

PROPOSALS OF THE BOARD OF DIRECTORS OF FARON PHARMACEUTICALS LTD (“COMPANY”) TO THE ANNUAL GENERAL MEETING (“AGM”) CONVENING ON 22 APRIL 2022

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 2021 will be paid and that the losses of the Company for the financial year, amounting to EUR 21.2 million (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 Anne Whitaker 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 Erik Ostrowski be elected as a new member to the Board for a term that ends at the end of the next AGM.

Erik Ostrowski (born 1972), citizen of the U.S., holds no other board memberships at the moment. He is independent of the Company and its significant shareholders. Information on the proposed new Board member is available on the Company's website at <https://www.faron.com/investors/general-meetings>.

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.

Information on 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.

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 six hundred thousand (10,600,000) 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 (including, without limitation, issuance of warrants under the funding agreement with IPF Partners announced on February 28, 2022) 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 2023.

Authorising the Board to decide on the issuance of shares without consideration to the Company

The Board proposes that the AGM authorise the Board to resolve by one or several decisions on a share issue without consideration to the Company itself. The authorisation would consist of up to ten million six hundred thousand (10,600,000) shares in the aggregate, 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 in deviation from the shareholders' pre-emptive rights. The Board would be authorised to resolve on all other terms and conditions of the issuance of shares, including the right to issuances without consideration. Issuances without consideration require that there is an especially weighty financial reason for doing so from the Company's point of view and observing the interests of all the shareholders of the Company.

The authorisation would be effective until 30 June 2023. The proposed authorisation does not revoke the share issue authorisations granted to the Board otherwise during this AGM.

Turku, 25 March 2022

FARON PHARMACEUTICALS LTD

Board of Directors