

Lilly



2011/2012
**CORPORATE
RESPONSIBILITY
UPDATE**



For more than 136 years, Eli Lilly and Company has demonstrated a commitment to being a responsible global citizen—including a long history of philanthropic contributions. Our greatest contribution to society, however, is discovering and developing innovative medicines while running our business ethically and responsibly.

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MESSAGE FROM THE CEO

Dear Reader,

At the core of Lilly's vision is our aim to improve global health in the 21st century. We do this, first and foremost, by creating medicines that help people live longer, healthier, more active lives. But we also believe that *how* we do business is as important as *what* we do. Lilly's commitment to the United Nations Global Compact (UNGC) reflects the core values of integrity, excellence, and respect for people that have been integral to our company since our founding more than 136 years ago.

We're proud to present this update report to highlight our commitments to, and progress around, corporate responsibility (CR).

For us, responsibility starts with how we treat our employees. Our employees play an indispensable role in helping us to meet our CR commitments. In turn, we strive to encourage them by maintaining a supportive and respectful working environment. We put special emphasis on flexibility in the workplace, and we were honored to have been named as *DiversityInc's* Top Company for Working Families in 2012.

We also provide opportunities for our employees to share their expertise with communities around the world. Connecting Hearts Abroad, our signature global service initiative, is one example. Launched in 2011, this program sends 200 Lilly ambassadors each year on two-week community development assignments in Asia, Africa, and Central and South America.

Lilly ranks among the world's most charitable companies, donating more than \$590 million in 2011. But when CR is only about charity, we believe it's an opportunity missed. We know we can do even more to improve global health if we bring to the table our expertise in chronic diseases along with our financial resources.

Increasingly, we are integrating the concept of "shared value" into the way we operate. Using our business expertise to help address pressing social needs opens up new opportunities for us to provide solutions to health challenges the world over. We believe this approach will help to create enduring value for society and for Lilly. By making individual patients better, we help those patients—as well as their communities and broader societies—to thrive.



Along with investing our own assets and expertise, we spearhead broad, strategic partnerships to improve access to health care. For example:

- The Lilly MDR-TB Partnership offers education, training, and improved care to people fighting deadly multidrug-resistant tuberculosis.
- The Lilly NCD Partnership, launched in 2011, will provide \$30 million over five years to fight the rising burden of non-communicable diseases (NCDs) in developing nations.
- In 2011, we announced Lilly TruAssist, an easy-to-use, one-stop resource about the patient-assistance programs that Lilly has long offered to help people obtain the Lilly medications they need. More than 250,000 patients received help through these programs in 2011—a 12 percent increase from the previous year.

In the environmental arena, we've set goals to limit our impacts, drawing on our scientific, technical, and business expertise to eliminate waste and inefficiencies wherever possible.

For example, at our Speke, United Kingdom, manufacturing facility, new processes for antibiotic production have decreased water usage by 143 million liters per year—or about 10 percent of the total usage—while reducing steam usage by 7,000 metric tons—or 5 percent of overall use. These changes helped save more than \$560,000 in 2012; projected waste stream reductions related to the initiative could push annual savings to \$2 million. We're also pleased that, in 2011, 10 Lilly sites globally reported "zero landfill" status (indicating that they send less than 0.5 percent of generated waste to landfill).

We're very proud of these and other accomplishments, yet we recognize that we must make further progress still. And we are committed to doing just that. On behalf of everyone at Lilly, thank you for your interest in our company and in this CR update. We welcome your feedback.



JOHN C. LECHLEITER, PH.D.

Chairman, President, and Chief Executive Officer

November 30, 2012

ABOUT LILLY

At Lilly, we make medicines that help people live longer, healthier, more active lives. Founded in 1876, we are the 10th largest pharmaceutical company in the world. Around the globe, we have forged productive alliances and partnerships that advance our capacity to develop innovative medicines at lower costs for some of the world's most urgent medical needs.

Lilly has a long history of medical innovation, most notably in the treatment of infectious diseases, diabetes, and depression. Today, our portfolio also includes oncology and bio-medicines. And our emerging markets business unit works to deliver medicines to address unmet needs around the world. For additional information about our corporate history and significant medical breakthroughs, visit the "About" section of www.lilly.com.

About Elanco

Elanco is a division of Lilly that focuses on animal well-being, animal productivity, and food safety in more than 75 countries. The company introduced its first product for veterinary use in 1953, and today offers more than 30 products. Elanco employs more than 2,700 people worldwide, with offices in more than 40 countries. Its global headquarters is in Greenfield, Indiana, United States, which is also the base of its U.S. business operations. Elanco products are marketed primarily to cattle, poultry, and swine producers. Elanco Companion Animal Health develops pet medicines and assists veterinarians in helping companion animals lead longer, healthier lives.

FACTS AT A GLANCE

(AS OF NOVEMBER 2012)

136

Years strong; founded on May 10, 1876

7,400

Employees engaged in research and development

55

Countries where clinical research is conducted

8

Countries with research and development facilities

125

Countries where products are marketed

\$24.2

Billion in worldwide revenue in 2011

USA

Headquartered in Indianapolis, Indiana, United States

LLY

Symbol listed on the New York Stock Exchange

13

Countries with manufacturing plants

38,000

Employees worldwide

KEY PERFORMANCE INDICATORS

	GOAL	2007	2008	2009	2010	2011
FINANCIAL HIGHLIGHTS						
Worldwide Revenue (\$ millions)		\$18,633.5	\$20,371.9	\$21,836.0	\$23,076.0	\$24,286.5
Research and Development (\$ millions)		\$3,486.7	\$3,840.9	\$4,326.5	\$4,884.2	\$5,020.8
WORKPLACE HIGHLIGHTS¹						
Serious Injury Rate (per 100 employees)	(50%)	1.44	1.18	0.92	0.96	1.09
Lost-Time Injury Rate (per 100 employees)	(50%)	0.62	0.59	0.38	0.41	0.47
Motor-Vehicle Collision Rate (collisions per million miles driven)	(50%)	11.10	12.06	11.17	10.48	10.28
PHILANTHROPY HIGHLIGHTS						
Product and Other In-Kind Donations (\$ millions)		\$240	\$297	\$335	\$373	\$549
Cash Contributions (\$ millions)		\$75	\$53	\$70	\$57	\$48
Total Contributions (\$ millions)		\$315	\$350	\$405	\$430	\$597
ENVIRONMENTAL HIGHLIGHTS²						
Energy Consumption (million BTUs)		12,900,000	11,900,000	11,300,000	11,200,000	10,800,000
Energy Intensity (thousand BTUs/square foot)	(15%) ³	594	562	543	520	495
Greenhouse Gas Emissions (Scope 1 and Scope 2) (metric tons CO ₂ e)		1,810,000	1,730,000	1,640,000	1,600,000	1,530,000
Greenhouse Gas Emissions Intensity (metric tons CO ₂ e/1,000 square feet)	(15%) ⁴	83.3	82.2	78.2	74.5	70.0
Water Intake (billion liters)	(5%) ⁵	19.6	17.6	13.2	12.8	13.3
Water Intensity (million liters/million \$ revenue)		1.05	0.864	0.605	0.555	0.549
Waste Generation (metric tons)		379,000	387,000	287,000	228,000	242,000
Waste Generation Intensity (metric tons/million \$ revenue)		20.3	19.0	13.1	9.88	10.7
Waste to Landfill (metric tons)	(20%) ⁶	32,000	22,300	14,800	15,900	10,900
Reportable Permit-Limit Exceedances ⁷		43	27	16	11	8

¹ 2013 goal, 2007 baseline for all three workplace-related metrics. Some health and safety data from prior years were adjusted slightly due to updated data collection.

² Following World Resources Institute (WRI) guidance, progress toward environmental goals is reported on an adjusted basis accounting for mergers, acquisitions, and divestitures, as appropriate, to ensure comparability, unless stated otherwise.

³ 2013 goal, 2007 baseline.

⁴ 2013 goal, 2007 baseline. This goal covers Lilly's Scope 1 and Scope 2 emissions.

⁵ 2013 goal, 2010 baseline. Lilly established this goal after meeting its prior goal—to reduce water intake in absolute terms by 25 percent by 2013, compared to 2007—four years early. "Water intake" as used in evaluating our progress toward our water-reduction goal is the total amount of water coming into a facility, including water pumped from bodies of surface water and groundwater, and water provided by a utility. It includes water used in processes, utilities, and other ancillary operations, such as irrigation. The term does not include groundwater pumped solely for treatment to satisfy regulatory actions or requirements (e.g., remediation activities where the water is not used for another purpose). Values do not include the water extracted from wells solely for the purpose of lowering the groundwater table(s) to maintain the physical and structural integrity of building foundations. Water intake values for 2010 were adjusted from previously reported values due to metering data evaluations at one of our top water use sites.

⁶ 2013 goal, 2010 baseline. Lilly established this goal after meeting its prior goal—to reduce waste to landfills by 40 percent in absolute terms by 2013, compared to 2007—four years early. Lilly's former and current waste-to-landfill goals do not include construction and demolition debris, biosolids from wastewater treatment plants, incinerator ash, coal ash if reused for mine reclamation or road base, and mycelia and urea reused for fertilizer. Unlike our energy, greenhouse gas emissions, and water-intake goals, performance data used to calculate progress against our waste-to-landfill goal do not exclude data from our Tippecanoe Laboratories facility in Indiana, United States, which Lilly divested in 2009, because the data at that site did not have a significant impact on our worldwide waste-to-landfill total.

⁷ "Reportable permit-limit exceedances" are environmental releases to air, water, or land outside of regulatory limits. These do not necessarily result in harm to people or the environment.



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CONDUCTING OUR BUSINESS ETHICALLY AND TRANSPARENTLY

Here at Lilly, our actions are grounded in our core company values of integrity, excellence, and respect for people. How we do business is as important as what we do. We strive to be a leader in corporate responsibility. We demonstrate our values through responsible business practices that reflect our commitments to strong governance principles; transparency; patient, customer, and employee privacy; ethical product promotion; and stakeholder engagement. Our participation in the public policy process also demonstrates our values and affects how we do business.



ACTING WITH INTEGRITY

Our commitment to ethics and compliance is born of our commitment to integrity. Our policies, our Code of Business Conduct (which we call “*The Red Book*”), our compliance management systems, and our training programs reinforce ethical behavior.

As a global leader in the development, manufacture, and sale of pharmaceutical products, we have implemented—and we continue to refine and improve—programs designed to promote ethical conduct and instill a culture of compliance. We train all of our employees in ethical business practices and have systems in place to detect potential violations of the law and company policies.

Our Global Ethics and Compliance Program (GECP) takes a comprehensive approach to compliance. It includes training and communications designed to prevent potential issues from arising, as well as reporting, auditing, and monitoring to detect potential compliance failings. We have invested significant resources in our formal ethics and compliance programs, which include focused efforts on privacy, anti-corruption, and appropriate product promotion, among other areas.

Lilly’s Global Anti-Corruption Program, a component of our overall GECP, includes policies and procedures tailored to the challenges of ensuring compliance in the 125 countries in which we market our products. We have implemented a Global Anti-Corruption Program in every Lilly affiliate worldwide. Internally, we require training for our employees on anti-corruption issues, including bribery.

Our chief executive officer routinely sets “the tone at the top” by speaking directly to employees about ethics and compliance issues through his blog, through audio and video messages, and through global “town hall” employee meetings.

Code of Conduct, Policies, Standards, and Procedures

Our ethics and compliance programs include policies, standards, and procedures. We communicate our key compliance-related expectations through a variety of vehicles, including *The Red Book*. This document, which is available in 24 languages, emphasizes the company’s values and the importance of ethical decision-making,

summarizes key principles from global company policies, and provides examples for employees to practice applying these principles to their decisions and actions. *The Red Book* is designed to provide foundational guiding principles to help our employees navigate an increasingly complex global business environment.

The Red Book is amplified by policies, standards, and procedures accessible to employees on the company’s intranet. These documents govern Lilly’s actions with respect to specific areas, including anti-corruption, privacy, product promotion, safety, medical research, communications, securities trading, record keeping, international transactions, ethical interactions with external parties, interactions with government and public officials, payments, grants and donations, meetings with healthcare providers, gifts, product samples, and many other topics.

More detailed information about our compliance policies and practices can be found in our [2010 Corporate Responsibility report](#).



ADVANCING PUBLIC POLICY

At Lilly, we are committed to helping people live longer, healthier, more active lives. To fulfill our mission, we believe it is important to ensure that patients have access to needed medications. Lilly participates in public policy debates around the world and contributes to the policy environment in a manner that supports patient access to innovative medicines—leading to improved patient outcomes. Since 2010, we have updated our position on differential pricing and have supported research that contributes to policy efforts centered on patient access to innovative medicines.

Differential Pricing

This term refers to a set of policies that enables differential pricing of medicines within a country and that achieves variable prices based on a patient's ability to pay in order to balance the desire to have affordable prices for low-income populations while simultaneously rewarding medical advances with competitive market prices. This approach facilitates access to medicines and supports continued research and development, which benefits patients, public and private payers, and the pharmaceutical industry. To be effective, differential pricing must be supported by an environment that is free of reference pricing (a strategy that establishes a product's price point by benchmarking the price of the same product in other countries) and that prevents the diversion of discounted medicines to higher-priced markets.

New Pricing Models

The pharmaceutical industry's business model has become increasingly challenged. Payers, policymakers, and patients who pay out of pocket often believe the prices for newer medicines are too high. At the same time, companies that discover and develop these new medicines are experiencing unprecedented price erosion through legislated price cuts, inappropriate reference pricing, and other restrictions on physician and patient choice. Wealthier countries that can afford innovative medicines are increasingly unwilling to pay for them—a situation exacerbated by the global financial crisis—while developing countries cannot afford these innovative medicines at developed-market prices.

New pricing approaches are needed that both promote access to medicines by countries in varying stages of development and reward innovative research and development. Because so many of the barriers to accessing medicines in the developing world are associated with public policy issues, Lilly engaged a number of leading academics to explore this topic, with the resulting research published in the journal *Health Affairs*. The outcome of this effort informs our own policy engagement with global health stakeholders and, we hope, will help foster continued dialogue on the topic. The resulting research was published in *Health Affairs [Health Affairs 30, No. 8 (2011) and Health Affairs 29, No.12 (2010)]*.

TRANSPARENCY AT LILLY

Experience has taught us that transparency in our operations can help to build trust with our stakeholders. We believe that transparency regarding business practices that involve financial payments to physicians helps to build trust with the public. In 2004, we were the first company to announce that we would voluntarily disclose to the public our U.S. clinical-trial results—even unfavorable ones. We were also the first company to report the results of a third-party audit of our database. In addition, we publicly report the funding we provide in the United States to institutions in the form of educational grants and charitable contributions; our financial support to patient organizations based in Europe; our financial payments to U.S. healthcare professionals who are contracted as speakers for educational programs and who provide us with advice; and our company's annual political contributions.



50%

Of API (active pharmaceutical ingredient) products were manufactured at Lilly-owned facilities

14

Number of pharmaceutical companies, including Lilly, with a shared goal of providing suppliers and service providers with common health and safety, environmental, labor, ethics, and business management standards

MANAGING OUR SUPPLY CHAIN

At Lilly, we manage our supply chain to help maintain a safe and uninterrupted supply of our medicines. Within our own operations and the broader pharmaceutical industry, we work to support the United Nations Global Compact principles, ensure adherence to labor laws, and protect the environment. We partner with our suppliers around the world to encourage them to adopt the same global leadership standards that we have set for ourselves.

Lilly's Supply Chain at a Glance

Lilly maintains relationships with thousands of suppliers of materials and services. We categorize suppliers into three tiers, which help to identify their type of impact from a supply risk perspective.⁸

In 2012, approximately half of our API (active pharmaceutical ingredient) products were manufactured at Lilly-owned facilities, including three sites in the United States, as well as sites in Ireland, Puerto Rico, and the United Kingdom. Finishing operations, including labeling and packaging, take place at a number of sites throughout the world.

Supporting the Pharmaceutical Supply Chain Initiative

In early 2009, Lilly adopted the Pharmaceutical Industry Principles for Responsible Supply Chain Management, as set forth by the Pharmaceutical Supply Chain Initiative (PSCI), an industry group in which Lilly is an active participant. PSCI principles were designed to align with the principles of the United Nations Global Compact; they represent high-level expectations set for industry suppliers in the areas of ethics, labor, health and safety, the environment, and related management systems. Upon adopting the principles, Lilly revised and updated our Supplier Code of Conduct to reflect these principles. To view the current Lilly Supplier Code of Conduct, visit: www.supplierportal.lilly.com/Suppliers/Pages/ConductCode.aspx.

