



Water Management and Biodiversity Issue Brief

Importance to Elanco and our Stakeholders

We rely on 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 its operations, supply chain and stakeholders.

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 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.

For more than a decade, our Clinton, Indiana manufacturing location has been reducing groundwater withdrawal for site operations, through projects such as a wastewater treatment membrane bioreactor, repairs to underground fire main headers to eliminate leaks and improved cooling tower chemistry and maintenance. Between 2008 and 2022, well water withdrawal at the site dropped from 2.3 billion gallons to 1.1 billion gallons – an annual savings of 1.2 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 abides by all water quality standards as required by our permitting mechanisms.



Elanco goes beyond regulatory requirements by developing our own internal Elanco Aquatic Exposure Guidelines (EAEGs). 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 these collaborations, we are complementing our sustainability-focused customer outreach with broader initiatives that promote healthy and resilient ecosystems.

Aquaculture

Protecting marine biodiversity is essential to a healthy, functioning planet. In aquaculture we contribute to the reduction of marine pollution and overfishing by delivering innovative products and services that help marine and freshwater aquaculture producers improve marine animal welfare, productivity and environmental sustainability from hatch to harvest.

Elanco is proud to collaborate with the Global Salmon Initiative (GSI) in the development of educational programs that promote improvements in aquaculture practices and a reduced need for antibiotics. These best practices, combined with improved feed ingredients, have reduced average antibiotic use in salmon farming 48% since 2013.¹ More than 23,000 aquaculture practitioners worldwide benefit from GSI initiatives.

Rainforests

In collaboration with the JBS Fund, Elanco has 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 wetlands² in western Kansas. More than 70%³ of Kansas playas have been modified by land-use changes, which impact proper function.

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

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 100% renewable electricity 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 Healthy, 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 Global Head of ESG & Sustainability, 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 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)*
- *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)*

1. As defined by the USDA, playas are small wetland depressions that collect and hold water from rainfall. As the primary source of groundwater recharge in western Kansas, these seasonal wetlands provide critical year-round habitat for birds and enhance biodiversity protection. Additionally, the grasslands surrounding the playas sequester carbon and buffer the areas from cropland fertilizer runoff.
2. "Playas in Kansas and the High Plains," Catherine S. Evans, Kansas Geological Survey <https://www.kgs.ku.edu/Publications/PIC/pic30.html>
3. "Playas in Kansas and the High Plains," Catherine S. Evans, Kansas Geological Survey <https://www.kgs.ku.edu/Publications/PIC/pic30.html>