

Growing as a leader in peptide therapeutics.

**Zealand Pharma
Remuneration Report 2020**

Contents.

Remuneration report 2020 for Zealand Pharma A/S

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General introduction to shareholders.

Dear Shareholders

This last year represented a transformation in Zealand's journey toward becoming a fully integrated biotechnology company. Zealand is now poised to launch its first product. Given the extraordinary challenges that all businesses have had to face, and continue to face, over this last year, Zealand's employees and Management have shown both resilience and extraordinary commitment to our continued journey. This deserves acknowledgment and praise.

Zealand has completed a significant acquisition (the key assets of Valeritas Inc.) that provides it with the sales architecture to market its first product in the US. It has managed to execute this transaction and integration under a global pandemic. For these achievements I, and my fellow Board members, thank the employees and the management for completing an acquisition, an integration, and their company goals under unprecedented circumstances.

In the Remuneration Committee, we are aware of our role in ensuring that we continue to monitor the level of compensation that we offer to the key asset in our company, our employees and Management. Zealand's journey requires it to harness the skills of the brightest minds. Our compensation package should be one that attracts the brightest talent to help us, and our stakeholders, to help Zealand to reach its goals. This is the best way to create value for the Company and its shareholders. Zealand has had a period of growth and is reaching the point in its evolution that has a continued need for talent. This is a constant challenge for the Company and the Management. It has had challenges in attracting, employing, and then retaining the talent that it needs at all levels. The Board, through the Remuneration-

Committee, has been sensitive to this and reviewed and restructured the Remuneration to provide the security and the incentives that employees and Management need to invest their abilities in Zealand.

The traditional purpose of a Remuneration Report is to set out a review of what Zealand has achieved and how we remunerate the Board and Management. It is now also a requirement that the report sets out how the Management had performed in achieving what the Board set out as goals for the last year. During the Annual General Meeting, shareholders will have a chance to express their view of the successes of the year. I can say that I personally welcome this as an important development in shareholder engagement. We will have an opportunity, as a Board, to receive feedback on how the company has performed and an independent view on how our remuneration reflects that performance.

However, this report also gives me, as the Chair of the Remuneration Committee, a chance to present how we will reward the Board and the Executive Management in the future to ensure that it attracts and retains the human capital to succeed. This is not a requirement, but the Board believe that it presents us with an opportunity to engage with our stakeholders and share with them with our view.

We will keep Zealand's progress under constant review and measure them against the yardstick that the Board has set them, and us, for this coming year.

Yours sincerely,

Martin Nicklasson

Chairman of the Board
and Chairman of the Remuneration Committee

What have we set ourselves to accomplish in 2021?.

Zealand wants to continue its journey as a fully integrated research, development and commercial biotech company. To achieve this Zealand has set itself the following goals for 2021:

- To prepare for and launch its first fully owned product onto the US market
- Deliver on revenue target for its products for 2021
- Execute on the clinical pipeline that will include approval of its first NDA
- Enrich its early pipeline that will include taking a new clinical candidate to phase I and initiating new projects to develop the next generation of peptides
- Maintain a strong financial and organizational position
- Maintain employee engagement and performance

We will use these goals, and the internally developed success criteria, to measure future performance and rewards next year.

How did we arrive at our Remuneration Policy for 2021?

To develop the Remuneration Policy for the Zealand for 2021, we have employed third party independent compensation consultants to recommend an appropriate compensation package for the members of the Board and Management. To do this, we had to establish a peer group of companies against whom we could compare Zealand and then, establish appropriate packages. Our goal in this was to ensure that we could attract and retain superior executive talent that could catalyze Zealand's activities and grow the company. This exercise will then move through the whole Zealand organization to ensure that the company is aligned.

Zealand is a dual listed NASDAQ company in Copenhagen, Denmark and in New York, in the United States. The US will be the first, and initially only, country in which it will sell its first fully owned products. This represents Zealand's principal target market for the development, registration and, sales of its own products. Management and Board composition must reflect the need for capabilities to develop, register, and sell products in US. We were also aware that three of the five Management team members are in the US as are two members of the Board. These individuals were retained to provide Zealand with the expertise it needs to enter the US market. These skill sets are critical to the plans for Zealand's success.

To create a remuneration structure that allows Zealand to remain competitive for directors and executives with deep US experience, Zealand is using a US based peer group as benchmark for Directors, Management, and US based employees. Zealand has experienced difficulties in attracting and retaining executive and director talent with a European-level compensation philosophy, especially when comparing long-term incentive programs with other Companies. We believe that the Company's pivot to the US, our growth to date and our experience in the difficulty of securing and then retaining top level talent has required us to reassess our previous approach.



