

Statutory report on

Corporate Social Responsibility 2017

Statutory report on Corporate Social Responsibility for the financial year 2017, 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 2017 covering the period January 1 – December 31, 2017.

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



Corporate Social Responsibility (CSR) Report for 2017

We believe that operating, as a responsible company that serves broader economic and societal interests will best create value by enabling us to attract and consolidate relations with customers, suppliers, investors and key stakeholders, while attracting and retaining our employees.

Zealand Pharma

Zealand is a world leader in the discovery and development of peptide therapeutics, focusing on specialty gastrointestinal and metabolic diseases. We have a late-stage program in Phase 3 development and two Phase 3-ready programs, all with potential to launch into major markets: glepaglutide, a long-acting GLP-2 analog for short bowel syndrome, and dasiglucagon, a soluble, stable glucagon analog in liquid formulation in development as three distinct medicines.

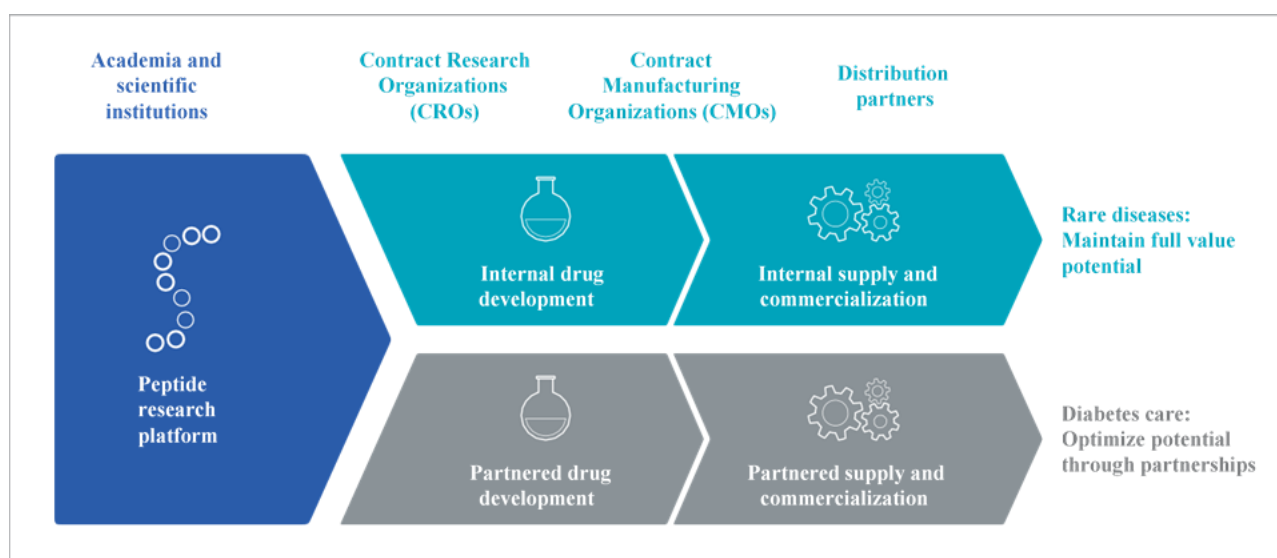
In 2017, Soliqua® 100/33, a fixed-dose combination of the Zealand-invented GLP-1 lixisenatide, and Lantus®, was launched in the U.S. by Sanofi and launched as Suliqua® in some European countries. Two programs within obesity and/or type 2 diabetes are in Phase 1 development by our partner Boehringer Ingelheim.

We aim to advance rare disease programs all the way to market, combined with growth through partnerships, leveraging our validated peptide platform and expertise.

A business model with two approaches

Zealand maintains a lean business model and engages with partners across the value chain, such as leading CROs and CMOs. We aim to retain full ownership and control of product candidates within rare diseases all the way to the patient in selected geographies.

In diabetes and other broad indications, we will engage in development and/or commercial partnerships, and the timing will depend on value optimization, while remaining opportunistic.



Zealand has 20 years of expertise in the discovery and development of peptide therapeutics. Our success has largely come from our focus on the modification of endogenous gut peptide hormones, particularly glucagon, amylin, GLP-1, GLP-2 and GIP. Today, we not only focus on optimizing the properties of endogenous hormones but also on exploring ion channels and other target classes.

