

Zealand Pharma A/S – Corporate Social Responsibility Status Report

Statutory report on CSR for the financial year 2013 cf. Section 99a of the Danish Financial Statements Act (in Danish “Lovpligtig redegørelse for samfundsansvar, jf. årsregnskabslovens § 99 a”).

This report is a supplement to the management’s review in the Zealand Pharma Annual Report covering the period 1 January - 31 December 2013.

CEO statement

Zealand Pharma A/S (Zealand) has made a pledge to formalize and disclose the core values that have underwritten our success, in which corporate social responsibility has played an important part. To acknowledge and further develop this facet of our business, Zealand draws from the most pertinent elements of some of the most widely implemented CSR initiatives in the world, notably the Global Reporting Initiative 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 human rights, the environment, labour 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’s CSR report 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.

CSR Steering Group & Strategy

To improve the transparency of its corporate social responsibility, the company has elevated CSR questions from the CSR Steering Group to Zealand’s Executive Management. The following focus areas have been considered important to Zealand’s business and operations.

1. Labour Practices & Decent Work
2. Occupational Health & Safety
3. Animal Rights
4. Environmental Sustainability
5. Anti-corruption & Pharmaceutical ethics

These focus areas are an amalgamation of existing Zealand values and policies together with the principles of the United Nations Global Compact (UNGC) where they apply to the scope of the



company's business. It was important to this process that Zealand compared its pre-existing policies against the consolidated framework of the UNGC, which has served the dual purpose of an internationally ratified CSR diligence standard and a reporting model. The CSR Steering Group has chosen to give particular emphasis to those areas which are unique to the Zealand's business as a biotechnology and research corporation with a diverse range of strategic partnerships. These areas are animal rights, occupational health and safety and finally pharmaceutical ethics.

However, given that Zealand does not market or commercialize drugs, there are many issues specific to the pharmaceutical industry that do not fall within the scope of Zealand's CSR initiatives. Zealand has no specific human rights policy in place.

Labour Practices & Decent Work

Zealand is cognisant that the wellbeing of its employees is important to its broader success.

Zealand has in place an Employee Manual to reflect the culture of its employees and workplace. With respect to its policies, Zealand has taken as its starting point Danish Labour 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.

All employees at Zealand have a job description which is reviewed on a yearly basis.

Zealand is committed to develop its employees and provide continuous training. This policy has proven to have synergistic benefits for both company and employee. Zealand takes very seriously its employee development interviews (EDI) including clear goal setting, competence development and performance evaluation which is performed yearly.

Zealand's culture and policy is rooted in a philosophy respectful of diversity and as such is fully compliant with Danish regulation regarding equal opportunity employment and equal remuneration for men and women. 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. The company has also been open-minded and forward thinking in its employment development programs for PhD candidates and trainees, which are only now starting to become apart of the orthodoxy for Danish company hiring practices.

A yearly employee satisfaction study is performed and measures the results from initiatives from the previous year as well as identifies areas for improvement going forward. As an example the percentage of employees responding that Zealand is a good place to work were 92% in 2013.

Occupational Health & Safety

Further to its policies on Labour Practices & Decent Work, Zealand has taken great care in ensuring the safety of its workplace for all employees. The Company's Occupational Health and Safety Organization oversee the ongoing maintenance of working facilities in accordance with national standards.



All Zealand employees are trained under standard safety protocol, through which they are given the tools to manage their own occupational safety. Under this program, Zealand has had no incidents of significant injury in 2013, as measured by days of absenteeism or convalescence taken due to work-related injury. In 2012, Zealand and its Worker Environment Committee have also instituted a “Near-Accident” Reporting Initiative to build on the Company’s strong safety track record and safeguard against potential future accidents. In 2013 three “near accidents” were reported,

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

Animal Rights & Welfare

Animal rights and welfare is one of the unique areas of the biopharmaceutical industry deserving particular attention when it comes to corporate social responsibility. Zealand’s philosophy towards animals is respectful, and reflective of the company’s profound appreciation for their contribution to the advancement of science and medicine. Danish law stipulates yearly 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 data, which is duly recorded, organized and sent to the regulatory authorities.

On top of its legal requirements, Zealand conducts voluntarily monthly veterinarian inspections of its animal facilities. In 2013, there were no reported incidents of negligence. In addition, Zealand has an internal ethical committee that screens all proposed *in vivo* experiments for compliance to regulatory and ethical permissions.

Wherever possible, the company selects *in vitro* over *in vivo* experiments, making every effort to use lower order animals when *in vivo* experiments are required, and as few as possible in all cases. 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.

Environmental Sustainability

Zealand recognizes that it could stand to make improvements in areas of environmental sustainability. In 2013, water use and emissions fell within a reasonable range of what might be expected for a company of Zealand’s size and type, but the company fared less well in terms of energy use. This can be accounted for in large part by the demanding central heating and aeration requirements of the research facilities. As a matter of occupational safety, the air in the laboratories is replaced with great



frequency to ensure it remains clean. Year round, but particularly during the winter, the incoming air must be climate controlled—filtered and heated—while the outgoing air is released as an emission. Zealand did in the end of 2011 invest in a new video conference room, which has served to significantly reduce the travel costs. Indirectly, this investment will contribute reduced energy expenditure, fuel use, and emission generation.

Anti-Corruption and Pharmaceutical Ethics

Zealand strives to safeguard its business against corruption and non-compliance where its employees are most at risk. The following categories are those most relevant to the company and its stakeholders:

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.

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 Insider Rules. The company distinguishes carefully between those who are listed on its permanent "Insiders List," and those who come into contact with 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 regarding the company's strategically material events.

Pharmaceutical Ethics

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. 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 abreast of policies regarding the proper and legal management of external intellectual property.

Zealand has in 2013 had no indication of any violations of the above categories.