



# Corporate Governance Report 2022.

---

Company reg. no. 20045078

# Contents.

## Zealand Pharma Statutory report on Corporate Governance 2022

Introduction	3
Management structure	4
Internal controls and risk management	9
Risk management	12
Corporate Governance Recommendations	15

Statutory report on Corporate Governance for the financial year 2022, cf. section 107b of the Danish Financial Statements Act<sup>1</sup>.

<sup>1</sup> In Danish, "Lovpligtig redegørelse for virksomhedsledelse, jf. årsregnskabsloven §107b"

# Introduction.

This corporate governance report for Zealand Pharma A/S (“Zealand”) has been prepared as a supplement to the Management review in the Annual Report 2022 covering the period January 1 – December 31, 2022



Find out more about Zealand at [zealandpharma.com/corporate-governance/](https://zealandpharma.com/corporate-governance/)

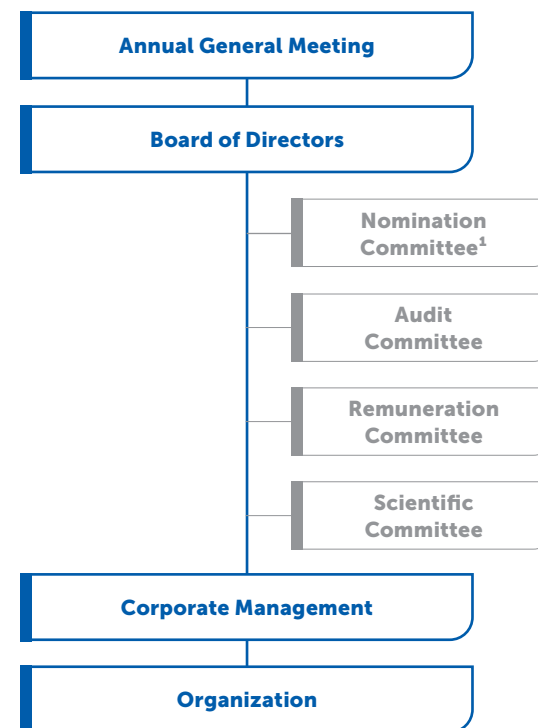
As a company incorporated under the laws of Denmark, and with its shares admitted to trading and official listing on Nasdaq Copenhagen, Zealand is subject to various applicable legislation, standards and other regulations for publicly traded companies. These include Danish securities law and the recommendations on corporate governance issued by the Danish Committee on Corporate Governance (in the below “the Recommendations”) updated on 2 December 2020. On 8 August 2022 the company gave notice to the Security and Exchange Commission (“SEC”) that it would delist from Nasdaq New York and end its ADR program. On 30 September 2022, it filed the necessary notices with the SEC in New York to complete this process and is therefore no longer listed on Nasdaq New York and will continue with Nasdaq Copenhagen as its only listing.

At Zealand, we regularly review our activities to ensure that we meet our obligations to shareholders, employees, regulatory authorities, and other stakeholders while maximizing long-term value. Zealand also regularly reviews its rules, policies and practices within risk management and internal control to improve guidelines and policies for corporate governance, to ensure that the standards that we set are up to date with accepted practice where this is appropriate for a company like Zealand.

In addition to the reviews set out above, the Board of Directors and Corporate Management constantly seek to ensure that Zealand’s management structure and control systems are efficient, functioning properly and provide the right degree of control and management to the organisa-

tion. Several internal procedures have been developed and are continuously updated, with external assistance if required, to ensure active, secure and efficient management of our company.

## Corporate governance structure



<sup>1</sup> The Nomination Committee is a sub-set of the board.

# Management structure.

Zealand has a two-tier management structure composed of the Board of Directors ('the Board') and Corporate Management.

The Board is responsible for the overall visions, strategies and objectives, the financial and managerial supervision of Zealand as well as for regular evaluation of the work of Corporate Management. In addition, the Board provides general oversight of Zealand's activities and ensures that it is managed in a manner and in accordance with applicable law and Zealand's articles of association.

The Board approves the policies and procedures, and Corporate Management is responsible for the day-to-day management of Zealand in compliance with the guidelines and directions set by the Board. The allocation of responsibilities between the Board of Directors and Corporate Management is stipulated in the Rules of Procedure that are reviewed and signed every year after the Annual General Meeting.

## Board of Directors

The Board plays an active role in setting Zealand's strategies and goals and in monitoring its operations and results. The Board functions according to its Rules of Procedure. The duties include establishing Zealand's strategy, policies and activities to achieve Zealand's objectives in accordance with its articles of association. These also define the responsibilities of the Board, for example ensuring that Zealand's bookkeeping, accounting, asset management, information technology systems, budgeting and internal control are properly organized.

Zealand's Board is comprised of seven members elected by the Annual General Meeting and four employee representatives elected by Zealand employees. The An-

nual General Meeting appoints each shareholder elected member of the Board for a one-year term, whereas employee representatives are elected for a four-year term. The independent board members are all up for re-election in 2023 and the employee members are up for election in 2024.

Board members elected among the shareholders:

- Martin Nicklasson, Chairman
- Kirsten A. Drejer, Vice Chair
- Jeffrey Berkowitz
- Bernadette Connaughton
- Alain Munoz
- Leonard Kruimer
- Michael J. Owen

Board members elected among the employees:

- Jens Peter Stenvang
- Frederik Barfoed Beck
- Anneline Nansen
- Iben Louise Gjelstrup

In line with the recommendations, the Board reviews and determines the qualifications and experience needed on the Board with respect to:

- Scientific knowledge within bioscience and innovation of pharmaceutical products
- Financial experience and knowledge
- Experience in leading an innovative business and insight into the biopharmaceutical market
- Experience with market entry and relationship with payors

- Experience in handling partnering agreements
- Competency in ensuring that the obligations of a listed company are fulfilled

Every year the Chairman supervises the Board's annual self-evaluation of its performance and every third year this is carried out with external assistance. This year the evaluation was carried out using an external vendor, the Leadership Advisor Group under the supervision of Nina Naerby, in accordance with the Recommendations. The Leadership Advisor Group has no other links to the Company and is considered independent in its evaluation of the Company's governance.

