ELI LILLY AND COMPANY

2015 Integrated Report

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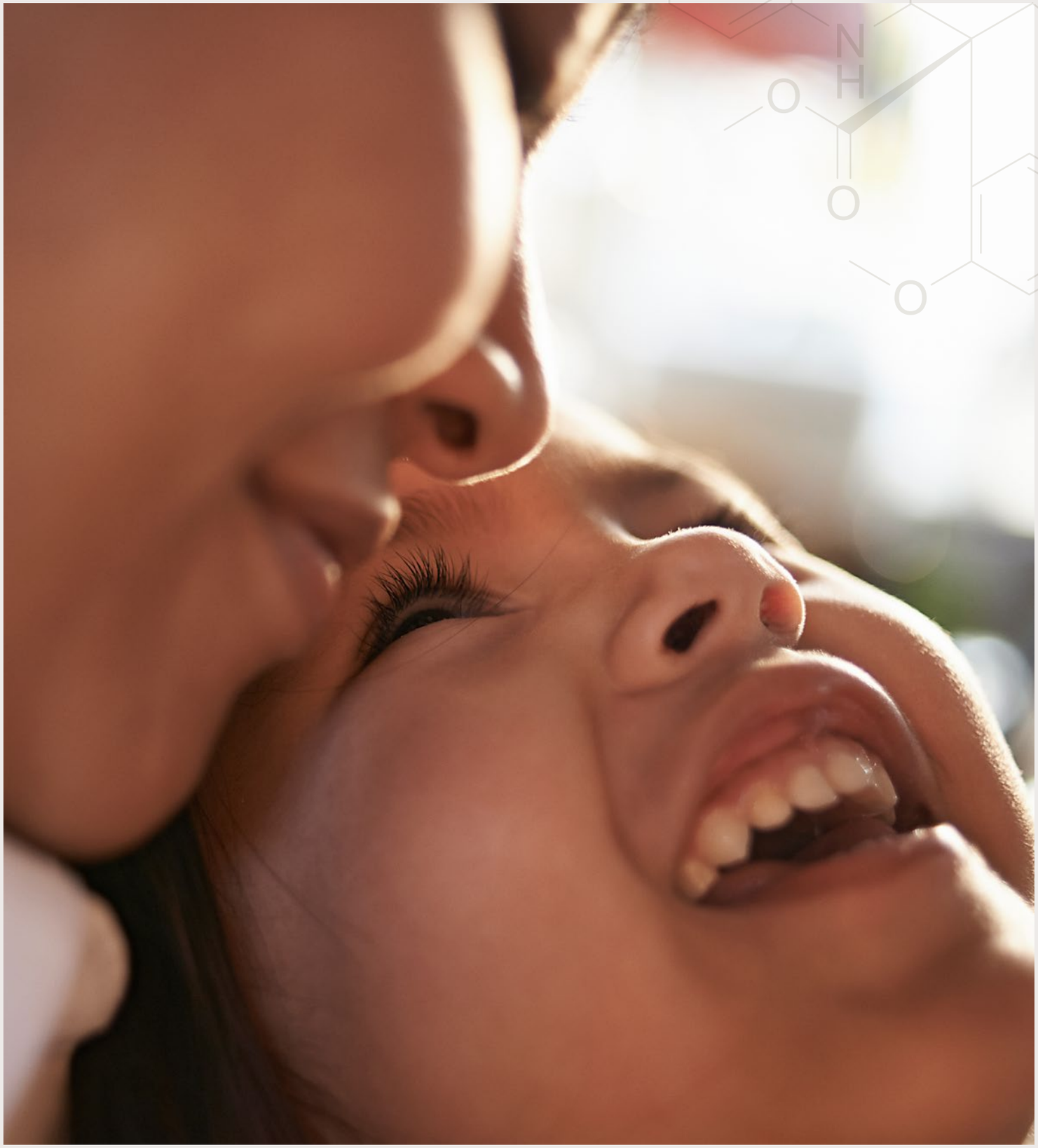


MESSAGE FROM THE CEO

Dear Lilly Stakeholders:

May 10, 2016, marks the 140th anniversary of the founding of Eli Lilly and Company, a milestone that very few U.S. companies our size have ever reached. We've done it by staying true to our values—integrity, excellence, and respect for people—and to our mission of discovering and developing new medicines that make life better for people around the world.

In 2015, our commitment to innovation bore fruit in a truly extraordinary year for Lilly. Even as we turned the corner in our business results and began to grow again after a prolonged period of patent expirations, we achieved unprecedented progress across our research and development efforts. Through it all, we honored our commitments to those who have a stake in our business—including patients, customers, physicians, the communities where we operate, our shareholders, and our employees who make it all possible.

John C. Lechleiter, Ph.D., Lilly's chairman, president, and chief executive officer, and Jan Lundberg, Ph.D., president of Lilly Research Laboratories, join with employees of the Lilly Cambridge Innovation Center in Cambridge, Massachusetts, at the center's opening.

2015 Business Results and Pipeline Progress

In 2015, despite unprecedented and substantial currency headwinds brought on by the strengthening U.S. dollar, we returned to revenue growth, led by Cyramza® and Trulicity® following their strong launches, with significant contributions from our enlarged Elanco animal health business. Revenue increased 2 percent to $19.96 billion, as six of our products and Elanco exceeded $1 billion in annual sales.

At the same time, as a result of lower expenses and higher other income, earnings per share increased 13 percent to $3.43 on a non-GAAP basis, which excludes adjustments totaling $1.17 per share. Reported earnings per share were $2.26. (For information on the items that were adjusted for purposes of non-GAAP financial measures, please see the 2015 Financial Highlights in the 2015 Annual Report.)

This progress occurred in the face of some serious challenges, including a still-sluggish global economy, a significant slowdown in China, and continued pricing pressures in the United States and other established markets.

In 2015, Lilly achieved significant advances in our pipeline of molecules in clinical development. Highlights include: in diabetes, positive cardiovascular outcomes data for Jardiance®; in immunology, four positive Phase III studies on baricitinib and strong Phase III data on ixekizumab; and in oncology, Breakthrough Therapy Designation for olaratumab and abemaciclib, several important business development deals in immuno-oncology, and the approval of Portrazza™ for the treatment of metastatic squamous non-small cell lung cancer late in the year.

Our strong pipeline portends a lot of good news for patients—the ultimate measure of our success. As of early 2016, we had nine molecules in Phase III testing or regulatory review, including potential medicines that hold the promise of significant advances in the treatment of immunological disorders, Alzheimer's disease, and various pain conditions.

Investors have taken note of how we've performed and how we've kept our promises despite the challenges. Our stock price was up 22 percent for the year, leading to a 25 percent total shareholder return—once again outperforming most of our peers.

The bottom line is pretty simple. We have emerged from the so-called "YZ" years of patent expirations as a better, stronger company. And a very promising future is unfolding by the day!

Looking Ahead to More Growth in 2016

I could not be more excited about what lies ahead in 2016 as we look forward to additional launches and some important pipeline milestones.

While recognizing the challenging environment ahead of us, we continue to believe that Lilly's growth opportunities will depend largely on our own performance. This includes realizing continued strong uptake of Cyramza, Trulicity, and Jardiance, and good launches of Portrazza and the other products, such as ixekizumab, that we hope will emerge from our pipeline in the months ahead.

I'm confident that we've put the necessary investments behind these recent and upcoming launches. At the same time, we will continue to depend on strong sales of Alimta®, Forteo®, Cialis®, and our insulins—despite the necessary shift of some resources to the launch side.

Our Ongoing Commitment to Corporate Responsibility

In 2015, we also demonstrated our dedication to corporate responsibility—a legacy dating back to our founder, Colonel Eli Lilly.

Our greatest contribution to society will always be making medicines that make life better.

Yet we firmly believe that we have a further role to play by collaborating with select partners to address serious health challenges and to enhance access to high-quality care for people around the world. In 2015, we continued support of our two signature global health programs—the Lilly NCD Partnership and the Lilly MDR-TB Partnership—focused on the growing challenge of noncommunicable diseases, such as diabetes, and the stubborn scourge of multidrug-resistant tuberculosis. Elanco continued its important work to address the key link between nutrition and health through its partnership with Heifer International and through HATCH™ for Hunger, a community partnership to provide eggs to undernourished people in the Midwest.

Over the past year, Lilly employees have added to our strong track record of volunteerism to strengthen communities. In the first five years of our Connecting Hearts Abroad program, 1,000 Lilly employees have worked a combined 64,000 hours during two-week assignments in impoverished communities across Africa, Asia, Eastern Europe, and Latin America. In addition, our employees worldwide have volunteered 825,000 hours since 2008 through our annual Global Day of Service. And in 2015, we built on our legacy of support for United Way by initiating a partnership approach that includes pairing Lilly teams with United Way agencies.

Lastly, we continue to demonstrate a firm commitment to operating responsibly in all areas of our business—from being recognized year after year around the world as a great place to work, to continually striving to reduce our environmental footprint. This commitment extends to our support for the United Nations Global Compact and its principles related to human rights, labor, the environment, and anti-corruption.

Faithful to Our Mission, Confident in Our Future

Our company has been through some real challenges these past few years. But we confronted them head on, figured out a strategy to handle what we faced, and executed that strategy with grit and determination. We never wavered. And in 2015, we got sure signs that it's working.

As we continue to honor Colonel Lilly's instruction to his son, to "take what you find here and make it better and better," I believe uncertainty will once again give way to confidence in what an enterprise such as ours—dedicated for 140 years to making lives better for people all over the world—is able to accomplish.

I am honored to be a part of this work and grateful to you for your support.

For the Board of Directors,

John C. Lechleiter, Ph.D.

Chairman, President, and Chief Executive Officer

ABOUT LILLY

Lilly is a global healthcare leader that unites caring with discovery to make life better for people around the world. We were founded more than a century ago by a man committed to creating high-quality medicines that meet real needs, and today we remain true to that mission in all our work. Across the globe, Lilly employees work to discover and bring life-changing medicines to those who need them, improve the understanding and management of disease, and give back to communities through philanthropy and volunteerism. To learn more about Lilly, visit us at www.lilly.com and newsroom.lilly.com/social-channels.

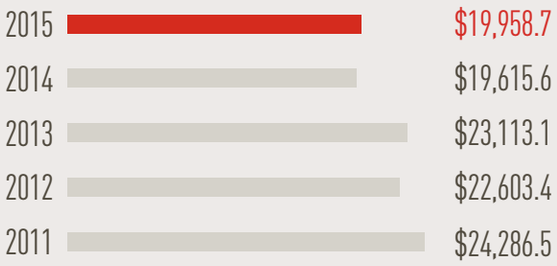
ABOUT ELANCO

Elanco provides comprehensive products and knowledge services to improve animal health and food-animal production in more than 70 countries around the world. We value innovation, both in scientific research and daily operations, and strive to cultivate a collaborative work environment for more than 6,500 employees worldwide. Together with our customers, we are committed to raising awareness about global food security, and celebrating and supporting the human-animal bond. Founded in 1954, Elanco is a division of Eli Lilly and Company. Our worldwide headquarters and research facilities are located in Greenfield, Indiana. Visit us at www.elanco.com.

Key Performance Indicators

FINANCIAL

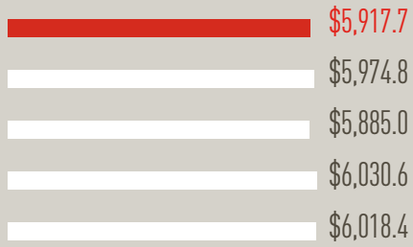
Worldwide Revenue ($ millions)



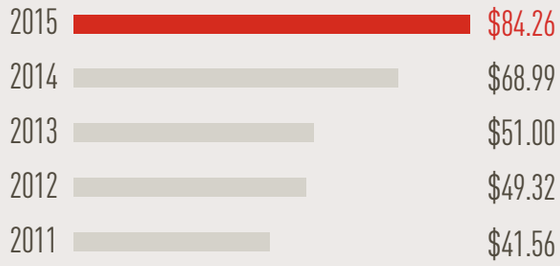
U.S. Revenue ($ millions)

Europe Revenue ($ millions)

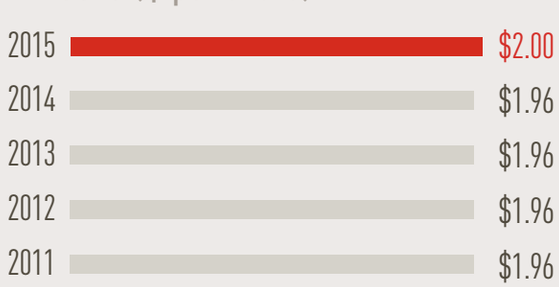
Other Foreign-Country Revenue ($ millions)



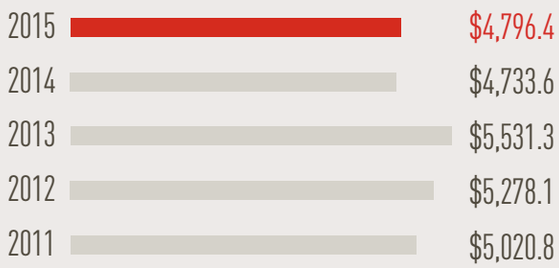
Stock Price ($ at year end)



Dividend ($ per share)

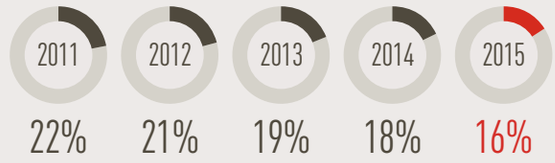


Research & Development ($ millions)



WORKPLACE*

Fleet Collision Rate** (% of fleet)



Recordable Injury Rate (per 100 employees)

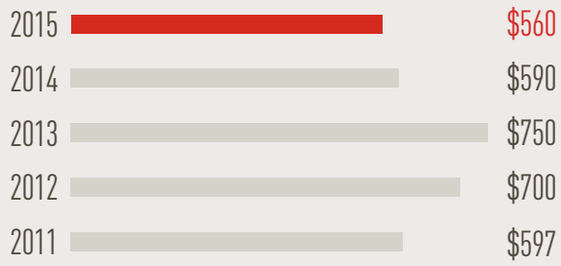
2011	2012	2013	2014	2015
1.09	1.10	0.88	0.88	0.87

Lost-time Injury Rate (per 100 employees)

2011	2012	2013	2014	2015
0.47	0.49	0.36	0.35	0.26

PHILANTHROPY***,****

Total Contributions ($ millions)



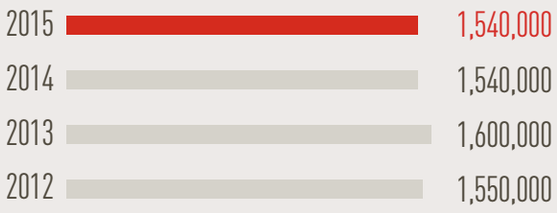
Product Donations ($ millions)

Cash Contributions ($ millions)

Key Performance Indicators (continued)

ENVIRONMENT†

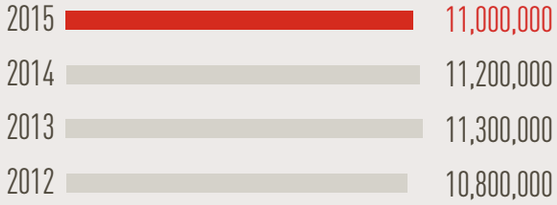
Greenhouse Gas Emissions (Scope 1 and 2) (metric tonnes CO_2e)



Greenhouse Gas Emissions Intensity (related to goal) (metric tonnes CO_2e/1,000 square feet)

2012	2013	2014	2015
57.1	58.3	57.7	55.1

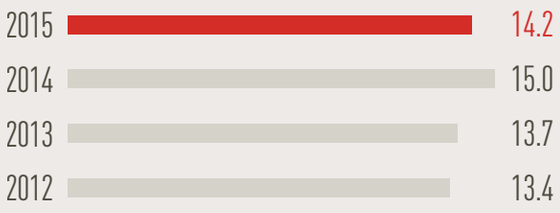
Energy Consumption (million BTUs)



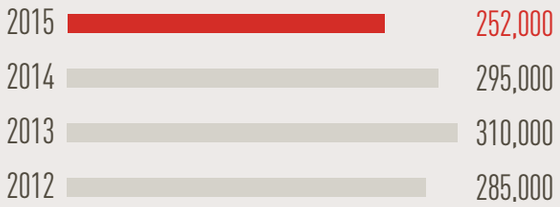
Energy Intensity (million BTUs/1,000 square feet)

2012	2013	2014	2015
450	466	470	446

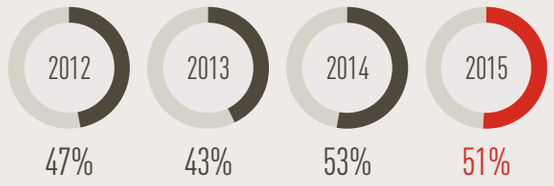
Water Intake (billion liters)



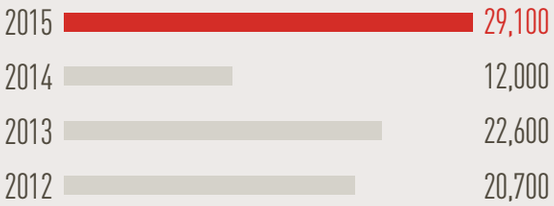
Total Waste Generation†† (metric tonnes)



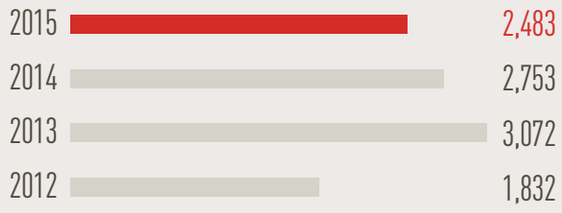
Waste Recycling Rate††† (%)



Waste to Landfill (metric tonnes)



Other Combustion Air Emissions (metric tonnes SO_2, NO_x, and particulate matter)



Reportable Permit-Limit Exceedances††††

2012	2013	2014	2015
8	5	3	5

* Read the Health and Safety at Lilly section to learn more about our new safety goals for 2020.

** In prior reports, we tracked the motor-vehicle collision rate (collisions per million miles driven). We now are tracking vehicle safety based on percent of fleet involved in a collision. Historical collision rates shown in this table have been restated.

*** Total charitable donations include funding from both Lilly and The Eli Lilly and Company Foundation.

**** In 2014 and 2015, we saw a decrease in the number of people requesting assistance through our U.S. patient assistance programs following the implementation of the Affordable Care Act, which allows previously uninsured low-income Americans to obtain healthcare coverage. As a result, fewer people were in need of donations from Lilly.

† Following World Resources Institute guidance, energy use, greenhouse gas emissions (except Scope 3), waste, and water use data are reported on an adjusted basis accounting for mergers, acquisitions, and divestitures, as appropriate, to ensure comparability, unless stated otherwise. Data are included beginning in 2012, as that is the baseline year for Lilly's 2020 environmental goals.

†† Total waste may vary as the result of non-routine waste such as waste from construction and demolition work.

††† The recycling rate of total waste that is not beneficially reused.

†††† Lilly classifies an event as a reportable permit-limit exceedance if it involves an exceedance of a numeric permit or license limit that must be reported to the regulatory authority. The reporting may be immediate (e.g., within 24 hours) or in a routine compliance report. These exceedances do not necessarily result in harm to people or the environment.

Celebrating 140 Years of Caring and Discovery

Throughout our company's history, we've brought new and better medicines to people who need them—commercializing the first insulin, introducing important classes of antibiotics, revolutionizing the treatment of mental illness, making critical contributions in the treatment of cancer, and more. Today, we remain committed to pursuing medicines for maladies such as diabetes and Alzheimer's disease.

Our company vision also calls on us to give back to the world around us. Our founder, Colonel Lilly, took an active leadership role in efforts to improve life in Indianapolis, home to our global headquarters. Ever since, Lilly people have built upon and continued this legacy. We give of our financial resources, our time, and our expertise to make a meaningful, measurable, and sustainable difference in communities around the globe.

Here is a snapshot of just some of our key moments of caring and discovery over the past 140 years.

1886
Lilly hires first chemist, Ernest Eberhardt.

1906
Lilly sends freight car of emergency medical supplies to San Francisco following earthquake.

1917
Partnering with the American Red Cross, Lilly sets up a medical field hospital in France, staffed by Indiana personnel, to treat wounded soldiers of all nationalities during World War I.

1870 1880 1890 1900 1910 1920

1876

Founding

Eli Lilly founded his company on May 10, 1876, in Indianapolis, Indiana. He was among those first in the business to rely on pharmaceutical chemistry. His purpose was to produce quality medicines to be given with a doctor's prescription—a new concept in a time of untested elixirs and potions peddled by questionable characters. More than a century later, Lilly, the company, remains recognized for its quality and values—integrity, excellence, and respect for people.

1923

Insulin

Our researchers collaborated with Frederick Banting and Charles Best of the University of Toronto to isolate and purify insulin for the treatment of diabetes, a fatal disease with no effective treatment options at the time. In 1923, their work resulted in Lilly's introduction of the world's first commercially available insulin product. Lilly would go on to focus on innovations in diabetes treatment that continue to the present day.

1943

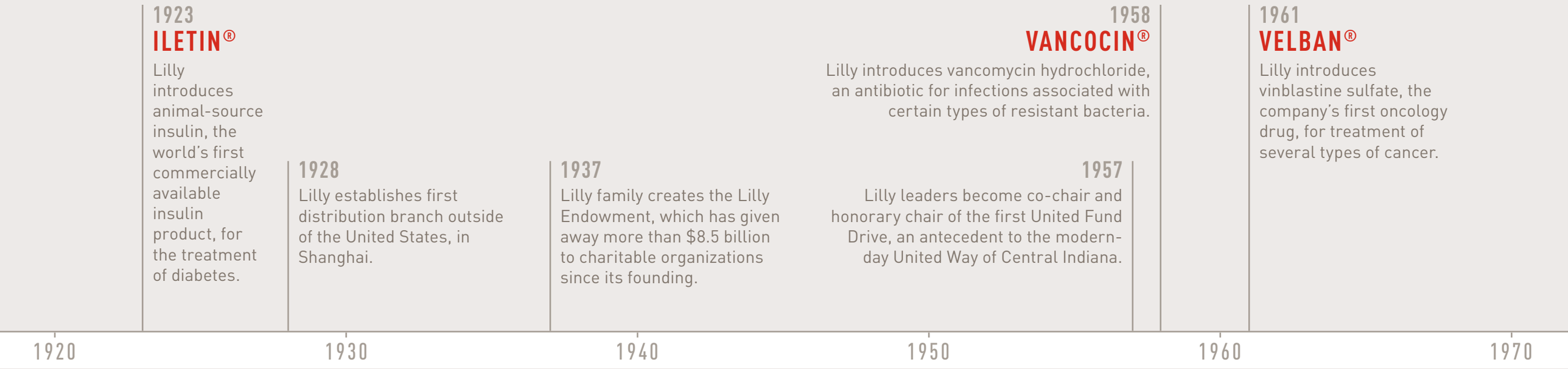
Penicillin-G

Lilly was among the first companies to develop a method to mass-produce penicillin, the world's first antibiotic, marking the beginning of a sustained effort to fight infectious diseases. Penicillin was especially critical during World War II in helping to reduce the number of deaths and amputations caused by infected battle wounds. Lilly's antibiotics work would continue in the coming decades, including the launch of a powerful antibiotic that today remains the last line of defense against serious hospital infections.

1955

Polio Vaccine

From 1940 to the mid-1950s, polio struck 400,000 American children and millions more worldwide. In 1954, Lilly was approached by the National Foundation for Infantile Paralysis to produce a vaccine based on Dr. Jonas Salk's method. Ultimately, more than half of all the Salk vaccine used in the United States bore the Lilly label. Today, polio is 99% eradicated around the world, with only three countries reporting instances of the disease.



1988

Prozac®

With the introduction of Prozac in the United States, Lilly launched the first in a new class of drugs used to treat clinical depression. Called selective serotonin reuptake inhibitors, or SSRIs, the medicines are thought to affect the way that serotonin acts—and neural pathways operate—inside the brain.

Future

Oncology
We are committed to developing a broad portfolio of therapies, including those tailored to patients, and meaningful support solutions that accelerate the pace and progress of cancer care.

Pain
It is estimated that nearly one in five adults suffers from chronic pain. Lilly is developing molecules to treat cluster headaches, migraines, and chronic pain caused by osteoarthritis and cancer.

Neurodegeneration
Neurodegeneration is a key therapeutic area for Lilly, given our strong legacy and expertise in neuroscience. Our discovery efforts are focused on the areas of Alzheimer's disease, dementia, and schizophrenia.

Diabetes
Lilly is committed to meeting the needs of people with diabetes by offering a comprehensive and complementary portfolio of medicines. We help people with diabetes achieve their treatment goals.

Immunology
Significant unmet medical need exists for many prevalent immunologic and autoimmune diseases, such as rheumatoid arthritis, psoriasis, and lupus. Several molecules in our pipeline explore how to address these diseases.

1979 CECLOR®
Lilly introduces cefaclor, a member of the cephalosporin family, which eventually becomes the world's top-selling oral antibiotic.

1982 HUMULIN®
Lilly introduces human insulin (rDNA origin), insulin identical to that produced by the human body, and the world's first human healthcare product created using recombinant DNA technology.

1996 ZYPREXA®
Lilly introduces olanzapine for the treatment of schizophrenia.

GEMZAR®
Lilly introduces gemcitabine hydrochloride, a drug for the treatment of pancreatic and non-small cell lung cancer.

2003
Launch of the Lilly MDR-TB Partnership, providing critically needed medicines for multidrug-resistant tuberculosis.

2011
Lilly launches Connecting Hearts Abroad, an employee volunteer program that sends dozens of employees annually to countries in Africa, Asia, and Latin America.

1970 1980 1990 2000 2010 2020

Our Approach to Integrated Reporting

This year, for the first time, Lilly is introducing an integrated report, combining two traditional publications: our annual report, covering our business and financial results, and our corporate responsibility report, focused on our broad-based social and environmental goals, activities, and impacts. This, our first integrated report, covers our performance in 2015.

We are making this change to better capture the ways that Lilly's business performance and research progress, coupled with our corporate responsibility activities, create value for our stakeholders over time. We believe this approach will streamline our reporting, while providing a richer picture of our company and how we operate.

About this report

In creating this report, we consulted the International Integrated Reporting Council (IIRC) guidelines, as well as the Global Reporting Initiative (GRI) G4 reporting guidelines. While this report is not being produced in accordance with G4, we have included an index, showing which G4 indicators are covered in this report and other public documents. More information about the GRI can be found at www.globalreporting.org.

Lilly endorses the principles of the United Nations Global Compact (UNGC), 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. This report describes our activities in these areas, and also serves as our annual Communication on Progress, as required for all companies that endorse the UNGC. An index to the UNGC indicators in this report can be found on page 134.

More information about the UNGC can be found at: www.unglobalcompact.org.

We welcome feedback on this report, as it will help us to improve future reports.

Please contact:
Robert Smith, Senior Director, Corporate Responsibility, and President, The Eli Lilly and Company Foundation

Email: robsmith@lilly.com
Phone: 317-276-2000

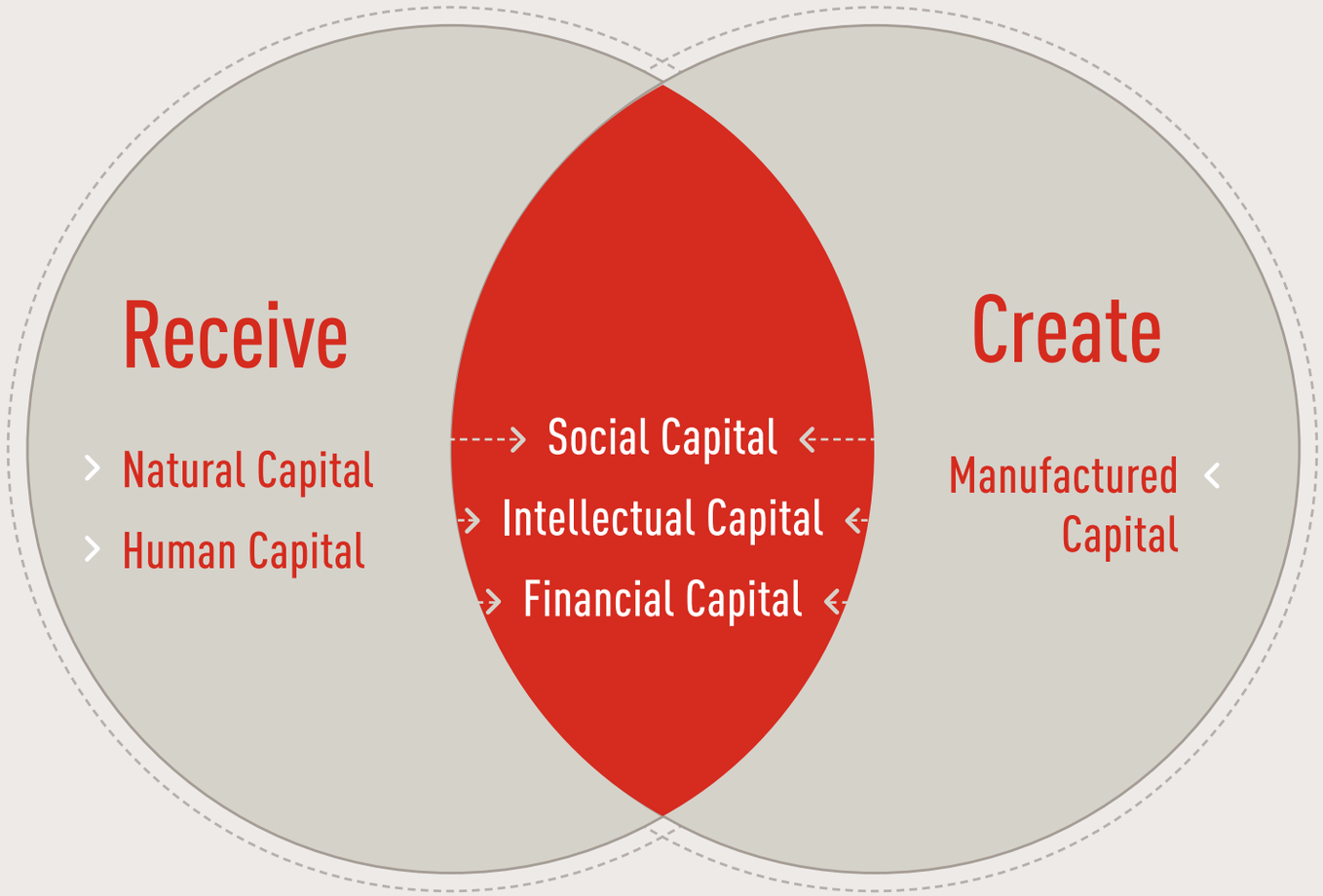
How Lilly Creates Value

More and more, businesses are talking about different types of capital—not just financial, but social, natural, and human capital, among others. There is also an emerging shift away from a strict focus on short-term thinking to longer-term thinking. This conversation is really a discussion about value, both intrinsic and manufactured, received and created.

As the world becomes increasingly crowded and medical challenges mount, so do the questions being asked of the pharmaceutical industry. How can we meet the health needs of greater numbers of people? How can we accelerate the development of new medicines? How can we ensure we have the right people, with the right skills, working to find the next breakthrough therapies? How can we encourage collaboration to address serious health challenges and enhance access to high-quality care for people around the world?

Among those asking these questions are people who have a stake in Lilly's business—including patients, customers, physicians, our shareholders, the communities where we operate, and our employees who make our work possible. At Lilly, we believe that it's essential to take the long-term view to these questions. This report paints a picture of how we think about our role in an interconnected world, and highlights key aspects of our commitment to operating with integrity, excellence, and respect for people.

Lilly's Circles of Value



As a global enterprise, Lilly is both a consumer and a creator of many forms of capital. Medicines play an important role in helping to make life better for people. By bringing medicines to those who need them, we create both economic and societal value. In turn, this enables us to extend our reach and deepen the impact of our other activities.

Natural Capital: Our World

Lilly relies on the use of valuable natural resources, such as energy, water, and raw materials, as well as test animals and cellular cultures, to conduct research and manufacture medicines.

VALUE TO LILLY

We recognize the benefits that we draw from the natural ecosystem, without which we could not operate our business. We understand the importance of maintaining the vitality and abundance of these resources, not only for our own operations but also for the health of other people and communities that also rely upon these resources.

Human Capital: Our People

The people who work at Lilly make everything we do possible—from the research, manufacture, and sale of our medicines, to the support of local communities and global health initiatives.

VALUE TO LILLY

It takes people, committed to excellence and teamwork, to achieve success in the competitive pharmaceutical industry. Through their collective efforts, Lilly employees fulfill our company's purpose to make life better. We draw on our employees' strengths, talents, dedication, and commitment, to discover and develop new medicines, to improve the understanding and management of disease, and to support people with serious illness and their families.

Social Capital: Our Promise

Our company is about caring for people. From the products we make to the communities and causes we support, we strive to ensure that the experiences people have with us are positive. Though we might differ in our individual perspectives, we are joined together by common values—integrity, excellence, and respect for people—that have guided our collective actions for more than a century. Whenever we make a decision that affects others, we strive to do it in a way that is consistent with our values.

VALUE CREATED FOR SOCIETY

The role of medicines in making life better extends well beyond the people who use them directly. By helping people prevent and manage disease, medicines can reduce overall health spending, enhance productivity, and improve public health and human well-being. Families, caregivers, the broader healthcare system, the global economy, and society all benefit.

Around the world, Lilly makes investments and collaborates with others to support better and more sustainable access to quality health care and medicines, especially in places with constrained resources. Beyond providing medicines, we offer information, resources, and encouragement to people struggling with disease. These programs can help to improve health outcomes and make a measurable difference in the lives of patients and their families.

We also seek to positively influence quality of life beyond physical health. We work to strengthen civic and community networks, protect safety nets for those in need, promote diversity and inclusion, and champion volunteerism and philanthropy. We also advocate for stronger educational opportunities for disadvantaged children, as well as for science, technology, math, and engineering (STEM) education.

VALUE TO LILLY

The health of community life directly impacts the health of our business. The collective efforts of Lilly's patient support programs, community engagement and philanthropic activities enhance and enrich the quality of life where we do business across the globe and in our home state of Indiana. Our reputation as a caring corporate citizen makes Lilly a welcoming partner for customers and helps us attract and retain talent. Our focus on STEM education helps to build the pipeline of talent we need to compete in our industry. Wherever in the world we operate, our focus on community participation helps us to better understand the needs of the patients we serve, the context of their lives, and our role in collaborating with others—including academia, government, and the nonprofit sector—to enhance the quality of life and health for people.

Intellectual Capital: Our Expertise

As an enterprise that generates value from ideas, Lilly maintains and safeguards the critical information we gather through painstaking analysis during the drug development process. We also help to advance medical science more broadly by learning and sharing information about disease pathways and human biology through our research publications.

VALUE CREATED FOR SOCIETY

The public is able to enjoy the benefits of our medicines only after extensive pre-clinical and clinical trials generate relevant data demonstrating safety, quality, and efficacy to the satisfaction of regulatory authorities and our own high standards. Lilly is legally required to produce this proprietary data, and we invest our time and considerable expense to ensure our products meet the high-quality standards our customers expect of us. We're committed to advancing the global body of scientific knowledge, working within a strong framework of bioethics, with a commitment to patient safety and excellence.

VALUE TO LILLY

We sponsor and support medical research for the purpose of answering scientific questions that are important to the development of new medicines and relevant to our customers.

Financial Capital: Our Profits

Lilly brings economic value to shareholders, employees and communities. To shareholders, we deliver dividends and other returns; to employees, we offer jobs and benefits; and to communities, we provide a revenue base by remitting taxes and investing in infrastructure and research and development (R&D).

VALUE CREATED FOR SOCIETY

The profits that we make through the sales of our products enable us to reward the work of our employees, to reinvest in R&D to address unmet medical needs, and to benefit people and communities. We employ more than 41,000 people, mostly in highly skilled jobs, and support many thousands of additional jobs at our suppliers and business partners. We return over $2 billion in cash annually through dividends and we strive to generate long-term growth in our share price for our shareholders. Our profits allow us to fund many other efforts to make life better, including our patient assistance programs, our global health initiatives, our efforts to stem the tide of counterfeit medicines, and our global philanthropy.

VALUE TO LILLY

The profits that we make through the sales of our products enable us to hire qualified talent, manufacture and market our products, and reinvest in our business through R&D and capital expenditures.

Manufactured Capital: Our Products

At Lilly, the most important thing we do is discover and develop innovative medicines that make life better for people around the world.

VALUE CREATED FOR SOCIETY

When used appropriately medicines can help people live longer and healthier lives, slow the progression of disease, improve management of chronic conditions, enhance quality of life, prevent or minimize complications and side effects of disease, or even eliminate the need for costly or painful hospitalizations and surgeries. When compared with other healthcare interventions, medicines are by far one of the most cost effective.

Scope, Data and Assurance

Data and other updates contained in this report are focused on the 2015 calendar year and include global operations, including wholly-owned subsidiaries, unless otherwise noted. We also discuss data and trends from previous years, where relevant, and include some significant events and initiatives that occurred in early 2016. This report does not include data on joint ventures, partially owned subsidiaries, or outsourced operations.

Our consolidated financial statements, which have been prepared according to U.S. generally accepted accounting principles (GAAP), are subject to our own internal accounting systems and controls and have been audited by Ernst & Young LLP, an independent, registered public accounting firm. (All dollar amounts given are in U.S. dollars.)

Bureau Veritas provided independent, third-party verification of greenhouse gas (GHG) emissions data for scopes 1, 2, and 3. Bureau Veritas also verified the percentage decrease from 2012 (when that is the goal baseline year) and from 2014 (in all cases) compared to 2015 for the following metrics: energy efficiency, waste to landfill, waste efficiency, recycling rate, water intake, and phosphorus discharge. Otherwise, the content and data in this report have not been externally verified.

To ensure appropriateness and accuracy, Lilly follows structured processes to collect, evaluate, and calculate the data we report. In deciding what data to collect and report relating to corporate responsibility matters, we consider external guidelines such as those issued by the GHG Protocol, developed by World Resources Institute (WRI) and World Business Council on Sustainable Development (WBCSD), and the GRI. For example, energy use, GHG emissions (except scope 3), and water-use data are reported on an adjusted basis accounting for mergers, acquisitions, and divestitures, as appropriate, to ensure comparability, unless stated otherwise, per the GHG Protocol. 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.

Stakeholder Engagement

Our engagement with a wide range of stakeholder groups provides a basis for developing innovative medicines and enhances our collective ability to improve patient outcomes, both of which are important to our business. Lilly engages with a broad range of stakeholders on an ongoing basis, through both formal and informal communication channels. Participating in dialogue and partnerships with groups beyond our own company allows us to understand different viewpoints, explain our positions, and address differences when they arise.

We approach these discussions through several departments within Lilly: investor relations; public policy; government affairs; advocacy; health, safety, and environment; and communications. This integrated report and our company website are also part of that stakeholder dialogue.