Through our participation in the PSCI, Lilly is proud to stand alongside 13 other pharmaceutical companies that share a goal of providing suppliers and service providers with common health and safety, environment, labor, ethics, and business management standards. Together with our industry peers, we are working to educate suppliers and ensure that our partners operate in a way that is consistent with our own company values.

⁸ Supply risk is the risk associated with Lilly's dependence on a third party for either services or materials that are critical to the operation of our business. Supply risk can come from many factors, including but not limited to supplier financial stability, ability to produce or provide services in a quality manner, or the impact of a natural disaster on the supplier's site. This risk is monitored on an annual basis, and mitigation plans are implemented and monitored to minimize it.



Lilly fully embraces the PSCI vision that through the application of the principles, better social, economic, and environmental outcomes will result for those involved in the pharmaceutical supply chain. This includes improved conditions for workers, expanded economic development, and a cleaner environment for local communities. As a member of the PSCI, Lilly is committed to influencing positive social and environmental change in the pharmaceutical industry, and we will work to build our suppliers' capabilities in these areas.

To learn more about Lilly's management of environmental impacts throughout our supply chain, see the Fostering Environmental Sustainability section, beginning on [page 44](#).

Upholding Human Rights

Lilly maintains a long-standing practice of complying with local minimum-age laws and requirements and does not employ child labor, or forced or compulsory labor, in any of our facilities globally. In 2011, Lilly began revising our global standards and procedures to include specific language about human rights.

As part of Lilly's ongoing supply chain risk management, Lilly suppliers in Tiers B and C must complete an annual supplier self-assessment questionnaire and be available for audits, at Lilly's discretion. In 2011, together with the other PSCI companies, Lilly began exploring the best way to ensure and monitor compliance among suppliers, and began conducting supplier audits. This work is ongoing and will be reported on in more depth in our next report.

Supplier Diversity

Lilly also aspires to broaden the participation of small and diverse businesses in our supplier base. Since 2005, the U.S. Small Business Administration has recognized Lilly as "outstanding" in our efforts to promote and maintain supplier diversity. Our goal is to achieve greater than 10 percent of our external spend with small and diverse suppliers. In 2011, we spent \$522 million with diverse suppliers, exceeding our goal of \$430 million in diverse-supplier spending.

LILLY SUPPLIERS BY TYPE

Tier A

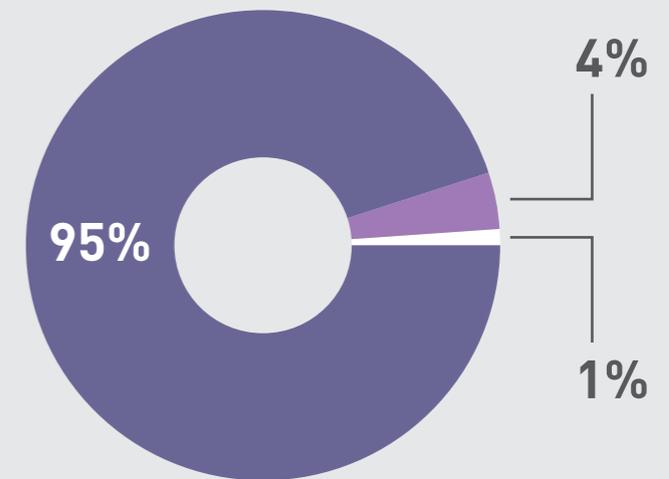
Suppliers provide goods and services across a range of areas needed for general office functioning. This includes general office supplies, travel services, IT equipment, catering, and other routine services.

Tier B

Suppliers provide raw materials and other common commodities used for packaging and manufacturing operations. This includes packaging materials, waste disposal services, and energy.

Tier C

Suppliers provide active pharmaceutical ingredients, including specialty chemicals. Suppliers in this tier include active ingredient suppliers, contract manufacturers, and research and development labs.



Supplier data includes data for Elanco, our animal health division.



FIGHTING COUNTERFEIT MEDICINES

What ranks among the biggest supply chain concerns for an international pharmaceutical company like Lilly? Protecting the public from counterfeit medicines. With global sales last year estimated as high as \$200 billion,⁹ counterfeit medicine is big business, and it is growing. In every part of the world, patients are unknowingly encountering counterfeits that look just like the actual medicine, from the appearance of the package to the size and color of the pill. These are dangerous imposters that may contain inactive and useless ingredients—or even toxic substances, such as arsenic. In every case, counterfeits are unreliable; in some cases, they can cause harm to patients, including death.

Counterfeit medicines pose a real and growing threat to patient safety and worldwide public health. Pharmaceutical counterfeiting crosses geographic boundaries and affects patients suffering from a variety of diseases. Medicines commonly involved in counterfeiting include those used for erectile dysfunction, oncology, cardiovascular disease, and mental health, preventing the proper treatment of these conditions.

Criminals are drawn to pharmaceutical counterfeiting by the prospect of high profits and low risk, as offenders are rarely prosecuted. Because of its unregulated environment, full anonymity, and access to patients, the Internet is a hot spot for counterfeiters. Criminal organizations dupe customers into buying counterfeit medicines through fake online “pharmacies,” which use images of trademarked or branded pharmaceutical products.

Lilly is actively engaged in efforts to combat counterfeiting, and we partner with governments and others to protect the health and safety of patients who take our medicines. Lilly is a founding member and steering group participant of the Alliance for Safe Online Pharmacies, a broad coalition of stakeholders who have an interest in protecting patient safety and ensuring patient access to safe and legitimate online pharmacies. In Europe, Lilly is active in the European Alliance for Access to Safe Medicines to further patient education about the dangers of counterfeit medicine.

“At the European Alliance for Access to Safe Medicines, we are raising public awareness of the dangers posed by counterfeit medicines available in the legitimate supply chain and over the Internet. As we undertake major projects each year, Lilly’s much-valued support helps bring our message to wider audiences and effect real change. We are tremendously proud to have Lilly stand shoulder-to-shoulder with us in this important work.”

Jim Thomson

Chair, European Alliance for Access to Safe Medicines

⁹ Source: World Economic Forum, Global Risks 2011, Sixth Edition: An Initiative of the Risk Response Network, January 2011



03

ENHANCING ACCESS TO MEDICINES

Around the world, it's estimated that at least a billion people lack access to comprehensive health care, including medicines and other treatment tools. Lilly is committed to expanding access to medicines and health care, and we work with partners to improve health outcomes for people in need. We are putting a special focus on improving the health of people in low- and middle-income countries around the globe—specifically, by tackling several tenacious diseases—tuberculosis and diabetes—that are growing rapidly in these parts of the world.



OUR APPROACH TO EXPANDING ACCESS TO MEDICINES

Lilly is committed to taking thoughtful steps to meaningfully enhance access to medicines and improve health for underserved populations. However, we realize that no single organization can solve all of the problems related to access to medicines. Therefore, we focus our efforts where we believe we can have the greatest impact.

Pricing Our Medicines

Lilly strives to engage with governments throughout the world to offer our products at sustainable prices that are affordable for local populations. Prices for prescription medicines, like other products, can differ from country to country because of differences in currency value and market dynamics—or they may be kept artificially low by government price controls. Lilly advocates for policies that support differential pricing—i.e., the charging of different prices based on a purchaser’s ability to pay. To learn more about our work in this area, see [page 09](#).

Patents in Least Developed Countries

In many developing countries, Lilly does not seek nor enforce patents for our medicines, to further contribute to making these medicines more accessible. For example, Lilly does not seek patents in least developed countries (LDCs), as defined by the United Nations. As a result, generics manufacturers are free to produce and provide generic versions of our medicines in these countries.

For a map of these countries, visit: www.lilly.com/Responsibility/access-to-medicines/Pages/increasing-access-to-medicines.aspx.

TRUASSIST

At Lilly, we’re dedicated to discovering and developing innovative medicines that help improve people’s lives. This commitment includes offering assistance to people who may not be able to afford our medicines. In 2011, we announced Lilly TruAssist, an easy-to-use, one-stop resource about how to access Lilly’s existing patient-assistance programs.

Lilly participates in the Partnership for Prescription Assistance (PPARx), the pharmaceutical industry’s program to make it easier for physicians and patients to access patient-assistance programs.

More than 250,000 patients received help through these programs in 2011—a 12 percent increase from the previous year. The program covers a range of health conditions, including mental health, diabetes, cardiovascular disease, men’s health, osteoporosis, oncology, and growth-hormone disorders. The market value of the assistance provided through this program totaled more than \$500 million.

“The business community can—and must—play a vital role in addressing complex problems. It’s clear that writing a check or donating product alone doesn’t have a lasting impact. A growing body of evidence demonstrates that when a company engages with partners in an area in which the company has deep expertise and a vested interest, society benefits and the company enhances its own performance.”

John C. Lechleiter, Ph.D.

Lilly Chairman, President, and Chief Executive Officer



THE LILLY GLOBAL HEALTH INNOVATION CAMPAIGN

Lilly is committed to partnering closely with local governments and organizations to identify and promote healthcare solutions that reduce the burden of diabetes and multidrug-resistant tuberculosis (MDR-TB).

In 2011, we unveiled The Lilly Global Health Innovation Campaign, aimed at improving health for underserved populations. The campaign encompasses two of Lilly's signature programs: The Lilly NCD Partnership and The Lilly MDR-TB Partnership. To create positive, long-term change, Lilly, together with our partners, is focused on:

Researching

Piloting new models of health care based on sophisticated research and detailed data collection that immediately benefit patients

Reporting

Sharing data and lessons learned locally and globally

Advocating

Informing key stakeholders about program findings and encouraging the adoption of proven solutions





THE LILLY NCD PARTNERSHIP

Non-communicable diseases (NCDs), also known as chronic diseases, include cardiovascular diseases, diabetes, cancer, and chronic respiratory diseases. In developing countries, these diseases haven't garnered the same attention that tuberculosis, HIV/AIDS, and malaria have. Yet, together, NCDs account for some 63 percent of all deaths worldwide, and four-fifths of these deaths occur in low- and middle-income countries. That's why Lilly created The Lilly NCD Partnership, a \$30 million commitment over five years to fight the growing burden of non-communicable diseases through research, reporting, and advocacy.

No company, government or single institution will solve the NCD challenge alone; it will take new ways of thinking and collaboration on an unprecedented scale. Designed to identify comprehensive, sustainable approaches to patient care, The Lilly NCD Partnership will focus initially on diabetes in targeted communities in India, Mexico, and South Africa, with expansion to Brazil in late 2012.

India

In India, Lilly has joined forces with the Public Health Foundation of India, Population Services International, and Project HOPE to implement a comprehensive program to address low levels of diabetes awareness and uncoordinated healthcare services. The project covers 400,000 people in two locations: Sonipat, near Delhi; and Vizag, on the east coast, and includes awareness activities, healthcare provider training, and patient care.

Mexico

In Mexico, Lilly works with the Carlos Slim Health Institute to evaluate and enhance Casalud, its world-class primary care clinic training program, centered on comprehensive NCD diagnosis and care. Lilly's role is to research the program, to demonstrate how Casalud has increased the number of diagnosed patients, and—by ensuring early interventions are in place—has improved and prolonged lives. We will also be measuring the cost benefit to early diagnosis and management of diabetes, and sharing this data with other programs.

South Africa

In Johannesburg, Africa's second-largest city, Lilly is working with Project HOPE to establish the HOPE Centre, a five-year community-based project that will address care gaps for people at risk for, or already living with, diabetes. Further south, in the vast rural stretches of the Eastern Cape, our partner, the Donald Woods Foundation, is building on its success with home-based HIV programs to include improved diabetes care.

“Non-communicable diseases are afflicting nations, communities and families around the world, with the most vulnerable bearing most of the burden.”

John C. Lechleiter, Ph.D.

Lilly Chairman, President, and Chief Executive Officer



THE LILLY MDR-TB PARTNERSHIP

Recognizing that the spread of multidrug-resistant tuberculosis (MDR-TB) could not be halted by medicine alone, Lilly launched The Lilly MDR-TB Partnership in 2003. According to the World Health Organization, more than 650,000 people are currently infected with MDR-TB, and far too few are being diagnosed and treated.

For almost 10 years, The Lilly MDR-TB Partnership (the Partnership) has worked with the world's leading organizations to battle MDR-TB. Lilly's initial contributions included \$120 million in cash, medicine, advocacy tools, and technology, focused on prevention, diagnosis, and treatment of patients with MDR-TB; and nearly \$20 million in additional funds to The Lilly TB Drug Discovery Initiative to accelerate the discovery of new drugs to treat TB.

We've achieved a lot:

- We've transferred manufacturing technology to seven companies to increase availability of MDR-TB medicines;
- We've trained more than 100,000 healthcare professionals to better recognize, diagnose, and treat MDR-TB;
- We've distributed guidelines and toolkits to more than 45,000 hospitals and clinics; and
- We've reached millions of people in high-risk communities through innovative public awareness campaigns.

The Eli Lilly and Company Foundation (the Foundation) recently made a five-year (2012-2016), \$30 million commitment to support organizations in The Lilly MDR-TB Partnership. This commitment marks the third and final phase. It will focus on:

- Providing training for healthcare providers, from professional health workers such as nurses and doctors, to informal caregivers such as community volunteers.
- Improving the supply of and access to safe, effective, and high-quality MDR-TB drugs. At the end of 2010, less than 16 percent of estimated MDR-TB patients globally received the drugs they needed.

The Foundation will work with partners at the global and local level, with a specific focus on partners in the four countries carrying the highest burden of MDR-TB: China, India, Russia, and South Africa. For more information, please visit: www.lillymdr-tb.com.

China

The Partnership trains medical professionals in six Chinese provinces, namely Fujian, Hebei, Jiangxi, Liaoning, Sichuan, and Xinjiang, on MDR-TB prevention and screening.

India

The Partnership's training programs reach pharmacists, nurses, rural healthcare providers, and private practitioners in several states, including Andhra Pradesh, Maharashtra, Tamil Nadu, and West Bengal.

Russia

In Russia, the Partnership will research the benefits of training healthcare providers and demonstrate the positive effect that well-managed treatment and care has on the health of MDR-TB patients. This work will take place in the regions of Saint Petersburg, Voronezh, and the Mari El Republic.

South Africa

In South Africa, the Partnership supports the national government's plans to expand and decentralize MDR-TB diagnosis and care by enhancing healthcare provider capacity. It does so by investigating current healthcare training programs in a variety of settings, identifying what works best so it can be replicated, as well as pinpointing further needs for action.



IMPROVING ACCESS TO DRUGS THAT TREAT MDR-TB

Currently, far too few MDR-TB patients receive the drugs they need. It's estimated that fewer than 46,000 people worldwide are receiving verified treatment with drugs for MDR-TB out of an estimated 650,000 infected with MDR-TB. A range of issues contributes to challenges to drug access, including poor forecasting of product need, limited laboratory capacity for diagnosis, underperforming markets, pricing, and inadequate resources to strengthen the systems needed to manage the complex treatment regimens required by these patients. The Partnership's work in this area focuses on developing new thinking that can be translated to measureable action.

Collaborations with MDR-TB Advocates

This initiative pulls together leading experts and stakeholders in the field to analyze bottlenecks to access and propose solutions so that patients have access to affordable, quality-assured treatment.

Institute of Medicine (IOM) Research Project

The Partnership is sponsoring a global effort by the IOM to assemble leading experts on MDR-TB, to evaluate efforts to increase the supply of MDR-TB medicines, and to vet new ideas to improve access to these medicines. The IOM will convene two meetings of current leading thinkers to help ensure MDR-TB remains a global health priority.

Innovation Summit

The Partnership hosted an Innovation Summit in 2012 to bring supply chain experts together with entrepreneurial thinkers from inside and outside the healthcare field to look at access issues in innovative ways. The summit's output includes 12 actionable ideas for addressing barriers. The best of these ideas will be pursued through collaborations with other organizations working in the TB field.