Find out more about Zealand Pharma on:
zealandpharma.com/about-us

We have decided to use the following criteria for identifying our peer group:

- 1 having a similar market capitalization to Zealand,
- 2 having a similar headcount as Zealand
- 3 having their own products that were near to, or had just entered the market with limited revenues, and
- 4 where at a similar stage in their development as companies.

Applying these criteria, Zealand, on advice of the compensation consultants, has arrived at the following peer group for benchmarking.

Peer Group

Agios Pharmaceuticals
 Amicus Therapeutics
 Apellis Pharmaceuticals
 Ardelyx
 Atara Biotherapeutics
 BioCryst Pharmaceuticals
 Blueprint Medicines
 BridgeBio Pharma
 Cytokinetics
 Deciphera Pharmaceuticals
 Dicerna Pharmaceuticals
 Epicyte
 Insmed
 Kadmon
 Karyopharm Therapeutics
 MacroGenics
 Seres Therapeutics
 TG Therapeutics

How have we used this to propose a Remuneration Package for members of the Board?

Our Board is a critical element to Zealand and its continued success. We have decided to modify the Board Remuneration, so it is aligned with these company and so that the Board are required to consider shareholder value. As a result, we are modifying the existing Board remuneration package so that it contains an element of equity, in addition to a reduced cash remuneration. We believe that this ensures that the remuneration is competitive and consistent with the company's long-term shareholder interest. In developing the benchmarks, we note that 100% of Zealand's peer group offer equity to Directors. The chosen vehicle is Restricted Stock Units (RSUs), since stock options and warrants are inconsistent with Danish Recommendations on Corporate Governance Article 4.1.3 which also notes that it is not contrary to the recommendations that members of the board receive a part of their remuneration in the form of shares at market value. To partially offset the cost of issuance of RSUs to the company, the Board base fees will be reduced to DKK 100,000 (a decrease of 75%).

What will the future Remuneration Board Members look like?

Once we had chosen the peer group for analysis, we asked for a proposal of what the Board Compensation should look like for us to recruit and maintain the skills for the Board. The proposed remuneration will consist of:

- A base fee in cash for all Board Members
- A base allocation of restricted share units (RSUs) to all Board Members

- An allocation of RSUs for the role of Chair and Vice-Chair
- An allocation of RSUs for the role of Chair of the Audit Committee
- No additional fee for the Chair of the Remuneration Committee
- An allocation of RSUs for roles on the Remuneration Committee
- An allocation of RSUs for roles on the Audit Committee
- An allocation of RSUs for the role on a newly formalised Scientific Committee
- The Nomination Committee will continue to be an unpaid role
- A cap on the total annual number of RSUs that a director can receive

With respect to the award of RSUs

- Vesting after one-year (so called "cliff-vesting") from the date of grant or at the date of the Annual General Meeting in the year following the grant, whichever is earlier
- With a requirement that Board Members must hold at least three (3x) times their annual cash retainer as long as they remain members of the Board
- Any Board member who does not meet the holding requirement must retain at least fifty percent (50%) of vested shares, net of taxes, if within the first five years following the first grant. If the holding requirements are not met after the five year anniversary of the first grant, the Board member must retain one hundred percent (100%) of the vested shares, net of taxes.

We have chosen RSUs, rather than options or Performance Related Shares. This is because we were mindful that the use of equity instruments for members of the Board should encourage long-term shareholder value over short-term gains

Although we have used the US as the benchmark, we have calculated that the Board compensation to fall below the 25% percentile when compared to the peer group.

Since a significant part of the Board's contribution to value-creation rests with the additional responsibilities in Committees or as Chairman and Vice Chairman of the Board, we have developed a compensation structure that appropriately rewards Board members who contribute substantially to the value creation beyond the Board membership roles.

How have we used this to propose a Remuneration Package for members of the Executive Management?

When choosing a suitable remuneration package, we have approached this using the US peer group referred to above but adopted a different approach than the one used for the Board. We have structured the package so that we retain the talent on the management team and significantly strengthening the pay-for-performance component of the compensation package. The task afforded to management is to continue Zealand's progress and growth into a fully integrated research, development and commercial biotech company and we have set out the goals against which we measure that above.

