



# Remuneration Report 2022.

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Company reg. no. 20045078

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# Introduction to shareholders.



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## Dear Shareholders

This has been a challenging year for all biotech companies. In the first quarter of this year Zealand announced a change in strategy and chose to focus on research and development while it emphasized strategic partnerships to ensure treatments reach patients. The refreshed Management team adapted to the changing environment and to the shift in strategy. Together with the other members of the Board, I have had close supervision and oversight of the Management team, and the execution of the new strategy. The Board believes that since this transformation, our shareholders have seen a more focused organization that has executed on its promises under some of the most challenging circumstances that the market has seen. We have seen this reflected in the growth of the Company's share price since the announcement of the change.

The Remuneration Committee, through the Board, has pledged to keep the Management's progress under review and ensure that they met the revised and ambitious goals that the Board set for them during this transition. This report details the progress and how successful the Management has been. The Board believes that the commitment and focus showed since the change in direction was announced has demonstrated that the new strategy is the correct one. The dedication shown by Zealand's Management team and its employees in ensuring its delivery is commendable.

I have taken careful note of comments by, and will continue dialogue with, various stakeholder groups (for



**Martin Nicklasson**  
Chairman of  
the Board of Directors

instance shareholder representatives, proxy advisors and shareholders) in reviewing what the Company publishes as part of its annual obligations and the degree of transparency that is provided. I have also engaged directly with seven of the largest shareholders of which five were interested in a dialogue. These five represented 30% of the share capital. This dialogue is to ensure that the Board, and the Company, is properly appraised of their views. This interaction is important for the Board and for me as the Chair to maintain our dialogue with them and ensure that we are transparent. All these shareholder interactions have been positive and all of them continue to be supportive of the Company and the remuneration package. This endorsement is an important part of validating the remuneration package and adjusting it if warranted.

### Looking back – 2022

The Board modified the Company's goals at the end of the first quarter of 2022 to align them with the revised strategy. This was to ensure that there was intense focus by the Management for the rest of the year. The Board believes that the management team delivered on what it was asked to do.

In this report we have set out the 2022 metrics for the performance of Executive Management. There have been several key events in 2022 that the Company has set out in the annual reporting. These include results from some of the Company's key programs and two separate funding rounds in the latter half of the year. All of this was

on top of the changes required to execute the revised Company strategy. Once again, I, and the other members of the Board, are pleased to note that the Company has performed well.

### Looking forward - 2023

This is the second year that we have had this remuneration structure for the members of the Board and the Executive Management. The Company established this, with shareholder approval, in April 2021. We have modified this in our proposal for 2023 to respond to stakeholder feedback.

In this structure the Board choose to forgo a portion of the cash element of Board Remuneration and substitute it with equity in the form of Restricted Stock Units. This was to ensure alignment between the Board and its shareholders, to ensure long term growth and to be mindful of the Company's governance obligations. We have decided to continue with this overall structure for this year, with adjustments, as the Board continues to believe that this is in the shareholders' interests. We have however modified it to respond to observations from stakeholders. The Board equity will be changed so that there is graded vesting of the Board's RSUs over a three year period rather than the present one year period. As usual this is dependent on them staying as members of the Board. We have also introduced further caps on the RSU value to ensure that remuneration is not excessive, this is important if the share price continues to grow.

With respect to the Executive Management, we have maintained the structure of cash salary, a cash bonus, and a split equity component that we used last year. We have adjusted the equity component for Executive Management so that there is a 50/50 balance between equity awards that are dependent on performance (split this between operational goals and market based goals) and we have reduced the equity grant based cap (from 400% to 250% of salary for the CEO) from the previous cap to align them with our more European based heritage.

There is an extremely competitive environment for talent, and we must ensure that we can retain, and continue to attract, key talent that the Company needs from all over the world. Whilst we are a European headquartered company, we have a global reach, and the company requires a globally diverse workforce. We are however always conscious of the Company's need to continue to be prudent with the Company's financial resources. We have been careful to manage these two potentially conflicting demands when we review the compensation policy for the Company for the year 2023. As shareholders will see, we have kept the structure of the overall Remuneration Policy the same as last year and we have not recommended any significant increase.

### Shareholder feedback

This report is subject to a vote at the Annual General Meeting. This vote, all though non-binding is an important part of shareholder engagement over and above the direct interactions that I have had and I, and the other

members of the Board, welcome this vote as an endorsement of our approach. As ever we will maintain a review of the Company's performance and set out the Executive's performance in our next report.

As we progress this year, we will continue to review the remuneration for the Board and Management. We will collaborate with external advisors to review our peer group, the overall package and continue to talk with all stakeholders to ensure that there is alignment.