Zealand has built a world-class late-stage development organization to support the fast progress of the clinical portfolio in line with our ambition to bring our own products to the market in order to retain



control and value in-house. We believe that, in some cases, partnerships will enable us to move faster to market. Zealand intends to commercialize some product candidates within rare diseases when the scope of the effort is manageable. We will gradually build our commercial organization in Europe and the U.S.

During 2017, we introduced the “Zealand DNA” to ensure that we have the appropriate skills, behaviors, attitudes, culture and leadership style to enable us to deliver optimum performance. Key to our success are the competencies and innovative drive of our employees, coupled with an organizational culture and structure that supports open and dynamic interactions across functions.

Building a patient-centric business

As Zealand continues its transformation toward being a fully integrated biotech company, building relationships with key stakeholders is a fundamental step – not just with patient organizations and advocacy groups to ensure that patients’ needs take center stage in our business activities, but also with the scientific community.

We value our close relationships with the scientific community and strengthened our relationships with thought leaders in the diabetes and gastrointestinal fields during 2017. We work closely with key opinion leaders to ensure that we not only improve patient care but also increase awareness of the burden of living with chronic diseases. At Zealand, we hope that by fostering these relationships and engagements, we can bring innovative solutions to the market in collaboration with academia and clinical practice experts.

Working with patient organizations and advocacy groups gives us more knowledge and deeper insights into doing what is right for the patient, and it is our belief that our business benefits in the process. At Zealand, we seek “the patient voice,” and patients are not seen as statistics, subjects or numbers on a spreadsheet. We believe that if you focus on patients, then you will be financially successful.

Our CSR focus

At Zealand, we work to improve care for patients and deliver value for our shareholders. Our CSR efforts are based on the requirements of the Danish Financial Statements Act, and we comply with relevant laws, standards and guidelines for reporting on CSR activities. We focus on topics most relevant to our core business and the well-being of our employees, as they are the foundation of our success.

Given that Zealand does not currently market or commercialize medicines itself, many issues specific to the pharmaceutical industry do not fall within the scope of Zealand’s CSR initiatives. As a small company, we need to allocate our resources carefully, so adopting a policy on human rights is not a priority. However, we are aware of and respect the UN Guiding Principles on Business and Human Rights.

Internally we work with well-being, including health, safety and labor practices and diversity across all levels of the organization, as well as organizational development. Externally we work to create a better life for patients through collaborations with different patient organizations and advocacy groups within our disease areas.

At Zealand, our particular emphasis is on the areas that are most relevant to our business and operations:

- Working environment and employee well-being.
- Ethics and quality in relation to research and development activities.
- Patient-centric approach.
- Environmental sustainability and climate.
- Business ethics.

Zealand intent to incorporate further CSR perspectives in our business as we expand.



Working environment and employee well-being

Policy and guidelines

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

We work to ensure our employees' well-being and have a number of policies in place to ensure the physical and psychosocial health and well-being of all employees as well as the safety of Zealand's working environment.

We have set up a number of committees, including a Works Council and an Occupational Health and Safety Committee (OHAS Committee) on which both management and employees are represented and regularly discuss matters related to our work environment.

Health and well-being at Zealand are also taken seriously, and we make it easier for our employees to stay healthy by providing gym and exercise facilities as well as healthy food options. Our employees are covered by a health insurance.

Zealand works systematically to maintain a safe and healthy work environment and to develop employees' understanding of their own safety and that of their colleagues. Zealand has numerous written procedures in place to support its work environment. All Zealand employees are trained in the standard safety protocol, whereby 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.

Risk assessments are reviewed quarterly, and Zealand's OHAS Committee conducts surveys on a regular basis.

When it comes to its policies, Zealand has taken Danish Labor Law as its starting point and, in some cases, has gone above and beyond what is required of public companies in order to be more considerate of and responsive to the needs of its workforce. These policies are described in an Employee Handbook which, among other things, details the different forms of leave available and the rules on health and alcohol consumption. Our policies on occupational health and safety (OHAS) are described in a separate manual, which emphasizes the high priority that Zealand gives to the work environment. Labor unions currently representing our employees include HK it, medie & Industri Hovedstaden. Zealand negotiates a collective agreement in good faith every three years. Next negotiation is scheduled for 2020.

All employees at Zealand have a job description and a CV, and these are reviewed on an annual basis. Zealand is committed to developing its employees and providing continuous training. This policy has proven to have synergistic benefits for both the Company and its employees. Zealand takes its employee development interviews (EDI) very seriously, including clear goal and bonus goal setting, competency development and performance evaluation on an annual basis.