Proposed Compensation for 2021 compared with 2020

Role	2020 Cash Element (DKK)	2021 Cash Element (DKK)	2021 Equity Element (RSUs)
Board member	400,000	100,000	1,500
Chair of the Board	350,000	0	5,000
Vice-Chair of the Board	100,000	0	1,000
Audit Committee member	50,000	0	4,000
Audit Committee Chair	150,000	0	2,500
Remuneration Committee member	0	0	1,500
Scientific Committee member	0	0	1,500

As a result, Board has wishes to provide the right mix of incentives over the short term and the long term which is reflected in the structure below:

- A base salary which is competitive with benchmark
- A short-term incentive in the form of a cash bonus
- A long-term equity plans
- Other customary benefits, such as pension plan contributions, company car allowance, executive health examinations.

The long-term incentive plan is designed as follows:

- Instruments that appropriately reward performance against known, milestones with long-term impact for the company
- Long-term shareholder value creation versus an external benchmarked measure
- An external measure against which the company is held
- A correction for lagging behind the benchmarks in past years to increase the current power of the equity package

To achieve that, we have established the following packages for Management:

- A mixture of Performance Share Units (PSUs) and Restricted Share Units (RSUs)
- The split will be 75% PSUs and 25% RSUs by grant value
- The PSUs will consist of an equal blend of market goals and operational goals.
- The thresholds at which these will be awarded are set at:
 - At least 50% success on the goals before any are awarded
 - Reaching the target will trigger award of 100% of goals
 - Additional rewards for exceeding the targets are capped at 150% of target, to protect against excessive payouts
- The PSU market element of the award will be measured and cliff-vest at the end of a 3-year period, based on Zealand's rank in terms of total shareholder return against Nasdaq Biotechnology Index.

- The PSU operational element of the award will be measured at the end of a 1-year period against three binary goals set out for the company, primarily clinical or regulatory milestone and will vest, if earned, in increments of 1/3 per year over the 3-year period
- The payout matrix for the PSUs are as follows

The payout for the market goals will be interpolated between 25th and 75th percentiles

- The amount of these PSUs and RSUs are aligned against similar equity award levels to US peer companies at the 50th percentile
- However, the first year of the new LTI scheme will include a correction to match the level of the 75th percentile to make up for the shortfall from the peer group in the years 2019 and 2020.
- The eligible participants would be required to agree to holding requirements so that the Chief Executive Officer must hold 3x annual base salary and other eligible participants must hold 1x annual base salary, with five years to achieve the minimum holding

Payout matrix for management performance share units.

Market goals¹ (TSR rank vs. index)	Operational goals	Pay-out
75th percentile or higher	3 milestones achieved	150% (Max)
50th percentile	2 milestones achieved	100% (Target)
25th percentile	1 milestone achieved	50% (Threshold)
< 25th percentile	0 milestones achieved	0% (Not achieved)

¹ Payout between threshold, target, and maximum will be interpolated for market goals; operational goals are binary

Key 2020 developments.

Overall company performance in 2020

Remuneration principles and Remuneration Policy highlights

The purpose behind the remuneration principles which form the basis for the remuneration policy is to strengthen attraction, retention and motivation of qualified international members of the Board of Directors (the Board), and of Executive and Corporate Management (the Management) in Zealand.

In addition, Zealand wants to encourage strong individual performance of such management (individual performance of Directors is not considered relevant) as well as ensure the maximization of shareholder value and of Zealand's long-term sustainability. The Board and Management remuneration is assessed on an ongoing basis to ensure that it is in line with comparable companies within the same industry as Zealand and does not exceed what is considered reasonable with regard to Zealand's financial position. When laying out the principles, consideration has also been

made to ensure that the remuneration of the Board and the Management reflects the responsibilities and skills required of each role relative to peer companies, as well as to other senior leadership positions in the company.

Therefore, members of Management receive a combination of fixed salary and incentives which promote and support value creation to the company's business on both a short- and a long-term basis as well as the long-term sustainability of the company.

The Remuneration Policy is applicable to the members of Executive Management as well as the Board for the financial year 2020 was approved at the company's 2020 Annual General Meeting. The Policy, including the purpose and key aspects of each of the remuneration elements, is summarized in the table below. The full version of the Remuneration Policy is published on the Zealand website here.