The evaluation was based on the input of eleven board members and four executives. As a baseline, the evaluation covered the areas suggested by the Danish Committee on Corporate Governance. It consisted of in-depth personal interviews, a customized online questionnaire, an analysis of how time is spent during board meetings, board composition mapping, and board composition benchmarking.

Six board members of the seven board members elected by the Annual General Meeting are considered "independent" in accordance with section 3.2.1 of the Recommendations.

The Board should meet at least six times a year and whenever the Chairman decides that it is necessary. The Board of Directors met, for a total of 13 times in 2022 and of these four meetings were virtual.

### Audit Committee

The Audit Committee plays an active role in setting Zealand's strategies and goals and in monitoring its operations and results. The Board functions according to its Charter. The duties include the internal controls and risk management systems related to financial reporting and evaluating the need for an internal audit.

- establishing procedures for the receipt, retention and treatment of complaints received regarding accounting, internal controls, auditing and financial reporting matters (whistle-blower function);
- nominating the statutory external auditor to be elected at the annual general meeting and preparing the recommendation to the annual general meeting regarding the election of our external auditor, as well as, if relevant, proposing to the annual general meeting that an external auditor is discharged.
- monitoring the strategy, plan, scope and approach of the external auditor's annual audit.
- monitoring and approving the terms and compensation of the external auditor.
- monitoring the external auditor's reports to the executive management and the board of directors, including management letters and long form reports, discussing any reports with the executive management and the external auditor and be mainly responsible for resolving

any disagreements between the external auditor and the executive management.

- considering (at least on an annual basis) the performance and independence of the external auditor and obtaining and reviewing of a report from the external auditor substantiating that the external auditor is independent.
- reviewing policy in relation to the provision of non-audit services by the external auditor under which the Audit Committee approves non-audit services delivered by the external auditor.
- engaging independent counsel and other advisors as the Audit Committee determines necessary to carry out its duties.
- obtaining available appropriate funding as the Audit Committee determines necessary for the fulfilment of its tasks and duties; and
- evaluating on an annual basis: (i) the performance of the Audit Committee, including independence and financial expertise; and (ii) the adequacy of the Audit Committee's charter and recommendation of any proposed changes to the board of directors.

In 2022, specific topics discussed included auditor's reports, accounting policies, internal controls, including SOX (Sarbanes-Oxley Act) compliance, finance, going concern status, risk management, cybersecurity, insurance policy,

year-end issues, de-listing from Nasdaq US, transactions not in the usual course of business and external financing.

The Audit Committee met virtually eight times in 2022 and is composed of independent members.

### Remuneration Committee

The Remuneration Committee consists of Martin Nicklasson, Alain Munoz and Michael J. Owen and is chaired by Martin Nicklasson.

The Remuneration Committee proposes the remuneration policy as well as targets for company-operated performance-related incentive programs. These policies and guidelines set out the various components of the remuneration, including fixed and variable remuneration such as pension schemes, benefits, retention bonuses, severance, and incentive schemes as well as the related bonus and evaluation criteria.

The proposed remuneration policy is subject to the approval of our shareholders at the annual general meeting. Our Remuneration Committee has the following principal responsibilities:

- preparing and presenting proposals to the Board of Directors on the framework for remuneration packages for Executive Management, including, but not limited to salary, salary increases, pension rights and any compensation or terminations payments, ensuring that the contractual terms are fair to the individual and to Zealand that failure

is not rewarded and that the duty to mitigate loss is fully recognized.

- preparing and presenting proposals to the Board of Directors on remuneration matters of material importance to Zealand, including incentive programs and payments for the Executive Management. The proposals for remuneration of Executive Management, including any incentive program shall be in accordance with and not exceed relevant comparable market practice levels at any given time;
- preparing and presenting proposals to the Board of Directors on the targets (bonus levels and performance targets) for company-operated performance-related incentive programs for Executive Management, as well as monitoring and evaluating the fulfilment of such targets;
- overseeing the implementation of any pension, retirement, death or disability, or life insurance scheme and any incentive schemes for Executive Management; and
- reviewing and considering the proposals from our Nomination Committee on remuneration for members of the Board of Directors and Executive Management.

In 2022, specific topics discussed included long-term incentive programs for management and Board of Directors, company goals, compensation policy for eligible employees, termination package for the former CEO and CFO, compensation package for the new CEO and the new CFO

and Board compensation and development of Zealand peer group.

The Remuneration Committee met virtually eight times in 2022 and is composed of majority independent members.

### Nomination Committee

The Nomination Committee consists of Martin Nicklasson, Kirsten A. Drejer, Jeffrey Berkowitz, Bernadette Connaughton, Leonard Kruimer, Alain Munoz and Michael J. Owen. The committee is chaired by Martin Nicklasson.

The Nomination Committee makes recommendations for decisions to the Board of Directors regarding Board and CEO positions and identifies and recommend candidates for the Board of Directors.

Specific topics discussed in 2022 included the composition of the independent members of the Board of Directors and a review of the organization's needs from the revised company strategy announced on 30 March 2022.

### Scientific Committee

The Scientific Committee consists of Kirsten A. Drejer, Alain Munoz and Michael J. Owen and is chaired by Kirsten A. Drejer.

The Scientific Committee is a forum with the purpose of leveraging the scientific expertise of the appointed Board of Directors, understanding, and challenging the approach and assumptions of the Company's Research & Develop-

ment strategy, provide technical assistance to the Board on Research & Development related issues and provide guidance to the Board on the risks of the Company's Research & Development strategy. Specific topics discussed in 2022 included the development of the clinical pipeline, preparation for potential interactions with regulatory authorities and a review of the pre-clinical pipeline.

The Scientific Committee met four times in 2022, one of these meetings was virtual and the rest were in person meetings. The scientific committee is composed of majority independent members.

