

Statutory Report on:

Corporate Social Responsibility (CSR) 2015

Statutory report on Corporate Social Responsibility for the financial year 2015 cf. Section 99a and 99b of the Danish Financial Statements Act¹. This report is a supplement to the Management's review in the Annual Report 2015 covering the period 1 January - 31 December 2015.

¹In Danish 'Lovpligtig redegørelse for samfundsansvar, jf. årsregnskabsloven §99a og 99b'



Corporate Social Responsibility (CSR) Report for 2015

1. Zealand and CSR

Our Corporate Social Responsibility (CSR) work is an integrated part of Zealand's business and our efforts in the area are based on our core values. We believe that Zealand has an obligation to be socially responsible in order to benefit not only Zealand's main stakeholders, being mainly shareholders, patients and employees, but also to society. It remains a key focus for us across our business to have an open, engaging and respectful communication with all our stakeholders.

Our CSR efforts are based on the most admissible elements of some of the most widely implemented CSR initiatives in the world, notably the Global Reporting Initiative (GRI) and the United Nations Global Compact. Zealand has found in these two systems complementary frameworks for both guiding and reporting its CSR activities along several principles in the areas of labor, the environment, human rights and anti-corruption. In addition to these, we have supplemented a provisional category for animal rights owing to the unique exigencies of our industry.

Zealand is a maturing biotech company with established scientific expertise and a leading-edge position in turning peptides into medicines. Our therapeutic focus lies in specialty disease areas where peptide-based medicines have particular relevance and where the patient population is easily identifiable and treated by specialists.

We have a mature portfolio with five products out-licensed to Sanofi, Helsinn and Boehringer Ingelheim, including one marketed medicine and two under regulatory review in the US. Zealand's strategic focus is on its growing proprietary pipeline, which includes four investigational medicines in clinical development.

In 2015 we launched an accelerated growth strategy which we call "From peptide to patient". It is an ambitious strategy for accelerated value creation that builds both on the prospects of significant revenue growth from our out-licensed products and on the potential in our growing proprietary pipeline.

The strategy consists of four main elements:

- Build a portfolio of proprietary medicines
- Focus on specialty disease areas
- Enhance our peptide expertise and maintain a dynamic R&D organization
- Accelerate growth via strategic partnerships

The strategy is rooted in our core values: Ambitious, Passionate, Courageous, Curious and Empathetic. These are fundamental for the way we work and act against all stakeholders. The values inspire and motivate employees at Zealand to develop new peptide-based medicines to improve quality of life for patients.



2. Our CSR focus

At Zealand, when carrying out our business we are committed to be socially and environmentally responsible and comply with relevant laws, standards and guidelines. At the same time we are focused on the well-being of our employees and we encourage actions to minimize our impact on the environment as much as possible. Given that Zealand does not currently market or commercialize medicines by itself, there are many issues specific to the pharmaceutical industry that does not fall within the scope of Zealand's CSR initiatives.

Further, as we are a smaller company with app. 110 employees, we have to carefully allocate our resources; therefore we have prioritized to not yet adopt a policy on Human Rights. However, we are aware of and respect the UN Guiding Principles on Business and Human Rights.

To improve the transparency of our social responsibility, Zealand has elevated CSR questions to Zealand's senior management. Zealand has chosen to give particular emphasis to those areas that are unique to Zealand's business.

The following focus areas have been considered important to Zealand's business and operations:



We have decided to merge two of our prior focus areas 'Labor Practices & Decent Work' and 'Occupational Health & Safety' to one area: Employee well-being including health, safety and labor practices.

Zealand's CSR report discloses the main highlights of our CSR initiatives but it does not reflect a static system of initiatives and policies. It is an ongoing process that adapts to accommodate new ideas and activities to keep the company up to date with the developments within this area.

2.1. Employee well-being including health, safety and labor practices

Policy and guidelines

At Zealand, the employees are our most important resource and we believe that an engaged, skilled and motivated workforce results in better quality work. We work with developing our employees' competencies, as knowledge and experience are the key to our success as a biotech company. We believe that an experienced management team and talented pool of employees with profound experience in the pharmaceutical and biotech industry and diverse backgrounds the best way to drive performance and innovative thinking. We have invested in development of employee competencies and we regularly invest in leader training to enhance employee engagement.

Key to our success is the competencies and innovative drive of our employees coupled with an organizational culture and structure, which support open and dynamic interactions across functions.

