



## **Human Capital Management and Diversity, Equity & Inclusion Issue Brief**

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

Qualified, diverse and engaged employees are foundational to Elanco's success. Our people shape the Elanco culture and everything we do. Our Employee Promise states that together, we foster an inclusive culture where everyone can make a difference – encouraging ownership, growth and well-being, while focusing on customers and the animals in their care.

We strive to create a positive experience for all current and future employees globally, fostering an environment for learning and career growth. Our global talent management strategy includes efforts to recruit and retain talent through targeted programs focused on the employee experience and well-being; advancing diversity, equity and inclusion; continuous learning and development; and competitive compensation and benefits.

Our employees' unique experiences and backgrounds allow us to achieve our business goals effectively and efficiently. Jobs at Elanco create value for the communities we serve, through the economic impacts of our compensation and benefits programs, the skills of our employees and the efficacy of our products and services.

### **Our Action**

#### **Talent Attraction and Retention**

We believe having a consistent flow of new talent is an important part of being a leading animal health company. We recruit talented and diverse individuals for roles across all functions, levels and countries where we operate.

Our higher education internship program operates globally but is managed locally, with the intent to convert interns to full-time employees. Our internships allow students to work with key business stakeholders on real-world projects, take part in an active curriculum to build skills, and receive formal mentoring – all with an opportunity to impact the success of our business.

We place diversity, equity and inclusion at the center of our engagement with future employees. We maintain recruiting partnerships with many colleges and universities in the U.S., including partnerships with several Historically Black Colleges and Universities (HBCUs) and Hispanic Serving Institutions (HSIs) to increase the diversity of our talent pool. Additionally, we partner with several minority affinity groups to make connections with talented individuals interested in the animal health industry (see *Affiliations, Associations and Industry Groups* section below).

#### **Employee Engagement**

We track global employee engagement as a key indicator of understanding employee well-being, confidence and satisfaction. Colleagues around the globe provide feedback through



regular surveys and supervisory interactions. These engagement opportunities support our values and speak-up culture. Our formal Voice of the Employee survey measures key drivers of employee engagement at Elanco:

- Deliver
- Innovate
- Own
- Involve
- Growth
- Inclusion
- Make a difference
- Reward & Recognition
- Well-being

### **Employee Giving & Volunteerism**

Empowering employees to support organizations of personal interest with their time and talents is central to our purpose-driven culture. We believe giving back provides physical and mental benefits to those served – and those serving. We support this, in part, with generous paid time off policies that support our employees in their efforts to give back.

Elanco also empowers our employees across the globe with opportunities to financially contribute to charitable organizations. Subject to certain restrictions and annual contribution limits, the Elanco Foundation provides matching gifts based on employee giving and volunteer hours.

### **Compensation & Benefits**

We invest in our workforce by offering competitive base salaries, variable pay and benefits. We are committed to equitable, pay-for-performance compensation for all employees – and we benchmark our total rewards annually to ensure our compensation and benefit programs remain competitive with our peers and local markets.

In 2022, as part of our integration of Bayer Animal Health, we launched a variable pay harmonization effort to ensure equitable annual bonus treatment for all employees in similar roles and at similar management levels, while aligning to the external market. We also conducted an internal review of pay levels to evaluate gender pay equity and to ensure processes are in place for establishing equitable salaries when hiring, promoting and awarding merit increases – taking into consideration factors such as experience, qualifications, performance and applicable market data.

We provide competitive benefits for employees and their dependents that support every component of employee well-being – including physical, mental and financial well-being. Our



benefits package is designed to encourage employees to develop a healthy work-life balance, where they enjoy coming to work and feel supported in their outside lives.

- **Compensation**

- We offer attractive compensation plans, including base salary and variable pay and equity awards.

- **U.S. Benefit Offerings – Health and Financial**

- We offer a retirement plan with a company match, a non-elective company retirement contribution, company paid life insurance, an employee stock purchase plan and numerous other financial benefits.
- We have several health plan options which offer tax-advantaged health reimbursement accounts and health savings accounts so employees can maximize their benefits. We also offer healthcare and dependent care flexible spending accounts that allow employees to pay for out-of-pocket healthcare and dependent care costs with pre-tax dollars.
- Our employees and their dependents have access to health and life insurance, short and long-term disability benefits, and more.
- As part of our suite of family benefits, paid parental leave (including for adoptive parents) provides parents with up to 10 weeks of paid time off to bond with the new addition to their family. This time may be extended for birthing parents when paired with applicable short-term disability benefits.
- We also offer supplemental services which include fertility services, adoption, lactation rooms in our facilities and breastmilk shipping, subsidized backup dependent/elder care, and more.