In addition, Zealand actively promotes an open, inclusive environment for its employees, and has adopted English as its primary language to accommodate our international employees. Zealand is also open-minded and forward thinking in its employment development programs for Ph.D. candidates and trainees.

A new engagement survey was implemented in 2017 to help leaders and employees to continuously improve the working environment. This evaluation clearly shows that Zealand has a healthy and



motivating working environment. The goals for 2018 are equally ambitious, and Zealand must therefore focus on maintaining a healthy and motivating working environment on a continuous basis.

Zealand has implemented a new competency development system for all employees in order to give inspiration on how to make jobs even more motivating. This systematic approach to competency development is also designed to enable employees and leaders to carry out existing tasks smarter and/or take upon new responsibilities and will consequently improve employability.

Diversity across all levels of the organization

Zealand's culture and policies are rooted in respect for diversity and, as such, are fully compliant with Danish regulations on equal opportunity employment.

A diverse workforce enhances innovation, increases our ability to work cross-culturally and gives us a better understanding of the communities in which we operate so that we can create value for patients and our stakeholders. We aspire to attract, develop and retain the best people and to be a company where employees thrive, regardless of their background

Zealand aims to achieve equal representation of both genders at all management levels – from the Board of Directors to the heads of department. We want to encourage female candidates to take on managerial tasks.

The table below shows that Zealand have an even distribution of female and male managers and slightly more women than men across the organization in general. The corporate management team was made up of 25% female at the end of 2017 (2016: 25%), and people managers were made up of 46% female at the end of 2017 (2016: 52%). The overall management level is made up of 43% females (2016: 48%) and is regarded to be an even gender distribution.

	2017		2016	
	Male	Female	Male	Female
Zealand Pharma A/S	42%	58%	44%	56%
Corporate management	75%	25%	75%	25%
People managers	54%	46%	48%	52%
Other employees	37%	63%	42%	58%

The average age of Zealand employees was 46.8 at the end of 2017 (2016: 45.9). At the end of 2017, 15% of our employees had another nationality than Danish (2016: 18%) and in corporate management the number was 50% (2016: 50%). Out of the total workforce, 82% of our employees works in R&D (2016: 82%).

Other employees figures	2017	2016
Average age of workforce	46.8	45.9
% of non-Danish employees	15%	18%
Ph.D. students	3	3
Other students	3	3



Diversity in the Board of Directors

In 2013, the Board of Directors set a target to have a minimum of 25% female board members elected by the shareholders within the next three years. The target was met in 2015. As of 31 December 2017, the Board of Directors consisted of four women and four men, of whom two women and three men were elected at the Annual General Meeting in 2017, giving a female representation of 40% (2016: 33%).

Achievements in 2017	Focus areas in 2018
Working environment and employee well-being	
Employee well-being and health (healthy working environment)??	
<ul style="list-style-type: none"> • The Zealand DNA was introduced and all employees have defined what the Zealand DNA means to their daily work. • A new engagement survey was implemented to help leaders and employees to continuously improve the working environment. The response rate was 93%. • Workshops to avoid stress among employees were conducted. • All management levels have received leadership training. • The absence rate¹ was 1.6% (2016: 2.1%). • Employee turnover² was 9% (2016: 5%). 	<ul style="list-style-type: none"> • We aim for an appropriate absence rate at the same level as in previous years. • We aim to maintain a high performance culture and an engaging organization by measuring relevant parameters in the new employee survey implemented in 2017. • Zealand will continue to work on maintaining a healthy and motivating working environment. • Leadership training will continue. • We will focus on competency development and improve employability with the following objectives: <ul style="list-style-type: none"> ○ Zealand's ability to execute the business strategy ○ Employees possibility to get motivating tasks ○ Enhance employees employability • Workshops based on the trends from the competency development plans will be conducted with the objectives to strengthen skills and improve the ability to work effectively across organizational borders.
Safety	
<ul style="list-style-type: none"> • Two near accidents were reported under our near accident reporting initiative (2016: 4). • No "obligated to notify" accidents were reported. • Zealand had no significant injuries in 2017 (2016: 0), as measured by days off due to work-related injury. 	<ul style="list-style-type: none"> • We aim for an appropriate level of near accidents.
Diversity	

¹ Absence rate is calculated based on recorded staff sick days and child sick days compared with the number of working days in the year, adjusted for holidays.

² Employee turnover percentage is calculated by the number of employees, which voluntarily left the company during a year, divided by the average number of employees over the year.



