

Growing as a leader in peptide therapeutics.

**Zealand Pharma
Statutory report on
Corporate Governance 2021**

Company reg. no. 20045078

Statutory report on
Corporate Governance for
the financial year 2021, cf.
section 107b of the Danish
Financial Statements Act¹.

¹ In Danish, "Lovpligtig redegørelse for virksomhedsledelse,
jf. årsregnskabsloven §107b"

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Introduction.

This corporate governance report for Zealand Pharma A/S (“Zealand”) has been prepared as a supplement to the Management review in the Annual Report 2021 covering the period January 1 – December 31, 2021.



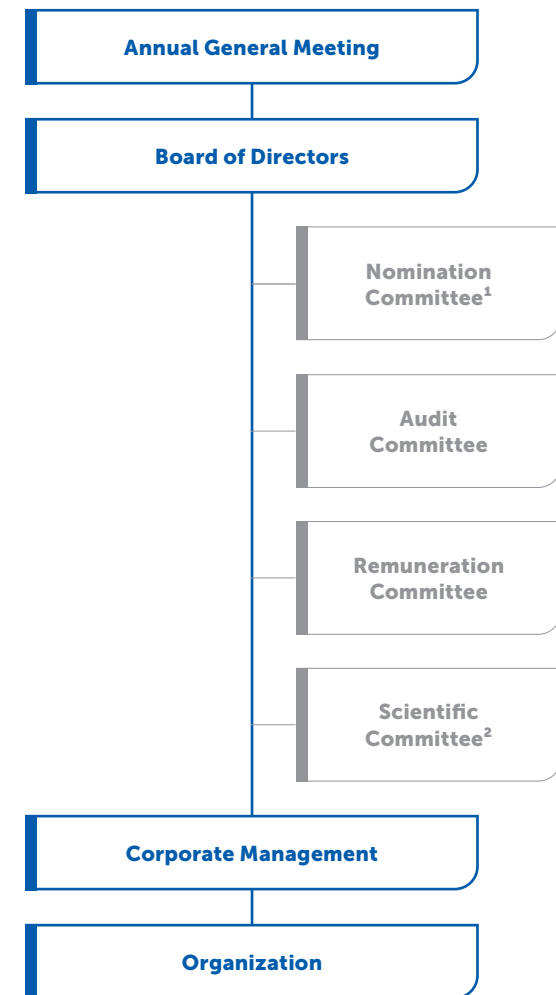
Find out more about Zealand at zealandpharma.com/corporate-governance/

As a company incorporated under the laws of Denmark, and with our shares admitted to trading and official listing on Nasdaq Copenhagen, as well as having American Depositary Shares representing Zealand shares trading on Nasdaq Global Select Market in New York, we are subject to various applicable legislation, standards and other regulations for publicly traded companies. These include Danish and US securities law and the recommendations on corporate governance issued by the Danish Committee on Corporate Governance (in the below “the Recommendations”) recently updated on 2 December 2020 and effective for the 2021 financial year.

At Zealand, we regularly review our activities to ensure that we meet our obligations to shareholders, employees, regulatory authorities, and other stakeholders while maximizing long-term value. Zealand also regularly reviews its rules, policies and practices within risk management and internal control to improve guidelines and policies for corporate governance, and to ensure that the standards that we set are up to date with accepted practice where this is appropriate.

Furthermore, the Board of Directors and Corporate Management constantly seek to ensure that Zealand’s management structure and control systems are efficient and functioning properly. A number of internal procedures have been developed and are continuously updated in order to ensure active, secure and efficient management of our company.

Corporate governance structure



¹ The Nomination Committee is a sub-set of the board.

² Formalized of April 2021.

Management structure.

We have a two-tier management structure composed of the Board of Directors ('the Board') and Corporate Management.

The Board is responsible for the overall vision, strategy and objectives, financial and managerial supervision of Zealand as well as for regular evaluation of the work of Corporate Management. In addition, the Board provides general oversight of our activities and ensures that it is managed in a manner and in accordance with applicable law and our articles of association.

The Board approves the policies and procedures, and Corporate Management is responsible for the day-to-day operational management of Zealand in compliance with the framework, guidelines and directions set in conjunction of the Board. The allocation of responsibilities between the Board of Directors and Corporate Management is stipulated in the Rules of Procedure that are signed by each Board Member after the Annual General Meeting.

Board of Directors

The Board plays an active role in setting our strategies and goals and in monitoring its operations and results. The Board functions according to its Rules of Procedure. The duties include establishing our strategy, policies, and activities to achieve our objectives in accordance with our articles of association. These also define the responsibilities of the Board, for example ensuring that our book-keeping, accounting, asset management, information technology systems, budgeting and internal control are properly organized and executed.

Our Board is comprised of seven members elected at the Annual General Meeting (shareholder elected members)

and four employee representatives elected by our employees (employee elected members). The Annual General Meeting appoints each member of the Board for a one-year term, whereas employee representatives are elected for a four-year term.

