

# Innovation and Intellectual Property Issue Brief

## Importance to Elanco and our Stakeholders

For more than 70 years, we've been committed to delivering innovation to help our customers improve the health of animals in their care. 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), Credelio Family (dogs and cats) and Maxiban (poultry). We continue to relentlessly research, develop and deliver new ideas and solutions – to offer our customers continuous high impact innovation and deliver growth for Elanco.

We have a rich pipeline of innovative products, consisting of more than 170 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 research and development (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.

Elanco is focused on delivering consistent, high impact innovation with three clear parallel priorities for the R&D organization.

- **Late-Stage Pipeline:** Focus on first in class and/or differentiated late-stage potential blockbusters in high-value pet health market and pioneering new frontier markets like livestock sustainability. By 2025, Elanco has 6 potential blockbuster products expected in the U.S. market, with blockbusters defined as >\$100M in projected annual revenue.
- **Life Cycle Management:** Extending the life and value of our existing brands with targeted life cycle management (LCM) is core to Elanco's value proposition to customers and contributes to a stabilizing base. These opportunities include label claim extensions, geographic expansions, species expansions and regulatory registration renewals.

- **Refill Pipeline with Next Wave:** To deliver consistent, high-impact innovation over time, we are refilling our early-stage pipeline with the next wave of innovation – focused on first and best in class opportunities. Our targeted areas of focus are concentrated in next generation products for pet parasiticides, dermatology and pain, and livestock sustainability, while leveraging existing platforms and addressing emerging spaces of unmet need.

## **Intellectual Property (IP)**

Part of Elanco's strategy is building a purposeful, dynamic IP portfolio. To streamline this effort and bring the right decisions forward, our internal Legal, R&D and other departments have implemented a formal committee structure, the Invention Review Committee (IRC).

The IRC is a cross-functional team which is 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. We have filed patents 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, fraudulent retailers and/or bad actors.

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 Elanco products.

Elanco proactively identifies and discourages sellers and manufacturers of counterfeit products to protect our customers. Engaging with external business partners, e-commerce platforms and law enforcement agencies globally, Elanco proactively monitors counterfeit activity for 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.

Elanco's Global Brand Protection Program and associated strategy prioritizes:

- Protecting animals, veterinarians, and pet owners from the dangers of counterfeit products, and
- Safeguarding the reputation of the Elanco brand.

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 and Targets

	2020	2021	2022	2023
Investment in R&D	\$329M	\$369M	\$321M	\$327M
R&D employees	~1,200	~1,100	1,080	>1,000
Active patents and applications	~6,500	~6,500	~6,500	~6,500

## Governance and Risk Management

The Innovation, Science and Technology Committee of the Board of Directors focuses on advancing and augmenting our product pipeline innovation and driving research and development optimization. The committee is chaired by Deborah T. Kochevar, Ph.D., dean emerita of Cummings School of Veterinary Medicine at Tufts University, one of the world's leading veterinary schools.

The committee 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 global ESG disclosure standards and frameworks.*

*Updated July 2024*