### **Corporate Management**

Corporate Management is composed of Executive Management and other members of Corporate Management and consist of:

#### **Executive Management**

- Adam Steensberg, President and Chief Executive Officer
- Henriette Wennicke, Executive Vice President and Chief Financial Officer

#### **Other members of the Corporate Management**

- Ivan Møller, Executive Vice President and Chief Operating Officer
- Christina Sonnenborg Bredal, Senior Vice President, Head of People & Organization
- David Kendell, Senior Vice President, Chief Medical Officer
- Ravinder Singh Chahil, Senior Vice President and General Counsel



### Evaluation of the Board of Directors

In the 4th quarter of 2022, the Board of Directors performed its annual evaluation of the Board of Directors with the assistance of an external advisor, Leadership Advisor Group. This is consistent with the Danish Recommendations of Corporate Governance that companies should conduct an external, objective evaluation at least every three years.

The evaluation was based on the input of eleven board members and four executives. As a baseline, the evaluation covered the areas suggested by the Danish Committee on Corporate Governance. It consisted of in-depth personal interviews, a customized online questionnaire, an analysis of how time is spent during board meetings, board composition mapping, and board composition benchmarking. The result of the general board evaluation was discussed at a board meeting in the 1st quarter of 2023. As part of the evaluation, board members and executives were given feedback on their performance regarding how they added value to the board.

The external advisor evaluated the board as well-functioning. Led by the Chair, the tone of the board is open, respectful, and encouraging. Board members are highly professional and committed. They understand their stewardship role and cooperate with the executives in an engaged and transparent way. Meetings are structured; board members feel they are free to be open and transparent with other members of the Board and the general preparation and operation of the board meetings work well. The mem-

bers of the committees are trusted to do a good job, and cooperation with executive management is perceived to be better than ever. Board members experience executive management to be highly open and transparent and appreciate the foundation of a solid and trustful relationship.

Given the international composition of the board, it would benefit from more specific training on the Danish Recommendations for Corporate Governance. In addition to this,

the review recommended that there was more focus on strategy and scenario planning. The company has agreed to review the recommendations and ensure that appropriate action is taken.

### Overview of meetings in 2022

● Attended ○ Absent

	Board	Audit Committee	Remuneration Committee	Scientific Committee	Nomination Committee
Martin Nicklasson	●●●●●●●●●●●●●●	●●●●●●●●	●●●●●●●●	N/A	●●
Kirsten A. Drejer	●●●●●●●●●●●●●●	N/A	N/A	●●●●	●●
Jeffrey Berkowitz	●●●●●●●●●●●●●●	●●●●●●●○	N/A	N/A	●●
Bernadette Connaughton	●●●●●●●●●●○●	●●●●●●●●	N/A	N/A	●●
Alain Munoz	●●●●●●●●●●●●●●	N/A	●●●●●●●●	●●●●	●●
Leonard Kruimer	●●●●●●●●●●●●●●	●●●●●●●●	N/A	N/A	●●
Michael J Owen	●●●●○●●●●●●●●●	N/A	●●●●●●●●	●●●●	●●
Jens Peter Stenvang	●●●●●●●●●●●●●●	N/A	N/A	N/A	N/A
Frederik Barfoed Beck	●●●●●●●●●●●●●●	N/A	N/A	N/A	N/A
Anneline Nansen	●●●●●●●●●●●●●●	N/A	N/A	N/A	N/A
Iben Louise Gjelstrup	●●●●●●●●●●●●●●	N/A	N/A	N/A	N/A



# Internal controls and risk management.

Zealand strives to conduct its operations in accordance with the highest ethical standards.

Zealand is a knowledge-intensive company, with a high focus on competency and personal development. The Management philosophy in Zealand is based on a high degree of trust in the company's employees; however, policies and operational processes are well described, with regular reporting and controls. Operations are performed mainly within the parent company Zealand Pharma A/S in Søborg, Denmark. All main research and development operations are based at the site in Søborg. The company maintains a small workforce in Zealand Pharma US Inc, its main US subsidiary, that is located in Boston, Massachusetts. Some of the company's work is outsourced to various contract research, development, or manufacturing organisations.

## Control environment

Zealand has a number of internal control and risk management systems in place to ensure that its financial statements provide a true and fair view and comply with International Financial Reporting Standards (IFRS) as adopted by the EU and additional requirements under the Danish Financial Statements Act.

Zealand has several policies and procedures in key areas of financial reporting. The internal control and risk management systems are designed to mitigate, detect, and correct material misstatements rather than eliminate the risks identified in the financial reporting process.

Corporate Management is responsible for implementing policies and procedures on a day-to-day basis. The Board has established an Audit Committee to advise the Board on related matters.

A review and prioritization of material accounting items is performed throughout the year. Items in the financial statements that are based on estimates or that are generated through complex processes carry a relatively higher risk of error. Zealand performs continual risk assessments to identify such items and assess their scope and related risks.

There are inherent limitations in the effectiveness of any internal control over financial reporting, including the possibility of human error and the circumvention or overriding of internal control. Accordingly, even effective internal control over financial reporting can provide only reasonable assurance with respect to financial statement preparation. An effective internal control environment may become inadequate in the future because of changes in conditions, or deterioration in the degree of compliance with the policies and procedures.

As of December 31, 2022, key risks and processes identified have been documented and internal controls have been designed and implemented in the organization. Internal controls have been subject to management testing and as-

assessment to ensure that risks are addressed and managed in a responsible and efficient manner. Results have been formally reported to Management.

The Board has assessed that an internal audit function is not required at Zealand in view of the Company's legal structure and size.

### Audit

Zealand's external auditors are appointed for a term of one year by the shareholders at the Annual General Meeting, based on the recommendation of the Board. Before such recommendation and in consultation with the Audit Committee and Executive Management, the Board assesses the independence, competencies and other matters pertaining to the auditors.

The framework for the auditors' duties, including their remuneration, audit, and non-audit tasks, is agreed between the Audit Committee and the auditors and endorsed by the Board.

Based on the recommendation from the Board shareholders re-elected EY Godkendt Revisionspartnerselskab as the external auditor at the Annual General Meeting in April 2022.

### Description of management reporting systems and internal control systems

Management continually works on the design and effectiveness of its management reporting and internal control systems in order to enable it to monitor performance, strategy, operations, business environment, organization, procedures, funding, risk and internal controls. While implementation is ongoing, Management is of the opinion that the reporting and internal controls are adequate to avoid material misstatements in the financial reporting.