Board members elected by the shareholders:

- Martin Nicklasson, Chairman
- Kirsten A. Drejer, Vice Chair
- Jeffrey Berkowitz
- Bernadette Connaughton
- Alain Munoz
- Leonard Kruimer
- Michael J. Owen

Board members elected among the employees:

- Jens Peter Stenvang
- Frederik Barfoed Beck
- Anneline Nansen
- Iben Louise Gjelstrup

In line with the recommendations, the Board annually reviews and determines the qualifications and experience needed on the Board with respect to:

- Scientific knowledge within the bio-sciences and innovation of pharmaceutical products
- Financial experience and knowledge
- Experience in leading an innovative business and insight into the biopharmaceutical market
- Experience in handling partnering agreements
- Competency in ensuring that the obligations of a listed company are fulfilled

Every year the Chairman supervises the Board's annual self-evaluation of its performance and every third year this is carried out with external assistance.

Six board members of the seven elected by the Annual General Meeting are considered "independent" in accordance with section 3.2.1 of the Recommendations and overall the board is regarded independent.

The Board meets at least six times a year and whenever the Chairman decides that it is necessary.

The Board of Directors met virtually ten times in 2021.

Board Committees

The Board has established the following committees to support the Board in its duties:

- Audit Committee
- Remuneration Committee
- Nomination Committee
- Scientific Committee

Charters of the Committees are available at Zealand's website.

Audit Committee

The Audit Committee consists of Leonard Kruimer, Martin Nicklasson, Bernadette Connaughton and Jeffrey Berkowitz, and is chaired by Leonard Kruimer.

The Audit Committee reviews and considers matters relating to accounting, audit and regulatory control with our auditors and Executive Management in accordance with the rules of the Audit Committee.

The Audit Committee oversees our accounting and financial reporting processes and the audits of our consolidated financial statements. Our Audit Committee has the following principal responsibilities:

- monitoring the financial reporting process and reviewing and challenging such processes where it is necessary;
- monitoring compliance with applicable legislation, standards and other regulations for listed companies in respect of financial reporting and the publication of financial reporting;
- monitoring the effectiveness of the internal controls and risk management systems related to financial reporting and evaluating the need for an internal audit functions;
- establishing procedures for the receipt, retention and treatment of complaints received regarding accounting, internal controls, auditing and financial reporting matters (whistle-blower function);
- nominating the statutory external auditor to be elected at the annual general meeting and preparing the recommendation to the annual general meeting regarding

the election of our external auditor, as well as, if relevant, proposing to the annual general meeting that an external auditor is discharged;

- monitoring the strategy, plan, scope and approach of the external auditor's annual audit;
- monitoring and approving the terms and compensation of the external auditor;
- monitoring the external auditor's reports to the Executive Management and the Board, including management letters and long form reports, discussing any reports with the Executive Management and the external auditor and be mainly responsible for resolving any disagreements between the external auditor and the Executive Management;
- considering (at least on an annual basis) the performance and independence of the external auditor, and obtaining and reviewing of a report from the external auditor confirming that the external auditor is independent;
- reviewing policy in relation to the provision of non-audit services by the external auditor under which the Audit Committee approves non-audit services delivered by the external auditor;
- engaging independent counsel and other advisors as the Audit Committee determines necessary to carry out its duties;

- ensuring appropriate funding as the Audit Committee determines necessary for the fulfilment of its tasks and duties; and
- evaluating on an annual basis: (i) the performance of the Audit Committee, including independence and financial expertise; and (ii) the adequacy of the Audit Committee's charter and recommendation of any proposed changes to the Board.

In 2021, specific topics discussed included auditor's reports, accounting policies, internal controls, including SOX (Sarbanes-Oxley Act) compliance for the full organisation, finance, risk management, insurance policy, year-end issues and external financing.

The Audit Committee met ten times in 2021.

Remuneration Committee

The Remuneration Committee consists of Martin Nicklasson, Alain Munoz and Michael J. Owen and is chaired by Martin Nicklasson.

The Remuneration Committee reviews the remuneration policy, targets for company-operated performance-related incentive programs and measures their performance. The remuneration policy set out the overall guidelines and the various components of the remuneration to members of the Board and the Executive Management, including fixed

and variable remuneration such as pension schemes, benefits, retention bonuses, severance, and incentive schemes. The remuneration policy in force at any time is subject to the approval of our shareholders at the annual general meeting at least every four years to enable the shareholders to endorse and approved the remuneration that is suggested to the Board and Executive Management.

In addition to this, the remuneration report is itself subject to a non-binding vote at the general meeting which enables us to ensure that there is shareholder feedback on the management's performance as measured against the goals that have been set by the board for that year.

Our Remuneration Committee has the following principal responsibilities:

- preparing and presenting proposals to the Board for the framework of remuneration packages for Executive Management, including, but not limited to salary, salary increases, pension rights and any compensation or terminations payments, ensuring that the contractual terms are fair to the individual and to Zealand, that failure is not rewarded and that the duty to mitigate loss is fully recognized;
- preparing and presenting proposals to the Board on remuneration matters of material importance to Zealand, including incentive programs and payments for the Ex-

ecutive Management. The proposals for remuneration of Executive Management, including any incentive program shall be in accordance with and not exceed relevant comparable market practice levels at any given time;

- preparing and presenting proposals to the Board on the targets (bonus levels and performance targets) for company-operated performance-related incentive programs for Executive Management, as well as monitoring and evaluating the fulfilment of such targets;
- overseeing the implementation of any pension, retirement, death or disability, or life insurance scheme and any incentive schemes for Executive Management; and
- reviewing and considering the proposals from our Nomination Committee on remuneration for members of the Board and Executive Management.

