

# Growing as a leader in peptide therapeutics.

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**Zealand Pharma  
Remuneration  
Report 2021**

Company reg. no. 20045078

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# Introduction to shareholders.

Our role in the Remuneration Committee is to continue to monitor the overall level of remuneration and to ensure that it remains competitive with its peers. In our last remuneration report the Board pledged to keep the Executive Management's progress under review and ensure that they met the ambitious goals that the Board set for them. This report details the progress and how successful the management has been. I am pleased to report that the right progress is being made by the company.

## Looking back - 2021

This year has presented another exciting year for the company in a challenging environment for the biotechnology sector in general. The effects of the worldwide pandemic, the turbulence in the equity markets and the political instability have influenced Zealand's ability to execute its objectives. Even with these challenges, Zealand employees and its Management have continued to advance the company's objectives and have succeeded in making substantial progress. I commend this continued effort and I, and my fellow Board members, want to take this opportunity to thank all the employees and members of management for their continued focus and effort in ensuring our success. The company will need to demonstrate this level of commitment through this next year to realize the potential of its late-stage pipeline.

## The coming year

In this report we have set out the 2021 metrics for the performance of Executive Management and for the Board. This is the first year that we have had to test the new remuner-



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**Martin Nicklasson**  
Chairman of  
the Board of Directors

ation structure for the members of the Board and the Executive Management that we established with shareholder approval in April 2021. The board choose to forgo a portion of the cash element of Board Remuneration and substitute it with equity in the form of Restricted Stock Units. This was to ensure alignment between the Board and the Company and to ensure long term growth for the company. We have decided to continue with this structure for the next year as we continue to believe that this is in the shareholders' interests that the Board have a focus on shareholder return in a pivotal year for the company.

With respect to the Executive Management, we have maintained the structure of cash salary, a cash bonus, and a split equity component that we used last year. Overall, the structure and the level remain broadly the same as the last year. The majority part of the equity component consists of performance share units awarded in the form of restricted stock units that are measured against goals for the company. For the smaller part of the equity component, we have decided to resume the use of warrants for management.

There is a highly competitive environment for talent, and we need to ensure that we can continue to attract, but also importantly retain, key talent that the company needs to continue its journey. We are also conscious of the company's needs to focus on its need to raise finance in a difficult market for the industry. We have been careful to manage these two potentially conflicting demands when we review the compensation policy for the company for the year 2022. As shareholders will see, we have kept the structure

of the Remuneration Policy the same as last year and we have not recommended any significant increase.

Given the present turbulence in the marketplace and the company's need to continue to raise capital, we have ensured that the remuneration that we propose for the next year is competitive but is sensitive to the company's present position.

### **Shareholder feedback**

This report is subject to a vote at the Annual General Meeting. This vote, all though non-binding is an important part of shareholder engagement, and we welcome this vote as an endorsement of our approach. We hope that this report provides you detailed insight to the performance of the Executive Management and that you will see that they are performing in a way that the Board would expect. As ever we will maintain a review of the company's performance and set out the Executive's performance in our next report.

Yours sincerely,

### **Martin Nicklasson**

Chairman of the Board and Chairman of the Remuneration Committee

# Introduction to 2021 Remuneration Report.



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## Performance

- In March, Zealand received FDA approval of our first fully in-house developed product, Zegalogue®. This, and the commercial launch of the product in June, was a major milestone for Zealand as a company
- Our development efforts should deliver results for our two phase 3 programs (dasiglucagon for CHI, glepaglutide for SBS)
- Our early pipeline (incl. pre-clinical) has seen strong progression, reaching our set goals and creating positive news flow both with our explicit focus on obesity, successful results in obesity from one of our partnered programs, and initiation of a phase 1 program for our Amylin agonist in early November 2021
- Zealand executed a successful capital raise in January 2021 and executed an additional financing with Oberland Capital in December 2021



## Company Updates

- Christina Sonnenborg Bredal was promoted to Head of People & Organization, becoming a member of the company's Corporate Management Team
- Anneline Nansen replaced Gertrud Koefoed Rasmussen, as Employee Elected member of the Board of Zealand

# Key 2021 developments.



The full version of the Remuneration Policy is published on the Zealand website <https://www.zealandpharma.com/remuneration-committee>

## Remuneration principles and Remuneration Policy highlights

2021 was the first year under the new Remuneration Policy for Zealand. The policy was developed together with third party independent compensation consultants to recommend an appropriate compensation package for the members of the Board and for the members of Management. The policy has been built around a peer group of companies against whom Zealand is considered comparable to, and through this comparison we have established appropriate compensation packages. Our goal is to ensure that we can attract and retain superior executive talent that is able to catalyze Zealand's activities and grow the company.