Stakeholder Groups and Examples of Engagement Channels

Healthcare Professionals

- Online medical information resources
- Disease-state educational programs
- Advisory boards
- Sales force interactions
- Direct-mail communications
- The Lilly Answers Center telephone line
- Medication guides and package inserts
- Online registries
- Publications (manuscripts, posters, and abstracts)
- Medical letters
- Patient support programs
- Lilly-sponsored symposia and scientific exchange meetings
- Medical and commercial booths at congresses
- Interactions with Lilly physicians, scientists, and medical liaisons
- Clinical trial investigation contracting
- Lilly-sponsored mobile applications that provide physicians with easy-to-access research and clinical trial information

Patients

- Healthcare provider discussions
- Educational materials and programs
- Product package inserts and medication guides
- Patient advocacy groups
- Patient support and assistance programs
- Online product resources
- The Lilly Answers Center telephone line

Public and Private Healthcare Administrators

- Account-manager interactions
- Disease-state educational programs
- Advisory boards
- The Lilly Answers Center telephone line
- Online medical information resources

Community Members

- Employee service on boards and committees of local organizations
- Participation in local volunteer opportunities
- Employee-directed philanthropy

With strong roots in minimizing risk, facilitating governance, and strengthening relationships, our Office of Alliance Management has been conducting "Voice of Alliance" surveys for the past 15 years. Data is regularly collected from Lilly and alliance partner employees to assess the strategic, cultural, and operational fit of each partnership and determine how the collaborations can be improved.

Investors

- Daily interactions through our investor relations function
- Industry investor conferences
- Meetings in Indianapolis and major global cities
- Quarterly earnings communications
- Annual meeting of shareholders
- Annual report and other financial disclosures
- Periodic investment community update meetings
- Corporate governance discussions facilitated by the corporate secretary's office

Suppliers

- Green procurement program
- Product stewardship standard
- Supplier self-assessments and qualifications
- Supplier audits that Lilly performs
- Supplier risk-assessment process
- Policy advocacy conversations with vendors

Employees[1]

- Live "global town hall" meetings
- Intranet social collaboration/networking tools, including CEO blog
- Employee resource groups
- Employee surveys
- Electronic newsletters
- Hotline for ethics, compliance, and privacy questions/concerns

Non-Governmental Organizations

- Partnerships to support patients and families
- Partnerships to raise awareness about certain diseases
- Advisory board participation
- Participation in annual conferences/ exhibitions
- Company communications
- Memberships

Government and Regulatory Organizations

- Policy education materials
- Published policy research
- Responses to written requests for information
- Oral and written testimony
- Written comments on proposed regulations
- Policy discussions
- Advisory boards
- Meetings and conferences
- Communication of studies
- Lobbying activities
- Educational briefings
- Direct legislator and policy-maker engagement

[1] Approximately 41,000 employees as of December 31, 2015.

Business Review

In January 2015, having successfully navigated through a multiyear period of patent expirations on major Lilly products, we outlined our refined strategic focus for a new era for Eli Lilly and Company.

We said that our objectives were to:

- Resume revenue growth;
- Expand margins;
- Sustain the flow of innovation; and
- Deploy capital to create value, which includes returning excess cash to shareholders via both dividends and share repurchases.

In 2015, we made good progress on each of these objectives. (For our complete financial filings, please see our 2015 Annual Report.)

Grow revenue. Having weathered the brunt of the U.S. Cymbalta® and Evista® patent expirations, and despite unprecedented currency headwinds driven by the continued strength of the U.S. dollar, in 2015, Lilly reported revenue growth of 2 percent to $19.96 billion—driven primarily by the acquisition of Novartis Animal Health in January 2015.

We saw encouraging results from newly launched products, including Cyramza®, Trulicity®, and—with our partner Boehringer Ingelheim—Jardiance® and Basaglar®, our insulin glargine product. In addition, we achieved growth in Humalog® and other established products, including Erbitux® following the transfer of commercialization rights in North America. These worldwide increases were partially offset by the residual impact of the loss of exclusivity for Cymbalta and Evista.

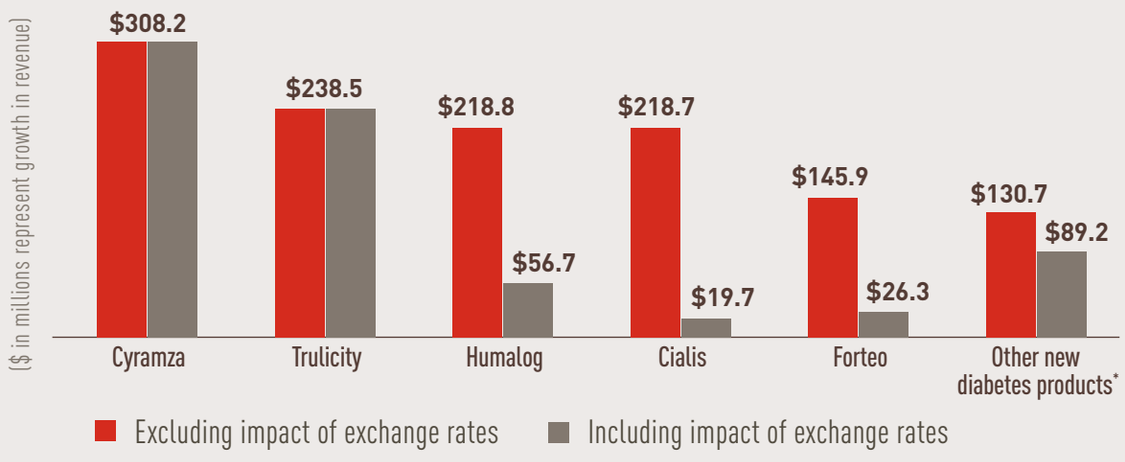
Going forward, we expect recent and future product launches to support continued performance growth.

Highlights in 2015 for our human pharmaceuticals and animal health businesses follow later in this section.

Expand margins. As a result of lower expenses and higher other income, earnings per share increased 13 percent to $3.43 on a non-GAAP basis, which excludes adjustments totaling $1.17 per share. Reported earnings per share increased 1 percent to $2.26. (For information on the items that were adjusted for purposes of non-GAAP financial measures, please see the 2015 Financial Highlights in the 2015 Annual Report.)

Operating expenses—defined as the sum of research and development, and marketing, selling, and administrative expenses—declined

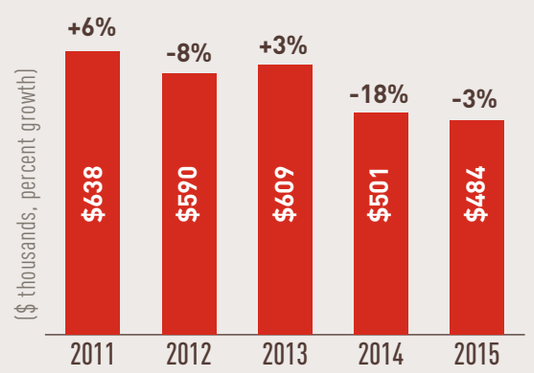
PRODUCT REVENUE GROWTH



Five products—Cyramza, Trulicity, Humalog, Cialis, and Forteo—together generated revenue growth of $1.1 billion excluding the impact of exchange rates, driven primarily by volume increases. In addition, the acquisition of Novartis Animal Health on January 1, 2015, generated revenue growth of $1 billion. This growth was offset in part by Cymbalta and Evista patent expirations.

*Includes Trajenta, Jardiance, and Basaglar.

REVENUE PER EMPLOYEE



In 2015, revenue per employee decreased 3 percent to $484,000, primarily due to the impact of exchange rates on revenue and a slight increase in the total workforce compared to the prior year.

through the first three quarters of 2015; much of the increase in fourth-quarter operating expenses was driven by charges associated with terminations of the evacetrapib and basal insulin peglispro development programs. We remain on track to achieve our goal of reducing operating expenses to 50 percent or less of revenues in 2018.

Sustain the flow of innovation. In 2015, we continued to make excellent progress advancing our pipeline. At the beginning of each year, we share with our investors a list of key upcoming events—including potential Phase III[1] starts, data readouts, regulatory submissions, and approvals—as a basis for monitoring our progress. The list of key events for 2015 can be found nearby. The number of green checkmarks on the list, indicating positive outcomes or achievements, underscores our success during the year.

Highlights include publication of positive cardiovascular outcomes data on Jardiance, presentation of

[1] Clinical trials are conducted in a series of steps, called phases, and each phase (I-IV) is designed to answer a separate research question. To learn more, visit www.nlm.nih.gov/services/ctphases.html.

Key events in 2015

Potential Phase III initiations:

- ✓+ Olaratumab for soft tissue sarcoma
- ✓+ Ramucirumab for first-line gastric cancer
- ✓+ Ramucirumab for first-line EGFR mutation positive non-small cell lung cancer
- ✓+ Ramucirumab for second-line urothelial cancer
- ✓+ Ramucirumab for second-line hepatocelluar cancer
- ✓+ CGRP MAb for cluster headache
- ✓+ Tanezumab for pain*

Potential Phase III data internal readouts:

- ✓+ Jardiance CV outcomes trial for type 2 diabetes**
- ✓+ Ixekizumab for psoriatic arthritis
- ✓+ Remaining trials of baricitinib in rheumatoid arthritis
  (BUILD – Feb; BEGIN – Sept; BEAM – Oct)
- ✓- Evacetrapib ACCELERATE trial (terminated)

Potential Phase III data external disclosures:

- ✓+ Ramucirumab for second-line metastatic colorectal cancer
- ✓+ Basal insulin peglispro for type 1 and type 2 diabetes
- ✓+ Jardiance CV outcomes trial for type 2 diabetes**
- ✓+ Ixekizumab for psoriasis
- ✓+ Ixekizumab for psoriatic arthritis
- ✓+ Baricitinib in rheumatoid arthritis
- ✓+ Two-year data from the EXPEDITION-EXT (extension) study of solanezumab in Alzheimer's disease

* In collaboration with Pfizer.
** In collaboration with Boehringer Ingelheim.

Potential regulatory submissions:

- ✓+ Ramucirumab for second-line metastatic colorectal cancer (US/EU/Japan)
- ✓+ Ramucirumab for second-line NSCLC (Europe/Japan)
- ✓- Basal insulin peglispro for type 1 and type 2 diabetes (terminated)
- ✓+ Empagliflozin/linagliptin FDC for type 2 diabetes** (EU)
- ✓+ Ixekizumab for psoriasis (US/EU)
- ✓+ Ixekizumab for psoriasis and psoriatic arthritis (Japan)

  Baricitinib for rheumatoid arthritis (occurred in early 2016)

  Olaratumab for soft tissue sarcoma (US) (rolling submission initiated)

Potential regulatory actions:

- ✓+ Ramucirumab for second-line gastric cancer (Japan)
- ✓+ Ramucirumab for second-line metastatic colorectal cancer (US)
- ✓+ Necitumumab for first-line squamous NSCLC (US)
- ✓+ Dulaglutide for type 2 diabetes (Japan)
- ✓+ Humalog U-200 Kwikpen for type 1 and type 2 diabetes (US)
- ✓+ Empagliflozin/linagliptin FDC for type 2 diabetes** (US)
- ✓+ Empagliflozin/metformin IR FDC for type 2 diabetes** (US/EU)
- ✓+ Basaglar (insulin glargine injection) for diabetes (US final approval)

Other:

- ✓+ Complete acquisition of Novartis Animal Health
- ✓+ Partial clinical hold resolution for tanezumab*
- ✓+ Rulings in ongoing Alimta® patent litigation:
  - ✓+ European Patent Office (Nov)
  - ✓+ U.S.
  - ✓- Germany
  - ✓+ UK
  - ✓+ Japan

four positive studies on baricitinib in rheumatoid arthritis, the strong Phase III data and submission of ixekizumab in psoriasis, approval of necitumumab in lung cancer, and a series of approvals in diabetes. Our clinical development pipeline can be found in the Advancing Medical Science section of this report.

Deploy capital to create value. In January 2015, we outlined our priorities for deploying capital. Our board and management team remain committed to investing appropriately to grow our business—in our existing commercial and pipeline opportunities, as well as through external innovation—and rewarding our shareholders by returning excess cash through dividends and share repurchases.

In 2015, we engaged in a wide range of licensing, collaboration, asset acquisition, and equity transactions to access molecules, as well as diagnostics and technologies, across our therapeutic categories and business areas.

We also continued to make significant investments in our own research and development footprint, including expanding our presence in leading U.S. research centers.

- In Cambridge, Massachusetts, we opened our Innovation Center for Delivery and Device R&D.
- In San Diego, an expansion of our Biotechnology Center, to be completed later this year, will almost double Lilly's research presence there.
- In New York City, we're growing our presence at the Alexandria Center for Life Science, with the expansion to include an immuno-oncology hub.
- And in Indianapolis, we're constructing a $70 million multidisciplinary lab building at our process and product development complex.

In each of the past two years, we have increased our quarterly dividend by 2 percent, and, in 2015, we repurchased approximately $750 million in Lilly shares. Since December 2009, when we outlined our strategy for the so-called "YZ" period of patent expirations, Lilly's total shareholder return has placed in the upper quartile of performance versus our major competitors.

The company's progress toward our goals in 2015 was achieved in the face of ongoing challenges in the business environment, including chronic weakness in the global economy, a significant slowdown in China, and continued pricing pressures in the United States and other established markets. In addition, we continue to deal with important policy issues—from healthcare reform, to intellectual-property protection, to taxation and trade—in the United States and countries around the world.

Yet, despite these challenges, Lilly enters the post-YZ era in a position of strength—with launches underway and important science being done in our labs. We remain very optimistic about the opportunity before us to improve patients' lives and create value for shareholders.

Human Pharmaceuticals: Progress Across Our Portfolio

Over the past year, Lilly has launched new medicines and sustained progress in the pipeline across our human pharmaceuticals portfolio.

In **diabetes**, since mid-2014, we've launched Trulicity, Humalog U200 KwikPen®, and—with Boehringer Ingelheim—Jardiance, Glyxambi®, Synjardy®, and Basaglar. In doing so, we've effectively built out the most complete portfolio of diabetes products in the industry, even without basal insulin peglispro, for which we ceased development in December 2015. In fact, according to IMS Health, as we entered 2016, Lilly was gaining market share in every diabetes product category in the United States, Europe, and Japan.

Some recent highlights:

- In October, we announced that Lilly acquired worldwide rights to Locemia Solutions' nasal glucagon, a potential treatment

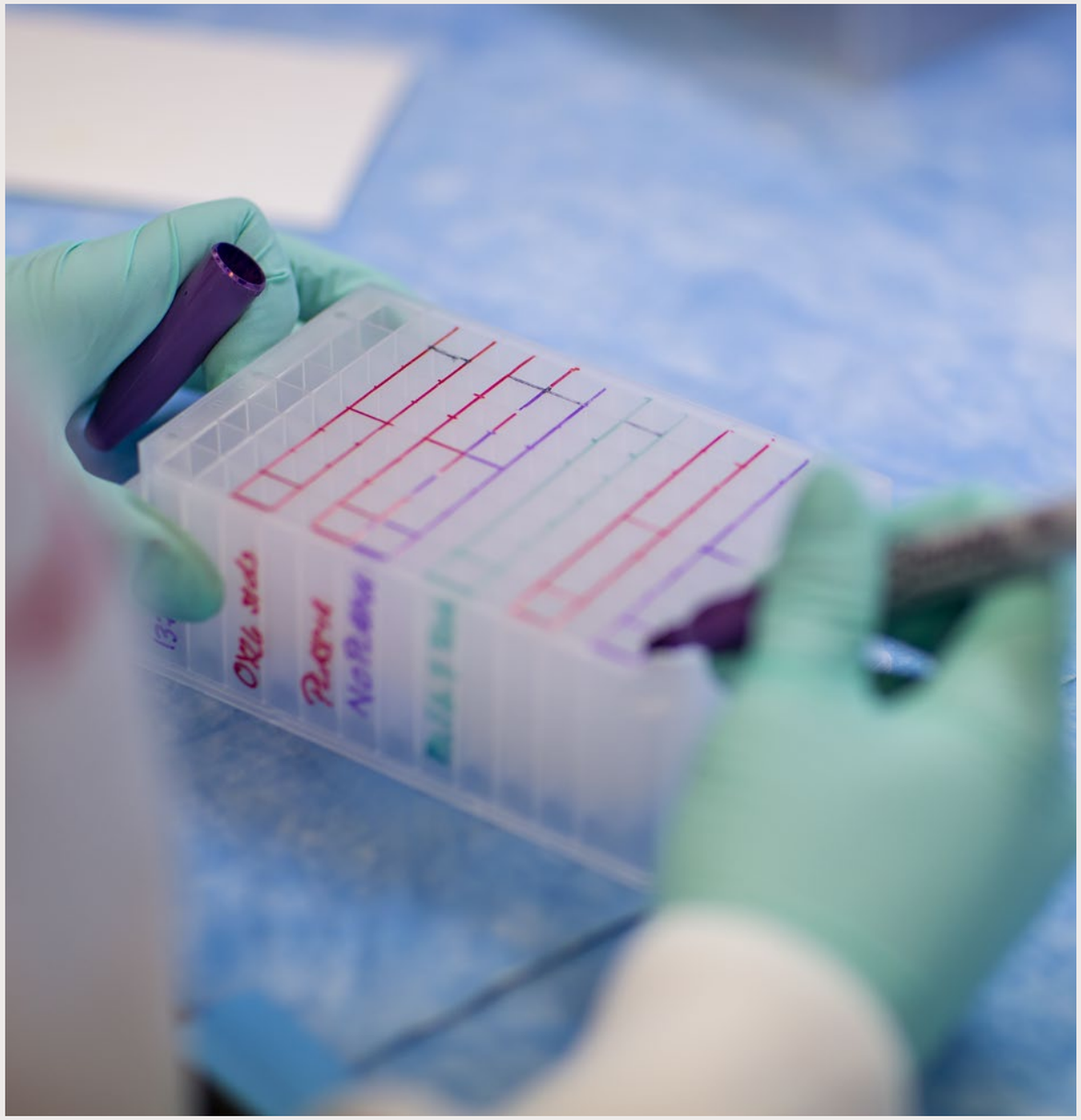
for severe hypoglycemia in people with diabetes treated with insulin, currently in Phase III. Phase III testing could also begin this year for an ultra-rapid insulin.

- As 2015 ended, we received approval from the U.S. Food and Drug Administration (FDA) for Basaglar, with U.S. launch set for December 2016, as well as FDA approval for the Humulin® R U-500 KwikPen.
- In January 2016, along with Boehringer Ingelheim, we announced that the FDA accepted the filing of data from a dedicated cardiovascular outcomes trial of Jardiance in patients with type 2 diabetes at high risk of cardiovascular (CV) events. The data have also been submitted to European regulators. In the trial, Jardiance significantly reduced the risk of the combined endpoint of CV death, non-fatal heart attack, or non-fatal stroke by 14 percent when added to the standard of care. Importantly, the risk of CV death was reduced by 38 percent. Jardiance is the only oral diabetes medication to show a significant reduction in both cardiovascular risk and cardiovascular death in a dedicated outcomes study.

In **oncology**, we have the potential for four launches of new molecular entities in the five–year period 2014–2018. In just over one year, Cyramza gained U.S. approvals for four indications in three of the most common and deadly cancers, with approvals and launches in a number of other global markets as well. Following FDA approval in November, we launched Portrazza™ (necitumumab) in the United States for first-line treatment of metastatic squamous non-small cell lung cancer (NSCLC). In early 2016, the European Commission approved Portrazza and Cyramza to treat advanced forms of NSCLC and additionally approved Cyramza to treat metastatic colorectal cancer.

With regard to Alimta, we could see generic competition in Europe this year following negative rulings in Germany and the United Kingdom. We are engaged in ongoing Alimta patent litigation in the United States, Europe, and Japan, and we will continue to vigorously defend our intellectual property, which we believe is valid and would be infringed by generic competitors.

Looking at the pipeline, following discussions with the FDA,



we've initiated our application for olaratumab in soft tissue sarcoma, based on strong Phase II data. The FDA has granted Breakthrough Therapy Designation to olaratumab and to abemaciclib, our CDK4 and 6 inhibitor in Phase III trials in breast and lung cancer. And we have a number of both large and small molecules in development, as well as a growing array of partnerships in the area of immuno-oncology.

In other therapeutic areas, we anticipate as many as five launches in five years—most of which could be first or best in class and some that modify the course of disease on top of the standard of care. We were disappointed that evacetrapib failed to show efficacy in a Phase III trial for cardiovascular disease, but even after discontinuing development of that molecule, we retain a robust portfolio of molecules in immunology, neurodegeneration, and pain.

In **immunology**, in early 2016, the FDA approved Taltz® (ixekizumab) to treat psoriasis. In Phase III trials, 87–90 percent of patients treated with ixekizumab saw at least a 75 percent improvement in their skin clearance at 12 weeks—and 35–40 percent saw 100 percent clearance at week 12. In January 2016, we submitted baricitinib for review in the United States and Europe for rheumatoid arthritis (RA). In Phase III trials, baricitinib demonstrated superiority to both methotrexate and adalimumab in improving signs and symptoms of RA.

In addition to immunology, we also have a clear opportunity to establish a strong position in **neurodegenerative diseases**, notably in Alzheimer's disease. While our amyloid-beta antibody, solanezumab, is furthest along in development, we have a robust portfolio that goes well beyond solanezumab, with potential treatments that address both of the key pathways thought to play a role in Alzheimer's disease—amyloid-beta and tau protein.

We're also working to establish a position in the treatment of various **pain** conditions. We currently have two molecules in Phase III testing—tanezumab, in collaboration with Pfizer, and our CGRP monoclonal antibody.

Elanco Animal Health: Positioned for Growth

In January 2015, we completed our acquisition of Novartis Animal Health, creating in the process a new Elanco, now a top-tier player in the global animal health business—a $23 billion market expected to grow to $30 billion by 2020. Today, Elanco enjoys unprecedented global reach, with an expanded presence in many international markets, and a more diverse product portfolio. And, as part of Lilly, Elanco is able to take full advantage of our R&D pipeline and our global assets and capabilities.

While market headwinds depressed revenues in 2015, Elanco is well positioned for growth. The Novartis integration is exceeding expectations for savings, and planned launches of seven key innovation projects in the next two years will help drive growth. Key recent approvals include Imrestor™, a biotechnology product that helps manage mastitis—the most common and costly disease in dairy cattle—as well as products to protect against heartworm and ear infection in dogs. Going forward, we expect that Elanco will contribute roughly 15–20 percent of our revenue, up from 5–6 percent historically.

Advancing Medical Science

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p34 Transforming Clinical Trials

p40 Assuring Quality Medicines

Our greatest contribution to society is making life better by making medicines that help people live longer, healthier, more active lives. All along the way, we advance medical science by learning more about disease pathways and human biology. We support collaborations and external partnerships to help us achieve our research and development (R&D) goals and build a robust clinical development pipeline. We're committed to advancing the global body of scientific knowledge, working within a strong framework of bioethics, with a commitment to patient safety and excellence.

R&D Progress in 2015

2015 was a year of extraordinary achievement in advancing medical science at Lilly.

In January, we outlined Lilly's R&D strategy, focusing our research in human health on three core areas—diabetes, oncology, and neurodegeneration—along with two emerging areas—immunology and pain—based on research opportunities and clinical data. In each of these areas, we have compelling assets and growing or already deep expertise.

In the year that followed, Lilly made significant progress across these areas—demonstrated by the following highlights through the first quarter of 2016.

We received approval for Portrazza® (necitumumab) for first-line squamous non-small cell lung cancer and for Taltz® (ixekizumab) for psoriasis, as well as many other major approvals in markets around the world.

We made a number of important regulatory submissions over the past year. We submitted olaratumab for soft tissue sarcoma in Europe and initiated our submission to the U.S. Food and Drug Administration (FDA). The FDA has granted Breakthrough Therapy Designation to olaratumab, as well as to another one of our oncology molecules—abemaciclib. We submitted baricitinib for rheumatoid arthritis in the United States, Europe, and Japan. And, in collaboration with Boehringer Ingelheim, we submitted empagliflozin in combination with the extended release formulation of metformin to U.S. regulators.

The year was also marked by a series of positive data readouts:

- Jardiance®, the SGLT-2 inhibitor for type 2 diabetes in our partnership with Boehringer Ingelheim, showed a significant reduction in both cardiovascular risk and cardiovascular death,

COLLABORATION AT 249 MILES UP: LILLY IN SPACE

In 2015, Lilly collaborated with the National Aeronautics and Space Administration (NASA) and the Center for the Advancement of Science in Space (CASIS) in an unprecedented move—sending Lilly-sponsored scientific experiments to the International Space Station. The idea initially took flight at a Lilly event called Innovation Day (iDay)—a day dedicated to experimentation, free-flow thinking, and idea exploration created by the Product Clinical Design, Development, and Distribution (PCD3) team at Lilly. The PCD3 team had invited representatives from NASA and CASIS to Lilly's iDay to discuss ideas and the feasibility of a research connection.

Any experiments proposed were subject to three criteria:

- They must be of value to Lilly.
- They must be of value to NASA.
- They must benefit humankind.

The experiments chosen cluster around the general concepts of crystallization, freeze drying, and the mixing of solids, liquids, and gases. The results should provide insights into the mass production of medical compounds and how molecules in discovery and development interact with their targets at a molecular level.

the only oral diabetes medication to demonstrate these benefits in an outcome-focused clinical study. We have submitted this data to both U.S. and European regulators.

- In a Phase Ib/II[1] study in soft tissue sarcoma, olaratumab, when combined with chemotherapy, significantly improved outcomes when compared to treatment with chemotherapy alone. The Phase Ib/II study results were the basis for our filings with the FDA and European regulators.
- Ixekizumab was statistically superior to placebo in patients with active psoriatic arthritis in a Phase III trial. This follows Phase III trials in psoriasis in which ixekizumab was superior to etanercept on all measures of skin clearance.
- Baricitinib, the oral JAK1 and JAK2 inhibitor we're developing with Incyte, demonstrated superiority to both methotrexate and adalimumab in improving signs and symptoms of rheumatoid arthritis.

We initiated Phase III studies for olaratumab for soft tissue sarcoma, our CGRP antibody for cluster headache and migraine prevention, and our Tau imaging agent for Alzheimer's disease, while in-licensing nasal glucagon for diabetes. We also started new Phase III studies for tanezumab across three pain indications with our partner Pfizer. In addition to these new molecules, we started many important Phase III trials for molecules already approved or under regulatory approval, including new indications for ixekizumab and ramucirumab.

We terminated development of evacetrapib, which showed insufficient efficacy in a Phase III study in high-risk cardiovascular disease.

We also ceased development of basal insulin peglispro in order to focus R&D resources on other potential treatments.

The Lilly pipeline currently includes nearly 50 new molecules in clinical development.

[1] Clinical trials are conducted in a series of steps, called phases, and each phase (I-IV) is designed to answer a separate research question. To learn more, visit www.nlm.nih.gov/services/ctphases.html.

CONTINUOUS INNOVATION INDICATORS FOR CANCER

PACE (Patient Access to Cancer care Excellence) is a Lilly Oncology initiative and a global collaboration that engages key oncology stakeholders: patients, advocates, payers, policymakers, providers, the public, researchers, and politicians. PACE exists to encourage public policies that speed the development of new medicines, assure that cancer treatments respond to the needs and qualities of individual patients, and improve patient access to the most effective cancer medicines.

In 2015, we launched the PACE Continuous Innovation Indicators™ (CII). CII is the first evidence-based, customizable online tool to review medical progress made against cancer over time—initially covering 12 cancer types. The purpose of the tool is to inform public policy reforms and other efforts to accelerate continuous innovation against cancer by helping to paint a better understanding of the value of different cancer treatments. At the heart of CII are thousands of pieces of evidence curated by trained analysts from authoritative, published sources such as clinical trial records and meta-analyses, observational studies, and historical references. The tool generates summary graphs from which a user can access supporting evidence and additional information.

"We have seen tremendous progress in cancer treatment and care during the past decades, and continuous innovation, with one discovery building on another, is responsible for most of it," said John C. Lechleiter, Ph.D., Chairman, President, and Chief Executive Officer of Eli Lilly and Company. "To keep the momentum going, we need policies that support continuous innovation, but first we need a deeper understanding of the innovations that have occurred and where we need to be."

To learn more about PACE, visit www.pacenetworkusa.com. To read about other support programs that Lilly Oncology offers, see Patient Programs.

Pipeline of Molecules in Clinical Development

Including Select New Indications and Line Extensions (NILEX)

- Select NILEX (Phase II or later)
- New Chemical Entity
- New Biological Entity
- Diagnostic

Regulatory Review

Empagliflozin* cardiovascular outcomes data	**Linagliptin + Metformin XR*** diabetes	**Ixekizumab** psoriatic arthritis	**Empagliflozin + Metformin XR*** diabetes	**Baricitinib** rheumatoid arthritis	**Ixekizumab** psoriasis

Phase III

Abemaciclib NSCLC	**Empagliflozin*** Type 1 diabetes	**CGRP MAb** migraine	**Tanezumab*** chronic lower back pain	**Tanezumab*** cancer pain	**Solanezumab** preclinical Alzheimer's disease	**Ramucirumab** 2nd-line bladder cancer	**Ramucirumab** 1st-line gastric cancer	**Ramucirumab** 2nd-line hepatocellular cancer
Ramucirumab 1st-line NSCLC	**Tau imaging agent** Alzheimer's disease	**Abemaciclib** breast cancer	**Nasal Glucagon** hypoglycemia	**CGRP MAb** cluster headache	**Tanezumab*** osteoarthritic pain	**Solanezumab** Alzheimer's disease	**Olaratumab** sarcoma	

Phase II

Baricitinib diabetic nephropathy	**Baricitinib** psoriasis	**Abemaciclib** squamous NSCLC	**Florbenazine** Parkinson's Disease Imaging	**BACE - AZD3293*** Alzheimer's disease	**Chk1 inhibitor** cancer	**Edivoxetine** CNS disorder	**Galunisertib** cancer	**PI3 kinase/mTOR dual inhibitor** mesothelioma
Ralimetinib cancer	**P70S6/AKT dual inhibitor** cancer	**FGF receptor inhibitor** cancer	**Merestinib** cancer	**IL-23 MAb** ulcerative colitis	**BMP-6 MAb** anemia	**Myostatin MAb** disuse atrophy	**Ultra-Rapid Insulin** diabetes	**Ferroportin MAb** anemia
Oxyntomodulin peptide diabetes	**Emibetuzumab** cancer	**PCSK9 MAb** cardiovascular disease	**CXCR4 peptide inhibitor** cancer					

Phase I

D1 potentiator dementia	**Pan-Raf inhibitor** cancer	**BACE inhibitor** Alzheimer's disease	diabetes	**NOTCH inhibitor** cancer	**BTK inhibitor** immunology	**Pomaglumetad methionil** schizophrenia	**Aß MAb Fab PEG** Alzheimer's disease	**VEGFR1 MAb** diabetic nephropathy
N3pG-Aß MAb Alzheimer's disease	**Angio 2 MAb** cancer	**IL-21 MAb** immunology	**Blosozumab** osteoporosis	**FGFR3-ADC** cancer	**CXCR1/2L MAb** immunology	hypoglycemia	**MET/EGFR bispecific antibody** cancer	**BAFF/IL-17 bispecific antibody** immunology
diabetes	**CSF1R MAb** cancer							

Information is current as of February 14, 2016. The search for new medicines is risky and uncertain, and there are no guarantees. Remaining scientific, regulatory, or commercial hurdles may cause pipeline compounds to be delayed or to fail to reach the market.

* Commercial collaboration

The Lilly pipeline currently includes 48 new molecules in clinical development including nine molecules in Phase III or regulatory review, 19 in Phase II and 20 in Phase I. Since our last annual report: eight molecules advanced into Phase I testing, five advanced into Phase II testing, and four molecules entered Phase III. These four are: olaratumab, our antibody that blocks PDGF receptor-α being studied for the treatment of advanced sarcoma; our CGRP antibody being studied for cluster headache and migraine; the diagnostic Tau imaging agent; and nasal glucagon licensed from Locemia Solutions. Two molecules were submitted for regulatory approval: ixekizumab for psoriasis and baricitinib for rheumatoid arthritis. And one new molecule, Portrazza (necitumumab), was approved for marketing. We terminated development of 19 molecules, including two in Phase III—basal insulin peglispro and evacetrapib. In addition, we are selectively highlighting 17 molecules being studied for new indications or line extensions (NILEX) that have advanced to Phase II testing or later.

Additional information and updates are available on the Lilly Interactive Pipeline at www.lilly.com.

In 2015, Elanco delivered 60 country-level approvals for 44 new products or projects. Three important approvals in 2015 include Imrestor, for mastitis in dairy cattle; Interceptor Plus, a chewable treatment for heartworm in dogs; and Osurnia, a novel, more convenient formulation to treat otitis externa in dogs. As of December 2015, the Elanco development pipeline includes 39 molecules or unique formulations, including 10 in the final phase of development, and 45 molecule expansion or line extension projects, 24 of which are in the final phase of development.

A BROAD, DEEP ALZHEIMER'S RESEARCH PROGRAM

Our Alzheimer's research program focuses on one of the most urgent medical needs of our time. More than 100 years after it was first described by the German psychiatrist and neuropathologist Alois Alzheimer, there is no treatment available to slow or stop the progression of this devastating—and ultimately fatal—disease. We recognize the significant burden this illness causes for patients, caregivers, and our society, and we are committed to finding ways that we can change and modify the course of the disease.

Alzheimer's disease is the sixth-leading cause of death in the United States. By 2050, the number of Americans aged 65 and older living with Alzheimer's disease is expected to nearly triple to 13.8 million, and its costs in the United States alone could surpass $1 trillion a year, unless there are medical breakthroughs to prevent or more effectively treat the disease.

We believe Lilly is well positioned to lead the way in the development of new agents to attack Alzheimer's disease. Lilly has been committed to Alzheimer's disease research and development for more than a quarter century. Our programs are based on deep understanding of the disease biology, along with expertise in conducting clinical trials. We've explored countless molecules as potential leads and sponsored clinical trials worldwide involving thousands of patients. And we've made significant scientific advances over the years.

Today we have a strong pipeline of potential medicines and diagnostics targeting the two known hallmarks of the disease—amyloid plaques and tau tangles in the brain—with potential medicines or diagnostics in every clinical phase of development. And we continue to explore new targets and mechanisms as the science evolves.

Our monoclonal antibody **solanezumab** is in Phase III development. In 2012, Lilly announced top-line results from two Phase III trials of solanezumab in patients with mild-to-moderate Alzheimer's disease. Primary endpoints, both cognitive and functional, were not met in either trial; however, in a pre-specified secondary analysis of pooled data in patients with mild Alzheimer's disease, Lilly found a statistically significant slowing of cognitive decline—a 34 percent reduction in decline in the treated group compared to those who received placebo.

These are the first Phase III results for an anti-amyloid beta agent to show a slowing of cognitive decline in patients with mild Alzheimer's disease. The results encouraged us to start a third, more enhanced study, EXPEDITION3, that is currently ongoing and has become a standard for the field.

At the Alzheimer's Association International Conference in July 2015, we presented findings from the two-year extension study following the original EXPEDITION and EXPEDITION2 trials of solanezumab. The analysis suggested that the treatment effect of solanezumab was preserved in patients with mild Alzheimer's disease who received solanezumab earlier compared to patients who began treatment at a later point, further suggesting a potential disease-modifying effect.

During the fourth quarter of 2016, we expect initial Phase III data from the EXPEDITION3 trial of solanezumab in patients with mild Alzheimer's disease.

In late 2014, Lilly and AstraZeneca announced an agreement to co-develop and commercialize an oral beta secretase cleaving enzyme (BACE) inhibitor, **AZD3293**. The BACE inhibitor is thought to work by reducing the amount of amyloid beta proteins produced, so plaque accumulation is slowed. This is in contrast to solanezumab, which binds to amyloid beta after it is produced, allowing it to be cleared before it clumps together to form amyloid plaques. AZD3293 is currently in Phase II development, and if an interim safety analysis in the second quarter of 2016 is positive, it will move into Phase III testing.

In Phase III is a **tau imaging agent**, which represents the most advanced molecule in our pipeline aimed at the potential role of tau in Alzheimer's disease.

Our **N3pG antibody** is in Phase I. This antibody selectively targets only deposited plaque in the brain and is thought to work by binding to the plaque and stimulating the body's natural clean-up cells, the microglia, to remove it. Three additional potential treatments for Alzheimer's disease and dementia, including another BACE inhibitor, are in Phase I.

In addition to these molecules in our pipeline, we've launched **Amyvid** in the United States, Japan, and Europe. Amyvid is the first radioactive diagnostic agent indicated for brain imaging of amyloid plaques in patients with cognitive impairment who are being evaluated for Alzheimer's disease and other causes of cognitive decline.

Looking Ahead in 2016

Our work in 2015 will continue to bear fruit in the year ahead in terms of potential regulatory approvals, new submissions, data readouts, and movement in the pipeline.

In addition to FDA approval of Taltz for psoriasis, we anticipate additional regulatory approvals for ixekizumab in 2016, for psoriasis in Europe and for both psoriasis and psoriatic arthritis in Japan.

Several important trials are on track to report data in the coming year. During 2016, we expect initial Phase III data from the EXPEDITION3 trial of solanezumab in patients with mild Alzheimer's disease. We also anticipate Phase III data this year for our CGRP monoclonal antibody in patients with cluster headache. And we are expecting Phase II data for abemaciclib, our CDK4 and 6 inhibitor, as a single agent in patients with advanced breast cancer.

Sustaining Innovation

A critical strategic objective for Lilly is to sustain the flow of innovation, to advance our pipeline of potential medicines that meet important medical needs and to drive continued growth as currently marketed products lose patent protection.

Lilly has more than 8,000 employees devoted to R&D. Our scientists combine deep knowledge of human biology, disease, chemistry, and genomics with computer models and the insights we've gained from people affected by disease to identify new potential medicines. Once a molecule is identified, it goes through rigorous tests in our labs, followed by clinical testing at sites all over the world, to understand if it could potentially be effective and safe when used in humans. During the drug development process, we might conduct 10,000 experiments to find one compound that has the potential to become a new medicine.

Our progress in 2015 and our strong pipeline today reflect Lilly's unwavering commitment to innovation during the so-called "YZ" period of patent expirations on key products, as we increased our R&D investment through the period.

We're maintaining our commitment to R&D in 2016, with increased investment in discovery and new and expanded R&D facilities in New York, Boston, San Diego, and Indianapolis. We've continued to hire experts in key therapeutic areas to further enhance the caliber of our research team. And we're pursuing more early-stage opportunities through business development.

Developing Medicines More Quickly

Our investment in R&D is guided by a strategic redirection of our research focus toward producing candidates for clinical development that possess a higher likelihood to become medicines that are valued by patients. In addition, we're changing the way we discover and develop medicines in order to bring new treatments even faster to the people who need them. Some of the ways we're working to accomplish this include the following:

- Science-driven adaptive programs that use analytics and modeling, along with patient input, to design clinical studies and make decisions;
- Patient-centric tools and approaches that make it easier for people to find, enroll, and participate in clinical studies;
- Continual improvement in the quality of our clinical study designs during a study, rather than simply evaluating the study design after the fact; and
- Ongoing improvements to our chemistry, manufacturing, and control processes to ensure a smooth and flexible development process.

Speed in developing new medicines is vitally important to the future of our company. We've already seen years trimmed from planned development timelines for several important programs, and we are striving to do even more.

Innovative Collaboration

Some of the best scientific breakthroughs happen through collaboration. Particularly in today's complex healthcare environment, we must be innovative not only in our science, but also in the ways we work with scientists outside our walls to complement our internal efforts in finding and developing new medicines. A good example is Lilly's Open Innovation Drug Discovery program, which provides external researchers with a point of entry into Lilly's drug discovery process.

Across our therapeutic categories and business areas, we're also engaging in selected business development efforts. Some recent examples are collaborations in the immuno-oncology space. In late 2015, Lilly and Merck announced extension of an existing collaboration to evaluate the combination of Alimta® with Keytruda® in a pivotal Phase III study in lung cancer, as well as a collaboration to evaluate abemaciclib with Keytruda across multiple tumor types. And in October, we announced an expansion of our strategic alliance with Innovent Biologics to include immuno-oncology bispecific antibodies in China and globally.