In 2021, specific topics discussed included long-term incentive programs for management and the Board, company goals, compensation policy for eligible employees, CEO and Board compensation.

The Remuneration Committee met virtually five times in 2021.

Nomination Committee

The Nomination Committee consists of Martin Nicklasson, Kirsten A. Drejer, Jeffrey Berkowitz, Bernadette Connaughton, Leonard Kruimer, Alain Munoz and Michael J. Owen.

The Nomination Committee makes recommendations for decisions to the Board regarding Board and CEO positions and identifies and recommends candidates for the Board.

Specific topics discussed in 2021 included the composition of the independent members of the Board.

Scientific Committee

The Scientific Committee consists of Kirsten A. Drejer, Alain Munoz and Michael J. Owen and is chaired by Kirsten A. Drejer.

The Scientific Committee is a forum with the purpose of leveraging the scientific expertise of the appointed Board, understanding, and challenging the approach and assumptions of our Research & Development strategy, provide technical assistance to the Board on Research & Development related issues and provide guidance to the Board on the risks of our Research & Development strategy.

Specific topics discussed in 2021 included the company's clinical trials progress, the pre-clinical and clinical pipeline and areas for future development.

The Scientific Committee met four times in 2021.

Corporate Management

Corporate Management is composed of the Executive Management and other members of Corporate Management and consist of:

Executive Management

- Emmanuel Dulac, President and Chief Executive Officer
- Matthew Dallas, Senior Vice President and Chief Financial Officer
- Adam Steensberg, Executive Vice President, Research and Development, and Chief Medical Officer

Other members of the Corporate Management

- Ivan Møller, Senior Vice President, Technical Development and Operations
- Christina Sonnenborg Bredal, Vice President, Head of People & Organization
- Frank Sanders, Senior Vice President and President, Zealand Pharma US, Inc.

Overview of meetings in 2021

● Attended ○ Absent

	Board	Audit Committee	Remuneration Committee	Scientific Committee	Nomination Committee
Martin Nicklasson	●●●●●●●●	●●●●●●●●	●●●●●	N/A	●●●●●●●●
Kirsten A. Drejer	●●●●●●●●	N/A	N/A	●●●●	●●●●●●●●
Jeffrey Berkowitz	●●●●○●●●●	●●●●●●○●	N/A	N/A	●●●●○●●●●
Bernadette Connaughton	●●●●●●●●	●●●●●●●●	N/A	N/A	●●●●●●●●
Alain Munoz	●●●●●●●●	N/A	●●●●●	●●●●	●●●●●●●●
Leonard Kruimer	●●●●●●●●	●●●●●●●●	N/A	N/A	●●●●●●●●
Michael J Owen	●●●●●●●●	N/A	●●●●●	●●●●	●●●●●●●●
Jens Peter Stenvang	●●●●●●●●	N/A	N/A	N/A	N/A
Frederik Barfoed Beck	●●●●●●●●	N/A	N/A	N/A	N/A
Getrud Koefoed Rasmussen ³	●●●●●●○○○	N/A	N/A	N/A	N/A
Anneline Nansen ⁴	○○○○○○●●●	N/A	N/A	N/A	N/A
Iben Louise Gjelstrup	●●●●●●●●	N/A	N/A	N/A	N/A

³ Resigned from company and as employee elected board member in September 2021

⁴ Joined the board as of Getrud Koefoed Rasmussen's resignation in September 2021

Internal controls and risk management.

We strive to conduct our operations in accordance with the highest ethical standards.

We are a knowledge-intensive company, with a high focus on competency and personal development. The Management philosophy in Zealand is based on a high degree of trust in our employees; however, policies and operational processes are well described, with regular reporting and controls in order to ensure compliance with our obligations in a highly regulated sector. Operations are performed mainly within two legal entities, the parent company Zealand Pharma A/S in Søborg, Denmark and Zealand Pharma US, Inc. in the US. All main research and development operations are based at the site in Søborg with part of technical development, medical, supply chain, and regulatory functions also located in the US.

Control environment

We have several internal control and risk management systems in place to ensure that our financial statements provide a true and fair view and comply with International Financial Reporting Standards (IFRS) as adopted by the EU and additional requirements under the Danish Financial Statements Act.

We have several policies and procedures in key areas of financial reporting. The internal control and risk management systems are designed to mitigate, detect, and correct material misstatements rather than eliminate the risks identified in the financial reporting process.

Corporate Management is responsible for implementing policies and procedures on a day-to-day basis. The Board

has established an Audit Committee to advise the Board on related matters.

A review and prioritization of material accounting items is performed throughout the year. Items in the financial statements that are based on estimates or that are generated through complex processes carry a relatively higher risk of error. We perform continual risk assessments to identify such items and assess their scope and related risks.

As a US listed company, we have worked to design and implement an Internal Control system to respond to the requirements of the Sarbanes-Oxley Act of 2002. Management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework (2013).