Yours sincerely,

**Martin Nicklasson**

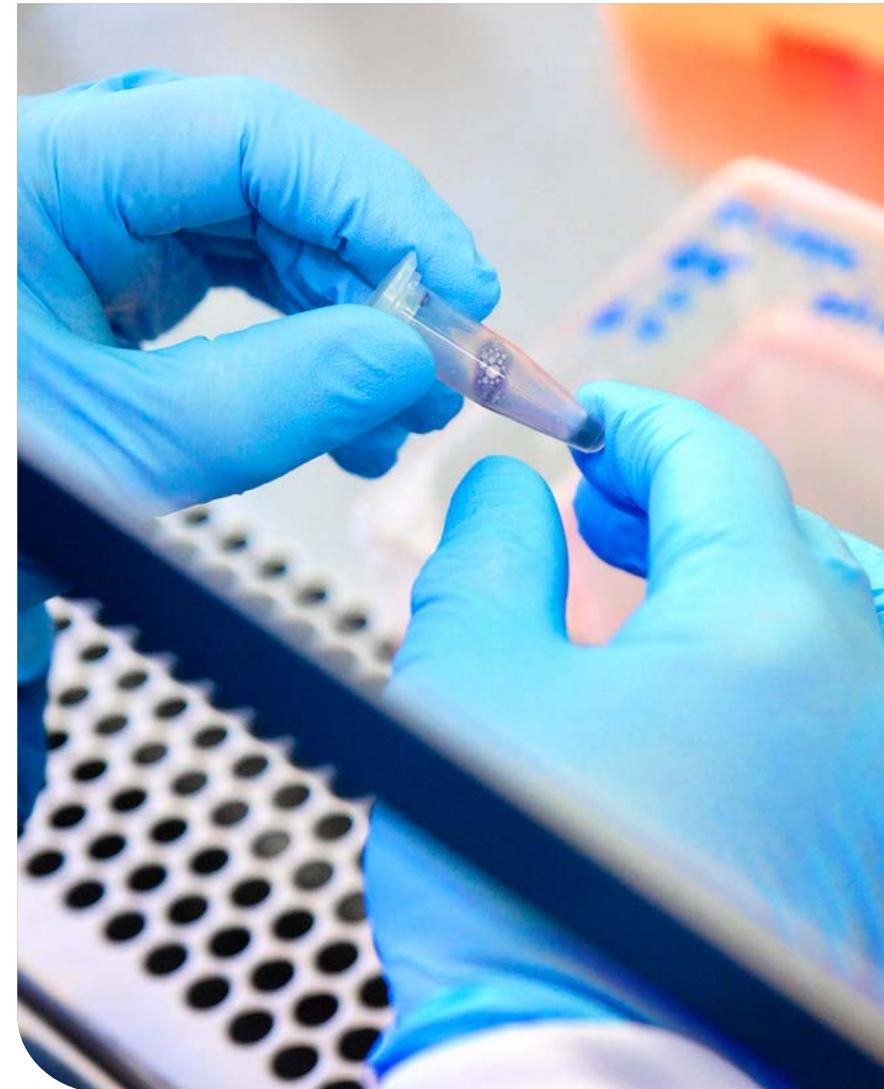
Chairman of the Board and Chairman of the Remuneration Committee

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**Comment on Shareholder vote on 2021 Remuneration Report**

At the 2022 general meeting the 2021 Remuneration Report received an approval of approximately 74% of the represented share capital. This is viewed as an endorsement of the policy and of the reporting of the company's activities in that year. Further, the company has addressed the remuneration as part of its shareholder engagement during 2022. In discussions towards the end of the year with five of the top 10 shareholders who represent 30% of the share capital, no concern was expressed about the quantum nor structure of the Remuneration Policy.

We hope that this report provides you with a detailed insight to the performance of the Executive Management for 2022 and that you will see that they are performing in a way that the Board would expect. As ever we will maintain a review of the company's performance and set out the Executives' performance in our next report.



# Introduction to 2022 Remuneration Report.

2022 represented a year of change for the company. Its decision to refocus its strategy towards research and development required a refreshed focused, committed management team and engagement of the Board. The company was able to rise to the challenge set to it and record the achievements set out below.



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## Performance highlights for 2022

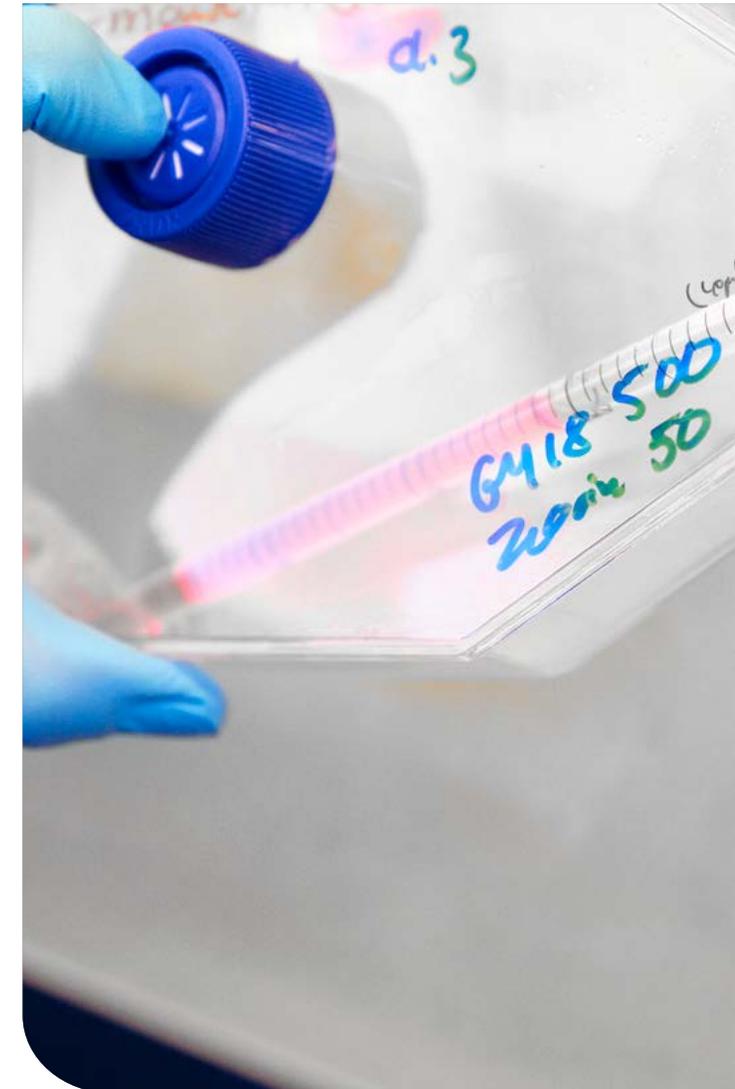
- In March 2022, we changed our strategy to prioritize Research & Development, restructuring our commercial operations.
- As part of our new strategy, we executed two commercial partnership agreements: we sold V-Go to MannKind, and entered into a partnership with Novo Nordisk for Zegalogue
- Our late-stage development programs in rare diseases yielded positive Phase 3 trials for both dasiglucagon in congenital hyperinsulinism (CHI) and glepaglutide in short bowel syndrome (SBS)
- Our early-stage clinical pipeline targeting obesity advanced, supporting our efforts to be a key player in this expanding therapeutic area: we presented encouraging Phase 1 data for dapiglutide, we completed the Phase 1 SAD for ZP8396 (amylin analogue) and initiated the Phase 1 MAD, and our partner Boehringer Ingelheim reported promising Phase 2 results for BI 456906 in type 2 diabetes
- We strengthened our balance sheet through a directed issue in June 2022 and a successful capital raise in October 2022, in combination with restructuring our financing agreement with Oberland Capital
- To further streamline our operating efficiency and reduce corporate costs in 2022, we delisted Zealand's American Depository Shares (representing less than 1.5% of the share capital) from Nasdaq Global Select Market in New York, and consolidated trading of the company's shares on Nasdaq Copenhagen