- **Outside the U.S. (OUS)**, our health and welfare benefits cover medical, life, disability and accident coverage competitive with local markets and/or aligned to statutory requirements. 86% of our policies are at market levels and 12% of our policy offerings are above market. Additionally, Elanco strives to be competitive with the market by offering retirement plans to our OUS employees in countries where employer-sponsored retirement plans contribute to talent attraction and retention.

- **Work-Life Balance**

- We offer a variety of scheduling and work location options, depending on position – including part-time, full-time work-from-home and roles that allow employees to flex their time between home and work/customer locations.



- In the U.S., Elanco observes two annual week-long shut-down periods in addition to paid time off hours based on years of service. Employees can carry over a specified number of unused hours each year to meet their needs.

## **Employee Well-being**

The physical, mental and financial health of our people is the foundation for the long-term success of our business. We know that employee well-being is connected to more productive outcomes, better collaboration, more fulfilled people and a more connected culture.

Our Employee Assistance Programs, available globally, offer free, confidential and impartial guidance and support for all global Elanco employees and their families. To ensure awareness and access to our well-being initiatives, opportunities for engagement are managed cross-functionally across our business functions through our teams focused on Health, Safety and Environment (HSE), global learning and development, and employee engagement. This multi-faceted approach to well-being allows employees to engage how, when and where they want – supporting their individual preferences.

We also drive employee engagement with well-being efforts through our global Well-being Champions group. This team meets regularly to provide a framework for communicating well-being topics and initiatives, with a focus on shared learning and well-being advocacy.

## **Diversity, Equity, and Inclusion (DEI)**

At Elanco, we encourage success based on individual merits and abilities. We support and obey laws that prohibit discrimination everywhere we do business. And Elanco fully considers qualified applicants, including those with a criminal history, for certain positions.

Our comprehensive DEI strategy includes targeted recruitment efforts, equity and inclusion learning opportunities for all employees, dedicated mentorship programs and development opportunities for individuals from underrepresented groups. We also acknowledge the needs of our diverse workforce through the continued evolution of our benefits and paid time off policy, including adding additional commemorative holidays and parental leave. Our Diversity Equity and Inclusion Toolkit provides an overview of DEI at Elanco and supports all colleagues with tools for their own personalized DEI journey.

In partnership with employees globally, the Elanco Global DEI Council (Council) promotes a healthier enterprise by helping to make our Employee Promise of an inclusive culture come to life. This employee-led and leadership-supported group influences the strategic direction of diversity, equity and inclusion efforts at Elanco. By serving as a key partner and advocate for all employees, the Council serves as an internal business consultant and DEI champion, builds DEI partnerships across Elanco, furthers community building through our annual Multicultural Summit and other events, and acts as a recruiting and retention resource for diverse talent.

## **Employee Resource Groups (ERGs)**



Our nine global ERGs serve as communities to celebrate dimensions of difference, resources for each group's unique needs and change catalysts to drive our promise of an inclusive culture:

- **Elanco African American Network (EAAN):** Empowers and serves Elanco's African American and Black community globally while driving diversity and inclusion throughout the organization through employee engagement, talent recruitment and business partnership.
- **Elanco East Asian Network (EEAN):** Promotes employee engagement and better business decisions through diversity and unity. Advocates for Chinese and East Asian communities in Elanco.
- **Elanco Disability Awareness Network (EDAN):** Raises awareness and increase understanding of seen and unseen disabilities across Elanco, within our local communities and globally. Strives to advocate for and advise on issues of importance to members and serve as a conduit between Elanco and the disability community across the globe.
- **Elanco India Network (EIN):** Creates value for the company and members by forming strategic internal and external partnerships that support diversity initiatives and business objectives.
- **Elanco PRIDE:** Helps inspire, create, nurture and celebrate an open, safe and inclusive community where every employee (LGBTQ+, allies, colleagues, leaders and all others) can bring their whole self to work by providing an avenue for connectivity, advocacy, mentorship and resources.
- **Elanco Veterans Network (EVN):** Creates a sense of community, makes connections and builds awareness for topics important to military veterans and those wishing to show support for those who have served.
- **Elanco Women's Network (EWN):** Strengthens Elanco's future by accelerating gender parity through understanding, leveraging and developing the capabilities of engaged women to better harness their diverse talents and create a competitive edge for Elanco.
- **Elanco Young Professionals (EYP):** Guides new employees and early career professionals to be more grounded in themselves, their relationships with their colleagues and their purpose within the organization – helping ensure the future of Elanco remains bright.
- **Organization of Latinos/Hispanics at Elanco (OLHE):** Contributes to Elanco's business outcomes by leveraging the Hispanic and Latinx strengths, cultural awareness and business perspectives.

## Employee Development



Employee development is a key part of our global talent management strategy. Elanco welcomes new U.S.-based employees with a comprehensive and dynamic onboarding curriculum. This includes a multi-day introduction to our mission, vision and Elanco's core business areas – laying the foundation for successful integration into the company. The program combines a focus on functional understanding with opportunities for personal enrichment and community volunteerism.

We support individualized development journeys for all employees, which start with the relationship between an employee and their supervisor. In line with the "Elanco Way of Execution," all employees start the year by agreeing with their supervisor on their goals and expectations – including developmental goals and career development plans. This helps ensure company goals are cascaded throughout the organization and each employee's goals are aligned with overall corporate and organizational "Essential Wins." Employees and supervisors review these goals regularly and agree to adapt or establish new goals, as required. Evaluations cover both what was accomplished and how it was accomplished, in alignment with our Values (Integrity, Respect and Excellence) and Behaviors (Involve, Deliver, Innovate and Own). Continuous coaching between employee and supervisor is vital, to ensure employees receive timely feedback, guidance and support while adapting to the changing needs of the business throughout the year.

We also support a variety of development options for employees, such as role- and location-specific training, assignment to special projects, and internal or external learning opportunities. We offer an internal curriculum of online and instructor-led courses to help employees better understand our common leadership language and develop skills to expand their leadership toolkit. We also provide financial assistance to employees pursuing external academic degrees that benefit both the employee and the company.

### **Leadership Development**

Elanco offers global leadership development programs tailored for specific career points and development needs:

- Our longest-running program, in place since 2004, the **Leadership Mirror** is a 360-degree feedback tool to help leaders gain clarity on how they are perceived by others through Elanco's leadership competencies, Values and Behaviors. Insights gained from the assessment are used to focus and accelerate professional development plans.
- Our **Diverse Mentorship Program** formally matches mentors and mentees from diverse backgrounds, experiences, and/or geographic locations to build mentoring relationships that offer a mutual shared benefit for both the mentee and mentor.
- The **Emerging Leaders Program (ELP)** focuses on developing top individual contributors into future leaders with the confidence and skills to influence without a position of authority. The curriculum is focused on leadership essentials, receiving



feedback, strategies for handling crucial conversations, influencing strategies and modelling the Elanco culture.

- The **Leadership Essentials and Development (LEAD)** program enables Elanco leaders to master skills needed to create a high-performing team. The program equips leaders new to a supervisory role and experienced supervisors new to the company with inclusive leadership skills and tactical tools to manage challenging conversations and increase team performance. The curriculum includes coaching, performance assessment, development planning, conscious inclusion, emotional intelligence and leadership communication.
- The **Accelerated Leadership Development Program (ALDP)** builds on the foundation delivered in ELP and LEAD and is focused on our top-level leaders. This comprehensive two-week program covers a wide array of critical topics, including leading through adversity and change, expanding business acumen and driving team effectiveness.
- The **Women Leadership Program** was launched in 2022 to accelerate the development of women who directly lead a team of individual contributors. Key program features include:
  - **Curriculum:** Quarterly virtual modules on becoming a trusted leader, managing organizational complexity and business acumen are delivered in collaboration with the Indiana University Kelley School of Business.
  - **Coaching:** Participants collaborate with a senior level sponsor, to foster readiness for advanced leadership roles.
  - **Community:** Participants strengthen professional connections through small peer group engagements with other women in the program, as well as others from local chapters of the Elanco Women's Network.
- **Wealth of Elanco Learning and Leadership (The WELL)** is an online platform offering leadership-focused training courses, podcasts, assessment tools, discussion planners, simulations and more. The platform supports core Elanco training by reinforcing leadership topics such as coaching, decision-making, managing through change and fostering innovation.

