

# Water Management and Biodiversity Issue Brief

## Importance to Elanco and our Stakeholders

We rely on abundant, clean water for various processes – including manufacturing, research and development, and agricultural operations. Water scarcity and water quality are growing concerns globally, with increasing regulatory scrutiny, stakeholder expectations and potential impacts on business continuity and reputation. Therefore, addressing water-related challenges is critical for Elanco to ensure the sustainability and resilience of our operations and supply chain .

Biodiversity and water are interconnected in numerous ways. Biodiverse ecosystems are critical to regulating water cycles – purifying water, preventing flood damage and reducing the risk of drought. Additionally, diversity in aquatic ecosystems contributes to the overall health and resilience of water bodies.

Our commitment to a healthier planet includes stewardship of ecosystems through water management and biodiversity protection. We're working to responsibly manage and reduce our water use while engaging externally with various collaborators to support conservation and habitat restoration.

## Our Action

### Water Conservation

Water is a shared resource. By enhancing our operational water efficiency and ensuring the appropriate treatment and release of wastewater, we support the health of ecosystems where we operate and help ensure the resiliency of our business into the future.

As part of a climate risk and opportunity scenario analysis completed in 2023, Elanco identified five locations in water stressed areas, representing ~2.7% of our global water use/intake. Approximately 25% of our sites are located in areas that are expected to be susceptible to drought in the future according to our climate risk analysis. For more information, please see our [TCFD Report](#).

For more than a decade, our Clinton, Indiana manufacturing location has been reducing groundwater withdrawal for site operations, through projects such as treated wastewater reuse in cooling towers, repairs to underground fire main headers to eliminate leaks and improved cooling tower chemistry and maintenance. Between 2008 and 2023, annual well water withdrawal at the site dropped from 2.3 billion gallons to 0.98 billion gallons.

## **Water Quality**

Discharge effluent water quality measures play a crucial role in protecting the Earth's water resources. Human activities can exponentially impact the environment and water cycle. Poor water effluent quality can have a detrimental effect on aquatic ecosystems and human potable water availability.

Elanco's Clinton facility has also reduced municipal water discharge by more than 5 million gallons per year, through beneficial reuse of wastewater for irrigation and by converting a grass covered area to a drought-tolerant native prairie habitat containing a white pine, burr oak and river birch grove.

Elanco abides by all local water quality standards as required by our permitting mechanisms.

In addition to local regulatory requirements, Elanco has developed internal Elanco Aquatic Exposure Guidelines (EAEGs) for wastewater emissions of active pharmaceutical ingredients. Our internal manufacturing sites, as well as our external contract manufacturing providers, are responsible for conforming to these guidelines.

## **Biodiversity**

Biodiversity is critical to the health of life processes and ecosystems. Because a significant percentage of active pharmaceutical ingredients are derived from molecules found in natural products, Elanco regularly assesses how our manufacturing processes could interrupt biomes by altering air or water quality. We seek to extend the positive impact of our internal mitigation efforts by working with organizations focused on restoring natural landscapes and preventing biodiversity loss. Through stakeholder management these collaborations, we are complementing our sustainability-focused customer outreach with broader initiatives that promote healthy and resilient ecosystems.

### *Rainforests*

In collaboration with the JBS Fund, Elanco committed \$450,000 between 2021–2023 to help support the Solidaridad Network's RestaurAmazônia project – which seeks to increase the income of rural cocoa and cattle producers, preserve forest areas and reduce GHG emissions in the Brazilian State of Pará.

Focus areas for the project through 2027 include:

- Soil analysis to monitor pasture conditions and fertility
- Avoiding fire as a means of pasture restoration
- Monitoring pasture capacity to prevent over-grazing

- Improving herd genetics

By providing established best practices, education and verification, the RestaurAmazônia project promotes low-carbon agriculture practices on family farms in the region. Improving the livelihood of small farmers in these areas directly correlates to a decrease in the destruction of rainforest for agrarian use, ultimately preserving one of the Earth's largest carbon sink ecosystems.