Promoting Responsible Use of Antibiotics in Food-producing Animals

According to the Centers for Disease Control and Prevention (CDC), antibiotic-resistant infections sicken at least 2 million people every year, with the vast majority of cases occurring in healthcare settings. But increasingly, public health experts are concerned that the more antibiotics are used, the more likely bacteria will continue to evolve and create resistance, creating new "superbugs" that can be much harder to treat.

The concern over the reduced effectiveness of antibiotics is real and needs to be addressed.

FINDING ALTERNATIVES TO KEEP ANIMALS HEALTHY: THE SCOPE OF THE CHALLENGE

In the next few decades, demand for animal protein will climb 60 percent[2] as population increases and the global middle class expands by three billion people.[3] These numbers are important, because we're already overusing the Earth's resources, consuming about 1.6 times the natural resources we should use in a year.[4] Delivering safe, sufficient, affordable protein to feed the growing population has never been at greater risk.

The welfare of animals we rely upon to provide protein is also at risk. Today, we have emerging diseases on every continent, including avian influenza in the United States. Beyond that, nearly 3 in 4 cattle experience symptoms of respiratory disease[5] at some point in their life, and 1 in 6 dairy cattle experience mastitis[6] in their productive life. It is the responsibility of the animal health industry to keep animals healthy and treat the ones that get sick while safeguarding antibiotics for future generations through responsible use.

We believe that it is important that regulations or policies do not move faster than available science, which could jeopardize animal health as well as food safety and food security. Setting timelines without solutions could be dangerous, compromising animal welfare. Policies that require complete elimination of all antibiotics in animal production aren't right for the animal, and they aren't right for the consumer either. We must take a pragmatic approach that doesn't put animals at risk.

Antibiotic resistance occurs naturally over time, as bacteria develop resistant genes that are then passed on to other bacteria. This natural process can be magnified by the misuse and overuse of antibiotics.

Antibiotics, including those manufactured by Elanco, Lilly's animal health division, are used on farms to help control, prevent and treat disease in food-producing animals. Elanco believes that it is our industry's responsibility to keep animals healthy, treat the ones that get sick, and safeguard antibiotics for future generations through responsible use—creating healthy

[2] Food & Agriculture Organization (FAO). "World Livestock 2011: Livestock in Food Security." Rome, 2011.
[3] Kharas, Homi. "The Emerging Middle Class in Developing Countries." Global Development Outlook. OECD Development Center. Working Paper No. 285. January 2010.
[4] www.overshoot.org. Global Footprint Network.
[5] Wittum, T. E., N. E. Woolen, L. J. Perino, and E. T. Littledike. 1996. "Relationships among treatment for respiratory tract disease, pulmonary lesions evident at slaughter and rate of weight gain in feedlot cattle." *J. Am. Vet. Med. Assoc.* 209:814–818.8756886.
[6] Ruegg, Pamela L. "New Perspectives in Udder Health Management." *Vet Clin Food Anim* 28 (2012) 149–163.

food, ensuring the health of people, and protecting the planet, a concept we refer to as "One Health." We are committed to working together with the human, animal, and environmental health communities to develop effective, sustainable solutions to the problem of antibiotic resistance.

Of particular concern in the antibiotic resistance issue are "shared class" antibiotics used in both humans and animals. As a result, the industry, under guidance by the U.S. Food and Drug Administration, has voluntarily limited use of shared-class antibiotics to the therapeutic purposes of treating, controlling, and preventing diseases in animals under the supervision of a veterinarian.

At Elanco, we share the concern over ensuring a sufficient, healthy food supply. In June 2015, Elanco President Jeff Simmons participated at the White House Forum on Antibiotic Stewardship.

In response to the ongoing conversations around responsible antibiotic use, Elanco announced a new antibiotic stewardship plan that promotes the responsible use of antibiotics, reduces shared-class antibiotic use, and replaces antibiotics with alternatives. This includes developing separate types of antibiotics for humans and for animals. Animal-only antibiotics do not create a resistance threat to human health because of their animal-only designation, mode of action, and spectrum of activity.

In 2016, Elanco will host an animal health accountability summit to provide a progress report on our effort to deliver antibiotic alternatives. Along the way, we will collaborate with customers, academics, and appropriate regulatory authorities, which will include establishing an expert advisory panel. Finally, Elanco will collaborate with our industry association and other companies to advance this effort as quickly as possible.

ELANCO'S EIGHT-POINT ANTIBIOTIC STEWARDSHIP PLAN

1. Act with responsibility globally—not just according to U.S. regulation—by working with food producers and retailers to provide training and encourage policies that reduce shared-class antibiotic use and increase veterinarian oversight.
2. Cease marketing of growth promotion uses for shared-class antibiotics and complete full regulatory change to end growth promotion use of shared-class antibiotics globally by the end of 2016.
3. Help customers eliminate continuous use of shared-class antibiotics for therapy purposes by providing an alternative.
4. Eliminate over-the-counter sales of shared-class antibiotics globally—including injectable products—where veterinarian oversight exists.
5. Eliminate concurrent use of shared-class antibiotics to treat the same disease.
6. Support veterinary oversight and responsible use, including helping build infrastructure globally.
7. Develop new animal-only antibiotics. No animal should ever be treated with a shared-class antibiotic if an animal-only option exists. Animal-only antibiotics optimize animal welfare without compromising human-use antibiotics.
8. Create alternatives. Elanco commits to invest two-thirds of our food-animal research budget to quickly evaluate 25 candidates and deliver 10 viable non-antibiotic development projects that address diseases where there are few, or no, alternatives to shared-class antibiotics (e.g., respiratory disease and enteric disease in cattle, swine, and poultry, and mastitis in cattle).

Bioethics

Bioethics—which focuses on the ethics of health care, biomedical research, and public policy in biomedical fields—is becoming an increasing area of attention for the pharmaceutical industry.

More companies are engaging in bioethics deliberation and making their positions on related issues publicly available—largely because of increasing transparency in our industry, but also because of a greater appreciation for the fact that true bioethics goes beyond legal compliance. Bioethics is the foundation for many research and development regulations, but regulations cannot address all bioethics issues.

We believe that bioethics is an integral component of corporate integrity and pharmaceutical research and development excellence. In 1999, Lilly became one of the first pharmaceutical companies to establish a standing bioethics committee to systematically identify, evaluate, and communicate bioethics issues, and, in 2008, we became one of the first pharmaceutical companies to create a Bioethics Program with dedicated full-time staff. We embrace a comprehensive approach to bioethics and offer a variety of resources and educational offerings to help employees navigate ethical scenarios and empower them to apply bioethics principles in their daily work.

Equally, we believe in contributing to, and advocating for, a strong bioethics practice across the pharmaceutical industry. To help foster this wider focus on bioethics, we engage external stakeholders through presentations at professional and academic conferences; publish papers to advance the bioethics conversation in the industry as a whole; post and communicate our own bioethics position statements; and serve on industry, academic, and government committees that address bioethics issues related to biomedical research and drug development.

Lilly Bioethics Structure and Management

The Lilly Bioethics Program is an independent organizational unit reporting to the chief medical officer and includes a senior leader and full-time staff members with pharmaceutical industry expertise and specialized training in bioethics.

These individuals serve as resources for the company and are responsible for the program's development, deliverables, and oversight.

In addition to this full-time effort, employees from across the company participate in key bioethics program activities beyond their regular work responsibilities. These "extracurricular" activities range from senior leaders who engage in a Bioethics Advisory Committee to a network of employees

LILLY'S COMPANY MISSION, VISION, AND VALUES

Bioethics Framework for Human Biomedical Research

Basic Bioethics Principles	Essential Elements for Ethical Biomedical Research
› Respect for persons	› Scientific validity
› Beneficence	› Social value
› Non-maleficence	› Equitable selection of countries/communities and participants
› Justice	› Relationships with investigators and study sites
	› Reasonable benefit-risk profile
	› Independent ethics review
	› Incentives for research participants
	› Informed consent
	› Fair treatment of research participants
	› Protection of privacy and confidentiality
	› Fair access to post-study benefits
	› Public transparency
	› Stakeholder engagement

throughout the company who work to continually build their knowledge and skills through bioethics activities and projects. Learn more on our Bioethics Program website.

Bioethics Framework

Protecting individuals who participate in clinical studies has long been a high priority for our industry to ensure that the benefits of the research are accomplished with respect for, and minimal risk to, individual research participants and with an overall sense of fairness. However, most bioethics guidance has traditionally focused on the responsibilities of clinical investigators (physicians who conduct clinical trials) and ethics review boards. There has been a lack of guidance to comprehensively address the bioethical responsibilities of industry sponsors (such as Lilly). To fill this void, Lilly instituted a Bioethics Framework for Human Biomedical Research in 2010.

The Lilly Bioethics Framework consists of four basic principles and 13 essential elements for conducting ethical human biomedical research. The entire framework sits within the context of our company's mission, vision, and values. The framework doesn't aim to disrupt or contradict established, foundational concepts of bioethics. Rather, it provides an approach that specifies and compiles a sponsor's bioethical responsibilities to multiple stakeholders into one resource.

Our framework provides a bioethical foundation to inform our decisions and actions related to biomedical research and to inform company positions on bioethical issues. The framework helps translate ethical aspirations into action so that our biomedical research is conducted in a manner that aligns with broadly accepted ethics principles and with Lilly's core values.

In 2015, we published two papers related to our bioethics framework: one that presents the framework and another that both explains how we developed and implemented the framework and discusses our four years of experience with it. By sharing these publications with external stakeholders, we hope to stimulate discussion that benefits the multiple parties involved in pharmaceutical human biomedical research.

THE LILLY BIOETHICS FRAMEWORK IN ACTION

The primary way for patients to gain access to investigational drugs (prior to commercial availability) is through clinical trials. These studies help determine the safety and efficacy of medications, and they are medically and ethically necessary to protect and benefit current and future patients. However, sometimes people who may benefit from a medication are not able to access it. For instance, the drug may still be undergoing study, and the person in need is unable to participate in a clinical trial. If the person has already exhausted other medications available to him or her and cannot wait for commercial availability of a new drug, Lilly may consider making the drug available to that person, using what is called "expanded access."

The stakes are high. Because of the significant impact on current patients, drug development, and future patients, a pharmaceutical company's decision to grant expanded access must be based not only on regulatory criteria, but also on ethical considerations. Lilly has employed our bioethics framework to proactively identify important factors that impact expanded access decisions and to develop our bioethics position statement regarding expanded access. For more about Lilly's approach, see the Expanding Access to Investigational Medications section of this report.

Our Positions on Current and Emerging Bioethics Issues

Lilly uses our bioethics framework when conducting ethical analyses to answer questions for Lilly employees and to develop bioethics positions on relevant and emerging topics. We have developed a number of position statements related to bioethics issues such as stem cell research, pediatric medicine, and multinational clinical trials, among others.

All of Lilly's bioethics position statements are available on our Bioethics webpage, including the two most recent statements we published in 2015 regarding scientific publications and presentations.

Engaging Employees in Bioethics

We strive to address bioethics issues proactively and make bioethics discussions more informed and commonplace throughout our company. As we involve more employees in bioethics training, we

create a network of specialists capable of relating bioethical thinking and knowledge back to different functional areas across the company. Most importantly, we encourage our employees to adopt ethics-focused thinking, which is based on values and principles, in addition to compliance-focused thinking, which is based in legal regulation. This kind of ethics-focused thinking helps guide employees when they are faced with a situation that is not explicitly covered by regulation, such as continued access to an investigational medicine, stem cell research, or implications of providing individual results to clinical trial patients.

Bioethics Consultations

Since 1999, the Bioethics Advisory Committee has offered a consulting service, providing a forum for Lilly employees to ask questions and seek advice regarding bioethics and research ethics issues. The primary focus of the consultations is pharmaceutical research and development, but questions may also touch on interrelated aspects of clinical ethics, business ethics, and organizational ethics.

We have conducted more than 250 consultations since 2008, when we started collecting metrics, and have seen rising interest over the past several years—starting with five requests per year in 2008 and increasing to approximately one per week by 2013. Results from a survey conducted by bioethics staff indicate that the consultation service is well regarded and viewed as approachable, helpful, and responsive. The service increases awareness about bioethics, empowers employees to raise bioethics concerns, and helps them reason through challenging issues.

For more information, read "A Pharmaceutical Bioethics Consultation Service: Six-Year Descriptive Characteristics and Results of a Feedback Survey"—an article about our experience with consultations and the benefits we've seen as a result of our consultation service.

Bioethics Week 2015

In 2015, Lilly's Bioethics Program and our Animal Research 3Rs Initiative co-hosted a companywide week of awards, lectures, presentations, and discussions related to bioethics. Our goals for the week were to increase awareness of bioethics and its implications for the pharmaceutical industry and Lilly, recognize those who have made contributions throughout Lilly in this area, provide employees with an opportunity to engage with experts in bioethics, and position Lilly to proactively address emerging bioethics issues. For more about our approach to animal research, see the Animal Care and Use section of this report or visit our Animal Care and Use webpage.

Bioethics Leadership Academy (BELA)

Employees who are selected to participate in BELA dedicate a portion of their working time to bioethics training for nine months. Participants work through a curriculum, participate in bioethics program activities, and develop a project to help them respond to bioethics issues related to their functional role in the company and the pharmaceutical industry. This is just one way we're increasing the number of employees throughout Lilly who make bioethics considerations a part of their daily work.

Ongoing Employee Training

In 2014, we introduced computer-based training courses to provide an overview of the bioethics program at Lilly and the resources available to help our employees effectively navigate bioethics issues. The training is mandatory for our medical directors and clinical research physicians and scientists, and we are in the process of expanding the training to help familiarize more employees with our overarching bioethics framework and how it applies to their work.

Transforming Clinical Trials

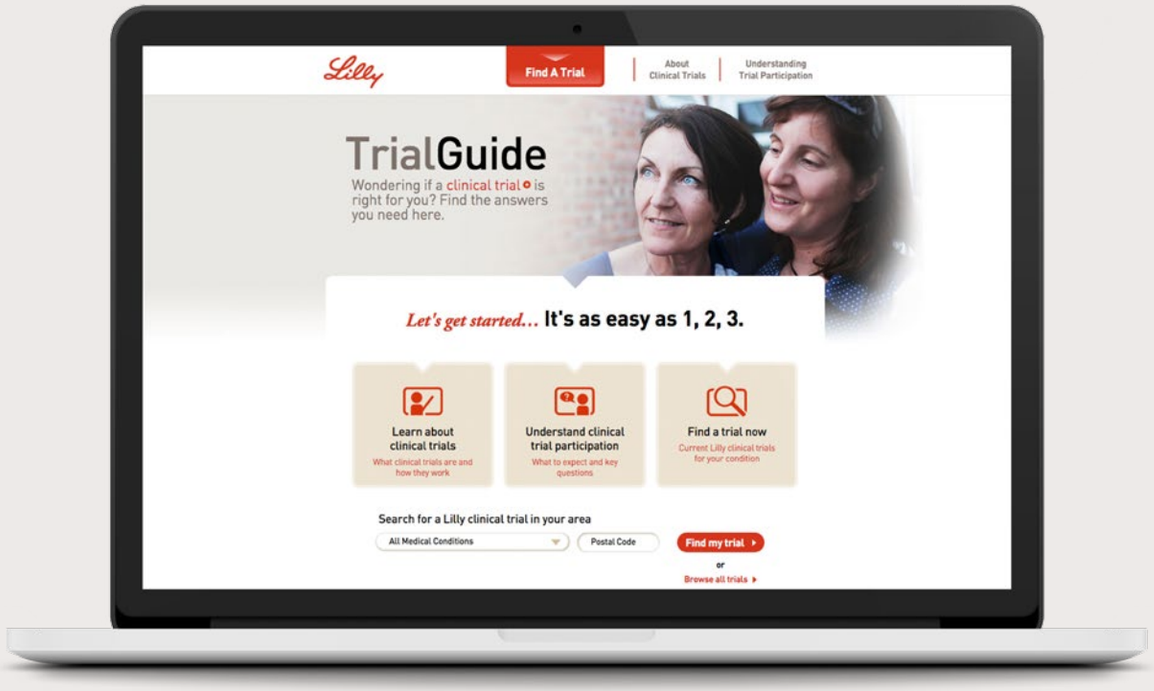
Clinical trials are foundational to our ability to get new medicines to patients. These studies not only determine whether treatments are safe and effective, but often generate a wealth of information that can help to guide further research and potentially help identify future treatments. Of course, for clinical trials to be successful, we need people to participate.

To encourage participation in trials, we've focused our efforts on understanding the biggest barriers that prevent or deter people from taking part. We then use this critical information to try to improve the clinical trial experience—including making it easier for patients to find clinical studies, being transparent about trial outcomes, and increasing the diversity of participants across our studies. We also look for ways to inspire study participants to become advocates for clinical research and encourage others to enroll in clinical trials.

Lilly also considers how we can provide mutual value to others, either by sharing information, as appropriate—for instance, with patients who can then return to their healthcare providers more informed and empowered by their participation in a clinical trial—or by supporting research models that also aid healthcare organizations' goals to reduce costs, improve clinical outcomes, and increase patient satisfaction.

Creating Patient-Centric Clinical Trials

Every medicine in use today went through a series of clinical trials. For patients, clinical studies present an opportunity to play a more active role in disease management and to contribute to scientific advancements for the benefit of future generations. Watch this video to see what the experience was like for four volunteers who participated in a Lilly study and their subsequent realization about the importance of clinical research beyond their own needs.



The Lilly TrialGuide website helps patients learn more about clinical trials and what participants can expect.

At Lilly, we want to do everything we can to connect with patients who would be good candidates for one of our studies. Yet we know that sometimes patients are confused about clinical trials or are simply unable to find a trial suitable to their situation. In response, in 2015, we launched Lilly TrialGuide. This website is devoted to helping patients understand what clinical trials are, how they work, and what to expect as a potential participant. It includes a friendly search engine patients can use to find Lilly clinical trials for their condition.

We're also working to develop a web-based platform that can be customized for each clinical trial. When the platform is complete, potential participants will be able to use the online interface to get more in-depth information about a particular study to better understand their commitment before agreeing to participate, including answers to questions such as these:

- What is the timeframe of the study?
- How many visits will be required and how often?
- What should I expect to happen during my visits?

We created an early version of this tool for our Duchenne muscular dystrophy trial in 2014. We plan to roll out an automated platform that additional clinical trial teams can use in 2016.

There are numerous reasons why people do—and do not—participate in clinical trials. A general lack of awareness among patients regarding their ability to participate in trials is a major issue. Once patients are aware of a clinical trial, several barriers may prevent them from enrolling, including fear of side effects, concerns that the new treatment won't be as good as what they are currently receiving, the possibility of receiving a placebo treatment, and the extra burden of study participation.

People who volunteer for a clinical trial and have a positive experience are more likely to adhere to the study protocol, complete their intended study participation, and potentially be more positive when talking with others about their clinical study experience, which may speed enrollment in future studies. In fact, the majority of those who do participate have a positive experience and would consider participating in another research study.

Ironically, a majority of patients also do not talk to others about their positive experience. One reason might be that patients aren't armed with the right information. In fact, 90 percent of study participants say they would like to know the results of the clinical trial they took part in.[7] However, 91 percent never hear back from the study staff or sponsor.[8] We've found that patients who participate in clinical trials are often ready to become great advocates for the process, but the industry has not enabled this. When participants do not receive information on a study's outcome, they may become disillusioned about future clinical trial participation and fail to grasp the role they can play to help advance medicine. Lilly hopes to activate their advocacy through transparency with our own studies.

[7] Shalowitz and Miller. 2008. *PLoS Medicine*. 5:714-720.
[8] Getz et al. 2012. *Expert Rev. Clin. Pharmacol*. 5(2):149-156.

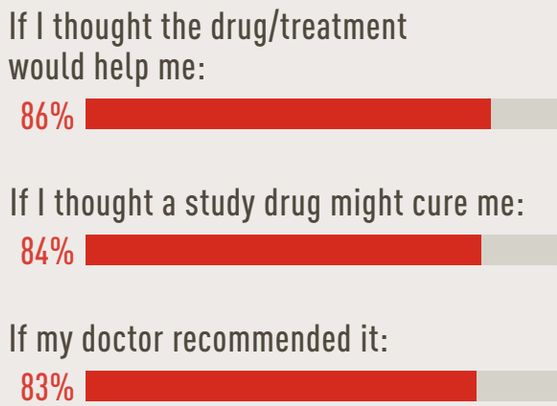
We are working to deliver an easy-to-understand summary of clinical trial results for Phase II–IV studies that have received approval as of October 2015 to move forward with their intended plan of study. These summaries will be written in patient-friendly language using simple, everyday terms; be translated into local languages spoken where the studies take place; and made available for research sites and study participants on Lilly TrialGuide. This resource is in addition to the more technical results that Lilly has been posting on ClinicalTrials.gov for all of our studies since 2004. Learn more about our commitment to transparency of clinical trial results in the Ethics and Transparency section.

Lilly is committed to providing education and opening discussion on clinical trials to advance innovation, raise awareness, and encourage participation. Visit the Lilly Trials website to learn more and join the conversation.

PATIENT PARTICIPATION IN CLINICAL TRIALS

Top perceived risks reported by the public of joining a trial*

Factors most likely to influence a patient's decision to participate in a trial**



* The Center for Information and Study on Clinical Research Participation. 2015 Perceptions & Insights Study: "Report on Public Perceptions."
** The Center for Information and Study on Clinical Research Participation. 2015 Perceptions & Insights Study: "Report on the Decision to Participate."

Increasing Diversity in Clinical Trials

The impact of disease isn't the same for everyone. Research has shown that health disparities exist between different ethnic and racial groups. In the United States, members of minority groups often suffer a disproportionately higher incidence of certain diseases and health-related events, such as stroke and diabetes, compared with whites. For example, we know that African Americans are almost twice as likely to be diagnosed with diabetes as non-Hispanic whites, and Hispanics are almost twice as likely as non-Hispanic whites to be diagnosed with diabetes.[9] Gender plays a role as well—rheumatoid arthritis, osteoporosis, multiple sclerosis, and certain cancers, among other conditions, afflict women more often than men.[10]

Responses to medicines can vary depending on a number of factors, including someone's genetic background, ethnicity, sex, and lifestyle.

This is why it's critical for Lilly to have diverse representation in clinical trials—to gain the insights necessary to make medicines that will be the most effective for all people who use them.

Unfortunately, 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.

In response, Lilly has developed a clinical trial diversity strategy to better understand patient differences that may affect clinical outcomes and to help increase the enrollment of racially and ethnically diverse populations in U.S. clinical trials. The ultimate goal of our clinical trial diversity strategy is to improve health outcomes for individual patients. The strategy includes the following actions:

- 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

LILLY EMPLOYEES HELP BUILD DIVERSITY IN CLINICAL TRIALS

Many of Lilly's employees participate in employee resource groups (ERGs). These groups provide for personal relationship building and professional networking and serve as a source of camaraderie, celebration, and support. They also deepen understanding across Lilly that the differences in heritage, life experience, and culture reflected in our employee base are strengths that make our company dynamic and that increasingly have direct ties to our business impact. Two of Lilly's ERGs have recently played significant roles in programs that are helping to increase the diversity of our clinical trials.

Rebuilding Trust With Minority Communities

Lilly's longest-standing ERG, the Lilly African American Network (AAN), boasts more than 800 members. Knowing the need that exists for greater diversity in clinical trials, but also recognizing a lack of trust within the African American community around medical research, the AAN proposed a collaboration between Lilly and the National Center for Bioethics in Research and Health Care at Tuskegee University. The focus: to work together to build a better understanding of the lack of diversity in clinical trials today and the need for greater African American representation in the clinical trial population to help ensure that African Americans benefit equitably from advances in health research. In late 2015, Lilly signed an agreement with Tuskegee as a direct result of AAN's work. We are now working with Tuskegee to develop a comprehensive plan, which will include research, education, and community engagement.

[9] Diabetes data from The Office of Minority Health. Accessed January 2016.
[10] PhRMA, "Facts About Diseases/Conditions Affecting Women." Accessed December 2015.

Expanding Clinical Trials in the Middle East

Recognizing the important role of global representation in gathering clinical data about our medications from different regions of the world, our Lilly Africa, Middle East, and Central Asia (Lilly AMECA) ERG worked in 2015 to establish key connections between our emerging markets business area and our global clinical operations group. Late that year, our Global Clinical Sourcing Committee endorsed elevating Saudi Arabia as a Tier 1 country for Lilly clinical trials, which will result in an expansion of clinical research in the area through partnerships with local investigators, medical schools, and healthcare centers. This policy ultimately will accelerate the development of new medicines in general and result in bringing innovative medications more quickly to Saudi Arabia.

The work our Lilly AMECA network did to shine light on this issue and build bridges between all the necessary parties played an important role in our decision to move forward, adding to the diversity of representation in our clinical trial portfolio and enriching the process of scientific inquiry. With the addition of Saudi Arabia, countries in the AMECA region now make up approximately 25 percent of Lilly's Tier 1 countries.

For more information about our ERGs, see the Workplace section of this report.

The Lilly AMECA Executive Team.

health disparities and the need for diversity in clinical trials,

- Actively recruiting investigators to work with diverse patient populations, and
- Collaborating with researchers to find ways to improve trust among minority populations (see "Rebuilding Trust with Minority Communities").

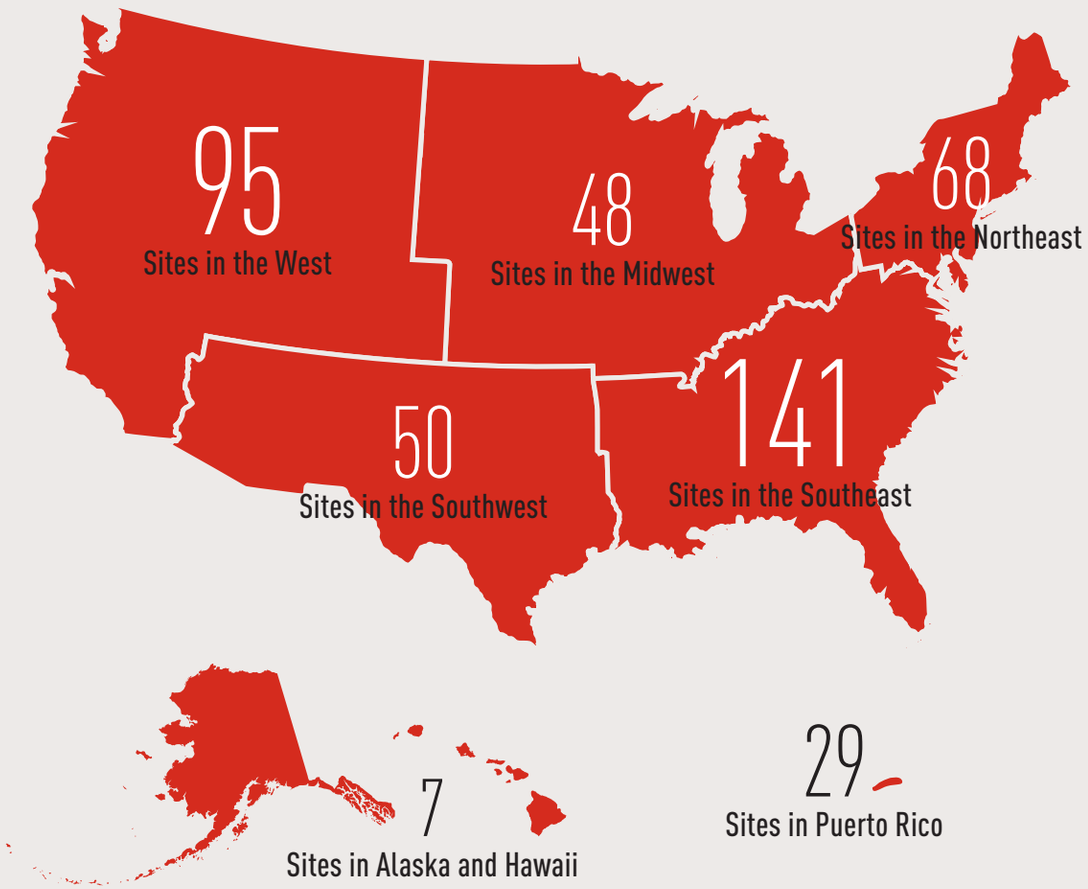
Training Minority Clinical Trial Investigators

One important variable in increasing the diversity of clinical trials is increasing the diversity of the physicians who conduct the trials (called "investigators"). Minority physicians are more likely to care for minority and non-English speaking patients. Unfortunately, the proportion of African American and Hispanic physicians has not kept pace with population growth for these minority groups.[11] Not only does this contribute to inequalities in health and health care overall, but it can also affect enrollment in clinical trials when a lack of diversity among the physicians conducting the trials exists. When there is less minority representation among physicians in certain specialties, it makes it even more difficult for us to increase the diversity of our investigators.

To help address this issue, Lilly partners with The Center for Drug Development and Clinical Trials at Roswell Park Cancer Institute to conduct workshops that train minority physicians to become clinical trial investigators. Our hope is that by increasing minority physicians' participation, we will be able to increase the diversity of clinical trial participants and improve clinical research.

The workshops, titled "Reducing Cancer Disparities through the Training of a Diverse Workforce," are offered to oncologists across the country who hail from minority groups. These training programs, the first of their kind in the pharmaceutical industry, aspire to develop a broader base of diverse investigators who understand the principles of good clinical trial design and have the tools to conduct trials that are relevant to underrepresented populations.

[11] JAMA Internal Medicine, "Minority Physicians' Role in the Care of Underserved Patients: Diversifying the Physician Workforce May Be Key in Addressing Health Disparities." Published December 2013. Accessed January 2016.



DIVERSITY IN LILLY-SPONSORED CLINICAL TRIALS IN NORTH AMERICA (2015 SITES)

To gain greater insight into the effectiveness of potential medications across a diverse population, Lilly works to increase minority participation in our clinical trials. Our goal is that every study conducted with more than 25 clinical trial sites must select at least two sites meeting Lilly's diversity criteria.

A diverse clinical trial site means the patient population is greater than 25 percent non-Caucasian. This map shows the number of sites in North America that meet this goal. Since we began focusing on increasing minority participation in clinical trials, we have added more than 400 new clinical trial sites with minority patient populations of more than 25 percent.

Expert faculty help participants identify the challenges of clinical research, particularly in minority and underserved populations, and provide advice and education for how to overcome these challenges through lectures, small breakout discussions, self-study, and one-on-one sessions. Participants receive ongoing mentorship from workshop faculty long after the workshops end. In 2014 and 2015, we successfully trained a total of 39 minority physicians, and feedback from participants has been very positive. We plan to continue offering the workshops, at a minimum, through 2019.

Beginning in 2016, participants in this program will benefit from hearing best practices from representatives of 20 clinical trial sites we have identified as centers of excellence for their work in increasing diversity in clinical studies. By gathering representatives from these sites together, we hope to advance the conversation about how to improve the diversity of clinical trials across the United States even further.

Based on the success of the U.S.-based investigator training program, we're also considering how we can replicate it in emerging markets to involve more local physicians in the studies taking place in those countries. As we look to expand our clinical trials more broadly in these regions, we're carefully considering important ethical questions related to post-trial care and availability of medications before choosing clinical trial sites.

Expanding Access to Investigational Medications

Patients with life-threatening conditions sometimes seek access to medications not yet available to the general public; an example might be a cancer patient who isn't responding to currently available treatments and who is desperately searching for something to combat his or her illness. These patients have typically tried every approved treatment for their condition, but nothing has worked.

Whenever possible, we encourage patients seeking access to investigational medications (medications still undergoing study) to

participate in clinical trials. These studies are the safest and best opportunity for patients to access a medicine before it's been approved for broad use. In addition, robust data sets from clinical trials provide regulatory authorities with essential information they need to evaluate a new medicine and approve it to become more widely available. In this way, participation not only benefits the patients, but also contributes to greater scientific understanding of the disease and the specific medication being studied.

However, sometimes people who may benefit from a medication still undergoing study don't qualify for a clinical trial and have already exhausted all other relevant medications available to treat them. In those cases, Lilly may consider providing an investigational medicine outside of a clinical trial setting. We call this "expanded access."

We have offered expanded access to investigational oncology drugs on a global scale since the 1990s. However, in the last few years, we have been developing a more formal position on expanded access due to our robust pipeline of medications, increased interest from external stakeholders, and the cumulative information we've gathered from our oncology expanded access programs, which have provided us with important insight into this issue.

The decision to offer expanded access is complex. We give careful consideration to each request we receive—evaluating any alternative therapies available and the benefits and risks of using the investigational medication. In addition, we will only provide expanded access if the medicine is currently being studied in humans and if providing the medicine for its requested use will not interfere with the initiation, conduct, or completion of any current or upcoming clinical trials.

Lilly has a responsibility to ensure that expanded access can be done in a manner that upholds ethical principles, such as fairness, promoting good, and minimizing risk of harm for both current and future patients. If a specific situation meets all of our criteria, we offer two types of expanded access:

- **Cohort Expanded Access:** Lilly manages access for a group of patients who meet a specific set of eligibility criteria. This type of expanded access program is developed in consultation with a regulatory agency, such as the U.S. Food and Drug Administration (FDA).
- **Individual Patient Expanded Access:** In rare cases, if a Cohort Expanded Access Program is not available, Lilly may still decide to provide investigational medicine to an individual patient in response to a physician's request. This type of expanded access is managed by the patient's physician.

To learn more, visit our Expanded Access webpage and read Lilly's bioethics position statement on the Expanded Access of Investigational Medicines.

Assuring Quality Medicines

Lilly was founded by Colonel Eli Lilly in 1876 at a time when medicines were often ineffective and poorly manufactured. Lilly's commitment to quality was ensured in The Lilly Code, which served as the company's first mission statement in 1899. Today, our quality teams work closely with groups across the company to ensure our medicines are both safe and effective.

Lilly's Quality System

At Lilly, we strive to make sound quality decisions that are consistent with good science and current regulatory and industry expectations across all areas of our company. We do this within the framework of the Lilly Quality System (LQS). The LQS provides the foundational quality requirements throughout the product research, development, manufacturing, and commercialization life cycle (see graphic).

The LQS is composed of an integrated system of standard business processes, as well as organizational and governance controls that are designed to assure high-quality products across both our human health pharmaceutical and animal health (Elanco) divisions. Our quality standards often exceed regulatory requirements for our industry. At Lilly, we seek ways to continuously improve our existing manufacturing processes and use these findings in the development of new medicines.

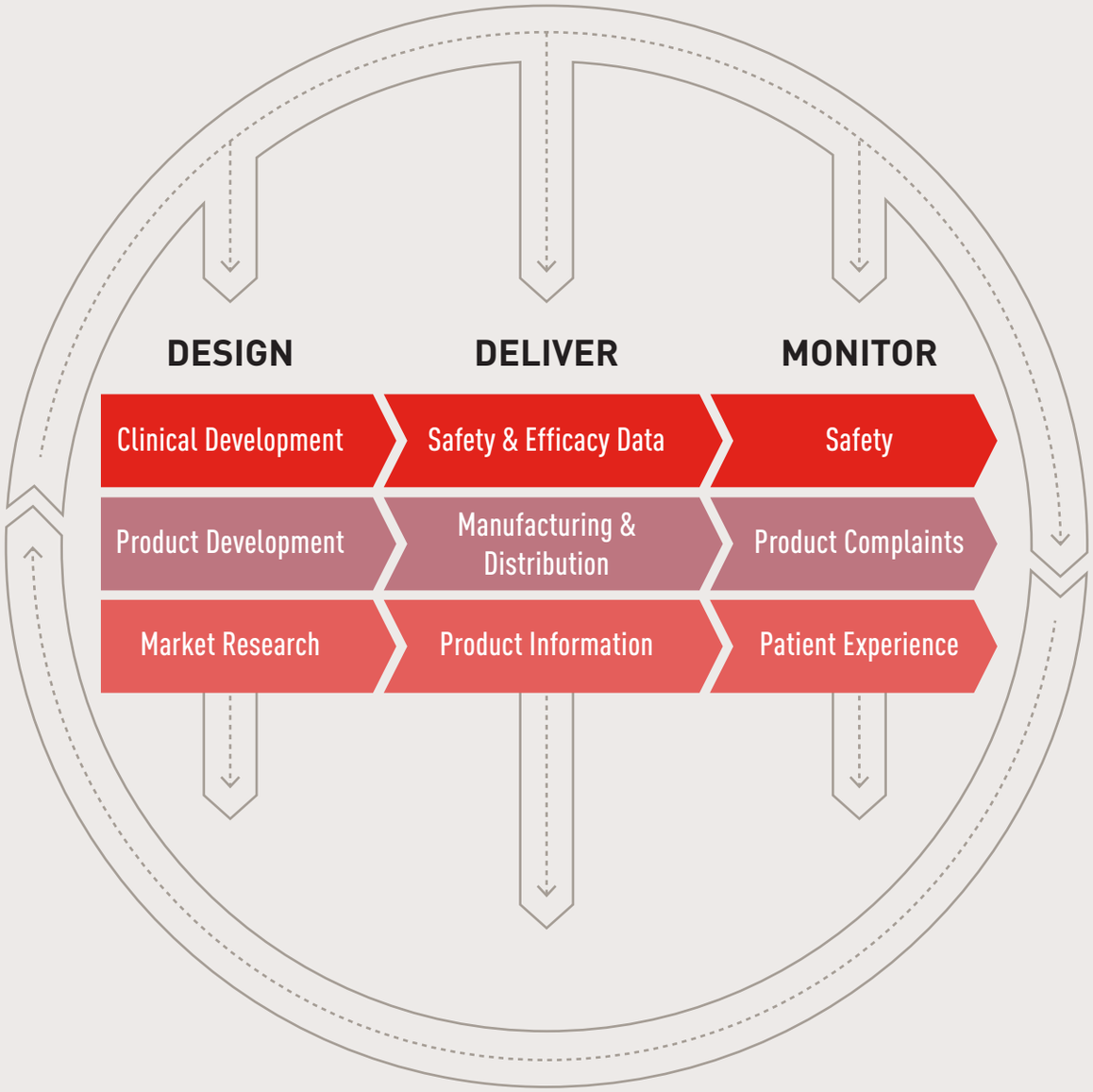
Lilly Global Manufacturing

The mission of Lilly's global manufacturing team is to provide a reliable supply of high-quality medicines. We are committed to manufacturing medicines that meet the following expectations:

Safety: We are committed to ensuring our medicines are manufactured in an environment that is safe for our employees and the surrounding communities in which we operate.

QUALITY ACROSS THE MEDICATION LIFE CYCLE

We work tirelessly to make our medications safe and effective—from the early stages of design and drug development through ongoing monitoring and understanding of the patient experience once a medication is on the market. Attention to detail and rigorous quality control across many interrelated areas of our company are necessary to ensure a high-quality product.



Quality: We assure the quality of our medicines by developing them using good science and manufacturing them within a regulatory framework that is consistent with high industry standards.

Value: Our global manufacturing organization consistently measures performance and productivity against stringent standards and best practices. We also continuously strive to improve our products using good science and Six Sigma methodology.

Environmental Stewardship: We have transformed many of our manufacturing processes to improve our environmental footprint in the areas of energy efficiency, waste minimization, and water reduction. Learn more about Lilly's environmental stewardship.

Our manufacturing employees take pride in their work, possess a high level of technical skill, and are deeply committed to supplying high-quality medicines to people around the world.

Approximately 10,400 individuals—about 25 percent of our employee base—compose Lilly's global manufacturing organization. The group operates 30 company-owned sites on four continents and manages relationships with more than 200 contract manufacturing organizations in 45 countries.