## Market developments

1. 2022 provided a challenging market for capital raises, especially in the biotech industry. Even with rising interest rates cooling the equity markets and making raising capital more difficult, Zealand has managed to raise equity.
2. The Great Resignation and following challenges in the labour market for recruitment of qualified personnel have presented challenges in timely securing access to the required talent.
3. Challenges potentially posed by increased levels of inflation, increased energy costs and supply chain disruptions have not adversely impacted the company.

## Company Updates

- Adam Steensberg replaced Emmanuel Dulac as CEO on March 30, 2022
- Frank Sanders stepped down as President of Zealand Pharma U.S. on April 1, 2022
- Ravinder Singh Chahil was promoted to become a member of the company's Corporate Management Team on May 23, 2022
- David Kendall was promoted to Chief Medical Officer (CMO) on June 2, 2022, becoming a member of the company's Corporate Management Team
- Matthew Donald Dallas stepped down as CFO on August 31, 2022
- Ivan M Møller was promoted to Chief Operating Officer (COO) on June 1, 2022
- Henriette Wennicke was appointed CFO, on November 1, 2022, becoming a member of the company's Corporate Management Team



# Key 2022 developments.

2022 was a pivotal year for Zealand. The strategic decision in March 2022 to refocus the company on its strengths and prioritize investments on its research and development pipeline and streamline commercial operations, required the employees and the management to devote their resources to the rebalanced company.

## Remuneration principles and Remuneration Policy highlights

This decision called for Zealand to review all business operations, reduce expenses and to restructure its workforce consistent with its new direction. This impacted commercial roles in the U.S., where Zealand's two commercialized products, V-Go® and Zegalogue® were sold or licensed. There was also a more limited impact on some positions in Denmark. Zealand appointed Dr. Adam Steensberg, previously Executive Vice President of Research & Development and Chief Medical Officer as its Chief Executive Officer, to lead this change and provide leadership to the revised strategy. Those changes are intended to reflect that Zealand is a global research and development company with European headquarters, focused on the discovery and development of innovative peptide-based medicines. Its strategy is now refocused on the best way to leverage its next-generation peptide platform to address unmet medical needs of patients by partnering them with strategic partners best placed to ensure maximum patient access.

Zealand's new strategic direction had a limited impact on remuneration practices for the Board and Members of Management in 2022, as those remain governed by the approved Remuneration Policy approved for the first time in 2021 and updated in 2022. The peer group was designed to ensure Zealand's ability to attract and retain superior executive talent and recognizing that Zealand's strategy is to make its products available on a global basis.

The Board continues to believe that this is the right Policy to enable Zealand to be competitive and achieve its goals. A Remuneration Policy that addressed the company's previous challenges in attracting and retaining the right talent, continues to remain relevant when there is severe competition for talent. Zealand works with third party independent compensation consultants to confirm whether any Remuneration Policy, and any changes to it, are warranted to better reflect the new strategic direction and refocus on research and development. These changes will be further elaborated on in the 2023 Remuneration Report.

## Peer Group

The companies that form our Remuneration Peer Group have been selected via the criteria below. The Remuneration Committee continues to monitor market developments, and the Peer Group is reviewed annually, and even with the change in strategy, there has been no other change other than to remove companies that have been acquired.

The following criteria have been decided for identifying our peer group:

- 1 have similar market capitalization to Zealand,
- 2 have a similar headcount as Zealand,
- 3 have their own products that are near to, or have just entered the market, and
- 4 are at a similar stage in their development as Zealand.

For 2022, the full list of peer group companies remains consistent with 2021 and is displayed below.

### Zealand Pharma – Remuneration Peer Group

Agios Pharmaceuticals	Amicus Therapeutics	Apellis Pharmaceuticals	Ardelyx	Atara Biotherapeutics
BioCryst Pharmaceuticals	Blueprint Medicines	BridgeBio Pharma	Cytokinetics	Deciphera Pharmaceuticals
Dicerna Pharmaceuticals <sup>‡</sup>	Epizyme <sup>3</sup>	Insmed	Kadmon <sup>2</sup>	Karyopharm Therapeutics
MacroGenics	Seres Therapeutics	TG Therapeutics		

<sup>1</sup> Acquired by Novo Nordisk in 2021

<sup>2</sup> Acquired by Sanofi in 2021

<sup>3</sup> Acquired by Ipsen in 2022

The peer group, in Zealand Pharma's view, continues to be appropriate after removing the three companies that have been acquired.

### Overview of Remuneration Policy

The Remuneration Policy applicable to the members of Executive Management as well as the Board for the financial year 2022 was approved at the company's 2022 Annual General Meeting. The Policy is also used as a guide towards the wider Corporate Management group to ensure that members of management are treated in the same way wherever possible. The Policy, including the purpose and key aspects of each of the remuneration elements, is summarized in the table on the right.