## Governance and Risk Management

Our approach to human capital management is led by the following team, each reporting to our Executive Vice President of Human Resources, Corporate Communications and Administration:

- Executive Director of Global Talent Management: talent attraction, retention, leadership development and training, engagement, and workforce diversity





- Executive Director of Total Rewards: compensation and benefits
- Senior Vice President of Human Resources Business Partnership: departmental collaboration on general human resources initiatives

Our management Executive Committee, which consists of our Chief Executive Officer and direct reports, reviews progress on our human capital management initiatives quarterly – including our workforce gender metrics and race and ethnicity representation, as well as the impact of DEI events and activities throughout the organization.

The Board Compensation and Human Capital Committee is responsible for evaluating and periodically discussing with management our performance in the development, implementation and effectiveness of our policies and strategies related to human capital management and workforce diversity. Through regular updates, they are also kept informed of our compensation practices, including pay equity. Our overall DEI strategy is reviewed annually by the Board Corporate Governance Committee. And the Board Audit Committee is responsible for oversight of our ethics and compliance program and regularly receives updates on our culture of integrity and the tone set by leaders throughout the organization.

Succession planning for our senior leadership positions is critical to our success. The Compensation and Human Capital Committee reports to our full Board on succession planning and leadership development for our Chief Executive Officer and certain other executive positions. This topic is discussed formally at least once per year and is also discussed regularly in executive sessions.

## **External Affiliations and Collaborations**

### **Talent Attraction**

Elanco is a member of the [OneTen Coalition](#), a group of corporations pledging to collectively hire 1 million Black Americans without college degrees into family-sustaining careers by 2030. Additionally, we maintain recruiting partnerships with many colleges and universities in the U.S., including partnerships with several HBCUs to increase the diversity of our talent pools. We partner with several minority affinity groups to make connections with talented individuals interested in the animal health industry, including:

- Minorities in Agriculture, Natural Resources, and Related Sciences (MANRRS)
- Latinos in Agriculture, Society of Hispanic Professional Engineers (SHPE)
- Agriculture Future of America (AFA)
- National Sales Network

## **Metrics & Targets**





We use data analytics and regular employee feedback to inform and enhance our human capital management strategy, policies, goals and programmatic efforts.

### **DEI Actionable Goals**

By 2023:

- Increase representation of women in leadership globally to 42%
- Increase representation of People of Color in U.S. leadership to 20%

### **Employee Engagement Goals**

- Support global employees in volunteering 25,000 hours annually by 2025, for disaster relief and community service projects
- Meet or exceed annual employee engagement goals based on an external benchmark

### **Human Capital Management Metrics**

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

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

- *Policies and commitments to the material issue (GRI 3-3c)*
- *Impact Management of Resilience Issues (GRI 3-3d)*
- *Stakeholder engagement informing actions (GRI 3-3f)*
- *Targets related to the material issue (IFRS S1, GRI 3-3e)*
- *Processes used to track effectiveness and lessons learned (GRI 3-3e)*
- *Describe how stakeholder engagement has informed whether the actions have been effective (GRI 3-3f)*
- *Resilience and material issue action statements (IFRS S1)*
- *Mechanisms to integrate the material issue into strategy, decision-making and financial planning (IFRS S1)*
- *Board and management responsibilities related to the material issue (IFRS S1, GRI 2-12, 2-13, 2-14)*
- *Connections between the material issue and remuneration outcomes (IFRS S1, GRI 2-17, 2-18)*
- *Actions taken to respond to the material issue, with a qualitative assessment of how these actions support the 'resilience' of Elanco (IFRS S1)*
- *Industry associations, other membership associations, and national or international advocacy organizations in which Elanco participates in a significant role (GRI 2-28)*