LILLY'S WORK TO SECURE THE LEGITIMATE SUPPLY CHAIN[12]

For many years, Lilly has used various types of anti-counterfeiting and tamper-evident technologies as part of its overall strategy to protect patients. We are also putting applications in place that meet emerging pharmaceutical "track and trace" or "serialization" standards around the globe. These applications are designed to help patients, pharmacists, and others determine if a given medicine is counterfeit or the authentic product.

Serialization, which is the unique identification of individual packs of medications, is a particularly promising technology. As each batch of finished product is packaged, a globally unique serial number is assigned and physically marked on the product's packaging in both a human readable form and as a two-dimensional barcode. To monitor the movement of individual packages of medicine through the supply chain, these serial numbers can be recorded and electronically linked to deliveries. These numbers can also be used by the pharmacy to verify that a serial number is valid prior to dispensing a given medicine to patients.

To help secure the legitimate supply chain for our products and meet these emerging global requirements, Lilly has invested roughly $100 million to upgrade our packaging operations, distribution centers, and information technology infrastructure around the world. Lilly is already supplying serialized product to multiple markets and will have full capability in late 2016 to supply to additional markets that require serialization. In addition, Lilly is working closely with industry groups, standards organizations, ministries of health, and other government functions to advocate for common serialization standards globally. In our view, these standardization efforts will help doctors, pharmacists, and patients around the world trust the legitimacy of the medicines they prescribe, dispense, and receive through this emerging technology. Watch a video to learn more.

[12] The serialization efforts described here apply only to our human pharmaceutical business. This activity is not required for our Elanco division due to the nature of the animal health business.

Global Patient Safety

Beginning with the discovery of a potential new medicine, our goal is to ensure that the benefits and risks of the medicines we market are continuously monitored and well-understood by regulators, healthcare providers, and patients based on available information. Lilly's global patient safety organization, consisting of more than 300 physicians, pharmacists, nurses, and other professionals, is dedicated to the collection, monitoring, evaluation, and reporting of safety information.

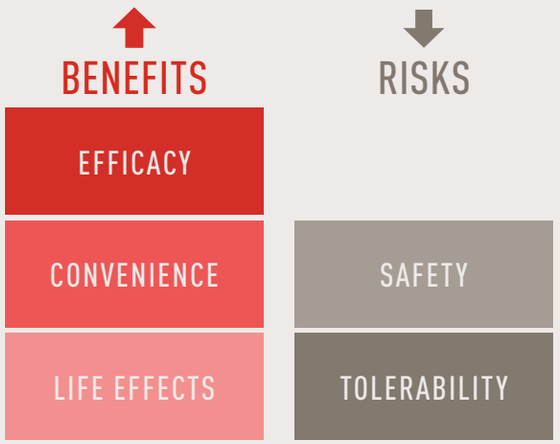
Assessing the Benefits and Risks of Medications

Well before a medicine is approved by regulatory authorities, it is rigorously assessed through carefully designed clinical trials to better understand its benefits (favorable effects) and risks (unfavorable effects). The results of these studies are shared with regulators around the world, such as the FDA in the United States, so they can conduct their own assessment before approving the drug for wider use.

When the regulatory agency approves a drug, it concludes that the drug's benefits outweigh its risks for the conditions outlined on the product label and that there is a public health benefit from the medication.

In addition, we formally evaluate the benefits and risks of our medicines on an ongoing basis throughout their life cycles. Our benefit-risk assessments take into account new or emerging safety, efficacy, and effectiveness information, together with existing product knowledge, to present a structured, critical analysis of the cumulative benefit and risk information.

BALANCING BENEFITS & RISKS OF MEDICATION



On its own, however, all of this data does not predict whether an individual patient will specifically benefit from a particular medicine. Once patients begin using the medication, they are monitored by their healthcare professionals to evaluate how the drug actually performs. Even as physicians become experienced at identifying individual patients who will more likely benefit from a specific drug therapy, it is still not always possible to predict whether the drug will have the expected therapeutic benefit or whether side effects will occur in an individual patient.

Lilly collects, monitors, and evaluates the benefits and risks of our medications and takes steps to communicate and minimize those risks while maximizing benefits to the patients who use them. We play an essential role in making sure that healthcare professionals have the most current safety information so they can make decisions about how and when a drug should be used and how they should monitor patients for potential adverse events.

MANAGING AND MINIMIZING THE RISK OF TAKING MEDICATIONS

The safety information of a medicine is communicated through the medication label, which healthcare professionals use to understand the risks prior to prescribing drugs to patients. Patients can also refer to the label, or to the less-technical medication guide provided with our products, to understand the potential risks associated with taking a specific medication.

In addition, Lilly develops risk management plans (RMPs) for our medications. The RMP outlines the specific plan to further understand the safety profile of that product. It also outlines, when applicable and in addition to information in the label, how Lilly plans to go about minimizing the most severe known or potential risks that may be associated with the medication. For example, it may require training for physicians that will teach them what specific actions should be taken to lessen certain risks. After a drug receives approval and is made available to patients, the RMP continues to be updated as additional information becomes available that impacts the safety profile or benefit-risk balance of the product. Updates are submitted to regulatory authorities.

Collecting Safety Information Throughout the Life Cycle of a Medication

Learning how individual patients react to a medication is essential for the ongoing development of better treatment practices. Often, side effects can only be observed after a medication has been approved and used across a large, diverse patient population for an extended period of time.

For this reason, safety evaluation does not stop when a medication reaches the market. After the completion of pre-marketing clinical trials, Lilly continues to carefully monitor for new safety findings. In fact, the monitoring increases—through collection of information from post-marketing clinical studies, published scientific articles, adverse event databases, and spontaneous adverse event reports voluntarily submitted by healthcare professionals and patients who are using a medicine. In addition, we monitor the impact of our medications, including reports of the following:

- Outcomes of use of a medication during pregnancy (maternal and paternal exposure) and breastfeeding

- Lack of drug effect
- Off-label use
- Overdose, abuse, and misuse
- Medication error
- Suspected transmission of infection agents
- Potential adverse events associated with product complaints.

Lilly collects adverse event reports from all over the world and enters the information into a common electronic database to further evaluate the safety and risks of our medications. New safety findings and emerging concerns are shared openly with regulators and health-care providers to appropriately manage risks associated with the use of our medicines. We also work diligently to combat drug counterfeiting, which poses serious health threats to patients.

The Patient Safety section of Lilly's website is available to educate key external stakeholders about the role the pharmaceutical industry, regulators, physicians, and patients play in ensuring medicines are safe and effective.

RESPONSIBLE USE OF MEDICATIONS

Prescription medications are potent products designed to fight illness and promote an improved quality of life. When properly used, prescription medications can effectively treat diseases and provide relief from chronic conditions—transforming health and saving lives. Unfortunately, nearly any prescription medication can be misused or abused. When people fail to use these products as prescribed, there is not only a risk of ineffective treatment but also a significant potential for harm due to overdose. These safety concerns can be compounded if products are obtained without a prescription or outside of the secure, legitimate supply chain, where counterfeit or adulterated products might be introduced.

Lilly collects and reports misuse and abuse of our products as part of our ongoing efforts to monitor our medications for patient safety. We review these cases on a regular basis and provide reports related to individual cases or in aggregate, depending on the situation, to regulatory authorities. We also partner with organizations, such as Indiana's Prescription Drug Abuse Prevention Task Force, created by the Indiana Attorney General's Office, to promote the safe use of prescription medications, and we work with government and non-government agencies to curb misuse and accessibility to counterfeit or other substandard medications.

PHARMACOVIGILANCE: THE CONTINUOUS MONITORING OF PRODUCT SAFETY

Lilly collects, monitors, and evaluates safety information throughout the life cycle of each medication. This system is designed to maintain and evaluate the product's benefit/risk profile. When important safety issues arise, Lilly communicates them to doctors, patients, and regulatory agencies in various ways depending on the nature of the adverse event.

	Drug Discovery	Pre-Approval Clinical Trials	Post-Approval Clinical Trials and Real-World Use
Safety Data	› Information gathered during toxicology studies/animal research › Published information about drugs in the same pharmacological class	› Adverse event information collected and reported to Lilly throughout the course of the trials	› Individual adverse event reports from the public, including patients, healthcare providers, and pharmacists › Post-marketing clinical and non-clinical studies and epidemiological studies › Scientific and medical literature
Lilly's Action	› Create an initial drug safety profile for use during clinical trials	› Update the drug safety profile › Create summary of safety information for product safety label	Depending on the nature of the event: › Follow-up with doctors and patients to understand reported adverse events › Continuous monitoring of reported adverse events to find trends and evaluate key safety issues › Collaboration with regulators to share information › Updates to product safety label › Additional safety communications as necessary › Additional post-marketing clinical trials and safety studies

Notifications to regulators

Improving Global Health

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p56 Hunger Relief

p59 Product Donations

p61 Patient Programs

Our primary contribution to global health comes through the medicines that we discover, research, and bring to market. But despite the progress made in medical science by Lilly and others over the past few decades, as well as the new medicines, diagnostic tools, and other technical advances that are now available, we recognize that too many people still do not have access to quality health care.

At Lilly, we have long used traditional philanthropy to help people in immediate need, and we will continue to do so. But these efforts, vital though they are, are simply no match for the scale of deeply rooted healthcare challenges that affect people around the globe, especially in low- and middle-income countries. We recognize that different thinking and new solutions are needed.

Accordingly, our work today in global health is broad and uses a variety of approaches—from product donations, to public-private partnerships, to a new initiative based on the concept of shared value aimed at improving diabetes care in China. Our global health portfolio also includes the hunger relief efforts of our animal health division, Elanco. Elanco's initiatives are closely tied with its business focus of contributing to a safer, more affordable, and more abundant food supply. Knowing that good nutrition is a key element of good health, Elanco has chosen to focus on reducing the burden of hunger globally, as well as in our home city of Indianapolis.

In addition, we support a variety of patient programs around the globe, offering information and support for those dealing with different disease states and illnesses. Through these programs, Lilly works with our partners to make healthcare systems more accessible and effective and to educate the newly diagnosed or those already receiving care, along with their caregivers and families, to improve health outcomes.

More than Medicines: Lilly's Commitment to Global Health

Lilly product donations help thousands of people each year around the world, especially in times of disaster. Our patient assistance programs provide free or reduced-price medicines to those who cannot afford to pay. In 2015, we donated more than $500 million in Lilly medicines.

But we recognize that our response must go beyond donating medicines alone—especially in areas where healthcare systems struggle to meet the demand for services. Through two flagship initiatives, we are working to address healthcare system challenges in areas with limited resources. Our Lilly NCD Partnership currently focuses on diabetes, one of the non-communicable diseases (NCDs) now affecting hundreds of millions of people, and the Lilly MDR-TB Partnership, begun 13 years ago, focuses on hard-to-treat multidrug-resistant tuberculosis. Through both programs—working alongside our partners—we research community-based models of health care, report data, and share lessons learned with governments, experts, and other decisionmakers to inform policymaking and to advocate for proven, cost-effective

Shared Value Initiative

SHARED VALUE INITIATIVE

We are a member of the Shared Value Initiative, a global community of organizations, including companies, civil society, and government, committed to driving the adoption and implementation of strategies that create measurable business value by identifying and addressing social problems that intersect with business interests. The Lilly NCD Partnership and Lilly Expanding Access for People (LEAP) are two Lilly initiatives created through a shared value lens.

solutions to be adapted, replicated, and scaled to benefit more people. Our newest initiative in China, Lilly Expanding Access for People (LEAP), combines our diabetes expertise with on-the-ground healthcare provider training to bring effective care for diabetes closer to the communities where the majority of affected people are living.

Working in Partnership

Our global health programs are designed and managed in partnership with experts and organizations in the communities where we operate, each of whom brings unique insights, capabilities, ideas, and passion. We are privileged to work side-by-side with them. Together, we are working to improve access to care, strengthen healthcare systems, and support at-risk populations. Our primary goal is to develop fact-based solutions that improve health outcomes and create lasting value for people, societies, and Lilly.

Through strategic public-private partnerships—with each organization applying its unique insights, capabilities, ideas, and passion—we can make far greater progress, even faster.

To guide our partners and us, we use an evidence-driven framework that we call *Research, Report, and Advocate*. The goal of this approach is to develop and demonstrate sustainable models of care that improve outcomes for people and strengthen healthcare systems. Our programs collect valuable data that is helping governments and other key stakeholders to make better-informed healthcare decisions and to replicate and scale up proven approaches. Ultimately, we seek to be a catalyst for ideas, solutions, action, and results.

LILLY'S *RESEARCH, REPORT, AND ADVOCATE* APPROACH

By using an evidence-driven approach—*Research, Report, and Advocate*—in the Lilly NCD Partnership and the Lilly MDR-TB Partnership, we are working to amplify the richness, reach, and impact of our efforts and to generate lasting value for people, societies, and our company.

We research new models of comprehensive health care, collect robust outcomes data, report broadly what works and what doesn't, and then advocate the replication and scale up of the best solutions to benefit people on a wider scale. We do this by sharing our results with governments and the wider global health community, both globally and in our focus countries.

Research: pilot models of comprehensive health care with embedded data collection on health outcomes;

Report: share health outcomes data and lessons learned with governments, experts, and other decisionmakers to inform policy decision-making;

Advocate: use outcomes data to inform decision-making and advocate with our partners for broader use of proven, cost-effective solutions.

In addition to sharing with governments and health experts, we post our project results online.

LILLY GLOBAL HEALTH PROGRAMS: CREATING VALUE FOR PEOPLE, SOCIETIES, AND LILLY

What

Developing community-based healthcare models to improve health outcomes, build capacity, and enable access to quality care for people with diabetes or MDR-TB in resource-limited settings

Where

Working in Brazil, China, India, Mexico, Russia, and South Africa, with nearly 50 well-respected global, national, and local partners, each contributing its own expertise to collectively strengthen healthcare systems

How

Using an evidence-driven approach—*Research, Report, and Advocate*—to inform policymakers and bring benefit to as many people as possible

Lilly Global Health Programs

Our global health programs—the Lilly NCD Partnership and the Lilly MDR-TB Partnership—make life better for people around the world by increasing sustainable access to quality care for people with diabetes or multidrug-resistant tuberculosis (MDR-TB) in resource-limited settings. Learn more by watching this video.

NCDs—The Leading Cause of Death Worldwide

Non-communicable diseases (NCDs)—such as diabetes, cardiovascular disease, cancer, and chronic respiratory diseases—impact individuals and societies around the world. Accounting for 63 percent of all deaths worldwide, they have particularly devastating effects in many poor countries. In fact, almost three-quarters of NCD-related deaths—some 28 million a year—occur in low- and middle-income countries.

The impact of NCDs has emerged as a major challenge in settings where healthcare systems have historically been oriented toward care for other priority health-care needs, such as infectious diseases and maternal and child health. Amid scarce resources and competing healthcare system demands, many people with NCDs in these countries are diagnosed late—if at all. And for those who are diagnosed, care can be highly variable. These diseases not only take lives but also diminish opportunities—as they often affect adults in their prime income-earning years. All too often, families face lost income, potentially catastrophic healthcare expenditures, and, ultimately, the loss of loved ones while societies must bear the costs of care and lost productivity.

Following the United Nations High Level Meeting on NCDs in 2011, global health organizations, governments, the private sector, and other stakeholders have been mobilizing to address the human, financial, and societal toll of these diseases. The WHO Global Action Plan for the Prevention and Control of NCDs 2013–2020 provides a road map and a menu of policy options for cross-sector collaboration aimed at a 25 percent reduction in premature deaths from NCDs by 2025. We at Lilly, and many others, believe that millions of lives can be spared through meaningful and coordinated action.

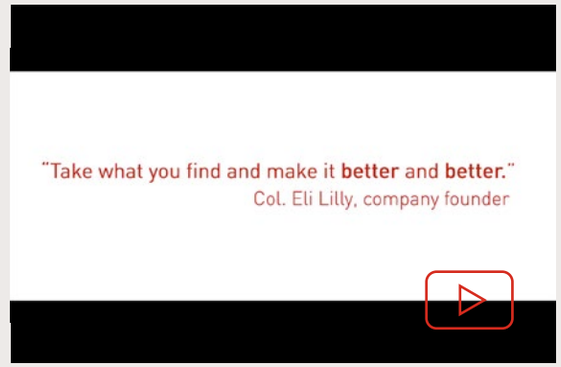
IMPROVING ACCESS TO QUALITY CARE WHERE NEEDS ARE GREATEST

■ Lilly NCD Partnerships ■ Lilly MDR-TB Partnerships ■ Both Partnerships

	Brazil	China	India	Mexico	Russia	South Africa
Diabetes	12M		69M	11M		3M
MDR-TB		51K	62K		36K	26K

* Number of cases as of 2014

** M = million, K = thousand



VIDEO Lilly Global Health Programs

The Lilly NCD Partnership

Responding to the global NCD challenge requires new ways of thinking and collaborations on an unprecedented scale. Private sector organizations, like Lilly, have a critical role to play in these efforts. After consulting with key global health stakeholders at the international, national, and local levels, Lilly determined that we could provide the greatest contribution by focusing on diabetes. For more than 90 years, Lilly has been a worldwide leader in pioneering diabetes solutions. Given our history, deep expertise, and current product portfolio and pipeline, diabetes was a natural choice as the focus of the Lilly NCD Partnership. In 2011, we launched the Lilly NCD Partnership with an initial five-year commitment of $30 million.

Today, we are partnering with seven leading health organizations in Brazil, India, Mexico, and South Africa—four countries with high rates of diabetes and where significant unmet needs for access to diabetes care exist. But each of these countries has unique challenges in this area related to the structure of its healthcare system and national priorities, so we worked with our partners to design and implement programs that address relevant gaps.

Each of our partners is highly regarded at the local, national, and/or international level and brings critical capabilities and expertise. Through our annual Lilly NCD Partnership summit, we actively share approaches, findings, and outcomes that allow our partners and us to continually learn from one another.

2015 NCD Partnership Highlights

- *Improved access to quality care for diabetes in Mexico:* Use of insulin increased by 30 percent or more in two states where the CASALUD model was implemented by our partner the Carlos Slim Foundation, as healthcare providers developed better capacity to initiate and manage patients who were previously poorly controlled on oral medicines.

Launched in 2011

$30M

$30 million commitment over 5 years (2012-2016)

Focused on improving diabetes health outcomes

Leveraging Lilly's *Research, Report, and Advocate* framework

Focusing on 4 countries with high diabetes and NCD burdens: **Brazil, India, Mexico, South Africa**

Partnering with 7 leading global health organizations

OUR PARTNERS

Brazil

- Institute for Children with Diabetes
- Medical Foundation of Rio Grande do Sul - Federal University of Rio Grande do Sul

India

- Public Health Foundation of India
- Population Services International
- Project HOPE

Mexico

- Carlos Slim Foundation

South Africa

- Donald Woods Foundation
- Project HOPE

- *Increased identification of diabetes and hypertension cases in India:* Through the UDAY campaign, run by our partner the Public Health Foundation of India, with support from Population Services International and Project HOPE, more than 50,000 people have been screened for diabetes and hypertension, 13,500 of whom were referred for treatment. A detailed mapping has been completed in the two communities where UDAY is based—a first-ever achievement increasing understanding of how environmental factors (e.g., access to open space, the location of health facilities and pharmacies, as well as the location of fast-food outlets and tobacco outlets) impact the well-being of populations at risk for diabetes.
- *Scaling up type 1 diabetes care in Brazil:* The juvenile diabetes education course developed in our partnership with the Institute for Children with Diabetes is poised for national scale up to reach thousands more children with diabetes.

Plans for the next phase of the Lilly NCD Partnership will be announced in late 2016.

The Lilly MDR-TB Partnership

Tuberculosis (TB), often mistaken as a disease of the past, continues to plague millions of people around the world. While preventable and curable, TB ranks alongside HIV as the leading cause of death from an infectious cause worldwide, with 1.5 million deaths in 2014. When left untreated or under-treated, TB can spread rapidly and evolve into drug-resistant forms. In 2014, the World Health Organization (WHO) reported 480,000 new cases of multidrug-resistant TB (MDR-TB)—which is harder to diagnose and treat than drug-sensitive TB and which has significantly poorer cure rates. Adding to the problem, each year an estimated 3 million people with TB are "missed" by healthcare systems that fail to accurately diagnose and treat them.

Lilly has been actively working to stem the tide of MDR-TB for

the Lilly MDR-TB partnership

"In the early 1990s, it had basically been declared that MDR-TB couldn't be treated in developing countries. *Partners In Health* began treating patients in the slums of Peru, and we were able to show that you can treat it. And then we realized that one of the problems was high drug prices. So we went to Eli Lilly and Company, and those guys were incredible. They actually helped us lower the price of the drugs for drug-resistant TB from about $30,000 a year to about $1,000 a year. And we actually convinced the world to lift this death sentence and treat drug-resistant TB."

– Dr. Jim Yong Kim, M.D., Ph.D., President, The World Bank Group, formerly with *Partners In Health*

more than a decade. Partnering with global, national, and local TB stakeholders around the world, we have targeted our efforts, including these, for the greatest impact:

- Healthcare provider training and healthcare systems strengthening;
- Improved access to safe, effective TB medicines; and
- TB medicine discovery.

In close collaboration with government and healthcare organizations, the Lilly MDR-TB Partnership focuses on countries with the highest MDR-TB burdens: China, India, Russia, and South Africa. While our programs are primarily based in these four countries, our *Research, Report, and Advocate* approach enables us to share findings with governments and experts in other countries facing similar MDR-TB challenges.

The Evolution of the Lilly MDR-TB Partnership

Our MDR-TB Partnership was initiated in 2003 and is closely tied to Lilly's pioneering legacy in addressing infectious diseases. In the 1940s, we became one of the first companies to mass produce penicillin. Throughout the 20th century, Lilly launched a number of antibiotics, including two TB antibiotics, capreomycin and cycloserine. As TB cases waned in the late 1980s and early 1990s, demand dwindled for many TB medicines.

By the late 1990s, however, MDR-TB arose as a significant global health issue with few therapy options. After independent researchers found that capreomycin and cycloserine were effective as part of a broader "cocktail" of medicines in treating multidrug-resistant TB, Lilly doubled production and subsidized prices of the medicines. Nevertheless, with global demand projected to quickly outpace manufacturing capacity, Lilly sought a longer-term solution for people needing these medicines.

In 2003, after close consultation with global TB experts, Lilly embarked on an ambitious approach: transferring our manufacturing technology and know-how for capreomycin and cycloserine free-of-charge to seven manufacturers located closer to the people needing these medicines. Ultimately, this turned out to be more

LILLY MDR-TB PARTNERSHIP PHASES

Phase I (2003–2007): Launched in 2003 with an initial commitment of $70 million, the Lilly MDR-TB Partnership sought to reduce the burden of MDR-TB by transferring the technology needed to manufacture medicines and by elevating awareness of MDR-TB on the global stage.

Phase II (2007–2011): In 2007, Lilly expanded the duration and scope for the Lilly MDR-TB Partnership by committing an additional $50 million to the collaboration to complete the technology transfer and to further strengthen awareness, prevention, and care. We also committed another $20 million for early drug discovery efforts.

Phase I & II key accomplishments:

- Transferred Lilly antibiotic manufacturing technology to seven companies to increase availability of MDR-TB medicines and improve standards of care
- Launched the Lilly TB Drug Discovery Initiative
- Provided $20 million in funding for TB drug discovery
- Strengthened the capacity of more than 100,000 healthcare professionals to better recognize, diagnose, and treat MDR-TB and to provide care and support to people with MDR-TB and their families
- Distributed guidelines and toolkits to more than 45,000 hospitals and clinics
- Educated, trained, and partnered with more than 350 journalists to increase and improve media coverage of TB and MDR-TB

Phase III (2012–2016): The Eli Lilly and Company Foundation provided an additional $30 million for the third phase of the partnership. During this phase, the partnership is targeting four of the highest-burden MDR-TB countries—China, India, Russia, and South Africa.

Three key areas of focus:

- Healthcare provider training and healthcare systems strengthening
- Improved access to safe, effective medicines
- TB medicine discovery

Phase IV: Plans for this next phase of the Lilly MDR-TB Partnership will be announced in late 2016.

INTERNATIONAL RECOGNITION

The work of the Lilly MDR-TB Partnership has been recognized at the international, national, and local levels. Over the years, the Lilly MDR-TB Partnership has received awards or commendations from several organizations and governments including the Clinton Global Initiative, International Chamber of Commerce, Global Business Coalition on Health, China Medical Association Tuberculosis Society, Russian Ministry of Health, Government of the Republic of Karelia, International Council of Nurses, and others.

than a decade-long initiative. We have documented Lilly's experience and insights from this initiative in a white paper titled Seeking Solutions to a Global Health Challenge.

We also produced a video discussing the experience.

VIDEO Lilly MDR-TB Technology Transfer

Establishing a sustainable global supply of these medicines was an important first step. However, it was increasingly clear that more comprehensive, long-term approaches were needed to address the complex social, economic, and medical issues associated with MDR-TB. Given Lilly's anti-infective heritage and technical capabilities, we believed we could make a meaningful difference by working with leading global health experts to find new long-term solutions.

With the technology transfer already underway, we formally launched the Lilly MDR-TB Partnership—our largest-ever philanthropic effort—in 2003 with a $170 million commitment. Using our *Research, Report, and Advocate* approach, we continue to develop and evaluate new evidence-based models of care that can be adapted, replicated, and scaled to improve outcomes, reduce costs, and help turn the tide against MDR-TB around the world.

Throughout this effort, we have worked with nearly 45 partners to elevate TB on the global stage; increase awareness, prevention, diagnosis, and treatment outcomes; ensure access to quality-assured medicines; and support drug discovery efforts.

The Lilly MDR-TB Partnership—International Efforts

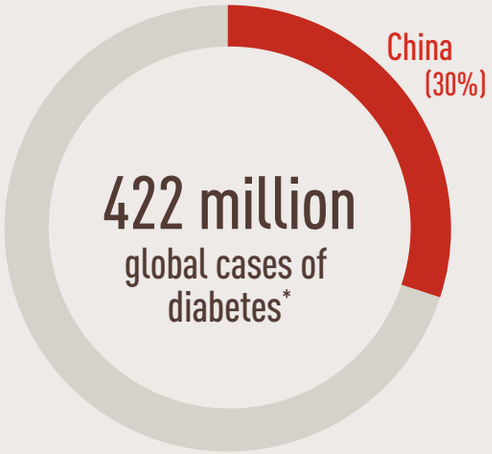
In addition to working in four "MDR-TB hotspot" countries during the third phase of the Lilly MDR-TB Partnership, we are working with leading international organizations and partners to advance global TB efforts, including these activities:

- Serving on several boards and committees dedicated to reducing the global TB burden, including the WHO Public-Private Mix group, the WHO Europe Regional Collaborating Committee on TB Control and Care, the Stop TB Partnership Private Sector Delegation, and the Global Fund Private Sector Delegation Advisory Group;
- Partnering at the global level with the International Federation of Red Cross and Red Crescent Societies to provide on-the-ground community solutions in eight countries, the International Council of Nurses to train nurses in 10 countries, the Stop TB Partnership to strengthen the voice of civil society in TB efforts, and collaboration with the WHO to strengthen private sector engagement in TB care and control and to disseminate best practices;
- Playing a leading role in ensuring a reliable supply of quality-assured second-line MDR-TB medicines, including support for the development of a "data dictionary" that created common standards and definitions to improve access to quality-assured medicines through better drug forecasting and improved global drug supply;
- Helping to raise awareness of TB by supporting a global concert organized by our partner TOPOLO for the past several years on World TB Day.

TB Drug Discovery Efforts

Along with the work we do with partners in the field, we are supporting early-stage research for greatly needed, new TB medicines as an integral part of our MDR-TB Partnership. Most TB medicines in use today are at least 50 years old, take too long to work, and have potentially debilitating side effects.

WHY CHINA? DIABETES GROWTH CREATES AN URGENT NEED FOR QUALITY CARE

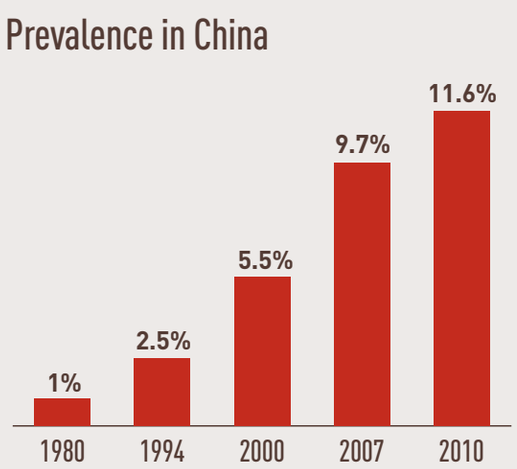


422 million people live with diabetes globally, and China already accounts for about 30% of global cases.

Global cases are set to grow to 642 million by 2040.**

* *Global Report on Diabetes 2015, World Health Organization*

** *International Diabetes Federation. IDF Diabetes Atlas, 7 ed. Brussels, Belgium: International Diabetes Federation, 2015*



Best diabetes care and diabetes-trained healthcare providers are largely concentrated in large city and county hospitals, leaving millions living in smaller communities and rural areas in need.

Our efforts to find new cures for TB include the Lilly TB Drug Discovery Initiative and participation in the TB Drug Accelerator (TBDA).

Lilly TB Drug Discovery Initiative: This nonprofit, public-private partnership was launched in 2007 to accelerate early-stage drug discovery. Lilly's lead partner is the Infectious Disease Research Institute (IDRI), which is headquartered in Seattle. Lilly provided startup funding andhelped establish IDRI's high-throughput screening and chemistry laboratories as well as access to more than 800,000 molecular entities from our company's compound library. In addition, several Lilly scientists volunteer their time to assist IDRI in its discovery efforts.

TB Drug Accelerator (TBDA): Lilly is a part of this ground-breaking collaboration launched in 2012 with an investment of $20 million from the Bill and Melinda Gates Foundation. TBDA includes eight pharmaceutical companies and seven research organizations. TBDA's focus is to develop new TB drug candidates with novel mechanisms of action that could lead to a breakthrough TB drug regimen that cures patients in just one month. Although the primary objective is to shorten treatment duration, this work will also address the issue of antimicrobial resistance. The partnership is unique because it breaks from traditional research and development practices. The members work together to develop the best prospects, regardless of where the drug originated. The structures of lead compounds identified through the program will ultimately be placed in the public domain.

2015 Lilly MDR-TB Partnership Highlights

- *Improved access to MDR-TB diagnosis and care in India by working with pharmacists*: Following TB training for 3,000 pharmacists, TB case detection rates increased by 7–12 percent in program geographies.
- *Decreased incidence of TB in Russia:* TB incidence in Voronezh dropped to 33/100,000 compared to the national incidence of 60/100,000, and TB mortality in Voronezh is now half the national average.
- *Improved access to MDR-TB care in South Africa:* Our partnership is credited with helping the national department of health enact a policy of decentralization to make treatment available closer to patients' homes.
- *Implementation of electronic tools to manage MDR-TB drug supply:* The partnership is addressing the problem of poor drug forecasting and inventory management to ensure that patients have access to uninterrupted treatment.

Addressing Diabetes in China: Lilly Expanding Access for People (LEAP)

Diabetes is a major public health problem that is sweeping the world. According to the International Diabetes Federation, today more than 400 million people worldwide live with the disease, but this number is expected to exceed 600 million by 2040. Left unmanaged, diabetes can have devastating physical and economic impacts on individuals, their families, communities, and governments.

In China, diabetes has grown very quickly in recent years and already accounts for about 30 percent of global cases of the disease. While large central hospitals typically provide high-quality diabetes care, capacity constraints at these larger hospitals result in people increasingly visiting smaller clinics located in communities and townships where the capacity to provide good diabetes care is often lacking. To address diabetes and other chronic conditions, the Chinese government is focused on increasing the quality of care for diabetes in the country's community or township health clinics—and Lilly is as well. Lilly's approach with LEAP is further explained in this video.

VIDEO Lilly Launches New LEAP Project in China

LILLY'S LEAP INITIATIVE

What: An integrated framework of practical healthcare provider training, comprehensive assistance for people with diabetes, and access to effective care including medicines.

How: Address a critical gap: limited high-quality diabetes care in community and township health centers in China.

"One of the biggest challenges we face is how to help more people on this planet gain access to quality health care. Today our medicines are within reach for about two billion people. How might we reach the other five billion?"

- John Lechleiter, Ph.D., Lilly Chairman, President, and CEO

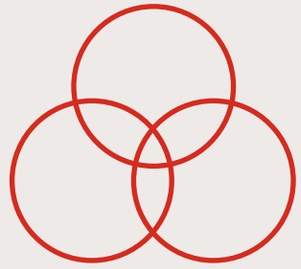
LEAP'S OBJECTIVE: SUSTAINABLY EXPAND EFFECTIVE ACCESS USING NEW COMMERCIAL MODEL

New patient segment

Small county hospitals, community health centers, township health centers

Sustainable strategy

Creating shared and lasting value for people, communities, and Lilly



Innovative model

An integrated healthcare provider-patient system aiding initiation, driving adherence

Collaborative approach

Leading to real, replicable solutions

With a rich heritage of developing innovative diabetes medicines and solutions, Lilly has aligned with the Chinese government's efforts to help more people with chronic ailments like diabetes and their communities through a new initiative called Lilly Expanding Access for People (LEAP). LEAP is being implemented across China, and, as of early 2016, is active in 13 provinces.

LEAP is designed to create shared and lasting value for individuals, their families, and communities, as well as for Lilly. Focused on small community and township health centers without high-quality diabetes care services, LEAP offers a new and sustainable approach to increasing effective access to quality care, including Lilly's products, by operating where unmet diabetes needs are high and providing more focused and practical support.

By tying business objectives to social outcomes, LEAP is poised to enhance Lilly's competitiveness in China while simultaneously improving local health outcomes and community well-being through specialized training, support, and partnership.

A COLLABORATIVE APPROACH

Working with local partners to ensure long-term success

Park Nicollet International Diabetes Center
HealthPartners

江苏省卫生和计划生育委员会
Jiangsu Provincial Commission of Health and Family Planning

中国疾病预防控制中心
CDC
CHINESE CENTER FOR DISEASE CONTROL AND PREVENTION

浙江省卫生和计划生育委员会
Health and Family Planning Commission of Zhejiang Province

International Diabetes Center
Park Nicollet

Promoting Effective Access to Diabetes Care

Through LEAP, we are working with governmental departments and others to approach the challenges of access to effective care in an integrated fashion. There are significant barriers to effective diabetes care in China including low public understanding of the disease in some areas, treatments that are perceived as complex and difficult to manage, and low confidence among some primary care physicians in prescribing insulin, to name a few. LEAP works across the healthcare system to lessen these barriers.

LEAP offers more than access to medicines in the traditional sense. In China, insulin is usually readily available and reimbursed, but it is not always used when and as needed. In this context, effective access means increasing the skills and confidence of primary care physicians who are treating those with diabetes, and increasing patients' understanding of diabetes. In many community-based centers in China, there is often a low degree of confidence and skills when it comes to treating diabetes. The initiative assists healthcare professionals in their care of these patients:

- Newly diagnosed people requiring insulin (initiation),
- People already on insulin who are referred from large teaching hospitals (management),
- People needing support in consistent use of insulin (adherence).

LEAP is structured to improve effective access to care so people can get the right care in the right place at the right time, and enjoy the benefits of improved health outcomes.

Hunger Relief

Population growth is skyrocketing, with the total number of people on the planet expected to soar past 9 billion by 2050. At the same time, we are seeing incredible growth of the global middle class.

An increase in income typically leads to an increase in a family's intake of meat, milk, and eggs, improving overall nutrition. Yet, based on today's production trends, the world might not have enough resources to meet the growing demand for these products. There remain 795 million hungry people in the world each day. We believe that every person on earth deserves a minimum of a glass of milk and an egg a day—a modest, but achievable, goal.

Because Elanco, Lilly's animal health division, is dedicated to improving animal health—including the health of animals raised for food—we have a direct connection to helping feed people all over the world. We engage in efforts to reduce hunger and improve access to food globally. Elanco develops tools and technologies that protect animals from infectious diseases, enhance animal well-being, and eradicate food-borne illnesses. These tools and technologies, in turn, enable farmers and producers to provide greater amounts of food—safely and sustainably.

Through global partnerships and volunteer efforts in our own backyard, we support community programs and initiatives that provide food to those who need it and promote awareness of hunger and the related problem of food insecurity. Food insecurity refers to having inadequate, or uncertain, access to enough nutritious food to feed oneself and one's family. Over time, food insecurity can lead to people going hungry if they are not able to get the food they need to thrive. Our commitment focuses on three areas: employee engagement, community and customer engagement, and sustainable development, with a unified goal of nutritious food that is accessible and affordable to all.

We have pledged to "break the cycle of hunger" in 100 communities around the world by 2020.[1] Breaking the cycle in a community means making at least 100 people more food secure than they are today for at least one year. By the end of 2015, we had made food more secure in 62 communities—more than 650,000 households—around the world through philanthropic partnerships, company-sponsored donation programs, and volunteer initiatives that deliver food, dollars, and Elanco capabilities to those who need them most.

Partnership with Heifer International

Elanco has had a strategic relationship with the nonprofit Heifer International since 2007, part of an ongoing program to lift 100,000 families out of hunger. We have committed a $1.5 million matching

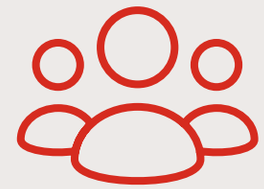
[1] We have defined a community as one that includes 100 or more people. We previously announced our intent to meet this goal by 2017. However, we have revised the goal to align with Elanco's current strategic focus.

Sustainable Development

We will be a global leader in sustainable food-security initiatives.

Employee Engagement

We are personally invested in the hunger case.



Community & Customer Engagement

We will break the cycle of hunger in our communities

challenge to the organization's East Africa Dairy Development (EADD) project, which aims to improve the livelihoods of more than 1 million people in Uganda, Tanzania, and Kenya by 2018. Funding for the matching challenge was provided by the Eli Lilly and Company Foundation. Overall, Elanco has contributed more than $4 million to Heifer projects that include contributions of animals and training for families in various countries, including China, India, Indonesia, and Zambia.

Launched in 2008, EADD focuses on empowering small dairy producers to move beyond subsistence toward sustainable livelihoods. Farmers receive extensive training on dairy husbandry, business practices and operations, and marketing of dairy products. The second phase of the project employs new technologies and practices around feed production, alternative energy sources, and milk transport systems. The project's goal is to reach 136,000 smallholder dairy farmers, giving them—and their families—opportunities to achieve financial independence. The program will also give more people in the region better access to dairy products and will support women in their

"Heifer International helps families and communities lift themselves out of hunger and poverty through gifts of livestock and extensive training. We are grateful for Elanco's support of our EADD project. Creating sustainable dairy markets in East Africa increases food security and helps farmers get closer to the living income they need to meet their immediate needs and beyond. So, the partnership between Heifer and Elanco enables us both to help make the world more food secure."

— Pierre Ferrari, Heifer International President and CEO

efforts to become entrepreneurs and leaders in the dairy business.

Elanco's commitment includes financial support and the talents of Elanco employees to provide on-site training in cow health through 2018.

HATCH Initiative

In the United States, one in five people does not have access to enough protein and other nutrients to meet his or her body's needs. Eggs are one of the most commonly requested products at food banks, and yet eggs are typically in short supply. In 2015, Elanco partnered with local grocery stores, farmers, and area food banks to pilot the HATCH™ philanthropic program, an initiative that makes it easy for individuals to make a difference through something they already do on a regular basis—purchase eggs at a grocery store. Consumers can participate either by donating money to the initiative or by purchasing HATCH-labeled eggs. Each purchase of a dozen eggs triggers an automatic donation of one egg to a local food bank.

