

## **NOTICE OF FARON PHARMACEUTICALS LTD'S ANNUAL GENERAL MEETING**

Shareholders of Faron Pharmaceuticals Ltd (the “**Company**”) are notified of the Annual General Meeting (the “**AGM**”) to be held on 24 March 2023 at 9:00 a.m. EET (Finnish time) at Biocity, meeting room “Ministeri” at Tykistökatu 6, FI-20520 Turku, Finland. The registration of attendees and the distribution of voting slips will commence at the meeting venue at 8:30 a.m. EET (Finnish time).

The Company’s Annual Report 2022 is available to view and download on the Company’s website at <https://www.faron.com/>.

### **A. MATTERS ON THE AGENDA OF THE ANNUAL GENERAL MEETING**

- 1. Opening of the meeting**
- 2. Calling the meeting to order**
- 3. Election of persons to scrutinise the minutes and to supervise the counting of votes**
- 4. Recording the legality of the meeting**
- 5. Recording the attendance at the meeting and adoption of the list of votes**
- 6. Presentation of the financial statements, the report of the Board of Directors and the auditor’s report for 2022**

Review by the CEO.

- 7. Adoption of the financial statements**
- 8. Resolution on the use of the profit shown on the balance sheet and the payment of dividend**

The Board of Directors (the “**Board**”) proposes that no dividend for the financial year 2022 will be paid and that the losses of the Company for the financial year, amounting to EUR 28.7 million (IFRS), will be carried forward to the reserve for invested unrestricted equity.

- 9. Resolution on the discharge of the members of the Board and the CEO of the Company from liability**
- 10. 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.

#### **11. 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.

#### **12. Election of members of the Board**

The Board proposes, on the basis of the proposal of the nomination committee, that Frank Armstrong, John Poulos, Leopoldo Zambelletti, Markku Jalkanen, Anne Whitaker and Erik Ostrowski 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 Tuomo Pätsi be elected as a new member to the Board for a term that ends at the end of the next AGM.

Tuomo Pätsi, citizen of Finland and Switzerland, 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>.

#### **13. 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 approved.

#### **14. 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.

## **15. Amendment of the Articles of Association**

The Board proposes that article 11 § of the Articles of Association of the Company (Meeting venue) be amended to enable holding a General Meeting entirely without a meeting venue as a so-called remote meeting in addition to the Company's domicile and London. The said clause would read amended as follows:

“11§ Meeting venue

A General Meeting may in addition to the Company's domicile be held in the city of London, United Kingdom, on the basis of a resolution of the Board of Directors. In addition, the Board of Directors may decide that the General Meeting of the Shareholders be held without a meeting venue so that the shareholders exercise their power of decision in full in real time during the meeting using a telecommunications connection and technical means (remote meeting).”

It is proposed that the Articles of Association remain unchanged in other respects.

The proposal is based on the changes to Chapter 5 of the Finnish Companies Act, including the possibility to arrange general meetings remotely. Arranging a General Meeting as a remote meeting only, requires specific language in the Articles of Association. The legislative changes are based on the premise that, irrespective of the chosen General Meeting format, shareholders' rights must not be compromised and that all participating shareholders can exercise their shareholder rights in full in real time, including the right to present questions and vote. The possibility to organize General Meetings remotely enables the Company to prepare for rapid changes in the Company's operating environment and society in general, which may be caused, for example, by pandemics. It is important that the Company has the necessary means to offer its shareholders the possibility to exercise their shareholder rights and resolve on any matters that are presented in a General Meeting under any circumstances.

## **16. 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 Finnish Limited Liability Companies Act, which authorisation contains the right to issue new shares or dispose of the Company's own shares in the possession of the Company. The authorisation would consist of up to twelve million five hundred thousand (12,500,000) new 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, as well as the conveyance of up to the same maximum number (twelve million five hundred thousand (12,500,000)) of treasury shares in the possession of the Company.

In practise, the above authorisation includes that the Board may first resolve on one or several share issues (up to the maximum number of twelve million five hundred thousand (12,500,000) new shares) without consideration to the Company itself and then further convey such treasury shares (up to the maximum number of twelve million five hundred thousand (12,500,000) shares) against consideration.