04

DEVELOPING INNOVATIVE MEDICINES

For more than 136 years, Lilly has discovered, developed, and acquired innovative new medicines that address key unmet medical needs worldwide. To take a molecule from discovery to clinical development to commercialization requires the perfect combination of a promising molecule, specialized scientific expertise, and sufficient funding. At all stages of the development and use of our medicines, Lilly strives to maintain the highest standards of ethical behavior. This begins with our Bioethics Program and guiding principles, and is reflected in our commitment to protect the human rights and well-being of clinical research subjects, as well as the welfare of animal research subjects.



INNOVATION STARTS HERE

To further support our commitment to speeding the delivery of innovative new medicines to patients, we have launched the “Innovation Starts Here” global initiative. Innovation Starts Here fosters innovation and quality science through the institution of internal and external programs designed to enhance basic science, harness innovation, and aid in the discovery and development of innovative new medicines for patients worldwide.

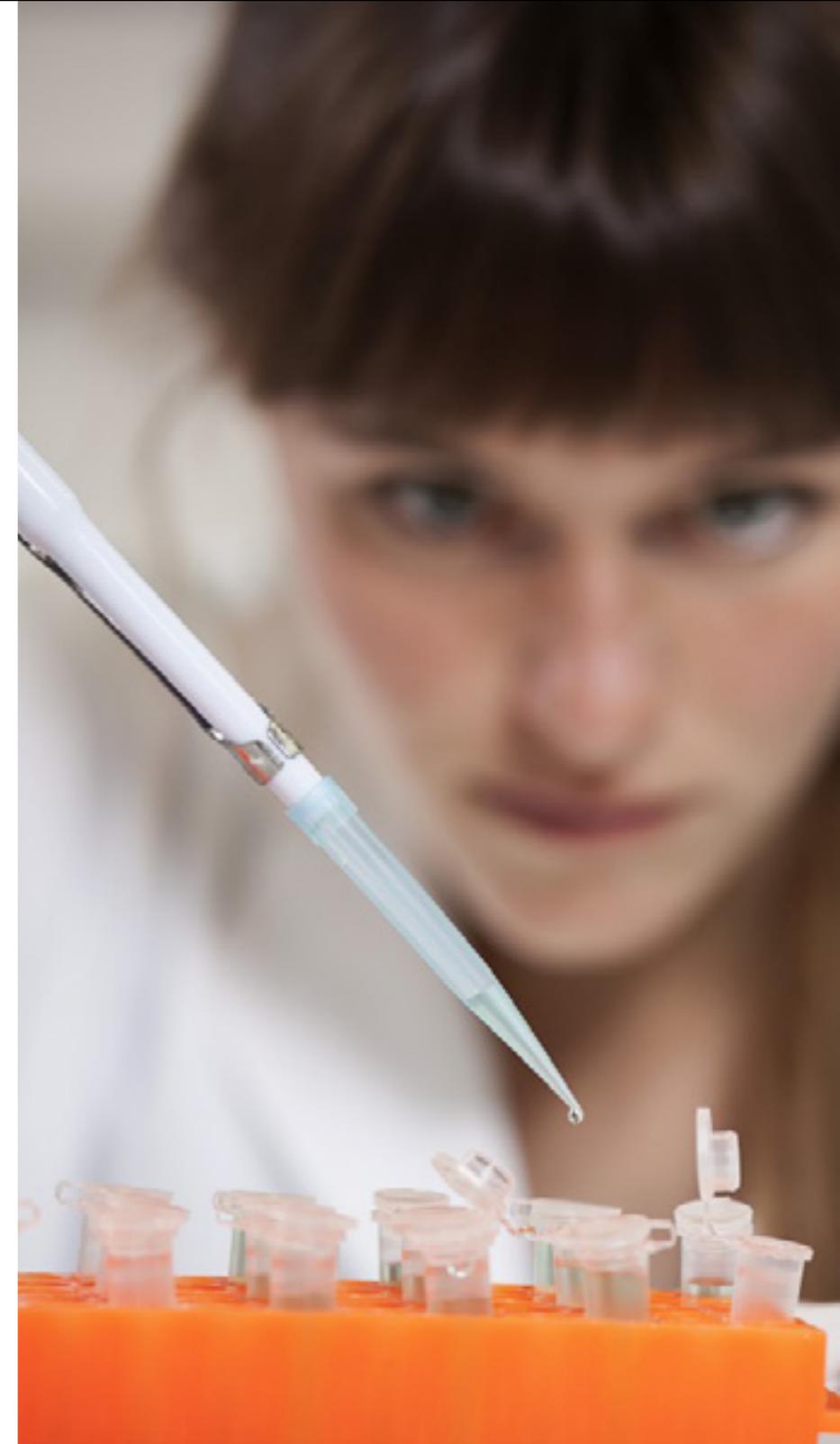
Two key components of this initiative include the Lilly Research Awards Program and the Lilly Innovation Fellowship Awards. Through both, Lilly scientists will collaborate with academic researchers on projects that will aid in the advancement of Lilly’s pipeline for the future.

Lilly Research Awards Program

The Lilly Research Awards Program brings together a diverse group of scientists worldwide in an effort to further the advancement of research in important therapeutic areas where Lilly has expertise, including neuroscience, cancer, diabetes, immune system disorders, and others.

Lilly Innovation Fellowship Awards

The Lilly Innovation Fellowship Awards foster postdoctoral career development through the selection of highly innovative research proposals. Lilly has created this program to broaden postdoctoral scientists’ training experiences and better prepare them for a broad range of careers, including in the pharmaceutical industry. The awards establish a precompetitive academic industry training partnership where a postdoctoral fellow and academic mentor are paired with a Lilly scientist to provide the industry resources that can enable the advancement of the postdoctoral scientists’ research proposal. In 2012, the Lilly Innovation Fellowship Awards will be by invitation only to applicants at academic research centers in the United States and the United Kingdom.





“Biopharmaceutical R&D is highly complex, and the formation of TransCelerate BioPharma, Inc. underscores our belief that the only way we can address industry-wide challenges is by coming together and sharing best practices, with the ultimate goal of accelerating the pace at which innovative medicines reach patients—whether from Lilly or others.”

Jan Lundberg, Ph.D.

Executive Vice President of Science and Technology, and President, Lilly Research Laboratories

LILLY COLLABORATES TO HELP ACCELERATE DEVELOPMENT OF NEW MEDICINES

Lilly is often in the midst of a clinical study for which it needs a competitor’s medicine for comparison. This can be a costly and time-consuming task, but one that is vital to determining the molecule’s safety and efficacy in relation to currently available treatments—especially in today’s environment where regulators are demanding differentiation from these currently approved medicines. What if the pharmaceutical industry could come together to develop a more timely and cost-effective solution to getting the necessary comparator medicines into clinical studies?

A new industry-wide coalition, TransCelerate BioPharma, Inc. (TBI), was formed to solve this challenge and others that aren’t possible for one pharmaceutical company to address on its own. TBI represents a first-of-its-kind development: a consortium of pharmaceutical companies collaborating—in a precompetitive environment. Lilly joins nine other partners as founding members of TBI, including Abbott Laboratories, AstraZeneca, Boehringer Ingelheim, Bristol-Myers Squibb, GlaxoSmithKline, Johnson & Johnson, Pfizer, Roche, and Sanofi.

Heads of research and development from the member companies will compose TBI’s board of directors, including Jan Lundberg, Ph.D., Executive Vice President of Science and Technology, and President of Lilly Research Laboratories. Members of TBI have identified clinical study execution as the initiative’s initial area of focus. Five projects have been selected by the group for funding and development. Member companies have agreed to equally share financial commitment, personnel, information, and risk in these areas, including:

- Development of a shared user interface for investigator site portals,
- Mutual recognition of study site qualification and training,
- Development of risk-based site monitoring approach and standards,
- Development of clinical data standards, and
- Establishment of a comparator drug supply model.



BIOETHICS

The Lilly Bioethics Program is designed to address the increasingly complex ethical challenges of global pharmaceutical research and development (R&D) in today's fast-paced biotechnology environment. The program promotes ethical research and drug development, safeguards the integrity of the scientific process, and protects patients' rights and well-being.

Promoting Responsible Human Research

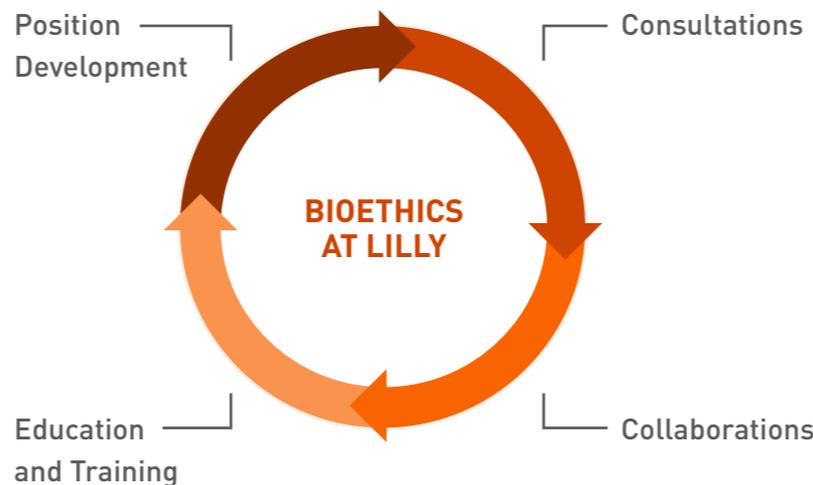
The purpose of the Lilly Bioethics Program is to assist employees in identifying and addressing bioethical issues related to Lilly's R&D activities. The program is an independent organizational unit within Lilly with full-time professional staff and a senior leader (the vice president of bioethics), all committed to promoting excellence in ethics. Support for the program also comes from the Lilly Bioethics Advisory Committee (BEAC) and the Lilly Bioethics Network (BEN).

The Lilly Bioethics Program comprises four core activities:

- Establishing and articulating company positions on key bioethics issues;
- Consulting with Lilly staff;
- Conducting internal education and training on bioethics; and
- Contributing to internal collaborative projects that integrate bioethics into R&D operations, as well as external projects that contribute to the advancement of the field of bioethics as it relates to pharmaceutical applications.

The Lilly Bioethics Advisory Committee and the Lilly Bioethics Network

The BEAC is a cross-functional volunteer committee comprising senior-level employees from areas within and outside of R&D, including medical, patient safety, discovery research, veterinary resources, legal, corporate affairs, and global brand development. Membership also includes two external academic bioethicists. Members take basic training in bioethics, provide advice on bioethics consultations, and offer input into company bioethics projects, such as the development of Lilly's official position on a bioethics issue. The BEN is an informal, voluntary, virtual community of more than 100 Lilly employees who are interested in developing their knowledge and skills in bioethics.



BIOETHICS PIONEER

Lilly was one of the first pharmaceutical companies to establish a standing bioethics committee (1999) and program (2008). Today, full-time professional staff helps to promote ethical practices throughout Lilly operations. In 2012, more than 17 senior leaders sat on the Lilly Bioethics Advisory Committee.



Lilly's Approach to Bioethics

Bioethics Framework for Human Biomedical Research: Lilly's Ethical Commitment Beyond Legal Compliance

Lilly strives to maintain the highest standards of ethical behavior in all aspects of the company's business, consistent with our brand. In 2010, to provide researchers with guiding principles and practical tools, Lilly developed a bioethics framework specifically to describe and evaluate the ethics of developing, conducting, analyzing, and disclosing results from studies involving human subjects. The framework incorporates company values, ethics principles from widely recognized global guidelines, and scholarly literature.

Lilly Bioethics Program members employ the bioethics framework when they conduct ethical analysis to answer consultation questions and develop bioethics positions.

Protecting Research Subjects' Rights in Clinical Trials

Lilly places paramount importance on the safety and well-being of individual research participants. Our bioethics framework is the basis for a single global standard that Lilly applies to the conduct of clinical trials worldwide. Our practices are consistent with

the Pharmaceutical Research and Manufacturers of America's Principles on Conduct of Clinical Trials, in addition to the applicable laws and regulations of the country or countries in which a study is conducted. In choosing locations worldwide to conduct clinical trials, Lilly considers the local prevalence of the disease under study and the medical research capabilities of the candidate institutions.

In addition, Lilly works with local ethics committees and/or health authorities, as appropriate, to ensure that conducting the proposed research in each location is scientifically and ethically justified. These decisions take into consideration:

- the risks and benefits for research participants,
- the relevance of the research to local health needs,
- the potential for the research to yield important scientific advances, and
- intent to register the drug in the host country.

Informed Consent

One key aspect of protecting research participants is the informed-consent process, designed to respect an individual's autonomy and protect an individual's freedom of choice. Each patient or volunteer who wishes to participate in Lilly-sponsored research is informed both verbally and in writing of the purpose, methods, and possible risks and benefits of a study, as well as the fact that he or she is free to withdraw from the study at any time and for any reason. The decision to volunteer for a study must be an individual choice, free from undue influences that might persuade a person to consent to greater than reasonable risk. To help ensure this, it is Lilly's policy that the promise of payments of money or other rewards not be so large as to unduly influence a prospective subject's decision. The individual's consent to participate in a study is documented by a signature of agreement. In the case of an individual who is not capable of giving informed consent, including children, the consent of a legally authorized representative may be obtained on behalf of that individual, provided that the study participant provides his or her assent to participate.



Summaries of Lilly's Positions

Stem Cell Research

Lilly believes in the scientific potential of stem cell research, but also acknowledges that there are conflicting views about the ethics of using stem cells derived from certain sources. To support scientific innovation, respect human life, and respect stakeholder views, Lilly uses stem cells that are derived from animals, and from human sources where appropriate informed consent and/or assent can be obtained and there is little risk of harm to the sample donor.

Human Biological Samples

Human biological samples have long been utilized in preclinical and clinical pharmaceutical research, but they play an increasingly important role in the post-human genome era. Specifically, DNA samples are essential to understanding how genome variations affect or are affected by pharmaceutical interventions. Because of the individualized information that can be extracted from DNA samples, Lilly commits to protecting and using data derived from samples in a responsible manner that minimizes the potential for physical, dignitary, discriminatory, or stigmatizing harms.

Use of Placebo Control

Lilly believes that the use of placebo controls in the development of new medicines can be scientifically valuable and ethically justifiable, provided the use of the placebo meets several key conditions and the decision to conduct a placebo-controlled trial is made after a careful analysis of scientific and ethical considerations, risks to research participants, and local regulatory requirements.

Compassionate Use of Investigational Medicines

Compassionate use refers to the authorized use of medicines that are still in the investigational phase of development, typically to treat serious and life-threatening diseases. Lilly develops medicine-specific guidelines for when such a request may be considered. In general, Lilly authorizes a compassionate-use program based on the investigational medicine's phase of development, benefit-risk profile, and probability and timing of regulatory approval.

For more information about Lilly Bioethics, visit: www.lilly.com/Responsibility/medicine-development/Pages/bioethics-program.aspx.

LILLY GLOBAL QUALITY ORGANIZATION

Lilly's global quality team is an independent organization within Lilly, comprising more than 2,400 individuals, including scientists, pharmacists, and other technical quality professionals. The team is involved in the entire lifecycle of the molecules we develop, working across all phases of drug development. The team's goal is to provide effective guidance and quality oversight, collaborating with colleagues in research and development and manufacturing, to assure regulatory and Lilly's quality standards and controls are followed.



