
Elanco Animal Health Incorporated Compensation Committee Charter

Purpose

The compensation committee shall act on behalf of the board of directors of Elanco Animal Health Incorporated to determine and approve the compensation of executive officers of the company and to provide oversight of the company's global compensation philosophy. The committee shall oversee the company's compensation plans, including equity compensation plans and plans applicable to directors and senior management.

Composition and Term; Subcommittee

The committee shall consist of no fewer than three directors. The company ceased to be a "controlled company" as of March 11, 2019 and accordingly, within one year of such date, and subject to certain phase-in requirements, each member of the committee must be independent as determined by the board in accordance with applicable New York Stock Exchange ("NYSE") composition and governance standards. In establishing the committee, the board will also consider whether the committee members qualify as "non-employee directors" under Rule 16b-3 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Any action duly taken by the committee shall be valid and effective, whether or not the members of the committee at the time of such action are later determined not to have satisfied the requirements for membership.

The committee members shall be appointed by the board for one-year terms. The committee chair shall be designated by the board.

Administrative Matters

The committee shall meet at such times as it determines to be necessary or appropriate. A majority of the members of the committee shall constitute a quorum for meeting and the affirmative vote of a majority of the members present at a meeting at which a quorum is present shall constitute action of the committee. The committee shall meet in executive session at least once each year in connection with the assessment of the performance and compensation of the CEO and in connection with oversight of succession management, and may meet in executive session at any other time it deems appropriate.

The committee shall report to the board at the next board meeting following each committee meeting.

The committee may request any officer or employee of the company or the company's outside counsel to attend a meeting of the committee or to meet with any members of, or advisors to, the committee. The committee may also take action without a meeting by unanimous written consent of its members.

Delegation

The committee may, in its discretion, delegate all or a portion of its duties and responsibilities to a subcommittee of the committee, so long as such subcommittee is solely comprised of one or more members of the committee and such delegation if not otherwise inconsistent with law and applicable rules and regulations of the SEC and the NYSE.

External Resources

The committee may, in its sole discretion, employ (at the company's expense), a compensation consultant, independent legal counsel and other outside advisors to assist the committee in the execution of the responsibilities in this charter. The committee shall have the sole authority to approve the fees to be borne by the company, and other retention terms with respect to such compensation consultant, independent legal counsel and other outside advisors. Subject to the exceptions described in Section 303A.05 of the NYSE listed company manual, in selecting a compensation consultant, independent legal counsel and other outside advisors, the committee must take into consideration all factors relevant to that person's independence from management, including factors specified in Section 303A.05(c) of the NYSE listed company manual.

Duties and Responsibilities

The committee shall have the following duties and responsibilities:

1. Together with the independent chairman of the board of directors, review and approve the goals and objectives relevant to the performance of the CEO, evaluate the CEO's performance in light of those goals and objectives, and based on such evaluation, determine and approve (subject to ratification by the independent members of the board of directors) each element of the CEO's compensation.
2. Review and approve the compensation of each other executive officer of the company. The committee's responsibilities in connection with establishing the total compensation of the CEO and other executive officers shall include, without limitation:
 - Approving the company's compensation philosophy and strategy;
 - Approving the selection of peer companies for compensation purposes;
 - Approving any perquisites that may be provided to executive officers;
 - Approving terms of any compensation or benefits arrangements, including employment, separation and severance arrangements, for executive officers; and
 - Approving any change-in-control compensation and benefit arrangements applicable to executive officers and other employees.
3. Review at least annually and recommend to the board for its approval of non-employee director compensation.
4. Oversee the company's annual compensation plans covering executive officers, including, but not limited to, incentive plans, deferred compensation plans and management stock plans (including approving employees eligible to participate and the level of participation of each such employee, establishing the performance metrics for incentive plans, and approving company results relative to the metrics). The committee may delegate authority with respect to these plans to members of senior management, consistent with applicable law, except that no authority may be delegated to senior management with respect to (i) any element of the compensation of executive officers or directors or (ii) the equity compensation of officers subject to Section 16(b) of the Exchange Act.
5. In accordance with applicable rules and regulations, submit the Compensation Committee Report for inclusion in the company's proxy statement (or other appropriate filings) that complies with the rules and regulations of the Exchange Act, and review and discuss with management the annual Compensation Discussion and Analysis and recommend to the board its inclusion in the proxy statement.

6. Periodically review company stock ownership of executive officers and, if appropriate, establish and oversee stock ownership and/or retention guidelines for executive officers.
7. Establish and oversee the company's executive compensation recovery policy, if any.
8. Make recommendations to the board with respect to incentive compensation plans, equity-based plans and other executive compensation matters coming before the board, including periodic assessments of whether compensation programs are appropriately aligned with the company's management of enterprise risks.
9. Review and make recommendations to the board regarding the company's proposals to shareholders, as well as proposals of shareholders, that relate to the matters overseen by the committee.
10. Oversee the company's engagement with shareholders regarding executive compensation matters, including reviewing and evaluating the results of advisory votes on executive compensation.
11. Advise management on other employee compensation and benefits matters as requested by the CEO or the executive vice president responsible for human resources.
12. Annually review and report to the board on the succession plans and leadership development for the CEO position and other executive officer positions, including a broad review of the company's succession management.
13. Evaluate the company's performance in the area of diversity in the company's workforce.
14. Annually review and assess this charter.
15. Annually review the performance of the committee.

The committee shall also undertake such additional activities within the scope of its primary functions as the board or the committee may from time to time determine.

As amended and restated effective as of August 8, 2019 (as approved by the board of directors on August 8, 2019).