



## **Farmer and Producer Livelihoods Issue Brief**

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

Livestock producers help supply critical nutrition to the growing global population, yet more than 20% of livestock productivity is lost to preventable animal disease<sup>1</sup> - impacting the welfare of animals and weighing heavily on farmers' productivity and potential income. Producer livelihoods are dependent on the health of their livestock – and this is amplified in developing areas of the world.

Livestock diseases are a significant threat to achieving global food security. Elanco supports customers with products, services and initiatives that promote animal health, welfare and productivity. This includes the use of data and systems to help producers better understand the health and environmental impact of their animals, aid decision-making and boost operational efficiency, and strategic partnerships that can help customers capitalize on emissions reduction efforts.

### **Our Action**

#### **Promoting Resilient Food Systems**

##### *East Africa Growth Accelerator (EAGA)*

Small-scale farmers produce an estimated 70% of poultry<sup>2</sup> and 80%<sup>3</sup> of dairy products consumed in Tanzania, Kenya and Uganda. Through our EAGA initiative, active between 2017 and early 2022, we provided education and veterinary products to approximately 273,000 small-scale dairy and poultry producers in the region – positively impacting approximately 20 million farm animals. EAGA, supported by the Bill & Melinda Gates Foundation, was Elanco's first shared value initiative – through which we opened new markets while supporting sustainable practices to help improve the lives of thousands of small-scale livestock producers. The initiative empowered local farmers with access to affordable, quality veterinary medicine in smaller pack sizes than Elanco's traditional packaging – important for enhancing product accessibility and affordability for producers with smaller herds. Additionally, we offered extensive training to farmers on preventative care, treatment and the correct use of animal health products, which is otherwise difficult to receive in rural areas. We found the benefits are systemic – helping reduce animal disease and mortality, which eventually increases farmers' efficiency and income, leading to improved livelihoods and the growth of local communities. Elanco continues to serve those countries as part of our commercial operations.

##### *Managing Animal Health and Acaricides for a Better Africa (MAHABA)*



Following the success of EAGA, in 2022 Elanco introduced a new 5-year initiative, MAHABA. We're supporting small-scale cattle producers in Uganda and Nigeria by implementing strategies to effectively manage tick infestations and the impact of tick-borne diseases.

As a global leader in acaricides (products that kill ticks and mites), Elanco is bringing a comprehensive portfolio of acaricides in affordable small pack sizes, which better fit the needs of Ugandan livestock producers with smaller herds. We are also committed to introducing additional Elanco products for cattle and poultry in Nigeria. And we will provide farmers across the region with learning resources, including an innovative mobile app for tick control and addressing tick resistance. We expect this effort will help improve the efficiency and productivity of local livestock operations and improve the health and welfare of millions of animals.

The MAHABA initiative is a collaboration with GALVmed (Global Alliance for Livestock Veterinary Medicines), an international non-profit organization that works with partners to make livestock vaccines, medicines and diagnostics accessible to small-scale farmers in developing countries. The partnership is supported by the Bill & Melinda Gates Foundation.

## **Analytics Help Create Value**

Elanco believes livestock are a central solution to help address the dual challenges of nourishing the population while mitigating climate change. While livestock producers have long been stewards of the land, today they often don't get credit for their efforts to reduce the environmental footprint of their operations.

In 2022, we launched the UpLook™ platform to help our U.S. cattle customers better understand their baseline and key drivers of their operation's carbon footprint, determine actionable steps to help move their operation toward improved sustainability and stewardship, and quantify associated reduction of GHG emissions. Insights from the UpLook platform help fill a significant gap for farmers and ranchers at the individual operation level.

### *Carbon Credit Marketplace*

Many customers using Elanco products, platforms and services to help reduce emissions are looking for a way to capitalize on their efforts, beyond increased production intensity and reduced input costs. Today, some producers who track their environmental footprint are monetizing realized emissions' reductions outside the food industry as certified carbon credits.

In 2022, Elanco announced an investment in Athian, a carbon credit registry under development with High Alpha Innovation that will help the cattle industry capture, certify and market carbon credits – allowing producers to realize additional economic value from their emissions' reduction activities. Through Athian, farmers and ranchers may have a greater opportunity to keep this value within the food system so carbon credits don't flow out of the food chain to other industries



– through a practice called “off-setting.” When an offset occurs, companies in other non-agriculture industries are able to take credit for the reduction.

Athian is creating a marketplace within the food system to inset carbon credits, which creates positive economic and reputational impact for farmers and animal protein products by keeping the value associated with emissions reductions within the livestock industry. In 2022, Athian completed the initial build of customer-facing platforms and progressed protocols critical for the validity of carbon credits. Elanco expects approval of our first product protocol in 2023 and we expect to advance protocols for additional Elanco products in the near future.

### **Value Beyond Product**

Elanco Knowledge Solutions (EKS) manages several platforms that customers can use to track leading livestock health and quality indicators, benchmark against peers and conduct custom analytics.

Our Benchmark® database for beef producers includes measures for more than 68,000 feedlots and 10 million head of cattle annually, accounting for approximately 40% of the U.S. beef industry. The database houses data for more than 200 million total head and helps Elanco truly understand the needs of our beef customers and develop products to meet those needs – while providing customers with valuable insights to help evaluate the health and environmental footprint of their herds.

