

A young child in a blue and teal hooded jacket is performing a high kick on a grassy lawn. A large red ball is in the foreground. The background shows a residential street with houses and trees.

Delivering on our commitment to patients.

**Zealand Pharma
Remuneration Report 2019**

Introduction.

This remuneration report includes remuneration practices and main principles in Zealand Pharma A/S ("Zealand") and its subsidiaries.

Remuneration principles

The purpose behind the remuneration principles is to strengthen attraction, retention and motivation of qualified international members of the Board and Directors and the Executive Management to Zealand. In addition, Zealand wants to encourage strong individual performance of such members as well as ensure the maximization of shareholder value and of Zealand's long-term sustainability. Therefore, members of the Executive Management receive a combination of fixed salary and incentives which promote and support value creation to the company's business on both a short- and a long-term basis as well as the long-term sustainability of the company.

The remuneration to the Board of Directors and the Executive Management is assessed on an ongoing basis to ensure that it is in line with comparable companies within the same industry as Zealand and does not exceed what is considered reasonable with regard to the company's financial position. Furthermore, remuneration is determined under consideration of the competences, efforts and responsibilities

required of members of the Board of Directors and the Executive Management. When laying out the principles, consideration has been made to ensure that the remuneration of the Board of Directors and Executive Management reflects the responsibilities and skills required of each role relative to peer companies, as well as to other senior leadership positions in the company.

The underlying principles are described in two documents that are approved at the Annual General Meeting:

- Remuneration policy
- Overall Guidelines for Incentive pay to the Executive Management of Zealand Pharma A/S

Remuneration of the Board of Directors

The Board of Directors assesses the fees paid to the Board annually, based on the recommendations of the Remuneration and Compensation Committee.

The remuneration for the year is approved at the Annual General Meeting.

Remuneration package components

Board of Directors (BoD), Executive Management (EM), Corporate Management (CoM)

Remuneration	BoD	EM	CoM	Comments
Fixed fee/fixed base salary	✓	✓	✓	
Fee for committee work	✓			Members of board committees
Short term cash bonus		✓	✓	Up to 72% of fixed base salary
Long-term share-based schemes		✓	✓	Up to 100% of fixed base salary
Other benefits		✓	✓	Company cars, phones, broadband, etc.
Pension		✓	✓	Up to 20% of fixed base salary



Find out more about Zealand on <https://www.zealandpharma.com/remuneration-and-compensation-committee/>

The board members receive a fixed base fee. The fee for 2019 was DKK 400,000, compared to DKK 300,000 in 2018. The Chairman of the Board of Directors receives DKK 350,000, and the Vice-Chairman of the Board of Directors receives DKK 100,000.

For committee work on the Audit Committee and the Remuneration and Compensation Committee, the Chairman of the Audit Committee receives an additional DKK 150,000 and members of the Audit Committee receive an additional DKK 50,000. Moreover, members of the Remuneration and Compensation Committee receives an additional DKK 50,000.

In addition, Zealand pays for travel and accommodation in connection with the board meetings.

In 2019, the number of board members increased from 8 members to 9 members. Further, Kirsten Drejer was appointed Vice Chairman. The increase in board members and increase in remuneration base fee, plus fee to a Vice-chairman resulted in an increase in the total fee to the Board of Directors from DKK 3.2 million in 2018, to DKK 4.3 million in 2019.

Remuneration to the Board of Directors

DKK thousand	2019			2018			2017		
	Base board fee	Committee Fees	Total fees	Base board fee	Committee Fees	Total fees	Base board fee	Committee Fees	Total fees
Martin Nicklasson	750	100	850	650	100	750	550	100	650
Kirsten Drejer ¹	467	0	467	200	0	200	0	0	0
Alain Munoz	400	50	450	300	50	350	250	33	283
Michael Owen	400	50	450	300	50	350	250	50	300
Bernadette Mary Connaughton	267	0	267	0	0	0	0	0	0
Jeffrey Berkowitz	267	33	300	0	0	0	0	0	0
Leonard Kruimer	267	100	367	0	0	0	0	0	0
Jens Peter Stenvang ²	400	0	400	300	0	300	250	0	250
Hanne Heidenheim Bak ²	400	0	400	300	0	300	198	0	198
Rosemary Crane ⁵	133	17	150	333	50	383	350	50	400
Catherine Moukheibir ⁵	133	50	183	300	150	450	250	150	400
Helle Haxgart ^{2, 4}	0	0	0	100	0	100	21	0	21
Rasmus Just ^{2, 3}	0	0	0	0	0	0	229	0	229
Total	3,884	400	4,284	2,783	400	3,183	2,348	383	2,731

¹ Kirsten Drejer was appointed vice chairman at the General Meeting on April 4 in 2019.