There are inherent limitations in the effectiveness of any internal control over financial reporting, including the possibility of human error and the circumvention or overriding of internal control. Accordingly, even effective internal control over financial reporting can provide only reasonable assurance with respect to financial statement preparation. An effective internal control environment may become inadequate in the future because of changes in conditions, or deterioration in the degree of compliance with the policies and procedures.

As of December 31, 2021, key risks and processes identified have been documented and internal controls have been

designed and implemented in the organization. Internal controls have been subject to management testing and assessment to ensure that risks are addressed and managed in a responsible and efficient manner. Results have been formally reported to Management.

Management's conclusion and the external auditor's evaluation of these processes are also included in the company's Form 20-F filing to the US Securities Exchange Commission (SEC).

The Board has assessed that an internal audit function is not required at Zealand in view of the Company's legal structure and size.

Audit

Our external auditors are appointed for a term of one year by the shareholders at the Annual General Meeting, based on the recommendation of the Board. Before such recommendation and in consultation with the Audit Committee and Executive Management, the Board assesses the independence, competencies and other matters pertaining to the auditors.

The framework for the auditors' duties, including their remuneration, audit and non-audit tasks, is agreed between the Audit Committee and the auditors and endorsed by the Board.

Based on the recommendation from the Board, the shareholders re-elected EY Godkendt Revisionspartnerselskab as

the external auditor at the Annual General Meeting in April 2021.

Description of management reporting systems and internal control systems

Management continually works on the design and effectiveness of its management reporting and internal control systems in order to enable it to monitor performance, strategy, operations, business environment, organization, procedures, funding, risk and internal controls. While implementation and improvement is an ongoing exercise, Management is of the opinion that the reporting and internal controls are adequate to avoid material misstatements in the financial reporting.

The management reporting and internal control systems include the following reports:

- Annual budget
- Quarterly reports, including updates of annual and rolling 12-month estimates
- Regular reporting by Management includes:
 - Financial performance and position
 - Comparison of budgeted and actual performance
 - Analysis of cash flows
 - Project management and cost control, identification of responsible project managers, and regular project reporting and follow-up
- Summaries of project management key performance indicators
- Controls on purchase and maintenance of assets
- Review of potential claims and litigation

- Review and updating of contracts and collaboration agreements to ensure that all commitments and liabilities are recognized as well as all income to which Zealand is entitled

In addition to the above-mentioned reports, the internal control system includes a number of detailed policies and procedures, including:

- Financial policy guiding investment of liquid assets
- Schedule of authorization guiding the sign-off of expenses and investments
- Employee manual providing guidance on policies, rules and procedures associated with employment at Zealand

We also undertake controls to ensure the completeness and accuracy of accounting records.

Our Management considers that the above high-level and detailed controls contribute to more effective financial reporting procedures.

Control environment/Accounting

Incoming invoices are approved electronically, and an approval hierarchy ensures that invoices are approved by the appropriate persons in accordance with our Schedule of Authorization, which was reviewed and updated in 2021. Payment proposals are approved through online banking and requires two staff members to complete the transaction. No changes to vendor's banking details can be performed without approval. The Zealand Pharma US, Inc. Schedule of Authorization was also updated in 2021.

Risk assessment

As part of the risk assessment process, a review and prioritization of material accounting items has been performed.

Accounting items with a high total risk profile have been analysed with relevant controls described.

The accounting items deemed to have a high-risk profile are:

- Revenue recognition
- Counterparty risk for liquid assets
- Inventory
- Risk of fraud

It is Management's view that the current controls are adequately reducing the risk of significant errors in the financial statements.

The end-of-period process

In addition to controls of individual accounting items, it is important to maintain a high level of control over the different steps involved in transforming raw accounting data into final quarterly or annual reports.

The quarterly and year-end processes involve detailed documentation of each balance sheet item as well as documentation supporting all notes to the accounts.

Management reviews the accounting policies used and assesses the need for any new accounting policies. Any items where estimates and/or assessments influence the accounts are discussed with the Audit Committee and are described in Note 1 in the Annual Report.

IT

IT General Controls are part of the SOX Compliance framework which are used to identify sensitive data, protect against cybersecurity attacks, monitor access, and detecting security incidents. These controls are audited by our external auditor.

Risk management.

Our Management is responsible for implementing adequate systems and policies in relation to risk management and internal control, and for assessing the overall and specific risks associated with our business and operations. Furthermore, our Management seeks to ensure that such risks are managed optimally and in a responsible and efficient manner.

Doing business in the pharmaceutical/biotech industry involves risks, including financial risks. The development period for novel medicines takes several years; costs are high, and the probability of reaching the market is relatively low due to developmental and regulatory hurdles.

Risks of particular importance to Zealand are scientific and development risks, commercial risks, intellectual property risks, clinical trial risks, regulatory risks, partner interest risks, financial risks and risks relating to financial reporting. Risk and mitigation plans are monitored by Management, and the continuous risk assessment is an integral part of the yearly reporting to the Board.

Below we have summarized our key risk areas and how we attempt to address and mitigate such risks.

Environmental and ethical risks are covered in our corporate social responsibility reporting.