LILLY QUALITY: PUTTING PATIENTS AT THE CENTER OF EVERYTHING WE DO

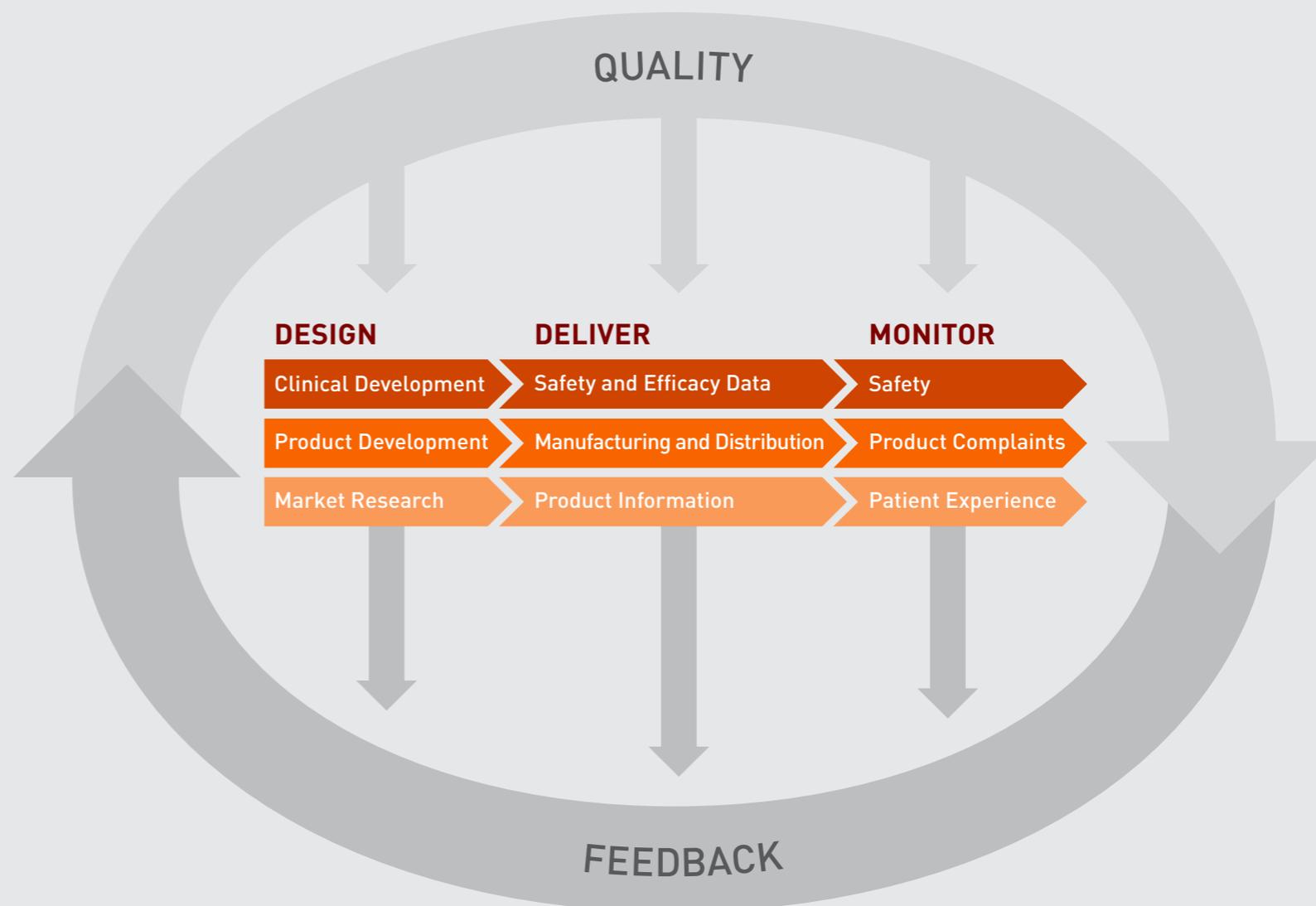
Lilly is known for superior quality—in our clinical trials, our products, and the information we provide to our customers. Producing quality medicines is our chief responsibility, and it is what protects the bond of trust between Lilly and our customers. Every day, we work to make sound decisions consistent with current regulations, science, and the best interests of patients. Our goal is to always carefully listen to patients and customers, and to respond through continuous improvement.

To meet the expectation of quality that is Lilly’s hallmark, our quality team updates and manages the Lilly Quality System, providing the foundational quality requirements for processes throughout the product development cycle. An integrated structure of standards, business processes, organizational, and management controls, the Lilly Quality System is designed to assure that high-quality medicine and information gets to every patient, every time. The system harmonizes quality approaches, as needed, among internal and external (contract) manufacturers of Lilly medicines, and provides the overall quality direction across the company.

To ensure we are able to meet these standards, Lilly’s quality organization provides on-site support as well as conducts an annual risk-based audit plan to oversee both internal Lilly and external partner operations. Audit results provide us with the knowledge we need to continue to make improvements to our quality controls and systems.

INTEGRATED GLOBAL QUALITY SYSTEM

The quality process is fully integrated into each and every stage of drug development: the design phase, the delivery phase and the monitoring phase.





GLOBAL MANUFACTURING

More than 6,000 individuals at 23 sites work in Lilly's global manufacturing organization. This group is responsible for the company's safe production of a continuous supply of high-quality medicine for patients worldwide. Global manufacturing partners with Lilly's business areas to help deliver value through a commitment to scientific excellence, quality, cost effectiveness, and integrity. To maintain continuous improvement, manufacturing consistently invests in the people, processes, and technology needed to ensure the quality people expect when they select a Lilly product.

ANIMAL CARE AND USE

At Lilly, we believe we have a moral, ethical, and scientific responsibility to ensure the welfare of animals used for any purpose by our company. Our policy and standards regarding the use of animals are based upon the U.S. Government Principles for the Utilization and Care of Vertebrate Animals Used in Testing, Research and Training.

To assess the potential safety, toxicity, and efficacy of compounds for human use, Lilly researchers must conduct in vivo studies when other acceptable alternatives do not exist. When conducting such assessments, all personnel must comply with our policy and with the following principles:

- Studies must be designed and conducted with due consideration for the relevance of the study to human or animal health, and to the advancement of knowledge.
- Animals must be provided with living conditions that are appropriate for the species and that will contribute to their health and well-being.
- Personnel who care for animals or who design or conduct animal studies must be appropriately qualified and trained.
- Animals must be treated humanely, with pain and distress eliminated or minimized.
- Animal testing will be performed after consideration of the three Rs: replace animals whenever scientifically valid and acceptable alternatives exist, reduce the numbers of animals used, and refine procedures to minimize distress.
- Studies involving animals must be designed and conducted in accordance with applicable country and local regulatory guidance.

It is our intent that all Lilly facilities are accredited by the Association for the Assessment and Accreditation of Laboratory Animal Care (AAALAC). AAALAC provides an independent review and confirmation of appropriate animal care and use. In the United States, Lilly's animal care and use committees approve and oversee animal use. Similarly, Lilly's ethical committee reviews animal usage in the United Kingdom.

DIVERSITY IN CLINICAL TRIALS

Minority populations have historically and consistently been underrepresented in clinical trials. As a result, important information about how medicines work in minority populations is not always available. This issue is critical because patients' responses to medicines can vary by ethnicity, lifestyle, and genetic background.

To help boost enrollment of diverse populations in trials and make trials more accessible to minority communities, Lilly has partnered with professional and advocacy organizations to launch awareness campaigns and set goals across our therapeutic and product lines to achieve greater diversity among patients enrolling in new clinical trials. Since 2008, we have introduced nearly 300 new clinical-trial sites in the United States in locations with minority patient populations of more than 25 percent.

Our outreach has included multiple presentations on the need for diversity in clinical trials to such organizations as the National Medical Association (NMA), the National Hispanic Medical Association (NHMA), the American Medical Association (AMA), the Education Network to Advance Cancer Clinical Trials (ENACCT), the AMA Commission to End Health Care Disparities, and the American Association for Cancer Research (AACR). We also have conducted several national, regional, and local panels reaching journalists, advocates, and healthcare providers concerning healthcare disparities and our clinical-trial diversity strategy.



BREAKING BARRIERS TO DIVERSE CLINICAL TRIALS

To help address barriers to access to trials, our clinical-trial diversity strategy includes the following activities:

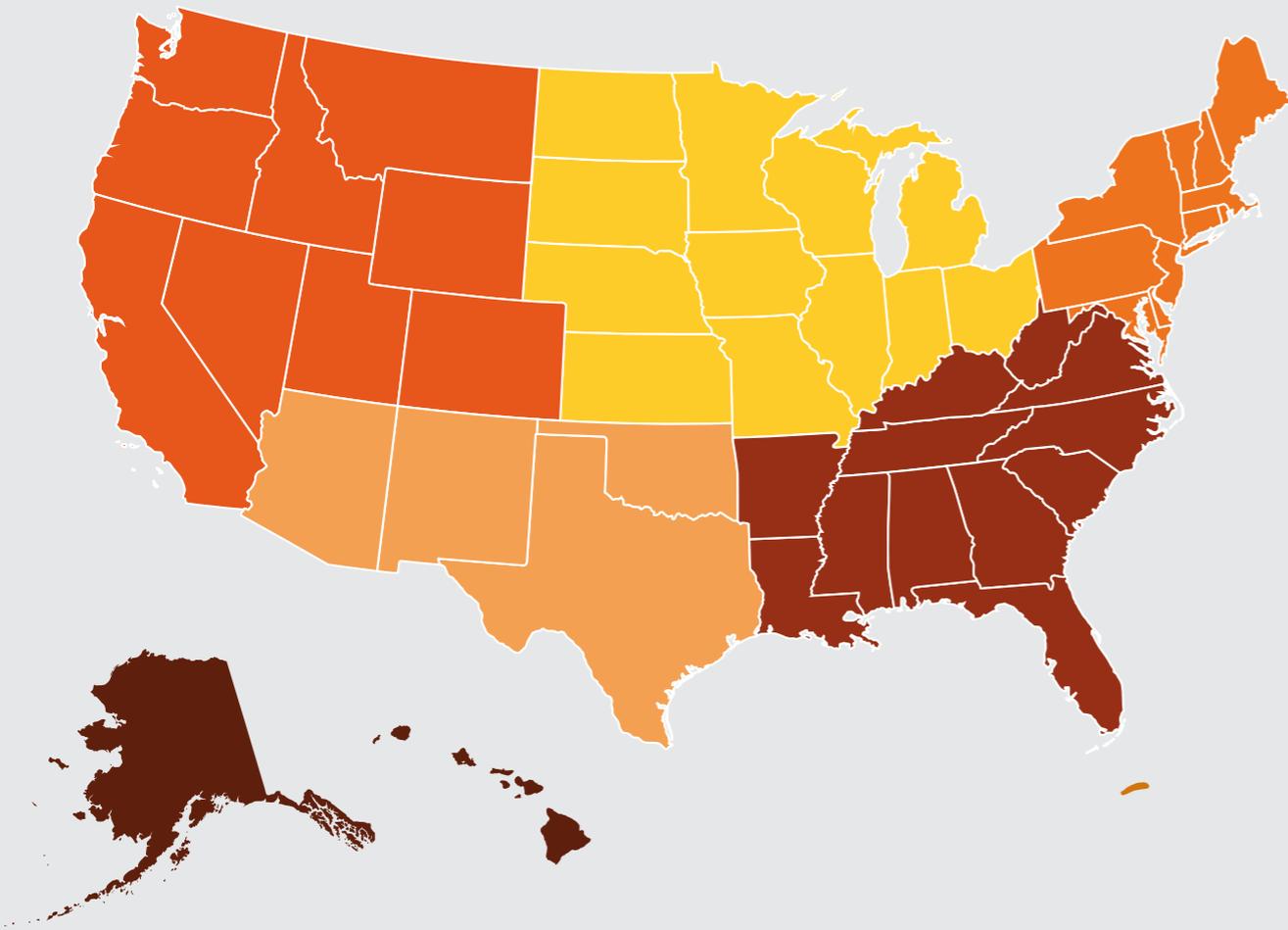
- Translating patient materials into Spanish,
- Providing physician education materials that include background on the different needs of distinct patient groups,
- Partnering with advocacy organizations to raise awareness about health disparities and the need for diversity in clinical trials, and
- Actively recruiting investigators with diverse patient populations.





LILLY DIVERSITY IN CLINICAL TRIALS IN THE UNITED STATES¹⁰

We need more diverse representation in clinical trials to gain insights for making medicines that are most effective for all people who use them. Lilly aims to better match the demographic composition of clinical test groups with the disease prevalence rate in the general population.



76

Sites in the West

36

Sites in the Northeast

37

Sites in the Midwest

95

Sites in the Southeast

26

Sites in the Southwest

5

Sites in Alaska and Hawaii

20

Sites in Puerto Rico

Sites as of 2012

¹⁰ A "diverse clinical site" is defined as any clinical-trial site where the patient population (of the medical practice, not necessarily who they enroll into trials) is more than 25 percent non-Caucasian.



TAILORED THERAPIES

Historically, medicine has been “one size fits all.” Increasingly, this is changing. Tailored therapeutics promises to deliver greater precision, higher value, and improved outcomes for individual patients, by using a variety of approaches to detect meaningful differences within patient populations and identify the right drug, at the right dose, for those patients.

Tailored therapeutics is in part technical: by using emerging technologies and capabilities, the pharmaceutical industry can move toward better and more predictable patient outcomes. It is also a strategy for enhancing the social value of medicines. All medicines have potential risks and benefits; tailoring allows us to use real-world data and information, and input from those closest to patients, to develop therapies that offer the most value to individuals and to society.

GLOBAL PATIENT SAFETY

Lilly’s global patient safety organization is a team of more than 300 individuals, including physicians, pharmacists, nurses, and other drug-safety professionals. This group leads the company’s efforts to report adverse events and continuously monitor the safety of Lilly’s products through their entire lifecycle, including the identification of changes in the benefit/risk balance.

EDUCATING PATIENTS

When a regulatory agency approves a medicine, it has concluded that, for the overall public, the medication’s benefits outweigh its risks for the conditions outlined in the product label. Still, accurate and up-to-date safety information is critical for healthcare providers and patients to best decide how and for whom a medication should be used. Lilly’s role in risk management centers on helping healthcare providers make informed decisions about how and when a medicine should be used, how to monitor the patient for potential adverse events, and how to communicate to the patient about proper use of the medication. In January 2010, Lilly launched a Patient Safety website (www.lilly.com/products/patient-safety) to educate key external stakeholders about the role the pharmaceutical industry, the FDA, physicians, and patients play in ensuring medicines are safe and effective.

“Lilly’s goal is to help improve individual patient outcomes. Because medicines don’t work the same for everyone, we need to understand how medicines work and the safety profile in the patients likely to take them. And because culture can strongly influence how patients define health perception, lifestyle choices, and healthcare seeking behaviors, we need to understand relevant cultural differences that impact patient outcomes.”

Coleman Obasaju, M.D., Ph.D.

Senior Medical Director, Lilly Oncology, and
Global Leader, Diversity in Clinical Research



05

SUPPORTING STRONG WORKPLACE PRACTICES

More than a century ago, Colonel Eli Lilly's vision and his commitment to patients, employees, and communities set a strong tone for our company that continues today. Our business has prospered over 136 years because of our people—people with a talent for innovation and a passion for making a difference by finding treatments for the most stubborn diseases; people whose talent is matched by their generosity; and people with strong values and a determination to prevail, regardless of the challenges.

DEVELOPING OUR WORKFORCE

Colonel Lilly's values—integrity, excellence, and respect for people—continue to shape our practices. We strive to provide our employees an engaging and rewarding working environment built on a foundation of trust. We believe we have created a workplace with fair labor practices, where employees are respected for their contributions.

As a pharmaceutical company, our mission is to make medicines that help people live longer, healthier, more active lives. Our employees are essential to us accomplishing that mission. The early leaders of our company recognized that actions do speak louder than words—particularly where employees were concerned. "Intellectual capital" may be the modern term for it, but even early on, Lilly management understood that the knowledge and skills of Lilly people were the company's most important assets.

Today, we offer our workforce competitive compensation and benefits packages, and provide a wide variety of opportunities for personal growth. We aim to create an environment where employees can balance work and personal life responsibilities. We provide employees with opportunities to build careers that reward them personally and professionally, while helping our company advance its vision to improve patient outcomes.

In our business, effective leadership is essential, so we have created programs and activities designed to build leadership skills. Our long-term responsibility is to ensure Lilly has a talent pipeline for the future. Just as Lilly has to think many years in advance to plan our drug pipeline, we need to do the same for our "people pipeline."

Effective employee collaboration is critical to Lilly's success, and we work to engage our employees, and foster and promote teamwork. Even in a challenging business environment, we believe it's important to invest in employee development with programs such as Connecting Hearts Abroad. This program invites 200 employees a year to volunteer, on company time, for two weeks in 10 countries where people lack access to basic resources, including quality health care.

Privacy Concerns

We were the first in our industry to formally implement a policy to protect the privacy of our employees' genetic information, with the goal of ensuring that such information cannot be used to discriminate in employment and benefit-related decisions.

Freedom of Association

We recognize the importance of freedom of association in the workplace and respect the right of our employees to join associations of their choosing. Lilly interacts with works councils and unions in several countries outside the United States; we support these bodies and work productively with them. The vast majority of our workers globally are not covered under traditional collective bargaining agreements. In some countries where we operate, governments mandate working conditions, such as salary increases, minimum wages, bonuses, number of weekly working hours, vacation time, and overtime rates. These vary by country, and we follow these mandates wherever they are required. Several of our affiliates have employee councils that meet monthly with management to discuss workforce-related issues that directly impact them, such as company policies and organizational changes.