² Employee-elected board members; the table only includes remuneration for board work.

³ This board member resigned from the Board in 2017.

⁴ This board member resigned from the Board in 2018.

⁵ These board members resigned from the Board in 2019.

The disclosed remuneration for board members excludes minor mandatory social security costs paid by the company. It also excludes reimbursed expenses incurred in connection with board meetings, such as travel and accommodation.

The following members of the current Board of Directors hold shares in Zealand Pharma A/S

	Shares at December 31, 2018	Purchased during the year	Sold during the year	Shares at December 31, 2019
Martin Nicklasson	1,000	0	0	1,000
Kirsten A. Drejer	500	0	0	500
Bernadette Connaughton	0	500	0	500
Leonard Kruimer	2,500	1,500	0	4,000
Alain Munoz	5,250	0	0	5,250
Michael John Owen	0	300	0	300
Hanne Heidenheim Bak	24,684	5,000	20,000	9,684
Jens Peter Stenvang	3,500	0	700	2,800
Board of Directors	37,434	7,300	20,700	24,034

Remuneration of the Executive- and Corporate Management

Overall remuneration model

In line with the Remuneration Policy approved by the Annual General Meeting, the Remuneration and Compensation Committee proposes the remuneration to the President and Chief Executive Officer (CEO) for the coming year to the Board of Directors, who collectively approves the remuneration.

The CEO proposes the remuneration to the rest of Executive Management and Corporate Management for the coming year to the Remuneration and Compensation Committee, who collectively approves the remuneration.

The components of the remuneration to members of Executive Management and Corporate Management comprises a base salary, pension contributions, cash bonus, warrant compensation programs and benefits (car, phone, etc.).

Fixed base salary

The fixed base salary is set at market level for Danish and international companies of similar size and in the same industry.

Cash bonus

Cash bonus schemes may consist of an annual bonus, which the individual member of the executive management can receive if specific targets of the company and other possible personal targets for the relevant year are met. The maximum cash bonus cannot exceed 72% of the Executive Management member's fixed annual salary at the time of award for any given financial year. Target is 60% of the annual

fixed salary. Payment of bonus is only relevant when conditions and targets have been fully or partly met (as agreed). If no targets are met, no bonus is paid out.

For 2019, the company goals comprised 12 goals within the following three areas:

- Execute on the clinical pipeline
- Advance the early pipeline
- Build a strong financial and organizational position

For each goal, there were four pre-defined outcomes: not achieved, 80% achieved, 100% achieved, or 120% achieved. The outcome of the company goals for 2019 was a total achievement of 100%.

In addition to the company goals, the Executive Management and Corporate Management members have pre-defined personal goals impacting their cash bonus.

Pension

The pension contribution for executives is between 0 and 20% of the fixed base salary.

Severance

Zealand may at its discretion terminate executives' employment by giving them notice up to 12 months. Severance payments in case of termination shall not exceed 50 per cent of the individual's total remuneration of the last year. No severance payments in 2019 and 2018.

Long-term share-based schemes

The Long-term share-based schemes (LTIP) is aligned to select European and U.S. biotech peers to Zealand,

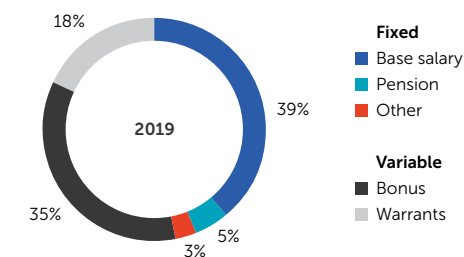
and is intended to drive long-term performance, the alignment of management's interests with those of Zealand's shareholders, and to support the attraction, retention and motivation of first-rate executive talent.

Under the LTIP, the Executive Management and Corporate Management are eligible to receive a number of performance share units at no cost, as determined by the Board of Directors.

On June 13, 2019 the first performance share units was granted. Each vested performance share unit entitles the holder to receive one share in Zealand at no cost provided that targets are met.

The targets for the grant under the LTIP are related to Zealand's filing of a submission for a New Drug Approval ("NDA") to the Food and Drug Administration ("FDA") in the United States and Zealand's receipt of

Remuneration to Executive and Corporate Management 2019



an approval letter from the FDA for this NDA application.

The performance share units have an estimated aggregate theoretical value of DKK 2.9 million, while each performance share unit has a value of DKK 127.33.