The management reporting and internal control systems include the following reports:

- Annual budget
- Quarterly reports, including updates of annual and rolling 12-month estimates
- Regular reporting by Management includes:
  - Financial performance and position
  - Comparison of budgeted and actual performance
  - Analysis of cash flows
  - Project management and cost control, identification of responsible project managers, and regular project reporting and follow-up
- Summaries of project management key performance indicators
- Controls on purchase and maintenance of assets
- Review of potential claims and litigation
- Review and updating of contracts and collaboration agreements to ensure that all commitments and liabilities are recognized as well as all income to which Zealand is entitled

In addition to the above-mentioned reports, the internal control system includes a number of detailed policies and procedures, including:

- Financial policy guiding investment of liquid assets
- Schedule of authorization guiding the sign-off of expenses and investments
- Employee manual providing guidance on policies, rules and procedures associated with employment at Zealand

Zealand also undertakes controls to ensure the completeness and accuracy of accounting records.

Zealand's Management considers that the above high-level and detailed controls contribute to more effective financial reporting procedures.

### Control environment/Accounting

Incoming invoices are approved electronically, and an approval hierarchy ensures that invoices are approved by the appropriate persons in accordance with Zealand's Schedule of Authorization, which was reviewed and updated in 2022. Payment proposals are approved through online banking and requires two staff members to complete the transaction. No changes to vendor's banking details can be performed without approval.

### Risk assessment

As part of the risk assessment process, a review and prioritization of material accounting items has been performed.

Accounting items with a high total risk profile have been analysed with relevant controls described.

The accounting items deemed to have a high-risk profile are:

- Revenue recognition
- Counterparty risk for liquid assets
- Inventory
- Risk of fraud

It is Management's view that the current controls are adequately reducing the risk of significant errors in the financial statements.

### The end-of-period process

In addition to controls of individual accounting items, it is important to maintain a high level of control over the different steps involved in transforming raw accounting data into final quarterly or annual reports.

The quarterly and year-end processes involve detailed documentation of each balance sheet item as well as documentation supporting all notes to the accounts.

Management reviews the accounting policies used and assesses the need for any new accounting policies. Any items where estimates and/or assessments influence the accounts are discussed with the Audit Committee and are described in Note 1.4 in the Annual Report.

### IT

In addition to the controls performed by Management, Zealand's IT department have controls in place for IT user access to data, backups, data security, data theft, and a business continuity plan. A Cyber Security training program for all employees has been implemented and twice-yearly phishing tests. IT has established a network monitoring system to monitor suspicious and abnormal behaviour, e.g., virus, external and internal threats. Zealand has also set IT, and IT security, for additional investment and upgrade in 2023 to ensure a greater level of security.

# Risk management.

Zealand's Management is responsible for implementing adequate systems and policies in relation to risk management and internal control, and for assessing the overall and specific risks associated with Zealand's business and operations. Furthermore, Zealand's Management seeks to ensure that such risks are managed optimally and in a responsible and efficient manner.

Doing business in the pharmaceutical/biotech industry involves major financial risks. The development period for novel medicines takes several years; costs are high, and the probability of reaching the market is relatively low due to developmental and regulatory hurdles.

Risks of particular importance to Zealand are scientific and development risks, commercial risks, intellectual property risks, clinical trial risks, regulatory risks, partner interest risks, financial risks and risks relating to financial reporting. Risk

and mitigation plans are monitored by Management, and the continuous risk assessment is an integral part of the yearly reporting to the Board. In addition to these, each project has a risk identification and mitigation assessment using a standard internal matrix that is used across the company. This is used by each part of the company to ensure that there is a consistent approach to risk and that appropriate risks are identified. This is updated during the lifetime of any project.

Below we have summarized Zealand's key risk areas and how we attempt to address and mitigate such risks.

Environmental and ethical risks are covered in our corporate social responsibility reporting and are also a key focus area for the future. There will be greater emphasis on development of tools to capture environmental, social and governance responsibility (ESG).

## Risks at Zealand and mitigation

Risk	Mitigation	
<b>Commercial products</b>	Risks relating to the sales of V-Go® and Zegalogue® by our partners that include market size, competition, development time and costs, partner interest and pricing of products in development.	Zealand's revised strategy is to be the partner of choice for the next generation peptides. The partnership model works by maintaining a close dialogue with its partners on V-Go® and Zegalogue® to monitor the sales and progress on the partnership with these two commercial assets.
<b>Research and development</b>	Research and development of new pharmaceutical medicines is inherently a high-risk activity. The probability of discovering and developing an efficacious and safe new medicine with strong IP protection is very low.	Throughout the research and development process, Zealand regularly assesses these risks by means of a risk assessment of all the Company's research and development projects, conducted by Management together with the department heads and project managers. This is reviewed and escalated as appropriate during the lifetime of the project. Highlights of this assessment are presented to the Board of Directors, and this includes a description of each project and measures its progress based on milestones. It analyses the individual risks of each project and prioritizes the project portfolio.
<b>Clinical trials</b>	Our product candidates will need to undergo time-consuming and expensive trials to document efficacy and safety, the outcome of which is unpredictable, and for which there is a high risk of failure. If clinical trials of our product candidates fail to satisfactorily demonstrate safety and efficacy to the FDA, the EMA and other comparable regulatory authorities, Zealand may incur additional costs or experience delays in completing any additional trials. Ultimately, it may not be able to complete, the development of these product candidates.	Zealand's clinical project teams work closely with external expert clinicians and product development experts within the industry to design, set up and conduct the clinical programs. Zealand's employees have been selected due to their extensive experience within their field of expertise, receive training and are continuously developed to fulfil requirements. Zealand also engages in meetings with regulatory authorities to ensure that there is alignment on the regulatory strategy and trial requirements.
<b>Intellectual property</b>	If Zealand or its partners were to face infringement claims or challenges by third parties, an adverse outcome could subject Zealand or its partners to significant liabilities to such third parties or lead to the withdrawal of the product. This could lead Zealand or its partners to curtail or cease the development of some or all of their candidate drugs, or cause Zealand's partners to seek legal or contractual remedies against Zealand, potentially involving a reduction in the royalties due to Zealand.	Zealand's patent department works closely with external patent counsel and partners' patent counsel to minimize the risk of patent infringement claims as well as to prepare any patent defence should this be necessary.  Zealand's employees receive training and updates on policies regarding the correct and lawful management of internal and external intellectual property.
<b>Regulatory</b>	The regulatory approval processes of the FDA, the EMA and other comparable regulatory authorities are lengthy, time consuming, subject to change and inherently unpredictable, and if Zealand or its collaboration partners are ultimately unable to obtain regulatory approval for their internal or out licensed product candidates, Zealand's business could be substantially harmed.	Zealand's regulatory department works closely with external consultants and regulatory agents to develop regulatory strategies. It also engages in meetings with regulatory authorities to ensure that there is alignment on the regulatory strategy and trial requirements.

