

CHARTER OF FARON PHARMACEUTICALS LTD'S SHAREHOLDERS' NOMINATION BOARD

1 Purpose of the Shareholders' Nomination Board

The Shareholders' Nomination Board (the "**Nomination Board**") of Faron Pharmaceuticals Ltd ("**Faron**" or the "**Company**") is a corporate body of the Company's shareholders, responsible for preparing and submitting proposals to the Annual General Meeting for the election and remuneration of the members of the Board of Directors and the remuneration of any committees of the Board of Directors. The primary task of the Nomination Board is to ensure that the Board of Directors and its members have sufficient expertise, competence, and experience to meet the needs of the Company.

In its work, the Nomination Board shall comply with applicable laws and regulations (including the rules of stock exchanges applicable to the Company, the Quoted Companies Alliance's Corporate Governance Code and the Finnish Corporate Governance Code).

This charter of the Company's Nomination Board (the "**Charter**") regulates the nomination and composition of the Nomination Board as well as defines the tasks and duties of the Nomination Board.

Where relevant, the references to Annual General Meeting shall also apply to an Extraordinary General Meeting.

2 Appointment and Composition of the Nomination Board

The Nomination Board consists of three (3) members, including the Chair of the Nomination Board, appointed by the meeting of the five (5) largest shareholders of the Company as provided below. In addition, the Chair of the Company's Board of Directors serves as an expert in the Nomination Board without being a member and without having a vote or being counted in the quorum of the Nomination Board.

The Chair of the Company's Board of Directors shall annually convene a meeting of the Company's five (5) largest shareholders who, on 31 August preceding the next Annual General Meeting, hold the largest number of votes calculated of all shares in the Company. The meeting may be arranged by electronic means. The largest shareholders on 31 August are determined based on the shareholders' register of the Company held by Euroclear Finland Oy as per the said date. In case two or more of these shareholders own an equal number of shares and votes and all such shareholders cannot be invited to the meeting of the largest shareholders, the decision shall be made by drawing lots. Holdings by a holder of nominee-registered shares (including depository interest holders) will be considered when determining the five (5) largest shareholders if the holder of the nominee-registered shares (including depository interest holders) presents a written request to that effect to the Chair of the Company's Board of Directors no later than on 31 August preceding the next Annual General Meeting. The written request shall be accompanied by documentation evidencing such shareholder's ownership of the nominee-registered shares (including depository interest holders).

Holdings by a shareholder that are divided into several group companies, funds or registers will be summed up when calculating the share of all the voting rights when determining the five (5) largest shareholders, provided that the shareholder presents a written request to that effect to the Chair of the Company's Board of Directors no later than on 31 August preceding the next year's Annual General Meeting. Ownership of the Company's shares by a shareholder's related parties shall upon similar request also be summed up when calculating the share of all the voting rights held by such shareholder. As a practical example, the shareholdings of the Company's founding family Jalkanen are grouped together when calculating and determining the five (5) largest shareholders.

The meeting of the Company's five (5) largest shareholders who, on 31 August preceding the next Annual General Meeting, hold the largest number of votes calculated of all shares in the Company, shall elect the members of the Nomination Board including the election of the Chair of the Nomination Board from among the members. Resolutions of the five (5) largest shareholders on the composition of the Nomination Board shall be made by majority decision based on votes cast (as calculated in accordance with the shareholdings of the Company of each shareholder) in the meeting.

If any of the Company's five (5) largest shareholders transfers its shareholding during the term of office of the Nomination Board in a manner that results in such shareholder no longer being amongst the Company's ten (10) largest shareholders, the Chair of the Company's Board of Directors shall arrange a subsequent meeting of the Company's five (5) largest shareholders who, after the aforementioned transfer of shareholding, hold the largest number of votes calculated of all shares in the Company, to elect new members of the Nomination Board, including the election of the Chair of the Nomination Board, in accordance to the procedures of this Charter.

If a shareholder has become a shareholder among the Company's five (5) largest registered shareholders after 31 August but earlier than four (4) months before the Annual General Meeting, the Nomination Board may, based on the significance of the change of the shareholder structure, decide to request such shareholder to appoint an additional member to the Nomination Board for the rest of the Nomination Board's term.

The Nomination Board has been established for an indefinite period. The term of office of the members of the Nomination Board expires annually upon the appointment of the next Nomination Board (to be appointed after the next Annual General Meeting following the appointment or otherwise in accordance with this section 2).

The composition of the Nomination Board, their appointing shareholders and any changes thereto shall be published by the Company by way of a company release.