Our Dairy Data Access System (DDAS) is an analytics platform that supports decision-making for dairy producers. In 2022, DDAS helped manage more than 260 herds – approximately 3% of U.S. dairy cows – providing weekly reports across key aspects of herd health and milk production.

Elanco’s dRisk App is designed to support dairy veterinarians in managing the Vital 90 Days® around the critical time of calving. dRisk is supported by on-site walk-throughs to provide customized insights on factors such as nutrition and the cows’ environment. In 2022, more than 650 dRisk users performed assessments representing nearly 60 dairy herds.

Our Health Tracking System (HTSi™) is a broiler health platform developed by Elanco in 1996 and used globally as a method of flock health surveillance. HTSi is designed to help optimize bird potential through greater understanding and management of intestinal integrity and broiler health.

Elanco’s Value Beyond Product team also offers tailored services designed to optimize customer practices. Our consultation, educational and evaluation services include, but are not limited to:

- Animal handling, evaluation and post-mortem examinations
- Animal welfare evaluation and consultation



- Barn safety
- Crew or department-specific education
- Employee engagement and management
- Industry standards
- Product safety, handling, administration and storage
- Standard Operating Procedures development
- Supporting the Labor Challenges of Cattle Sorting

We continue to hear from our cattle feeder customers that consistent labor is both hard to find and challenging to keep. PenPoint™ Sort – part of the EKS portfolio of services – is a technology that helps reduce labor challenges by eliminating the need for manual measurement and an additional chute-side operator. The system bolts on easily to existing feed yard processing chutes with scales.

PenPoint Sort simplifies the difficult task of objectively measuring and sorting cattle, by using a camera system to capture compositional metrics and provide sorting decisions at the speed of processing. This leads to more accurate and informed herd management with more consistent finishing targets when it's time to take cattle to market.

## **Metrics & Targets**

Through the MAHABA program, by 2026 we expect to:

- Reach over 450,000 small-scale producers in Uganda and Nigeria with training on tick-borne diseases, integrated tick management and responsible use of acaricides
- Sell more than 29 million doses of acaricides per year in Uganda and Nigeria, as well as additional Elanco products in Nigeria

### *2022 Progress*

We launched the MAHABA program in 2022 and began developing a mobile app to educate small-scale producers about acaricide rotation programs, how to select appropriate chemical classes and how to apply the products correctly. The mobile app, as well as in-person training will commence in 2023.

In 2022, the first year of the program, we sold over 35 million doses in Uganda. In 2023 we expect to revise upward our goal for product doses sold in conjunction with the MAHABA initiative.

## **Governance and Risk Management**



Our shared value initiatives are led by our ESG & Sustainability organization, with oversight from our Global Head of ESG & Sustainability and Executive Vice President, General Counsel and Corporate Secretary. These efforts also involve close collaboration with regional commercial teams led by the Executive Vice President of Elanco International.

Our livestock sustainability and Elanco Knowledge Solutions teams are led by our Executive Vice President of U.S. Farm Animal Business.

## **External Affiliations and Collaborations**

We collaborate across internal functions and with trusted external partners to help address today's livestock sustainability challenges. For example, in 2022 Elanco announced a strategic alliance with AgNext at Colorado State University, as part of our continued commitment to pioneer sustainability solutions for animal agriculture. The alliance combines Colorado State's AgNext program – a leader for research and innovation in animal and ecosystem health – with Elanco's capabilities to accelerate sustainability innovations. The teams seek to advance Elanco's ongoing sustainability efforts through tools such as UpLook, while advancing opportunities for emission-reducing products such as Bovaer and Rumensin.

Elanco also fosters collaboration across the farm animal value chain, lending our expertise to help solve industry challenges on farm animal welfare. One area of focus is determining the fitness-to-transport of cattle, which refers to each animal's ability to withstand transport without compromising their welfare. Robust fitness-to-transport protocols seek to ensure the right decisions are made regarding when and how to transport dairy cows and calves.

Elanco presented on this important topic at the 2022 World Dairy Expo in Madison, Wisconsin. We also partnered with industry stakeholders to develop a training video designed to inform and empower animal caretakers in fitness-to-transport decisions. The video has been presented at multiple conferences, featured in an American Association of Bovine Practitioners podcast and is freely available to all producers and veterinarians on the National Dairy Farmers Assuring Responsible Management (FARM) Program website.

Organizations across the dairy value chain recognize the risks associated with poor fitness-to-transport decisions. Elanco's collaboration with industry leaders support progress toward a systemic solution that improves awareness of challenges and empowers workers to make decisions that support both the welfare of animals and the success of their farms.

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)
- Stakeholder engagement informing the actions taken (GRI Disclosure 3-3f)
- 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)
- Stakeholder engagement informing whether the actions have been effective (GRI Disclosure 3-3f)
- Board and management responsibilities related to the material issue (IFRS S1 General Requirements Standard, GRI 2-12, 2-13, 2-14)

1. <https://www.healthforanimals.org/global-challenges/animal-disease/>
2. <https://www.sciencedirect.com/science/article/pii/S0032579121005691>
3. [https://www.lfl.bayern.de/mam/cms07/ipz/dateien/aggf\\_2018\\_nyameasem\\_et\\_al.pdf](https://www.lfl.bayern.de/mam/cms07/ipz/dateien/aggf_2018_nyameasem_et_al.pdf)