
Related Person Transaction Policy

I. INTRODUCTION

This Related Person Transaction Policy (“Policy”) has been adopted by the Board of Directors (“Board”) of Elanco Animal Health Incorporated (“Company”) and addresses the reporting, review and approval or ratification of transactions with related persons. Although Related Person Transactions (as defined below) can involve potential or actual conflicts of interest, the Company recognizes that such transactions may occur in the normal course of business or provide an opportunity that is in the best interests of the Company. This Policy is not designed to prohibit Related Person Transactions; rather, it is to provide for timely internal review of prospective transactions, approval or ratification of transactions and appropriate oversight and public disclosure of transactions.

With respect to persons and transactions subject to this Policy, the procedures set forth herein for reporting, review, oversight and public disclosure of Related Person Transactions shall apply. In addition, the provisions of the Company’s Code of Conduct and the Financial Code of Ethics may apply to potential conflict of interest situations.

II. PERSONS COVERED BY THIS POLICY

This Policy applies to: (i) a member of the Board; (ii) an Executive Officer of the Company; (iii) a nominee for election as a director of the Company; (iv) a shareholder who is known to the Company to own of record or beneficially more than five percent of any class of the Company's voting securities; and (v) an Immediate Family Member of any of the foregoing persons (each, a “Related Person” and, collectively, “Related Persons”).

Each of the foregoing Related Persons shall be subject to this Policy, even if, during the time period, the person ceased to have such status during such period, or did not have such status at the time the Company participated in a transaction in which such person had a direct or indirect material interest.

“Executive officer” shall mean the principal executive and financial officers of the Company, the president, any vice president in charge of a principal business unit, division or function (such as sales, administration or finance), any other officer who performs a policy making function, or any other person who performs similar policy making functions for the Company. Executive officers of subsidiaries may be deemed executive officers of the Company for purposes of this Policy if they perform such policy-making functions for the Company.

An “immediate family member” shall mean the spouse, parents, stepparents, children, stepchildren, siblings, mothers- and fathers-in-law, sons- and daughters-in-law, brothers- and sisters-in-law, and any person (other than a tenant or employee) sharing the household of a Related Person.

III. TRANSACTIONS AND ARRANGEMENTS COVERED BY THIS POLICY

A “Related Person Transaction” is a transaction or arrangement or series of transactions or arrangements in which the Company (including, for the avoidance of doubt, its subsidiaries) participates

(whether or not the Company is a party) and a Related Person has a direct or indirect material interest in such transaction. An amendment to an arrangement that is considered a Related Person Transaction (even though such arrangement has been reviewed under this policy) shall, unless clearly incidental in nature, be considered a separate Related Person Transaction for review, approval or ratification in accordance with this Policy.

This Policy covers transactions in which the Company participates with an entity (i) that employs or is controlled by a Related Person, or (ii) in which a Related Person has an ownership or financial interest material to such Related Person. A charitable contribution, grant, endowment or pledge by the Company to a charitable organization, foundation or university may be considered a Related Person Transaction if, for example, a director is an employee of such organization.

IV. REPORTING OF RELATED PERSON TRANSACTIONS

Related Persons shall report any transaction or arrangement that could be Related Person Transactions in advance (or otherwise at the earliest possible opportunity) to the General Counsel, or his or her designee ("General Counsel"), the Chair of the Board or the Chair of the Audit Committee for review.

V. REVIEW, APPROVAL AND RATIFICATION BY THE COMMITTEE

The General Counsel (either alone or together with the Chair of the Board and/or the Chair of the Audit Committee) shall review all reported transactions to determine whether the proposed transaction could be a Related Person Transaction as defined in and for purposes of this Policy. If it is determined that a proposed transaction could be a Related Person Transaction, the General Counsel shall report the transaction, along with a summary of the material facts, to the Audit Committee (the "Committee") for review and approval or ratification at the next Committee meeting or sooner if determined to be necessary by the General Counsel.

The Committee shall review all Related Person Transactions reported to the Committee and may, in its discretion based upon a determination that such transactions are in the best interests of the Company and such other determinations as the Committee deems appropriate, (i) approve or ratify such transactions, as applicable, (ii) request that the transaction be modified as a condition to the Board's approval or ratification, or (iii) reject the transaction.

In the event the Company and/or a Related Person enters into or otherwise participates in a Related Person Transaction without the pre-approval of the Committee, such transaction shall promptly be presented to the General Counsel who shall evaluate the transaction and prepare a presentation to the Committee for it to consider, as appropriate, whether to (i) ratify such transaction, (ii) direct management to rescind or modify the transaction, and/or (iii) make changes to the Company's controls and procedures in connection with such error.