Zealand risk and mitigation

	Risk	Mitigation
Commercial activities – products in research and development	Risks relating to the sales of V-Go® and Zegalogue® market size, competition, development time and costs, partner interest and pricing of products in development.	We maintain a reporting system for V-Go and Zegalogue to monitor the product and will establish a similar system for future launches. We monitor the order, inventory and sales of each product to ensure optimal performance for the company. In order to cope with the restrictions imposed by COVID-19 Zealand has adapted its marketing activities to protect its staff and patients.
Research and development	Research and development of new pharmaceutical medicines is inherently a high-risk activity. The probability of discovering and developing an efficacious and safe new medicine with strong IP protection is very low.	Throughout the research and development process, we regularly assess these risks by means of a gated assessment of all the Company's research and development projects, conducted by Management together with the department heads and project managers. Highlights of this assessment are presented to the Scientific Committee and Board of Directors. This includes a description of each project and measures its progress based on milestones. We analyze the individual risks of each project and prioritizes the project portfolio to ensure that we understand the projects risks during development.

Risks at Zealand and mitigation – continued

Risk	Mitigation	
Clinical trials	Our product candidates will need to undergo time-consuming and expensive trials to document efficacy and safety, the outcome of which is unpredictable, and for which there is a high risk of failure. If clinical trials of our product candidates fail to satisfactorily demonstrate safety and efficacy to the FDA, the EMA and other comparable regulatory authorities, we may incur additional costs or experience delays in completing any additional trials. Ultimately, it may not be able to complete, the development of these product candidates.	Our clinical project teams work closely with external expert clinicians and product development experts within the industry to design, set up and conduct the clinical programs. Our employees have been selected due to their extensive experience within their field of expertise, receive training and are continuously developed to fulfil requirements. We also engage in meetings with regulatory authorities to ensure that there is alignment on the regulatory strategy and trial requirements.
Intellectual property	If we or our partners were to face infringement claims or challenges by third parties, an adverse outcome could subject us or our partners to significant liabilities to such third parties or lead to the withdrawal of the product. This could lead us or our partners to curtail or cease the development of some or all of their candidate drugs or cause our partners to seek legal or contractual remedies against us, potentially involving a reduction or loss in the royalties due to us.	Our patent department works closely with external patent counsel and partners' patent counsel to minimize the risk of patent infringement claims as well as to prepare and defend any patent defence should this be necessary. Our employees receive training and updates on policies regarding the correct and lawful management of internal and external intellectual property.
Regulatory	The regulatory approval processes of the FDA, the EMA and other comparable regulatory authorities are lengthy, time consuming, subject to change and inherently unpredictable, and if we or our collaboration partners are ultimately unable to obtain regulatory approval for internal or out licensed product candidates, our business could be substantially harmed.	Our regulatory department works closely with external consultants and regulatory agents to develop regulatory strategies. It also engages in meetings with regulatory authorities to ensure that there is alignment on the regulatory strategy and trial requirements.
Future partnerships	Entering into collaborations with partners can bring significant benefits as well as involve risks. In addition, full control of the product is often given to the partner.	We have taken a decision to increase our focus on proprietary programs to decrease its dependence on partners in the development process and capture more of the value of its projects. Partnerships may still be relevant in the future and, to maximize the value of such partnerships, we strive to foster a close and open dialogue with our partners, thereby building strong partnerships that work effectively.
Financial	Financial risks relate to cash and treasury management, liquidity forecasts, and similar financing opportunities, including ability to raise capital.	Financial risks are managed in accordance with the Finance Policy, regularly assessed by the Company's Management and reported to the Audit Committee and the Board of Directors. We have an Internal Control Framework to respond to the requirements of the Sarbanes-Oxley Act (SOX). We continue to monitor and review our internal controls to ensure that we are compliant with SOX.
IT	Our information technology systems are key to its operations and need protection from intrusion from unauthorized entry.	We employ qualified IT professionals who use external assistance from qualified vendors to provide advice on cyber-security and systems security were relevant. All members of staff are trained in IT security and its IT systems use multi-authentication systems as appropriate to reduce the risk of unauthorized entry into its systems. It has appropriate protection from viruses and malware. Our most sensitive data is encrypted and subject to restricted internal use.

Corporate Governance Recommendations.

We are for the financial year of 2021 subject to the new Recommendations on Corporate Governance from 2 December 2020, which are available on the Committee on Corporate Governance's website <https://corporategovernance.dk/>.

The following table indicates whether we comply with the recommendations of the Committee on Corporate Governance. In line with the 'comply or explain' principle, we have provided explanations if recommendations are not fully complied with.

We comply with the Recommendations on Corporate Governance in all material respects, with two exceptions:

- Recommendation, Section 1.1.2: We do not have a formal written policy on shareholder engagement.
- Recommendation, Section 1.4.2: We do not have a public tax policy.

This corporate governance statement has been approved by the Board of Directors on

March 10, 2021.

V-Go and Zegalogue are registered trademarks of Zealand Pharma A/S.