Our work environment is characterized by:

- Cross functional team-work
- Room for individual performance and development



- Informality and respect
- High work-ethics and engagement
- Fun

We work actively with our employees' well-being, we have numerous policies in place to ensure the physical, mental health and safety of all employees, and Zealand's working environment.

We have established a number of committees, including a works council and an occupational health and safety committee (OHSa committee) where both management and employees are represented and regularly discuss matters related to our work environment.

Zealand has numerous written procedures in place to support our work environment. With respect to its policies, Zealand has taken as its starting point Danish Labor Law and in some cases gone above and beyond what is required of public companies in order to be more considerate of and responsive to the exigencies of its workforce. These policies are described in an Employee Handbook, such as different forms of leave, health and alcohol consumption. Our policies for occupational health and safety (OHSa) are described in an individual manual. It emphasizes that Zealand highly prioritizes the work environment.

General health and wellbeing at Zealand are also taken seriously, and the company facilitates the good health of its employees with gym and exercise facilities, as well as healthy food options. Health insurance is offered to all employees.

Zealand works systematically to maintain a safe and healthy work environment and to develop employees understanding of their own and colleagues' safety.

All Zealand employees are trained under standard safety protocol, through which they are given the tools to manage their own occupational safety. Workplace audits (Arbejdspladsvurderinger APV) are conducted regularly.

A "Near-Accident" Reporting Initiative to build on Zealand's strong safety track record and safeguard against potential future accidents is maintained.

All employees at Zealand have a job description and CV, which are reviewed on a yearly basis. Zealand is committed to develop its employees, and provide continuous training and have therefore budgeted a fixed amount for every employee every year for training and development purposes. This policy has proven to have synergistic benefits for both company and employee. Zealand takes its employee development interviews (EDI) very seriously, including clear goal and bonus goal setting, competence development and performance evaluation, which are performed yearly.

Labor unions currently representing our employees include 'HK it, medie og Industri Hovedstaden'. Zealand negotiates in good faith a collective agreement every 3 years. Next negotiation is planned for 2016.

Additionally, Zealand actively promotes an open, inclusive environment for its employees, and has adopted English as its primary language to accommodate its substantial cohort of international employees. Zealand is also open-minded and forward thinking in its employment development programs for PhD candidates and trainees.

We have implemented various indicators to measure employee satisfaction. A yearly employee satisfaction survey is performed and measures the results from initiatives from the previous year as well as identifies areas for improvement going forward.

Risk assessments are reviewed quarterly, and the OSHA Committee at Zealand regularly conducts surveys.



2.1.1 Diversity

Zealand's culture and policies are rooted in a respect for diversity and are as such fully compliant with Danish regulation regarding equal opportunity employment.

Zealand is committed to hiring and retaining the most qualified employees without regard to race, creed, gender or age, but strives for diversity throughout the organization with respect to age, nationality and gender.

Zealand aims to achieve a reasonable representation of both gender on all management levels – from board of directors to head of departments. We will encourage female candidates' interest in taking on managerial tasks.

The split of female vs. male employees were:

	2015		2014	
	Male	Female	Male	Female
Zealand Pharma A/S	48%	52%	46%	54%
Executive management	50%	50%	100%	0%
Senior management	60%	40%	60%	40%
Head of departments	59%	41%	73%	27%
Other employees	46%	54%	40%	60%

The executive management has an even split of female/male representation in 2015 (2014: 0% female representation), whereas the senior management team at Zealand constitutes 40% women end of 2015 (2014: 40%), same level as in 2014.

Of the head of departments, 41% were female end of 2015 (2014: 27%).

Other employees figures	2015	2014
Average age of workforce	46,1	45,0
% of non-Danish employees	19%	22%
Employees holding a PhD	37	34
PhD students	3	3
Other students	3	1

End of 2015, the percentage of the total employees being non-Danish were 19% (2014: 22%). Of the senior management, 40% were non-Danish

The average age of the employees at Zealand was 46.1 years in 2015 (2014: 45 years).

Members of the Board of Directors currently constitute 3 women and 6 men, of which 2 women and 4 men have been elected at the Annual General Meeting (33% female representation).



The target in 2014 was to have a minimum of 25% AGM elected female board members within 2 years. This target has been achieved by the election of Rosemary Crane and Catherine Moukheibir at the Annual General Meeting in 2015.