Remuneration Package elements

Component	Purpose and link to strategy	Board of Directors	Executive Management	Corporate Management
Fixed fee / fixed base salary, incl. pension	Recognize market value, the nature of the role in terms of scale, complexity and responsibility and for executives their experience, sustained performance and contribution over time	✓	✓	✓
Fee for committee work	Attracts individuals with a broad range of experience and skills; rewards Board Members for advising on particular areas	✓		
Short-term cash based incentives	Rewards the achievement of annual goals, guided by the long-term business strategy		✓	✓
Long-term share based incentives (RSUs)	Links remuneration to the achievement of long-term shareholder value creation and supports the retention of the executives		✓	✓
Other benefits	Provide for the executives' health and welfare needs; Ensure comparibility of executive compensation packages with standards in the industry		✓	✓



Find out more about our Remuneration Committee on: zealandpharma.com/remuneration-committee

Remuneration of the Board of Directors.

Board of Directors remuneration composition

Board Members received a fixed annual fee. Fees are assessed annually by the Board, based on the recommendations of the Remuneration Committee and market practice for relevant peer companies. Board Members received no incentive pay, though they have the opportunity to purchase Zealand shares on the stock market. An overview of the Board's shareholding is included below.

Board Members serving on Board Committees received an annual fee for each Committee role they served and members of the Nomination Committee did not receive any fees and therefore participation in this committee is therefore not included in the table below.

The fixed fees for 2020 were unchanged from 2019, with the Chairman of the Board receiving DKK 350,000, and the Vice-Chairman of the Board receiving DKK 100,000.

For the Audit Committee and the Remuneration Committee, the Chairman received an additional DKK 150,000 and members received an additional DKK 50,000.

Board Members did not receive any form of remuneration from associated group companies during 2020.

2020 Board Remuneration

DKK thousand	Role ¹	Base board fee	Committee fee	Social security taxes	Total fees
Martin Nicklasson	BC, RC, AM	750	100	96	946
Kirsten A. Drejer	BV	500	-	-	500
Leonard Kruimer	AC	400	150	-	550
Alain Munoz	RM	400	50	-	450
Michael J. Owen	RM	400	50	52	502
Bernadette Connaughton	AM	400	33	-	433
Jeffrey Berkowitz	AM	400	50	-	450
Jens Peter Stenvang		400	-	-	400
Frederik Barfoed Beck ²		267	-	-	267
Gertrud Koefoed Rasmussen ²		267	-	-	267
Iben Louise Gjelstrup ²		267	-	-	267
Hanne Heidenheim Bak ³		133	-	-	133
Total		4,584	433	148	5,165

¹ BC: Board Chairman, BV: Board Vice-Chairman, AC: Audit Committee Chairman, AM: Audit Committee member, RC: Remuneration Committee Chairman, RM: Remuneration Committee member

² Joined the Board on 2 April 2020

³ Resigned from the Board on 2 April 2020



Find out more about our Board of Directors on:

zealandpharma.com/board-of-directors-and-nomination-committee

Frederik Barfoed Beck, Gertrud Koefoed Rasmussen and Iben Louise Gjelstrup joined the Board while Hanne Heidenmheim Bak resigned from the Board as of 2 April 2020. This resulted, between 2019 and 2020, in an increase in the number of Board Members from 9 to 11, and consequently to an increase in the total base board fees from DKK 3.9 million to DKK 4.6 million.

Shares owned by our Board

Board Members are encouraged to purchase and hold Zealand shares. The table illustrates shares purchased and sold by Board members in 2020.

The following members of the current Board of Directors hold shares in Zealand Pharma A/S

	Shares at December 31, 2019	Purchased during the year	Sold during the year	Shares at December 31, 2020
Martin Nicklasson	1,000	1,570	-	2,570
Kirsten A. Drejer	500	300	-	800
Leonard Kruimer	4,000	-	-	4,000
Alain Munoz	5,250	-	-	5,250
Michael J. Owen	300	-	-	300
Bernadette Connaughton	500	-	-	500
Jeffrey Berkowitz	-	200	-	200
Jens Peter Stenvang	2,800	2,250	-	5,050
Frederik Barfoed Beck ²	2,798	2,000	-	4,798
Gertrud Koefoed Rasmussen ²	-	2,000	2,000	-
Iben Louise Gjelstrup ²	740	375	275	840
Total Board	17,888	6,395	575	23,708

² Joined the Board in April 2020

Remuneration of the Executive and Corporate Management.

In line with applicable requirements, Zealand discloses remuneration elements on an individual level for Board Members and registered members of Executive Management. For Other Corporate Management, Zealand has chosen to disclose remuneration elements as total amounts for this group, providing added transparency.