During the first nine months of the pilot HATCH program, more than a half-million eggs were donated to local food banks in the midwestern United States, benefiting more than 43,000 families. Elanco plans to expand the HATCH program to bring food security to other locations in the United States and additional countries.

Employee Engagement

Our goal is to reach an employee engagement level of 80 percent in our Elanco division by encouraging our employees to connect with the hunger cause.[2] In 2015, 60 percent of our Elanco employees participated in a company-sponsored hunger activity, and 50 percent participated in a company-sponsored companion animal or other community service activity. In 2015, Elanco employees committed approximately 30,000 hours of volunteer time; by 2020, we expect that Elanco employees will have volunteered 200,000 hours over a period of seven years.

All Elanco employees receive a half-day per quarter of paid time off to volunteer with local hunger- or other cause-related organizations. We want our employees to connect on a personal level to the problems of world hunger so that they can contribute to solutions. We have a team of approximately 75 "hunger ambassadors" who help to coordinate on-the-ground volunteer activities with their Elanco peers in 30 different countries. Programs range from providing backpacks filled with food for children facing food insecurity at home to stocking shelves at local food pantries to supporting orphanages and schools for child refugees. In 2015, more than 2,500 employees participated in our Global Day of Service and contributed more than 10,000 volunteer hours at 125 locations in 30 different countries.

[2] We previously announced an aspirational goal to engage 100 percent of our workforce in this cause. We have updated the goal to 80 percent to align with our current strategic focus and intend to measure progress through our employee survey.

Product Donations

While creating programs that focus on shared value is an emerging strategy in our corporate responsibility efforts, there will always be a place for philanthropy at Lilly.

We believe that finding the right mix of approaches leads to the greatest impact. Shared value, when paired with other actions, including results-oriented philanthropy, can maximize our contribution to society.

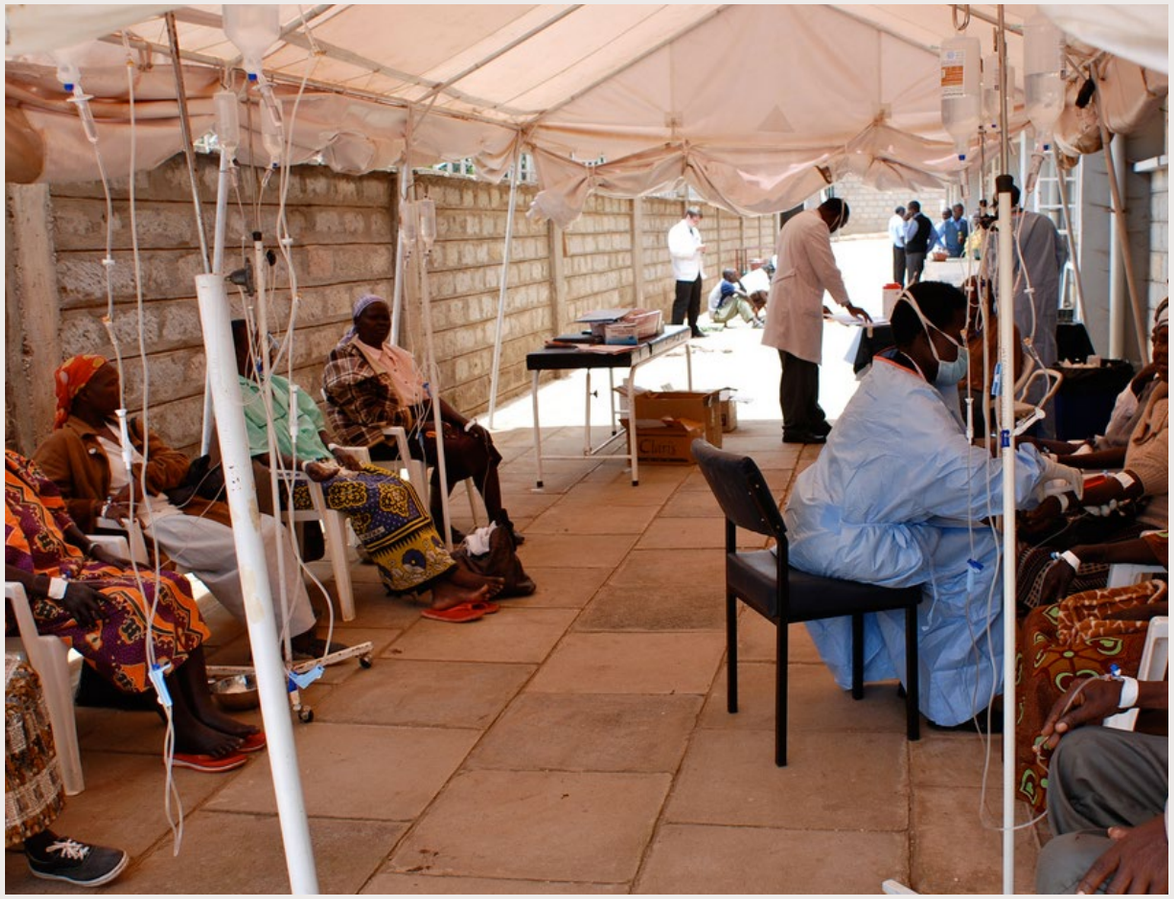
In addition to our contributions to organizations working to support global health initiatives, Lilly donates medicines in a variety of settings, including through partnerships with aid organizations, nonprofits, and governmental bodies.

Insulin Partnership with Life For a Child

The International Diabetes Federation's Life for a Child program provides support to 15,000 children and youths with diabetes in 46 of the world's poorest countries. To date, Lilly has donated more than 800,000 vials of insulin to the program—our largest single-product donation—and in 2015, we extended our commitment to cover an additional 780,000 vials over the next three years.

Helping to Treat Mental Health, Diabetes, and Cancer in Africa

For more than 10 years, Lilly has partnered with Indiana University and the Moi Teaching and Referral Hospital, based in Eldoret, Kenya, through the AMPATH (Academic Model Providing Access to Healthcare) program. One of Lilly's oldest philanthropic partners, AMPATH is making an incredible difference in the lives of patients who are in desperate need. As part of the



AMPATH collaboration, Lilly provides donations and medicines to treat mental illness, diabetes, and cancer, supporting Indiana University and Moi staff that collaborate to improve outcomes for patients who otherwise couldn't access quality care.

Since 2002, Lilly has donated about $80 million in medicines, including antidepressants and antipsychotic medications, among others, used to treat unipolar depressive disorder, bipolar affective disorder, and schizophrenia. As part of Lilly's collaboration with AMPATH, these mental health medications help to treat approximately 500,000 people. In early 2015, the Lilly Foundation provided a $1 million grant to support AMPATH's Oncology Institute efforts to screen, treat, and provide palliative care to people living in low-income communities who are fighting cancer. That same year, Lilly donated nearly $20 million in products for people afflicted with mental illness, cancer, and diabetes.

Disaster Relief

When disasters strike, Lilly responds with cash and product contributions to help people in desperate situations. We partner with relief organizations to determine how Lilly can uniquely meet needs on the ground and best serve those who are impacted.

In 2015, Lilly gave approximately $2.3 million in cash and product donations in the wake of natural disasters. In response to the Nepal earthquake, we donated $1.5 million in products and provided funding to three organizations providing relief in the region: World Vision, Americares, and International Medical Corps. Our employees also donated funds through the Lilly Global Giving program, which was matched by the Lilly Foundation for a total of $120,000.

Patient Assistance Programs

The strategic intent of the Lilly Cares Foundation Patient Assistance Programs (PAPs) is to help improve health outcomes for patients in need who lack access to their prescribed Lilly medicines. In 2015, Lilly Cares Foundation PAPs supported 165,000 patients, and Lilly donated $500 million in products.

Lilly retired its Lilly TruAssist umbrella program at the end of 2015. Now Lilly donates product to the Lilly Cares Foundation, which operates a simpler and more sustainable PAP offering that maintains its focus on customer needs. Moving forward, all PAP support will be offered through the new program, Lilly Cares, which is designed to serve uninsured, underinsured, and certain Medicare Part D patients who are unable to afford their prescribed Lilly medications.

Lilly also partners with Direct Relief International—an organization that provides and replenishes medications at no cost for eligible patients through an efficient process that is integrated directly into existing clinic pharmacy and dispensary systems. Since 2013, Lilly has supported 5,856 patients with donations of $13 million in prescription medications through this organization. Our entire mental health portfolio of products is available free of charge to patients who are enrolled in the program.

Patient Programs

At Lilly, we want to do what we can to better support patients who are dealing with acute or chronic conditions that map to our therapeutic portfolio. An important part of this work is helping patients and their family members understand the disease that they are dealing with and providing them with the information, resources, and encouragement they need to effectively live with, or potentially combat, their illness.

With patients and their family members in mind, we support many programs globally, which are implemented at the local level, including the following examples.

Diabetes Programs

Diabetes Conversations

Lilly sponsors the Diabetes Conversations program, which was created by Healthy Interactions (a nonprofit focused on connections between patients and their healthcare providers). This program features Conversation Map™ education tools, which use a visual approach to facilitate interactive group discussion to empower people with diabetes to become more active in managing their disease. The tools are built on a foundation of evidence-based education principles and clinical guidelines that include the International Standards for Diabetes Education published by the International Diabetes Federation. Since 2008, these educational tools, available in 38 languages, have been launched in more than 121 countries.

Diabetes Camps

A three-year survey by the American Diabetes Association (ADA) shows that attending summer camp can do much more than lift the spirits of children with type 1 diabetes (T1D). Surveys conducted with caregivers before and after their child attended an ADA camp found the experience can increase some children's diabetes knowledge, self-confidence,

FOR ONE WEEK EACH YEAR, I'M NOT THE ONLY ONE: A CAMPER'S EXPERIENCE

I first heard about Camp Kudzu outside Atlanta, Georgia, when I was diagnosed with diabetes at age seven. The following summer, my parents packed my bags, and the next thing I knew, I was there. That first year you could easily find me singing and dancing, competing for the "Golden Syringe," which is awarded to campers who try something new related to their diabetes care, and on the final day, refusing to pack my bags.

Little has changed in my passion for diabetes camp. I haven't missed a single summer in 15 years, and most of my closest friends—well, family—come from camp. I learned about diabetes management and life in general from the people around me. I keep in touch with many friends I made my first year, including my two counselors and a clinician.

In addition to what camp gave me, it also gave my parents a week to sleep. Every year, it was an easy sell when camp registration came around since they checked on me nightly while I was in bed, especially in those early years.

Attending camp taught me it's more than just "okay" to be yourself. I realized early on that if it weren't for camp, I'd have barely interacted, let alone become best friends, with the people in my life who simply "get it." My experiences at camp also influenced my decision to get involved with my chapter of the College Diabetes Network at the University of Georgia because chapter involvement was like camp all year.

Diabetes camp is a powerful and empowering experience. For one week every year, I'm not the only one. Camp is family. Camp is always there for me. Camp changes lives, including mine.

Mindy Bartleson
Program Assistant, College Diabetes Network

diabetes management, and emotional well-being while enjoying traditional camp activities.[3]

Lilly employees often volunteer at diabetes camps, and we facilitate visits from special guests. We are also one of the largest providers of insulin and glucagon, educational materials, and scholarships to diabetes camps through the comprehensive Lilly Camp Care Package. In 2015, we provided $4.3 million in insulin and 23,000 educational book packs and caregiver kits to ADA camps around the United States.

To date, Lilly has donated $31 million in insulin and 174,000 educational book packs with materials on diabetes management. Since 2008, we've contributed $716,000 in camp scholarships, and, in early 2016, we made a commitment to donate another $93,000 to ADA for camp scholarships—$1,000 for each year Lilly has helped those living with diabetes since we introduced the world's first commercial insulin in 1923.

[3] American Diabetes Association. "Camps Make a Difference." Accessed on January 26, 2016.

Type 1 Diabetes: Lilly's Collaboration with Disney

A child's diagnosis of type 1 diabetes (T1D) 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 understanding forms the foundation for Lilly Diabetes and our collaboration with one of the most recognizable brands in the world: Disney. Lilly pairs its deep expertise in diabetes care along with Disney's experience in magical storytelling to encourage and inspire families coping with a diagnosis of T1D for a child.

Launched in 2011, the Lilly Diabetes and Disney collaboration offers healthcare providers and families a variety of fun and educational printed resources, including a book series for younger children featuring Coco, the first Disney character with T1D. Most of the books, including the newest book, ***Go, Team Coco!***, are now available through many pediatric endocrinologist and other healthcare provider offices—in a total of 50 countries and 30 languages around the world. In the United States, our collaboration also offers these resources online, along with other unique content that provides advice and practical tips, recipes, and activities for families affected by T1D at T1EverydayMagic.com.

Alzheimer's Programs

Community Conversations

The Community Conversations program enables information sharing with the goal of improving resources and outcomes for people with Alzheimer's disease and those who care for them. The program's collaborative approach engages local advocacy organizations and brings together a wide range of community stakeholders (e.g., social services, healthcare providers, government, community agencies, and law enforcement) to learn from each other and develop action plans that help improve detection, diagnosis, care, and support services for those with Alzheimer's disease.

Since its inception, 12 cities across the United States have participated in the program. In each city, the conversations have led to concrete action steps to improve Alzheimer's care and awareness. For instance, organizations involved in the program have conducted dementia-education training for hospital emergency rooms; have improved physician outreach and provider education on detection, diagnosis, and patient resources; and have reached out to clinicians to encourage annual wellness visits and to pilot a rapid referral system. This is only a small sample of the kinds of activities this program has generated. Efforts will continue in 2016 to collaborate with organizations in even more cities.

Training Program to Support Dementia Patients

Lilly has been engaged in research to develop better treatments to help dementia patients and their families for more than 25 years. Dementia is a significant issue

in Japan, with cases expected to rise from 4.6 million to 7 million by 2025. In 2015, Lilly Japan held a training program attended by more than 100 employees who wanted to learn how to better support those with dementia in their community. The training covered general information about dementia (including symptoms and underlying illnesses), prevention, the importance of early detection, and tips for interacting with dementia patients. Following this successful event, we plan to continue offering the training in the future.

"Worried About Your Memory?" Campaign

Lilly UK has supported the Alzheimer's Society's "Worried About Your Memory?" campaign since 2011. The campaign forms part of the Alzheimer's Society's ongoing commitment to encourage early diagnosis. Working with members of the public who have concerns about their own memory, or that of a friend or relative, the Society encourages individuals to see their physicians to discuss concerns about memory problems.

The Society also works closely with healthcare professionals to ensure that they understand the benefits of early diagnosis and to ensure that they can connect individuals diagnosed with dementia with relevant support services. In 2015, the Alzheimer's Society distributed more than 1.8 million leaflets to healthcare professionals and members of the public, generating more than 100,000 visits to the campaign website. In addition, Alzheimer's Society staff supports 25 distinct health organizations to promote local awareness of the campaign and the benefits of early diagnosis.

Oncology Programs

Oncology on Canvas®

Lilly Oncology on Canvas is a program that uses creativity to provide a vibrant spectrum of emotional support for people with cancer and for those who care for them. In partnership with the National Coalition for Cancer Survivorship—a nonprofit cancer organization founded by and for cancer survivors—we give people affected by cancer an opportunity to share their stories through art and narrative. Since the founding of Oncology on Canvas in 2004, the art and narratives shared by

thousands of people have inspired others. Their art and narratives are a testament to the power of affirmation, inspiration, and the human spirit.

Resources for Stomach Cancer Patients

In 2015, with financial support from Lilly Oncology, Debbie's Dream Foundation launched a first of its kind Patient Education Resource Program (PREP) for stomach cancer patients. Stomach cancer is the second leading cause of cancer death in men and the fourth in women. Each year, nearly 930,000 people worldwide are diagnosed with this form of cancer, and approximately 700,000 die of the disease. There is very little reliable information available about stomach cancer—and very few survivors who have "been there." PREP offers support services and materials at no charge that provide patients, families, and caregivers with the most current information to help them make informed

decisions about patient care and lifestyle choices, including information about the disease, treatment options, specialists, clinical trials, support groups, diet and nutrition guidance, and much more.

Sirius XM Satellite Radio Show

Lilly Oncology sponsors Sirius XM Doctor Radio on Channel 110. The monthly oncology-themed program is a thought-provoking, educational hour with guests who include cancer care experts, survivors, and advocates. It focuses on concerns that patients, caregivers, and healthcare providers deal with on a daily basis, and experts answer phone calls and emails live to provide relevant information to help patients with their care.

Efforts to Improve Health Literacy

Patients are facing an increasingly complex healthcare system where they are expected to become more active participants in managing their health. More than ever, patients must develop skills that help them access and comprehend information about their own health histories and conditions, engage their healthcare providers openly, understand and recall information, and make decisions regarding treatment options. Some patients must also maintain complex behaviors over time to manage a chronic disease or condition in order to achieve the best outcome for their health.

In this landscape, health literacy plays a major role. Health literacy relates to an individual's ability to interact with the healthcare system to receive and understand the information needed to manage one's health. If people lack clear and readily available information, in a language that is understandable to them, they may be less likely to make fully informed decisions and take the actions that will best protect and promote their health and well-being.

One powerful example of the importance of health literacy is adherence to using medication as prescribed. A person with low health literacy is twice as likely to misinterpret medication instructions.[4] This misinterpretation impacts the safety and effectiveness of the medication and can contribute to reduced health outcomes over the long term. The impact of the public's low health literacy in adherence to using medication as prescribed is so significant that the National Council on Patient Information and Education has identified this problem as one of 10 national priorities in the United States.

> The Institute of Medicine defines health literacy as "... the degree to which individuals have the capacity to obtain, process, and understand basic health information and services needed to make appropriate health decisions."

Lilly believes that clear health communications are a vital component of the healthcare delivery system in which we and other pharmaceutical companies play an important role. We have made a strong commitment to improve our communications and to better connect with the people who take our medicines in ways that are meaningful to them. Our goal is not to oversimplify patient resources, but rather to communicate in plain "living room" language so people can understand medical information to make informed decisions about their health.

We partner with nationally recognized health literacy experts to help us write, assess, and user-test written materials using evidence-based health communication practices. We are also emphasizing these principles in the verbal communication skills training for our call center and customer support program agents.

In 2015, health literacy played a strong role in the strategy and

[4] Davis, et al. 2006. *Ann Intern Med*.

development of several initiatives across the company, including the following:

Clinical Trial Consent Documents
Participants in clinical trials are required to sign a document indicating their consent to take part in the study. This document includes important information about the trial, including its purpose, the treatment procedures and schedule, potential risks and benefits, alternative treatments, and an explanation of the participant's rights. Using health literacy principles, we improved the readability of the document and transitioned it into an electronic format, which allowed us to tier the content and make it easier to access the information. This new eConsent document continues to improve participant comprehension, retention, and overall consent and clinical trial experience. Market research testing with clinical trial participants was so favorable that we are moving forward with broad implementation across many clinical trials in 2016.

Improving Comprehension of Product Information
The U.S. Food and Drug Administration (FDA) requires Consumer Brief Summaries to accompany advertisements for drugs that appear in print (e.g., in magazines). These summaries are typically one or two pages of black-and-white print following a full-color advertisement to disclose risk information about the medication. Some studies suggest that few people understand or attempt to read the summaries because they can be difficult to comprehend. We are conducting research on the readability of the content and format of our Consumer Brief Summaries with the goal of improving patient outcomes through better comprehension of product information.

Support for Healthcare Professionals
Facilitated by Lilly's Health Education Consultants, "Health Literacy & Clear Communication" is an interactive, educational program that provides healthcare professionals with practical and useful strategies for clear communication and patient engagement. The program includes small-group practice activities, video case studies, and opportunities for participants to apply their knowledge and techniques to patient and caregiver situations.

Lilly's Ongoing Efforts

To further build on our momentum in the area of health literacy, we established a leadership position in early 2016 to unite our business in this area and promote health literacy as an organizational value that we infuse into all aspects of patient communications. Lilly is also a member of the Institute of Medicine's Roundtable on Health Literacy. The Roundtable brings together leaders from academia, industry, government, foundations and associations, and representatives of patient and consumer groups that have an interest in improving overall health literacy. By participating on the Roundtable, we have an opportunity to continue to make a difference at the national level and to directly support the National Action Plan to Improve Health Literacy as outlined by the U.S. Department of Health and Human Services.

Strengthening Communities

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Giving at Lilly

At Lilly, we believe that by uniting caring with discovery we can make life better for people around the world. We do this by finding and developing new medicines that improve the lives of patients globally. But we feel we can do even more, which is why we use our financial resources, our time, and our expertise to make a meaningful, measurable, and sustainable difference in the communities where we operate.

Each year, Lilly donates substantial amounts of products and cash—more than $560 million in total in 2015—and our employees volunteer their skills at home and around the world. Many of our donations, including those provided through The Eli Lilly and Company Foundation, focus on improving patient outcomes and enhancing quality of life.

Our commitments to helping those in need started with our founder, who aided the poor and unemployed in Indianapolis, IN. In 1937, the Lilly family established the Lilly Endowment, which has since grown to become one of the largest and most important foundations in the country. The family members were also major donors to the Community Fund, which eventually became the United Way.

Our CEO, John Lechleiter, Ph.D., has been involved with United Way throughout most of his career at Lilly and now serves as chairman for United Way Worldwide. Throughout our history, the company and our employees have given more than $250 million to United Way, and in 2015, Lilly presented a gift of $13.2 million to the nonprofit—our company's largest-ever United Way contribution.

Over the last several years, United Way has transformed how it operates, with a focus on measurable community impact. In response, we've deepened our relationship with United Way—moving from largely a fundraising role to that of a strategic partner. We believe United Way is uniquely positioned to help address some of the most complex challenges facing our communities and that through partnership we can make progress even faster.

To encourage our employees to give to the organizations that matter most to them, Lilly matches employees' donations to nonprofits. We also promote opportunities to give to specific organizations (such as the United Way) and disaster relief efforts throughout the year with pledge drives.

CHARITABLE DONATIONS*

Over the last couple of years, we have seen a decrease in the number of people requesting assistance through our U.S. patient assistance programs following the implementation of the Affordable Care Act, which allows previously uninsured low-income Americans to obtain healthcare coverage. As a result, fewer people were in need of donations from Lilly.

	Product Donations		Cash and In-kind Contributions		Total Contributions
2013	$695M	+	$55M	=	**$750M**
2014	$550M	+	$40M	=	**$590M**
2015	$510M	+	$50M	=	**$560M**

* Total charitable donations include funding from Lilly and the Lilly Foundation.

In addition to traditional philanthropy, we extend our impact by tapping our business expertise to create new partnerships and make significant strides in several key focus areas, including improving health for people in low- and middle-income countries and strengthening the communities where we work and live, especially through improvements to education. We're partnering with leading health organizations and governments to explore new approaches to complex global health challenges, discussed in more detail in the Improving Global Health section of this report, and our Elanco animal health division supports initiatives to break the cycle of hunger in communities around the world.

Volunteerism at Lilly

Our robust tradition of volunteerism is often cited as a reason why people come to work for our company. We encourage our employees to give back to their communities and support nonprofits globally through volunteerism, and we provide a number of programs to help them do so. Once an employee has recorded 30 hours of volunteer service, he or she receives a $250 grant, which that person can donate to the nonprofit organization of his or her choice.

LILLY ONCOLOGY EMPLOYEES REACHING OUT TO CANCER PATIENTS

During our 2015 Global Day of Service, Lilly Oncology employees in cities across the United States worked to make life better for people impacted by cancer. The employees volunteered with oncology patient advocacy groups to work on projects that benefit patients and caregivers, including making blankets, preparing meals, assembling patient-education kits, facilitating awareness and prevention education stations with children, and hand writing notes of encouragement.

Lilly Oncology also partners annually with the American Cancer Society to host a Relay for Life event on our corporate center campus. At Relay For Life events, communities across the globe come together to honor cancer survivors, remember loved ones lost, and fight back against a disease that has already taken too many. In 2015, approximately 500 Lilly employees participated, raising over $125,000 to help make life better for those impacted by cancer.

A HISTORY OF SERVICE IN INDIANAPOLIS

Established in 2008, our annual Global Day of Service is among the largest single-day volunteer initiatives of any U.S. company. In Indianapolis, where our company is headquartered, this event has had a profound effect that extends beyond our own employees. Over the years, it has gained momentum and has transformed into "Indy Do Day"—an annual, citywide volunteer event.

"Lilly's Day of Service has changed Indianapolis forever. Lilly's decision to dedicate its 8,000 local employees to a day of service has improved Indy through several projects, but it has effected exponentially more change by serving (once again) as a leading company to emulate. As a result, other organizations across our city have adopted this same spirit of focused volunteerism to do even more as part of Indy Do Day."

– **Chris Cotterill**, Executive Vice President and General Counsel of the Indiana Economic Development Corporation

Employees who serve on boards can also apply for volunteer grants regardless of how many hours they dedicate to their board service.

In October 2015, we held our eighth annual Global Day of Service (GDOS). Easily identified in their signature red Lilly T-shirts, 24,000 Lilly employees in 70 countries volunteered 100,000 hours in their communities. Working in food pantries, participating in outdoor beautification projects, installing smoke detectors in homes, and creating care packages for cancer patients—these are just a few of the activities our employees took part in during our GDOS.

Watch a video to see our employees in action during the 2015 GDOS, and visit our website to read their stories.

VIDEO Lilly Global Day of Service 2015

In 2015, we introduced a new opportunity for Lilly employees based in central Indiana to give back close to home. The program, called Connecting Hearts at Home, is a partnership with the United Way that allows us to extend our engagement with various community programs that we typically only work with once a year during our GDOS. With this new program, our employees can volunteer throughout the year and build a deeper, ongoing relationship of service.

Connecting Hearts Abroad (CHA), another flagship volunteer program at Lilly, takes employees out of their local environment. With this program, we send our employees on two-week assignments to impoverished communities across Africa, Asia, Eastern Europe, and Latin America. Since we began the program in 2011, nearly 1,000 employees, representing our operations in about 60 countries and from all job levels and roles at our company, have participated in what many have described as a life-changing experience.

Working alongside local partners, employees participating in CHA have the opportunity to step outside their day-to-day roles at Lilly and view the world through a different lens, applying their energies and passions toward serving those living in low- and middle-income countries. The employees selected for the

THE LASTING IMPACT OF CONNECTING HEARTS ABROAD

For many employees, their experience with Connecting Hearts Abroad ignites a lifelong passion for service and inspires innovative ways to make a meaningful difference in the lives of others. Here is just one of those stories.

When Michael Clark, a senior sales representative with Lilly Diabetes, returned from his service trip to Peru, he carried with him a conviction to continue making a difference. Michael started Small Sacrifice. This grassroots movement encourages people to give up something small—a day's lunch or cup of coffee—to help support the work of charitable organizations. Since 2013, Small Sacrifice has raised funds to provide 25,000 meals for children, more than 30 cleft palate surgeries for kids in Ethiopia, and clean water for life for 20 families in Africa.

In 2015, Michael was recognized by *Fortune* magazine as one of 55 "Heroes of the Fortune 500" for his work with Small Sacrifice. Of his Connecting Hearts Abroad experience, Michael says, "A two-week service trip might not seem like a lot, but it is a lot because of what we carry back from that experience." Find out more about Michael's story.

program get to see firsthand the day-to-day challenges that confront people living in poverty. They come back with insights and inspiration that make us a better—and more globally aware—company.

In 2015, Lilly volunteers worked on assignments in Brazil, Guatemala, India, Peru, South Africa, Tanzania, and Thailand. Brazil is now our fourth skills-based CHA program associated with the Lilly NCD Partnership, increasing the integration and collective impact of our corporate responsibility programs.

Education Initiatives

Lilly is committed to helping children gain access to great educational opportunities. We are focused on making a difference in science, technology, engineering, and math (STEM) education and dramatically improving the educational attainment of children living in our home city of Indianapolis.

The process of generating a hypothesis to ultimately delivering a medicine to a patient in need requires that we employ and collaborate with thousands of STEM professionals in disciplines such as biology, chemistry, biostatistics, information technology, engineering, and pharmacology, to name just a few. Ensuring that we have access to a broad and deep pool of this STEM talent is a fundamental component of our success. This is one of the primary reasons we have an abiding commitment to STEM education. Our goal is to inform, inspire, and educate more students about the wonders and possibilities of STEM. We do this through a wide variety of efforts that seek to engage students, teachers, and educational organizations along a student's learning journey from kindergarten through undergraduate and graduate programs. We also help students transition to the workforce and build careers through mentorships and other programs.

One of the programs we support in our home state is the Indiana Science Initiative (ISI). This initiative helps public school teachers (kindergarten through eighth grade) effectively integrate inquiry-based learning curricula into their classrooms. The Lilly Foundation provided $1.5 million in funding to support the program and extend its reach. More than 150 schools, 2,300 teachers, and 53,000 students will participate in ISI through 2017. In addition to the funding from the Lilly Foundation, Lilly employees also volunteer as coaches, getting children excited about science and math. A study of 107 ISI schools showed that ISI students perform significantly better on standardized tests in science, mathematics, and English language arts when the ISI teachers are well-trained in the curricula than their peers do in non-ISI schools.

In addition to STEM, we are focused on improving educational outcomes for children, especially those in poverty, in our home city of Indianapolis. In Indianapolis/Marion County, more than 20 percent of people live below the poverty line, including nearly one in three children. As we think about the future of the city to which we must recruit and retain some of the best talent in the world, we know we must play a role in helping to address this issue. While this is a complex problem, we believe that access to high-quality education is critical to breaking the cycle of poverty. We have a number of efforts, including impact-oriented philanthropy, high-profile advocacy, and skills-based volunteerism, to help improve educational opportunities and outcomes. Two primary efforts involve expanding access to high-quality early education and supporting new, innovative models in K–12.

Indianapolis Preschool Scholarship Program

In 2014 and early 2015, Lilly, along with our strategic partner, United Way of Central Indiana, led a private-sector coalition to encourage the local legislative body to pass a bold plan to provide access to high-quality pre-K education for low-income families. As part of our work, Lilly pledged to raise $10 million from the business community, including $2 million from the

Lilly Foundation, to invest in preschool programs, if the legislature acted. We are pleased that they passed a comprehensive plan that will leverage not only these private dollars we are raising, but also money from the state of Indiana. In total, Indianapolis is set to invest $50 million over the next five years to help children gain access to high-quality early educational opportunities.

During the fall of 2015, the initiative's first year, the Indianapolis Preschool Scholarship Program, administered by United Way of Central Indiana, received 5,000 applications—nearly 4,500 were from families who reported income at or below 127 percent of the federal poverty level. More than 1,600 three- and four-year-olds were enrolled in a qualified scholarship program for the 2015 school year. Given the preponderance of data on the long-term benefits of investing in vulnerable children earlier, we believe this program is going to dramatically improve the lives of many of these children and, by extension, strengthen the fabric of our home city.

The Mind Trust

While high-quality early education is necessary, it cannot be the end of the story. We have to ensure that every child has access to a great school, regardless of where the child lives. Over the last five years, Lilly has committed more than $6 million in philanthropic donations to improve the educational landscape in Indianapolis. Our primary partner in this work has been The Mind Trust, an Indianapolis-based nonprofit. We have worked together to attract more great leaders and teachers to local schools and to encourage more innovation and school-level autonomy. Most recently, we have helped support The Mind Trust's Innovation School Fellowship. The Fellowship is a partnership with the Indianapolis Public Schools (IPS) and the City of Indianapolis to help IPS create high-quality "Innovation Network Schools" within the school system. These schools are autonomous public schools that will operate under a contract with IPS, but will be free from many regulations and bureaucratic burdens, giving principals and teachers the autonomy and accountability that are hallmarks of high-performing schools.

Operating Responsibly

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We recognize that how we operate our business today has an impact on tomorrow. And while we might differ in our individual perspectives, we are joined together by common values—integrity, excellence, and respect for people—that have guided our collective actions for more than a century. Whenever we make a decision that affects others, we strive to do it in a way that's consistent with these Lilly values.

Operating in a responsible manner includes our efforts in, and approaches to, promoting ethics and transparency, instilling responsible supply chain management, tackling counterfeit medicines, ensuring the ethical care and use of animals in research, promoting an inspiring and inclusive workplace, and fostering environmental stewardship.

Eli Lilly, the grandson of our firm's founder, summed it up well. "Values," he said, "are really at the heart of the matter. They tell us who we are, how we should behave, and where we should be going."

Ethics and Transparency

At Lilly, integrity comes first because honest and ethical behavior is the foundation of all good relationships. We have a deep sense of responsibility to those we serve—from patients and physicians to our suppliers to the communities in which we operate.

We earn our reputation for excellence every day through the actions of thousands of Lilly employees giving their best and being open to dialogue and constant improvement.

We work to build trust in our company and our industry by protecting the privacy of patients and by being transparent about our business practices, including clinical trial results, pricing models, and political contributions. Our commitment to ethical behavior extends to marketing our products in a responsible manner and working to provide patients and caregivers with quality, relevant information to help them make informed healthcare decisions.

Transparency and Disclosure At Lilly

Transparency has challenged, and continues to challenge, us to view our business practices through the lens of external stakeholders. By listening to stakeholders' concerns, we strive to continuously examine and improve the way we do business.

Disclosure of Lilly's financial interactions with healthcare professionals (HCPs) and healthcare organizations (HCOs) helps to build trust with patients, caregivers, and other key stakeholders. Collaboration and partnerships among pharmaceutical companies, HCPs, and HCOs continue to be important and essential for the development of new treatments and lifesaving innovations. For some, however, these partnerships have raised concerns regarding potential conflicts of interest where an HCP's judgment or actions regarding a patient may be influenced by relationships with industry. As a result, the need for greater and more detailed transparency about industry relationships with HCPs and HCOs has grown over the past decade.

In the United States, Lilly complies with disclosure requirements at both the state and federal levels. Outside the United States, Lilly participates in voluntary disclosure codes under the European Federation of Pharmaceutical Industries and Associations (EFPIA), impacting 33 European countries, Russia, Ukraine, and Turkey, as well as legislated requirements within and outside of Europe. Lilly views our transparency as an opportunity to assure that patients, HCPs, HCOs, and business partners feel confident when engaging with Lilly.

In 2007, Lilly voluntarily made a registry of grants and charitable contributions given by the company publicly available. In 2009, as a requirement of our five-year Corporate Integrity Agreement (see detail under Marketing Practices section in this chapter), Lilly began to disclose payments, reimbursed expenses, and all transfers of value to U.S.-based physicians on the Lilly Physician Payment Registry located on www.lilly.com. Lilly also publicly reports our company's U.S. political contributions and its financial support to patient organizations based in Europe.

These experiences helped Lilly prepare to meet the newer obligations under the U.S. Open Payments regulations (implementing the U.S. Sunshine Act) and are also preparing Lilly to meet similar obligations under the EFPIA transparency initiative. In addition, Lilly engages in dialogue directly with HCPs and other stakeholders about transparency questions through our EthicsPoint hotline (1-877-237-8197) or the Lilly EthicsPoint website.

Transparency of Clinical Trial Outcomes

To benefit patients and healthcare professionals, we share clinical research, clinical trial outcomes, and safety information. We also work to protect individual patient privacy and our intellectual property, including commercially confidential information and contract rights, which support our continued innovation.

Transparency into trial outcomes provides important public health benefits. We register all Lilly-sponsored Phase II–IV clinical studies, conducted anywhere in the world, that were initiated on or after October 15, 2002, on ClinicalTrials.gov. In 2004, we began to voluntarily disclose results—even the unfavorable ones—from these clinical trials online. We also submit results from all Phase III clinical trials and any clinical trial results of significant medical importance for publication. In addition, we are working to deliver summaries of clinical trial results for phase II–IV studies that are written in patient-friendly language and made available on Lilly TrialGuide. (Learn more in the Transforming Clinical Trials section of this report.)

Drug Pricing

We live in an amazing era for medicines. In the past two decades, the pharmaceutical industry has discovered life-changing treatments for some of our deadliest diseases, including AIDS, cancer, and diabetes. These discoveries have saved or improved the lives of hundreds of millions of people—and continue to do so.

But we also know that health care of all kinds, including medicines, can be expensive.

As overall healthcare costs continue to rise globally, we recognize that the cost of treatment and medications may be an obstacle for patients trying to get the treatments they need, especially for the under- or uninsured.

In the United States, where the healthcare system is especially complex, consumers continue to face challenges affording their medicines—even after implementation of the Affordable Care Act.

For example, many of the new insurance options include high-cost deductible plans that require patients to pay thousands of dollars before coverage is triggered, making it difficult for patients to determine what they will need to pay for their prescribed medication at the pharmacy.

At Lilly, we have programs that help people who cannot afford

HOW DOES LILLY PRICE ITS MEDICINES?

Lilly believes that the prices of our medicines reflect the value they provide to patients, providers, and society as a whole. In bringing a new medicine to market, we do not default to a standard pricing strategy. Instead, we consider a drug's price in the context of the patients who need it and the healthcare system that will deliver it. A price that is so high that few can afford our product is not ideal, nor is a price that is too low to repay our investment and allow Lilly to research and develop future medicines.

In other words, we try to strike a balance between getting a reward for the investment risk we've taken while also being fully responsive to patients who need our medicines.

Clearly, biopharmaceutical innovation requires an extraordinary level of investment. But our investment costs are just one of many factors that determine a medicine's value. We also ask: How will the product be used? How great is the need? What do our clinical trials show? What are the competing products? What do patients, healthcare professionals, and payers think the price should be?

When market forces are allowed to work, Lilly and other pharmaceutical companies compete on price and effectiveness, while insurers—public and private—negotiate for the best prices. When patents expire, generic medicines deliver savings through lower prices. All of these factors—competition among patented medicines, price negotiations with payers, and lower-cost generics—drive advances in new medicines and reduce the cost of medicines over time.

their medicines. But collectively—as an industry and as a society—we need to do more. For starters, better education about how the many insurance programs work would help consumers understand which plan is right for them.

We could be on the verge of redefining what it means to live with some of the world's most debilitating diseases. But we must also work to ensure people who could benefit from our medicines are able to afford them.

Shaping Public Policy

Addressing the rising cost of health care is the responsibility of all stakeholders, including companies like Lilly. In the United States, we are working collaboratively to shape public policy at the federal and state levels to preserve a competitive insurance marketplace, protect patients, optimize clinical outcomes, and encourage innovative treatments.

Lilly supports exploration of innovative payment models that involve broad stakeholder engagement in the development and implementation processes, assessment of impact, and development of measures to support improvements in patient outcomes and improve integration of care. Payment methods and programs, such as value-based benefit designs, that reward improvement in patient outcomes and healthcare system processes, rather than the quantity of services provided, will help promote access to high-value care. Desired outcomes may be, but are not limited to, reduced mortality and increased longevity of life, adherence to appropriate clinical best practice standards, and improvements in care, such as reduction in hospital stays or improved quality of life.

Globally, the complexities of healthcare challenges require collaboration among private companies, governments, non-governmental groups, donors, academia, and providers. That's why we, along with 12 other major healthcare companies, signed on to the Guiding Principles on Access to Healthcare during the United Nations General Assembly in September 2013. These industry-led principles offer a common framework to help shape the partnerships that will expand access to quality health care.

We also work with governments around the world to offer our products at sustainable prices that are affordable for local populations. Pricing based on the ability to pay within a market is just one way pharmaceutical companies can enhance access to medicines for people everywhere. We advocate for policies that support differential pricing (the charging of different prices based on a purchaser's ability to pay). Such policies can help balance the desire to offer lower medication prices to low-income populations while still rewarding innovation. We also support efforts to decrease the final price of medicines to patients, such as minimizing taxes of all types and limiting markups applied in the supply chain.