Component	Purpose and link to strategy	BoD	Exec Man	Corp Man
Fixed fee / fixed base salary	Recognizes 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. Fixed fee for member of the Board of Directors provided through a mix of both Cash and RSUs	✓	✓	✓
Pension	Ensures local competitiveness of compensation package for executives		✓	✓
Fee for committee work, and company-paid foreign social security	Attracts individuals with a broad range of experience and skills; rewards Board members for setting strategy and overseeing its implementation. Committee fees are provided in the form of RSUs	✓		
Short-term cash-based incentives	Rewards the achievement of annual goals, guided by the long-term business strategy		✓	✓
Short-term share-based component (RSUs)	Ensures that Board members have a meaningful stake in the company which is aligned with shareholder interests. The shorter vesting schedule aligns with election periods and ensures that Board members can dissent without being tied into long-term positions. Holding requirements apply while serving on the Board	✓		
Long-term share-based incentives (Warrants, & PSUs)	Links remuneration to the achievement of long-term shareholder value creation and supports the retention of the executives. Grant levels and vesting schedules are linked to US market practice		✓	✓
Other benefits	Provide for the executives' health and welfare needs; certain benefits may be provided to support relocation if applicable		✓	✓

BoD: Board of Directors, ExecMan: Executive Management, CorpMan: Corporate Management

The full version of the Remuneration Policy is published on the Zealand website at [zealandpharma.com/remuneration-committee](https://zealandpharma.com/remuneration-committee)

# Remuneration of the Board of Directors.

Our Board is a critical element to Zealand and its continued success. In 2021, the Board's remuneration was modified so that the Board is required to consider shareholder value, consistent with the company's long-term shareholder interest. This has continued to apply in 2022 according to the approved Remuneration Policy, where Board members received a fixed fee in cash, that was significantly reduced, compared to previous years and Restricted Stock Units (RSU) that were granted on the conditions set out in the Remuneration Policy. The Board of Directors RSU scheme is fully separate from and not the same as the RSU scheme that was put in place for management in 2021 to reflect the separate roles that they have for the company.

In 2022, Zealand's Board remuneration is structured as follows:

<b>Role</b>	<b>Cash fee</b>	<b>RSU allocation</b>
Board member	✓	✓
Chair of the Board		✓
Vice-Chair of the Board		✓
Audit Committee Chair		✓
Audit Committee member		✓
Remuneration Committee member		✓
Scientific Committee member		✓
Nomination Committee member	None	None
Remuneration Committee chair	None	None



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With respect to the award of RSUs, the following terms apply:

- The total annual number of RSUs that a director can receive is capped at 8,000. The RSUs vest at the date of the Annual General Meeting in the year following the grant (“cliff-vesting”).
- Board members must hold at least three (3x) times their annual cash retainer while they serve on the Board. Any Board member who does not meet the holding requirement must retain at least 50% of vested shares, net of taxes, 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 100% of the vested shares, net of taxes.

We had chosen RSUs, rather than options or Performance Based Shares. This is because we were mindful that, with a one-year vesting timeframe, the use of equity instruments for members of the Board should encourage long term shareholder value over short term gains.

RSUs have also been selected to be consistent with Danish Recommendations on Corporate Governance Article 4.1.5, which 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.

The RSU program for the Board of directors will undergo changes as part of the new 2023 remuneration policy

presented at the upcoming AGM in March; part of the proposal is for the vesting timeframe for the RSUs to be extended to three years with graded vesting and there will be an overall cap to ensure that any award is not excessive.

The full package for the members of the Board (both the Independent Shareholder Elected members and the Employee Elected members) has remained unchanged since 2021 and looks like this:

Board members did not receive any form of remuneration from associated group companies during 2022.

The 2023 Board remuneration components and amounts will be set out in the proposed 2023 Remuneration Policy at the next Annual General Meeting and will reflect Zealand’s new strategic direction.

### Board of Directors remuneration structure 2022

Role	2022 Cash Element (DKK)	2022 Equity Element (RSUs)
Board member	100,000	1,500
Chair of the Board	0	5,000
Vice-Chair of the Board	0	1,000
Audit Committee Chair	0	4,000
Audit Committee Member	0	2,500
Remuneration Committee member	0	1,500
Scientific Committee member	0	1,500

## Board of Directors remuneration composition

DKK thousand	Role <sup>1</sup>	Base board fee	Base fee – Value of RSUs at grant	Committee fee – Value of RSU at grant	Social security taxes	Total fees
<b>2022 Remuneration to the Board of Directors</b>						
Martin Nicklasson	BC, RC, NC and AM	100	137	592	-	828
Kirsten A. Drejer	BV, SC	100	137	228	-	464
Leonard Kruimer	AC	100	137	364	-	601
Alain Munoz	RM, SM	100	137	273	-	510
Michael J. Owen	RM, SM	100	137	273	-	510
Bernadette Connaughton	AM	100	137	228	-	464
Jeffrey Berkowitz	AM	100	137	228	-	464
Anneline Nansen		100	137	-	-	237
Frederik Barfoed Beck		100	137	-	-	237
Jens Peter Stenvang		100	137	-	-	237
Louise Gjelstrup		100	137	-	-	237
<b>Total</b>		<b>1,100</b>	<b>1,507</b>	<b>2,186</b>	<b>-</b>	<b>4,788</b>

<sup>1</sup> BC: Board of Directors Chairman, BV: Board of Directors Vice-Chairman, AC: Audit Committee Chairman, AM: Audit Committee member, NC: Nomination Committee Chair, RC: Remuneration Committee Chairman, RM: Remuneration Committee member, SC: Scientific Committee Chairman, SM: Scientific Committee member

There were no changes to the Board of Directors in 2022 and the number of board members remained at 11 directors.