WORKPLACE AWARDS

We're frequently ranked as one of the best companies in the world at which to work. Some recent recognition includes the following:

Top 50

COMPANIES FOR DIVERSITY

Lilly ranked 29th out of 587 companies that completed the *DiversityInc* survey (2012). This was the second time Lilly made the Top 50 list.

Top 100

BEST PLACES TO WORK

Best Places to Work Hall of Fame, *Working Mother* magazine (1995–2012)

Best Places to Work

CORPORATE EQUALITY INDEX

Perfect score of 100 (2006–2012), Human Rights Campaign. The index measures an organization's efforts toward creating an equitable environment for lesbian, gay, bisexual, and transgender (LGBT) employees.

Top 25

GLOBAL COMPANIES FOR LEADERS

Lilly was ranked among the top 25 in 2009 and 2011 by Aon Hewitt, in partnership with *FORTUNE* and The RBL Group.

Top Company

FOR EXECUTIVE WOMEN

National Association of Female Executives (2009–2012)

Top Company

FOR WORKING FAMILIES

Lilly was cited as a model of workplace flexibility for employees. *DiversityInc* (2012)

Workplace Excellence Award

Finalist, Out & Equal (2012)

Best in Class

EMPLOYERS OF ASIAN PACIFIC AMERICAN PROFESSIONALS FINALIST

Asia Society (2012)

TOP COMPANY FOR WORKING FAMILIES

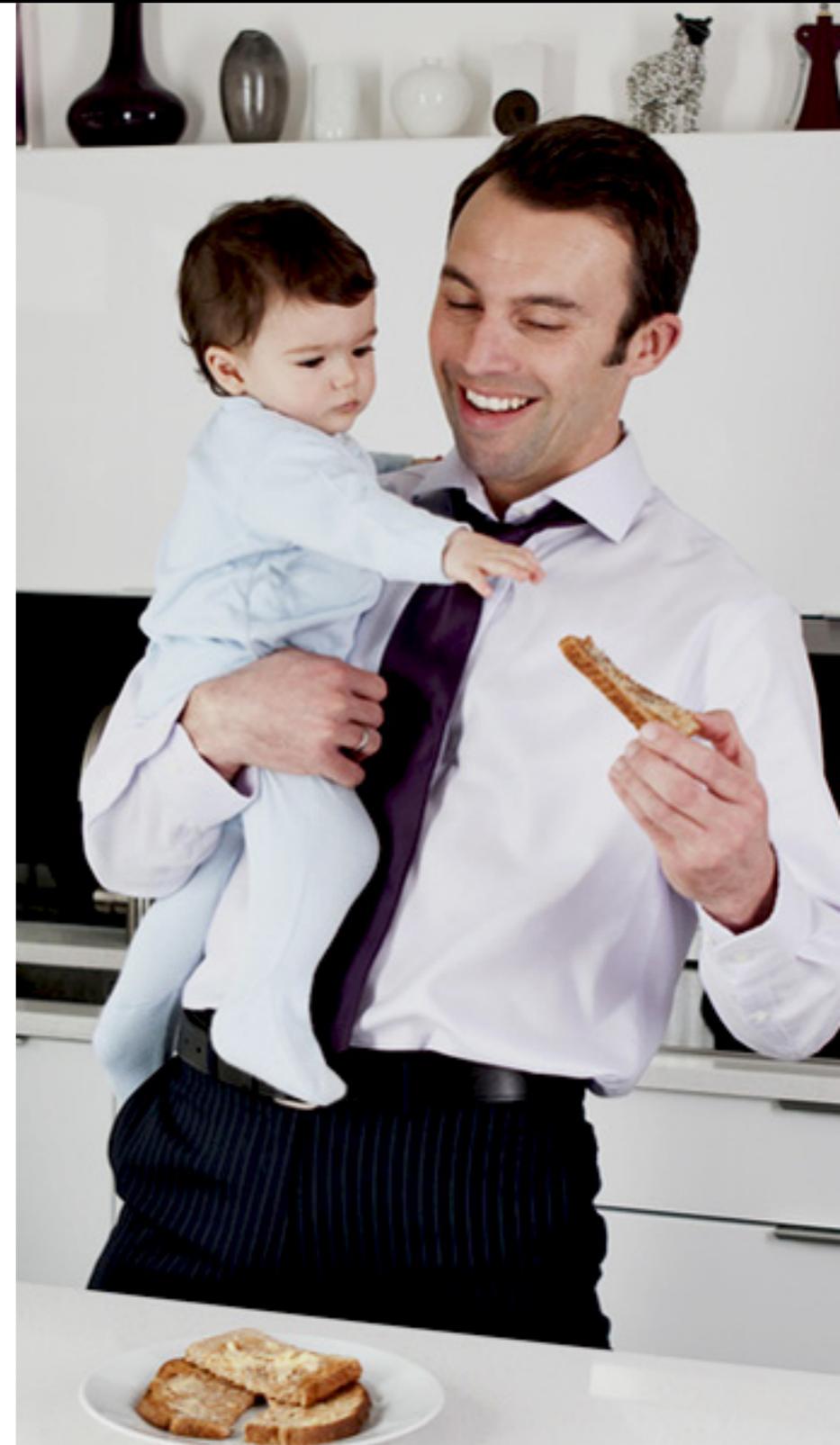
In 2012, *DiversityInc* named Lilly as the Top Company for Working Families. The diversity assessment firm honors a select group of companies each year for leadership and innovative solutions that demonstrate the next wave of diversity-management success. In particular, Lilly was honored for being a model of workplace flexibility for employees.

“Lilly recognizes the critical importance of work-life integration tools to address the diverse needs, expectations, lifestyles, and work styles of employees, allowing them to be the most effective.”

John C. Lechleiter, Ph.D.
Lilly Chairman, President, and Chief Executive Officer

Globally, Lilly offers a number of programs, varying by location, to assist employees in maintaining work-life flexibility. These include flexible work arrangements, personal leaves, on-site health services/fitness centers as well as on-site child care, credit unions, dry cleaners, and family support programs.

For Lilly, flexibility is about being able to recruit and retain the best talent in a competitive marketplace, preparing for the changing environment, and reducing costs related to absenteeism. For our employees, flexible work schedules can lead to reduced stress, better health, and a stronger focus on work. Overall, flexibility leads to improved levels of employee engagement, which drives productivity.



DIVERSITY AND INCLUSION

At Lilly, embracing diversity is at the core of our long-held value of respect for people. It is the lens through which we understand and respond to the unique needs of the millions of individuals who depend on our medicines. We're proud of our diversity and the essential role it plays in helping us accomplish our mission: making medicines that help people live longer, healthier, more active lives.

Creating and maintaining a nondiscriminatory work environment is a key priority for us at Lilly. Our Code of Business Conduct, which we call "*The Red Book*," requires employees to "behave so that the workplace is free of improper conduct and harassment, and other inappropriate forms of discrimination." (For more on *The Red Book*, see [page 08](#).) For Lilly employees, embracing diversity means understanding, respecting, and valuing differences, including but not limited to race, religion, gender, sexual orientation, work style, national origin, and age.

Lilly works to attract and retain talented employees who bring the varying perspectives and skills we need to operate on a global level. Diversity fosters creativity, creativity drives innovation, and innovation leads to better patient outcomes and enhanced business success. Without diverse ideas, we simply cannot remain viable in a rapidly changing environment.

We partner with advocacy groups, professional societies, community organizations, public and private healthcare administrators, and others to help reduce health

disparities and address the unique healthcare needs of all communities. Our diversity commitment extends through the full spectrum of our business, including our clinical-trial strategy and our supply chain.

We are working to further embed diversity within the culture at Lilly by integrating it into every aspect of our business—from marketing practices to how we hire our employees—and we're seeing good results. For example, we have twice been named to *DiversityInc*'s list of "Top 50 Companies for Diversity," which is widely recognized as the premiere third-party diversity assessment in the United States. In the 2012 list, Lilly ranked 29th out of 587 companies that completed the survey. *DiversityInc* also cited Lilly in 2012 as a model of workplace flexibility for employees (see [page 33](#).)

We recently have stepped up our diversity and inclusion efforts with a more visible and business-based commitment that focuses on people in all areas of our global organization. In our manufacturing arena, for example, we're promoting the effort under the banner "What Makes You Unique Makes Us Stronger." We're developing and adopting a formal business case for diversity and inclusion based on the notion that every person and every decision counts.

We also have increased our leaders' accountability for developing diverse talent. Our senior leaders have performance objectives focusing on mentoring and career-path planning for women and diverse employees globally.

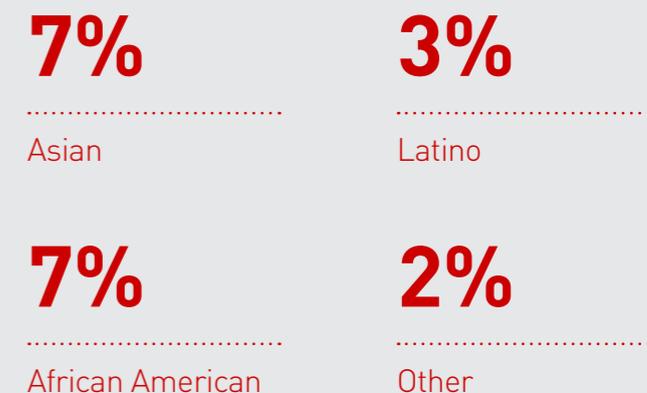
U.S. WORKFORCE, 2011



GLOBAL WORKFORCE, 2011



MINORITY EMPLOYEES (19% OF U.S. WORKFORCE)



Fighting for Inclusion

We are proactive in working in the legal system to ensure that the communities in which we operate are open and welcoming. We are coming from the perspective of a large Indiana employer with a global and diverse workforce.

Many of Lilly's employees are scientists, medical doctors, pharmacists, and engineers who are critical to the research and development of new medicines. We recruit worldwide for these highly skilled people in an intensely competitive environment for excellent employees. Our ability to thrive in our home state of Indiana is dependent on an environment that is welcoming.

That is why we continue to raise our voice in opposition to a proposed Indiana constitutional amendment that bans same-sex marriages and civil unions. Lilly views this proposed amendment as harmful and overreaching. In addition to restricting marriage and civil unions, it could pose challenges to the extension of domestic partner benefits. This amendment is harmful to Lilly as we seek to attract and retain great talent, and is detrimental to Indiana's efforts to be a life sciences leader, which requires a critical mass of world-class talent in the private sector and at our academic institutions. Lilly is prepared to continue our strong advocacy against having this unfair language incorporated into Indiana's highest legal document.

HEALTH, SAFETY, AND WELLNESS

Protecting the health and safety of our employees is one of our foremost priorities and is consistent with our company value of respect for people. In 2008, Lilly established goals to reduce employee injury rates by 50 percent by the end of 2013, compared to 2007 (see data [page 37](#)). To meet these injury reduction targets, we've focused on situations that pose the greatest risks for our employees worldwide: slips, trips, and falls; motor vehicle collisions; and ergonomic risks.

Not only were the goals both aggressive and aspirational, they accomplished what we hoped they would: a change in workplace behaviors and a reduction in the severity of injuries across our global operations. At the end of 2011, we had reduced the rates of serious injuries and lost-time injuries by 24 percent since 2007. The motor vehicle collision rate (per million miles), meanwhile, dropped by 7 percent during the same time period. Despite solid progress, we're currently not on track to meet our 2013 reductions.

Our injury prevention efforts have been impeded by several challenges. For example, as our health and safety programs have matured in our facilities in emerging markets, we've seen more consistent reporting of work-related injuries and illnesses globally. This means that our serious injury rates are not declining as quickly as we would like them

“Women are an important customer since they make the majority of healthcare decisions for themselves and their families. To understand and meet those diverse needs, we need to make sure everyone has the opportunity to contribute and lead.”

Eiry Roberts, M.D.

Chair of the Lilly Women's Network,
and Vice President, Lilly Bio-Medicines

“We believe diversity is critical to innovation. Our inclusion on the *DiversityInc* list of the “Top 50 Companies for Diversity” is a great honor and validation of our efforts to create an environment where innovation can flourish.”

Shaun Hawkins
Chief Diversity Officer

2013 GOALS¹¹**50%**

Reduction in serious injury rate

50%

Reduction in lost-time injury rate

50%

Reduction in motor vehicle collision

to—not because more people are getting hurt, but because injuries are being reported with greater integrity. We want all of our locations to report injuries when they happen so we can learn from the incidents and help avert similar episodes in the future.

Ergonomic improvements have been a key priority for us in recent years. We've been focusing on ways to adjust the job to fit the employee, rather than the other way around. We're integrating ergonomic design criteria into capital improvement projects within the workplace, and we routinely host training sessions for employees in all types of job categories. In 2011, Lilly invested millions of dollars in capital projects and professional services to implement employees' ideas, further improving ergonomic conditions in offices, laboratories, sales fleet, and manufacturing plants.

In June 2011, Lilly made a renewed investment in the well-being of our employees through the launch of a new global compensation and benefits program, including the formation of a wellness and productivity team. The team has direct responsibility for U.S. wellness strategy, work-life operations, health management and promotion, and employee activities, as well as leaves and disability. There are similar wellness teams at several of our international locations.

Early on in the formation of the wellness and productivity team, we realized that our mission as an organization needed to mirror what we call the Lilly Promise. Part of that promise is our commitment to making medicines that help patients live longer, healthier, more active lives. We need to do the same for our employees and their families in recognition that we experience the same individual stresses, issues, and challenges as all others.

When people hear the term "wellness," they often think about the physical aspects of health and fitness. To fulfill our promise to employees, we thought it was important to broaden this view of wellness by promoting the multiple dimensions that contribute to personal well-being: physical, financial, social, career, and community. In 2012, we launched Fit for Life, a set of tools and resources to help employees not only better manage their health but also identify those things that can contribute to a more healthy and active life. Some of the Fit for Life offerings include the following: free health screenings, well-being assessments and plans, health coaching, and access to fitness centers.

In 2011, we continued to push toward reducing the rate of motor vehicle collisions involving our sales teams, who spend much of their time on the road. Through our motor vehicle safety program, thousands of Lilly sales representatives have received behind-the-wheel training

¹¹ Goals are based on a 2007 baseline. The serious injury rate is defined by the number of work-related injuries and illnesses that require medical treatment beyond immediate first aid per 100 employees working full-time for a year. The lost-time injury rate, which reflects the severity of serious injuries, equals the number of serious injuries that result in an employee missing at least one day of work, per 100 employees working full-time for a year.

on how to be better defensive drivers. We emphasize the importance of maintaining a safe operating distance between vehicles and of avoiding distractions, such as texting or talking on a cell phone, that impede focused driving.

We're pleased to report that we had no work-related employee fatalities during 2011. Lilly continues to emphasize prevention of catastrophic events. We've recently begun identification, assessment, and management of everyday workplace risks that, if done incorrectly or out of sequence, can result in serious injuries or death. We expect to standardize such evaluations across the company over the next several years.

We want our employees to be healthy and productive at Lilly and in their lives outside of work. Our robust management systems, rigorous health and safety programs, and emphasis on employee engagement serve as the cornerstones to success in reducing injuries.