What Is Lilly Doing to Help with the Cost of Medicines?

At Lilly, we have a variety of programs that help people who cannot afford their medicines. Internationally, Lilly partners with governments to identify appropriate solutions to improve access to medicines in developing and less-developed countries. These solutions might include donations of cash and products for patient assistance programs, international humanitarian causes, and other charitable endeavors, as well as public-private partnerships.

Privacy

At Lilly, we are committed to complying with privacy laws in all parts of the world and to acting ethically in our privacy practices. We work hard to meet our objectives of operating with transparency and respecting the privacy rights of all with whom we interact. Our global privacy office and chief privacy officer oversee a global privacy program that is designed to protect the privacy rights of patients, consumers, healthcare professionals, our workforce, medical research subjects, and others. As a part of this global program, we have adopted a comprehensive policy and related procedures that govern the collection of personal information. Our goal is to always deliver on the promises we make to individuals whose personal information we collect and use.

For more information about our privacy policies, see www.lilly.com/Pages/privacy.aspx.

THE IMPORTANCE OF SAFE HARBOR TO OUR BUSINESS

Although the United States and European Union both share the goal of protecting the privacy of individuals, their approaches to privacy protection are different. The U.S.-EU Safe Harbor program was created in 2000 to bridge the gap between varying regulations and to allow U.S. organizations to comply with the European Commission's Directive on Data Protection.

In October 2015, the European Union Court of Justice ruled that the European Commission's decision to recognize the U.S.-EU Safe Harbor Framework for data privacy was invalid. This ruling has the potential to be disruptive for businesses—including Lilly—that rely upon the safe harbor to transfer data, such as clinical trial data, employee information, transparency data, and the like, across international borders. Lilly's Global Privacy Office and affiliates around the world are closely monitoring the situation and implementing alternative methods to transfer information in order to limit the impact to Lilly's processes. We are confident that regardless of the outcome, we will be able to limit any operational interruptions and that any impact will be temporary and financially immaterial to our business.

Marketing Practices

Our commitments to ethical business practices are reflected in how we market our products. We introduce a medicine to the market only if we believe it has the potential to improve the lives of patients. Once a product is approved for use, we communicate its benefits and risks, market it in compliance with company policies and applicable legal requirements, and monitor it for safety concerns. Providing trusted, timely, and accurate information about our products is a vital part of our engagement with customers. We communicate product information to our customers in several ways, including the following:

- Direct interaction between our sales representatives and prescribers, as well as account managers and public and private healthcare administrators;
- Information provided to patients and physicians through package labels and inserts; and
- Product websites and direct-to-consumer communications in some markets (see below).

All communications about our products are reviewed and approved internally (before use) for compliance with company policies and applicable legal requirements; in some jurisdictions, they are also submitted to regulatory authorities. We are committed to following leading trade association codes of conduct regarding appropriate sales and marketing practices and interactions with healthcare professionals. These include international, regional, and country-specific codes such as the International Federation of Pharmaceutical Manufacturers & Associations (IFPMA), the European Federation of Pharmaceutical Industries and Associations (EFPIA) (for Europe), and the Pharmaceutical Research and Manufacturers of America (PhRMA) code (for the United States) (see www.phrma.org/code-on-interactions-with-health-care-professionals).

Direct-to-Consumer Communications

Patients routinely seek out information about diseases and treatments as they prepare to consult with their physicians about their healthcare needs. Direct-to-consumer (DTC) disease-state communications help to raise awareness of diseases and conditions that are often undiagnosed, untreated, or undertreated, and we are committed to providing consumer-focused communications that are truthful, accurate, and balanced.

For similar reasons, we engage in DTC product advertising in the United States, where we adhere to PhRMA's Guiding Principles on Direct to Consumer Advertisements about Prescription Medicines and additional internal Lilly

ADDRESSING PARENTS' ADVERTISING CONCERNS

Since October 2010, we have participated in an initiative in the United States with the Parents Television Council (PTC) to alert parents to broadcast television programs that will contain advertisements for erectile dysfunction drugs. Lilly sends the PTC weekly broadcast schedules of Cialis® advertisements. The PTC publishes advertising schedules for erectile dysfunction drugs on the PTC's website here: w2.parentstv.org/Main/Toolkit/Ed_Sched.aspx.

principles on DTC communications. See the Efforts to Improve Health Literacy section of this report to learn more about our efforts to increase the effectiveness of communications so that patients can effectively interact with the healthcare system and understand the information they need to manage their health.

Ethics, Compliance, and Governance

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. We have implemented programs designed to promote ethical conduct and instill a culture of integrity, which we continue to refine and improve. 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 and to correct processes so that errors do not occur going forward.

We have invested significant resources in our ethics and compliance programs, among them programs that focus on privacy, anti-corruption, and appropriate product promotion. The elements of each program include deliberate assessment of risks, training, and communications designed to prevent issues from arising, as well as reporting, auditing, and monitoring to detect potential compliance gaps. We also have a robust investigation process and develop corrective and preventive action plans to address issues that are identified.

Ethics and Compliance Program Oversight

Responsibility for ethics and compliance at Lilly starts at the very top of the company and cascades to all levels of the organization. Our board of directors' Public Policy and Compliance Committee, consisting of five independent director members, exercises direct oversight of Lilly's Global Ethics and Compliance Program. The board's Audit Committee has direct oversight of financial matters and some compliance-related audit matters.

Our chief executive officer routinely sets "the tone from 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 meetings. The global ethics and compliance organization is charged with providing support for and assessment of compliance with global company policies that apply cross-functionally. The organization is headed by the senior vice president of enterprise risk management, who is also Lilly's chief ethics and compliance officer. This position reports to the CEO and has direct access to the board of directors' Public Policy and Compliance Committee.

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 the following vehicles:

The Red Book

We regularly update and disseminate our Code of Business Conduct, *The Red Book*. Available in


ELI LILLY AND COMPANY
Founded 1876

CODE

To provide the profession with medicinal products of highest quality and unvarying potency.

To contribute to the progress of medicine by developing new and superior agents through research.

To issue information about the company and the uses of its products through professional channels exclusively.

THE LILLY CODE

The Lilly Code, established in 1899 and illustrated in this 1932 version of the Code, served as the company's first mission statement and code of conduct. The Code established three areas of focus that endure to this day.

24 languages, this document and associated training emphasize the company's values and the importance of ethical decision-making, summarize key principles from global company policies, and provide 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.

Policies, Standards, Procedures, and Related Materials
The information summarized in *The Red Book* is amplified by policies and other materials accessible to employees on the company's intranet. These documents govern Lilly's actions with respect to specific areas, including our ethical foundation, preventing corruption, respecting privacy, communicating honestly, speaking up, protecting information assets, and many other topics. We have launched a revised and simplified policy architecture to enable employees to better understand how to meet company and customer expectations. We also have functional policies, standards, and procedures that apply specifically to particular areas of our business.

Reporting, Monitoring, and Auditing

To detect possible compliance violations, we maintain an internal disclosure system that includes a mechanism for anonymous reporting. We also review business actions through a system of monitoring and audits.

Internal Reporting
Lilly employees are required to report to the company any known or suspected violations of the law, *The Red Book*, company policies, or official orders or decrees applicable to our business. Employees are also encouraged to report any other ethical concerns or issues. Our toll-free Ethics and Compliance Hotline is staffed by an independent firm, 24 hours a day, seven days a week. Due to differences in local law, local reporting processes can vary.

Monitoring
Lilly maintains an ethics and compliance monitoring program. Its purpose is to evaluate whether the following have occurred:

- Ethics and compliance policies and procedures have been implemented,
- Employees have been trained on these policies and procedures, and
- Management is providing sufficient oversight of business processes and related results to support compliance with company policies, standards, and government laws and regulations.

The program has been standardized to include a global monitoring strategy, a risk assessment and monitoring plan with standard tools, and a process for reporting metrics to business leaders and key company stakeholders.

Corporate Auditing
Our internal corporate auditing function conducts both financial and nonfinancial audits of all Lilly affiliates globally to evaluate compliance with various company policies and procedures. These audits include reviews of our anti-corruption program and our policies that govern ethical interactions. Other groups at Lilly routinely audit additional regulated functions (e.g., manufacturing, environment, and safety), as described elsewhere in this report.

Training and Communications

All employees play a role in the success of our ethics and compliance program. Therefore, we view training as a necessary part of promoting ethical behavior throughout our business practices. The company's commitment to training and communication is visible through many of our activities, including the following:

- Each year, all Lilly employees (and certain company contractors) must complete training on *The Red Book* and certify that they have received, read, understand, and will abide by its requirements.
- Employees receive targeted ethics and compliance training related to their specific job responsibilities.
- New employees in the ethics and compliance group participate in a training and education curriculum that focuses on understanding and implementing the elements of an effective compliance program globally.
- Our leaders communicate regularly with employees to reinforce that everyone is responsible to conduct company business in an ethical and compliant manner, making decisions and taking actions in line with the company's values of integrity, excellence, and respect for people.

ANTI-COUNTERFEITING MEASURES

To ensure patients have access to trusted medicines, a secure supply chain is a necessity. The global problem of counterfeit medicines requires a sustained, long-term commitment. Despite the ongoing efforts of law enforcement and health authorities throughout the world, as well as the efforts of the pharmaceutical industry to increase the integrity of the supply chain and support transnational law enforcement cases, the rate of counterfeiting continues to increase significantly. Collaboration and cooperation are critical to stop this dangerous trend. Lilly is committed to working with a wide range of public and private partners to reduce the threat to patients. To learn more, see Counterfeit Medicines.

Investigations and Corrective Actions

We take all reports of known or suspected violations of company policies, standards, and procedures seriously, and we appropriately investigate all claims of potential wrongdoing that are brought to our attention. We seek to address inappropriate conduct as early as possible and to prevent future recurrences. To accomplish this, an investigation process is in place globally to conduct timely, thorough, and professional investigations. All investigators are trained to understand and follow this process and to meet local procedural and privacy requirements.

Anti-Corruption Due Diligence

Lilly uses anti-corruption due diligence processes to assess the appropriateness of interactions with certain external parties, including the following:

- External parties whom Lilly may authorize to interact with government officials on the company's behalf,
- Prospective recipients of grants and donations, and
- Prospective business development partners.

Lilly also uses an institutional notification process to mitigate risk relating to healthcare providers whom Lilly pays for services, including clinical trial research, or to whom Lilly provides other items of value, such as educational opportunities.

Engaging with Patient and Consumer Advocacy Organizations

We interact with advocacy organizations to address global healthcare challenges and to help shape the healthcare environment in ways that support patients. We believe that our role within this environment is discovering and developing breakthrough medicines, as well as providing information about these medicines and the diseases they treat to healthcare professionals, patients, and their caregivers. Our principles for interacting with third-party patient and consumer advocacy groups are built upon compliance with legal requirements, open and honest communications, transparency, and funding a diversity of recipients. We seek to establish collaborative partnerships that achieve the following:

- Engage stakeholders on matters involving public policy, improving patient access to treatment options, and supporting market-oriented solutions to the healthcare issues we all face;
- Build awareness about various disease states, treatment options, and the importance of adherence to treatment recommendations;
- Provide educational information, tools, and resources;
- Improve medical standards of care and foster productive communication between patients and their healthcare providers; and
- Serve varied populations and provide educational materials that are culturally appropriate and that respect the diversity of patients and caregivers.

Advancing Public Policy

As a biopharmaceutical company that treats serious diseases, we play an important role in public health and related public policy debates. We believe it is important for our company to participate in global policy discussions and to form partnerships with stakeholders to find innovative solutions to global healthcare challenges. Our engagement in the public policy arena focuses on issues that will help increase access to medicines. As such, we develop policy

positions with the needs of patients foremost in our minds.

Our public policy efforts center on areas that we feel are critical for sustainable innovation, including intellectual property protection, sound healthcare delivery, pricing and reimbursement issues, a favorable regulatory system, and securing the legitimate supply chain. We focus on conducting policy research, taking positions on key issues, and improving stakeholder dialogue around topics important to our company, our industry, and the people we serve. More detailed information on key issues is available at www.lilly.com.

Political Engagement

When engaging in lobbying efforts or making political contributions, we comply with the laws that govern such activities. All financial support and lobbying activity are overseen at the board level by the Public Policy and Compliance Committee, which is composed entirely of outside directors. All decisions are made without regard for the private, personal preferences of the company's officers and executives. All of our employees must also comply with our global policies, core values, and legal obligations, which are outlined in our written Code of Business Conduct, *The Red Book*.

Our annual report of Political Financial Support provides details of our company's U.S. political contributions; our memberships in organizations that report lobbying activity to the U.S. government and to which we contribute $50,000 a year or more; and the activities of our Political Action Committee, the Lilly PAC, which is funded solely by U.S. employee contributions.

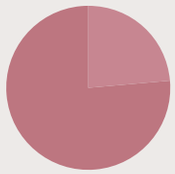
In the United States, we are committed to backing candidates of any party who support public policies that contribute to pharmaceutical innovation and the health needs of patients. When reviewing U.S. candidates for support, we consider a number of factors, including these examples:

- Has the candidate historically voted or announced positions on issues of importance to Lilly, such as pharmaceutical innovation and health care?
- Has the candidate demonstrated leadership on key committees of importance to our business?
- Does the candidate demonstrate potential for legislative leadership?
- Is the candidate dedicated to improving the relationship between business and government?

FINANCIAL SUPPORT AND LOBBYING ACTIVITY

In 2015, Lilly spent the following amounts on direct political activity:

$1,432,775 in political financial support (United States)



$340,300 to state candidates in corporate contributions

$1,092,475 through the Lilly Political Action Committee (Lilly PAC).

$6,995,000
on federal lobbying activities in the United States

This information is reported to the U.S. Congress in accordance with the Lobbying Disclosure Act of 1995.

- Does the candidate represent a state or district where Lilly operates a facility or has a large concentration of employees or retirees?
- Would Lilly support have an impact on his or her campaign?

Eligible Lilly employees in the United States may choose to make voluntary contributions to the Lilly PAC. Lilly PAC donations, which are made in accordance with its budget, are determined annually by the Lilly PAC governing board, which is composed of 13 U.S.-based employees from various groups within the company. Support is divided between the federal and state levels and allocated among various candidates according to specific recommendations from Lilly's government affairs department and employee PAC members. Lilly PAC meets all disclosure requirements and is audited annually by Ernst & Young.

Memberships

In addition to direct political contributions, Lilly maintains memberships in organizations that report lobbying activity to the U.S. government. We support organizations that champion public policies that contribute to pharmaceutical innovation, healthy patients, and a healthy business climate. Our annual report of Political Financial Support also notes our memberships in trade associations that report lobbying activity to the U.S. government and to which we contribute $50,000 per year or more. What follows is a list of U.S.-based organizations that conduct lobbying activities to which Lilly contributes a minimum of $50,000 a year. Organizations with which Lilly holds a board seat are noted to reflect our greater degree of involvement in setting priorities for these organizations.

MEMBERSHIPS IN 2015

Board seat

- American Feed Industry Association
- Animal Health Institute
- Biotechnology Industry Organization
- Greater Indianapolis Chamber of Commerce
- Healthcare Leadership Council
- Indiana Chamber of Commerce
- National Association of Manufacturers
- Pharmaceutical Research and Manufacturers of America

Non-Board seat

- Business Roundtable
- Indiana Competes
- U.S. Chamber of Commerce

In 2015, Lilly also contributed approximately $700,000 to specific non-candidate organizations including the following:

- American Legislative Exchange Council
- Democratic Attorneys General Association
- Democratic Governors Association
- Democratic Legislative Campaign Committee
- GOPAC
- National Lieutenant Governors Association
- Republican Governors Association
- Republican State Leadership Committee
- Senate Presidents' Forum

Supply Chain

Ensuring our products are available wherever and whenever patients need them is one of our top priorities. As worldwide attention has increasingly focused on the need to monitor global supply chains to ensure reliability and safety, we at Lilly have continued to refine our efforts in this area.

Through better integration of Lilly-owned facilities and external suppliers, we have been able to provide a steady flow of materials—including active pharmaceutical ingredients (APIs); delivery mechanisms, such as capsules, injection cartridges, and the like; as well as product packaging—so that we can manufacture our medicines in a more consistent and reliable manner. We view our supply chain as an extension of our operations, and we strive to instill our company's operating principles within our supplier network. These include our support of the United Nations Global Compact principles, adherence to labor laws, development of a diverse supply base, and promotion of sustainability efforts to minimize our environmental impact. To learn more about our environmental impacts and how we work to mitigate them, see Environmental Stewardship.

Maintaining and Monitoring Quality, Safety, and Security of Supply

Our ability to manufacture quality medicines for the people we serve depends on the quality and availability of the materials used in the manufacturing process. In 2015, our API manufacturing relied heavily on Lilly-owned and Lilly partner facilities located in the United States, Puerto Rico, and Europe. Finishing operations, including labeling and packaging, occur at various Lilly-owned and Lilly-partner facilities, as well as several third-party sites globally. Distribution and warehousing activities are strategically located to serve their specific markets.

Because Lilly manufactures medicines that people rely upon and that can be critical for health, we have a responsibility to safeguard both the materials needed to manufacture these medicines and the supply chain logistics that help to ensure their availability. Before they enter the Lilly system, our raw material and component suppliers are evaluated for technical competence, as well as patient, commercial, and HSE impacts. For those suppliers deemed to have a higher risk in any of these areas, additional evaluations are

HOW LILLY MANAGES SUPPLY RISK

Supply risk is the risk associated with Lilly's dependence on a third party for services or materials that are critical to the operation of our business. This risk is monitored on an annual basis, and mitigation plans are implemented and monitored to minimize it. As part of Lilly's ongoing supply chain risk management, key Lilly suppliers are subject to an annual review process that considers historical vendor performance; financial health; geographic location; business concentration; quality and compliance management; health, safety and environment (HSE) performance; management policies around protection of intellectual property; and physical site security.

Additionally, suppliers that are integral to the business complete a supplier self-assessment questionnaire aligned with the Pharmaceutical Industry Principles for Responsible Supply Chain Management (also known as Pharmaceutical Supply Chain Initiative [PSCI] principles) and must be available for audits, at Lilly's discretion. All supplier contracts contain language indicating the supplier supports the PSCI principles, as well as our Supplier Code of Conduct. For suppliers that are not under a contract, we expect adherence to applicable laws and regulations.

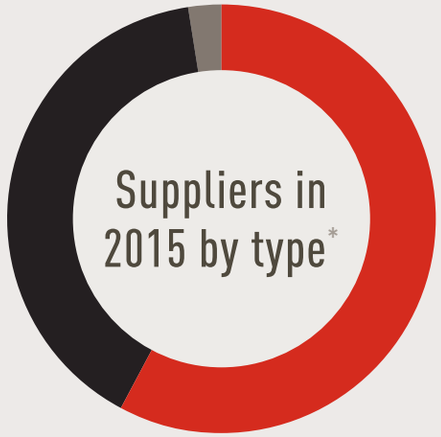
UPHOLDING HUMAN RIGHTS THROUGHOUT THE SUPPLY CHAIN

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 revised our global standards and procedures to include specific language about human rights, including our expectation that vendors to Lilly abide by Lilly's human rights standards as one piece of our Supplier Code of Conduct. View the current Lilly Supplier Code of Conduct.

LILLY'S SUPPLY CHAIN AT A GLANCE

In 2015, Lilly used the services of approximately 10,325 suppliers of materials and services. To help identify the potential impact to Lilly's business from any disruption of services or materials, we categorize all of our suppliers using a supply risk lens.

Supplier data does not include Elanco, our animal health division, and those suppliers that do not supply goods or services under a purchase order or contract.



Tier A (~5,967)

Includes suppliers deemed to pose a lower risk for supply chain interruptions. These include vendors providing goods and services across general business functions, including marketing and sales, general research and development activities, travel services, information technology (IT) equipment, catering, and other routine services.

Tier B (~4,108)

Includes suppliers deemed to pose a medium risk for supply chain interruptions. Suppliers in this tier provide raw materials and other common commodities used for primary and secondary packaging, as well as logistics and manufacturing operations. These include packaging materials, waste disposal services, and energy.

Tier C (~250)

Includes suppliers deemed to pose the greatest risk for supply chain interruptions. Suppliers provide active pharmaceutical ingredients, including specialty chemicals. Suppliers in this tier include contract manufacturers and analytical services for research and development.

* In 2015, Lilly used the services of approximately 10,325 key suppliers of materials and services to support our pharmaceutical business operations. Due to changes in our supplier classification system, this number excludes suppliers that did not provide goods or services under a purchase order or contract (non-purchase order suppliers) and also excludes our Elanco animal health division, including those suppliers that supported operations related to the acquisition of Lohmann SE (Lohmann Animal Health) and Novartis Animal Health. For comparison purposes, our 2014 report featured a much larger total number of suppliers because it included non-purchase order suppliers and suppliers to Elanco. The 2014 figure did not include suppliers associated with both Lohmann SE and Novartis Animal Health. We have recategorized the way we present these numbers because non-purchase order suppliers are not actively managed as part of Lilly's supply chain processes.

conducted. These evaluations are separate from, and in addition to, evaluations of suppliers from a supply risk perspective.

Our Manufacturing Policy Committee oversees the maintenance of Lilly's inventory of essential raw materials. Inventory levels of these materials are monitored weekly to allow for proactive intervention, as needed, to avoid any interruptions of supply. To supplement these inventory action plans, we also have additional mitigation plans in place for our drug product components, including materials critical to manufacturing finished drug products. For these components, we have identified secondary sources and maintain additional inventory in our supply chain. This analysis has permitted us to further refine our overall risk strategy.

Shipping pharmaceutical products requires extra precautions that typical freight shipping does not, including precise temperature controls. Shipments of medicines can also be subject to tampering and interference from drug counterfeiters, leading to very serious consequences. Therefore, the security of our supply chains and our extended distribution network remains a key focal point for Lilly. We have chosen to integrate high standards to help safeguard our products during transport, integrating what are known as Transported Asset Protection Association, or TAPA, standards into our security framework. We actively monitor our supply chain using TAPA standards to ensure a high level of performance for our transportation carriers and warehouse and distribution centers.

Pharmaceutical Industry Principles for Responsible Supply Chain Management

The Pharmaceutical Supply Chain Initiative (PSCI) is an industry body formed by the pharmaceutical sector whose members share a vision to establish and promote responsible practices that will continuously improve the sustainability of supply chains serving the sector—including social, health, safety, and

environmental outcomes. PSCI's mission is to provide members with a forum to establish industry principles that guide ethics, labor, health and safety, environmental sustainability, and management systems practices to support continuous improvements of suppliers' capabilities. Lilly joined PSCI in 2009 and remains an active member, aligned to the goals of the organization.

As part of PSCI, Lilly is committed to following the Pharmaceutical Industry Principles for Responsible Supply Chain Management, which PSCI created together with its member companies. These principles were established to provide the pharmaceutical industry with a consistent standard of measurement for vendors in the areas of ethics, labor, health and safety, the environment, and related management systems, and they were designed to be consistent with the United Nations Global Compact. The principles themselves and related information can be found at the PSCI website.

Lilly's participation in PSCI has provided a much appreciated opportunity to engage with our PSCI colleagues around supply chain management, and we have found much common ground in our collective support for the values that PSCI advocates. Our involvement with PSCI has helped us to sharpen our supply chain management practices and delivered business value through enhanced understanding of the environments in which our vendors operate. PSCI has also provided Lilly with some valuable tools, including the following:

Common auditing practices – As our industry increasingly adopts the standardized PSCI questionnaires, our suppliers can more easily anticipate questions we might have about their practices and learn to manage their operations with the rigor required by Lilly and other major manufacturers. These questionnaires cover adherence to high standards of HSE performance, labor practices, human rights, and ethics. As part of this work, Lilly is using shared audits performed by PSCI members to supplement our own supplier assessment process. Through this process, we have been able to help our suppliers improve their internal capabilities by identifying areas for improvement.

Vendor trainings for knowledge and capability building – Lilly has also participated in webinars and workshops, facilitated by PSCI, to help pharmaceutical suppliers better understand and improve social and environmental practices across their own supply chains. For example, PSCI held a supplier conference—"Business with Balance"—in Mumbai, India, in September 2015, bringing together more than 200 colleagues, representing 70 manufacturing, API,

PROTECTING THOSE WHO TAKE OUR MEDICINES BY SECURING OUR SUPPLY CHAIN

Taking the right medication at the right time is a critical piece of a person's overall health. With a complex supply chain and an increasing threat from counterfeit medicines, the pharmaceutical industry has a great responsibility to make sure that all medications are manufactured, packaged, and distributed in a precise, controlled manner—ensuring that the medications people take are of the highest purity and quality. When someone receives a medication with the Lilly name on it, we want that person to be confident it is a legitimate product that contains the medicine prescribed for him or her.

To help protect Lilly's medicines from being tampered with and to respond to increasing interest in, and requirements around, the traceability of pharmaceutical products, Lilly has invested in serialization technology. Serialization is the use of globally unique codes that are assigned to, and physically marked on, individual packs (cartons or bottles) of medications. Serialization technology can help automate the checking of expiration dates, link batch numbers of specific medicines in a patient's electronic medical records, and help secure the pharmaceutical supply chain against counterfeit medicines by establishing a chain of custody for the medications or allowing verification prior to dispensing to a patient.

We are investing tens of millions of dollars in our packaging operations, distribution centers, and IT infrastructure to support serialization—including new technology deployments on more than 30 packaging lines around the world. See Assuring Quality Medicines to read more about our efforts around product serialization and traceability.

SUPPLIER DIVERSITY

Lilly aspires to broaden the participation of small and diverse businesses in our supplier network. Engaging with diverse suppliers delivers value and creates a competitive advantage for Lilly by linking the external capabilities of ethnically diverse, women-owned, and small businesses to Lilly's internal business needs, helping to spur innovation and creativity. In so doing, we are better able to understand and connect with those we serve. To learn more about Lilly's approach, see our supplier diversity discussion in the Workplace section of this report.

and chemical suppliers. Over a three-day period, the suppliers addressed labor and ethics issues, as well as environmental health and safety topics, such as industrial hygiene, pharmaceuticals in the environment, wastewater management, hazardous waste disposal, and process safety. Further workshops in other global locations are planned for 2016 to cover topics of interest in both global and regional environments.

Conflict Minerals

Lilly is concerned with the variety of human rights violations that occur throughout the world. We are aware that the ongoing conflict in the Democratic Republic of Congo (DRC) and the surrounding countries is understood to be financed, in part, by the mining and trade of certain minerals, including tungsten, tantalum, tin, and gold. We are committed to making every effort to ensure we understand our supply chain and the potential upstream impacts of our supply and purchasing decisions as they relate to the minerals at issue.

In 2014 and 2015, Lilly filed annual reports with the U.S. Securities and Exchange Commission (SEC) relating to the conflict minerals rule, under which companies describe whether products that they manufacture or have contracted to manufacture contain certain defined minerals and whether those materials may have come from sources in the DRC region. As a part of that reporting process, we examine the raw material content of all of our global commercial products and seek to identify the origin and source of these raw materials. Our goal is to develop a better understanding of the supply chain and to avoid the inadvertent support of businesses associated with human rights violations.

Lilly's expectation is that our suppliers will source their materials responsibly and abstain from procuring materials from areas or sources that might promote conflict in the DRC and that our suppliers conduct their own due diligence regarding the source of any materials they provide to us in order to ensure those materials are conflict-free. We filed our latest Conflict Minerals disclosure documents with the SEC in May 2015. The company will file our next conflict minerals disclosure documents in late May 2016.

Lilly is committed to continue to understand the origin of these materials and will take appropriate action to avoid the inadvertent support of businesses associated with human rights violations.

Counterfeit Medicines

Counterfeit medicines, often produced and distributed by global criminal networks, are an increasing threat to patient safety, and today they constitute a multi-billion dollar industry.

Counterfeit medicines have been found in all therapeutic areas in every region of the world. Their impact is wide-reaching and potentially deadly, both due to toxic substances sometimes found in the counterfeit medicines and because they undermine a patient's confidence in legitimate medicines and the credibility of healthcare providers. Lilly employs a variety of anti-counterfeiting tactics for our medicines and is actively engaged in efforts to combat counterfeiting to protect patients and the Lilly brand.

Historically, counterfeiting has affected many developing countries. Increasingly, it is a global problem. Counterfeit medicines are exported across borders using conventional and unconventional trade routes and shipping methods that change frequently in response to regulatory and law enforcement actions. Products are often made in one country, trafficked through other countries, and ultimately sold to consumers in yet another country.

Ensuring that patients can continue to benefit from safe medicines requires innovative approaches to expose and outwit counterfeiters—and a broad, coordinated effort among many stakeholders to give patients confidence in the safety and efficacy of the medicines they take. Lilly has made a sustained, long-term commitment to address this problem. Our anti-counterfeiting strategy is composed of three key objectives:

- Securing the integrity of Lilly medicines through the legitimate supply channels;
- Deterring major counterfeiters of Lilly medicines through targeted investigations, Internet monitoring, and legal actions; and
- Partnering with governments, non-governmental organizations, and trade associations to raise awareness and to strengthen, enact, and enforce anti-counterfeiting laws.

TRACKING LILLY'S MEDICINES THROUGH THE SUPPLY CHAIN

Lilly is working closely with other organizations to advocate for common serialization standards in the United States and around the world. These standardization efforts will help doctors, pharmacists, and patients trust the legitimacy of the medicines they prescribe, dispense, and receive. See Assuring Quality Medicines to learn more about Lilly's use of serialization.

Working to Deter Counterfeiters Online and In the Field

After reviewing 11,000 Internet drug outlets, the National Association of Boards of Pharmacy (NABP) found that 96 percent of them were not in compliance with federal and state laws or the NABP's safety and best practice standards.[1] And yet the U.S. Food and Drug Administration (FDA) notes that nearly 1 in 4 Internet users has purchased prescription

[1] National Association of Boards of Pharmacy. "Internet Drug Outlet Identification Program Progress Report for State and Federal Regulators." Last accessed December 13, 2015.

medication online.[2] The vast majority of pharmacy websites do not require a valid prescription to sell a medicine; others issue an on-the-spot "prescription" after a visitor completes an online questionnaire. This setting provides the perfect haven for counterfeiters to sell counterfeit and illegal medicines. We are deeply engaged in efforts to close off such illegitimate channels on the Internet.

Lilly collaborates with various stakeholders to educate patients on the dangers of counterfeit medicines, to raise awareness broadly, and to encourage policy makers to address this issue. We also work collaboratively with European stakeholders (pharmacists, wholesalers, and parallel distributors) to implement the European Union (EU) Falsified Medicines Directive. The Directive regulates pharmaceutical supply chains and monitors activity to help prevent counterfeit medicines from being dispensed to patients through legitimate EU supply chain channels. In addition, we support prosecutors and other law enforcement personnel in the criminal prosecution of counterfeiters around the world by gathering evidence, testing samples, testifying in court, and filing civil actions. Lilly also participates in the World Customs Organization's Interface Public-Members (IPM) database, a secure online tool serving as an interface between front-line customs officers and the private sector. IPM is used by customs agents globally to help identify counterfeit products that cross national borders.

Partnering With Global Stakeholders

In 2013, Lilly joined with INTERPOL and 28 of the world's leading pharmaceutical companies to launch a landmark agreement to combat counterfeit medicines. The three-year initiative was funded by a combined investment of nearly $5.9 million from the companies involved. It helped INTERPOL to disrupt criminal networks, provide training to agencies involved in the global response to pharmaceutical crime, and build partnerships across sectors to fight the threat of counterfeit medicines. One significant operation aided by this initiative in 2015 involved 236 law enforcement agencies and 115 countries. It resulted in more than 156 arrests globally and confiscation of potentially dangerous medicines with a value of nearly $81 million (USD).

Lilly also endorses the Fight the Fakes campaign (www.fightthefakes.org), which aims to raise awareness about the dangers of fake medicines. The campaign gives a voice to those who have been impacted personally by counterfeit drugs and shares the stories of those working to put a stop to this threat to public health. It seeks to build a global movement of organizations and individuals who will shine light on the negative impact of counterfeit medicines and serves as a resource for those looking to support the effort.

[2] U.S. Food and Drug Administration. "FDA Campaign Aims to Protect Consumers from the Risks of Fake Online Pharmacies: Survey Data Shows Lack of Confidence in Purchasing Drugs over the Internet." Press Release. September 28, 2012. Last accessed December 13, 2015.

Animal Care and Use

Animal studies are a critical component in the discovery and development of innovative medicines for both humans and animals. In human biomedical research, animals have significantly contributed to the development of lifesaving treatments in the areas of cancer, diabetes, vaccines, high blood pressure, and neurological disorders, to name just a few. Similarly, in the world of animal medicine, animal studies have been instrumental in developing effective and safe products that help assure animal welfare, further the human-animal bond, and ensure healthy animals that are raised for food (such as fish, poultry, and livestock). We believe we have a moral, ethical, and scientific responsibility to ensure the welfare of animals used in research, and we have strong principles and policies in place to ensure that animal research at Lilly is conducted in line with our values.

Lilly's Approach to Animal Testing

Lilly embraces the industry standard for the ethical treatment of animals known as the 3Rs. This approach prioritizes strategies for the *reduction*, *refinement*, and *replacement* of animal use within biomedical studies conducted on behalf of Lilly.

We continually work to integrate the 3Rs into the processes and practices used by Lilly and third parties on our behalf. Since we established a formal 3Rs initiative in 2012, we have seen advances in several areas. Using the 3Rs principles, Lilly scientists are working to improve the predictive value of computer models to reduce the number of animals needed. For instance, in neuroscience, we can use PET-like methodologies (similar to clinical PET-imaging technology for people) with rodents during the discovery process to determine if the target in the brain is being engaged. If there is no effect, we know that it is unnecessary to test that chemical or biological entity further.

Lilly scientists have also established primary tissue cultures or whole blood assays that can reduce or replace the traditional use of whole animals in research. For instance, we use primary intestinal cultures to screen potential diabetes compounds rather than relying solely upon testing in rodents. Our researchers have also developed a non-animal, chemical-based assay using whole blood as a replacement for routine testing in animals. In addition, significant efforts are underway in our Elanco division to use non-animal assays rather than live animals to test certain vaccines.

We also believe it's important to engage with others to advance our own understanding of, and to promote the ethical treatment of, animals in research. Nationally, we participate in the 3Rs Leadership Group at the Innovation and Quality Consortium. We also participate in or collaborate with the American Association of Laboratory Animal Science, the American Society of Laboratory Animal Practitioners, the American College of Laboratory Animal Medicine, and the American Veterinary Medical Association, among others.

WHY DO WE CONDUCT STUDIES ON ANIMALS?

Regulations govern the approval of all new medicines. These regulations dictate that all potential treatments be evaluated in research animals prior to testing in humans or in the animals for which they are ultimately intended. The reason for this lies in the complexity of the living organism. The interface between physiology, biochemistry, and immunology cannot be generated artificially. Human and animal biology is so complex that current non-animal research models simply cannot tell us all we need to know about how a potential new treatment will function in a living organism. Therefore, without some animal experiments to understand the safety and efficacy of potential medicines, it would not be possible to bring these new medicines to the people and animals that need them.

All animal studies at Lilly—including those conducted for Lilly by third-party facilities—are carefully evaluated as to whether they are needed, the number of animals used, and the species used, in addition to the comfort of the animals before, during, and after the study. We have established company guidelines for the use of non-human primates. Lilly has not used chimpanzees in research since the late 1980s, and careful consideration to alternative approaches is given prior to initiating studies using other non-human primate species.

Internationally, Lilly has associations and supporting roles with several organizations, including the European Federation of Pharmaceutical Industries and Associates, the Federation of European Laboratory Animal Science Associations, and the National Center for 3Rs, among others.

Lilly sites that conduct animal research worldwide have ethical oversight committees and stay closely aligned with local regulatory requirements to approve all animal care and use activities and to ensure that people working with animals are appropriately qualified. Members on the oversight committees undergo intense training, and include unaffiliated, members of the public.

ENGAGING EMPLOYEES

In 2015, Lilly's Bioethics Program and our Animal Research 3Rs Initiative co-hosted a companywide week of awards, lectures, presentations, and discussions related to both human and animal bioethics. The sessions related to the ethical care and use of research animals was a great opportunity for us to engage employees who don't work with animals every day and to spur thinking and discussions about this important issue. For more about Bioethics Week and our approach to bioethics more broadly, see the Bioethics section of this report.

Lilly Animal Care and Use Policies and Principles

All personnel conducting studies for Lilly must adhere to the following principles, which provide the foundation for our care and use of animals:

Living conditions for research animals must be appropriate for their species and contribute to their health and well-being.

Personnel who care for animals or who conduct animal studies must be appropriately qualified for the proper care and use of animals in research.

Studies involving animals must be designed and conducted in accordance with applicable country and local regulatory guidance and the following widely recognized principles of animal care and use:

- With due consideration of the study relevance to human or animal health and the advancement of scientific knowledge,
- Selecting only animals appropriate for that study,
- Using the minimum number of animals required to obtain valid results,
- Using alternative methods instead of live animals where appropriate, and
- Avoiding or minimizing discomfort and distress to the animals.

In addition, personnel must comply with our global policy on animal care and use, which covers compliance, design and conduct of animal studies, care of animals, training of personnel, reporting concerns, and contracts with animal suppliers and research service providers. Personnel must also follow other related animal research policies that apply to their particular area of expertise.

Our policies and standards are based upon the U.S. Government Principles for the Utilization and Care of Vertebrate Animals Used in Testing, Research, and Training.