## 2022 RSUs granted to the Board of Directors

The table below presents an overview of all granted but not yet vested RSUs to members of the Board of Directors:

DKK thousand	Role <sup>1</sup>	Board of Directors – RSUs	Grant date	Vesting <sup>2</sup> date	Number of shares granted	Value per share at grant (DKK)	Total value of grant (DKK)
Martin Nicklasson	BC, RC, NC and AM	2022 RSUs	April 2022	March 2023	8,000	91.1	728,400
Kirsten A. Drejer	BV, SC	2022 RSUs	April 2022	March 2023	4,000	91.1	364,200
Alain Munoz	RM, SM	2022 RSUs	April 2022	March 2023	4,500	91.1	409,725
Michael J. Owen	RM, SM	2022 RSUs	April 2022	March 2023	4,500	91.1	409,725
Leonard Kruimer	AC	2022 RSUs	April 2022	March 2023	5,500	91.1	500,775
Bernadette Connaughton	AM	2022 RSUs	April 2022	March 2023	4,000	91.1	364,200
Jeffrey Berkowitz	AM	2022 RSUs	April 2022	March 2023	4,000	91.1	364,200
Anneline Nansen		2022 RSUs	April 2022	March 2023	1,500	91.1	136,575
Frederik Barfoed Beck		2022 RSUs	April 2022	March 2023	1,500	91.1	136,575
Jens Peter Stenvang		2022 RSUs	April 2022	March 2023	1,500	91.1	136,575
Louise Gjelstrup		2022 RSUs	April 2022	March 2023	1,500	91.1	136,575

<sup>1</sup> BC: Board of Directors Chairman, BV: Board of Directors Vice-Chairman, AC: Audit Committee Chairman, AM: Audit Committee member, NC: Nomination Committee Chair, RC: Remuneration Committee Chairman, RM: Remuneration Committee member, SC: Scientific Committee Chairman, SM: Scientific Committee member

<sup>2</sup> RSUs vest either 1 year following the date of grant, or at the next Annual General meeting whichever is earlier.

### Shares owned by the Board of Directors

Board members are required to build a shareholding with a value corresponding to at least 3x the annual base fee.

The table below illustrates shares held, purchased and sold by Board members in 2022.

DKK thousand	Shares at December 31, 2021	Purchased / (Sold) during the year	RSUs vested during the year	Shares at December 31, 2022
Martin Nicklasson	2,570	0	8,000	10,570
Kirsten A. Drejer	800	0	4,000	4,800
Alain Munoz	5,250	0	4,500	9,750
Michael J. Owen	300	-980	4,500	3,820
Leonard Kruimer	4,000	-1500	5,500	8,000
Bernadette Connaughton	500	0	4,000	4,500
Jeffrey Berkowitz	200	0	4,000	4,200
Anneline Nansen	1,571	0	-	1,571
Frederik Barfoed Beck	4,798	-560	1,500	5,738
Jens Peter Stenvang	6,300	0	1,500	7,800
Louise Gjelstrup	1,255	-525	1,500	2,230
<b>Total Board of Directors</b>	<b>27,544</b>	<b>- 3,565</b>	<b>39,000</b>	<b>62,979</b>

# Remuneration of the Executive and Corporate Management.

## About Management remuneration

The task delegated to Management was changed during 2022. They were asked in March 2022 to recalibrate the company from one that was a fully integrated research, development and commercial biotech company to one that focused on research and development, while building strategic partnerships to ensure the widest possible access to its products. The remuneration applied in 2022 follows the approved remuneration policy and Zealand's revised strategic priorities, particularly the need to retain top level talent in a very dynamic labor market. This entailed using the peer group (that includes US based biotech companies) set out as reference and the strong pay-for-performance component of the compensation package.

As a result, the Board has wished to provide the right mix of incentives over the short- 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 plan
- Other customary benefits, such as pension plan contributions, company car allowance, executive health examinations.



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## Overview of Management remuneration

Remuneration of members of Management in 2022 made up DKK 70.96 million (86.28 if severance and special grants are included) relative to 2021 where it made up DKK 103.55 million). The 2022 remuneration is specified as follows:

In line with prevalent market practice the Board has not found it relevant to include a detailed overview of remuneration in previous years in this remuneration report. For comparison and an overview of the development in remuneration, we refer to the later section in this report.

Detailed information about Board and Management remuneration prior to 2022 can be found in the company's Remuneration and annual reports for previous years.

## Management remuneration

DKK thousand	Base salary	Pension cont.	Other benefits	Cash bonus	LTIP RSUs value at grant	LTIP PSUs value at grant	Total Remuneration	Split fixed vs variable
Adam Sinding Steensberg <sup>1</sup>	4,162	832	725	2,366	4,500	12,901	25,487	22% / 78%
Henriette Wennicke <sup>2</sup>	420	84	41	168	1,260	4,180	6,152	9% / 91%
Emmanuel Dulac <sup>3</sup>	2,626	525	122	1,575	-	-	4,848	68% / 32%
Mathew Donald Dallas <sup>4</sup>	2,248	46	234	860	-	-	3,387	75% / 25%
<b>Total EM</b>	<b>9,456</b>	<b>1,487</b>	<b>1,121</b>	<b>4,969</b>	<b>5,760</b>	<b>17,081</b>	<b>39,874</b>	<b>30% / 70%</b>
Other Corp. Management <sup>5 6 7</sup>	9,826	1,009	879	4,204	3,922	11,245	31,086	38% / 62%
<b>Total CoM</b>	<b>9,826</b>	<b>1,001</b>	<b>4,204</b>	<b>4,204</b>	<b>3,922</b>	<b>11,245</b>	<b>31,086</b>	<b>38% / 62%</b>
<b>Total</b>	<b>19,282</b>	<b>2,4986</b>	<b>9,173</b>	<b>9,173</b>	<b>9,682</b>	<b>28,326</b>	<b>70,960</b>	<b>34% / 66%</b>

<sup>1</sup> Was promoted to CEO on 30 March 2022

<sup>2</sup> Joined as CFO on 1 November 2022

<sup>3</sup> Stepped down as CEO on 30 March 2022, and received a severance payment of 6.5 DKKm, not included in the table above

<sup>4</sup> Stepped down as CFO on 31 August 2022, and received severance payment of 3.2 DKKm, not included in the table above

<sup>5</sup> Other Corporate Management in 2022 comprised five members of which 1 left during the year and 2 joined during the year

<sup>6</sup> The CMO joined Corporate Management in June 2022. Prior to his appointment he was granted 2.5 DKKm worth of RSUs as part of his previous role, why, the value is not reflected in the table above. The details of the grant are in table 14

<sup>7</sup> The SVP, US President stepped down in April 2022, and received a severance payment of 3.1 DKKm, not included in the table above

Members of Management did not receive any form of remuneration from associated group companies during 2022.