Achievements in 2015

Development

- We launched an implementation plan to identify actions to move the company towards achieving our ambitious 2020+ strategy named “From peptide to patient”. Zealand held a company day for the whole organization in order to explain and start the implementation of the new strategy.
- To support our strategy and as part of our organizational growth, Zealand has in 2015 established a number of new department areas such as HR, Regulatory and Quality Assurance – areas that previously have been taken care of by external consultants.

Employee well-being

- At the employee satisfaction survey, the percentage of employees that stated that Zealand is a good place to work amounted to 97% (2014: 89%). An improvement of 8%.
- 87 % of the work force at Zealand view the physical work environment at Zealand as good/often good (2014: 88%), and 88% of the work force view the psychological work environment as good/often good (2014: 85%).
- The absence rate was 1.8% (2014: 2,0%).
- During the year, Zealand offered a health check to all employees.
- Employee turnover was 6%, compared to our target on 7%, this was above expectations.
- Zealand regularly invests in leader training. In 2015, individual training took place; while in 2014 all department heads completed an internal, common management training.

Safety:

- Under our ‘Near-Accident’ Reporting Initiative 2 ‘near-accidents’ were reported (2014: 4 ‘near accidents’ reported).
- Two ‘obligated to notify’ accidents were reported (2014 – none).
- Zealand has had no incidents of significant injury in 2015 (2014 – 0), as measured by days of absenteeism or convalescence taken due to work-related injury.

Diversity

- As of 15 January 2015, Britt Meelby Jensen took up the position as new Chief Executive Officer replacing David H. Solomon, who had been leading the company since 2008. The executive management is then represented by an even split of female/male.
- In 2015, as part of our organic growth, Zealand established a number of new departments and new head of departments were either recruited or promoted internally. Out of the 5 new head of departments, 4 were women.



- Zealand remained committed to provide equal opportunities for women and men at all management levels.

Focus areas in 2016

- We will continue our activities to implement our ambitious 2020+ strategy.
- Leadership training has been planned for both project managers and department heads.
- The focus area for the whole organization is stress and actions to prevent stress among the employees. This is measured via our yearly employee survey. The goal for 2016 is that less than the answers are 20% to the question 'I do not feel stressed' (of the possible replies: 'often not true' or 'un-true').
- The target range for the employee survey on 'Zealand is a good place to work' is 92-97%.
- Zealand cares about the well-being of the employees and will again in 2016 offer a health check to all employees.
- We aim for an appropriate level of employee turnover and an absence rate at same level as the previous years.
- We aim for an appropriate level of Near-Accident's.
- Zealand will continue to focus on the gender diversity of employees at all levels of the company.
- We will continue to encourage female candidates to take on managerial tasks.
- Zealand will continue to focus on employee well-being, health and safety.

2.2. Ethics and Quality in relation to Research and Development Activities

Policy and guidelines

Zealand's quality policy describes compliance with international recognized standards and guidelines in all stages of research and development and does not place patients or animals at risk due to inadequate safety, quality or efficacy. Activities not performed in-house, are outsourced to qualified and approved vendors. It is recognized, that in outsourcing these activities, Zealand maintains the sponsor responsibility for the activities and quality procedures are established to ensure that the outsourcing is established and managed in compliance with relevant international regulations, legislations and guidelines, such as Good Manufacturing Practice (GMP), Good Laboratory Practice (GLP) and Good Clinical Practice (GCP).

Zealand has one common Quality Management System (QMS) for all Research and Development activities that is described in a Quality Manual. New employees are trained in the QMS, Quality Policy and Standard Operating Procedures as part of their introduction program.

Zealand is committed to complying with relevant regulations, laws, standards and guidelines. We therefore ensure performance of internal and external audits according to approved audit plans.



Achievements in 2015

- Zealand ensures performance of internal and external audits according to approved audit plans. 13 audits were conducted (2014: 4 audits).

Focus areas in 2016

- Zealand will focus on a general update of our Quality Manual, and continuously auditing our vendors.

2.2.1 Animal welfare

To allow for the discovery of new therapies and to ensure efficacy and safety of new pharmaceuticals, it is necessary to conduct in vivo experiments using laboratory animal species. Zealand's policy towards animal ethics and welfare is to use animal studies only where no available and acceptable in vitro alternative exists. When used, all laboratory animals used under our responsibility must be treated humanely and with respect, and only purpose-bred animals are used. Zealand adheres to the principles of the 3R's (reduction, refinement and replacement) and work to integrate these principles in all studies conducted, where possible.