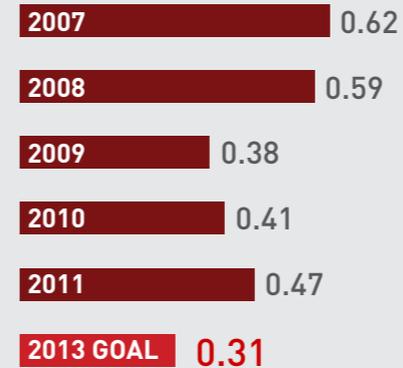
SERIOUS INJURY RATE¹²

per 100 employees



LOST-TIME INJURY RATE

days (or) workdays per 100 employees

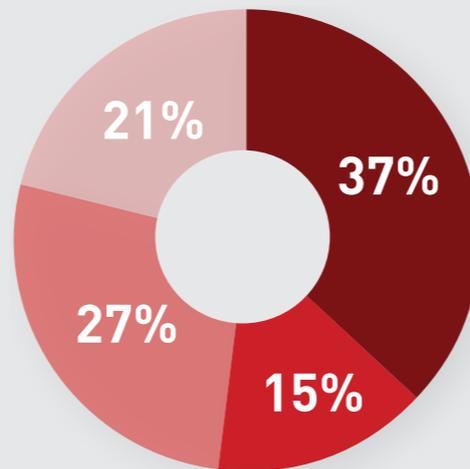


MOTOR VEHICLE COLLISION RATE

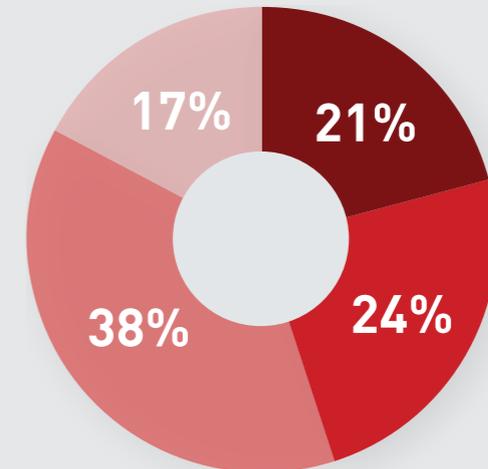
collisions per million miles driven



SERIOUS INJURY ACCIDENT CATEGORY



LOST-TIME INJURY ACCIDENT CATEGORY



■ Sprain/Strain/Ergonomic Risk ■ Slip/Trip/Fall ■ Motor Vehicle Collision ■ Other

¹² 2013 goal, 2007 baseline for all three workplace-related metrics. Some health and safety data from prior years were adjusted slightly due to updated data collection.



06

LILLY AROUND THE WORLD

Lilly has a robust history of community involvement and we believe we can make an impact that extends far beyond the medicines we make. Many of our donations—including those provided through The Eli Lilly and Company Foundation—focus on improving access to medicines and quality health care. Our company donates substantial amounts of products and cash every year, and our employees volunteer their time and skills to scores of charitable causes and programs. Our animal health division, Elanco, focuses on hunger relief and is developing the technology needed to feed a growing world population. Elanco has committed to sustainably end hunger for 100,000 families globally through a partnership with the nonprofit Heifer International.



LILLY GLOBAL COMMUNITY GIVING



\$30
million
philanthropic
commitment

THE LILLY MDR-TB PARTNERSHIP

China, Russia, South Africa, India

This public/private initiative works to tackle multidrug-resistant tuberculosis in high-burden countries. In 2011, Phase III launched with a \$30 million philanthropic commitment over five years from The Eli Lilly and Company Foundation.

6,500
families helped

ELANCO'S HUNGER COMMITMENT

Zambia, China, Indonesia

Our Elanco animal health division has committed to end hunger for 100,000 families—or 600,000 individuals—globally by 2025 through a partnership with Heifer International. At the end of 2011, nearly 6,500 families had been helped.

800
thousand vials
of insulin

LIFE FOR A CHILD

Sub-Saharan Africa, Asia, South America

We have committed to donating more than 800,000 vials of insulin to the International Diabetes Federation's "Life for a Child" program between 2008 and 2013. As of the end of 2011, Lilly had donated nearly 350,000 vials to help children who have no access to diabetes treatment.



CHARITABLE CONTRIBUTIONS WORLDWIDE

In 2011, we gave more than \$590 million in charitable contributions (including cash, products, and other in-kind donations) to organizations around the world.



DISASTER RELIEF

We gave approximately \$2.5 million in donations in 2011 following natural disasters.



GLOBAL DAY OF SERVICE

Our annual Global Day of Service is among the largest single-day volunteer initiatives of any U.S. company. In 2011, we logged more than 98,000 volunteer hours in 40-plus countries. In Indianapolis, we planted more than 3,000 trees and applied 500 gallons of paint.

\$30
million over
five years

THE LILLY NCD PARTNERSHIP

Brazil, India, Mexico, South Africa

The Lilly NCD Partnership, launched in 2011, provides \$30 million over five years to fight the rising burden of non-communicable diseases (NCDs) in developing nations.

200
Lilly ambassadors

CONNECTING HEARTS ABROAD

Asia, Africa, Central and South America

Our signature Connecting Hearts Abroad program sends 200 "Lilly Ambassadors" each year on two-week assignments to provide assistance in developing communities.

\$850
thousand
contributed

GLOBAL GIVING PROJECTS

Guatemala, Haiti, Thailand, Turkey, Zambia

The Eli Lilly and Company Foundation and nearly 14,000 Lilly employees contributed more than \$850,000 in support of more than 800 Global Giving projects in countries around the world.

The programs captured on these pages represent some of our biggest philanthropic initiatives. Details of other community efforts can be found in our [2010 CR report](#)



COMMUNITY GIVING IN THE UNITED STATES



\$2.5 million

education-focused grant to improve public education

MIND TRUST GRANT

Indianapolis

Our largest-ever education-focused grant (\$2.5 million) to The Mind Trust is helping improve public education for underserved children in Indianapolis through programs such as Teach For America and a novel charter school incubator.



240,000

additional meals served in 2011

CHILDHOOD HUNGER INITIATIVE

Indianapolis

Elanco actively engages and supports the Indianapolis Childhood Hunger Initiative. With Elanco's help, 240,000 additional meals were served in 2011.



2,000

teachers supported financially and strategically

STEM PROGRAM

Indiana

Lilly is financially and strategically supporting the implementation of the Indiana Science Initiative in our home state, supporting 2,000 teachers serving 40,000 students. In 2011, the Lilly Science Coaches program—a volunteer program reinforcing inquiry-based learning—trained 120 Lilly scientists and matched them to 120 teachers in Marion County.



20,000

pounds of watermelon grown and harvested

GOLDEN HARVEST

Augusta, Georgia

Elanco employees grew and harvested more than 20,000 pounds of watermelon and 6,000 pounds of pumpkins on land owned and managed by Elanco Augusta to benefit Golden Harvest, a local food bank.



07

ENGAGING WITH PATIENTS

We understand the health challenges that patients and their families face, and we provide hundreds of millions of dollars in product donations each year to help. But product contributions tell only part of the story. Here at Lilly, we work to go beyond medicine to help patients improve their health and manage their diseases. We believe an informed patient is a better participant in his or her own care, and can achieve better health outcomes than a patient with access to less information.



SUPPORTING PATIENTS

We support and partner with numerous local and national organizations, including those addressing multicultural health disparities, to improve patient care. In the United States, for example, minority groups often suffer heightened rates of certain diseases, including diabetes, which is one area of therapeutic focus for us. Our prevention-related interventions include materials printed in multiple languages for traditionally underserved communities.

Not everyone who needs our medicines is able to get them. In the United States, Lilly TruAssist (www.lillytruassist.com) provides access to products for eligible patients through several patient-assistance programs. The majority of our product donations are made through TruAssist, which serves as the umbrella program for Lilly's many patient-assistance efforts. Our programs typically focus on our core areas of expertise, including cancer, diabetes, and mental illness. We support many initiatives, including the following examples:

Oncology On Canvas

The *Lilly Oncology On Canvas: Expressions of a Cancer Journey* Art Competition and Exhibition honors the journeys people face when confronted with a cancer diagnosis. The biennial competition invites individuals diagnosed with any type of cancer—as well as their families, friends, caregivers, and healthcare providers—to express, through art and narrative, the life-affirming changes that give their cancer journeys meaning. The result is a compelling art collection that provides insights into the wide range of emotions experienced by those touched by cancer.

F.A.C.E. Diabetes Campaign

The Fearless African Americans Connected and Empowered (F.A.C.E.) Diabetes campaign is a grassroots movement to help African Americans overcome key barriers to success in living with type 2 diabetes. African Americans are disproportionately affected by the disease. According to the American Diabetes Association, African Americans in the United States are 1.8 times more likely to have diabetes than non-Hispanic whites. About one-quarter of African Americans between the ages of 65 and 74 have the disease. Supported by Lilly, the [F.A.C.E. Diabetes campaign](#) offers programs and tools to help people make lifestyle changes to manage their disease.

Type 1 Diabetes: Collaboration with Disney

A child's diagnosis of type 1 diabetes (T1) can be overwhelming, and caregivers often question if they will ever be able to get their families back into any kind of daily routine. Both parents and the child may feel the diagnosis is the end of their future hopes and dreams. This customer understanding served as the foundation for the Lilly diabetes business unit to partner with one of the most powerful brands in the world: Disney. Launched in 2011, the collaboration offers healthcare providers and families a variety of fun and informative books for children and "tweens," including Coco, the first Disney character with T1. Lilly and Disney also offer [dynamic content](#) that provides support and practical everyday tips for families with T1. Response from customers to date has been overwhelmingly positive, and the collaboration will be expanded to multiple international markets.



Diabetes Conversations

Created by Healthy Interactions in collaboration with the International Diabetes Federation, Lilly Diabetes sponsors the Diabetes Conversations program, featuring Conversation Map™ education tools. This innovative education method uses a unique, visual approach to facilitate interactive group participation and empower people with diabetes to become actively involved in managing the disease. The education tools, available in 35 languages, have been launched in more than 110 countries since 2008.

Camp Care Package

For more than a decade, Lilly has been one of the largest providers of insulin and glucagon, educational materials, volunteers, scholarships, and special guests to diabetes camps through the comprehensive Lilly Camp Care Package. In 2011, 104 diabetes camps participated in the Camps in Color program, an art-therapy-based initiative for children. Requesting camps received \$2.4 million in insulin product and more than 19,000 educational bookbags. Lilly also provides camp tuition support through its partnership with the American Diabetes Association.

Reintegration Awards and Scholarships

Founded in 1997, the Lilly Reintegration Scholarship is a program that helps persons with bipolar disorder, schizophrenia, and related schizophrenia-spectrum disorders by providing funding for tuition, lab fees, and books so they may pursue and achieve their educational and vocational goals. An independent judging panel comprised of psychiatric care professionals reviews the applications and chooses the qualifying scholars.

Lilly for Better Health™

Lilly for Better Health is a patient-focused resource available to community and health advocacy organizations, public and private healthcare providers, policymakers, and others interested in improving the health and well-being of their communities. Lilly for Better Health includes a website, conference exhibits, and printed materials, and reaches tens of thousands of customers directly each year at community events, programs, and healthcare conferences, offering valuable education materials and interactive assessment tools on a variety of health topics. In 2010, we distributed more than 450,000 patient-education resources to individuals and organizations.

The website, which was updated in 2011, spotlights Lilly partnerships and programs that focus on wellness, prevention, and disease management and offers on-demand access to health education materials. Many Lilly for Better Health resources are available in both English and Spanish, with select tools in Mandarin.





08

FOSTERING ENVIRONMENTAL SUSTAINABILITY

The medicines we make require the use of valuable resources, including energy, water, and raw materials. How we operate our business today can have a long-lasting impact, so Lilly takes a broad approach to understanding and managing our environmental impacts across the product life cycle. We are committed to conducting our business in a patient-centered and an environmentally, socially, and financially responsible manner.



OUR COMMITMENT AND APPROACH

Our performance in meeting our environmental goals demonstrates our commitment to reduce our environmental footprint. We believe that implementing innovative, cost-effective, more sustainable solutions is a powerful and ongoing source of business value.

This section covers the broad range of our environmental activities, from our approach and management systems, to our work addressing environmental issues across our business, to performance data and examples illustrating progress.

\$18 MILLION

Return realized by Lilly during 2011 for all projects implemented so far through the Energy, Waste, and Natural Resource Reduction Fund

\$32 MILLION

Approximate cumulative reduction in energy spending from 2008-2011, helping Lilly to avoid nearly 240,000 metric tons of CO₂e emissions

143 MILLION LITERS

Amount of water saved per year at our Speke, United Kingdom, manufacturing facility, following enhancements to antibiotic production processes

10

Number of sites globally that reported zero landfill status in 2011¹³

¹³ A site may achieve "zero landfill" status if less than 0.5% of its generated waste is sent to landfill.



A LIFE CYCLE APPROACH

Each stage of the pharmaceutical product life cycle includes distinct environmental, health, and safety impacts and offers opportunities for improvement. This graphic provides an overview of our work to reduce the potential impacts from our operations.



RESEARCH AND DEVELOPMENT

We consider environmental factors from the earliest stages of design and development. Our design for environment initiatives include green chemistry, environmental product-risk assessments, and an Environmental Development Review process to evaluate potential environmental issues and opportunities during the scale-up of medicine production to manufacturing levels. See [page 49](#) for more information.



MATERIALS AND NATURAL RESOURCES

Lilly, customers, and governments worldwide are increasingly focused on the materials and chemicals used to make products. We work to consume less materials, water, and other natural resources when possible.



MANUFACTURING

Measuring, reporting, and reducing Lilly's environmental impacts from manufacturing are central to the company's environmental sustainability program. Our manufacturing health, safety, and environment (HSE) committee oversees compliance with applicable HSE regulations, policies, procedures, and standards, while making certain that we drive continuous improvement throughout the manufacturing organization. See [page 51](#) for more information.



SALES AND MARKETING

Lilly continually works to improve the fuel efficiency of our sales force vehicles, to meet our internal target to reduce overall fleet fuel use 10 percent globally by 2013. At Lilly sales and marketing offices worldwide, we've established projects to reduce energy use while increasing employee environmental awareness and action.



PRODUCT TRANSPORT AND PACKAGING

Lilly's packaging guidelines—which cover areas such as reducing materials use, using lower-impact materials, and enhancing packaging recyclability—help us incorporate sustainability considerations into packaging decisions. We track the greenhouse gas (GHG) emissions of our product transportation and distribution vendors, and work with them to reduce those impacts. See [page 50](#) for more information.



PRODUCT USE

Lilly is committed to understanding the potential effects of pharmaceutical products in the environment as well as in humans. We support using science-based evaluations to assess and reduce the environmental risks of our pharmaceutical products. Through collaborations with industry partners, academic researchers, and regulatory agencies, we continually work to further understand and proactively address any potential impacts from the production, distribution, use, and disposal of our products. See [page 50](#) for more information.



PRODUCT END-OF-LIFE

Medicines are intended to be used in their entirety by patients, and unused medicines cannot be recycled. As a result, models of take back, reuse, and recycling in other sectors, designed to capture value from products after use, should not be applied to our industry. We are working with customers and partners to ensure cost-effective approaches are available for product end-of-life disposal that balance environmental risk, patient privacy, legal compliance, and security. See [page 50](#) for more information.



How We Manage Environmental Issues

Policies and Standards

Several policies and standards define our commitments and guide our efforts in this area:

- Our **Global Policy on Health, Safety, and the Environment** sets environmental expectations related to compliance and environmental protection for our people and operations.
- Our **Environmental Standard** provides more detailed requirements and establishes the core governance requirements to manage significant environmental and energy-related aspects of our operations.
- Our **Management System Standard and Verification and Corrective Action Standard** define requirements to ensure compliance with Lilly HSE standards, applicable regulatory requirements, and other external HSE standards to which the corporation subscribes.
- Our **Global Engineering Standards** govern many environmental aspects of our operations, such as energy use and GHG emissions.
- Our **Product Stewardship Standard** provides a systematic way to manage product and process risks in our supply chain and our operations, and during the use of our products.

HSE Governance

Lilly's formal HSE governance structure ensures that HSE issues management is integrated company-wide. Our global HSE committee—which includes senior executives from key areas of the business—ensures proper oversight and plays a central role in monitoring corporate performance and ensuring continuous improvement. The global HSE lead team works closely with the global HSE committee to set appropriate metrics and goals, assess company performance, and oversee compliance with all HSE regulations, policies, procedures, and standards globally. The manufacturing HSE committee supports these efforts and drives ongoing improvement throughout the manufacturing organization. Executives and lead teams in each of our business groups as well as Lilly Research Laboratories and Lilly Corporate Center manage governance for HSE in those areas.

Management Systems

All Lilly business units have an HSE management system aligned with our Management System Standard, which is consistent with third-party standards such as ISO 14001, OHSAS 18001, and the American Chemical Council's Responsible Care Management System (RCMS®). Our global HSE management system is also certified to RCMS. Several Lilly facilities have obtained certification to these and other external standards.

Audits

Each year, we audit a significant portion of our sites globally, to assess performance following the protocols outlined for each of our HSE Standards. We use a risk-based approach to determine sites to audit, and then reassess those sites every one to five years. We include external as well as internal auditors on each audit conducted.

Lilly's Environmental Goals

Setting, driving toward, and communicating our progress toward HSE performance goals is central to our HSE management approach.