Accreditations and Inspections

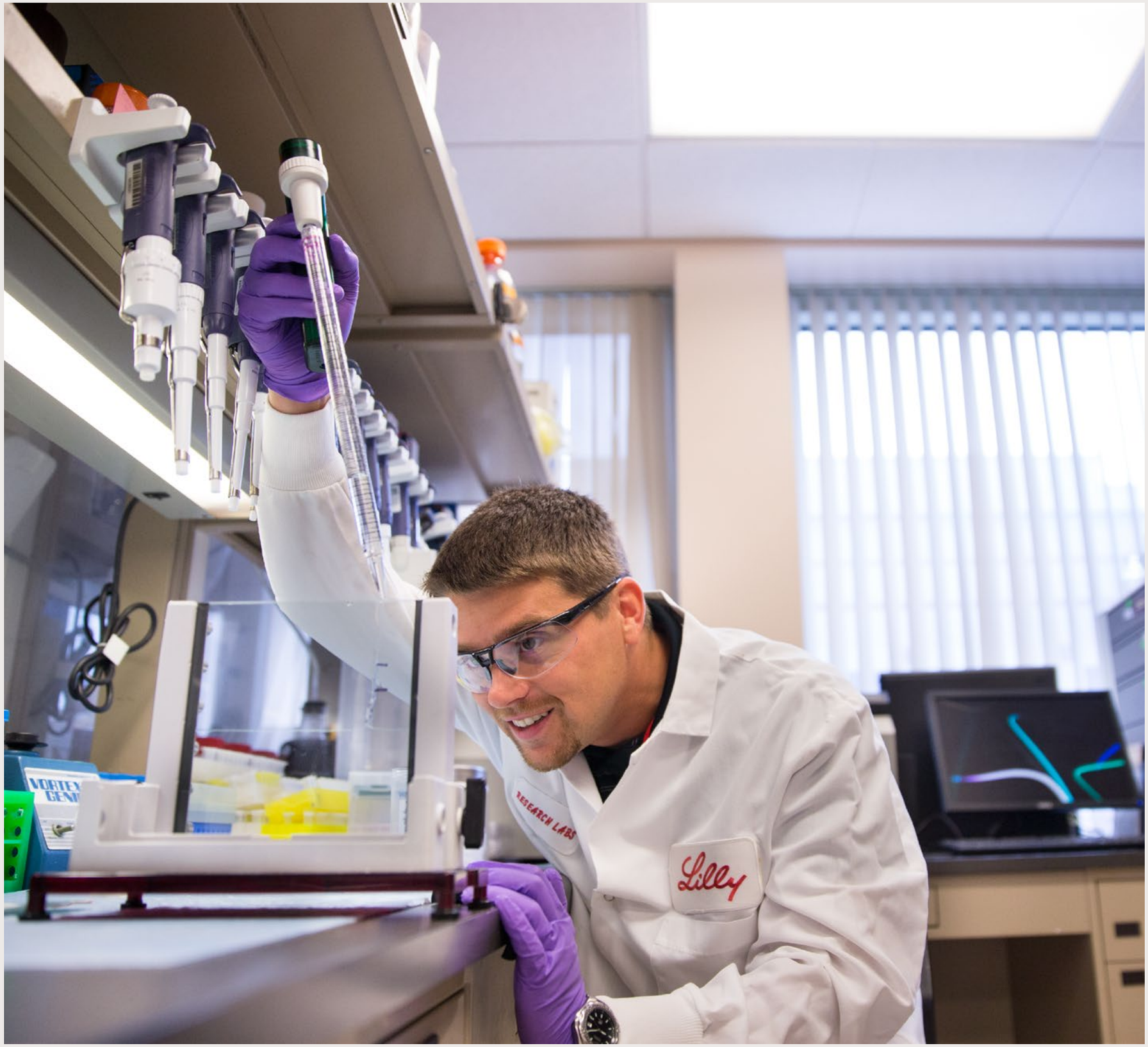
All Lilly-owned animal testing facilities for human drug development are accredited by AAALAC, an organization that has set the internationally accepted, independent standard that helps confirm appropriate animal care and use. Company-owned animal testing facilities focused on testing for our Elanco division have also adopted the high standards used by AAALAC. Lilly also uses the services of third-party facilities located at various sites around the world. These third parties include contract research organizations or third-party operations that conduct research on behalf of Lilly, supply animals to Lilly, or supply feedstuffs to animals at Lilly.

All animal facilities are subject to external review and inspection. In the United States, our facilities are subject to unannounced site inspections by the U.S. Department of Agriculture. In Europe and Australia, local and national authorities regularly inspect animal facilities. In addition, we self-inspect regularly, including semiannual program review and

facility reviews. In situations where we have recently acquired another company, we work closely with that group to ensure that animal welfare standards align with our policy and principles. We also maintain a global oversight program of all animal research and supply companies that we do business with, including visits by trained specialists to conduct animal welfare program and facility audits.

Lilly requires all employees and all third parties involved in our research to adhere to all applicable country and local laws, regulations, and standards regarding the care and use of animals. Moreover, we require Lilly researchers and contractors to adhere to the Lilly Animal Care and Use Principles, even if these principles are more stringent than applicable local laws. Lilly also encourages animal research and animal supply companies globally to obtain and maintain accreditation from AAALAC.

More information about our commitment and activities in this area is available on our Animal Care and Use webpage.



Workplace

In 1882, when his son, J.K. Lilly, Sr., first became the superintendent of the laboratories, our founder, Colonel Eli Lilly, charged him to "Take what you find here and make it better and better." Those words have had a significant impact on our company for its 140-year history and continue to motivate us today—driving our 41,000 employees to search for innovation each day. Whether this takes the form of discovering medicines, finding new ways to support patients, or aiding our communities, we, too, strive to make things better and better.

There are many unmet medical needs—among them, Alzheimer's disease and many types of cancer. We don't know who is going to discover the next great medical breakthrough, and we need all the best minds possible to help find solutions to these complex diseases. That's why we focus so intently on attracting a diverse, talented workforce and then providing our employees with an environment that fosters innovation, encourages lifelong learning, prizes inclusion of diverse experiences and perspectives, and offers compensation and benefits that reward their dedication and hard work.

A Culture of Well-Being

Our work environment encourages employees to strive for greater personal well-being to enable them to contribute to the health and productivity of Lilly—and to the patients we serve. We want our company to be a place where our employees enjoy meaningful work, build successful careers, and make important contributions to society.

We recruit through professional networks, career forums, educational institutions, and digital media channels to find candidates who are passionate about pursuing a purposeful career that helps improve lives around the world.

For our employees, we support a culture of well-being by providing competitive pay, comprehensive employee benefit programs, training and development resources, and opportunities for them to serve in their communities and around the world.

While our company's programs vary around the world, we take a holistic approach to our employee benefits. These may include flexible work arrangements; on-site conveniences, such as cafes, fitness centers, and child care; competitive time-off programs; retirement benefits; and health and disability programs that are available for employees when they need support. In some locations, certain benefits are extended to family members.

A Coaching Culture

Lilly is poised for growth. To support that growth, our employees need the work environment, coaching, and skills to be successful in the years to come.

We are committed to creating a coaching culture—one that emphasizes ongoing, quality conversations between supervisors and employees—to help employees learn, grow, and make progress in their work. In 2015, we completed a global coaching initiative where supervisors dedicated 25,000 hours to building their coaching skills through online learning and in-person skill-practice workshops.

EMPLOYEES (AS OF DECEMBER 31, 2015)

10,840	Indianapolis
1,214	Indiana (excluding Indianapolis)
5,603	United States (excluding Indiana)
23,292	Outside United States
40,949	Worldwide Total
8,627	Employees Engaged in Lilly R&D Activities (including scientists and additional staff)

These efforts directly support the major shift made in 2014 to simplify our performance management process and provide a framework that supports and encourages our mindset of "helping people doing good work get even better," in the words of our CEO, John Lechleiter. This simplified approach encourages our employees to prioritize and focus their efforts to align with our goals for the business overall.

Learning and Development

To further support our employees, we strive for a culture of lifelong learning, encouraging employees to seek ongoing education and growth as a strategic element of their career at Lilly.

We recently launched Lilly U, an online professional development portal for all employees. This online portal is always open, making it easier for employees to pursue professional development on their own time and at their own pace. In addition to training classes, employees can use Lilly U to find reading recommendations, reference materials (such as white papers, presentations, and internal websites), videos, and practical ideas for ways to extend what they learn into real-life situations.

Our succession-management process identifies individuals who we believe have the ability to lead at higher levels. Supervisors from each division assess employees in their organization to determine which individuals have the potential to take on more senior roles. These employees are provided development opportunities in their organizations to grow in their leadership capability. We also conduct leadership retreats globally for employees who represent diverse talents and backgrounds.

Listening to Our Employees

We are a scientific company—and data is at the core of our business. Data also is essential as we develop programs and make decisions about our work environment. One way we gather information is through an annual all-employee survey.

We ask our employees questions related to their work environment, including their feelings about their work, their group, management overall, and customer focus and service. In addition, the survey asks our employees to provide their perception of the leadership behavior of their direct supervisor and includes questions related to our leadership principles of connecting with people, being determined, and driving continuous improvement.

In addition to our annual survey, we also rely on external benchmarking data and other internal surveys and focus groups to inform our decision-making. For example, we have recently conducted an extensive study involving our female employees to better understand the progression of their careers. This information will help determine and influence the factors that impact their careers at important decision points. With this knowledge, we hope to advance the career progression of women at Lilly.

Employee Engagement

Effective employee collaboration is critical to Lilly's success, and we use a variety of programs and tools to engage our employees and to foster and promote teamwork.

One popular tool is The Loop, an internal social networking site that offers our employees a platform for collaborating across teams, functions, and geographies. Through it, our workforce can tap into each other's expertise, insights, and creativity. The Loop, piloted in the fall of 2010 with a small group of employees, now has 29,100 active users. Available to all employees, the online forum has helped our employees find experts within the company, expand internal professional networks, and make new friends.

Many of our employees have indicated they value working for a company that devotes significant time, dollars, and resources to community programs and volunteerism. Connecting Hearts Abroad is an example. Since the launch of this program in 2011, nearly 1,000 Lilly employees have served as Connecting Hearts Abroad ambassadors, volunteering on company time for two weeks in some of the world's most impoverished communities. Many of the participants describe their experiences as "life changing" and feel they return as better, more connected employees and stronger leaders.

Another area we're particularly proud of is our work supporting science, technology, engineering, and mathematics (STEM) education initiatives. As a company built on scientific discovery, we recognize the important role that early education programs in STEM play

in preparing children for scientific careers. We provide funding and volunteers for a number of school programs in our home state of Indiana. In addition to aiding in the education of young people, our efforts are also helping to develop a future pipeline of potential talent for our own company.

See the Strengthening Communities section of this report for more about our volunteer efforts, including Connecting Hearts Abroad, our Global Day of Service, and additional examples of our STEM work.

Diversity and Inclusion

As a global company in the 21st century, we believe diversity and inclusion are critical elements that enable success. An inclusive culture helps to drive the scientific, clinical, and customer insights that fuel innovation.

A focus on diversity is built into our talent-management processes, from recruiting, to staffing, to learning and development, to succession management. Supervisors are encouraged to consider diverse candidates for every staffing opportunity, whether hiring internally or externally. We track and regularly review our progress.

Our recruiting initiatives include maintaining a presence at top colleges and universities and working with a wide range of diverse professional associations. We also attract top diverse talent through the Lilly internship program, which starts with robust projects that address complex business challenges. For Indianapolis-based interns, there are numerous opportunities to learn about Lilly, explore the city, participate in social activities, and interact with people at all levels within the company. Globally, we offer an extensive MBA internship program in 20 Lilly locations around the world, with an emphasis in the United States, China, and Japan.

FOSTERING INNOVATION BY CREATING A CULTURE OF INCLUSION

At Lilly, we encourage leaders to engage their teams and to create an environment where employees are motivated and empowered to contribute to innovative solutions. We train leaders in key principles that emphasize connection, determination, and continuous improvement to help them fuel creativity and incubate leading-edge ideas.

Diversity and inclusion are key pieces of this puzzle. First we must establish teams with a diverse representation of backgrounds, training, and experiences, and then we must move beyond that diversity to true inclusion—creating a workplace where employees feel comfortable bringing their "whole selves" to work and where their unique perspectives contribute to Lilly's success. Watch a video to hear our employees talk about the importance of their voices being heard.

Leaders clearly play a critical role. Well-managed, diverse workgroups are more effective than those with little diversity.[3] We emphasize inclusive leadership among our supervisors—pushing them to create an inclusive culture by seeking out, developing, and leveraging the diverse perspectives of their teams to enhance the impact those teams have on our business.

Because inclusive leadership is becoming such an important focus area for us, we are including the principles in leadership training, conferences, and diversity and inclusion training across our operations.

[3] Catalyst Information Center. "Why Diversity Matters." 2013.

DIVERSITY AT LILLY

21%	Minority Employees
8%	Asian
7%	African American
4%	Latino
2%	Two or more races
<1%	Native American

Hiring a diverse workforce is the first, important step. But moving beyond diversity to focus on an inclusive culture is equally important.

At Lilly, we work hard to foster this culture through these actions:

- Stressing the importance of inclusive leadership with our supervisors,
- Supporting our Employee Resource Groups and empowering them to make contributions vital to our company's success, and
- Providing opportunities for employees to openly discuss and examine topics of diversity (e.g., at our European Diversity Summit and the discussion panel our African American Network hosted titled "Can We Talk? Navigating Hot Topics in the Workplace").

As a company whose culture is built on improving the lives of others, being recognized for our work to promote diversity and inclusion in our workforce is an honor we value highly. Year after year, Lilly has been recognized as one of the top companies in the United States for our commitment to diversity and inclusion. In 2015, for the fifth consecutive year, we were named one of *DiversityInc*'s Top 50 Companies for Diversity. We were also honored that year as a top company for lesbian, gay, bisexual, and transgender (LGBT) employees; women; and current and former military. (For a full list of awards, see page 99.)

To hear from Lilly women from around the world, please see the blogs and videos at lillypad.lilly.com/women.php.

Global Diversity Initiatives

We understand that the concept of diversity means different things around the globe. Our leadership teams across the world formulate their diversity strategies by considering our corporate perspective and then customizing their own plans based on local demographics and culture.

Many of those programs focus on the hiring, retention, and career development of women. Some of our results have led the industry. We were honored to be named as one of the 50 Leading Companies for Women in the Asia-Pacific Economic

"We don't have a person or a talent to waste. A culture of inclusion is about making sure every person who works at Lilly feels comfortable, valued, and respected. That's when people give you their best. Do we have that culture today? If you ask me … we've come a long way, but we still have work to do."

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

Cooperation region and beyond for our efforts to increase women's leadership roles in the workplace.

For example, in Japan in 2004, we introduced the first phase of a "females in leadership" diversity strategy. Since then, we have refined this strategy to include the establishment of a diversity council and the introduction of new programs to develop female leaders. Culture change takes time. Progress has been slow, yet steady, as Lilly Japan works to increase the number of women in leadership roles. Lilly Japan implemented a number of new programs, including childcare support and expanded work-from-home programs, among others, to make our company more attractive for women. Since we began this initiative, Lilly Japan has made the "Best Companies to Work For" list.

In addition to a focus on women, our affiliates tailor their plans based on other demographics. For example, some build plans related to provincial, generational, and disability diversity. In 2015, our affiliates in Europe and Canada made significant efforts to accelerate their progress in diversity and inclusion efforts by organizing a two-day European Diversity

GENDER DIVERSITY AT LILLY 2015

There are four women on the board of directors—about **29%**

The average for Fortune 500 companies is just under **20%** *

Lilly also has four women on its executive committee—also **29%**

Leadership positions

Global workforce

U.S. workforce

* 2020 Women on Boards. 2015 Gender Diversity Index.
** Percentage of women who supervise others or hold high-level strategic roles.

IN THEIR WORDS

Attendees at our European Diversity Summit told us what diversity at Lilly means to them.

"When you think about our need to innovate, better decision-making comes down to understanding the key principles around diversity and inclusion."

– **Jackie Hardwick**, Associate Director of Marketing
Toronto, Canada

"I'd really like to encourage people to get on board, ask the questions, and find out what people in our organizations need to feel included."

– **Leanne Marran**, Region HR Head, Elanco
Basel, Switzerland

"Let's have a conversation about our differences. Not to necessarily end up on one side or the other, but to make a friendlier environment."

– **Karolina Patocki**, New Product Planning Manager, Alcobendas, Spain

"Diversity is more important than ever in a rapidly changing and very diverse world. It attracts people. It helps us to make better decisions and have better discussions."

– **Sigrid Grundmann**, Legal Director
Bad Homburg, Germany

Summit in the United Kingdom, which was attended by individuals representing 14 countries.

Participants took new ideas and initiatives that originated at the summit back to their local offices, including the following:

- Strengthening the EuroPRIDE organization and creating resource groups focusing on gender inclusion and people with disabilities in Europe and Canada;
- Increasing education about diversity and inclusion, including a focus on personal biases and how they can affect our decision-making;
- Increasing partnerships with external organizations to deepen corporate knowledge of diversity and inclusion (e.g., we became a global partner of Stonewall to learn more about LGBT workforce issues around the world);
- Establishing a European diversity and inclusion council;
- Increasing affiliate-level initiatives, such as training sessions, adding diversity and inclusion to meeting agendas and business updates, hosting external speakers, and evaluating policies to assess inclusiveness; and
- Creating a quiet room for prayer, meditation, reflection, and related activities at two Lilly locations in the United Kingdom.

SCIENCE HATES BIAS

"In science, bias is dangerous. Even if unintentional, scientific bias alters conclusions and can negatively impact the direction of future scientific approaches, assumptions, and thinking. At best, it takes us off-course and wastes time. And bias when dealing with other people can be damaging and hurtful.

Bias in many forms will always be with us. But when we shine a light on diversity, bias retreats into the shadows. Working with people from diverse backgrounds is one of the parts of my job that I love the most. As many scientists will tell you, the best scientific discovery is never a straight line. Instead, it's multi-branched and requires diverse inputs, creative problem-solving, and a healthy amount of skepticism and debate along the way.

Diversity in science and research is not just a "nice to have" thing. It is essential to opening our eyes and our hearts to bold solutions, without bias. Let's encourage diversity of all kinds, particularly when we need major breakthroughs for urgent medical needs."

— **Farhana Merzoug**, Ph.D., is a principal research scientist at Lilly whose work focuses on preclinical oncology tailoring.

Employee Resource Groups (ERGs)

Our ERGs support a richer, more inclusive workplace culture and partner with the business to help us better serve customers. They offer strong support networks for their members and help our company develop talented individuals for future leadership roles at Lilly.

In recent years, they have been expanding their grassroots activities into areas that will have more direct business impact, becoming even more vital to our company's success. For example, our ERGs participate in recruiting events with colleagues in human resources to help attract interns and new employees from universities and career fairs. They frequently consult on marketing and workplace programs and help to serve as language interpreters during company meetings. They also assist with corporate executive training programs on topics such as cultural bias and inclusion. In

FREEDOM OF ASSOCIATION

Lilly recognizes the importance of freedom of association in the workplace and respects the right of our employees to join associations of their own choosing. We interact 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.

ADDRESSING THE NEEDS OF MILLENNIALS

As we build the workforce that will take us into the future, we are listening and responding to the needs and interests of millennials. In 2015, we assembled a cross-functional group of millennials to identify opportunities for us to do more to attract, develop, and retain their peers.

Members used work groups, surveys, focus groups, and benchmarking to assess and define the values, experiences, and career development aspects that are most important to their generation. In 2016, we will begin acting on those recommendations. See below to learn more about our new Early Career Professionals ERG.

addition, they provide employees preparing for global assignments with a better understanding of the language and culture of the countries in which they will work.

About 12,500 Lilly employees are members of at least one of our 10 ERGs, which feature more than 60 chapters located at Lilly offices around the world. The following are just a few highlights from the past year.

Formed in 2015, the **Early Career Professionals** group is our newest ERG and already boasts more than 650 members in the United States. The group fosters professional development for employees who are early in their careers and provides opportunities to reach out to the community through social and service-based activities.

The **African American Network** is Lilly's longest-standing ERG. It hosts an annual African American Forum attended by 800 employees, coordinates activities for our employees during Black History Month each year, builds relationships with historically black colleges and universities to encourage recruitment of African Americans for positions at Lilly, and helps to promote diversity in Lilly's clinical trials.

In 2015, the Network partnered with John Gates, Ph.D., a diversity consultant and writer, to moderate a discussion titled "Can We Talk? Navigating Hot Topics in the Workplace." This event featured a respectful discourse on the controversial police shootings in Ferguson, MO, New York, NY, and other cities. The honest conversation was a breakthrough for many employees about what it means to be authentic at work and to better connect with colleagues at all levels of the company on a daily basis. Other companies are replicating the panel.

Maintaining a global outlook, the **Lilly Chinese Culture Network** stays abreast of our job openings in China to help recruit qualified Chinese American employees or their friends and family members who already live in China. The network also offers cultural awareness training classes for U.S. Lilly employees who are preparing for work assignments in China or working closely with colleagues there. The Lilly India Network offers similar training, in addition to community cultural programs.

The **Organization of Latinos at Lilly (OLA)** ERG is very active in local communities, building Lilly's reputation among the Hispanic population in Indianapolis where Lilly is headquartered and getting involved with organizations that align with Lilly's commitment to STEM education. One of OLA's key partnerships is with Project Stepping Stone, which provides opportunities for young students to see that a college education is achievable even when sometimes it seems

EMPLOYEE RESOURCE GROUPS 2015

Employee resource groups are critical in driving our diversity and inclusion strategy across our company.

10 Employee Resource Groups

12,500 Members

60 Satellite Groups Globally

13,000 Internal Volunteer Hours

8,000 External Volunteer Hours

out of reach. Every year, OLA works with Project Stepping Stone to organize an event at Lilly where Latino students partner with Lilly professionals to help improve their understanding of business and the importance of higher education.

Lilly AMECA (Africa, Middle East, Central Asia) also is working to increase access to clinical trials in the Middle East and conducts an annual symposium to educate employees about working in those regions.

Supporting LGBT Civil Rights

The passage of the Religious Freedom Restoration Act (RFRA) by the Indiana Legislature in 2015 sparked unwanted international attention about civil rights protections for LGBT individuals in Indiana. This attention eroded the reputation of Indiana as the welcoming place we know it to be. Among other things, this places an unwanted and completely unnecessary burden on companies like Lilly seeking to recruit and retain great talent from Indiana and around the world.

In response to RFRA, Lilly led a coalition of businesses to encourage elected officials to add language to the legislation to ensure it could not be used to discriminate against LGBT individuals. The so-called "RFRA fix," which also protected local human rights ordinances in Indiana cities, such as Indianapolis, Bloomington, Lafayette, and South Bend, was ultimately passed. The "RFRA fix" helped Indiana avoid further damage to its reputation.

This controversy also illuminated the fact that Indiana, along with about 30 other states in the nation, has no *statewide* civil rights protections for LGBT individuals. Lilly and other businesses in Indiana will advocate that these protections be adopted by the Indiana General Assembly. For example, Lilly has been a leader in the formation of "Indiana Competes," a statewide coalition of more than 400 Hoosier businesses, to encourage legislative action on making this change to the state's civil rights law.

WHAT AN EVOLUTION

"When I moved to Indianapolis almost 16 years ago, I was a nervous, excited 23-year-old in a new city with no family and no friends—just a new job. I remember, vividly, the energy it took to start this new chapter in my life, especially doing nothing that would jeopardize my career at a big, new company. At the time, that included making sure that no one knew that I was gay. That was June of 2000.

It took me almost a year-and-a-half before I verbally came out to anyone about my sexual orientation at work, which I felt comfortable doing in large part because of the group that eventually became the PRIDE ERG. Through the years, although the level of my involvement in the ERG has varied, one thing has been consistent: Our lesbian, gay, bisexual, and transgendered colleagues have supported each other at Lilly. They were all building careers here just like I was, and they did it by bringing their whole selves to work every day. This network provided support to those where they may not have gotten it any place else. I started, a little at a time, to be more open at work. Over time, those colleagues became mentors that molded me into the professional I am today and, ultimately, became friends that I still value.

In April 2015, I attended the Human Rights Campaign (HRC) awards ceremony in New York City, where Lilly was recognized along with other companies that received a 100 percent rating on HRC's Corporate Equality Index. It was the eighth time Lilly received this recognition, but this year held special meaning. As I accepted the award on behalf of Lilly, the Religious Freedom Restoration Act had passed and was signed into law in Indiana. I watched as Indianapolis business leaders, including our own CEO, joined to convey that discrimination in any form will not be tolerated.

I'm proud to work at a place where diversity and inclusion of all employees are celebrated and valued. It makes Indianapolis a great place to work and a great place to live. Fifteen years ago, I moved to Indianapolis as a shy, introverted young man with a new degree at a big company. Today, I'm a mentor and a leader. Indianapolis is proudly my home, and Lilly is proudly my company."

— **Ganesh Ram Sharma** is the consultant for analysis, clinical development, information and optimization, and chair of the LillyPRIDE Employee Resource Group.

Supplier Diversity

We believe that doing business with a diverse set of suppliers delivers value to the company and creates a competitive advantage for us by linking the fresh perspectives and nimble thinking of ethnically diverse, women-owned, and small businesses to our internal business needs.

Diverse suppliers are defined as those with at least 51 percent ownership and control by an ethnic minority, a woman, or someone who is LGBT. Small suppliers are defined as per U.S. Small Business Administration Small Business Size Standards. We actively seek to expand relationships with these types of suppliers, which we view as an often untapped source of talent.

Since 2005, the U.S. Small Business Administration has recognized us as "outstanding" in our efforts to promote and maintain supplier diversity. In 2015, we spent more than $573.4 million with 575 suppliers classified as diverse, woman-, and/or LGBT-owned businesses, as well as more than $566.8 million with 1,532 suppliers classified as small businesses.

"Supplier diversity is really actively including small and diverse businesses throughout the entire sourcing process, ensuring that we are understanding the market, understanding what small and diverse suppliers are out there, and then actively ensuring they are involved in our entire sourcing process."

– Elizabeth G. O'Farrell, Chief Procurement Officer

WORKPLACE AWARDS, 2014-2015

Top Global Companies for Leaders Aon Hewitt	Top Companies for Executive Women National Association of Female Executives
Top 25 Most People-Centric Company Enterprise Engagement Alliance	Corporate Equality Index (perfect score) Human Rights Campaign Foundation
Top 50 Companies for Diversity and a Top 10 Company for LGBT Employees *DiversityInc.*	LATINO 100 *LATINO* magazine
2020 Women on Boards Winning Company Corporate Champion	Best Adoption Friendly Workplaces Dave Thomas Foundation
Top 50 Leading Companies for Women Asia-Pacific Economic Cooperation	Most Valuable Employers for Military CivilianJobs.com
100 Best Companies for Working Mothers *Working Mother* magazine (21 consecutive years)	Outstanding Rating for Supplier Diversity Initiatives U.S. Small Business Administration

For a more comprehensive list of awards, visit www.lilly.com.

Employee Health and Safety, and Wellness

As a leading developer of medicines, we aim to make lives better, including those of our 41,000 global employees. Keeping our people safe and healthy—whether at home or at work—is one of our highest priorities and aligns directly with our company values of integrity, excellence, and respect for people. Our philosophy is that no employee should be hurt while doing his or her job at Lilly or Elanco. Since we introduced our global safety metrics in 2007, our injury rate has declined by nearly 40 percent, resulting in the prevention of hundreds of injuries to Lilly employees across the globe. We realize that the journey toward safety excellence never ends, and we are constantly evaluating approaches to improve our programs and to integrate injury prevention into everyday work.

Our employees face potential risk of injury in their work environment—be it in motor vehicles, research labs, manufacturing, or even office areas. We work to mitigate potential risks as much as possible through a combination of behavioral-based, technical, and process enhancements reaching each area throughout Lilly. For example, in 2015, we updated our health and safety standard to reduce the risk of serious injuries and fatalities, broadened the scope of our employee safety culture survey, and placed an increased focus on the importance of office ergonomics.

In 2015, our global health, safety, and environment (HSE) team was actively involved in integrating manufacturing and research sites from Novartis Animal Health and Lohmann SE, both of which Elanco recently acquired. Injury data from each of these new sites have been factored into Lilly's data.

Safety Progress and Performance

In 2013, we established new interim goals for the three occupational safety metrics we track: recordable injuries, lost time injuries, and motor vehicle collision rate.[4] These goals were developed to reduce our injury rates across a seven-year period: 2014–2020.

We also established a new goal for measuring motor vehicle collisions in 2015. Previously, our measure had been *collisions per million miles* (CPMM); however, we found that this measure was not easily understood and was difficult to track on a global level. For these reasons, we shifted to the more meaningful measure of *percent collisions*, which simply demonstrates the percent of our fleet that is involved in a collision. This measure includes collisions that result in occupational injuries, as well as those that do not, such as slow-moving collisions that occur in parking areas.

RECORDABLE INJURY AND LOST TIME INJURY INTERIM GOALS

YEAR	RECORDABLE INJURY RATE INTERIM GOAL	LOST TIME INJURY RATE INTERIM GOAL
2014	0.85	0.30
2015–2016	0.80	0.30
2017–2018	0.75	0.25
2019–2020	0.70	0.25

MOTOR VEHICLE COLLISION INTERIM GOALS

YEAR	MOTOR VEHICLE COLLISION RATE INTERIM GOAL*
2014	N/A
2015	17%
2016	16%
2017	15%
2018	14%
2019	13%
2020	12%

Promoting a Health and Safety Culture

To achieve our goals, Lilly works hard to integrate our safety systems and culture into all areas of our business. In 2015, we integrated our health and safety systems and approach into newly acquired sites, placed increased

[4] Lilly uses definitions for these terms as defined by the U.S. Occupational Safety and Health Administration Part 1904, *Recording and Reporting Occupational Injuries and Illness.*

focus on integrating ergonomics into our research laboratories, heightened emphasis on employee safety in office areas, and increased our use of behavioral safety tools to help record and monitor employee observations around safety.

Across Lilly as a whole, we believe that achieving and sustaining world-class safety performance requires commitment in three key categories: leadership, employee participation, and flawless execution of programs. Here are some highlights of our safety programs across these three areas:

Leadership. Effective senior leaders model safe behaviors at work. When it comes to displaying safe behaviors, no action is too small—using the handrail while on the stairs, avoiding distractions while driving, and adjusting office workspaces to promote healthy, neutral postures during desk work. Senior leaders set high expectations for their teams around safety and encourage the use of preventive safety tools that help eliminate our most common injuries.

Employee Participation. Lilly's safety culture and performance are significantly enhanced by our employees' willingness to be part of the solution. Employees in all areas and functions within the company, including laboratory, manufacturing, office, and sales positions, have the opportunity to participate in ergonomic assessments and get assistance in identifying unsafe behaviors and conditions. In 2015 alone, Lilly employees participated in nearly 8,400 ergonomic assessments, including manufacturing areas, laboratories, office workspaces, and sales vehicles.

All employees are encouraged to speak up when they see potentially unsafe conditions. In 2015, we expanded our use of *BSafe*, a global system for recording, reporting, and analyzing safety observations. The data collected is now being used to help us predict and eliminate precursors to potentially serious injuries and fatalities.

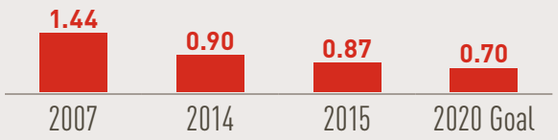
Flawless Execution of Programs. At Lilly, we are constantly evaluating the effectiveness of our safety programs, with an ultimate goal of flawless execution. This is done through corporate auditing, local self-assessment, and targeted evaluations. Lilly has placed a significant emphasis on serious injury and fatality (SIF) prevention since 2012, and the effort has been successful. We ask employees to report "near misses"—events that could have—but thankfully did not—result in an injury. We use this data to take action and improve our performance. For example, near-miss reporting caused us to put additional emphasis on disconnection of power sources during equipment maintenance. In 2015, our operational sites partnered with subject matter experts to conduct on-site assessments, in an effort to standardize best practices for energy control during servicing and maintenance.

Health and Safety Performance

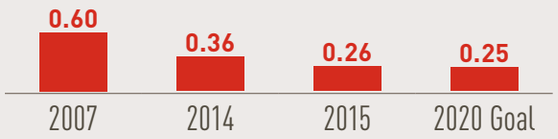
In 2015, recordable injuries and illnesses caused by ergonomic hazards—musculoskeletal problems caused by desk and work site configurations that are not optimized for the user—increased approximately 24 percent over 2014 and accounted for 47 percent of all recordable injuries and illnesses. This increase in injuries and illnesses related to ergonomics has caused us to redefine our internal processes around prevention, early intervention, and case management.

Injuries and illnesses caused by other major accident categories all improved when compared with our 2014 performance. In particular, our focus on motor vehicle safety has resulted in a 37 percent improvement since 2009.

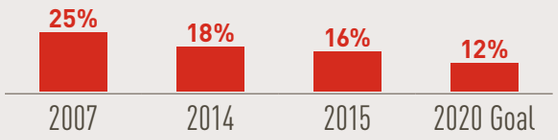
TOTAL RECORDABLE INJURY RATE



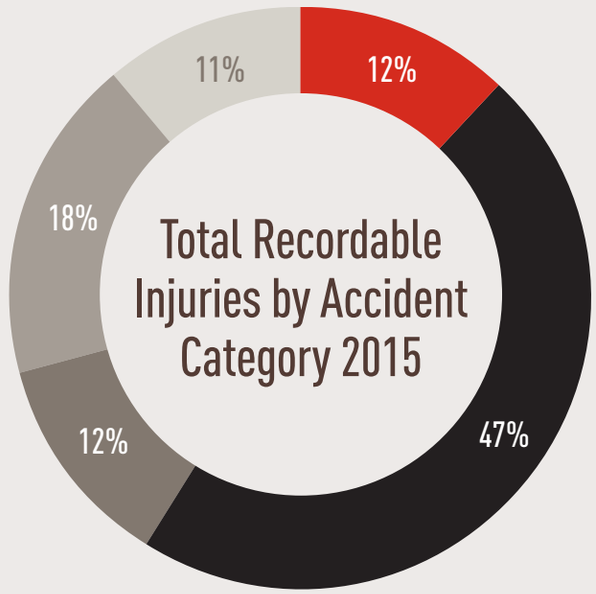
LOST-TIME INJURY RATE

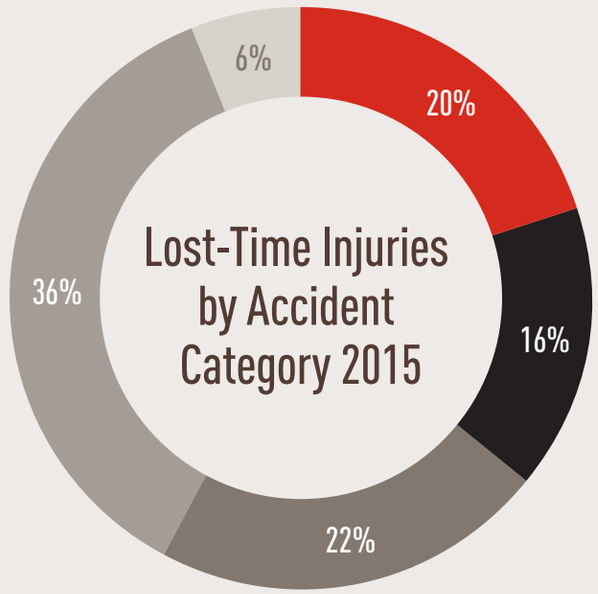


MOTOR VEHICLE COLLISION RATE*



* See earlier discussion of motor vehicle collisions for a description of our new system for measuring and recording this metric.





* Refers to non-motor vehicle injuries resulting in result in abrasion, contusion, and laceration
** Refers to ergonomic risks (posture and/or force, repetition, duration of tasks) which increase the likelihood of a sprain or strain

Overall, as of year-end 2014 compared to year-end 2015, we are pleased with the progress in the number of total lost time injuries, which decreased by nearly 30 percent, and the corresponding number of lost work days caused by lost time injuries, which decreased by almost 45 percent. These are two important indicators that show the severity of injuries that occurred at Lilly in 2015 was greatly reduced compared to 2014.

At Lilly, sales and marketing employees represent about 30 percent of our global workforce. Their jobs require them to spend large amounts of time driving. Motor vehicle accidents pose risks that are often out of our employees' control. In 2010, we launched a motor vehicle safety program, called *hseDIRECTIONS*, designed specifically for the thousands of Lilly employees who are on the road every day, visiting physicians, hospitals, clinics, and other customers.

The program focuses on four key areas:

- Motor vehicle safety, collision, and injury prevention;
- Ergonomic risk reduction;
- Personal safety and security; and
- Improving energy conservation through eco-driving behaviors.

Our *hseDIRECTIONS* investment has resulted in a decrease in motor vehicle collisions, and, consequently, a significant reduction in motor vehicle-related injuries. The program places emphasis on behind-the-wheel, defensive driving techniques. In 2015, tragically, one of our employees was killed in a motor vehicle accident. Our employee was a passenger on a bus that struck another truck while in transit in Bangladesh. For more than two years, no employee has been involved in a fatal accident while driving.

Following an analysis of motor vehicle collisions and related injuries between 2008 and 2013, we added requirements for all of our new fleet vehicles in the United States and Europe to be equipped with collision-avoidance technologies. We expect these technologies to result in a significant reduction in rear-end collisions—the most common type of accident leading to employee injuries.

We have also focused our fleet safety program on ergonomic training, for example, aligning the

car seat correctly and reducing the amount of time spent in the same position while driving. We added new makes and models of vehicles to our fleet choices to provide greater varieties of seating options and ergonomically-friendly technologies, such as hands-free trunk lifting that reduces the risk of back injuries while inserting heavy containers into vehicles.

Energy conservation is another area where we can have an impact. We encourage eco-driving behaviors and have expanded the choices of fleet vehicles with lower emissions. To learn more about the environmental performance of Lilly's fleet, see the Environmental Stewardship section of this report.

Supporting Employee Wellness at Lilly

Our company's wellness and productivity team has direct responsibility for our U.S. wellness strategy, work-life balance programs, and employee activities around healthy living, as well as medical and disability leaves. There are similar teams at several of our international affiliates.

The mission of the wellness and productivity team mirrors the Lilly Promise—uniting caring with discovery to make life better, including for our own employees and their families. When people hear the term "wellness," they often think about the physical aspects of health and fitness. To fulfill our promise to employees, we have a broadened view of wellness designed to create a culture of well-being across five dimensions: physical, financial, social, community, and sense of purpose. Our *Fit for Life* benefit program offers a set of tools and resources to help employees not only better manage their health but also to identify those things that can contribute to a healthier and more active life. *Fit for Life* benefit offerings include free annual preventive health screenings, well-being assessments and plans, fitness trackers, health and clinical coaching, tobacco cessation, weight management, and access to a network of nearly 9,000 fitness centers nationwide.

In the United States, Lilly offers health plan coverage to employees and their eligible dependents. Lilly also provides U.S. employees with coverage for preventive health

services (such as annual physicals and cancer screenings) that go well beyond the requirements established under federal healthcare reform. Outside the United States, we deliver competitive benefit packages and health coverage that varies depending upon location. In many countries, our employees receive government-provided medical benefits.

At our Indianapolis headquarters, we have several on-site fitness centers for individual and group fitness activities. We partner with our food service vendors to provide a wide range of healthier dining choices and snacks—some of which are subsidized. We provide showers and bike racks for more than 150 Indianapolis employees who commute to work by bicycle. We have also made all U.S. sites smoke-free.

Other U.S. efforts to support our employees' physical and emotional health include access to a dietitian, quarterly fitness challenges, support for new mothers, and a comprehensive employee-assistance program, including consultation with on-site psychologists. We also promote financial well-being through a variety of online financial tools and financial advisory programs. Many of the benefit offerings also are available to spouses, domestic partners, and qualified dependents to promote well-being for the entire family, not just the person directly employed by Lilly.

Environmental Stewardship

Making medicines that help people live longer, healthier, more active lives requires the use of valuable resources, such as energy, water, and raw materials. We take a broad approach to understanding and managing our environmental impacts across the product life cycle, and we look for opportunities to improve our performance. We're committed to conducting our business in a patient-centered manner and to continually reducing our environmental footprint.

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

Our Commitment and Approach

A Lifecycle Focus

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

LILLY'S 2020 ENVIRONMENTAL GOALS*

To motivate Lilly to continually decrease our environmental impacts, we drive progress toward our 2020 goals. The baseline for our goals is 2012, with the exception of our phosphorus emissions reduction goal, which has a 2014 baseline.

20% Reduction in greenhouse gas emissions intensity**,***
Progress through 2015: 4% reduction

20% Improvement in energy efficiency**
Progress through 2015: 1% improvement

15% Reduction of phosphorus emissions in wastewater (with a baseline of 2014)****
Progress through 2015: 5% increase

20% Improvement in waste efficiency† while increasing recycling rate above 70% and decreasing waste to landfill below 10% of total waste
Progress through 2015: 56% decrease in efficiency

* 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.
** Per square foot of site space.
*** This goal covers Lilly's Scope 1 and Scope 2 emissions related to site-purchased energy (e.g., electricity, steam, chilled water) and on-site fuel combustion.
**** In absolute terms.
† Per unit of production or site-relevant index. Lilly's waste goals do not include materials that are deemed "reused" without extensive processing. Examples include coal ash reused for mine reclamation or road base, and mycelia and urea reused for fertilizer.