Achievements in 2017	Focus areas in 2018
Working environment and employee well-being	
<ul style="list-style-type: none">• Zealand remains committed to providing equal opportunities for women and men at all management levels.	<ul style="list-style-type: none">• Zealand will continue to focus on gender diversity of employees at all levels of the Company and to provide equal opportunities for women and men, at all management levels.• We will continue to encourage female candidates to take on managerial tasks.



Ethics and quality in research and development activities

Policy and guidelines

Zealand's quality policy describes compliance with internationally recognized standards and guidelines at all stages of research and development to ensure that we do not place patients or animals at risk due to inadequate safety, quality or efficacy. Research applies Good Research Practice. Development outsources GxP activities to qualified and approved vendors, but Zealand retains the sponsor responsibilities. Oversight of the activities is carried out to ensure compliance with the requirements of, for example, Good Laboratory Practice (GLP), Good Manufacturing Practice (GMP), Good Clinical Practice (GCP) and Good Pharmacovigilance Practice (GVP).

We work in close partnerships and with vendors, and when evaluating these partners we focus both on business ethics (i.e. human rights, reputation) as well as SOP based different parameters (i.e. service (capability, capacity), quality, supplier management, financial stability and furthermore, some are audited.

Zealand's Quality Management System (QMS) for research and development activities is described in our Quality Manual. Our QMS is intended to be simple, agile and effective – based on a solid training system. Learning from experience, we correct and make improvements to our processes and systems in order to evolve our product Life Cycle Management (LCM) as we enter later development stages. Quality Management Reviews are performed annually.

To allow for the discovery of new therapies and to ensure the efficacy and safety of new pharmaceuticals, it is necessary to conduct *in vivo* experiments using laboratory animal species.

Zealand's policy on animal ethics and welfare is to use animal studies only where no available and acceptable *in vitro* alternative exists. 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 3Rs (reduce, refine, replace) and works to integrate these principles in all studies carried out, wherever possible.

All in-house animal studies are carried out in accordance with specific licenses issued by the Ministry of Environment and Food of Denmark and international guidelines, as appropriate. Danish law stipulates regular inspections of the animal facilities as well as comprehensive reporting protocols overseeing experiments conducted during the year, processed through The Animal Experiments Inspectorate. The upward flow of information and reporting, from lab technician to academic to head of department, ultimately ensures the centralization of all the Company's pharmacology and toxicology data, which are duly recorded, organized and sent to the regulatory authorities.

All employees working with laboratory animals have appropriate and documented education and training. Veterinary spot checks of our animal facilities are performed regularly.

In addition, Zealand's internal ethical committee scrutinizes all proposed in-house *in vivo* pharmacology, toxicology and PK experiments for compliance with 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 2017	Focus areas in 2018
Ethics and quality in research and development activities	
Quality assurance and vendor management	
<ul style="list-style-type: none">• Zealand launched an NDA-readiness program to ensure that required processes for commercial operations are in place before a §39³ inspection.• Zealand established an IT strategy to cover implementation of future business IT systems to support late stage development and commercial operations.• Zealand assessed and approved 15 new collaboration partners/vendors• Zealand conducted 10 external audits.	<ul style="list-style-type: none">• Zealand will continue to run the NDA readiness program.• Zealand will implement a new Document Management and QMS system.• Zealand will build and continuously improve the Quality System required for late stage and commercial operations.• Zealand will continue and intensify oversight of outsourced activities based on our quality risk management principles.
Animal welfare	
<ul style="list-style-type: none">• No incidents of negligence were reported.	<ul style="list-style-type: none">• Zealand will continue to focus on animal welfare and comply with the principles of the 3R's.

³ §39 inspection is conducted by the Danish Medicines Agency (DMA) in order to obtain a manufacturing authorization



Patient-centric approach

Policy and guidelines

At Zealand, we work to create better lives for patients through collaborations with advocacy groups and patient organizations. We aim to demonstrate our commitment to patients and caregivers by serving their interests with the aim of consolidating relations and obtaining better treatment options.

When developing our products, we keep the patients' needs and their safety in focus. Our collaboration with advocacy groups and patient organizations allows us to strive constantly to optimize our products to maximize the therapeutic value, convenience and safety for patients.