Zealand is a dual listed company, headquartered in Copenhagen, Denmark with offices in Boston and Marlborough, Massachusetts, United States (US). Shares are traded at Nasdaq Nordic (Copenhagen) and Nasdaq Global Select Markets (US). Zealand's two commercialized products, V-Go® and Zegalogue, are sold exclusively in the US, which is also the primary market for all pipeline products. Management and Board composition must therefore reflect the need for capabilities to develop, register, and sell products in US. Currently, two Management team members and two members of the Board are located in the US. To ensure that we can continue to retain and attract US based executives and board members, we amended our existing remuneration policy last year to take into account the US market and the skill sets are critical to Zealand's success.

To create a remuneration structure that allows Zealand to remain competitive for directors and executives with deep US experience, Zealand is using a US based peer group as benchmark for directors, management, and US based employees. In 2019-2021, Zealand experienced difficulties in attracting and retaining executive and director talent with a European level or blended European/US compensation philosophy, especially when comparing long-term incentive programs. The company's pivot to the US, our growth to date and difficulty in attracting and retaining top level talent caused us to update our compensation philosophy and policy in 2021.

We have decided to use criteria for identifying our peer group that:

- 1 have a similar market capitalization to Zealand,
- 2 have a similar headcount as Zealand
- 3 have their own products that were near to, or had just entered the market, and
- 4 are at a similar stage in their development as companies.

The full list of peer group companies was established in our 2020 Remuneration report and is displayed below.

### Zealand Pharma – Remuneration Peer Group

Agios Pharmaceuticals	Amicus Therapeutics	Apellis Pharmaceuticals	Ardelyx	Atara Biotherapeutics
BioCryst Pharmaceuticals	Blueprint Medicines	BridgeBio Pharma	Cytokinetics	
Dicema Pharmaceuticals <sup>1</sup>	Epicyte	Insmed	Kadmon	Karyopharm Therapeutics
MacroGercis	TG Therapeutics	Xeres Therapeutics		

There have been no changes to the companies in the peer group, compared to what was disclosed in the 2020 remuneration report.

The Remuneration Policy applicable to the members of Executive Management as well as the Board for the financial year 2021 was approved at the company's 2021 Annual General Meeting. The Policy is also used as a guide towards the wider Corporate Management group to ensure that members of management are treated in the same way wherever possible. The Policy, including the purpose and key aspects of each of the remuneration elements, is summarized in the table below.

<sup>1</sup> Acquired by Novo Nordisk A/S on 18<sup>th</sup> November 2021

<sup>2</sup> BoD: Board of Directors, ExecMan: Executive Management, CorpMan: Corporate Management

### Zealand Pharma – Remuneration Peer Group<sup>2</sup>

Component	Purpose and link to strategy	BoD	Exec Man	Corp Man
Fixed fee / fixed base salary	Recognizes market value, the nature of the role in terms of scale, complexity and responsibility and for executives their experience, sustained performance and contribution over time. Fixed fee for member of the Board of Directors provided through a mix of both Cash and RSUs	✓	✓	✓
Pension	Ensures local competitiveness of compensation package for executives		✓	✓
Fee for committee work, and company-paid foreign social security	Attracts individuals with a broad range of experience and skills; rewards Board members for setting strategy and overseeing its implementation. Committee fees are provided in the form of RSUs	✓		
Short-term cash-based incentives	Rewards the achievement of annual goals, guided by the long-term business strategy		✓	✓
Short-term share-based component (RSUs)	Ensures that Board members have a meaningful stake in the company which is aligned with shareholder interests. The shorter vesting schedule aligns with election periods and ensures that Board members can dissent without being tied into long-term positions. Holding requirements apply while serving on the Board	✓		
Long-term share-based incentives (RSUs & PSUs)	Links remuneration to the achievement of long-term shareholder value creation and supports the retention of the executives. Grant levels and vesting schedules are linked to US market practice		✓	✓
Other benefits	Provide for the executives' health and welfare needs; certain benefits may be provided to support relocation if applicable		✓	✓

# Remuneration of the Board of Directors •

Our Board is a critical element to Zealand and its continued success. In 2021, we decided to modify the Board remuneration, so it is aligned with company and shareholder interest and so that the Board is required to consider shareholder value. As a result, the Board remuneration package was modified to include an element of equity, in addition to the cash remuneration. We believe that this ensures that the remuneration is competitive and consistent with the company's long-term shareholder interest. In developing the benchmarks, we noted that 100% of Zealand's peer group offer equity to Directors. The chosen vehicle is Restricted Stock Units (RSUs), since stock options and warrants are inconsistent with Danish Recommendations on Corporate Governance Article 4.1.5 which also note that it is not contrary to the Recommendations that members of the Board receive a part of their remuneration in the form of shares at market value. To partially offset the cost of issuance of RSUs to the company, the Board base fees were reduced to DKK 100,000 (a decrease of 75%).