All in-house animal studies are carried out in accordance with guidelines provided by the Danish Ministry of Justice, including specific licenses. Danish law stipulates regular inspections of the animal facilities, as well as comprehensive reporting protocols overseeing experiments conducted during the year, processed through the governmental agency (Dyreforsøgstilsynet). The operational flow of information and reporting, upward from lab technician to academic to department head, ultimately ensures a centralized destination for all of the company's pharmacology and toxicology data, which is duly recorded, organized and sent to the regulatory authorities.

All employees working with laboratory animals have appropriate and documented education and training. Veterinarian inspections of the animal facilities are performed regularly and always on-demand.

In addition, Zealand has an internal ethical committee that screens all proposed in-house in vivo pharmacology and PK experiments for compliance to regulatory and ethical permissions.

The necessity of animal experiments to Zealand's research and development activities cannot be overstated, and thus the company constantly strives for the greatest vigilance and care in its treatment of animals.

Achievements in 2015

- In 2015, as in 2014, there were no reported incidents of negligence.

Focus areas in 2016

- Zealand will continue to focus on animal welfare and comply with the principles of the 3R's.

2.3. Environmental sustainability and climate

Policy and guidelines

Zealand's environmental policy outlines our commitment to protect the environment. By conducting business in a safe and environmental friendly manner, we aim to reduce the impact on the environment



and climate as far as possible taking into consideration our size and type of company. Zealand complies with laws and regulations relevant for our business.

We are mindful about the environment and climate, and we encourage employees to act in an environmental friendly way, to produce as little waste as possible. We have implemented two-sided, black/white printing as our office standard, and a 'please consider the environment before printing' message in our standard e-mail signature.

We have procedures for recycling paper and cardboard as well as use of electricity and heating.

Zealand contributes to energy saving by selecting office and laboratory equipment that requires low energy usage when possible.

Our travel guidelines limit unnecessary plane travel by employees and encourage use of our video conference facilities and teleconferencing as an alternative to business travels.

2015 achievements

- Zealand continued to encourage employees to act in an environmental friendly manner.
- As a specific initiative, we have removed all plastic and glass bottles, installed a number of drinking water machines and then provided all employees with recycled water bottles.
- We reduced our number of business travels and our travel costs decreased by 10% compared to 2014.

2016 focus areas

- We remain mindful about the environment and will continue to minimize our environmental impact and encourage employees to continue with initiatives to improve our environment and climate.

2.4. Business ethics

Policy and guidelines

Zealand's quality and reputation as a business and scientific collaborator are of the utmost importance to its strategic future, and it is therefore in the company's and its stakeholders' best interests that Zealand employees are educated and kept updated of policies regarding corruption and compliance, insider trading, proper and legal management of external intellectual property.

Zealand strives to conduct business according to highest ethical standards and safeguards its business against corruption and non-compliance where its employees are most at risk.

Zealand will proactively engage in a positive dialogue with all regulatory and advisory authorities and stakeholders from the relevant industry, in order to be inspired to further improvements.

Zealand has an established whistleblower program, which is approved by the Danish Data Protection Agency.

Zealand contributes to sponsorships and during the last 4 years, Zealand has supported the Juvenile Diabetes Research Foundation (JDRF) organization.



2.2.2 Corruption & compliance

Zealand actively promotes and maintains a policy of transparency and honesty with its employees. Zealand's "Employee Handbook" stipulates a set of policies, which specify the company's standards for its employees' good and legal conduct.

2.2.3 Insider trading

Zealand has taken every precaution to keep all its employees, board members, and certain stakeholders fully educated in and compliant with the company's internal rules. The company distinguishes carefully between those who are listed on its permanent "Insiders List," and those who encounter what is deemed "Insider Information." In the latter case, Zealand takes every precaution to keep an updated list concurrent with changes in certain employees' knowledge of information. All new employees are introduced to our internal rules, and have to sign a document stipulating that the rules have been read and understood.

2.2.4 Intellectual property

The company has strict policies regarding the proper use and transfer of intellectual property. Since its founding, Zealand has been able to refine its confidentiality and material transfer agreements to reflect the critical changes of the industry, building on the extensive industry experience of many of its senior members.

Achievements in 2015

- No issues were reported in 2015 under our whistleblower program (2014: 0).
- Zealand has had no indication of any violations of the above categories (2014: 0).

Focus areas in 2016

- Zealand will continue to conduct business according to highest ethical standard.