## Risks at Zealand and mitigation – continued

	Risk	Mitigation
<b>Future partnerships</b>	Entering into collaborations with partners can bring significant benefits as well as involve risks. In addition, full control of the product is often given to the partner.	Under Zealand's revised corporate strategy partnerships are a key part of its future. To maximize the value of such partnerships, Zealand ensures its contracts are carefully structured and strives to foster a close and open dialogue with its partners, thereby building strong partnerships that work effectively.
<b>Financial</b>	Financial risks relate to cash and treasury management, liquidity forecasts and financing opportunities.	Financial risks are managed in accordance with the Finance Policy, regularly assessed by the Company's Management and reported to the Audit Committee and the Board of Directors.
<b>IT</b>	The company's information technology systems are key to its operations and need protection from intrusion from unauthorized entry.	The company employs qualified IT professionals who use external assistance from qualified vendors to provide advice on cyber-security and systems security where relevant. All members of staff are trained in IT security and its IT systems use multi-authentication systems as appropriate to reduce the risk of unauthorized entry into its systems. It has appropriate protection from viruses and malware. Its most sensitive data is encrypted and subject to restricted internal use.

# Corporate Governance Recommendations.



Find out more about Zealand at [zealandpharma.com/corporate-governance/](https://zealandpharma.com/corporate-governance/)

Zealand is for the financial year of 2022 subject to the Recommendations for Good Corporate Governance from 2 December 2020, which are available on the Committee on Corporate Governance's website <https://corporategovernance.dk/>.

The following table indicates whether Zealand complies with the recommendations of the Committee on Corporate Governance. In line with the 'comply or explain' principle, Zealand has provided explanations if recommendations are not fully complied with.

Zealand complies with the Recommendations on Corporate Governance in all material respects, with notes on those areas where it has chosen to depart from those recommendations set out below. Zealand has chosen to depart or had provided explanations in respect of the following areas of the Recommendations:

1.1.2. The Committee recommends that the company adopts policies on the company's relationships with its shareholders.

1.4.2. The Committee recommends that the board of directors adopts a tax policy to be made available on the company's website.



2.1.1. The Committee recommends that the board of directors in support of the company's statutory objects according to its articles of association and the long-term value creation considers the company's purpose and en-

ures and promotes a good culture and sound values in the company. The company should provide an account thereof in the management commentary and/or on the company's website.

3.1.2. The Committee recommends that the board of directors on an annual basis discusses the company's activities to ensure relevant diversity at the different management levels of the company and adopts a diversity policy, which is included in the management commentary and/or available on the company's website.

This corporate governance statement has been approved by the Board of Directors on

March 2, 2023

 Complies  
 Not compliant

Recommendation	The company complies	The company explains <sup>1</sup>	
		Why	How
<b>1. Interaction with the company's shareholders, investors and other stakeholders</b>			
<b>1.1. Communication with the company's shareholders, investors and other stakeholders</b>			
<b>1.1.1. The Committee recommends</b> that the management through ongoing dialogue and interaction ensures that shareholders, investors and other stakeholders gain the relevant insight into the company's affairs, and that the board of directors obtains the possibility of hearing and including their views in its work.	✓		
<b>1.1.2. The Committee recommends</b> that the company adopts policies on the company's relationships with its shareholders, investors and if relevant other stakeholders in order to ensure that the various interests are included in the company's considerations and that such policies are made available on the company's website.	✓	Given the size of Zealand a formal policy is not felt to be required.	Zealand has regular contact with its key investors and shareholder representatives to ensure alignment. As the company grows further consideration will be given to a formal policy on engagement.
<b>1.1.3. The Committee recommends</b> that the company publishes quarterly reports.	✓		
<b>1.2. The general meeting</b>			
<b>1.2.1. The Committee recommends</b> that the board of directors organises the company's general meeting in a manner that allows shareholders, who are unable to attend the meeting in person or are represented by proxy at the general meeting, to vote and raise questions to the management prior to or at the general meeting. The Committee recommends that the board of directors ensures that shareholders can observe the general meeting via webcast or other digital transmission.	✓		
<b>1.2.2. The Committee recommends</b> that proxies and postal votes to be used at the general meeting enable the shareholders to consider each individual item on the agenda.	✓		
<b>1.3. Takeover bids</b>			
<b>1.3.1. The Committee recommends</b> that the company has a procedure in place in the event of takeover bids, containing a "road map" covering matters for the board of directors to consider in the event of a takeover bid, or if the board of directors obtains reasonable grounds to suspect that a takeover bid may be submitted. In addition, it is recommended that it appears from the procedure that the board of directors abstains from countering any takeover bids by taking actions that seek to prevent the shareholders from deciding on the takeover bid, without the approval of the general meeting.	✓		

<sup>1</sup> If the company does not comply with a recommendation, the company must specifically explain; *why* the company has decided not to comply with the recommendation, and *which* approach the company has chosen instead. A comprehensive explanation answers both questions and is considered as compliant. Thus, it is important that the company answers both questions in its explanation.