3 Duties of the Nomination Board

The duties of the Nomination Board shall include:

- (a) to prepare and present to the Annual General Meeting a proposal on the remuneration of the members of the Board of Directors;
- (b) to prepare and present to the Annual General Meeting a proposal on the number of members of the Board of Directors;
- (c) to prepare and present to the Annual General Meeting a proposal on the members of the Board of Directors as well as the Chair of the Board of Directors;
- (d) to seek for prospective successors for the members of the Board of Directors; and
- (e) to provide a report on how the Nomination Board has conducted its work.

The members of the Nomination Board will receive as remuneration EUR 1,000 per meeting of the Nomination Board.

The Company shall bear all reasonable costs of the Nomination Board. The travel expenses of the members of the Nomination Board will be compensated against receipt in accordance with the travel policy of the Company.

4 Duties of the Chair of the Nomination Board

The Chair of the Nomination Board shall direct the activities of the Nomination Board in order for the Nomination Board to achieve its objectives efficiently and take duly into account the expectations and the interests of the shareholders of the Company as well as the benefit of the Company.

The Chair of the Nomination Board shall:

- (a) convene the meetings of the Nomination Board, prepare the meeting agendas and materials as well as chair the meetings of the Nomination Board;
- (b) supervise that the scheduled meetings of the Nomination Board are duly convened; and
- (c) convene extraordinary meetings in case necessary and in any event, within 14 days from a request by a Nomination Board member to that effect.

5 Decision-making

The Nomination Board shall constitute a quorum when more than a half of its members are present. No decision shall be made unless all members have been reserved the possibility to consider the matter and to participate in the meeting.

The decisions of the Nomination Board shall be unanimous. If the members cannot reach a unanimous decision, the members of the Nomination Board may present their own proposals to the Annual General Meeting individually or jointly with the other members of the Nomination Board.

All decisions of the Nomination Board shall be recorded in minutes which shall be dated, numbered, and stored in a reliable manner by the Company. The minutes shall be signed by the Chair of the Nomination Board together with at least one Nomination Board member.

6 Proposal on the Composition of the Board of Directors

The Nomination Board shall prepare a proposal to be presented to the Annual General Meeting on the composition of the Board of Directors. However, any shareholder of the Company may also make a proposal directly to the Annual General Meeting in accordance with the Finnish Companies Act.

The Board of Directors of the Company shall have sufficient expertise, competence, and experience relating to the Company's line of business and business operations. The Board of Directors shall collectively have sufficient knowledge of and competence in, for example, the following matters:

- (a) managing a limited liability company of a corresponding size, with shares subject to public trading;
- (b) group and financial management;
- (c) strategic solutions and corporate mergers and acquisitions;
- (d) internal supervision and risk management; and
- (e) the principles of good corporate governance.

In addition to the expertise, competence, and experience mentioned above, the Nomination Board shall consider the principles concerning the diversity of the Board of Directors, the independence requirements and other requirements under applicable laws and regulations (including the rules of stock exchanges applicable to the Company and the Finnish Corporate Governance Code). The Nomination Board is entitled to receive on a confidential basis information on the factors affecting the evaluation of the independence of candidates.

The Nomination Board shall in its preparations of the proposal on the composition of the new Board of Directors also take into account the results of the annual performance evaluation of the Company's Board of Directors conducted in accordance with the Quoted Companies Alliance's Corporate Governance Code and the Finnish Corporate Governance Code. At a cost approved by the Company, the Nomination Board may also employ the services of an outside consultant in the quest for suitable candidates.

7 Submitting proposals to the Annual General Meeting

The Nomination Board shall submit its proposals to the Board of Directors at the latest on the first (1st) banking day of February preceding the next Annual General Meeting. In the event of an Extraordinary General Meeting, any proposals by the Nomination Board shall be submitted early enough to be included in the notice to the Extraordinary General Meeting.

The proposals of the Nomination Board will be published through a company release and included in the notice to the General Meeting. The Chair of the Nomination Board, or another member of the Nomination Board, shall also present and provide grounds for the proposals as well as submit a report of operations to the Annual General Meeting.

8 Confidentiality

The Nomination Board members and the shareholders they represent shall keep the information regarding the proposals to the Annual General Meeting confidential until it has made the final decision and the proposals have been published by the Company. The obligation of confidentiality of the Nomination Board members and the shareholders they represent also covers other confidential information related to the operation of the Nomination Board, and it remains valid for each piece of information until the Company has made such information public.

9 General

The Nomination Board shall review this Charter annually and propose necessary amendments to the next Annual General Meeting for adoption. The Nomination Board is authorised to make technical updates and amendments to the Charter.

This Charter has been prepared in Finnish and English. In the event of any discrepancies, the Finnish version shall be decisive.