In 2008, Lilly established six HSE performance goals to minimize our impact on the environment (see [page 48](#)) and reduce employee and contractor injuries. These goals follow from an earlier set we achieved ahead of the target date, demonstrating our drive for continuous improvement. See [page 37](#) for progress toward our health and safety goals.



2013 GOALS (2007 BASELINE)



Reduction in energy intensity¹⁴

Progress through 2011¹⁶

17% reduction



Reduction in greenhouse gas emissions intensity^{14,15}

Progress through 2011¹⁶

16% reduction



Reduction in water intake¹⁷

Achieved in 2009, four years early

Progress through 2011¹⁶

32% reduction

Updated goal (2010 baseline)

Reduce water intake by 5% by 2013



Reduction in waste to landfill^{17,18}

Achieved in 2009, four years early

Progress through 2011¹⁶

66% reduction

Updated goal (2010 baseline)

Reduce waste to landfill by 20% by 2013

¹⁴ Per square foot of facility space.

¹⁵ This goal covers Lilly's Scope 1 and Scope 2 emissions.

¹⁶ Following World Resources Institute guidance, progress toward environmental goals is reported on an adjusted basis accounting for mergers, acquisitions, and divestitures, as appropriate, to ensure comparability, unless stated otherwise.

¹⁷ In absolute terms.

¹⁸ Lilly's former and current waste-to-landfill goals do not include construction and demolition debris, biosolids from wastewater treatment plants, incinerator ash, coal ash if reused for mine reclamation or road base, and mycelia and urea reused for fertilizer.

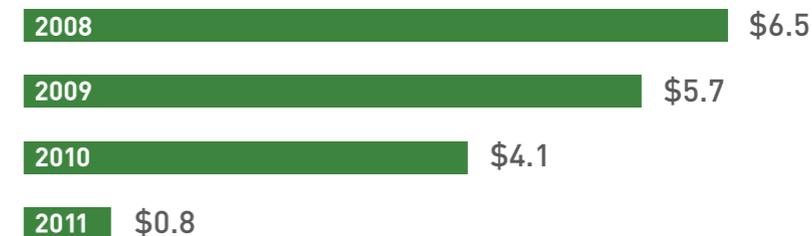
Energy, Waste, and Natural Resource Reduction Fund

Making capital investments in technology and physical plant operations can have a substantial, positive environmental impact. However, these projects compete for funding with other essential projects at each facility. To address this challenge, we established an Energy, Waste, and Natural Resource Reduction Fund. The Fund helps pay for capital projects at our facilities globally, and promotes the development of environmentally superior, efficient technologies, and best-practice sharing across our facilities.

The amount spent decreased substantially in 2011 (see table), due to more readily available capital at the site level and shortage of the needed human resources to implement projects. However, the Fund is on-target to invest more than \$2 million in 2012. During 2011, Lilly realized a return of about \$18 million for all projects implemented so far.

ENERGY, WASTE, AND NATURAL RESOURCE REDUCTION FUND EXPENDITURES

\$ millions





PRODUCT STEWARDSHIP

Lilly takes a broad approach to understanding and managing our HSE impacts across the product life cycle (see [page 46](#)). Our Product Stewardship Standard sets expectations for how we address sustainability at each stage.

We focus on the following areas:

- Using green chemistry and design for the environment to reduce hazardous materials use in product development and manufacturing,
- Decreasing the environmental impact of product manufacturing (see Performance in Operations on [page 51](#)),
- Reducing the environmental impact of packaging,
- Using science-based environmental risk assessments to evaluate the potential impact of our products in the environment, and
- Disposing of products responsibly at end-of-life.

Innovations in Green Chemistry

In the early 1990s, Lilly was one of the first pharmaceutical companies to use green chemistry to transform our manufacturing processes to be safer, more efficient, and more environmentally friendly.

Lilly's approach to green chemistry is twofold. We seek ongoing improvements by reducing the amount of hazardous material used to make products, increasing materials efficiency, evaluating chemical alternatives, and avoiding the riskiest substances. We also pursue more fundamental changes—that can yield order-of-magnitude improvements—by advancing the state of the art in chemistry, and developing and implementing new reactor technologies.

We have developed several continuous processes that improve environmental performance and enhance process safety by reducing the operational scale of the most hazardous manufacturing steps more than one hundredfold. For example, Lilly scientists recently published an article in *Green Chemistry* journal ([see detail](#)) demonstrating a new type of Grignard reaction related to edivoxetine hydrochloride production. The innovation reduces process mass intensity by more than 30 percent and decreases the amount of magnesium and diisobutylaluminum hydride required by more than 99 percent.

Lilly has also been a key contributor to the Pharmaceutical Roundtable and co-chairs its work group on Green Chemistry. One focus area in 2012 has been developing a \$100,000 research grant to produce safer solvents. We have also contributed to the creation and public release of a harmonized solvent selection guide by the organization that capitalizes on several companies' best practices.

Scope of Health, Safety, and Environment Data in this Section

- The data in this section cover Lilly's global operations, including wholly-owned subsidiaries, unless stated otherwise.
- Following World Resources Institute guidance, performance data and progress toward environmental goals are reported on an adjusted basis accounting for mergers, acquisitions, and divestitures, as appropriate, to ensure comparability, unless stated otherwise.
- Years are calendar years, unless stated otherwise.



Packaging

Pharmaceutical packaging is highly regulated and must serve many functions, including protecting product integrity during transit and storage, providing information, resisting counterfeiting, and protecting contents from tampering or access by children. Through our sustainable packaging efforts, we continually review packaging technologies and practices to reduce the amount of packaging used, to utilize lower-impact materials, and to reuse or recycle packaging throughout the supply chain. During recent years, we've saved thousands of metric tons of packaging and millions of dollars through these efforts. We're also collaborating with our distributors, retail pharmacies, and healthcare providers to better understand the overall pharmaceutical packaging footprint and ways to reduce it.

Packaging Innovation in Fegersheim, France

At Lilly's manufacturing site in Fegersheim, France, we replaced disposable cardboard packaging and wood pallets with reusable plastic packaging and pallets. This decreased related waste by 6 percent, equivalent to about 80 metric tons yearly.

Pharmaceuticals in the Environment

Lilly is committed to understanding the potential effects of pharmaceutical residues in the environment. Using improved testing technologies, scientists at locations around the world have detected trace amounts of certain pharmaceutical products in streams and rivers. Reported concentrations are extremely low, ranging from a few parts per trillion to a few parts per billion. The World Health Organization (WHO) evaluated selected investigations conducted in Australia, the United Kingdom, and the United States. In those cases, WHO found that pharmaceuticals are present in drinking water at concentrations generally less than 1,000 times the minimum therapeutic doses and well below acceptable daily intake and drinking water equivalent levels. According to WHO, these levels suggest that significant adverse human health impacts are highly unlikely through exposure to drinking water.¹⁹ Testing continues on the impact of persistent ecotoxicity on aquatic life, and the optimal path forward to address this issue is a subject of ongoing debate.

To meet regulatory requirements and internal Lilly standards, we assess our medicines for potential environmental effects before launching new products. We regularly update our testing protocols for new and existing pharmaceuticals as knowledge and testing methods improve. We will continue to collaborate with regulatory, academic, and research organizations to advance knowledge in this area. See [Lilly's Position on Pharmaceuticals in the Environment](#).

Product End-of-Life

When patients don't finish their medication, they should safely dispose of it. Reuse or recycling of unused medicines is not a safe option for patients. To help address this issue, we support nationally sanctioned disposal guidelines for unused medicines. In the United States, we also promote public education about proper drug disposal. For example, Lilly is a supporter of the SMARxT DISPOSAL™ consumer education program sponsored by the U.S. Fish and Wildlife Service, the American Pharmacists Association, and the Pharmaceutical Research and Manufacturers of America (PhRMA). See [Lilly's Position on the Disposal of Unused Medicines in the United States](#).

We also support the proper disposal of syringes, needles, and other sharps used in home settings to mitigate potential public health and environmental risks. Based on feedback from patients and healthcare providers, we believe that education offers the greatest opportunity to improve sharps disposal practices. We are working to more effectively communicate this information to patients through product user manuals, patient education programs, improved sales force awareness, and updated information at The Lilly Answer Center. Learn more at www.lilly.com.

¹⁹ World Health Organization. (2012) "Pharmaceuticals in drinking-water." ISBN 978 92 4 150208 5. Available on the WHO web site (www.who.int)



PERFORMANCE IN OPERATIONS

We are committed to continually improving environmental performance across Lilly’s operations. This includes our most significant areas of environmental impact—energy use and GHG emissions, water use, and waste. We are also committed to making further progress in green procurement, reducing non-GHG air emissions, supporting biodiversity efforts in communities where we operate, and maintaining compliance with applicable legal standards. As a fundamental part of our approach, we establish, work toward, and share progress against HSE performance goals (see [page 47](#)).

See [more information](#) on our commitment to environmental sustainability.

Lilly and Climate Change

Climate change is an issue that is compelling governments, companies, and citizens to act. However, we do not believe it poses significant risks or opportunities for our business. Current and anticipated regulatory requirements will have some financial implications for Lilly, but we account for these in our routine business planning, and we do not anticipate they will impact our business strategy.

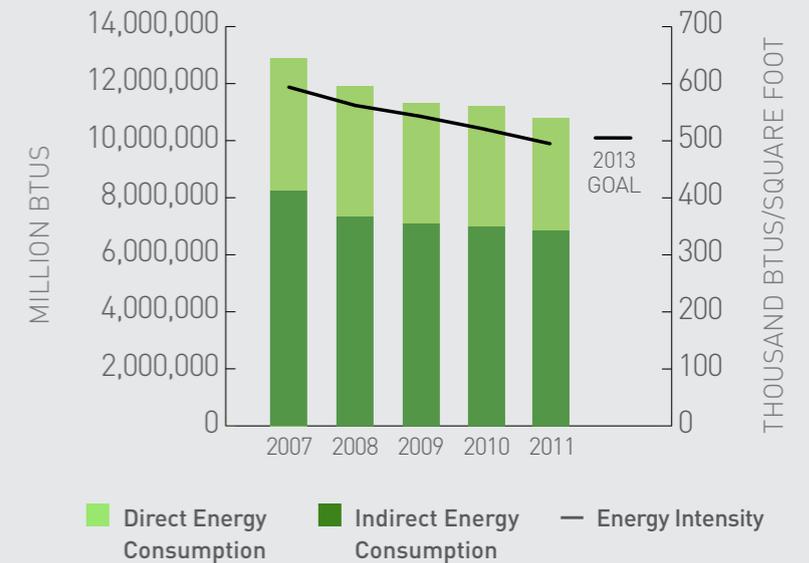
Energy Use and Greenhouse Gas Emissions

Reducing energy use and GHG emissions improves our environmental performance and decreases one of the most substantial operational costs for our research, manufacturing, and distribution activities.

Since 2006, we have conducted 29 energy assessments at our energy-intensive sites and uncovered an estimated \$22.8 million in potential annual savings. These findings have contributed to the approximately \$32 million cumulative reduction in energy spending from 2008-2011, while helping us to avoid nearly 240,000 metric tons carbon dioxide equivalent (CO₂e) of GHG emissions during that same time period.

At several facilities, we use renewable energy to diversify our energy sources and decrease GHG emissions. Cogeneration, which involves using an on-site engine to generate electricity as well as recovering usable heat, is another important part of our approach. It is currently in use at two sites worldwide with another one planned.

PROGRESS TOWARD GOAL—ENERGY USE





In 2011, Lilly's energy use totaled 10,800,000 million BTUs, 4 percent less than 2010 (see graph on page 51). Since 2007, our energy intensity per square foot of facility space has improved by 17 percent, keeping us on track to meet the company's goal of a 15 percent improvement by 2013.²⁰ The decrease in energy consumed between 2007 and 2011 is equivalent to the energy used annually by approximately 24,000 average U.S. homes.

During 2011, the company's Scope 1 and Scope 2 GHG emissions equaled 1,530,000 metric tons CO₂e, 4 percent less than in 2010 (see graph at right), due primarily to reduced energy usage. Lilly's GHG emissions intensity improved by 16 percent compared with 2007, keeping us on track to meet the company's goal of a 15 percent improvement by 2013.²¹

Lilly also calculates Scope 3 GHG emissions, as included in the Summary Data Table on page 56 (and not included in the graph at right).

See Lilly's recent [Carbon Disclosure Project submission](#) for additional detail about the company's approach and performance.

Optimizing HVAC Use in Alcobendas, Spain

Use of heating, ventilation, and air conditioning (HVAC) equipment represents about 75 percent of energy use at our Alcobendas, Spain facility. To save resources, in 2011 the site optimized system settings and enabled equipment to enter low-energy modes when fresh air

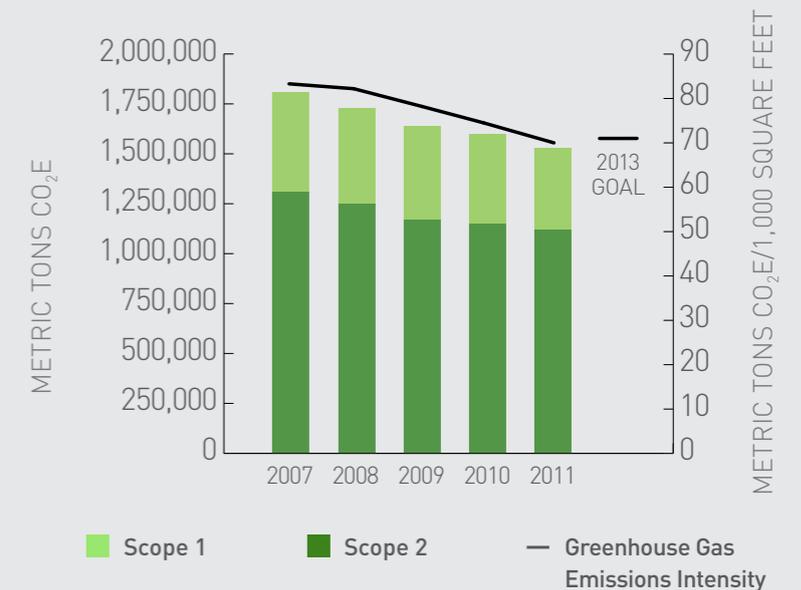
meets the required conditions. These efforts enabled the site to reduce electricity use by 3 percent and gas use by 17 percent in 2011, compared with 2010, and save nearly \$220,000 per year. The facility also decreased CO₂e emissions during the year by 810 metric tons.

Water Use

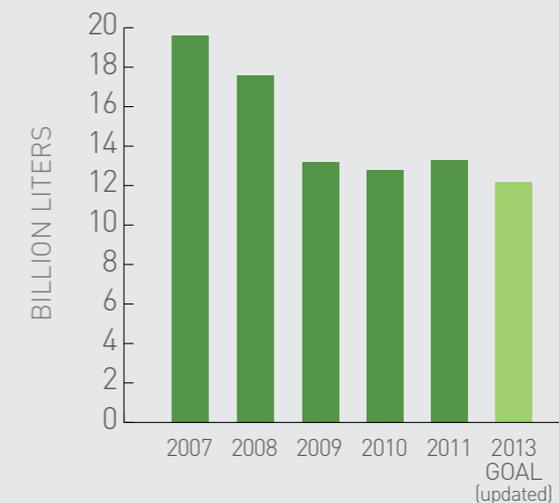
Water is becoming a more important issue for Lilly, due to trends in availability, quality, and cost. We consume water primarily in manufacturing and production. In our parenteral operations, we require exceptionally high-quality water to produce injectable medicines. We also use substantial amounts of water to support our utilities. Some sites have updated to waterless cooling systems and others have installed technology that reclaims water for this purpose. To a lesser extent, we also consume water for domestic uses in our offices (such as cafeterias, bathrooms, and landscaping).

In 2011, we used the World Business Council for Sustainable Development's Global Water Tool and the United Nations Environment Programme's Vital Water Graphics tool to refine our evaluation of water-stressed areas where we operate. Although we determined possible impacts to be minimal, we require each of our facilities to have a local business-continuity plan that is generated from a risk assessment of all sources of business interruption, including water availability.

PROGRESS TOWARD GOAL—GHG EMISSIONS



PROGRESS TOWARD GOAL—WATER INTAKE



²⁰ Following World Resources Institute guidance, progress toward environmental goals is reported on an adjusted basis accounting for mergers, acquisitions, and divestitures, as appropriate, to ensure comparability, unless stated otherwise.