Find out more about Zealand at
zealandpharma.com/corporate-governance/

Recommendation	The company complies	The company explains ³	
		Why	How
1. Interaction with the company's shareholders, investors and other stakeholders			
1.1. Communication with the company's shareholders, investors and other stakeholders			
1.1.1. The Committee recommends that the management through ongoing dialogue and interaction ensures that shareholders, investors and other stakeholders gain the relevant insight into the company's affairs, and that the board of directors obtains the possibility of hearing and including their views in its work.	✓		
1.1.2. The Committee recommends that the company adopts policies on the company's relationships with its shareholders, investors and if relevant other stakeholders in order to ensure that the various interests are included in the company's considerations and that such policies are made available on the company's website.		The company does not have a formal written policy on shareholder engagement.	Members of Executive Management believe that investor management is best advanced by direct interaction with investors as appropriate.
1.1.3. The Committee recommends that the company publishes quarterly reports.	✓		
1.2. The general meeting			
1.2.1. The Committee recommends that the board of directors organises the company's general meeting in a manner that allows shareholders, who are unable to attend the meeting in person or are represented by proxy at the general meeting, to vote and raise questions to the management prior to or at the general meeting. The Committee recommends that the board of directors ensures that shareholders can observe the general meeting via webcast or other digital transmission.	✓		
1.2.2. The Committee recommends that proxies and postal votes to be used at the general meeting enable the shareholders to consider each individual item on the agenda.	✓		
1.3. Takeover bids			
1.3.1. The Committee recommends that the company has a procedure in place in the event of takeover bids, containing a "road map" covering matters for the board of directors to consider in the event of a takeover bid, or if the board of directors obtains reasonable grounds to suspect that a takeover bid may be submitted. In addition, it is recommended that it appears from the procedure that the board of directors abstains from countering any takeover bids by taking actions that seek to prevent the shareholders from deciding on the takeover bid, without the approval of the general meeting.	✓		

³ If the company does not comply with a recommendation, the company must specifically explain; *why* the company has decided not to comply with the recommendation, and *which* approach the company has chosen instead. A comprehensive explanation answers both questions and is considered as compliant. Thus, it is important that the company answers both questions in its explanation.

Recommendation	The company complies	The company explains ³	
		Why	How
1.4. Corporate Social Responsibility			
1.4.1. The Committee recommends that the board of directors adopts a policy for the company's corporate social responsibility, including social responsibility and sustainability, and that the policy is available in the management commentary and/or on the company's website. The Committee recommends that the board of directors ensures compliance with the policy.	✓		
1.4.2. The Committee recommends that the board of directors adopts a tax policy to be made available on the company's website.		The company does not have a public tax policy.	The company is still in its growth phase and transition to a commercial company and its revenue is growing but still modest. Zealand pays all its applicable corporate taxes in Denmark.
2. The duties and responsibilities of the board of directors			
2.1. Overall tasks and responsibilities			
2.1.1. The Committee recommends that the board of directors in support of the company's statutory objects according to its articles of association and the long-term value creation considers the company's purpose and ensures and promotes a good culture and sound values in the company. The company should provide an account thereof in the management commentary and/or on the company's website.	✓		
2.1.2. The Committee recommends that the board of directors at least once a year discusses and on a regular basis follows up on the company's overall strategic targets in order to ensure the value creation in the company.	✓		
2.1.3. The Committee recommends that the board of directors on a continuously basis takes steps to examine whether the company's share and capital structure supports the strategy and the long-term value creation in the interest of the company as well as the shareholders. The Committee recommends that the company gives an account thereof in the management commentary.	✓		
2.1.4. The Committee recommends that the board of directors prepares and on an annual basis reviews guidelines for the executive management, including requirements in respect of the reporting to the board of directors.	✓		

³ If the company does not comply with a recommendation, the company must specifically explain; *why* the company has decided not to comply with the recommendation, and *which* approach the company has chosen instead. A comprehensive explanation answers both questions and is considered as compliant. Thus, it is important that the company answers both questions in its explanation.

Recommendation	The company complies	The company explains ³	
		Why	How
2.2. Members of the board of directors			
2.2.1. The Committee recommends that the board of directors, in addition to a chairperson, appoints a vice chairperson, who can step in if the chairperson is absent and who can generally act as the chairperson's close sparring partner.	✓		
2.2.2. The Committee recommends that the chairperson in cooperation with the individual members of the board of directors ensures that the members up-date and supplement their knowledge of relevant matters, and that the members' special knowledge and qualifications are applied in the best possible manner.	✓		
2.2.3. The Committee recommends that if the board of directors, in exceptional cases, requests a member of the board of directors to take on special duties for the company, for instance, for a short period to take part in the daily management of the company, the board of directors should approve this in order to ensure that the board of directors maintains its independent overall management and control function. It is recommended that the company publishes any decision on allowing a member of the board of directors to take part in the daily management, including the expected duration thereof.	✓		
3. The composition, organisation and evaluation of the board of directors			
3.1. Composition			
3.1.1. The Committee recommends that the board of directors on an annual basis review and in the management commentary and/or on the company's website states <ul style="list-style-type: none"> • which qualifications the board of directors should possess, collectively and individually, in order to perform its duties in the best possible manner, and • the composition of and diversity on the board of directors. 	✓		
3.1.2. The Committee recommends that the board of directors on an annual basis discusses the company's activities in order to ensure relevant diversity at the different management levels of the company and adopts a diversity policy, which is included in the management commentary and/or available on the company's website.	✓		
3.1.3. The Committee recommends that candidates for the board of directors are recruited based on a thorough process approved by the board of directors. The Committee recommends that in assessing candidates for the board of directors – in addition to individual competencies and qualifications – the need for continuity, renewal and diversity is also considered.	✓		


³ If the company does not comply with a recommendation, the company must specifically explain; *why* the company has decided not to comply with the recommendation, and *which* approach the company has chosen instead. A comprehensive explanation answers both questions and is considered as compliant. Thus, it is important that the company answers both questions in its explanation.