### 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, 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 CEO may receive a target of 60% of annual base in short-term incentives with a maximum payout factor of 120%, thus the amount is capped at 72% of the fixed annual base salary at the time the cash bonus is awarded. For other members of Executive Management and Corporate Management, the target is up to 40% of annual base salary with a maximum payout factor of 120%.

The table below presents the link between the company performance factor and the cash bonus opportunities at threshold, target and max performance.

Cash bonus opportunity (STI)	Threshold	Target	Max
Company Performance Factor	0x	1x	1.2x
CEO	0%	60%	72%
CFO & Other Corp. Man	0%	40%	48%

For 2022, Zealand established a total of 9 company goals, set out in the table below. Each goal can yield between 0% and 120%. The total Company Goal achievement can yield between 0% and 120%.

Given Zealand's performance in 2022, the Remuneration Committee assessed that the overall outcome of the company goals was a total achievement of 100%. This achievement was based on goals that were revised by the Board in light of the change in strategy in March 2022, to ensure that the management was focused on executing the revised strategy. This was approved by the Board. The table below provides the detailed overview of the overall achievement per company goal area for 2022:

Company goal area	2022 company goals	Overall weight	Overall
Execute partnership deals	<ul style="list-style-type: none"> <li>Sign partnership deals</li> </ul>	20%	20%
Execute on the late stage clinical pipeline	<ul style="list-style-type: none"> <li>CHI: Phase 3 execution</li> <li>Glepaglutide: Phase 3 results</li> <li>Dasiglucagon for BHAP: Phase 3 execution</li> </ul>	45%	40%
Enrich early pipeline and develop our next generation platform	<ul style="list-style-type: none"> <li>Clinical advancement of Amylin</li> <li>Develop our early pipeline and next generation peptide platform</li> </ul>	10%	11%
Maintain a strong financial and organizational position	<ul style="list-style-type: none"> <li>Deliver on OPEX guidance</li> <li>Net operating results – maintain sufficient cash run-way</li> </ul>	20%	24%
Deliver on environmental, social and governance responsibility	<ul style="list-style-type: none"> <li>Initiate carbon footprint reduction initiatives</li> </ul>	5%	5%
<b>Total performance on overall KPIs</b>		<b>100%</b>	<b>100%</b>

In addition to the company goals, members of Management have pre-defined personal goals impacting their cash bonus. For the financial year 2022, the overall performance of Executive Management members against their personal goals were assessed by the Board as shown in the table below:

Individual Cash Bonus Goals's <sup>1</sup>	Achievement
Adam Sinding Steensberg (CEO) <sup>2</sup>	CEO, is only on corporate goals. n/a
Henriette Wennicke (CFO)	Operational Strategic 100%
Emmanuel Dulac (Former CEO)	CEO, is only on corporate goals. n/a
Mathew Donald Dallas (Former CFO)	Operational Strategic 100%

<sup>1</sup> The Remuneration Committee has assessed that disclosing the details of individual goals could potentially harm the competitive position of Zealand.

<sup>2</sup> The current CEO was CMO until 29 March, where he was evaluated on personal sub goals, which led to a performance factor of 115% for these goals

The achieved performance on both company goals and individual goals for 2022 led to the following cash bonus payouts as a percentage of the annual base salary:

Cash bonus achieved for 2022	Target bonus % of base	Company goals weight	Individual goals weight	Cash bonus achieved for 2022 in % of base
Adam Sinding Steensberg <sup>1</sup> (CEO)	60%	100%	0%	57%
Henriette Wennicke (CFO)	40%	70%	30%	40%
Emmanuel Dulac (Former CEO)	60%	100%	0%	60%
Mathew Donald Dallas (Former CFO)	40%	70%	30%	38%

<sup>1</sup> The current CEO was CMO until 29 March, where his bonus target was 40%, for that period he achieved a bonus % of 41.8%. For his time as CEO, he was only evaluated on corporate goals and achieved a bonus % of 60%. The actual bonus payout has been pro-rated to reflect this, why the achieved % is below target even if corporate goals paid out at 100%

## Long-term share-based incentive

In 2022, to further align with market practice within biotech, we replaced the RSU component with Warrants, as these will only deliver value to our executive management when shareholder value has been delivered through share price appreciation. The 2022 long-term incentive plan is designed as follows:

	PSUs	Warrants
<b>Design &amp; Purpose</b>	<ul style="list-style-type: none"> <li>Use instruments that appropriately reward performance against known milestones with long-term impact for the company</li> <li>Provide long-term shareholder value creation versus an external benchmarked measure</li> <li>An external measure against which the company is held</li> </ul>	
<b>Key features</b>	<ul style="list-style-type: none"> <li>75% of Grant value converted to PSUs</li> <li>The PSUs consist of an equal blend of market goals and operational goals</li> <li>The thresholds at which these will be awarded are set at:</li> <li>At least 50% success on the goals before any are awarded</li> <li>Reaching the target will trigger award of 100% of goals</li> <li>Additional rewards for exceeding the targets are capped at 150% of target, to protect against excessive payouts</li> </ul>	<ul style="list-style-type: none"> <li>25% of grant value converted to Warrants</li> <li>Warrants vest graded with 1/3 each year over three years, with no performance conditions</li> <li>Warrants can be exercised 5 years from the grant date, after which they lapse</li> </ul>
<b>Grant value &amp; market comparison</b>	<ul style="list-style-type: none"> <li>Grant value of these PSUs and Warrants are aligned against similar equity award levels to U.S. peer companies at the 50th percentile.</li> <li>The eligible participants have agreed to meet defined shareholding 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</li> <li>For the CEO, the combined 2022 grant of PSUs and Warrants was equal to approx. 400% of annual base salary (for 2021 this was 550%) while for the other members of management the 2022 grant was close to 250% of annual base salary, varying slightly by individual</li> </ul>	
<b>KPIs</b>	<ul style="list-style-type: none"> <li>The PSU market element of the award is measured and cliff-vested at the end of a 3-year period, based on Zealand's rank in terms of total shareholder return against Nasdaq Biotechnology Index</li> <li>The PSU operational element of the award is measured at the end of a 1-year period against three binary goals set out for the company, primarily clinical or regulatory milestones. This subset of PSUs will vest, if earned, in increments of 1/3 per year over the 3-year period. The payout matrix is included on the right</li> </ul>	

The payout matrix for the PSUs is as follows:

Market goals (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)

For market goals, the payout between the 25th and 75th percentile is interpolated.