With mind to what it would require to recruit and maintain the skills for the Board, Zealand's board remuneration is structured as follows:

## Zealand Pharma – Remuneration Peer Group<sup>2</sup>

Role	Cash fee	RSU allocation
Board member	✓	✓
Chair of the Board		✓
Vice-Chair of the Board		✓
Audit Committee Chair		✓
Audit Committee member		✓
Remuneration Committee member		✓
Scientific Committee member		✓
Nomination Committee member	None	None
Remuneration Committee chair	None	None



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With respect to the award of RSUs, the following terms apply:

- The total annual number of RSUs that a director can receive is capped at 8,000
- The RSUs vest at the date of the Annual General Meeting in the year following the grant (“cliff-vesting”)
- Board members must hold at least three (3x) times their annual cash retainer while they serve on the Board
- Any Board member who does not meet the holding requirement must retain at least 50% of vested shares, net of taxes, if within the first five years following the first grant. If the holding requirements are not met after the five-year anniversary of the first grant, the Board member must retain 100% of the vested shares, net of taxes.

We have chosen RSUs, rather than options or Performance Based Shares. This is because we were mindful that, with a one-year vesting timeframe, the use of equity instruments for members of the Board should encourage long term shareholder value over short term gains. The short vesting timeframe ensures that Board members can express dissenting views to the Board, and in extreme cases, take the ultimate step of resigning without significant financial penalties.

Although we have used a set of US based companies as the benchmark, we have calculated the Board compensation to fall at approximately the 25<sup>th</sup> percentile when compared to the peer group. The full package for the members of the Board (both the Independent Shareholder Elected members and the Employee Elected members) looks like this:

### Board of Directors remuneration structure 2021 vs 2020

Role	2020 Cash Element (DKK)	2021 Cash Element (DKK)	2021 Equity Element (RSUs)
Board member	400,000	100,000	1,500
Chair of the Board	350,000	0	5,000
Vice-Chair of the Board	100,000	0	1,000
Audit Committee Chair	150,000	0	4,000
Audit Committee Member	50,000	0	2,500
Remuneration Committee member	0	0	1,500
Scientific Committee member	0	0	1,500

Board members did not receive any form of remuneration from associated group companies during 2021. The 2022 Board remuneration components and amounts are proposed to be equivalent to 2021 as outlined in the table above.

## Board of Directors remuneration composition

DKK thousand	Role <sup>1</sup>	Base board fee	Base fee – Value of RSUs at grant	Committee fee – Value of RSU at grant	Social security taxes	Total fees
<b>2021 Remuneration to the Board of Directors</b>						
Martin Nicklasson	BC, RC, NC and AM	100	1,333	308	43	1,783
Kirsten A. Drejer	BV, SC	100	513	308	-	920
Leonard Kruimer	AC	100	308	820	-	1,228
Alain Munoz	RM, SM	100	308	615	-	1,023
Michael J. Owen	RM, SM	100	308	615	4	1,027
Bernadette Connaughton	AM	100	308	513	-	920
Jeffrey Berkowitz	AM	100	308	513	-	920
Anneline Nansen <sup>2</sup>		33	-	-	-	33
Frederik Barfoed Beck		100	308	-	-	408
Gertrud Koefoed Rasmussen <sup>3</sup>		67	308	-	-	67
Jens Peter Stenvang		100	308	-	-	408
Louise Gjelstrup		100	308	-	-	408
<b>Total</b>		<b>1,100</b>	<b>4,613</b>	<b>3,690</b>	<b>47</b>	<b>9,450</b>

<sup>1</sup> BC: Board of Directors Chairman, BV: Board of Directors Vice-Chairman, AC: Audit Committee Chairman, AM: Audit Committee member, NC: Nomination Committee Chair, RC: Remuneration Committee Chairman, RM: Remuneration Committee member, SC: Scientific Committee Chairman, SM: Scientific Committee member

<sup>2</sup> Joined the Board on 1 September 2021 after the annual RSU grant in 2021 and equity remuneration component is thus converted to a prorated cash remuneration component.

<sup>3</sup> Resigned from the Board on 31 August 2021; unvested RSUs are forfeited

Anneline Nansen joined the board as an employee elected member following the resignation of Gertrud Koefoed Rasmussen. The number of board members in 2021 was therefore unchanged at 11 directors.