Recommendation	The company complies	The company explains <sup>1</sup>	
		Why	How
<b>1.4. Corporate Social Responsibility</b>			
<b>1.4.1. The Committee recommends</b> that the board of directors adopts a policy for the company's corporate social responsibility, including social responsibility and sustainability, and that the policy is available in the management commentary and/or on the company's website. The Committee recommends that the board of directors ensures compliance with the policy.	✓		
<b>1.4.2. The Committee recommends</b> that the board of directors adopts a tax policy to be made available on the company's website.	✗	Given that Zealand is not a profitable company at this stage of its life cycle, it does not believe that it requires a specific policy for tax. When Zealand makes the transition to a profitable company it will reassess the need for a formal public tax policy.	The parent company is assessed for tax in Denmark. Its US subsidiary is assessed for tax in the US.
<b>2. The duties and responsibilities of the board of directors</b>			
<b>2.1. Overall tasks and responsibilities</b>			
<b>2.1.1. The Committee recommends</b> that the board of directors in support of the company's statutory objects according to its articles of association and the long-term value creation considers the company's purpose and ensures and promotes a good culture and sound values in the company. The company should provide an account thereof in the management commentary and/or on the company's website.	✓	The company has a formal staff engagement survey that is provided to the Board every year.	The company will work with advisors to work on additional areas to develop this new requirement.
<b>2.1.2. The Committee recommends</b> that the board of directors at least once a year discusses and on a regular basis follows up on the company's overall strategic targets in order to ensure the value creation in the company.	✓		
<b>2.1.3. The Committee recommends</b> that the board of directors on a continuously basis takes steps to examine whether the company's share and capital structure supports the strategy and the long-term value creation in the interest of the company as well as the shareholders. The Committee recommends that the company gives an account thereof in the management commentary.	✓		
<b>2.1.4. The Committee recommends</b> that the board of directors prepares and on an annual basis reviews guidelines for the executive management, including requirements in respect of the reporting to the board of directors.	✓		

<sup>1</sup> If the company does not comply with a recommendation, the company must specifically explain; *why* the company has decided not to comply with the recommendation, and *which* approach the company has chosen instead. A comprehensive explanation answers both questions and is considered as compliant. Thus, it is important that the company answers both questions in its explanation.

Recommendation	The company complies	The company explains <sup>1</sup>	
		Why	How
<b>2.2. Members of the board of directors</b>			
<b>2.2.1. The Committee recommends</b> that the board of directors, in addition to a chairperson, appoints a vice chairperson, who can step in if the chairperson is absent and who can generally act as the chairperson's close sparring partner.	✓		
<b>2.2.2. The Committee recommends</b> that the chairperson in cooperation with the individual members of the board of directors ensures that the members up-date and supplement their knowledge of relevant matters, and that the members' special knowledge and qualifications are applied in the best possible manner.	✓		
<b>2.2.3. The Committee recommends</b> that if the board of directors, in exceptional cases, requests a member of the board of directors to take on special duties for the company, for instance, for a short period to take part in the daily management of the company, the board of directors should approve this in order to ensure that the board of directors maintains its independent overall management and control function. It is recommended that the company publishes any decision on allowing a member of the board of directors to take part in the daily management, including the expected duration thereof.	✓		
<b>3. The composition, organisation and evaluation of the board of directors</b>			
<b>3.1. Composition</b>			
<b>3.1.1. The Committee recommends</b> that the board of directors on an annual basis reviews and in the management commentary and/or on the company's website states <ul style="list-style-type: none"> <li>• which qualifications the board of directors should possess, collectively and individually, in order to perform its duties in the best possible manner, and</li> <li>• the composition of and diversity on the board of directors.</li> </ul>	✓		
<b>3.1.2. The Committee recommends</b> that the board of directors on an annual basis discusses the company's activities in order to ensure relevant diversity at the different management levels of the company and adopts a diversity policy, which is included in the management commentary and/or available on the company's website.	✗	The Board is attentive to the issue of diversity and regards this as an area of focus next year	This will be developed to comply by the required date.
<b>3.1.3. The Committee recommends</b> that candidates for the board of directors are recruited based on a thorough process approved by the board of directors. The Committee recommends that in assessing candidates for the board of directors – in addition to individual competencies and qualifications – the need for continuity, renewal and diversity is also considered.	✓		


<sup>1</sup> If the company does not comply with a recommendation, the company must specifically explain; *why* the company has decided not to comply with the recommendation, and *which* approach the company has chosen instead. A comprehensive explanation answers both questions and is considered as compliant. Thus, it is important that the company answers both questions in its explanation.

Recommendation	The company complies	The company explains <sup>1</sup>	
		Why	How
<p><b>3.1.4. The Committee recommends</b> that the notice convening general meetings, where election of members to the board of directors is on the agenda - in addition to the statutory items - also includes a description of the proposed candidates'</p> <ul style="list-style-type: none"> <li>• qualifications,</li> <li>• other managerial duties in commercial undertakings, including board committees,</li> <li>• demanding organisational assignments and</li> <li>• independence.</li> </ul>	✓		
<p><b>3.1.5. The Committee recommends</b> that members to the board of directors elected by the general meeting stand for election every year at the annual general meeting, and that the members are nominated and elected individually.</p>	✓		
<p><b>3.2. The board of director's independence</b></p>			
<p><b>3.2.1. The Committee recommends</b> that at least half of the members of the board of directors elected in general meeting are independent in order for the board of directors to be able to act independently avoiding conflicts of interests.</p> <p>In order to be independent, the member in question may not:</p> <ul style="list-style-type: none"> <li>• be or within the past five years have been a member of the executive management or an executive employee in the company, a subsidiary or a group company,</li> <li>• within the past five years have received large emoluments from the company/group, a subsidiary or a group company in another capacity than as member of the board of directors,</li> <li>• represent or be associated with a controlling shareholder,</li> <li>• within the past year have had a business relationship (e.g. personally or indirectly as a partner or an employee, shareholder, customer, supplier or member of a governing body in companies with similar relations) with the company, a subsidiary or a group company, which is significant for the company and/or the business relationship,</li> <li>• be or within the past three years have been employed with or a partner in the same company as the company's auditor elected in general meeting,</li> <li>• be a CEO in a company with cross-memberships in the company's management,</li> <li>• have been a member of the board of directors for more than twelve years, or</li> <li>• be closely related to persons, who are not independent, cf. the above-stated criteria.</li> </ul> <p>Even if a member of the board of directors does not fall within the above-stated criteria, the board of directors may for other reasons decide that the member in question is not independent.</p>	✓		
<p><b>3.2.2. The Committee recommends</b> that members of the executive management are not members of the board of directors and that members retiring from the executive management does not join the board of directors immediately thereafter.</p>	✓		

<sup>1</sup> If the company does not comply with a recommendation, the company must specifically explain; why the company has decided not to comply with the recommendation, and which approach the company has chosen instead. A comprehensive explanation answers both questions and is considered as compliant. Thus, it is important that the company answers both questions in its explanation.