²¹ This goal covers Lilly's Scope 1 and Scope 2 emissions.



Our manufacturing and administration groups as well as Lilly Research Laboratories have implemented plans to reduce water consumption and measure progress against targets that contribute to our overall water use reduction goal. We assist our sites in identifying water-saving technologies and financing.

In 2011, Lilly's water intake²² was 13.3 billion liters, a 4 percent increase from 2010 (see graph on [page 52](#)). This was primarily due to increased production. Our water intensity per unit of revenue improved by 1 percent during that period.

The decrease in water intake from 2007 through 2009 is equivalent to the water consumed in a year by a city of approximately 80,000 people.

Waste

Lilly uses the following hierarchy for waste treatment:

- Eliminate or reduce the amount of waste produced,
- Reuse materials when possible (often multiple times),
- Recycle used materials to make new products,
- Recover energy from waste,
- Treat waste to reduce toxicity and volume, and
- Send waste to landfill only when the options above are not feasible.

In 2011, total waste generation increased 6 percent from 2010, to 242,000 metric tons (see graph at right). This was largely due to increased insulin production at the Indianapolis and Puerto Rico plants. During the year, Lilly sent 10,900 metric tons of waste to landfill, down from 15,900 metric tons in 2010 and 66 percent less than 2007 (see graph at right).

The reduction in total waste generated between 2007 and 2011 is equivalent to the amount of waste produced in a year by 27,000 U.S. residents.

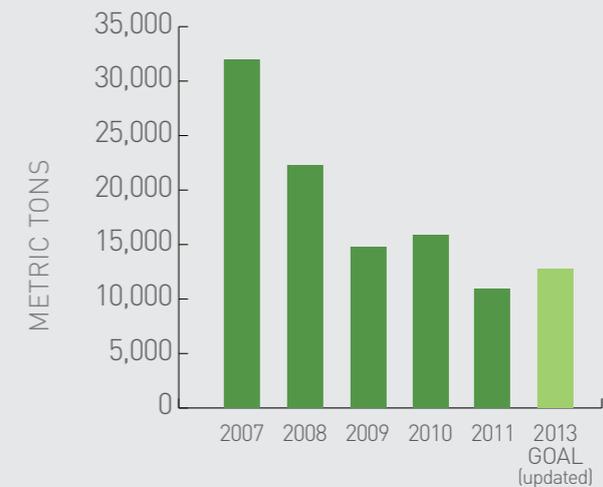
Sales and Marketing

We recently implemented a Green Quest Scorecard at our sales and marketing sites in the Americas, Canada, and Europe to identify and score progress toward reducing energy use, water consumption, and transportation. Each year, affiliates will look for opportunities to enhance their environmental performance by identifying and planning new projects and setting targets.

PROGRESS TOWARD GOAL—WASTE GENERATION



PROGRESS TOWARD GOAL—WASTE TO LANDFILL



²² "Water intake" is the total amount of water coming into a facility, including water pumped from bodies of surface water and groundwater, and water provided by a utility. It includes water used in processes, utilities, and other ancillary operations, such as irrigation. The term does not include groundwater pumped solely for treatment to satisfy regulatory actions or requirements (e.g., remediation activities where the water is not used for another purpose). Values do not include the water extracted from wells solely for the purpose of lowering the groundwater table(s) to maintain the physical and structural integrity of building foundations. Water intake values for 2010 were adjusted from previously reported values due to metering data evaluations at one of our top water use sites.



Driving Process Innovation in Speke, United Kingdom

At our Speke, United Kingdom, manufacturing facility, antibiotic production processes require substantial amounts of water, steam, and other natural resources. During the last few years, we have collaborated with external partners to develop and test enhancements that have substantially improved the efficiency of the site's processes to separate solids within the waste stream while enhancing its capability to handle highly variable feed input. These innovations decreased water usage by 143 million liters per year, about 10 percent of the total usage for the site, while reducing steam by 7,000 metric tons, 5 percent of overall use at the facility. These changes saved more than \$560,000 in 2012, and projected waste stream reductions related to the initiative could push annual savings to \$2 million.

Biodiversity

Lilly has a long history of working collaboratively to protect habitat and reduce the impact of our operations on ecosystems. We pursue a decentralized approach, recognizing that biodiversity challenges and opportunities vary based on location, and we engage in conservation projects and habitat enhancements at many sites worldwide. We also support conservation efforts in the communities where our facilities are located.

Examples include the following:

- **Guayama, Puerto Rico** Our facility maintains about 10 acres within its grounds as an ecological habitat conservation area, to help preserve and restore the vibrant plant life in this country. The space is divided into three areas that focus on education, reforestation, and preservation.
- **Augusta, Georgia, United States** Our manufacturing site manages a 650-acre farm in Burke County. The facility's wildlife habitat committee focuses on enhancing biodiversity at the site through the implementation of its wildlife management plan.
- **Clinton, Indiana, United States** In early 2011, we introduced a project that will showcase the compatibility of conservation and farming, while protecting more than 300 acres at our manufacturing facility in this location. A conservation easement will forever protect this land.

We believe that Lilly operations have limited impact on biodiversity. For example, we have commissioned a long-term study of Kinsale Harbour near our manufacturing site in southern Ireland. This study, ongoing since 1978, has suggested that the minor changes observed in the aquatic life of Kinsale Harbour are associated with natural stresses, such as storm events, rather than any discharge effects from our facility. Overall, the harbor's ecologic system has shown high resilience and an ability to thoroughly handle wastewater discharges.





Environmental Compliance

Lilly’s policy is to comply with applicable health, safety, and environment regulations wherever we do business. We believe compliance is foundational in maintaining our facilities’ “right-to-operate” in their local communities. (See [page 47](#) for more information about our HSE policies, standards, and management systems.) If it is determined that we are out of compliance, we work to remedy the situation as quickly as possible.

We use environmental capability assessments to apply statistical process-control techniques to our key environmental compliance-related processes to reduce the number of permit exceedances.

During routine inspections in 2006 and 2007, the U.S. Environmental Protection Agency identified potential weaknesses in our leak detection and repair program at our Lilly Technology Center facility in Indianapolis, Indiana. In addition, in 2006 we voluntarily reported to the state and city environmental agencies that we had exceeded an annual limit for air emissions. In response to these events, we have implemented numerous corrective actions and enhancements to our environmental programs. We paid a penalty of \$337,500 in early 2011 to settle the case. There was no harm done to employees, neighbors, or the environment as a result of these events.

See the Summary Data Table on [page 56](#) for detail.

ENVIRONMENTAL AWARDS AND RECOGNITION



Listed as the 66th greenest U.S. company (2011)



Recognition of carbon-management programs for United Kingdom operations (2011)



Wildlife at Work Certification (2010)



FOSTERING ENVIRONMENTAL SUSTAINABILITY SUMMARY DATA TABLE^{23, 24}

	2007	2008	2009	2010	2011
ENERGY USE					
Energy Consumption (million BTUs)	12,900,000	11,900,000	11,300,000	11,200,000	10,800,000
Energy Intensity (thousand BTUs/square foot)	594	562	543	520	495
Energy Intensity (million BTUs/million \$ revenue)	692	584	517	485	470
Direct Energy Consumption (million BTUs)	4,670,000	4,510,000	4,230,000	4,190,000	4,370,000
Coal (million BTUs)	1,410,000	1,290,000	1,140,000	1,280,000	1,170,000
Natural Gas (million BTUs)	2,480,000	2,400,000	2,400,000	2,200,000	2,300,000
Fuel Oil (million BTUs)	768,000	801,000	661,000	687,000	459,000
Liquid Propane (million BTUs)	18,600	21,500	29,600	22,700	15,900
Indirect Energy Consumption (million BTUs)	8,240,000	7,360,000	7,120,000	7,000,000	6,860,000
Purchased Electricity (million BTUs)	4,630,000	4,500,000	4,350,000	4,310,000	4,180,000
Purchased Steam (million BTUs)	2,990,000	2,610,000	2,310,000	2,200,000	2,240,000
Purchased Chilled Water (million BTUs)	619,000	254,000	449,000	491,000	445,000
GREENHOUSE GAS EMISSIONS					
Greenhouse Gas Emissions (Scope 1 and Scope 2) (metric tons CO ₂ e)	1,810,000	1,730,000	1,640,000	1,600,000	1,530,000
Scope 1	502,000	483,000	468,000	452,000	410,000
Scope 2	1,310,000	1,250,000	1,170,000	1,150,000	1,120,000
Greenhouse Gas Emissions Intensity (metric tons CO ₂ e/1,000 square feet)	83.3	82.2	78.2	74.5	70.0
Greenhouse Gas Emissions Intensity (metric tons CO ₂ e/million \$ revenue)	97.1	85.1	75.2	69.5	63.0
Scope 3 Emissions (not included in metrics above) ²⁵					
Employee Business Travel (personal car, taxi, rental car, rail, and air travel) (metric tons CO ₂ e)	65,000	65,000	63,000	72,000	67,000
Employee Commuting (metric tons CO ₂ e)	76,000	76,000	76,000	72,000	71,000
Product Transportation and Distribution (contracted) (metric tons CO ₂ e)	30,000	26,000	39,000	43,000	50,000
Waste Generated in Operations (metric tons CO ₂ e)	15,000	14,000	11,000	17,000	20,000
Non-Kyoto Compound Emissions (refrigerants, VOCs, etc.) (metric tons CO ₂ e)	14,000	33,000	15,000	23,000	54,000

²³ Some segments do not add up to totals due to rounding.

²⁴ Energy use, greenhouse gas emissions (except Scope 3), and water-use data are reported on an adjusted basis accounting for mergers, acquisitions, and divestitures. The other data in this table are non-adjusted.

²⁵ These data do not include sales-force travel using company vehicles, use of Lilly aircraft, or product distribution with Lilly vehicles. Those items are Scope 1 and included in the data above.



	2007	2008	2009	2010	2011
WATER USE					
Water Intake (billion liters) ²⁶	19.6	17.6	13.2	12.8	13.3
Municipal (billion liters)				6.5	6.6
Surface (billion liters)				0	0
Groundwater (billion liters)				6.3	6.8
Water Intensity (million liters/million \$ revenue)	1.05	0.864	0.605	0.555	0.549
WASTE					
Waste Generation (metric tons)	379,000	387,000	287,000	228,000	242,000
Hazardous Waste Generation (metric tons)	53,800	55,500	46,400	31,000	22,000
Non-Hazardous Waste Generation (metric tons)	325,000	331,000	241,000	197,000	220,000
Waste Generation Intensity (metric tons/million \$ revenue)	20.3	19.0	13.1	9.88	10.7
Waste Disposition					
Beneficially Reused (metric tons)	253,900	198,700	201,600	148,800	176,200
Recycled (includes incineration with energy recovery) (metric tons)	31,500	102,000	28,800	45,000	35,500
Treated (includes incineration without energy recovery) (metric tons)	49,100	49,700	35,600	12,300	13,300
Landfilled (metric tons)	44,700	32,600	21,200	22,100	17,000
Landfilled (related to goal) (metric tons) ²⁷	32,000	22,300	14,800	15,900	10,900
OTHER AIR EMISSIONS					
Volatile Organic Compound Emissions (metric tons)	526	560	549	626	735
Particulate Matter (metric tons)	311	293	384	200	146
SO ₂ Emissions (metric tons)	3,137	3,188	2,589	2,015	1,160
NO _x Emissions (metric tons)	1,205	1,322	1,125	877	798
Ozone-Depleting Substances Potential (kg CFC-11 equivalent)	795	2,376	749	790	3,630
ENVIRONMENTAL COMPLIANCE					
Reportable Permit-Limit Exceedances ²⁸	43	27	16	11	8
Number of Significant Spills ²⁹	0	0	0	0	0
Environmental Fines Paid (\$)	\$96,900	\$0	\$12,000	\$1,200	\$340,000 ³⁰
ENERGY, WASTE, AND NATURAL RESOURCE REDUCTION FUND					
Expenditures (\$ millions)	\$0	\$6.5	\$5.7	\$4.1	\$0.8

²⁶ "Water intake" as used in evaluating our progress toward our water-reduction goal is the total amount of water coming into a facility, including water pumped from bodies of surface water and groundwater, and water provided by a utility. It includes water used in processes, utilities, and other ancillary operations, such as irrigation. The term does not include groundwater pumped solely for treatment to satisfy regulatory actions or requirements (e.g., remediation activities where the water is not used for another purpose). Values do not include the water extracted from wells solely for the purpose of lowering the groundwater table(s) to maintain the physical and structural integrity of building foundations. Data for breakdown of water intake by source are not available prior to 2010. Water intake values for 2010 were adjusted from previously reported values due to metering data evaluations at one of our top water use sites.

²⁷ Our former and current waste-to-landfill goals do not include construction and demolition debris, biosolids from wastewater treatment plants, incinerator ash, coal ash if reused for mine reclamation or road base, and mycelia and urea reused for fertilizer.

²⁸ "Reportable permit-limit exceedances" are environmental releases to air, water, or land outside of regulatory limits. These do not necessarily result in harm to people or the environment.

²⁹ "Significant spill" in this report refers to any unexpected, unintended, abnormal, or unapproved dumping, leakage, drainage, seepage, discharge, or other loss of a substance that resulted in damage to the environment (i.e., human health, aquatic life, or wildlife) or a material event requiring reporting to the U.S. Securities and Exchange Commission. Damage means the actual or imminent alteration of the environment so as to render the environment harmful, detrimental, or injurious.

³⁰ See [page 55](#) for detail.

UNITED NATIONS GLOBAL COMPACT INDEX

UNGC PRINCIPLES

LOCATION IN REPORT

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights.	Managing Our Supply Chain, pages 10-11
Principle 2: Businesses should make sure they are not complicit in human rights abuses.	Managing Our Supply Chain, pages 10-11
Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	Supporting Strong Workplace Practices, page 31
Principle 4: Businesses should uphold the elimination of all forms of forced and compulsory labour.	Managing Our Supply Chain, pages 10-11
Principle 5: Businesses should uphold the effective abolition of child labour.	Managing Our Supply Chain, pages 10-11
Principle 6: Businesses should uphold the elimination of discrimination in respect of employment and occupation.	Diversity and Inclusion, pages 34-35
Principle 7: Businesses should support a precautionary approach to environmental challenges.	Fostering Environmental Sustainability, pages 44-57
Principle 8: Businesses should undertake initiatives to promote greater environmental responsibility.	Fostering Environmental Sustainability, pages 44-57
Principle 9: Businesses should encourage the development and diffusion of environmentally friendly technologies.	Fostering Environmental Sustainability, pages 44-57
Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.	Conducting Our Business Ethically and Transparently, pages 07-09

ABOUT THIS REPORT

This is Eli Lilly and Company's 2011/2012 Corporate Responsibility Update. This report highlights progress and initiatives since our [2010 Corporate Responsibility Report](#). It also serves as Lilly's annual Communication on Progress for the United Nations Global Compact (UNGC), of which Lilly is a signatory. The UNGC is a strategic policy initiative for businesses that are committed to aligning their operations and strategies with 10 universally accepted principles in the areas of human rights, labor, the environment, and anti-corruption. An index to the UNGC indicators in this report can be found on [page 58](#). More information about the UNGC can be found at: www.unglobalcompact.org.

Data and other updates contained in this report are focused on the 2011 calendar year and include global operations, unless otherwise noted. We also discuss data and trends from previous years, where relevant, and include some significant events and initiatives that occurred in the first half of 2012. This report does not include joint ventures, partially owned subsidiaries, leased facilities, or outsourced operations.

Our financial information, which is prepared according to the generally accepted accounting principles (GAAP) in the United States, is subject to our own internal accounting control systems and to external third-party audits. All dollar amounts given are in U.S. dollars.

The content and data in this report have not been externally verified. Lilly follows structured processes to collect, evaluate, and calculate the data we report, to ensure appropriateness and accuracy. We consider external standards in deciding what data to collect and report. For example, following guidance from the World Resources Institute, we report progress toward environmental goals on an adjusted basis accounting for mergers, acquisitions, and divestitures as appropriate, to ensure comparability, unless stated otherwise. Our global health, safety, and environment management system is certified by an independent, accredited auditor in accordance with the American Chemistry Council's Responsible Care Management System requirements.

We welcome feedback on this report, as it helps us to improve future reports. Please contact:

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