## 2021 RSUs granted to the Board of Directors

The table below presents an overview of all granted but not yet vested RSUs to members of the Board of Directors:

DKK thousand	Role <sup>1</sup>	Board of Directors – RSUs	Grant date	Vesting <sup>3</sup> date	Number of shares granted	Value per share at grant date (DKK)	Total value of grant (DKK)
Martin Nicklasson	BC, RC, NC and AM	2021 RSUs	April 2021	April 2022	8,000	205.0	1,640,000
Kirsten A. Drejer	BV, SC	2021 RSUs	April 2021	April 2022	4,000	205.0	820,000
Alain Munoz	RM, SM	2021 RSUs	April 2021	April 2022	4,500	205.0	922,500
Michael J. Owen	RM, SM	2021 RSUs	April 2021	April 2022	4,500	205.0	922,500
Leonard Kruimer	AC	2021 RSUs	April 2021	April 2022	5,500	205.0	1,127,500
Bernadette Connaughton	AM	2021 RSUs	April 2021	April 2022	4,000	205.0	820,000
Jeffrey Berkowitz	AM	2021 RSUs	April 2021	April 2022	4,000	205.0	820,000
Anneline Nansen <sup>4</sup>					-	-	-
Frederik Barfoed Beck		2021 RSUs	April 2021	April 2022	1,500	205.0	307,500
Gertrud Koefoed Rasmussen <sup>2</sup>		2021 RSUs	April 2021	April 2022	1,500	205.0	307,500
Jens Peter Stenvang		2021 RSUs	April 2021	April 2022	1,500	205.0	307,500
Louise Gjelstrup		2021 RSUs	April 2021	April 2022	1,500	205.0	307,500

<sup>1</sup> BC: Board of Directors Chairman, BV: Board of Directors Vice-Chairman, AC: Audit Committee Chairman, AM: Audit Committee member, NC: Nomination Committee Chair, RC: Remuneration Committee Chairman, RM: Remuneration Committee member, SC: Scientific Committee Chairman, SM: Scientific Committee member

<sup>2</sup> Gertrud Koefoed Rasmussen's grant of RSUs lapsed following her resignation from the board

<sup>3</sup> RSUs vest either 1 year following the date of grant, or at the next Annual General meeting whichever is earlier.

<sup>4</sup> Joined the Board on 1 September 2021 after the annual RSU grant in 2021 and equity remuneration component were thus converted to a prorated cash remuneration component Shares owned by our Board

Board members are required to build a shareholding with a value corresponding to at least 3x the annual base. The table below illustrates shares held, purchased and sold by Board members in 2021.

### Shares owned by the Board of Directors

DKK thousand	Shares at December 31, 2020	Purchased / (Sold) during the year	Shares at December 31, 2021
Martin Nicklasson	2,570	-	2,570
Kirsten A. Drejer	800	-	800
Alain Munoz	5,250	-	5,250
Michael J. Owen	300	-	300
Leonard Kruimer	4,000	-	4,000
Bernadette Connaughton	500	-	500
Jeffrey Berkowitz	200	-	200
Anneline Nansen	1,571	-	1,571
Frederik Barfoed Beck	4,798	-	4,798
Jens Peter Stenvang	5,050	1,250	6,300
Louise Gjelstrup	840	415	1,255
<b>Total Board of Directors</b>	<b>25,879</b>	<b>1,665</b>	<b>27,544</b>

# Remuneration of the Executive and Corporate Management.

## About Management remuneration

When choosing a suitable remuneration package, we have approached this using the US peer group referred in our 2020 Remuneration Report and above, but adopted a different approach than the one used for the Board. We have structured the 2021 package so that we retain the talent on the management team and significantly strengthen the pay-for-performance component of the compensation package. The task delegated to management is to continue Zealand's progress and growth into a fully integrated research, development and commercial biotech company and we have set out the goals against which we measure that above.

As a result, the Board has wished to provide the right mix of incentives over the short term and the long term which is reflected in the structure below:

- A base salary which is competitive with benchmark
- A short-term incentive in the form of a cash bonus
- A long-term equity plan
- Other customary benefits, such as pension plan contributions, company car allowance, executive health examinations.



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## Overview of Management remuneration

Remuneration of members of Management in 2021 made up DKK 103.55 million (2020: DKK 45.1 million) and is specified as follows:

Due to significant changes in the composition of Management and the remuneration structure in 2021, the Board has not found it relevant to include an overview of remuneration in previous years in this remuneration report. This will form part of the exercise for future reports that use the same compensation structure. For comparison and an overview of the development in remuneration, we refer to the later section in this report.

Information about Board and Management remuneration prior to 2021 can be found in the 2020 Remuneration Report or in the company's annual reports for previous years.