Advocacy groups and patient organizations	Type of collaboration
Short bowel syndrome	
Short Bowel Syndrome Foundation, U.S.	Sponsorship and Patient Insight
Short Bowel Syndrome Cure Project, U.S.	Patient Insight and Dialogue
Association for Crohn's and Colitis, Denmark	Membership
Association for Users of Home Parenteral Nutrition, Denmark	Awareness videos on SBS and home parenteral support and sponsorship
Diabetes	
Juvenile Diabetes Research Foundation, Denmark	Sponsorship
DiaTribe, U.S.	Collaboration and Patient Journey Insight
T1D Exchange, U.S.	Collaboration and Sponsorship
American Diabetes Association, U.S.	Collaboration and support of furthering the cause to drive awareness of diabetes and its complications.
Rare Diseases	
NORD – National Organization of Rare Diseases. Covering 1,200 rare diseases in the database of the 7,000 rare diseases in the US only.	Membership
CHI – Congenital Hyperinsulinism International	Sponsor and Annual Family Meeting Attendance. Sponsorship

Achievements in 2017	Focus areas in 2018
Patient-centric approach	
<ul style="list-style-type: none"> Zealand increased the collaboration with patient organizations and advocacy groups. 	<ul style="list-style-type: none"> Zealand plan to develop guidelines and procedures for working with patient organization and advocacy groups to ensure transparency and business ethics.





Environmental sustainability and climate

Policy and guidelines

Zealand's environmental policy outlines our commitment to protect the environment, business partners, the society as well as our employees. By conducting business in a safe and environmentally friendly manner, we aim to reduce the impact on the environment and climate as far as possible, taking into account our size and the type of company we are. However, as we do not have any manufacturing, we consider our impact on the environment and climate as very limited.

We are mindful about the environment and climate and we encourage employees to act in an environmentally friendly way, to produce as little waste as possible. We have implemented double-sided, black and white printing as our office standard and we include 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 for the use of electricity and heating.

Zealand contributes to energy saving by selecting energy-efficient office and laboratory equipment wherever possible.

Our travel guidelines limit unnecessary air travel by employees and encourage the use of our videoconference facilities and teleconferencing as alternatives to business travel.

Achievements in 2017	Focus areas in 2018
Environmental sustainability and climate	
<ul style="list-style-type: none">• Zealand continued to encourage employees to take environmental and climate friendly initiatives.• Zealand changed it's electricity agreement to be 100% driven by wind energy, and received a WINDenergy environment certificate.	<ul style="list-style-type: none">• We consider our environmental impact as very limited, and have not included any indicators for this area at present.• Zealand will continue to minimize the environmental impact and encourage employees to continue with environmental and climate friendly initiatives.• We have initiated a recycling-agreement with the aim to recycle our aluminum capsules.



Business ethics

Policy and guidelines

Zealand's reputation as a trusted business and scientific partner are of the utmost importance and therefore our employees are trained and kept up to date with policies on corruption and compliance, insider trading and appropriate and legal management of external intellectual property.

Zealand strives to operate according to the highest ethical standards and safeguards its business against corruption and noncompliance where its employees are most at risk. Zealand will proactively engage in a positive dialogue with all regulatory and advisory authorities and with stakeholders from relevant industries in order to be inspired to make further improvements.

Zealand maintains a whistleblower program, which is approved by the Danish Data Protection Agency.

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 regarding its employees' general and legal conduct.

Zealand has taken every precaution to keep all its employees, board members and certain stakeholders up to date 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 are exposed to what is deemed insider information. In the latter case, Zealand takes every precaution to keep an up-to-date list of employees' knowledge of insider information. All new employees are introduced to our internal rules and have to sign a document stipulating that they have read and understood these rules.

The Company has strict policies regarding the proper use and transfer of intellectual property. Since it was founded, Zealand has refined its confidentiality and material transfer agreements to reflect critical changes in the industry, building on the extensive industry experience of many of its senior members.

Achievements in 2017	Focus areas in 2018
Business ethics	
<ul style="list-style-type: none">• All new employees have been introduced to Zealand's internal rules as part of the introduction program.• A numerous of policies, guidelines, charters and procedures have been updated to comply with new requirements as a consequence of Zealand's U.S. listing in August 2017.• No issues were reported under our whistle blower program.• Zealand are investigating current processes in relation to the new EU General Data Protection Regulation (GDPR).	<ul style="list-style-type: none">• Zealand will continue to have focus on Privacy regulation and the GDPR.• Zealand will continue to operate according to the highest ethical standards.• Our code of Business conduct will be part of the introduction program for all new employees.