## Overview of PSU and historical RSU grants

The table below presents an overview of PSUs granted in 2022, as well as their grant value. Historical PSUs and RSUs granted in 2019, 2020, and 2021 are also shown. Members of Management do not hold any other unvested RSU or PSU grants than those shown.

	LTIP Scheme	Grant date	Vesting date	No. of shares granted	Value per share at grant (DKK) <sup>2</sup>	Total value of grant (DKK)
<b>Adam Sinding Steensberg</b>	2022 PSUs	May 2022	May 2025	142,240	90.7	12,901,168
	2021 RSUs	May 2021	May 2024	11,581	185.9	2,152,908
	2021 PSUs	May 2021	May 2024	34,743	185.9	6,458,724
	2020 RSUs	April 2020	April 2023	3,990	224.4	895,356
	2019 PSUs	June 2019	June 2022	5,065	138.6	702,009
<b>Henriette Wennicke</b>	2022 PSUs	Dec 2022	Dec 2025	20,590	203.0	4,179,770
<b>Emmanuel Dulac (PSUs and RSUs have lapsed)</b>	2021 RSUs	May 2021	May 2024	38,258	185.9	7,112,162
	2021 PSUs	May 2021	May 2024	114,774	185.9	21,336,487
	2020 RSUs	April 2020	April 2023	6,657	224.4	1,493,831
	2019 PSUs	June 2019	June 2022	8,835	138.6	1,224,531
<b>Matthew Donald Dallas (PSUs and RSUs have lapsed)</b>	2021 RSUs	May 2021	May 2024	11,517	191.6	2,206,657
	2021 PSUs	May 2021	May 2024	34,552	191.6	6,620,163
	2020 RSUs	April 2020	April 2023	4,019	224.4	901,864
<b>Other Corp. Management<sup>1</sup></b>	2022 RSUs	May 2022	May 2025	27,891	90.7	2,529,714
	2022 PSUs	May 2022	May 2025	123,983	90.7	11,245,258
	2021 RSUs	May 2021	May 2024	12,081	185.9	2,245,858
	2021 RSUs	May 2021	May 2024	20,846	191.6	3,994,094
	2021 PSUs	May 2021	May 2024	36,244	185.9	6,737,760
	2021 PSUs	May 2021	May 2024	62,538	191.6	11,982,281
	2020 RSUs	Sept. 2020	Sept. 2023	5,864	216.8	1,271,315
	2020 RSUs	April 2020	April 2023	6,936	224.4	2,827,754
	2019 PSUs	June 2019	June 2022	5,865	138.6	812,889

<sup>1</sup> As part of his appointment to CMO and Corp Management, David Kendall received an allocation of RSUs. The RSU plan is not reflected in the 2022 remuneration policy as it is not applicable to Executive management for 2022

<sup>2</sup> 2021 PSU and RSU grants in Denmark and the US were made with a 14 day interval, why the share price at grant differs slightly between the two. Potential realized value of the 2022 long term incentive grant

The development in value of the PSUs granted will be a result of 1) the development in the Zealand Pharma share price relative to the share price at the time of grant 2) Zealand Pharma's performance relative to the market and against operational goals, which will result in a performance multiplier as described above on page 14. The value of the PSUs granted can be calculated as follows: Number of PSUs granted x the achieved performance multiplier x Zealand Pharma's share price at the time of vesting.

The development in value of the Warrants will be a result of the development in the Zealand Pharma share price relative to the share price at the time of grant, which is equal to the exercise price of the warrants. The final payout will be equal to the difference between the share price at the time of exercise and the exercise price.

## Overview of 2022 warrants and historical grants

In 2022, Zealand Pharma reintroduced warrants as part of the LTI to Executive Management to recognize the growth journey ahead, replacing the previous RSU component. The warrants make up 25% of the total grant value.

The table below provides an overview of the 2022 grants as well as still active historical warrant grants to members of the executive corporate management made in the years 2019-2020.

	LTIP Warrants Grants	Grant date	Vesting date	Expiry date	Exercise price (DKK)	Number of warrants granted	B&S value per warrant at grant date (DKK) <sup>5</sup>	Total value of grant (DKK)
<b>Adam Sinding Steensberg</b>	2022 Warrants	May 2022	May 2025	May 2027	90.7	122,777	36.65	4,499,777
	2020 Warrants	April 2020	April 2023	April 2030	224.4	23,325	69.83	1,628,785
	2019 Warrants	June 2019	June 2022	June 2024	138.6	42,961	45.04	1,934,963
<b>Henriette Wennicke<sup>2</sup></b>	2022 Warrants	Dec 2022	Dec 2025	Dec 2027	203.0	14,038	89.76	1,260,051
<b>Emmanuel Dulac<sup>3</sup></b>	2020 Warrants	April 2020	April 2023	April 2030	224.4	38,915	69.83	2,717,434
	2019 Warrants	June 2019	June 2022	June 2024	138.6	74,933	45.04	3,374,982
<b>Matthew Donald Dallas<sup>4</sup></b>	2020 Warrants	April 2020	April 2023	April 2030	224.4	23,998	66.88	1,604,986
	2019 Warrants	Dec. 2019	Dec. 2022	Dec. 2024	220.0	27,277	69.52	1,896,297
<b>Corporate Management</b>	2022 Warrants	May 2022	May 2025	May 2027	90.7	107,017	36.65	3,922,173
	2020 Warrants	Sep. 2020	Sep. 2023	Sep. 2030	216.8	43,217	48.44	2,093,431
	2020 Warrants	April 2020	April 2023	April 2030	224.4	17,642	69.83	1,231,941
	2020 Warrants	April 2020	April 2023	April 2030	224.4	23,394	66.88	1,564,591
	2019 Warrants	June 2019	June 2022	June 2024	138.6	49,754	45.04	2,240,920