## Management remuneration

DKK thousand	Base salary	Pension cont.	Other benefits	Cash bonus	LTIP RSUs value at grant	LTIP PSUs value at grant	Total Remuneration	Split fixed vs variable
<b>2021 Remuneration to Executive Management</b>								
Emmanuel Dulac	5,099	1,020	243	3,059	7,112	21,336	37,869	17% / 83%
Adam Sinding Steensberg	3,056	611	286	1,193	2,153	6,459	13,758	29% / 71%
Mathew Donald Dallas	2,983	38	49	1,226	2,207	6,620	13,123	23% / 77%
<b>Total EM</b>	<b>11,138</b>	<b>1,669</b>	<b>578</b>	<b>5,478</b>	<b>11,472</b>	<b>34,415</b>	<b>64,750</b>	<b>21% / 79%</b>
Other Corp. Management <sup>1,2,3,4</sup>	9,245	501	581	3,513	6,240	18,720	38,800	27% / 73%
<b>Total CoM</b>	<b>9,245</b>	<b>501</b>	<b>581</b>	<b>3,513</b>	<b>6,240</b>	<b>18,720</b>	<b>38,800</b>	<b>27% / 73%</b>
<b>Total</b>	<b>20,383</b>	<b>2,171</b>	<b>1,158</b>	<b>8,991</b>	<b>17,712</b>	<b>53,135</b>	<b>103,550</b>	<b>23% / 77%</b>

<sup>1</sup> Other Corporate Management in 2021 comprised 4 members

<sup>2</sup> VP People & Organization became a part of Corporate Management in April 2021

<sup>3</sup> SVP Corporate and Business Development left Zealand Pharma at the end of October 2021

<sup>4</sup> Other benefits include a severance payment of DKK 2.9 million was made to a departing member of Corporate Management during 2021.

Members of Management did not receive any form of remuneration from associated group companies during 2021.

### Short-term cash-based incentives

The short-term incentive provides members of Management with an opportunity for an annual cash bonus that rewards the achievement of defined performance targets at company and individual level for the specific financial year.

Performance targets (or KPIs) are carefully considered each year and set by the Board, to ensure they align with our overall long-term business strategy and that they are challenging enough for Zealand to achieve its ambitions.

Members of Management receive a target for each goal annually that is designed to support Zealand's business strategy, including short- and long-term goals and value creation for both Zealand and the shareholders. Targets are individually set as a percentage of the individual annual fixed salary, and in line with the Remuneration Policy. Payment of bonus only happens when conditions and targets have been either fully or partly met.

The CEO may receive a target of 60% of annual base in short-term incentives with a maximum payout factor of 120%, thus the amount is capped at 72% of the fixed annual base salary at the time the cash bonus is awarded. For other members of Executive Management and Corporate Management, the target is up to 40% of annual base salary with a maximum pay-out factor of 120%.

### For 2021, Zealand established a total of 10 company goals, within the following 4 areas:

Each goal can yield between 0% and 120%, except Launch Zegalogue and optimize commercialization which can yield up to 150%. The total Company Goal achievement can yield between 0% and 120%.

Given Zealand's performance in 2021, the Remuneration Committee assessed that the overall outcome of the company goals was a total achievement of 100%. This was approved by the Board. The table below provides the overview of the overall achievement per company goal area for 2021:

### Company goals

Company goal Area	2021 company goals	Overall weight	Overall
Launch Zegalogue and optimize commercialization	<ul style="list-style-type: none"> <li>• Deliver revenue target for Zegalogue and V-Go</li> </ul>	25%	85% (21%)
Execute on the clinical pipeline	<ul style="list-style-type: none"> <li>• Zegalogue: NDA approval</li> <li>• CHI: Phase 3 execution</li> <li>• Glepaglutide: Phase 3 execution</li> <li>• BHAP: Phase 3 initiation</li> <li>• Dapiglutide: MAD trial execution</li> </ul>	42%	104% (44%)
Enrich early pipeline and Develop our next generation platform	<ul style="list-style-type: none"> <li>• New clinical candidate taken towards Phase 1 initiation</li> <li>• Develop our next generation peptide platform with discovery projects</li> </ul>	13%	112% (15%)
Maintain a strong financial and organizational position	<ul style="list-style-type: none"> <li>• Disciplined financial management with tight cost control</li> <li>• Maintain high performance and engaged employees</li> </ul>	20%	100% (20%)
<b>Subtotal performance on overall KPIs</b>			<b>100%</b>

In addition to the company goals, members of Management have predefined personal goals impacting cash bonus. For the financial year 2021, the overall performance of Executive Management members against their personal goals were assessed by the Board as shown in the table below:

### Executive Management goals overview

Individual Cash Bonus Goals <sup>1</sup>	Achievement
Emmanuel Dulac (CEO)	• CEO, is only on corporate goals. n/a
Adam Sinding Steensberg (CMO) – 7 Personal sub goals	• Leadership 92% • R&D • Strategy
Mathew Donald Dallas (CFO) – 5 Personal sub goals	• Operational 109% • Strategic

<sup>1</sup> The Remuneration Committee has assessed that disclosing the details of individual goals could potentially harm the competitive position of Zealand.