Find out more about our Executive and Corporate Management on: zealandpharma.com/executive-management

On 6 July 2020, Frank Sanders was appointed U.S. President and a member of the international Corporate Management team. An overview of the full Management is available on the Zealand website here.

About Management remuneration

In line with the Remuneration Policy, the Remuneration Committee proposes the remuneration for the coming year of the President and Chief Executive Officer (CEO) to the Board, who collectively approves the remuneration. The CEO proposes the remuneration for the coming year for the rest of the members of Management to the Remuneration Committee, who collectively approves it.

The components of the remuneration to Management are:

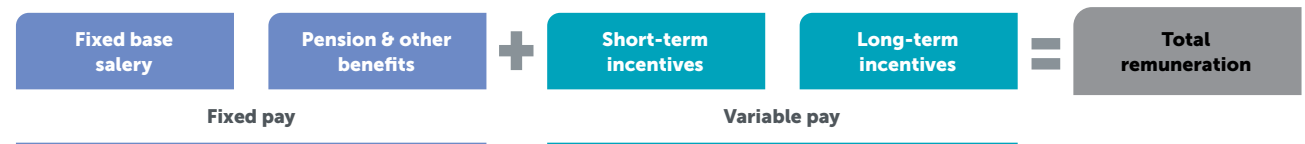
- a fixed base salary,
- pension contributions, severance and other benefits (company car, phone etc.),
- short-term cash based incentives, and
- long-term share based incentives (in 2020, RSUs and warrants).

The fixed remuneration enables Zealand's Management to take decisions with a long-term perspective in mind without undue considerations for short- or long-term incentives. The variable remuneration is designed to promote performance in line with the company's strategy and to further align the interests of Management with those of Zealand's shareholders.

The fixed base salary is set at market level for Danish and international companies of similar size and in the same industry as Zealand, and relative to the specific role within Executive or Corporate Management.

The pension contribution for executives is between 0 and 20% of the fixed base salary.

Members of Management did not receive any form of remuneration from associated group companies during 2020, and no severance payments were made in 2020.



Overview of Management remuneration

Remuneration of members of Management in 2020 made up DKK 45.7 million (2019: DKK 41.1 million) and is specified as follows:

Due to significant changes in the composition of the Management in 2019, the Board has not found it relevant to include an overview of remuneration in previous years to 2019 in this remuneration report. Information about Board and Management remuneration prior to 2019 can be found in the 2019 Remuneration Report or in the company's annual reports for previous years.

Remuneration to the Executive and Corporate Management

DKK thousand	Base salary	Pension contribution	Other benefits	Cash bonus	LTIP - RSUs value at grant	LTIP - Warrant value at grant	Total Remuneration	Split fixed vs variable
2020								
Remuneration to the Executive Management								
Emmanuel Dulac	4,950	990	699	3,267	1,494	2,717	14,117	47% / 53%
Adam Sinding Steensberg	2,967	593	282	1,266	895	1,629	7,632	50% / 50%
Matthew Donald Dallas	2,721	36	15	1,191	902	1,605	6,470	43% / 57%
Total EM	10,638	1,619	996	5,724	3,291	5,951	28,219	47% / 53%
Total Other Corporate Management¹								
	6,385	312	286	2,739	2,828	4,890	17,440	40% / 60%
Total	17,023	1,931	1,282	8,463	6,119	10,841	45,659	44% / 56%
2019								
Remuneration to the Executive Management								
Emmanuel Dulac ²	3,100	620	855	9,072	1,225	3,375	18,247	25% / 75%
Adam Sinding Steensberg ³	2,807	505	269	1,032	702	1,935	7,250	49% / 51%
Matthew Donald Dallas ⁴	588	-	5	534	-	1,896	3,023	20% / 80%
Total EM	6,495	1,125	1,129	10,638	1,927	7,206	28,520	31% / 69%
Total Other Corporate Management								
	6,559	389	46	2,580	813	2,241	12,628	55% / 45%
Total	13,054	1,514	1,175	13,218	2,740	9,447	41,148	38% / 62%

¹ Other Corporate Management in 2020 comprised three members (2019: three, 2018: four).

² Emmanuel Dulac was appointed CEO as of 25 April 2019 and he was awarded a sign on bonus and short term incentive pay.

³ Former Interim CEO Adam Sinding Steensberg was appointed EVP, R&D and CMO as of 25 April 2020

⁴ Matthew Donald Dallas was appointed CFO as of 10 October 2019.