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 28 February 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.

For the sake of clarity, it is noted that in no circumstances can the total number of new shares to be registered under this authorisation exceed twelve million five hundred thousand (12,500,000) new shares in aggregate.

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 2024.

#### **17. Resolution on the amendment of the option programme and authorising the Board to decide on the issuance of options or other special rights entitling to shares**

The Company's AGM has on 28 May 2019 decided to authorise the Board to resolve on issuances of options or other special rights entitling to shares referred to in chapter 10, section 1 of the Finnish Limited Liability Companies Act, and the terms and conditions have later been amended by the decision of the Company's AGM on 18 May 2020 (the "**Share Option Plan 2019**"). The Board proposes, on the basis of the proposal of the remuneration committee, that the AGM would resolve to amend the terms and conditions of the Share Option Plan 2019, so that a maximum total of four million three hundred and fifty thousand (4,350,000) options (previously two million (2,000,000) options) would be offered under said terms and conditions as follows:

- to the chair of the Board, a maximum of two hundred and fifty thousand (250,000) options (before the amendment one hundred and eighty thousand (180,000) options);
- to each member of the Board (excluding the chair of the Board and the Chief Executive Officer and the Chief Financial Officer if they would be considered as members of the Company's Board herein), a maximum of one hundred and twenty five thousand (125,000) options (before the amendment ninety thousand (90,000) options);
- to the Chief Executive Officer, a maximum of four hundred and ninety five thousand (495,000) options (before the amendment three hundred and sixty thousand (360,000) options);
- to the Chief Financial Officer, a maximum of one hundred and eighty thousand (180,000) options (before the amendment one hundred and thirty thousand (130,000) options); and
- for any other non-employee person as determined by the Board, a maximum of seventy thousand (70,000) options (before the amendment fifty thousand (50,000) options).

Excluding the addition concerning the listing on Nasdaq Helsinki and the extension of the duration of the authorisation, the terms and conditions of the option programme would remain otherwise unchanged. The consolidated rules of the Share Option Plan 2019, incorporating the amendments proposed herein, are

attached hereto as Annex 1. The proposed amendments provide greater flexibility to offer competitive equity incentive awards to senior leadership and wider employees in a competitive global talent market.

The proposed amendment would increase the maximum total number of options under the Share Option Plan 2019 by two million three hundred and fifty thousand (2,350,000) options. This would increase the aggregate percentage of shares that can be subscribed for based on options from 3,1 per cent to 6,9 per cent of all shares registered at the date of this proposal. The maximum number of options granted to the chair of the Board would increase by seventy thousand (70,000) options, representing an increase of approximately 38.9 per cent, the maximum number of options granted to each member of the Board (excluding the chair of the Board and the Chief Executive Officer and the Chief Financial Officer if they would be considered as members of the Company's Board herein) would increase by thirty five thousand (35,000) options, representing an increase of approximately 38.9 per cent, the maximum number of options granted to the Chief Executive Officer would increase by one hundred and thirty five thousand (135,000) options, representing an increase of 37.5 per cent, the maximum number of options granted to the Chief Financial Officer would increase by fifty thousand (50,000) options, representing an increase of approximately 38.5 per cent and the maximum number of options granted to other non-employee persons as determined by the Board would increase by twenty thousand (20,000) options, representing an increase of 40.0 per cent, over the current maximum totals.

In relation to the amendment proposed above, the Board further proposes, on the basis of the proposal of the remuneration committee, that the AGM authorise the Board to resolve by one or several decisions on issuances of options or other special rights entitling to shares referred to in chapter 10, section 1 of the Finnish Limited Liability Companies Act. The authorisation would consist of up to two million four hundred seventy three thousand and eighty four (2,473,084) shares, options or other special rights entitling to shares in the aggregate, which corresponds to approximately 3.9 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 options or other special rights entitling to shares in deviation from the shareholders' pre-emptive rights. The authorisation is proposed to be used for implementing an option plan for the employees and directors of, and persons providing services to, the group, substantially in the form of the amended Share Option Plan 2019 attached hereto as Annex 1. There is a weighty financial reason for issuing options, as options are an integral part of the incentivisation system for the management and personnel of the Company. The maximum numbers of options to be granted shall be as presented above. For the sake of clarity it is noted that, as described above, the new amended maximum amounts include the options already granted under the Share Option Plan 2019, which is why the proposed size of the authorisation also takes into account the options already granted based on the previous authorisation.