Recommendation	The company complies	The company explains <sup>1</sup>	
		Why	How
<b>3.3. Members of the board of directors and the number of other managerial duties</b>			
<b>3.3.1. The Committee recommends</b> that the board of directors and each of the members on the board of directors, in connection with the annual evaluation, cf. recommendation 3.5.1., assesses how much time is required to perform the board duties. The aim is for the individual member of the board of directors not to take on more managerial duties than the board member in question is able to perform in a satisfactory manner.	✓		
<b>3.3.2. The Committee recommends</b> that the management commentary, in addition to the statutory requirements, contains the following information on the individual members of the board of directors: <ul style="list-style-type: none"> <li>• position, age and gender,</li> <li>• competencies and qualifications relevant to the company,</li> <li>• independence,</li> <li>• year of joining the board of directors,</li> <li>• year of expiry of the current election period,</li> <li>• participation in meetings of the board of directors and committee meetings,</li> <li>• managerial duties in other commercial undertakings, including board committees, and demanding organisational assignments, and</li> <li>• the number of shares, options, warrants, etc. that the member holds in the company and its group companies and any changes in such holdings during the financial year.</li> </ul>	✓		
<b>3.4. Board committees</b>			
<b>3.4.1. The Committee recommends</b> that the management describes in the management commentary: <ul style="list-style-type: none"> <li>• the board committees' most significant activities and number of meetings in the past year, and</li> <li>• the members on the individual board committees, including the chairperson and the independence of the members of the committee in question.</li> </ul> <p>In addition, it is recommended that the board committees' terms of reference are published on the company's website.</p>	✓	The committee charters are endorsed every year by the committee.	The date of review will be added to the document on the corporate website.
<b>3.4.2. The Committee recommends</b> that board committees solely consist of members of the board of directors and that the majority of the members of the board committees are independent.	✓		

<sup>1</sup> If the company does not comply with a recommendation, the company must specifically explain; *why* the company has decided not to comply with the recommendation, and *which* approach the company has chosen instead. A comprehensive explanation answers both questions and is considered as compliant. Thus, it is important that the company answers both questions in its explanation.

Recommendation	The company complies	The company explains <sup>1</sup>	
		Why	How
<p><b>3.4.3. The Committee recommends</b> that the board of directors establishes an audit committee and appoints a chairperson of the audit committee, who is not the chairperson of the board of directors. The Committee recommends that the audit committee, in addition to its statutory duties, assists the board of directors in:</p> <ul style="list-style-type: none"> <li>• supervising the correctness of the published financial information, including accounting practices in significant areas, significant accounting estimates and related party transactions,</li> <li>• reviewing internal control and risk areas in order to ensure management of significant risks, including in relation to the announced financial outlook,</li> <li>• assessing the need for internal audit,</li> <li>• performing the evaluation of the auditor elected by the general meeting,</li> <li>• reviewing the auditor fee for the auditor elected by the general meeting,</li> <li>• supervising the scope of the non-audit services performed by the auditor elected by the general meeting, and</li> <li>• ensuring regular interaction between the auditor elected by the general meeting and the board of directors, for instance, that the board of directors and the audit committee at least once a year meet with the auditor without the executive management being present.</li> </ul> <p>If the board of directors, based on a recommendation from the audit committee, decides to set up an internal audit function, the audit committee must:</p> <ul style="list-style-type: none"> <li>• prepare terms of reference and recommendations on the nomination, employment and dismissal of the head of the internal audit function and on the budget for the department,</li> <li>• ensure that the internal audit function has sufficient resources and competencies to perform its role, and</li> <li>• supervise the executive management’s follow-up on the conclusions and recommendations of the internal audit function.</li> </ul>			

<sup>1</sup> If the company does not comply with a recommendation, the company must specifically explain; *why* the company has decided not to comply with the recommendation, and *which* approach the company has chosen instead. A comprehensive explanation answers both questions and is considered as compliant. Thus, it is important that the company answers both questions in its explanation.

Recommendation	The company complies	The company explains <sup>1</sup>	
		Why	How
<p><b>3.4.4. The Committee recommends</b> that the board of directors establishes a nomination committee to perform at least the following preparatory tasks:</p> <ul style="list-style-type: none"> <li>• describing the required qualifications for a given member of the board of directors and the executive management, the estimated time required for performing the duties of this member of the board of directors and the competencies, knowledge and experience that is or should be represented in the two management bodies,</li> <li>• on an annual basis evaluating the board of directors and the executive management’s structure, size, composition and results and preparing recommendations for the board of directors for any changes,</li> <li>• in cooperation with the chairperson handling the annual evaluation of the board of directors and assessing the individual management members’ competencies, knowledge, experience and succession as well as reporting on it to the board of directors,</li> <li>• handling the recruitment of new members to the board of directors and the executive management and nominating candidates for the board of directors’ approval,</li> <li>• ensuring that a succession plan for the executive management is in place,</li> <li>• supervising executive managements’ policy for the engagement of executive employees, and</li> <li>• supervising the preparation of a diversity policy for the board of directors’ approval.</li> </ul>	✓		
<p><b>3.4.5. The Committee recommends</b> that the board of directors establishes a remuneration committee to perform at least the following preparatory tasks:</p> <ul style="list-style-type: none"> <li>• preparing a draft remuneration policy for the board of directors’ approval prior to the presentation at the general meeting,</li> <li>• providing a proposal to the board of directors on the remuneration of the members of the executive management,</li> <li>• providing a proposal to the board of directors on the remuneration of the board of directors prior to the presentation at the general meeting,</li> <li>• ensuring that the management’s actual remuneration complies with the company’s remuneration policy and the evaluation of the individual member’s performance, and</li> <li>• assisting in the preparation of the annual remuneration report for the board of directors’ approval prior to the presentation for the general meeting’s advisory vote.</li> </ul>	✓		

<sup>1</sup> If the company does not comply with a recommendation, the company must specifically explain; *why* the company has decided not to comply with the recommendation, and *which* approach the company has chosen instead. A comprehensive explanation answers both questions and is considered as compliant. Thus, it is important that the company answers both questions in its explanation.