Short-term cash-based incentives

The short-term incentive provides members of Management with an opportunity for an annual cash bonus that rewards the achievement of defined performance targets at company and individual level for the specific financial year.

Performance targets (or KPIs) are carefully considered each year and set by the Board, in order to ensure they align with our overall long-term business strategy and that they are challenging enough for Zealand to achieve its ambitions.

Members of Management receive a target for each goal annually, that is designed to support Zealand's business strategy, including short- and long-term goals and value creation for both Zealand and the shareholders. Targets are individually set as a percentage of the individual annual fixed salary, and in line with the Remuneration Policy. Payment of bonus only happens when conditions and targets have been either fully or partly met.

The maximum amount that each member of Management can receive is capped at 72% of their individual fixed annual base salary at the time the cash bonus is awarded.

For 2020, Zealand established a total of 15 company goals, within the following 4 areas:

- Build Zealand Pharma U.S. and advance launch readiness
- Execute on the clinical pipeline
- Advance the early pipeline and strategic alliances
- Build a strong financial and organizational position

Company goal area¹

	2020 company goals	Overall weight	Overall achievement
Build Zealand Pharma U.S. and advance launch readiness	3 Sub goals	15%	120% achieved
Execute on the clinical pipeline	5 Sub goals	50%	110% achieved
Advance our early pipeline and strategic alliances	3 Sub goals	15%	90% achieved
Build a strong financial and organizational position	4 Sub goals	20%	119% achieved
Subtotal performance on overall KPIs		100%	110% achieved

¹ The Remuneration Committee has assessed that disclosing the details of the company sub goals, or other of individual goals could potentially harm the competitive position of Zealand.

For each goal, there are four pre-defined steps that will reflect the performance outcome on that specific goal:

- not achieved,
- 80% achieved,
- 100% achieved, or
- 120% achieved.

Given Zealand's performance in 2020, the Remuneration Committee assessed that the overall outcome of the company goals was a total achievement of 110%. This was approved by the Board. The table above provides the overview of the overall achievement per company goal area for 2020.

In addition to the company goals, members of Management have pre-defined personal goals impacting their cash bonus. For the financial year 2020, the overall performance of Executive Management Members against their personal goals were assessed by the Board as shown in the table:

Individual Cash Bonus goals¹

	2020 company goals	Overall weight	Overall achievement
Emmanuel Dulac	CEO is only measured on corporate goals	n/a	n/a
Adam Sinding Steensberg	Leadership R&D Business development	100%	100% achieved
Matthew Donald Dallas - 4 Personal sub goals	Financing Transformation and business development	100%	110% achieved

¹ The Remuneration Committee has assessed that disclosing the details of the company sub goals, or other of individual goals could potentially harm the competitive position of Zealand.

The achieved performance on both company goals and individual goals for 2020 led to the following cash bonus payouts as a percentage of the annual base salary:

Cash bonus achieved for 2020

	Target bonus % of base	Company goals weight	Individual goals weight	Cash bonus achieved for 2020 in % of base
Emmanuel Dulac	60%	100%	0%	66%
Adam Sinding Steensberg	40%	67%	33%	43%
Matthew Donald Dallas	40%	40%	60%	44%

Long-term share-based incentives

The Long-term share-based incentives (LTI) offered to Zealand's Management were aligned to selected European and U.S. biotech peers for 2020. They were intended to drive long-term performance, the alignment of management's interests with those of Zealand's shareholders, and to support the attraction, retention and motivation of first-rate executive talent.

Zealand offered a combination of different LTI instruments to reward members of Management for dedicated and focused results intended to achieve and support the long-term interests of the company, including the sustainability of the company and its business. From 2020, Zealand offered to members of Management both Warrants and Restricted Share Units, representing respectively a share of 75% and 25% of the annual grant.

For both instruments, participants and individual grant levels are determined annually at the discretion of the Board, and within the limits of the Remuneration Policy. For any given financial year, the total value of any share-based remuneration could not exceed 100% of the fixed annual salary for each Member of Management at the time of grant.

Warrants

Warrants were used in Zealand both as an LTI instrument for the Management but also for the wider employee group, as they support a reward consistent with Zealand's overall value creation for its shareholders.

In order to align to relevant peer company practices to the business cycle in biotech, as well as to further motivate and retain LTI participants, the warrants granted from 2020 and onwards to members of Management have an extended lifetime compared to those warrants granted in previous years. The 2020 warrants will expire after 7 years instead of 2 years previously (with the vesting period remaining at 3 years).