### *Seasonal Wetlands*

The SAFE (State Acres for Wildlife Enhancement) project is a collaboration between the USDA Farm Service Agency and Ducks Unlimited, to restore grasslands and protect embedded playa wetlands<sup>1</sup> in western Kansas. More than 70%<sup>2</sup> of Kansas playas have been modified by land-use changes, which impact proper function.

From 2021 through 2023, Elanco contributed \$150,000 to help reseed and restore grasslands in western Kansas which have long supported cattle grazing. Elanco's investment helped purchase grass seed planted to develop protective buffers around playas.

### *Indiana Wetland Conservation*

The Indiana Healthy Rivers Initiative is a partnership of resource agencies and organizations (USDA Farm Service Agency, Indiana Department of Natural Resources, Vermillion County Soil and Water Conservation District) who are working with willing landowners to permanently protect more than 43,000 acres along the Wabash River and Sugar Creek in west-central Indiana, and more than 26,000 acres of the Muscatatuck River bottomlands in southeast Indiana. Objectives of the program include connecting parcels of public land to benefit wildlife and their habitats, protecting important rest areas for migratory birds, and establishing natural resource conservation areas balancing forests, farmed lands, and wetlands.

Approximately 300 acres of Elanco property along the Wabash River were placed in a conservation easement in 2011, and our Clinton manufacturing facility continues to actively manage this property by maintaining a multi-use natural system, combining wetlands, cropland, riparian forest, and wet mesic prairie (native lowland grasslands). In May 2020, herpetologists with the Indiana Department of Natural Resources conducted a survey of the area and

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<sup>1</sup> "Playas in Kansas and the High Plains," Catherine S. Evans, Kansas Geological Survey <https://www.kgs.ku.edu/Publications/PIC/pic30.html>

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discovered the Plains leopard frog (*Lithobates blairi*), a state endangered species in Indiana, in at least one wetland-marsh on the Elanco site.

## Metrics and Targets

[Please view our ESG Key Performance Indicators](#)

## Governance and Risk Management

Our Board and executive management team are actively engaged in Elanco's activities and approach to addressing climate-related risks and opportunities. The Corporate Governance Committee provides oversight and guidance for our overall ESG & sustainability program, including our strategy, programs and policies related to climate change and operational sustainability. These include emissions and waste reduction efforts, consumption of energy and water, and investments in renewable energy – such as our commitment to source renewable electricity equivalent to 100% of our electricity use by 2030. Additionally, the Audit Committee reviews policies and practices related to environmental protection, monitors compliance and reports or makes recommendations to the full Board, as appropriate.

Our Global Head of ESG and Sustainability oversees internal management of Elanco's climate-related strategy, programs, goals and disclosures – with further oversight from the Elanco Healthy Purpose Steering Committee. Our Health, Safety and Environment (HSE) organization – part of our manufacturing and quality business unit and led by our Senior Director of Global HSE – has operational responsibility for the resilience of our operations, including energy and water use, as well as waste and emissions management. HSE receives oversight from the global HSE Steering Committee, a cross-functional group which includes representatives such as our Executive Vice President of Human Resources, Communications and Administration; our Executive Vice President of Manufacturing and Quality; our Executive Vice President of Innovation and Regulatory; our Executive Vice President, General Counsel and Corporate Secretary; and our Global Head of ESG and Sustainability.

In addition, all our business areas, including Manufacturing and Quality, Research and Development, Elanco locations and general administrative offices in various countries globally, are required to operate with an HSE management system that adheres to the requirements of the Elanco HSE Policy and associated standards. The basic elements of the HSE Management System Standard align with internationally recognized management systems such as ISO45001 (Occupational Health and Safety Management Systems), ISO14001 (Environmental Management Systems), American Chemistry Council's Responsible Care Management System and the Occupational Safety and Health Administration Voluntary Protection Program.

Annual performance measures for our Senior Director of Global HSE, members of our global ESG and sustainability team and other senior leaders across our business include climate-



related objectives. These may include progress toward our renewable electricity goal or other environmental impact reduction initiatives, as well as accurate and transparent disclosure of our environmental metrics and programs.

*The content of this brief is informed by global ESG disclosure standards and frameworks.*

*Updated July 2024*