Recommendation	The company complies	The company explains <sup>1</sup>	
		Why	How
<b>3.5. Evaluation of the board of directors and the executive management</b>			
<p><b>3.5.1. The Committee recommends</b> that the board of directors once a year evaluates the board of directors and at least every three years engages external assistance in the evaluation. The Committee recommends that the evaluation focuses on the recommendations on the board of directors' work, efficiency, composition and organisation, cf. recommendations 3.1.-3.4. above, and that the evaluation as a minimum always includes the following topics:</p> <ul style="list-style-type: none"> <li>• the composition of the board of directors with focus on competencies and diversity</li> <li>• the board of directors and the individual member's contribution and results,</li> <li>• the cooperation on the board of directors and between the board of directors and the executive management,</li> <li>• the chairperson's leadership of the board of directors,</li> <li>• the committee structure and the work in the committees,</li> <li>• the organisation of the work of the board of directors and the quality of the material provided to the board of directors, and</li> <li>• the board members' preparation for and active participation in the meetings of the board of directors.</li> </ul>	✓		
<p><b>3.5.2. The Committee recommends</b> that the entire board of directors discusses the result of the evaluation of the board of directors and that the procedure for the evaluation and the general conclusions of the evaluation are described in the management commentary, on the company's website and at the company's general meeting.</p>	✓	The company publishes the board assessment in its annual report	The company will review whether there should greater detail.
<p><b>3.5.3. The Committee recommends</b> that the board of directors at least once a year evaluates the work and results of the executive management according to pre-established criteria, and that the chairperson reviews the evaluation together with the executive management. In addition, the board of directors should on a continuous basis assess the need for changes in the structure and composition of the executive management, including in respect of diversity, succession planning and risks, in light of the company's strategy.</p>	✓		

<sup>1</sup> If the company does not comply with a recommendation, the company must specifically explain; *why* the company has decided not to comply with the recommendation, and *which* approach the company has chosen instead. A comprehensive explanation answers both questions and is considered as compliant. Thus, it is important that the company answers both questions in its explanation.

Recommendation	The company complies	The company explains <sup>1</sup>	
		Why	How
<b>4. Remuneration of management</b>			
<b>4.1. Remuneration of the board of directors and the executive management</b>			
<b>4.1.1. The Committee recommends</b> that the remuneration for the board of directors and the executive management and the other terms of employment/service is considered competitive and consistent with the company's long-term shareholder interests.	✓		
<b>4.1.2. The Committee recommends</b> that share-based incentive schemes are evolving, i.e., that they are periodically granted, and that they primarily consist of long-term schemes with a vesting or maturity period of at least three years.	✓	The remuneration policy sets out share-based schemes for the Board and the Management. The scheme for the Board permits vesting after one year and the scheme for the management is structured so that there is a graded vesting over three years.	The company intends to change this for the next year for a three-year vesting period for the Board and also introduce a reduced cap on remuneration for the Board and Management.
<b>4.1.3. The Committee recommends</b> recommends that the variable part of the remuneration has a cap at the time of grant, and that there is transparency in respect of the potential value at the time of exercise under pessimistic, expected and optimistic scenarios.	✓		
<b>4.1.4. The Committee recommends</b> recommends that the overall value of the remuneration for the notice period, including severance payment, in connection with a member of the executive management's departure, does not exceed two years' remuneration including all remuneration elements.	✓		

<sup>1</sup> If the company does not comply with a recommendation, the company must specifically explain; *why* the company has decided not to comply with the recommendation, and *which* approach the company has chosen instead. A comprehensive explanation answers both questions and is considered as compliant. Thus, it is important that the company answers both questions in its explanation.



Recommendation	The company complies	The company explains <sup>1</sup>	
		Why	How
<b>4.1.5. The Committee recommends</b> that members of the board of directors are not remunerated with share options and warrants.	✓	Members of the Board have chosen to forgo some of their cash based remuneration and receive restricted stock units (RSUs) rather than the cash. The cash based remuneration was therefore reduced and substituted with RSUs to a fixed amount dependent on the Board members position and committee involvement.	This system of remuneration ensures that the members of the Board are working in the shareholders interest and increasing shareholder value.
<b>4.1.6. The Committee recommends</b> that the company has the option to reclaim, in whole or in part, variable remuneration from the board of directors and the executive management if the remuneration granted, earned or paid was based on information, which subsequently proves to be incorrect, or if the recipient acted in bad faith in respect of other matters, which implied payment of a too large variable remuneration.	✓		
<b>5. Risk management</b>			
<b>5.1. Identification of risks and openness in respect of additional information</b>			
<b>5.1.1. The Committee recommends</b> that the board of directors based on the company's strategy and business model considers, for instance, the most significant strategic, business, accounting and liquidity risks. The company should in the management commentary give an account of these risks and the company's risk management.	✓		
<b>5.1.2. The Committee recommends</b> that the board of directors establishes a whistle-blower scheme, giving the employees and other stakeholders the opportunity to report serious violations or suspicion thereof in an expedient and confidential manner, and that a procedure is in place for handling such whistleblower cases.	✓		

<sup>1</sup> If the company does not comply with a recommendation, the company must specifically explain; *why* the company has decided not to comply with the recommendation, and *which* approach the company has chosen instead. A comprehensive explanation answers both questions and is considered as compliant. Thus, it is important that the company answers both questions in its explanation.

Zealand Pharma A/S  
Sydmarken 11  
DK-2860 Søborg  
Denmark

Tel: +45 88 77 36 00  
Fax: +45 88 77 38 98  
CVR no.: 20 04 50 78

[zealandpharma.com](http://zealandpharma.com)