The achieved performance on both company goals and individual goals for 2021 led to the following cash bonus payouts as a percentage of the annual base salary:

### Executive Management cash bonus overview

Cash bonus achieved for 2021	Target bonus % of base	Company goals weight	Individual goals weight	Cash bonus achieved for 2021 in % of base
Emmanuel Dulac (CEO)	60%	100%	n/a	3,059
Adam Sinding Steensberg (CMO)	40%	70%	30%	1,193
Mathew Donald Dallas (CFO)	40%	70%	30%	1,226

## New Long-term share-based incentive from 2021

In 2021, along with the new remuneration policy we also took the opportunity to rework our long-term incentive plan.

The new long-term incentive plan is designed as follows:

	PSUs	RSUs
<b>Design &amp; Purpose</b>	<ul style="list-style-type: none"> <li>Use instruments that appropriately reward performance against known milestones with long-term impact for the company</li> <li>Provide long-term shareholder value creation versus an external benchmarked measure</li> <li>An external measure against which the company is held</li> </ul>	
<b>Key features</b>	<ul style="list-style-type: none"> <li>75% of Grant value converted to PSUs</li> <li>The PSUs consist of an equal blend of market goals and operational goals</li> <li>The thresholds at which these will be awarded are set at:               <ul style="list-style-type: none"> <li>At least 50% success on the goals before any are awarded</li> <li>Reaching the target will trigger award of 100% of goals</li> <li>Additional rewards for exceeding the targets are capped at 150% of target, to protect against excessive payouts</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>25% of grant value converted to RSUs</li> <li>RSUs vest over three years, with no performance conditions</li> </ul>
<b>Grant value &amp; market comparison</b>	<ul style="list-style-type: none"> <li>Grant value of these PSUs and RSUs are aligned against similar equity award levels to US peer companies at the 50th percentile</li> <li>For 2021 being the first year of the new LTI scheme, the awards are matched at the level of the 75th percentile to make up for the shortfall from the peer group in previous years.</li> <li>The eligible participants have agreed to meet defined holding requirements so that the Chief Executive Officer must hold 3x annual base salary and other eligible participants must hold 1x annual base salary, with five years to achieve the minimum holding</li> <li>For the CEO, the combined 2021 grant of PSUs and RSUs was equal to approx. 550% of annual base salary while for the other members of management the 2021 grant was equal to between 35-350% of annual base salary</li> <li>For 2021 only: a correction for lagging behind the benchmarks in past years</li> </ul>	
<b>KPIs</b>	<ul style="list-style-type: none"> <li>The PSU market element of the award is measured and cliff-vested at the end of a 3-year period, based on Zealand's rank in terms of total shareholder return against Nasdaq Biotechnology Index</li> <li>The PSU operational element of the award is measured at the end of a 1-year period against three binary goals set out for the company, primarily clinical or regulatory milestones. This subset of PSUs will vest, if earned, in increments of 1/3 per year over the 3-year period. The payout matrix is included next to this table.</li> </ul>	

The payout matrix for the PSUs is as follows:

Market goals (TSR rank vs. index)	Operational goals	Pay-out
75 <sup>th</sup> percentile or higher	3 milestones achieved	150% (Max)
50 <sup>th</sup> percentile	2 milestones achieved	100% (Target)
25 <sup>th</sup> percentile	1 milestone achieved	50% (Threshold)
< 25 <sup>th</sup> percentile	0 milestones achieved	0% (Not achieved)

For market goals, the payout between the 25<sup>th</sup> and 75<sup>th</sup> percentile is interpolated.



## Overview of PSU and RSU grants

The table below presents an overview of PSUs and RSUs granted in 2021, as well as their grant value. Historical PSUs and RSUs granted in 2019 and 2020 are also shown. Members of Management do not hold any other unvested RSU or PSU grants.