Recommendation	The company complies	The company explains ³	
		Why	How
<p>3.1.4. The Committee recommends that the notice convening general meetings, where election of members to the board of directors is on the agenda – in addition to the statutory items – also includes a description of the proposed candidates’</p> <ul style="list-style-type: none"> • qualifications, • other managerial duties in commercial undertakings, including board committees, • demanding organisational assignments and • independence. 	✓		
<p>3.1.5. The Committee recommends that members to the board of directors elected by the general meeting stand for election every year at the annual general meeting, and that the members are nominated and elected individually.</p>	✓		
<p>3.2. The board of director’s independence</p>			
<p>3.2.1. The Committee recommends that at least half of the members of the board of directors elected in general meeting are independent in order for the board of directors to be able to act independently avoiding conflicts of interests.</p> <p>In order to be independent, the member in question may not:</p> <ul style="list-style-type: none"> • be or within the past five years have been a member of the executive management or an executive employee in the company, a subsidiary or a group company, • within the past five years have received large emoluments from the company/group, a subsidiary or a group company in another capacity than as member of the board of directors, • represent or be associated with a controlling shareholder, • within the past year have had a business relationship (e.g. personally or indirectly as a partner or an employee, shareholder, customer, supplier or member of a governing body in companies with similar relations) with the company, a subsidiary or a group company, which is significant for the company and/or the business relationship, • be or within the past three years have been employed with or a partner in the same company as the company’s auditor elected in general meeting, • be a CEO in a company with cross-memberships in the company’s management, • have been a member of the board of directors for more than twelve years, or • be closely related to persons, who are not independent, cf. the above-stated criteria. <p>Even if a member of the board of directors does not fall within the above-stated criteria, the board of directors may for other reasons decide that the member in question is not independent.</p>	✓		
<p>3.2.2. The Committee recommends that members of the executive management are not members of the board of directors and that members retiring from the executive management does not join the board of directors immediately thereafter.</p>	✓		



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Recommendation	The company complies	The company explains ³	
		Why	How
3.3. Members of the board of directors and the number of other managerial duties			
3.3.1. The Committee recommends that the board of directors and each of the members on the board of directors, in connection with the annual evaluation, cf. recommendation 3.5.1., assesses how much time is required to perform the board duties. The aim is for the individual member of the board of directors not to take on more managerial duties than the board member in question is able to perform in a satisfactory manner.	✓		
3.3.2. The Committee recommends recommends that the management commentary, in addition to the statutory requirements, contains the following information on the individual members of the board of directors: <ul style="list-style-type: none"> • position, age and gender, • competencies and qualifications relevant to the company, • independence, • year of joining the board of directors, • year of expiry of the current election period, • participation in meetings of the board of directors and committee meetings, • managerial duties in other commercial undertakings, including board committees, and demanding organisational assignments, and • the number of shares, options, warrants, etc. that the member holds in the company and its group companies and any changes in such holdings during the financial year. 	✓		
3.4. Board committees			
3.4.1. The Committee recommends that the management describes in the management commentary: <ul style="list-style-type: none"> • the board committees' most significant activities and number of meetings in the past year, and • the members on the individual board committees, including the chairperson and the independence of the members of the committee in question. <p>In addition, it is recommended that the board committees' terms of reference are published on the company's website.</p>	✓		
3.4.2. The Committee recommends that board committees solely consist of members of the board of directors and that the majority of the members of the board committees are independent.	✓		

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Recommendation	The company complies	The company explains ³	
		<i>Why</i>	<i>How</i>
<p>3.4.3. The Committee recommends that the board of directors establishes an audit committee and appoints a chairperson of the audit committee, who is not the chairperson of the board of directors. The Committee recommends that the audit committee, in addition to its statutory duties, assists the board of directors in:</p> <ul style="list-style-type: none"> • supervising the correctness of the published financial information, including accounting practices in significant areas, significant accounting estimates and related party transactions, • reviewing internal control and risk areas in order to ensure management of significant risks, including in relation to the announced financial outlook, • assessing the need for internal audit, • performing the evaluation of the auditor elected by the general meeting, • reviewing the auditor fee for the auditor elected by the general meeting, • supervising the scope of the non-audit services performed by the auditor elected by the general meeting, and • ensuring regular interaction between the auditor elected by the general meeting and the board of directors, for instance, that the board of directors and the audit committee at least once a year meet with the auditor without the executive management being present. <p>If the board of directors, based on a recommendation from the audit committee, decides to set up an internal audit function, the audit committee must:</p> <ul style="list-style-type: none"> • prepare terms of reference and recommendations on the nomination, employment and dismissal of the head of the internal audit function and on the budget for the department, • ensure that the internal audit function has sufficient resources and competencies to perform its role, and • supervise the executive management’s follow-up on the conclusions and recommendations of the internal audit function. 			

