



## **Innovation and Intellectual Property Issue Brief**

### **Importance to Elanco and our Stakeholders**

For nearly 70 years, we've been committed to delivering innovation that improves the health of animals, the people who care for them and the planet we inhabit together. This has resulted in a number of unique blockbuster products for either pets or farm animals including Seresto (dogs and cats), Rumensin (cattle), Advantage Family (dogs and cats), and Maxiban (poultry). We are still relentlessly researching, developing and delivering new ideas and solutions – to provide the foundation for market differentiation, new commercial offerings and growth for Elanco going forward.

We have a rich pipeline of future innovation, consisting of more than 150 active programs across species and phases of development. We believe leveraging internal research & development capabilities while partnering with startups, venture funds, contract research organizations, academic groups and other partners in the ecosystem is essential to delivering meaningful, high impact innovation in animal health. Most importantly, we believe we have the talent and capabilities needed to progress our innovation projects effectively and in a resource-efficient way.

### **Our Action**

Our R&D organization is focused on creating a psychologically safe environment where teams feel safe for interpersonal risk-taking. We believe this is critical to foster an inclusive work culture that ultimately leads to the collaboration and creativity necessary to bring true innovation to the marketplace. Cultivating psychological safety in cross-functional project teams is embedded in R&D leadership training and accountability. Additionally, individuals selected for leadership development opportunities receive expert training on psychological safety and are deployed as advisors throughout the organization to conduct education sessions and facilitate workshops with teams.

### **Intellectual Property (IP)**

Part of Elanco's strategy is building a purposeful, fit-for-purpose IP portfolio. To streamline this effort and bring the right decisions forward, IP, Legal, R&D and other inter-departmental groups utilize a formal committee structure, the Invention Review Committee (IRC).

The IRC is a cross-functional team of five subcommittees – governed by an IRC Governance Board and empowered to make strategic IP investment decisions on behalf of the business, based upon a variety of objective factors. The IRC streamlines IP-decision making, helps align stakeholders' decisions directly with the company's strategic vision and ensures our IP portfolio meets our technology and business strategies.



### *IP Protection*

Our technology, brands and other intellectual property are important assets of our business. We rely on patent, trademark, copyright and trade secret laws, as well as regulatory exclusivity periods and non-disclosure agreements to protect our intellectual property rights. Our policy is to vigorously protect, enforce and defend our rights to our intellectual property, as appropriate.

Our product portfolio and certain product candidates enjoy the protection of approximately 6,500 patents and applications, filed in over 90 countries, with concentration in our major markets as well as other markets with strong patent systems, such as Australia, Brazil, Canada, Europe, Japan and the U.S. While many of the patents and patent applications in our portfolio are the result of our own work, others have been developed in collaboration with partners, acquired through business transactions, or licensed to us by third parties.

Additionally, many of our vaccine products are based on proprietary or patented master seeds and formulations. We actively seek to protect our proprietary information, including our trade secrets and proprietary know-how, through a variety of means, including by seeking to require our employees, consultants, advisors and partners to enter into confidentiality agreements and other arrangements upon the commencement of their employment or engagement. We seek to file and maintain trademarks around the world based on commercial activities in most regions where we have, or desire to have, a business presence for a particular product.

We currently maintain more than 14,500 trademark applications and registrations in major regions, primarily identifying products dedicated to the care of livestock and pets.

### *Counterfeit Drugs*

The internet is a great resource for consumers to conveniently obtain products and solutions for many animal health and well-being needs. Unfortunately, the internet also proliferates the sale of illicit goods and services by cultivating an anonymous and global marketplace for illegal trade – further perpetrating counterfeit products and fraudulent retailers.

Over the years, Elanco has developed scientific and medical breakthroughs resulting in some of the world's most loved brands. To keep these brands amongst the most loved, we've implemented fierce brand protection strategies.

Protecting brands is a complex problem that no single company can resolve alone. Companies like Elanco are collaborating with government entities, law enforcement agencies, trade associations and other cross-industry efforts around the globe to help ensure consumers receive only genuine goods.

Elanco proactively identifies, attacks and frustrates sellers and manufacturers of counterfeit products to protect our customers. Engaging with external business partners, in the U.S. Elanco proactively monitors counterfeit activity for five key products. Counterfeits are identified through



a combination of internal and external resources and are evaluated through an internal assessment process conducted by technical experts.

While each case is unique, circumstances may arise which warrant communication to customers, distributors and/or consumers. Notification regarding counterfeits to legal or regulatory authorities depends on local requirements and specific circumstances. To support law enforcement, Elanco offers global education training programs and has launched a field guide that is continuously improved for relevance. Reported incidents of counterfeit materials or intellectual property infringement issues can be found in our annual [Sustainability Accounting Standards Board \(SASB\) disclosure](#).

Elanco reinforces the importance of acquiring products through authorized distributors as a mechanism to ensure product safety and quality. In the U.S., consumers may use our [Where to Buy](#) tool to purchase authentic Elanco products from approved veterinary clinics, e-commerce sites and pet retailers. Purchases from sites other than those listed in the Where to Buy tool may originate from a source unknown to Elanco.

## Metrics & Targets

	2020	2021	2022
Investment in R&D	\$329M	\$369M	\$321M
R&D employees	~1,200	~1,100	1,080
Active patents and applications	~6,500	~6,500	~6,500

## Governance and Risk Management

The [Innovation, Science and Technology Committee](#) of the Board of Directors assists the Board in oversight of our innovation efforts and R&D priorities, including:

- Strategy, activities results, and investment in and optimization of research, development, go-to-market strategies and supporting investments, external innovation/business development and innovation initiatives
- Strategic, tactical and policy matters related to science and technology and any changes to the development and regulatory landscape
- Advancement and augmentation of our product pipeline innovation
- Management of risks related to our research and development program, competitive or disruptive technologies and technologies which Elanco may acquire or in which Elanco may invest



- Elanco’s ambition to achieve scientific innovation leadership in the animal health industry

The committee also oversees Elanco’s overall intellectual property strategies and portfolio of patents and other intellectual property.

Our Executive Vice President of Innovation and Regulatory Affairs reports to the Innovation, Science and Technology Committee and the full Board quarterly. Additionally, our Global Head of IP reports to the committee at least annually.

*The content of this brief is informed by the following ESG disclosure standards:*

- *Policies and commitments that guide Elanco’s approach to the material issue (GRI Disclosure 3-3c)*
- *Mechanisms to integrate the material issue into strategy, decision-making and financial planning (IFRS S1 General Requirements Standard)*
- *Actions taken to respond to the material issue, with a qualitative assessment of how these actions support the ‘resilience’ of Elanco (IFRS S1 General Requirements Standard)*
- *Action taken to manage impacts related to the issue (GRI Disclosure 3-3d)*
- *Targets related to the material issue (IFRS S1 General Requirements Standard, GRI Disclosure 3-3e)*
- *Processes used to track effectiveness and lessons learned (GRI Disclosure 3-3e)*
- *Board and management responsibilities related to the material issue (IFRS S1 General Requirements Standard, GRI 2-12, 2-13, 2-14)*
- *Industry associations, other membership associations, and national or international advocacy organizations in which Elanco participates in a significant role (GRI 2-28)*