



XBIOTECH INC.

CHARTER OF THE COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS¹

I. PURPOSE

The purpose of the Compensation Committee ("Committee") of XBiotech Inc. (the "Company") is to carry out the responsibilities delegated by the Board relating to the review and determination of executive compensation.

II. COMPOSITION

The Committee shall consist of two or more directors. Each member of the Committee shall be independent in accordance with the rules (the "Nasdaq Rules") of the NASDAQ Stock Market. Each member of the Committee must qualify as a "non-employee director" for the purposes of Rule 16b-3 under the Securities Exchange Act of 1934, as amended (the "**Exchange Act**") and as an "outside director" for the purposes of Section 162(m) of the Internal Revenue Code, as amended.

The members of the Committee shall be appointed by the Board based on recommendations from the Nominating and Corporate Governance Committee of the Board. The members of the Committee shall be appointed for one-year terms and shall serve for such term or terms as the Board may determine or until earlier resignation or death. The Board may remove any member from the Committee at any time with or without cause.

III. DUTIES AND RESPONSIBILITIES

The Committee shall have the following authority and responsibilities:

1. To review and approve annually the corporate goals and objectives applicable to the compensation of the chief executive officer ("**CEO**"), evaluate at least annually the CEO's performance in light of those goals and objectives, and determine and approve the CEO's compensation level based on this evaluation. In determining the long-term incentive component of CEO compensation, the Committee may consider the Company's performance and relative shareholder return, the value of similar incentive awards given to CEOs at comparable companies and the awards given to the Company's CEO in past years. The CEO shall not be present during any Committee deliberations or voting with respect to his or her compensation, but the CEO may

¹ Most recently reviewed and approved by the Compensation Committee on March 19, 2015



participate in discussions regarding compensation for the Company's other Executive Officers.

2. To review and approve compensation of all executive officers at appropriate time periods. The Committee shall take account of the Chief Executive Officer's recommendation and evaluation of each individual's performance, the Company's overall performance and comparable compensation paid to similarly-situated executives in comparable companies.
3. To review, and approve and, when appropriate, recommend to the Board for approval, incentive compensation plans and equity-based plans, and where appropriate or required, to recommend plans for approval by the stockholders of the Company. The Committee's authority includes the ability to adopt, amend, administer and terminate such plans. Without limiting the foregoing, the Committee shall have the authority to amend and administer the Company's 2005 Incentive Stock Option Plan and other equity-based plans, including designation of the employees to whom the awards are to be granted, the amount of the award or equity to be granted and the terms and conditions applicable to each award or grant, subject to the provisions of each plan.
4. To review and discuss with management the Company's executive compensation information, recommend that the related executive compensation information be included in the Company's annual report on Form 10-K and proxy statement and produce the compensation committee report on executive officer compensation required to be included in the Company's proxy statement or annual report on Form 10-K.
5. To review, and approve and, when appropriate, recommend to the Board for approval, any employment agreements and any severance arrangements or plans, including any benefits to be provided in connection with a change in control, for the CEO and other executive officers. The Committee's authority includes the ability to adopt, amend and terminate such agreements, arrangements or plans.
6. To review the Company's incentive compensation arrangements to determine whether they encourage excessive risk-taking, to review and discuss at least annually the relationship between risk management policies and practices and compensation, and to evaluate compensation policies and practices that could mitigate any such risk.
7. To review director compensation for service on the Board and Board committees at least once a year and to recommend any changes to the Board.
8. To obtain studies and retain advisors as provided in Article IV hereof.



IV. STUDIES AND OUTSIDE ADVISORS

The Committee has the sole authority and right, at the expense of the Company, to retain or obtain the advice of legal counsel, compensation and other consultants, accountants, experts and advisers of its choice to assist the Committee in connection with its functions, including any studies or investigations, but only after conducting an independence assessment and taking into consideration all factors relevant to any adviser's independence from management, including those specified in Rule 5605(d)(3) of the Nasdaq Rules and those set forth in the SEC Rules. The Committee will be directly responsible for the appointment, compensation and oversight of the work of any such advisers. The Company must provide for appropriate funding, as determined by the Committee, for (a) the payment of reasonable compensation to any legal counsel, compensation and other consultants, accountants, experts and advisers retained by the Committee and (b) ordinary administrative expenses of the Committee that are necessary and appropriate in carrying out its functions and (c) the commission of any necessary studies or surveys concerning the levels of executive compensation payable in the industry in which the Company is engaged and in other related industries or obtaining recommendations from outside/independent consultants concerning comparable compensation programs.

V. STRUCTURE AND OPERATIONS

The Board shall designate a member of the Committee as the chairperson. The Committee shall meet at least two times a year at such times and places as it deems necessary to fulfill its responsibilities. The Committee shall report regularly to the Board regarding its actions and make recommendations to the Board as appropriate. The Committee is governed by the same rules regarding meetings (including meetings in person or by telephone or other similar communications equipment), action without meetings, notice, waiver of notice, and quorum and voting requirements as are applicable to the Board.

The Committee may invite such members of management to its meetings as it deems appropriate. However, the Committee shall meet regularly without such members present, and in all cases the CEO and any other such officers shall not be present at meetings at which their compensation or performance is discussed or determined.

VI. DELEGATION OF AUTHORITY

The Committee shall have the authority to delegate any of its responsibilities, along with the authority to take action in relation to such responsibilities, to one or more subcommittees as the Committee may deem appropriate in its sole discretion.



VII. REVIEW OF COMMITTEE COMPOSITION AND CHARTER

The Committee will evaluate the Committee's composition on an annual basis. The Committee will review and reassess the adequacy of this Charter on an annual basis, and recommend to the Board any changes the Committee determines are appropriate.