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Recommendation	The company complies	The company explains ³	
		<i>Why</i>	<i>How</i>
<p>3.4.4. The Committee recommends that the board of directors establishes a nomination committee to perform at least the following preparatory tasks:</p> <ul style="list-style-type: none"> describing the required qualifications for a given member of the board of directors and the executive management, the estimated time required for performing the duties of this member of the board of directors and the competencies, knowledge and experience that is or should be represented in the two management bodies, on an annual basis evaluating the board of directors and the executive management’s structure, size, composition and results and preparing recommendations for the board of directors for any changes, in cooperation with the chairperson handling the annual evaluation of the board of directors and assessing the individual management members’ competencies, knowledge, experience and succession as well as reporting on it to the board of directors, handling the recruitment of new members to the board of directors and the executive management and nominating candidates for the board of directors’ approval, ensuring that a succession plan for the executive management is in place, supervising executive managements’ policy for the engagement of executive employees, and supervising the preparation of a diversity policy for the board of directors’ approval. 			
<p>3.4.5. The Committee recommends that the board of directors establishes a remuneration committee to perform at least the following preparatory tasks:</p> <ul style="list-style-type: none"> preparing a draft remuneration policy for the board of directors’ approval prior to the presentation at the general meeting, providing a proposal to the board of directors on the remuneration of the members of the executive management, providing a proposal to the board of directors on the remuneration of the board of directors prior to the presentation at the general meeting, ensuring that the management’s actual remuneration complies with the company’s remuneration policy and the evaluation of the individual member’s performance, and assisting in the preparation of the annual remuneration report for the board of directors’ approval prior to the presentation for the general meeting’s advisory vote. 			

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Recommendation	The company complies	The company explains ³	
		Why	How
3.5. Evaluation of the board of directors and the executive management			
<p>3.5.1. The Committee recommends that the board of directors once a year evaluates the board of directors and at least every three years engages external assistance in the evaluation. The Committee recommends that the evaluation focuses on the recommendations on the board of directors' work, efficiency, composition and organisation, cf. recommendations 3.1.-3.4. above, and that the evaluation as a minimum always includes the following topics:</p> <ul style="list-style-type: none"> • the composition of the board of directors with focus on competencies and diversity • the board of directors and the individual member's contribution and results, • the cooperation on the board of directors and between the board of directors and the executive management, • the chairperson's leadership of the board of directors, • the committee structure and the work in the committees, • the organisation of the work of the board of directors and the quality of the material provided to the board of directors, and • the board members' preparation for and active participation in the meetings of the board of directors. 	✓		
<p>3.5.2. The Committee recommends that the entire board of directors discusses the result of the evaluation of the board of directors and that the procedure for the evaluation and the general conclusions of the evaluation are described in the management commentary, on the company's website and at the company's general meeting.</p>	✓		
<p>3.5.3. The Committee recommends that the board of directors at least once a year evaluates the work and results of the executive management according to pre-established criteria, and that the chairperson reviews the evaluation together with the executive management. In addition, the board of directors should on a continuous basis assess the need for changes in the structure and composition of the executive management, including in respect of diversity, succession planning and risks, in light of the company's strategy.</p>	✓		
4. Remuneration of management			
4.1. Remuneration of the board of directors and the executive management			
<p>4.1.1. The Committee recommends that the remuneration for the board of directors and the executive management and the other terms of employment/service is considered competitive and consistent with the company's long-term shareholder interests.</p>	✓		
<p>4.1.2. The Committee recommends that share-based incentive schemes are revolving, i.e. that they are periodically granted, and that they primarily consist of long-term schemes with a vesting or maturity period of at least three years.</p>	✓		

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Recommendation	The company complies	The company explains ³	
		Why	How
4.1.3. The Committee recommends that the variable part of the remuneration has a cap at the time of grant, and that there is transparency in respect of the potential value at the time of exercise under pessimistic, expected and optimistic scenarios.	✓		
4.1.4. The Committee recommends that the overall value of the remuneration for the notice period, including severance payment, in connection with a member of the executive management's departure, does not exceed two years' remuneration including all remuneration elements.	✓		
4.1.5. The Committee recommends that members of the board of directors are not remunerated with share options and warrants.	✓		
4.1.6. The Committee recommends that the company has the option to reclaim, in whole or in part, variable remuneration from the board of directors and the executive management if the remuneration granted, earned or paid was based on information, which subsequently proves to be incorrect, or if the recipient acted in bad faith in respect of other matters, which implied payment of a too large variable remuneration.	✓		
5. Risk management			
5.1. Identification of risks and openness in respect of additional information			
5.1.1. The Committee recommends that the board of directors based on the company's strategy and business model considers, for instance, the most significant strategic, business, accounting and liquidity risks. The company should in the management commentary give an account of these risks and the company's risk management.	✓		
5.1.2. The Committee recommends that the board of directors establishes a whistleblower scheme, giving the employees and other stakeholders the opportunity to report serious violations or suspicion thereof in an expedient and confidential manner, and that a procedure is in place for handling such whistleblower cases.	✓		

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