If a member of the Committee has an interest in or is involved in a Related Person Transaction, such person shall excuse himself or herself from the deliberation and voting on such transaction by the Committee; however, such person may be counted in determining the presence of a quorum at a meeting of the Committee acting on the transaction. If after such Committee member excuses himself or herself from deliberation and voting on the transaction, there would be fewer than two members of the Committee available to review the transaction, the transaction shall instead be reviewed by the Board or an ad hoc committee of at least two independent directors designated by the Board (which shall be considered "the Committee" for purposes of this policy).

VI. AUTHORITY TO PRE-APPROVE

The Committee shall have the authority to (i) determine certain transactions or categories of transactions with Related Persons that are not considered Related Person Transactions for the purposes of this Policy given their nature, size and/or degree of significance to the Company and/or the immateriality of such transaction to the relevant Related Person, and not required to be individually reported to, reviewed by, and/or approved or ratified by the Committee, and (ii) approve in advance certain transactions or categories of transactions with Related Persons that (unless the Committee determines otherwise in a particular instance) need not be individually reported to, reviewed by, and/or approved or ratified by the Committee but that will instead be reported to and reviewed by the Committee collectively on a periodic basis, which shall be at least annually, and shall not require ratification by the Committee (provided that such transactions may be reportable under applicable law).

VII. EXCEPTIONS: TRANSACTIONS THAT NEED NOT BE REPORTED

The following transactions or arrangements are not considered Related Person Transactions for purposes of this Policy given their nature, size and/or degree of significance to the Company and/or the immateriality of such transaction to the relevant Related Person, and are not required to be reported to, reviewed by, and approved or ratified by the Committee under this Policy, but may still be subject to disclosure or other policies of the Company:

- **Use of Company Assets; Business Purposes:** Use of the Company's property, equipment or other assets in the ordinary course of business and primarily for Company business purposes, and reimbursement or payment of routine business expenses in accordance with the Company's policies.
- **Business Expenses:** Reimbursement or payment of business expenses incurred by a director of the Company or Executive Officer in the performance of his or her duties and approved for reimbursement or payment by the Company in accordance with the Company's customary policies and practices.
- **Certain Compensation Arrangements:** Compensation arrangements for directors and Executive Officers that are approved by the Compensation Committee or the Board.
- **Transactions Involving Competitive Bids:** A transaction where the rates or charges involved are determined by competitive bids.
- **Certain Banking-Related Services:** A transaction involving services as a bank depository of funds, transfer agent, registrar, trustee under a trust indenture, or similar services on terms and conditions that are customary for such services.
- **Pro-Rata Shareholder Transactions:** A transaction where the Related Person's only interest is as a shareholder and all shareholders are receiving the same benefit on a pro-rata basis.
- **Regulated Transactions:** A transaction involving the rendering of services as a common or contract carrier, or public utility, at rates or charges fixed in conformity with law or governmental authority.

- **Company Charitable Contributions:** Any charitable contribution, grant, endowment or pledge by the Company to a charitable organization, foundation or university where the Related Person's only relationship with that organization is as a director and the aggregate amount involved does not exceed the lesser of \$1,000,000 or 2 percent of the charitable organization's total annual receipts

VIII. DELEGATION

The Committee may delegate its authority to review, approve or ratify specified Related Person Transactions or categories of Related Person Transactions, other than a transaction involving a member of the Committee, to one or more members of the Committee where the Committee determines that such action is warranted between scheduled Committee meetings.

IX. STANDARDS

In connection with approving or ratifying a Related Person Transaction, the Committee (or its delegate) shall, in its judgment, consider in light of the relevant facts and circumstances whether or not the transaction is in, or not inconsistent with, the best interests of the Company, including consideration of the following factors to the extent pertinent:

- the position within or relationship of the Related Person with the Company;
- the materiality of the transaction to the Related Person and the Company, including the dollar value of the transaction, without regard to profit or loss;
- the business rationale for and reasonableness of the transaction (including the anticipated profit or loss from the transaction), taken in the context of the alternatives available to the Company for attaining the purposes of the transaction;
- whether the transaction is on terms comparable to those available on an arms-length basis or is on terms that the Company offers generally to persons who are not Related Persons;
- whether the transaction is in the ordinary course of the Company's business and was proposed and considered in the ordinary course of business;
- the effect of the transaction on the Company's business and operations, including on the Company's internal control over financial reporting and system of disclosure controls and procedures, and any additional conditions or controls (including reporting and review requirements) that should be applied to such transaction;
- the potential for the transaction to lead to an actual or apparent conflict of interest and any safeguards imposed to prevent such actual or apparent conflicts; and
- the overall fairness of the transaction to the Company.

X. APPROVALS TO BE REPORTED TO THE BOARD

The Committee shall notify the Board on a quarterly basis of all Related Person Transactions.

XI. DISCLOSURE

The Company will publicly disclose Related Person Transactions to the extent and in the manner required by applicable legal requirements and listing standards, or as the Committee may determine to be in the best interests of the Company and its security holders.

XII. CHANGES IN POLICY; GENERAL EFFECT

This Policy may be changed at any time by action of the Board upon the recommendation of the Committee.