The exercise of options will be subject to fulfilment of certain criteria to be resolved by the Board (the "**Exercise Conditions**"). Subject to fulfilment of the Exercise Conditions, the options may be exercised at the exercise price, which may not be less than the market value of a share at the grant date, as determined by the Board (the "**Exercise Price**"). In determining such market value, if shares are traded on Nasdaq Helsinki and/or on the AIM market of the London Stock Exchange, the Board shall have regard to the average price per share at which shares have been traded over a period of 90 days immediately preceding the grant date. The Exercise Price will be determined so as to create a sufficient incentive for the recipients of options. The Exercise Price shall be recorded in the Company's reserve for invested unrestricted equity.



The Company's Board would be authorised to resolve on all other terms and conditions of the issuance of options or other special rights entitling to shares referred to in chapter 10, section 1 of the Finnish Limited Liability Companies Act.

The authorisation will be effective until 30 June 2026. This authorisation shall not replace other authorisations granted to the Board (but for the sake of clarity, replaces the authorisation granted in 2019 relating to the Share Option Plan 2019).

## **18. Closing of the meeting**

### **B. DOCUMENTS OF THE ANNUAL GENERAL MEETING**

The above-mentioned proposals to the AGM, the Company's Annual Report 2022 including the financial statements, the Report of the Board of Directors and the Auditor's Report and this notice are available on the Company's website at <https://www.faron.com/investors> as of the date of publication of this notice. The Board's proposals and the other above-mentioned documents will also be available at the AGM. Copies of these documents and of this notice will be sent to shareholders upon request. The minutes of the AGM will be available on the Company's website from 6 April 2023 at the latest.

### **C. INSTRUCTIONS FOR THE PARTICIPANTS**

#### **1. The right to participate and registration**

Each shareholder who on the record date of the AGM, being 14 March 2023, is registered in the Company's shareholders' register held by Euroclear Finland Oy has the right to participate in the AGM. A shareholder whose shares are registered on their personal Finnish book-entry account is registered in the Company's shareholders' register. If you do not have a Finnish book-entry account, see section C3 "*Holder of nominee-registered shares (including depositary interest holders)*".

A shareholder who is registered in the Company's shareholders' register and who wants to participate in the AGM should register for the meeting by no later than 10:00 a.m. EET (Finnish time) on Tuesday, 21 March 2023 by giving a prior notice of participation. The notice must be received before the end of the registration period. Notice of participation can be given:

- by email to [general.meeting@faron.com](mailto:general.meeting@faron.com) or
- by mail to Faron Pharmaceuticals Ltd, attn. Kaisa Kytä, Joukahaisenkatu 6, FI-20520 Turku, Finland.

When registering, a shareholder shall state their name, personal identification number / business identity code, address, telephone number and the name of a possible proxy representative, legal representative or assistant and the personal identification number of the proxy representative or legal representative. The personal data given by shareholders to the Company are used only in connection with the AGM and the necessary processing of related registrations.

Shareholders, and their authorised representatives or proxy representatives should, when necessary, be able to prove their identity and/or right of representation at the meeting venue.

## **2. Proxy representative and powers of attorney**

Shareholders may participate in the AGM and exercise their rights at the meeting by way of proxy representation. A proxy representative must present a dated power of attorney or other reliable proof of their authority to represent the shareholder.

If a shareholder participates in the AGM by means of several proxy representatives, who represent the shareholder with shares held on different book-entry accounts, the shares represented by each proxy representative shall be identified when registering for the AGM.

The Company offers the possibility for shareholders to designate Yrjö Wichmann, VP, Financing & IR, as their proxy representative, to represent them at the AGM in accordance with shareholder's voting instructions. Authorizing the designated proxy representative will not accrue any costs for the shareholder, excluding possible postal fees for proxy documents.

