

## STATUTORY REPORT ON CORPORATE SOCIAL RESPONSIBILITY (cf. SECTION 99a and 99b OF THE DANISH FINANCIAL STATEMENTS ACT)

Statutory report on Corporate Social Responsibility (CSR) for the financial year 2014 cf. Section 99a and 99b of the Danish Financial Statements Act (in Danish “Lovpligtig redegørelse for samfundsansvar, jf. Årsregnskabslovens § 99a og 99b”). This report is a supplement to the Management’s review in the Zealand Pharma A/S Annual Report 2014 covering the period 1 January - 31 December 2014.

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



Zealand 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 Ethics and Quality in relation to Research and Development Activities, 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 a part 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 that stated that Zealand is a good place to work amounted to 89% in 2014.

### **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 oversees the ongoing maintenance of working facilities in accordance with national standards. Regular workplace audits are conducted. Zealand received a green smiley in 2014 following an audit of the Danish Working Environment Authority indicating that Zealand has no issues with the Working Environment Authority.

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 2014, as measured by days of absenteeism or convalescence taken due to work-related injury. In 2012, Zealand and its Worker Environment Committee has also instituted a "Near-



Accident” Reporting Initiative to build on the Company’s strong safety track record and safeguard against potential future accidents. In 2014 four “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. Health insurance is offered to all employees.

### **Ethics and Quality in relation to Research and Development Activities**

Zealand has chosen to build one common Quality Management System (QMS) for all Research and Development activities that is described in a Quality Manual. Zealand’s quality policy describes compliance with international recognized standards and guidelines in all stages of research and development and do 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 vendor. 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).

Training sessions of employees in the QMS, Quality Policy and Standard Operating Procedures were conducted in 2014.

Zealand ensures performance of internal and external audits according to approved audit plans.

Zealand’s philosophy towards animal rights and welfare 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 2014, 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. However, Zealand has no specific environmental policy in place. In 2014, 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 frequently uses its 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.

Zealand has implemented a whistleblower program, which is approved by the Danish Data Protection Agency. In 2014 no issues were reported.

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 2014 had no indication of any violations of the above categories.



## Diversity

Zealand believes that diversity within its leadership and workforce is a prerequisite for a creative and innovative environment. When assessing diversity we look at gender, nationality and age.

The split of female vs. male employees as of February 28, 2015 were:

	<b>Female</b>	<b>Male</b>
All employees	57%	43%
Scientific academics	44%	56%
Head of departments	33%	67%
Executive Management	50%	50%
Board of Directors	0%	100%

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 organisation with respect to age, nationality and gender.

Members of the Board of Directors currently constitute 1 woman and 8 men, of which 0 woman and 6 men has been elected at the Annual General Meeting (0% female representation). Female representation on the Board of Directors decreased in 2014 from 1 to 0 AGM elected members. The target is to have a minimum of 25 % AGM elected female board members within 2 years. The aim is to reach this goal through the Nomination Committee's processes, including an intention to recruit from a pool of nominations, which includes at least one female candidate. The recommendation from the Nomination Committee for the upcoming Annual General Meeting proposes at least one female to be elected in 2015.

The Executive Management team at Zealand constitutes 50% women and is highly international. Of the head of departments, 33% were female by 28 February 2015.

Of the total workforce, 17% were non-Danish and of the Executive Management 75% were non-Danish nationals.

The average age of the employees at Zealand was 44 years.