

**PROPOSALS OF THE BOARD OF DIRECTORS OF FARON PHARMACEUTICALS LTD
("COMPANY") TO THE ANNUAL GENERAL MEETING ("AGM") CONVENING ON 23
APRIL 2021**

Resolution on the use of the profit shown on the balance sheet and the payment of dividend

The Board proposes that no dividend for the financial year 2020 will be paid and that the losses of the Company for the financial year, amounting to EUR 16,946,216.84 (IFRS), will be carried forward to the reserve for invested unrestricted equity.

Resolution on the remuneration of the members of the Board

The Board proposes, on the basis of the proposal of the remuneration committee, that the annual remuneration of the members of the Board remain unchanged and that EUR 35,000 will be paid to the Board members, in addition to which an annual remuneration of EUR 35,000 will be paid to the chair of the Board. In addition, a further annual remuneration of EUR 11,000 will be paid to the chair of the audit committee, a further annual remuneration of EUR 9,000 will be paid to the chair of the remuneration committee and a further annual remuneration of EUR 6,000 will be paid to the chair of the nomination committee. In addition, a further annual remuneration of EUR 6,000 will be paid to the audit committee members, a further annual remuneration of EUR 5,000 will be paid to the remuneration committee members and a further annual remuneration of EUR 3,000 will be paid to the nomination committee members.

The Board furthermore proposes that meeting fees will be paid to the Board members as follows:

- a meeting fee of EUR 1,000 will be paid to Board members per Board meeting where the Board member was physically present, and which was held on another continent than the member's place of residence; and
- no meeting fees will be paid to Board members who were attending a Board meeting but not physically present or for Board meetings held on the same continent as the member's place of residence.

In addition, it is proposed that all reasonable and properly documented expenses incurred in the performance of duties of the members of the Board would be compensated.

The Board also proposes, on the basis of the proposal of the remuneration committee, that no remuneration will be paid based on the Board membership of the CEO of the Company or a person serving the Company under a full-time employment or service agreement.

Resolution on the number of members of the Board

The Board proposes, on the basis of the proposal of the nomination committee, that seven (7) members be elected to the Board.

Election of members of the Board

The Board proposes, on the basis of the proposal of the nomination committee, that Frank Armstrong, Gregory Brown, John Poulos, Leopoldo Zambelletti, Markku Jalkanen and Matti Manner be re-elected to the Board for a term that ends at the end of the next AGM. In addition, the Board proposes, on the basis of the proposal of

the nomination committee, that Anne Whitaker be elected as a new member to the Board for a term that ends at the end of the next AGM.

Anne Whitaker (born 1967), Bachelor of Science, a citizen of the United States, currently serves as a member of the board of directors of three publicly listed companies: UDG Healthcare Plc, Caladrius Biosciences Inc., Mallinckrodt Plc and privately held Aerami Therapeutics Inc. Previously, she has acted as the CEO at, inter alios, Aerami Therapeutics, Inc., KNOW Bio LLC, Novoclem Therapeutics, Inc. and Synta Pharmaceuticals Inc., and as the Executive Vice President, Company Group Chairman of Bausch Health Company and President of North America for Sanofi.

Anne Whitaker is independent of the Company and its significant shareholders.

All proposed Board member candidates have given their consent for the election. The proposed Board members have informed the Company that in the event they are elected, they intend to elect Frank Armstrong as chair of the Board and Matti Manner as vice-chair of the Board.

Descriptions of the Board member candidates proposed to be re-elected are available on the Company's website at <https://www.faron.com/faron/leadership/board-directors>.

Resolution on the remuneration of the auditor

The Board proposes, on the basis of the proposal of the audit committee, that the auditor be remunerated in accordance with the invoice presented.

Election of the auditor

The Board proposes, on the basis of the proposal of the audit committee, that PricewaterhouseCoopers Oy (“PwC”), a firm of authorised public accountants, continue to act as the Company's auditor.

PwC has informed the Company that it will appoint Panu Vänskä, authorised public accountant (KHT), as the key audit partner.

Resolution on the amendment of the Option Plan 2015

The Company's Extraordinary General Meeting has on 15 September 2015 adopted the terms and conditions of an option plan which has later been amended by the decisions of the AGMs held on 16 May 2017 and 18 May 2020 (the “**Option Plan 2015**”). The subscription period for shares based on options is currently scheduled to end on 30 September 2021. The Board proposes that the AGM resolves to amend the terms and conditions of the Option Plan 2015 so that the subscription period for shares based on the options is extended by two (2) years, i.e., until 30 September 2023. For the sake of clarity, it is noted that the proposal applies to all options under the Option Plan 2015 (A options, B options, C options and D options). The Board deems that

the proposed amendment will enhance the usability of the options and thereby significantly increase the desired benefits of the incentivisation system for the management and personnel of the Company.

The consolidated terms and conditions of the Option Plan 2015, incorporating the amendments proposed herein, are attached hereto.

Amendment of the Articles of Association

The Board proposes that article 13 (regarding the reduction of equity of the company) be removed from the Articles of Association as the rules applicable to the Company are directly based on the Companies Act.

Authorising the Board to decide on the issuance of shares, options or other special rights entitling to shares

The Board proposes that the AGM authorise the Board to resolve by one or several decisions on issuances of shares, options or other special rights entitling to shares referred to in Chapter 10, Section 1 of the Companies Act, which authorisation contains the right to issue new shares or dispose of the shares in the possession of the Company. The authorisation would consist of up to ten million (10,000,000) shares in the aggregate (including shares to be received based on options or other special rights), which corresponds to approximately twenty (20) per cent of the existing shares and votes in the Company.

The authorisation would not exclude the Board's right to decide on the issuance of shares, options or other special rights entitling to shares in deviation from the shareholders' pre-emptive rights. The authorisation is proposed to be used for material arrangements from the Company's point of view, such as financing or implementing business arrangements, investments or for other such purposes determined by the Board in which case a weighty financial reason for issuing shares, options or other special rights entitling to shares, and possibly deviating from the shareholders' pre-emptive rights, would exist.

The Board would be authorised to resolve on all other terms and conditions of the issuance of shares, options or other special rights entitling to shares.

The authorisation would be effective until 30 June 2022. This authorisation shall not replace the authorisation relating to item A.15 of AGM notice.

Turku, 25 March 2021

FARON PHARMACEUTICALS LTD

Board of Directors