To reflect common practice for U.S. biotech peer companies, where graded vesting is more common than cliff vesting, warrants granted to members of Management in the U.S. in 2020 have a graded vesting period (with 1/3 of the warrants vesting each year over a 3-year period) and expire after 10 years (instead of 5 years for warrants granted in previous years).

The table presents an overview of all granted but not yet vested warrants to members of Executive Management in 2018, 2019 and 2020. As all current Members of Executive Management received warrant grants for the first time either in 2018 or 2019, no further historical data is relevant to include.

The calculation of the warrant value at the grant date is based on the Black-Scholes formula. The number of warrants granted is based on the respective percentage of base salary allocation decided by the Board and the Black Scholes value at grant.

Granted warrants to the Executive and Corporate Management

	LTI-Warrant Grants	Grant date	Vesting ¹ date	Expiry date	Exercise price (DKK)	Number of warrants granted	B&S ² value per warrant at grant date (DKK)	Total value at grant (DKK)
Emmanuel Dulac	2020	Apr. 20	Apr. 23	Apr. 30	224.4	38,915	69.83	2,717,434
	2019	June 2019	June 2022	June 2024	138.6	74,933	45.04	3,374,982
Adam Sinding Steensberg	2020	Apr. 20	Apr. 23	Apr. 30	224.4	23,325	69.83	1,628,785
	2019	June 2019	June 2022	June 2024	138.6	42,961	45.04	1,934,963
	2018	May 2018	May 2021	May 2023	100.8	65,000	36.98	2,403,700
Matthew Donald Dallas ³	2020	Apr. 20	Apr. 23	Apr. 30	224.4	23,998	66.88	1,604,986
	2019	Dec. 19	Dec. 22	Dec. 24	220.0	27,277	69.52	1,896,297
Other CoM ⁴	2020	Sep. 20	Sep. 23	Sep. 30	216.8	43,217	48.44	2,093,431
	2020	Apr. 20	Apr. 23	Apr. 30	224.4	17,642	69.83	1,231,941
	2020	Apr. 20	Apr. 23	Apr. 30	224.4	23,394	66.88	1,564,591
	2019	June 2019	June 2022	June 2024	138.6	49,754	45.04	2,240,920

¹ Warrants granted to members of Management in the U.S. vest in tranches with 1/3 after 1 year, 1/3 after two years and the remaining 1/3 after the full period.

² As the warrants granted to members of Management in the U.S. vest in tranches, they have a slightly different expected lifetime to Zealand's other warrants, which impacts the Black Scholes value per warrant. In order to calculate the Black-Scholes value of the warrants at the time of the 2020 grant, the following parameters were used:

- Expected life for non-U.S. warrants: 6.5 years
- Expected life for U.S. warrants (per tranche): 5.5; 6; 6.5 years
- Share price at grant: DKK 224.4
- Exercise price: DKK 224.4
- Volatility rate (based on the actual volatility of the Zealand share price): 44.70%
- U.S. warrant volatility rate (impacted by different expected life): 45.50%
- Risk free interest rate: -0.31%
- Dividend: DKK 0

³ Matthew Dallas joined as CFO in October 2019; his first grant was made in December 2019

⁴ Frank Sanders joined as U.S. president in July 2020; the Black-Scholes parameters for his first grant in September 2020 follow the same principles as for the rest of Management

Restricted Share Units replace Performance Share Units

The Board has assessed that Zealand's long-term performance and the sustainability of the company was best measured through the share price itself. That also reflected that it could be challenging to find meaningful long-term KPIs beyond the share price within the biotech industry, and market practice for our peer companies. Accordingly in 2020, members of Management were granted Restricted Share Units (RSUs) for the first time, instead of Performance Share Units (PSUs) which were granted in 2019. The use of RSUs further ensures a robust alignment of the Management's interests with those of our shareholders. The vesting of the RSUs for LTI participants is subject to their continued employment.

The table presents an overview of RSUs granted in 2020, as well as their grant value. PSUs granted in 2019 are also shown. Members of Management do not hold any other unvested RSU or PSU grants.