Members of Executive Management and Corporate Management are entitled to participate in Zealand's long-term warrant programs. The value of the share rights/warrants granted to the members of the Executive Management within a given calendar year may never amount to more than 100% of their fixed base salary (at the time of granting). The value of any share rights/warrants granted are disclosed in Zealand's annual report and is determined in accordance with the Black & Scholes formula.

In 2019, Executive and Corporate Management members were granted warrants. The total value of the program was DKK 9.4 million. In total in 2019, Zealand granted warrant programs representing a value of DKK 27.6 million. The programs related to Management represented 34%.

Changes in Management in 2019

Emmanuel Dulac was appointed as President and Chief Executive Officer in April 2019, and Matthew Dallas was appointed Chief Financial Officer in October 2019. They replaced Britt Meelby Jensen, CEO, and Mats Blom, CFO, that resigned in February and March 2019 respectively. Further, Chief Scientific Officer, Andrew Parker resigned end of August 2019. The appointment of Adam Steensberg as Executive Vice President, R&D and CMO in April 2019, increased the number of members of the Executive Manage-

Remuneration to the Executive Management

DKK thousand	Base salary	Bonus	Pension contribution	Other short term benefits	Warrant compensation expenses	Total
2019						
Remuneration to the Executive Management						
Emmanuel Dulac ¹	3,100	9,072	620	855	832	14,479
Adam Sinding Steensberg ²	2,807	1,032	505	269	2,304	6,917
Matthew Donald Dallas ³	588	534	0	5	82	1,209
Britt Meelby Jensen ⁴	1,745	419	175	60	0	2,399
Mats Blom ⁴	655	248	66	61	1,677	2,707
Total	8,895	11,305	1,366	1,250	4,895	27,711
Other Corporate Management ⁵	6,559	2,580	389	46	1,972	11,546
Total	6,559	2,580	389	46	1,972	11,546
Total	15,454	13,885	1,755	1,296	6,867	39,257
2018						
Remuneration to the Executive Management						
Britt Meelby Jensen	4,189	2,513	419	320	Restated 0	Restated 7,441
Mats Blom	2,621	1,031	262	273	1,888	6,075
Total	6,810	3,544	681	593	1,888	13,516
Other Corporate Management ⁵	6,689	2,653	604	1,035	4,471	15,452
Total	6,689	2,653	604	1,035	4,471	15,452
Total	13,499	6,197	1,285	1,628	6,359	28,968
2017						
Remuneration to the Executive Management						
Britt Meelby Jensen	3,915	2,482	392	231	Restated 4,554	Restated 11,574
Mats Blom	2,496	999	250	271	1,747	5,763
Total	6,411	3,481	642	502	6,301	17,337
Other Corporate Management ⁵	4,416	1,787	442	388	3,125	10,158
Total	4,416	1,787	442	388	3,125	10,158
Total	10,827	5,268	1,084	890	9,426	27,495

¹ Emmanuel Dulac was appointed as CEO at April 25, 2019. ² Former Interim CEO Adam Sinding Steensberg was appointed EVP, R&D and CMO at April 25, 2019.

³ Matthew Donald Dallas was appointed CFO at October 10, 2019. ⁴ Former CEO Britt Meelby Jensen and former CFO Mats Blom resigned from Zealand at February 28, 2019 and March 28, 2019, respectively. ⁵ Other Corporate Management in 2019 comprised three members (2018: Four and 2017: Two).

ment. The remuneration (without long-term share-based incentive costs) in 2019 amounted in total to DKK 22.8 million, compared to DKK 11.6 million in 2018, and is a result of the change in composition of the Executive and Corporate Management.

The following members of the Executive Management holds shares in Zealand Pharma A/S

Shares	Shares at December 31, 2018	Purchased during the year	Sold during the year	Shares at December 31, 2019
Adam Steensberg	22,800	0	5,789	17,011
Executive Management	22,800	0	5,789	17,011

The following members of the Executive Management holds warrants in Zealand Pharma A/S

Warrants	Warrants at December 31, 2018	Granted during the year	Exercised during the year	Warrants at December 31, 2019
Emmanuel Dulac	0	74,933	0	74,933
Adam Steensberg	227,000	42,961	0	269,961
Matthew Dallas	0	27,277	0	27,277
Executive Management	227,000	145,171	0	372,171

The following members of the Executive Management holds Performance Shares Units (PSUs) in Zealand Pharma A/S

PSUs*	PSUs at December 31, 2018	Granted during the year	Cancelled during the year	PSUs at December 31, 2019
Emmanuel Dulac	0	8,835	0	8,835
Adam Steensberg	0	5,065	0	5,065
Matthew Dallas	0	0	0	0
Executive Management	0	13,900	0	13,900

* Performance Shares Units were introduced under the Zealand Long-term Incentive Program approved in June 2019



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