	LTIP Scheme	Grant date	Vesting date	Number of shares granted	Value per share at grant date (DKK) <sup>1</sup>	Total value of grant (DKK)
Emmanuel Dulac (CEO)	2021 RSUs	May 2021	May 2024	38,258	185,9	7,112,162
	2021 PSUs	May 2021	May 2024	114,774	185,9	21,336,487
	2020 RSUs	April 2020	April 2023	6,657	224,4	1,493,831
	2019 PSUs	June 2019	June 2022	8,835	138,6	1,224,531
Adam Sinding Steensberg	2021 RSUs	May 2021	May 2024	11,581	185,9	2,152,908
	2021 PSUs	May 2021	May 2024	34,743	185,9	6,458,724
	2020 RSUs	April 2020	April 2023	3,990	224,4	895,356
	2019 PSUs	June 2019	June 2022	5,065	138,6	702,009
Matthew Donald Dallas <sup>1</sup>	2021 RSUs	May 2021	May 2024	11,517	191,6	2,206,657
	2021 PSUs	May 2021	May 2024	34,552	191,6	6,620,163
	2020 RSUs	April 2020	April 2023	4,019	224,4	901,864
Other Corp. Management	2021 RSUs	May 2021	May 2024	12,081	185,9	2,245,858
	2021 RSUs	May 2021	May 2024	20,846	191,6	3,994,094
	2021 PSUs	May 2021	May 2024	36,244	185,9	6,737,760
	2021 PSUs	May 2021	May 2024	62,538	191,6	11,982,281
	2020 RSUs	Sept, 2020	Sept, 2023	5,864	216,8	1,271,315
	2020 RSUs	April 2020	April 2023	6,936	224,4	2,827,754
	2019 PSUs	June 2019	June 2022	5,865	138,6	812,889

<sup>1</sup> PSU and RSU grants in Denmark and the US were made with a 14 day interval, why the share price at grant differs slightly between the two.

## Potential realized value of 2021 long term incentive grant

The development in value of the PSUs granted will be a result of 1) the development in the Zealand Pharma share price relative to the share price at the time of grant 2) Zealand Pharma's performance relative to the market and against operational goals, which will result in a performance multiplier as described above on page 14. The value of the PSUs granted can be calculated as follows: Number of PSUs granted x the achieved performance multiplier x Zealand Pharma's share price at the time of vesting.

## Overview of historical warrant grants

With the introduction of the new LTI, and as part of Zealand moving towards becoming a more established company the historical warrants programs that have been granted to members of Executive and Corporate management are being discontinued with no new grants being made.

The table below provides an overview of still active historical warrant grants to members of the executive management made in the years 2018-2020.

	LTI – Warrant Grants	Grant date	Vesting date <sup>1</sup>	Expiry date	Exercise Price (DKK)	Number of Warrants granted	BS <sup>2</sup> value per Warrant at grant data (DKK)	Total Value at Grant (DKK)
Emmanuel Dulac (CEO)	2020	Apr. 20	Apr. 23	Apr. 30	224.4	38,915	69.83	2,717,434
	2019	June 19	June 22	June 24	138.6	74,933	45.04	3,374,982
Adam Sinding Steensberg	2020	Apr. 20	Apr. 23	Apr. 30	224.4	23,325	69.83	1,628,785
	2019	June 19	June 22	June 24	138.6	42,961	45.04	1,934,963
	2018	May 18	May 21	May 23	100.8	65,000	36.98	2,403,700
Matthew Donald Dallas <sup>1</sup>	2020	Apr. 20	Apr. 23	Apr. 30	224.4	23,998	66.88	1,604,986
	2019	Dec. 19	Dec. 22	Dec. 24	220.0	27,277	69.52	1,896,297
	2020	Sep. 20	Sep. 23	Sep. 30	216.8	43,217	48.44	2,093,431
Other Corp. Management	2020	Apr. 20	Apr. 23	Apr. 30	224.4	17,642	69.83	1,231,941
	2020	Apr. 20	Apr. 23	Apr. 30	224.4	23,394	66.88	1,564,591
	2019	June 19	June 22	June 24	138.6	49,754	45.04	2,240,920

<sup>1</sup> Warrants granted to members of Management in the U.S. vest in tranches with 1/3 after 1 year, 1/3 after two years and the remaining 1/3 after the full period.

<sup>2</sup> As the warrants granted to members of Management in the U.S. vest in tranches, they have a slightly different expected lifetime to Zealand's other warrants, which impacts the Black Scholes value per warrant. In order to calculate the Black-Scholes value of the warrants at the time of the 2020 grant, the following parameters were used:

- Expected life for non-U.S. warrants: 6.5 years
- Expected life for U.S. warrants (per tranche): 5.5; 6; 6.5 years
- Share price at grant: DKK 224.4
- Exercise price: DKK 224.4
- Volatility rate (based on the actual volatility of the Zealand share price): 44.70%
- U.S. warrant volatility rate (impacted by different expected life): 45.50%
- Risk free interest rate: -0.31%
- Dividend: DKK 0

<sup>3</sup> Matthew Dallas joined as CFO in October 2019; his first grant was made in December 2019

<sup>4</sup> Frank Sanders joined as U.S. president in July 2020; the Black-Scholes parameters for his first grant in September 2020 follow the same principles as for the rest of Management

<sup>4</sup> Members of Corporate Management received LTI grants in 2018. not included in the table above

# Development in remuneration and company performance.



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## Developments in company performance and in the average remuneration for FTEs in Zealand

The tables below are included for comparison purposes, to bring in relevant context to the annual changes in remuneration presented below.