RSUs and PSUs granted to the Executive and Corporate Management

	LTIP Scheme	Grant date	Vesting date	Number of shares granted	Value per share at grant date (DKK)	Total value of grant (DKK)
Emmanuel Dulac	2020 RSUs	Apr.20	Apr.23	6,657	224.4	1,493,831
	2019 PSUs	June 2019	June 2022	8,835	138.6	1,224,531
Adam Sinding Steensberg	2020 RSUs	Apr.20	Apr.23	3,990	224.4	895,356
	2019 PSUs	June 2019	June 2022	5,065	138.6	702,009
Matthew Donald Dallas ¹	2020 RSUs	Apr.20	Apr.23	4,019	224.4	901,864
Other CoM	2020 RSUs	Sep.20	Sep.23	5,864	216.8	1,271,315
	2020 RSUs	Apr.20	Apr.23	6,936	224.4	2,827,754
	2019 PSUs	June 2019	June 2022	5,865	138.6	812,889

¹ Matthew Donald Dallas was appointed CFO at October 10, 2019, and therefore received no PSUs in 2019.

Development in remuneration and company performance.

Developments in company performance and in the average remuneration for FTEs in Zealand

The tables below are included for comparison purposes, in order to bring in relevant context to the annual changes in remuneration presented below.

Annual change	2020-2019
Annual development in remuneration for FTEs in Zealand	-12.9%

Overview of developments in annual remuneration

As the annual fixed fees as well as the responsibilities of all but one Board Member remain unchanged compared to 2019, there were little to no changes in Board remuneration, as illustrated in the table. The increase for Bernadette Connaughton reflects additional responsibilities as member of the Audit committee in 2020

Development for Members of the Board

	Role	2020-2019
2020		
Development in remuneration to the Board of Directors¹		
Martin Nicklasson	BC, RC and AM	2%
Kirsten A. Drejer	VC	0%
Leonard Kruimer	AC	0%
Alain Munoz	RM	0%
Michael J. Owen	RM	0%
Bernadette Connaughton ²	AM	12%
Jeffrey Berkowitz	AM	0%
Jens Peter Stenvang		0%
Frederik Barfoed Beck ³		-
Gertrud Koefoed Rasmussen ³		-
Iben Louise Gjelstrup ³		-
Hanne Heidenheim Bak		0%

¹ Percentage development is calculated based on annualized values.

² Joined the Audit Committee in 2020.

³ Joined the Board in April 2020.

The development in remuneration for the members of Management is shown in the table below. Given that Zealand's Management changed significantly in 2019, it has been decided to only include developments for a single year starting with 2019-2020.

The development in total Management remuneration compared to 2019 is partly due to changes in the composition of Executive Management, partly due to adjustments of base salary affecting all salary components.

In 2020, base salaries for members of Executive and Corporate Management were increased based on input from the CEO, sustained performance over time, scope of role, breadth of responsibility, and salary benchmarks relative to peer companies. The new base salaries were approved by the Board, on the recommendation of the Remuneration Committee. The approved changes are the outcome of solid business results and individual performance by Zealand's Management.

Application of claw-back and deviation from policy

There was no claw-back event in 2020, nor malus for incentive payments, and neither did the Board exercise the rights of amendments to any incentive awards, nor was there any deviation from the Remuneration Policy for any current or former Board Member or Member of Management.

Development for members of the Executive Management

DKK thousand	Position	2020-2019 ¹	Total remuneration 2020	Total remuneration 2019
Emmanuel Dulac ³	CEO	-26.4%	15,112	18,247
Adam Sinding Steensberg	CMO	13.5%	8,229	7,250
Mathew Donald Dallas	CFO	11.0%	7,106	3,023
Total for Executive Management	-	-	30,447	28,520
Total for Corporate Management²			20,300	12,628
Total for Management			50,747	41,148

¹ Percentage development is calculated based on annualized values.

² Due to significant changes in the composition of Corporate Management, the development in remuneration is not deemed relevant

³ The significant decrease in annual remuneration for the CEO is the result of a sign on bonus in 2019

Board and independent auditors statements .

Statement from the Board

The Remuneration Report is prepared in accordance with section 139b of the Danish Companies Act.

The Board has adopted the Remuneration Report of Zealand for the financial year 2020.


The Remuneration Report will be presented for advisory vote at the Annual General Meeting 2021.

11 March 2021



Martin Nicklasson

Chairman of the Board



Kirsten A. Drejer

Vice Chairman of the Board



Jeffrey Berkowitz



Frederik Barfoed Beck



Bernadette Connaughton



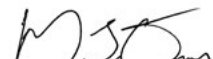
Iben Louise Gjelstrup



Leonard Kruimer



Alain Munoz



Michael J. Owen



Gertrud Koefoed Rasmussen



Jens Peter Stenvang



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