration shall compensate for loss of income and shall only be paid in so far as the former executive is not entitled to severance pay. The remuneration may not exceed an amount corresponding to 60 percent of the senior executive's fixed salary at the time of the termination, unless otherwise provided by mandatory collective agreement provisions. The reimbursement may be paid during the time during which the non-compete undertaking applies, however, not more than 12 months after the termination of the employment, with the possibility of deduction against other income from employment or according to consultancy agreements.

The decision-making process to determine, review and implement the guidelines

The board has established a remuneration committee. The committee's tasks include preparing the board's decisions regarding remuneration principles, remuneration and other terms of employment for the senior executives, monitoring and evaluating ongoing and completed programs for variable remuneration for the senior executives and monitoring and evaluating and evaluate the application of the guidelines for senior

executive remuneration which is to be decided by the general meeting. The committee's tasks also include preparing the board of directors' decision to propose guidelines for executive remuneration.

The board shall prepare a proposal for new guidelines at least every fourth year and submit it to the general meeting. The guidelines shall be in force until new guidelines are adopted by the general meeting.

To avoid conflicts of interest, the senior executives will not participate in the board's processing of and resolutions regarding remuneration-related matters in so far as they are affected by such matters.

Deviations from the guidelines

The board may decide to temporarily deviate from the guidelines if there are special and considerable reasons for doing so and the deviation is necessary to meet Bio Arctic's long-term interests and sustainability or to ensure the Company's financial viability.

Considerable reasons may, for example, be that a deviation is deemed necessary to recruit or retain key personnel or in exceptional circumstances such as the Company achieving a certain desired result in a shorter time than planned, that the Company succeeds in concluding a certain agreement in a shorter time and better conditions than expected or that the Company increases in value or increases its turnover or profits to a greater extent than projected.

Deviations from previously decided guidelines

In 2019, a deviation from the guidelines for remuneration to senior executives adopted by the annual general meeting was made regarding the payment of variable remuneration. The deviation and the reasons for it are described in more detail in the board's report on the remuneration committee's evaluation of remuneration to senior executives.