Possible proxy documents should be sent by email to [general.meeting@faron.com](mailto:general.meeting@faron.com) and in originals to Faron Pharmaceuticals Ltd, attn. Kaisa Kytä, Joukahaisenkatu 6, FI-20520 Turku, Finland before the end of registration period by which time the proxy documents must be received.

In addition to providing proxy documents, the shareholder or their proxy representative must take care of registering for the AGM in the manner described in this notice.

## **3. Holder of nominee-registered shares (including depositary interest holders)**

A holder of nominee-registered shares (including depositary interest holders) has the right to participate in the AGM by virtue of such shares based on which the holder would be entitled to be registered in the Company's shareholders' register held by Euroclear Finland Oy on the AGM's record date of 14 March 2023.

Additionally, participation requires that the holder of nominee-registered shares is on the basis of such shares temporarily registered in the Company's shareholders' register held by Euroclear Finland Oy by 10:00 a.m. EET (Finnish time) on Tuesday, 21 March 2023. As regards nominee-registered shares, this constitutes due registration for the AGM.

A holder of nominee-registered shares is advised to request the necessary instructions regarding the temporary registration in the shareholders' register, the issuing of proxy documents and registration for the AGM from their custodian bank without delay. A holder of nominee-registered shares shall note that custodian banks may apply deadlines for the registration and the providing of voting instructions of holders of nominee-registered shares. The account management organisation of the custodian bank must register a holder of nominee-registered shares who wants to participate in the AGM to be temporarily entered into the Company's shareholders' register by the above-mentioned time.

## **4. Other instructions and information**

Pursuant to Chapter 5, Section 25 of the Finnish Limited Liability Companies Act, shareholders who are present at the AGM are entitled to request information regarding the matters addressed by the meeting.

Changes in shareholding occurred after the record date of the AGM do not affect the right to participate in the AGM or the number of votes held by a shareholder.

On the date of this notice, 3 March 2023, the total number of shares and votes in the Company is 63,497,691.

The AGM shall be held in Finnish, partially translated into English.

Turku, 3 March 2023

FARON PHARMACEUTICALS LTD

Board of Directors

**For more information please contact:**

**Media / Investor Contact**

**Faron Pharmaceuticals**

Jennifer C. Smith-Parker

Head of Communications

[Jennifer.Smith-Parker@faron.com](mailto:Jennifer.Smith-Parker@faron.com)

**Cairn Financial Advisers LLP, Nomad**

Sandy Jamieson, Jo Turner

Phone: +44 (0) 207 213 0880

**Peel Hunt LLP, Broker**

Christopher Golden, James Steel

Phone: +44 (0) 20 7418 8900

**Sisu Partners Oy, Certified Adviser on Nasdaq First North**

Juha Karttunen

Phone: +358 (0)40 555 4727

Jukka Järvelä

Phone: +358 (0)50 553 8990

**Consilium Strategic Communications**

Mary-Jane Elliott, David Daley, Lindsey Neville

[faron@consilium-comms.com](mailto:faron@consilium-comms.com)

Phone: +44 (0)20 3709 5700

**Faron Pharmaceuticals Oy** (AIM: FARN, First North: FARON) together with its subsidiaries, is a clinical stage biopharmaceutical group focused on building the future of immunotherapy by harnessing the power of the immune system to tackle cancer and inflammation. *Bexmarilimab*, a novel anti-CLEVER-1 humanized antibody, is its investigative precision immunotherapy with the potential to provide permanent immune stimulation for difficult-to-treat cancers through targeting myeloid function. Currently in Phase I/II clinical development as a potential therapy for patients with hematological cancers and untreatable solid tumors, *bexmarilimab* has potential as a single-agent therapy or in combination with other standard treatments including immune checkpoint molecules. In terms of other pipeline assets, Traumakine® is an investigational intravenous (IV) interferon beta-1a therapy for the treatment of hyperinflammatory conditions. Faron is headquartered in Turku, Finland. Further information is available at [www.faron.com](http://www.faron.com).