Revenue of Zealand Pharma changed by -17%, from USD 353m in 2020 to USD 293m in 2021 (USD 41m in 2019, or a 855% change from 2019 to 2020).

Annual change	2021-2020	2020-2019
Average FTE in Zealand Pharma A/S	6,91%	-12,9%

## Overview of developments in annual remuneration

Increases are driven by the new Board fee structure where RSUs are granted, compared to previous years where fees were only in cash. Increases are also driven by the newly established Scientific Committee where members of the Committee receive an additional fee compared to previous years. The comparison is made by using the grant value of the RSUs received by Board members in the given year.

	Role	2021-2020 <sup>1</sup>	2020-2019 <sup>1</sup>
<b>2021</b>			
<b>Development in remuneration to the Board of Directors</b>			
Martin Nicklasson	BC, RC, NC and AM	88%	2%
Kirsten A. Drejer <sup>2</sup>	BV, SC	84%	0%
Alain Munoz <sup>2</sup>	RM, SM	127%	0%
Michael J. Owen <sup>2</sup>	RM, SM	105%	0%
Leonard Kruimer	AC	123%	0%
Bernadette Connaughton	AM	105%	12%
Jeffrey Berkowitz	AM	104%	0%
Anneline Nansen <sup>3</sup>		-	-
Frederik Barfoed Beck <sup>3</sup>		2%	-
Gertrud Koefoed Rasmussen		2%	-
Jens Peter Stenvang		2%	0%
Louise Gjelstrup <sup>3</sup>		2%	-

<sup>1</sup> Percentage development is calculated based on annualized values.

<sup>2</sup> Members of the newly established scientific Committee

<sup>3</sup> Joined the Board in September 2021.

The development in remuneration for the members of Management is shown in the table below. Given that Zealand's Management changed significantly in 2019, it has been decided to only include developments starting from 2019 and going forward.

The development in total Management remuneration in 2021 compared to 2020 and 2019 is to a large degree a result of aligning the new long term incentive structure with US peer group benchmarks, resulting in higher LTI grants in 2021 compared to previous years.

For executive management and corporate management, the development is further driven by the exceptional 2021 LTI correction to make up for the shortfall from the peer group in previous years, as previously described above. From 2022, a regular LTI grant size is expected which will result in a decrease in Management remuneration, whereafter developments are expected to normalize.

DKK thousand	Position	2021-2020 <sup>1</sup>	2020-2019 <sup>1</sup>	Total remuneration 2021	Total remuneration 2020	Total remuneration 2019
Emmanuel Dulac <sup>3</sup>	CEO	168.3%	-31.3%	37,869	14,116	18,247
Adam Sinding Steensberg	CMO	80.3%	5.3%	13,758	7,633	7,250
Mathew Donald Dallas	CFO	102.8%	1.0%	13,123	6,470	3,023
<b>Total EM</b>	-	-	-	<b>64,750</b>	<b>28,219</b>	<b>28,520</b>
Other Corp. Management <sup>2</sup>	-	n.a	n.a	38,800	17,440	12,628
<b>Total CoM</b>	-	-	-	<b>38,800</b>	<b>17,440</b>	<b>12,628</b>
<b>Total</b>	-	-	-	<b>103,550</b>	<b>45,659</b>	<b>41,148</b>

<sup>1</sup> Percentage development is calculated based on annualized values.

<sup>2</sup> Due to significant changes in the composition of Corporate Management, the development in remuneration is not deemed relevant

# Application of claw-back and deviation from policy.

There was no claw-back event in 2021, nor malus for incentive payments, and neither did the Board exercise the rights of amendments to any incentive awards, nor was there any deviation from the Remuneration Policy for any current or former Board member or member of Management.

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# Board and independent auditors statements.

## Statement from the Board

The Remuneration Report is prepared in accordance with section 139b of the Danish Companies Act.

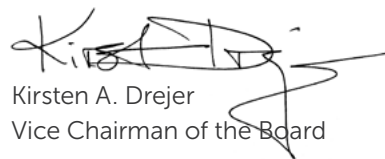
The Board has adopted the Remuneration Report of Zealand for the financial year 2021.

The Remuneration Report will be presented for advisory vote at the Annual General Meeting 2022.

March 10, 2022.



Martin Nicklasson  
Chairman of the Board



Kirsten A. Drejer  
Vice Chairman of the Board



Jeffrey Berkowitz



Frederik Barfoed Beck



Bernadette Connaughton



Louise Gjelstrup



Leonard Kruimer



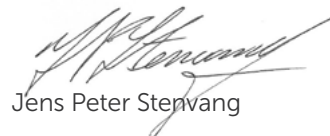
Alain Munoz



Michael J. Owen



Anneline Nansen



Jens Peter Stenvang



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