Parameter	2022 (Dec)	2022 (May)
Expected life (years)*	3, 3.5 and 4 years	3, 3.5 and 4 years
Share price at grant (DKK)	203.0	90.7
Exercise price	203.0	90.7
Average Volatility**	59.43%	55.47%
Risk free interest rate	2.14%	0.86%
Dividend	0	0
Value	89.76	36.65

\* Reflecting vesting schedule

\*\* The volatility rate used is based on the actual volatility of the Zealand Pharma share price, volatility is pulled for each tranche as they have different lifetimes

<sup>1</sup> Warrants are subject to graded vesting, meaning 1/3 vest after 1 year, 1/3 after two years and 1/3 after the full period

<sup>2</sup> As Henriette Wennicke joined as CFO in November 2022, her grant was made under the same principles yet on different parameters

<sup>3</sup> Emmanuel Dulac was replaced as CEO on March 30, 2022

<sup>4</sup> Matthew Dallas stepped down as CFO on August 31, 2022

<sup>5</sup> In order to calculate the Black-Scholes value of the warrants at the time of the 2022 grant, the following parameters were used

# 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, to bring in relevant context to the annual changes in remuneration presented below.

## Annual change in company performance

The price of Zealand Pharma's shares changed in +38.8% from DKK 145.10 to DKK 201.40 during 2022 and by -34.2% from DKK 220.60 to DKK 145.10 during 2021 (change during 2019 was -6.3% from DKK 235.40 to DKK 220.60).

Annual change	2022-2021	2021-2020	2020-2019
Average FTE in Zealand Pharma A/S	-34.4%	6.9%	-12.9%

## Overview of developments in annual remuneration

The board fee structure and board composition remain the same as in 2021. As RSU grants for board and committee work are made in numbers, the value of these grants on an annual basis fluctuates with the Zealand Pharma share price. This is the driver for the decrease from 2021 to 2022, as the share price at the time of grant of the 2022 RSU grant was lower than in 2021. The comparison is made by using the grant value of the RSUs received by Board members in the given year.

Annual change	Role	2022-2021 <sup>1</sup>	2021-2020 <sup>1</sup>	2020-2019 <sup>1</sup>
<b>2022 Development in remuneration to the Board of Directors</b>				
Martin Nicklasson	BC, RC, NC and AM	-54%	88%	2%
Kirsten A. Drejer	BV, SC	-50%	84%	0%
Alain Munoz	RM, SM	-41%	127%	0%
Michael J. Owen	RM, SM	-50%	105%	0%
Leonard Kruimer	AC	-58%	123%	0%
Bernadette Connaughton	AM	-50%	105%	12%
Jeffrey Berkowitz	AM	-50%	104%	0%
Anneline Nansen		-42%	-	-
Frederik Barfoed Beck		-42%	2%	-
Jens Peter Stenvang		-42%	2%	0%
Louise Gjelstrup		-42%	2%	-

<sup>1</sup> Percentage development is calculated based on annualized values.



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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 starting from 2019 and going forward.

The development in total Management remuneration in 2022 compared to 2021, 2020 and 2019 is to a large degree a result of the change of incumbents in the executive roles, meaning an increase for Adam Steensberg as a result of his promotion to CEO, and a decrease to Emmanuel Dulac and Mathew Dallas as they did not receive an LTI grant in 2022 due to their departure from the company.

For Executive and Corporate management, the large increase in 2021 was further driven by the exceptional 2021 LTI correction to make up for the shortfall from the peer group in previous years, as previously described in the 2021 report. For 2022, a regular LTI grant has been made which has resulted in an expected decrease in total Management remuneration year-on-year.

DKK thousand	Position	2022-2021 <sup>1</sup>	2021-2020 <sup>1</sup>	2020-2019 <sup>1</sup>	Total remuneration 2022	Total remuneration 2021	Total remuneration 2020	Total remuneration 2019
Adam Sinding Steensberg	CEO	85.3%	80.3%	5.3%	25,487	13,758	7,633	7,250
Henriette Wennicke	CFO	n.a	n.a	n.a	6,152	-	-	-
Emmanuel Dulac	Former CEO	-62.2%	168.3%	-31.3%	4,848	37,869	14,116	18,247
Mathew Donald Dallas	Former CFO	-66.2%	102.8%	1.0%	3,387	13,123	6,470	3,023
<b>Total EM</b>	-	-	-	-	<b>39,874</b>	<b>64,750</b>	<b>28,219</b>	<b>28,520</b>
Other Corp. Management <sup>2</sup>	-	n.a	n.a	n.a	31,086	38,800	17,440	12,628
<b>Total CoM</b>	-	-	-	-	<b>31,086</b>	<b>38,800</b>	<b>17,440</b>	<b>12,628</b>
<b>Total</b>	-	-	-	-	<b>70,960</b>	<b>103,550</b>	<b>45,659</b>	<b>41,148</b>

<sup>1</sup> Percentage development is calculated based on annualized values

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

# Application of claw-back and deviation from Policy.

There was no claw-back event in 2022, 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.



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# Board and independent auditors statements.

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 2022.

The Remuneration Report will be presented for advisory vote at the Annual General Meeting 2023.

Søborg, March 2, 2023

**Martin Nicklasson**  
Chairman of the Board

**Kirsten A. Drejer**  
Vice Chairman of the Board

**Jeffrey Berkowitz**

**Frederik Barfoed Beck**

**Bernadette Connaughton**

**Louise Gjelstrup**

**Leonard Kruimer**

**Alain Munoz**

**Anneline Nansen**

**Michael J. Owen**

**Jens Peter Stenvang**



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