SCOPE OF HEALTH, SAFETY, AND ENVIRONMENT DATA IN THIS SECTION

- Data in this section cover Lilly's global operations, including wholly-owned subsidiaries, unless stated otherwise.
- Data may be revised compared to prior reports due to changes in calculation methodology and other factors.
- Following World Resources Institute guidance, energy use, greenhouse gas (GHG) emissions (except Scope 3), and water-use data 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.
- Bureau Veritas provided independent, third-party verification of GHG emissions data for Scopes 1, 2, and 3 included in the Environmental Performance Indicators section of this report on page 120. In addition, Bureau Veritas verified the percentage decrease from 2012 (when that is the goal baseline year) and from 2014 (in all cases) compared to 2015 for the following metrics: energy efficiency, waste to landfill, waste efficiency, recycling rate, water intake, and phosphorus discharge.

MANAGING ENVIRONMENTAL PERFORMANCE ACROSS THE PRODUCT LIFE CYCLE

Materials, water, and energy, HSE management system and standards

Research and Development

We consider environmental factors from the earliest stages of design and development. We use the 12 principles of green chemistry, environmental risk assessments, packaging manufacturing reviews, and an Environmental Development Review process to evaluate potential environmental impacts during the scale-up of human health pharmaceutical production to manufacturing levels.
For more information, see page 108.

Materials and Natural Resources

Our stakeholders, including customers, governments, and suppliers worldwide, are increasingly focused on the materials and chemicals used to make products. We have a chemical management program and work to reduce our use of materials, water, and other natural resources when possible.
For more information, see page 110.

Manufacturing

Our Elanco and Pharmaceutical manufacturing health, safety, and environment (HSE) committees oversee sustainability performance and compliance with applicable HSE regulations, policies, procedures, and standards while ensuring we continually measure, report, and reduce Lilly's environmental impacts associated with our own as well as contract manufacturing organizations.
For more information, see page 113.

Sales and Marketing

At many Lilly sales and marketing offices worldwide, we manage projects to improve environmental performance while increasing employee awareness and action. Lilly continually works to improve the fuel efficiency of our sales force fleet through vehicle choice and optimization of driving and work practices. These efforts also reduce associated greenhouse gas (GHG) emissions.
For more information, see page 114.

Product Transport and Packaging

Lilly tracks the GHG emissions of our product transportation and distribution vendors, and we collaborate to reduce those impacts while ensuring product integrity. We consider many factors in selecting product packaging, including sustainability dimensions such as materials use and recyclability. We require packaging vendors in China, Europe, and the United States to certify that they source all paper and cardboard used to package our products from sustainable forests.
For more information, see page 110.

Product Use

Lilly is committed to understanding the potential effects of pharmaceutical products in the environment. 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 our products.
For more information, see page 110.

Product End of Life

Due to patient safety considerations and medicine regulations, reuse and recycling are not applicable to our products. We are working with stakeholders to ensure cost-effective approaches are available for product end-of-life disposal that balance environmental protection, patient privacy, legal compliance, and security.
For more information, see page 112.

How We Manage Environmental Issues

Policies and Standards

Several policies and standards define our commitments and guide our efforts:

- Our **Protecting People, the Environment, and Our Assets Policy** 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 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 health, safety, and environment (HSE) standards; applicable regulatory requirements; and other external HSE standards to which we subscribe.
- Our **Global Engineering Standards** govern many environmental aspects of our operations, such as energy use and greenhouse (GHG) emissions.
- Our **Product Stewardship Standard** provides a systematic way to manage product and process risks throughout the product life cycle, from discovery to product end of life.

HSE Governance

Lilly's formal HSE governance structure (see graphic) integrates HSE management companywide.

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 continuous improvement. The vice president responsible for global HSE works closely with the Global HSE Committee to approve appropriate metrics and goals, assess company performance, and oversee compliance with all HSE regulations, policies, procedures, and standards globally. The manufacturing HSE committees support these efforts and drive ongoing improvement throughout manufacturing. Executives and lead teams in each of our business groups and manufacturing, as well as Lilly Research Laboratories and general and administrative functions, manage governance for HSE in those areas.

Management Systems

Lilly sites and business areas have HSE management systems aligned with our Management System Standard, which is consistent with third-party standards such as International Organization for Standardization (ISO) 14001, Occupational Health and Safety Assessment Series (OHSAS) 18001, and the American Chemistry Council's Responsible Care Management System (RCMS®). Our global HSE management system is also certified to RCMS, and almost half of our manufacturing locations are certified to one or more external standards including ISO 14001, OHSAS 18001, Voluntary Protection Programs, and RCMS.

LILLY HEALTH, SAFETY, AND ENVIRONMENT GOVERNANCE STRUCTURE

*Our Elanco and pharmaceutical operations have separate but aligned HSE governance structures for manufacturing, research and development, and general and administrative functions. The Elanco and pharmaceutical governance structures share common Lilly policies, standards, and assurance systems and establish their own as appropriate.

LILLY'S POLICY ON PROTECTING PEOPLE, THE ENVIRONMENT, AND OUR ASSETS

We strive to maintain a secure workplace and to protect people and the communities in which we operate and serve. We are focused on continuously improving our health and safety practices to promote the well-being of our people. We are committed to conducting business in a responsible and environmentally sustainable manner. We are committed to a robust security culture to protect our people and brand from harm, and our assets from loss, theft, or damage. Each of us is responsible for implementing our security practices and applying them in our daily activities.

Audits
Each year, we audit approximately 30 percent of our sites globally, following the protocols outlined for each of our Global HSE Standards. Our five-year audit plan, updated annually, determines which sites to audit based on risk. External and internal auditors participate in each audit conducted.

Energy, Waste, Water, and Natural Resource Use Reduction Fund
To facilitate capital investments in technology and physical plant operations that improve environmental performance, we established and manage an Energy, Waste, Water, and Natural Resource Use Reduction Fund. The fund helps pay for capital projects each year at our facilities globally and promotes the development of environmentally superior, efficient technologies and best-practice sharing across our facilities.

Since 2006, we have approved a total of more than $37.5 million for investment in over 140 projects. This is in addition to the amounts spent by those facilities independent of the global fund. On an annual basis, these projects collectively save more than 865 billion British thermal units (BTU) of energy, avoid about 107,000 metric tonnes carbon dioxide equivalent (CO_2e) of GHG emissions, and save almost $20 million. In 2015, funded projects included the following:

- Installation of energy monitoring equipment and LED lighting in Kinsale, Ireland;
- LED lighting installation in Carolina, Puerto Rico;
- Expansion of an existing heat pump system in Fegersheim, France;
- Solar photovoltaic array installation in Erl Wood, United Kingdom;
- Laboratory hood personnel detection and variable exhaust flow technology to safely reduce laboratory air flow and save energy in Erl Wood, United Kingdom; and
- Purchase of precise dispensing technology in research laboratories in Indianapolis, Indiana, to reduce waste generation by approximately 4.5 metric tonnes per year.

Sustainable Culture at Lilly
Our employees play a key role in the ongoing success of our environmental efforts. Hundreds of employees, passionate about sustainability, make up dozens of "green teams" globally. With the support of HSE representatives and management, these teams work to reduce environmental impacts at Lilly sites and in their communities. The green teams also engage internal and external experts to provide insight and inspire action through presentations and educational materials on environmental issues. These teams implement projects such as employee carpooling programs, energy-efficiency initiatives, and beverage container and cardboard recycling. The green teams present ideas for management approval. Projects must be cost-effective and have clear environmental benefits.

We also encourage employees to act as better environmental stewards outside of work and provide them with information and resources on topics such as increasing composting and recycling in their homes, upgrading to more efficient lighting, and using public transportation when feasible.

Product Stewardship

Lilly takes a broad approach to understanding and managing possible HSE issues across the product life cycle (see page 105). This improves our own performance and demonstrates our values, while also meeting the increasing expectations of customers and other stakeholders.

Lilly's Product Stewardship Standard defines the requirements for addressing HSE throughout our value chain and integrates our approach throughout Lilly's business (page 108). Numerous Lilly business areas and functional groups contribute to implementing this standard across our value chain. The scope covers both internal and external value chain elements globally.

We focus on the following areas:

- Using green chemistry and engineering to reduce the use of energy, water, and hazardous materials in our development and manufacturing processes;
- Reviewing materials used in drug delivery devices, such as insulin injection pens, to reduce their environmental footprint;

- Developing more sustainable packaging materials and practices;
- Using science-based environmental risk assessments to evaluate the potential impact of our products on the environment; and
- Supporting responsible product disposal at end of life.

Design for Environment

The majority of the environmental impacts of pharmaceutical product manufacturing are determined during the research and development stage of our value chain, so at that point we consider the materials and processes we will use to make products and their packaging and work to identify opportunities to improve their environmental performance.

Innovations in Green Chemistry

Green chemistry works to reduce or avoid hazardous materials use, decreasing or eliminating the need for related protection, controls, and treatment. Lilly has many years of experience with green chemistry initiatives that engage both internal and external stakeholders.

Our product development objectives for our human health products include the use of green chemistry, along with criteria such as quality and cost. Development teams are accountable for process efficiency and safety from when they select candidate molecules through the development of a manufacturing process, and we monitor progress at major milestones. We outsource a significant amount of product development, so we share guidelines with our partners to ensure consistent objectives, processes, and outcomes.

Lilly's approach to green chemistry in our human health pharmaceuticals is twofold:

- We seek improvements by reducing the amount of hazardous material used to make a product, increasing overall material efficiency, evaluating chemical alternatives, and avoiding use of the most hazardous substances.
- We strive to advance the underlying chemistry and engineering technologies used to make medicines through innovation, both internally and through external partnerships.

LILLY'S PRODUCT STEWARDSHIP STANDARD

Reflecting the breadth of product-related sustainability issues, our Product Stewardship Standard covers the following areas:

- Emerging issues: Identifying, analyzing, and managing new and emerging issues;
- Procurement: Considering environmental factors in purchasing decisions;
- Product discovery: Reviewing internal and external research operations to foster high HSE standards;
- Product development: Using inherently safer design principles, such as green chemistry, as well as engineering innovations, to identify and reduce HSE hazards from new production processes where possible;
- Product packaging: Reducing the amount of packaging and using environmentally preferable materials, when possible, while satisfying regulatory and customer requirements, meeting marketing objectives, and preserving product integrity;
- Distribution: Ensuring safe product transport and warehousing while reducing associated environmental impacts;
- Marketing and sales: Working with customers to enhance the patient experience related to product environmental performance;
- Suppliers, contract operations, and alliances: Evaluating and influencing the HSE performance of suppliers, contract operations, and alliances (see page 82 for more information about supplier management); and
- Supply chain management: Establishing plans to ensure business continuity and appropriate emergency response, if needed.

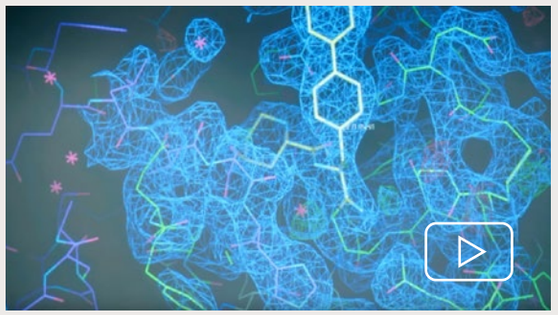
To support these efforts, we have established guidelines for the type and quantity of materials needed to synthesize new products. These also restrict the use of materials that could significantly increase process environmental and safety risks. These guidelines, along with other design criteria, are a part of the process we use to develop and assess the suitability of new manufacturing processes. We evaluate success in implementing these standards and share feedback with development teams (see Environmental Development Review on page 109).

We have developed several innovative approaches that improve environmental performance and enhance process safety by reducing the scale of the most hazardous manufacturing steps by more than one hundredfold. We measure progress in green chemistry at critical steps in the human health product development process with material use efficiency metrics including process mass intensity (PMI), a ratio of the total mass of raw materials (including water) used for every kilogram of drug produced. We set PMI targets based on molecular complexity and predicted product demand, helping us to identify the highest return opportunities for waste reduction.

In 2015, we improved the process to manufacture an active pharmaceutical ingredient at our Indianapolis facilities. The primary purpose of the project was elimination of hazardous chemicals, but other significant environmental improvements were made in alignment with our sustainability goals. As a result of the process improvements, we project we will annually reduce air emissions by 60 percent, wastewater generation by 10 million liters, energy consumption by 4 million kilowatt hours (kWh), and generation of a hazardous waste stream by 25,000 liters. The removal of unneeded equipment also generated 27 metric tonnes of scrap metal for recycling. In addition, as these changes are implemented, we will eliminate the road and rail transportation needed to deliver the hazardous materials to the site, further improving our risk profile.

Lilly also focuses on the use of greener and safer solvents. We have replaced several hazardous solvents with safer alternatives over the years, and, in 2014, we completed a Six Sigma project focused on replacing several additional solvents. Following this initiative, we issued new internal solvent selection and solvent replacement guides. The latter includes case studies on successful replacement of solvents to meet requirements of the European Union's Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) regulations. We have also made significant efforts to limit the use of dichloromethane (a hazardous air pollutant), including the development of an amino acid-based process to produce a key pharmaceutical intermediate. The innovative approach uses environmentally friendly solvents and is considered nearly carbon neutral, resulting in a decrease of solvent-related GHG emissions from the process by 69 percent. Learn more.

Lilly has been a leader in the American Chemical Society's (ACS) Green Chemistry Institute (GCI) Pharmaceutical Roundtable since it co-founded the Roundtable in 2004. In 2015, we contributed to the rollout of reagent guides and tools to encourage scientists to choose more environmentally friendly reaction conditions and supported development of an informational video (see below) about green chemistry in the pharmaceutical industry. We also supported the continued funding of external research grants—the three grants issued in 2015 totaled approximately $2 million.



VIDEO ACS GCI Pharmaceutical Roundtable Celebrates 10 Years

Environmental Development Review

Lilly uses an Environmental Development Review (EDR) process in our human health pharmaceutical business to evaluate potential environmental issues and opportunities during the scale-up of medicine production to manufacturing levels. This process helps us identify and address potential impacts of manufacturing and waste treatment, suggest process improvements, and share learning as new medicines transition into manufacturing. Find more information about our environmental performance in manufacturing on page 113.

Global Chemical Management

Governments around the world and across many of the regions where we operate have developed chemical management legislation, such as the European Union (EU) REACH regulation, which requires some companies to collect and register information about the chemicals they manufacture or use. These regulations may also require replacing the most hazardous chemicals with safer

alternatives, when available. We continue to assess the impact of these regulations on substances we manufacture and on our raw materials use. We are committed to ensuring our facilities and supply chain remain in compliance with chemical management laws.

Materials Use

Lilly assembles injection devices that patients use to administer some of our medicines—products that demand the highest standards of quality, sterility, and reliability to ensure patient safety. Meeting these high standards is our top priority. Although our environmental design and materials selection efforts extend to this area, we use only virgin raw materials in manufacturing to meet the standards for these devices and minimize the possibility of any impurities.

Packaging

Pharmaceutical packaging is highly regulated and must fulfill many functions, including ensuring product integrity during transit and storage, providing information, resisting counterfeiting, and protecting contents from tampering or access by children. Packaging is also a source of cost and waste. Through our sustainable packaging efforts, we continually seek to improve packaging design to reduce the amount of packaging used; use lower environmental impact materials, such as recycled content; enhance recyclability; and reuse or recycle packaging throughout the supply chain.

Our Product Stewardship Standard helps set expectations for these efforts. We established requirements for packaging suppliers in China, Europe, and the United States to provide certification that their paper stock is sourced from sustainable forests. Acceptable certifications include those provided by the Forest Stewardship Council (FSC) for folding cartons, leaflets, labels, and combination products, and the Sustainable Forestry Initiative (SFI) for fiber sourcing, chain of custody, and product labels.

In 2015, we developed a new packaging metrics dashboard to collect data on packaging materials and quantities. Beginning in 2016, these metrics will help us identify improvement opportunities—for example, through comparisons between product categories and business units—and document progress.

Pharmaceuticals in the Environment

Pharmaceuticals are designed to cure or treat disease and to help people live healthier lives. However, like many foods and nutritional supplements, they are not always completely absorbed or broken down by the body. Residues of a pharmaceutical or its by-products may be excreted as part of normal biological processes. Sewage treatment systems are not always able to completely remove these substances, and these residues may pass through treatment facilities and enter rivers, streams, or lakes. To a lesser extent, pharmaceutical products may also enter the environment from improper disposal of unused products or through pharmaceutical manufacturing discharges.

Advanced analytical testing technologies enable scientists to measure trace residues of pharmaceutical products in the environment that were previously undetectable. These residues are widespread and have been found in streams, rivers, and other water bodies. Reported concentrations are extremely low—in some cases, less than one part per trillion (equivalent to about one grain of sugar dissolved in an Olympic-sized swimming pool). Despite these very low concentrations, the presence and biological potency of pharmaceuticals raise questions about how to best evaluate potential associated human and

Waterfowl enjoy the wetlands area at our Clinton, Indiana, site, which is open to the public.

environmental risks. Published studies to date, including the often cited World Health Organization's (WHO's) 2011 Technical Report on *Pharmaceuticals in Drinking* Water, indicate these trace amounts of pharmaceuticals are unlikely to impact human health at the levels detected. WHO has cautioned interested parties to not let concerns over pharmaceuticals in the environment (PIE) divert the attention and resources of water suppliers and regulators from other water quality priorities.

Governance

Due to the importance of this issue to Lilly, the environment, and our stakeholders, we have established a Governance Committee for Pharmaceuticals in the Environment to set strategic direction, support effective internal collaborations, and recommend resources for related internal and external initiatives. Our manufacturing governance committees also review internal and external PIE issues, as those groups have ultimate accountability for environmental issues in operations.

Operations

We test and assess our medicines for potential impacts on the environment to ensure that we meet regulatory requirements and internal standards before introducing our products to markets. We regularly update our testing protocols for new and existing pharmaceuticals as knowledge and testing methods improve. We make information on the environmental hazards and impacts of our pharmaceutical products readily available through safety data sheets.

Lilly is committed to using science-based approaches for identifying and minimizing any significant risks from residues of our products in the environment. We create predicted no-effect concentration (PNEC) values for our medicines through recognized scientific processes (primarily U.S. Environmental Protection Agency (EPA) and EU Water Framework Directive methodologies). In addition, we have processes in place to ensure that our manufacturing discharges do not create conditions that could promote strains of bacteria resistant to antibiotics, which might present risks to people and wildlife.

To study the overall impact of our operations on local habitats, our site in Kinsale, Ireland, has been engaged in a continuous evaluation of aquatic habitat quality since 1978. Update reports are regularly issued and results show no evidence of an adverse impact of the Lilly wastewater discharge point on any aspect of habitat quality in the study area. This long term effort has supported studies published in peer-reviewed scientific publications and continues to support academic research for undergraduates.

External Collaboration

We continue to partner with industry, academia, and governments to improve both our understanding of, and our response to, PIE. Beginning in 2015, Lilly has supported collaborative research on PIE with the Innovative Medicines

IMPROVED METHODOLOGIES FOR ASSESSING ENVIRONMENTAL RISKS

The goals of the Intelligence-led Assessment of Pharmaceuticals in the Environment project (iPiE project)—a collaboration among Lilly and other pharmaceutical companies, universities, research organizations, public bodies, and nonprofit groups—are to develop frameworks to support the environmental testing of new pharmaceuticals and to help prioritize testing of active pharmaceutical ingredients (APIs) approved for use prior to 2006 and still marketed. The frameworks will draw on information such as existing data on the environmental impact of APIs, toxicological studies, computer models, and studies of how medicines work.

Project focus areas include the following:

- Identifying existing methods for conducting pharmaceutical environmental risk assessments;
- Compiling a database with information on both APIs and test organisms;
- Developing new models for estimating exposure to APIs that will consider factors such as how much of an ingredient is released into the environment, how fast it is broken down, and how extensively it accumulates; and
- Devising methods to predict the effects of APIs on different organisms in terrestrial and aquatic environments.

These activities will inform the development of an exposure assessment tool that can be used to screen APIs under development and prioritize existing APIs for enhanced testing. All models developed by the project will be validated experimentally.

A crab in Kinsale Harbor, Ireland, where our site has engaged in an ongoing evaluation of aquatic habitat quality for nearly 40 years.

Initiative (IMI), jointly undertaken by the European Union, various universities, and the European Federation of Pharmaceutical Industries and Associations. Using input from industrial and academic experts, participants in the IMI project are developing a predictive framework to identify potential risks in this area. We plan to support this initiative through 2018.

Our scientists and engineers have published articles and presented at conferences and workshops. They have also provided peer-review services for scientific journals and have participated in meetings about the safety of pharmaceutical residues in water with the U.S. National Academies National Research Council, the EPA, and the Society of Environmental Toxicology and Chemistry.

Product End of Life

Medicines are intended to be used in their entirety by patients. Even when this does not occur, regulations prohibit the use of recovered materials in our products. As a result, ecologically beneficial models of consumer take-back, reuse, and recycling programs do not apply to our products. We continue to work with customers and partners to better understand and ensure an effective approach to product end-of-life issues.

We promote science-based policy decisions regarding the disposal of unused medicines, and we support educating patients and caregivers on proper disposal. 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 safety risks. Based on feedback from patients and healthcare providers, we believe that education offers the greatest opportunity to improve disposal practices for sharps. 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 Answers Center.

We are actively involved in the Pharmaceutical Product Stewardship Work Group, a U.S. membership association of manufacturers of prescription and over-the-counter medicines formed to support compliance with U.S. household disposal regulations. We also engage with other industry stakeholders in the European Union (EFPIA), Canada (HPSA), and other countries.

In the U.S., Lilly believes that recommendations to dispose of most unused medicines in household trash are well-supported by current and ongoing research as environmentally safe, effective, and easy for consumers to understand. When in-home disposal is not preferred, we support voluntary industrywide, cost-effective disposal solutions for unused medicines that are safe and easy for patients; prevent misuse of prescription drugs; and ensure environmental protection. For example, in 2015, Lilly provided a grant to Yellow Jug Old Drugs, a program under the Great Lakes Clean Water/U.S. Clean Water organization that provides prescription drug disposal services to pharmacies, enabling the public to turn in unused medications for safe disposal and avert potential misuse. This contribution will increase from 29 to 100 the number of prescription drug collection and disposal sites delivered through the program across Indiana. See a map of participating locations.

Environmental Performance

We are committed to continually improving environmental performance across Lilly's operations. We prioritize our most significant areas of environmental impact—energy use, GHG emissions, water, and waste. In addition, we are dedicated to maintaining compliance with applicable legal standards, advancing green procurement, reducing non-GHG air emissions, and supporting biodiversity. Fundamental to our approach, we establish, work toward, and share progress against HSE performance goals (see page 104).

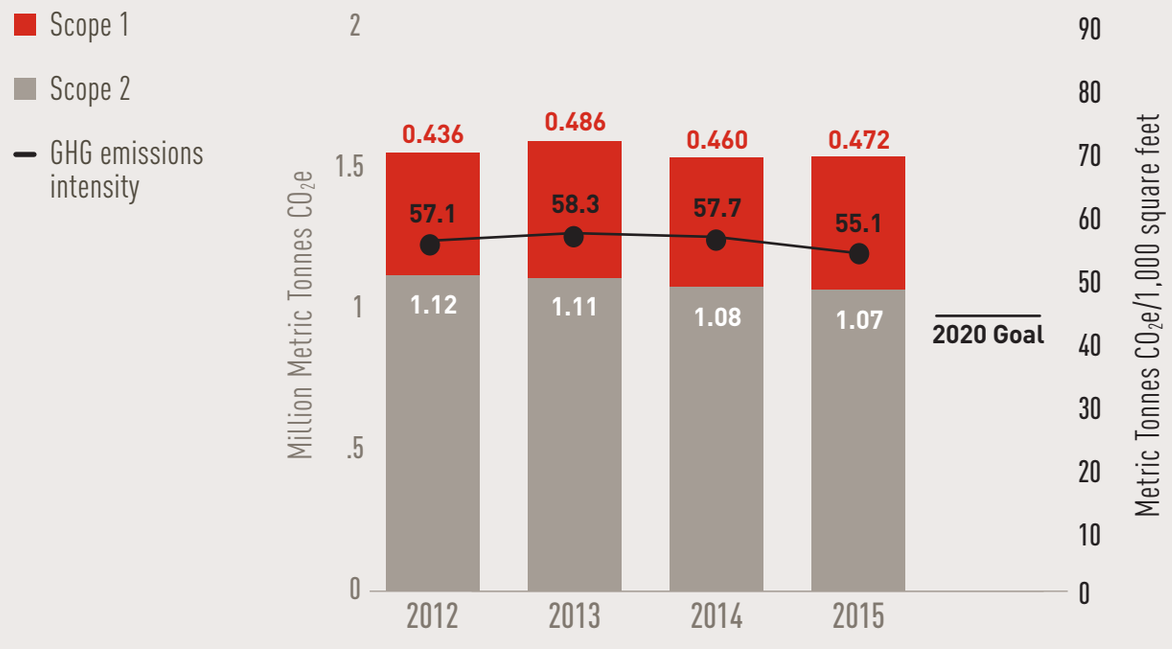
Greenhouse Gas Emissions

Climate change is compelling governments, companies, and citizens worldwide to act, as demonstrated in December 2015 at COP21, the global climate conference in Paris, France. At Lilly, we set and drive progress toward aggressive targets for improved energy efficiency and reduced GHG emissions. This improves our environmental performance and decreases energy use, which is a substantial operational cost for our research, manufacturing, and distribution activities (see page 114). Recognizing the interconnections between GHG emissions and water use, we have also evaluated water-stressed areas where we operate (see page 116).

Lilly's 2020 goal is to reduce Scope 1 and Scope 2 GHG emissions related to site-purchased energy (e.g., electricity, steam, chilled water) and on-site fuel combustion by 20 percent per square foot of site space, compared to our 2012 baseline. In 2015, we decreased emissions intensity by 4 percent since 2012. We achieved this result even though production increases at some of our larger manufacturing sites raised energy usage (see page 114 for more detail). GHG emissions will remain a key focus for the company, and we are further expanding efforts to reduce energy use as needed to meet our goal.

This year, we again reported several categories of Scope 3 GHG emissions, as included in the Environmental Performance Indicators table on page 120. We are committed to continually expanding the scope and quality of our disclosure in this area and are

PROGRESS TOWARD GOAL—GREENHOUSE GAS EMISSIONS



Improving site energy efficiency by 20% and reducing greenhouse gas emissions intensity by the same amount by 2020* will cumulatively:

Decrease CO_2e, the equivalent of planting
20 million trees**

Save more than
$160 million**

Avoid the use of energy equaling about
78 million** gallons of gasoline

* Compared to 2012.
** Source: EPA.gov.

evolving our strategy for gathering environmental footprint data from our suppliers.

In 2015, Lilly achieved a CDP (formerly Carbon Disclosure Project) climate change disclosure score of 89, compared to the average score of 82 in the healthcare sector and our company's score of 85 in 2014. Our performance band was C. See Lilly's recent CDP climate change submission for additional detail about the company's approach and performance in this area, including climate change-related risks and opportunities.

Decreasing Environmental Impacts in Sales and Marketing

All Lilly commercial sales affiliates around the world are required to develop goals and implement improvement strategies as part of our Green Directions Program, which focuses on fleet fuel economy/GHG emissions, office energy conservation, and waste reduction. Each year, these affiliates look for opportunities to enhance their environmental performance by identifying and implementing new projects and setting targets across more than 40 dimensions. We use a scorecard to assess progress in these areas. In 2014 and 2015, of the 46 affiliates that assessed their performance based on our five-tier system (Beginner, Follower, Good Citizen, Leader, and Best in Class), about 40 percent achieved "Leader" or "Best in Class."

During 2015, we achieved a 25 percent reduction in fleet GHG emissions at our four largest European affiliates (Germany, Italy, Spain, and the United Kingdom) through vehicle replacements, while Lilly Japan replaced more than half of its 2,000-vehicle fleet with fuel-efficient hybrid vehicles. During 2016, we will finish upgrading the fleets in an additional 10 European affiliates (Austria, Czech Republic, Denmark, Finland, Hungary, Norway, Poland, Romania, Slovakia, and Sweden). Lilly now centrally manages vehicle selection across the European Union, which improves efficiency while enabling us to implement strong safety and environmental standards.

Since 2014, approximately 30 percent of affiliate offices in emerging markets have completed renovations that include features such as increased natural lighting, energy-efficient lighting, and recycling centers. We will continue to build upon these and other performance improvement projects.

Energy Use

Energy assessments, used to identify and help prioritize energy conservation measures, are central to our approach. Since 2006, we have conducted assessments at 10 of our most energy-intensive sites. In 2015, assessments were conducted at Lilly sites in Fegersheim, France; Kinsale, Ireland; Carolina, Puerto Rico; Branchburg, New Jersey; and Clinton, Indiana.

Additionally, Lilly has implemented several global strategic initiatives to support these efforts, such as energy sub-metering to enable monitoring and benchmarking of facilities and utility equipment, use of the Laboratory Energy Efficiency Profiler assessment tool, and retrocommissioning[5] of laboratory and administrative facilities.

We continue to use renewable energy to diversify our energy sources and decrease GHG emissions, using direct generation as well as direct and indirect purchases of renewable energy from local utilities. At five facilities worldwide, we generate electric power using photovoltaic (PV) arrays. A 9.95-megawatt (MW) PV solar system, completed in 2014, adjacent to our subsidiary in Branchburg, New Jersey, covers more than 40 acres and is one of the biggest of its kind for an East Coast non-utility company. The system generated 13.2 million kWh of electrical energy in 2015 and provided 31 percent of the power

[5] "Retrocommissioning" refers to a structured process for identifying suboptimal performance in an organization's lighting, heating, cooling, and other systems and making adjustments as needed.

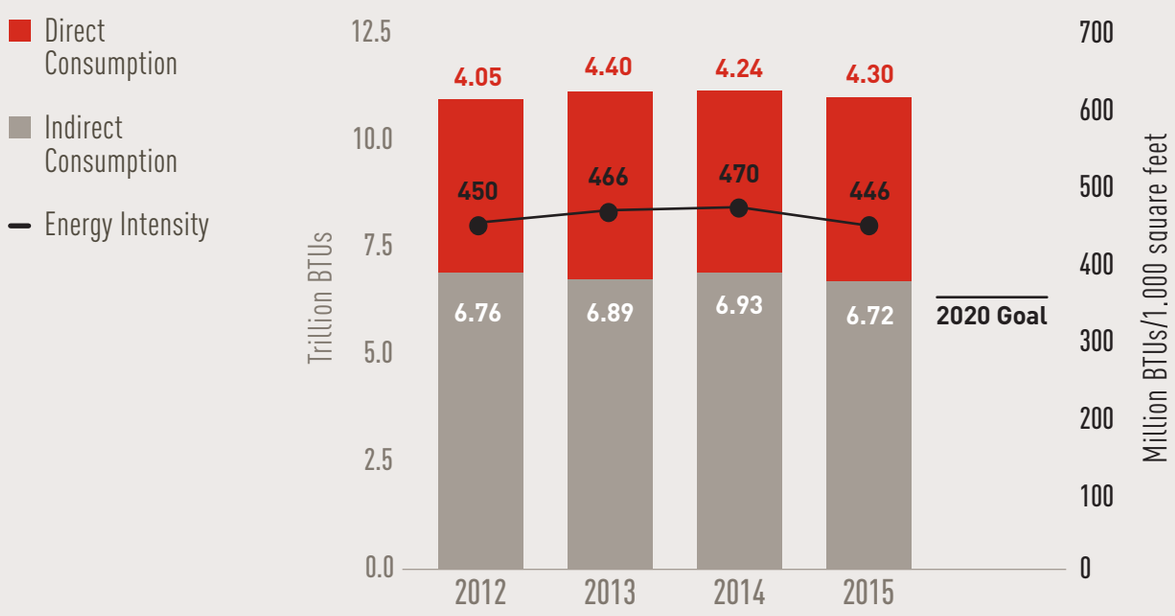
ENERGY PROGRAM

We are committed to using energy in an efficient, cost-effective, and environmentally responsible manner. To do so, we establish energy-efficiency goals and implement energy management practices globally. Our approach includes the following elements:

- Design for energy efficiency in new or updated processes and facilities;
- Operate our facilities and equipment efficiently;
- Monitor and report energy consumption and resulting GHG emissions;
- Conduct energy assessments and implement initiatives to enhance energy efficiency;
- Utilize alternative energy sources, new technologies, and best practices; and
- Participate in local, regional, and/or national forums to influence responsible and cost-effective decision-making and policy development relative to energy.

At five facilities worldwide, we generate electric power using photovoltaic (PV) arrays. This is Lilly's solar installation in Branchburg, New Jersey.

PROGRESS TOWARD GOAL - ENERGY USE



needs of the overall site. That is enough energy to power 1,600 homes, while avoiding roughly 3,720 metric tonnes of CO_2e emissions annually.

Cogeneration, which involves using a combustion source to generate electricity on-site while also recovering usable heat from the process, is another important part of our approach. During 2015, our site in Kinsale, Ireland, finished construction on a new cogeneration facility that commenced operation during 2016. This unit will generate 4.4 MW of electricity and supply the site with 3.9 MW of steam and hot water thermal energy. It will reduce operating expenses by nearly $800,000 per year and decrease GHG emissions by 3,600 tonnes CO_2e per year. We also have three other sites with 10-MW, 4.3-MW, and 2.7-MW cogeneration units in operation.

In 2015, we held a Global Energy Workshop, bringing regional and functional leaders from our top 10 energy-consuming sites to Indianapolis. The 2015 workshop provided a robust, proactive roadmap for achieving a 20 percent improvement in the company's energy efficiency.

Other energy-related initiatives include the following:

- Energy-focused webinars and collaboration sites for Lilly energy managers to share best practices and make suggestions; and
- Global Energy Week, an annual employee event that includes poster presentations, videos, contests, guest speakers, and energy-focused informational booths to promote awareness of, and progress toward, Lilly's companywide energy-efficiency goal.

In 2015, Lilly's energy use totaled 11,000,000 million BTUs, a 1 percent decrease from 2014 and a 2 percent increase since 2012 (see graph). Our energy efficiency, per square foot of site space, improved by 5 percent since 2014 and by 1 percent from 2012 through 2015. Increases in production at some of our larger manufacturing sites, including those associated with our animal health business, may challenge our ability to meet our goal of a 20 percent improvement by 2020. Although energy use per square foot has risen at some sites, changes in manufacturing processes that increase capacity have improved energy efficiency

per unit of production and delayed the need to build additional, or expand existing, energy-intensive facilities. We will continue looking for improvement opportunities.

Using Energy Audits to Identify Improvement Opportunities in Kinsale, Ireland

During 2015, our Kinsale, Ireland, site completed internal energy assessments to identify conservation measures to reduce power consumption in internal energy operations (e.g., HVAC, purified water generation, and steam generation) when production facilities were not in operation. The assessments resulted in electricity and natural gas reductions of more than 3,000 megawatt hours (MWh) and approximately $260,000 in savings in 2015. The site also gradually reduced the exhaust temperature on one of its air pollution control devices, decreasing the amount of steam used in the unit. This enhancement saved more than 4,000 MWh in natural gas usage and over $160,000 on an annual basis.

Improving Energy Efficiency in Fegersheim, France

Based on a detailed energy mapping, during 2014, our site in Fegersheim, France, made progress on its strategic roadmap to implement energy reduction initiatives related to facilities, utilities, and process equipment. Some of the main opportunities identified include optimizing HVAC equipment for existing and new projects, reducing water-related energy use by fine-tuning purified water consumption, and installing heat pumps that capitalize on sources of cold water available in the local water table.

Initiatives implemented in 2015 and planned for 2016 and 2017 will achieve 60 percent of the site's long-term energy goals. Overall, reflecting commitment from all of the site's functions, the site completed 16 initiatives in 2014 and 2015 that will save 6.3 million kWh of energy annually, representing 7 percent of the location's overall consumption. This will also reduce GHG emissions by more than 840 metric tonnes CO_2e and save $340,000.

Saving Energy in Branchburg, New Jersey

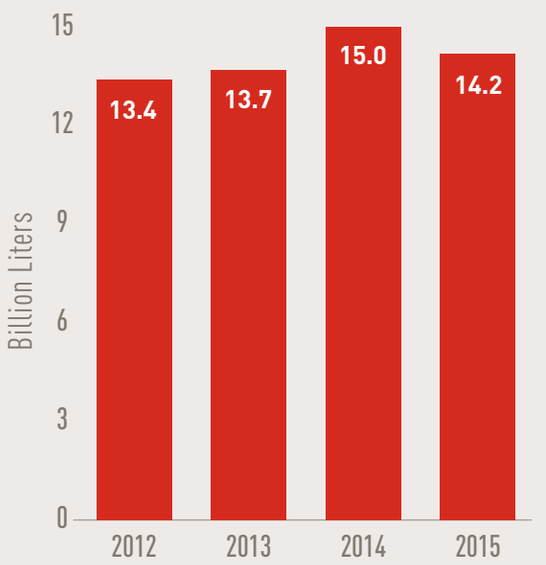
In 2015, the New Jersey Association of Energy Engineers awarded Lilly's site in Branchburg, New Jersey, the 2014 Energy Project of the Year award. The project implemented a variety of energy efficiency and energy infrastructure improvements including high-efficiency lighting upgrades, building envelope improvements, boiler control upgrades, and the installation of a new high-efficiency chiller. Annual energy savings associated with the project were estimated at $700,000, with an estimated energy use reduction of 4.5 million kWh and an annual natural-gas use reduction of more than 56,000 therms.

Water Use

Water is a key input to our products and manufacturing processes and is essential to our business. Predicted future regional water scarcity, increased costs, and climatic changes have further strengthened our commitment to use this resource wisely. In 2015, our water management efforts received a B rating from the CDP's water program, well above the industry sector average.

Manufacturing operations account for the majority of the water consumed by Lilly. Our operations that produce injectable products require exceptionally high-quality water, while our utility operations use water for cooling and to support steam boilers. Some sites have updated to waterless cooling systems, and others reclaim water for this purpose. To a lesser extent, we consume water for domestic uses in our offices (such as cafeterias, bathrooms, and landscaping). Our Engineering Technical Center helps our sites identify water-saving technologies, and sites can apply for project capital funding through Lilly's Energy, Waste, Water, and Natural Resource Use Reduction Fund.

WATER INTAKE



In 2014 and 2015, Lilly worked with the University of California, Santa Barbara (UCSB), and Kaiser Permanente to develop a water risk analysis framework for the supply chain of commodities (specialty chemicals, packaging, etc.) we purchase for two of our major diabetes products for the U.S. market. UCSB used the World Resources Institute Aqueduct tool to identify first-tier suppliers located in water-stressed areas and developed a system to evaluate commodities produced in areas of relatively high water risk. The insight gained into water-related risk associated with suppliers can better inform future sourcing decisions. We are now using the information to assess if current supplier risk-management practices are adequate and to determine if additional data are needed to support sound risk-management decisions. We are also evaluating how we might apply a similar framework to other products. Learn more in this project summary.

In 2015, Lilly's water intake[6] equaled 14.2 billion liters, 5 percent less than 2014 and a 6 percent increase since 2012 (see graph on page 116). This increase was primarily due to production increases. We will continue to seek opportunities to decrease water usage.

In 2013, we introduced a goal to reduce absolute phosphorus emissions in wastewater discharge by 15 percent by 2020, compared to 2014. This goal addresses an issue that is increasingly important to communities, regulators, and investors. In 2015, while still in our planning phase to achieve this goal, total phosphorus emissions to wastewater equaled 133 metric tonnes, a 5 percent increase from 2014. Significant source reduction will require phasing out and replacing cleaning agents with non-phosphorus based alternatives. Technical teams at Lilly are evaluating existing cleaning processes and will apply findings to key sites worldwide.

Waste

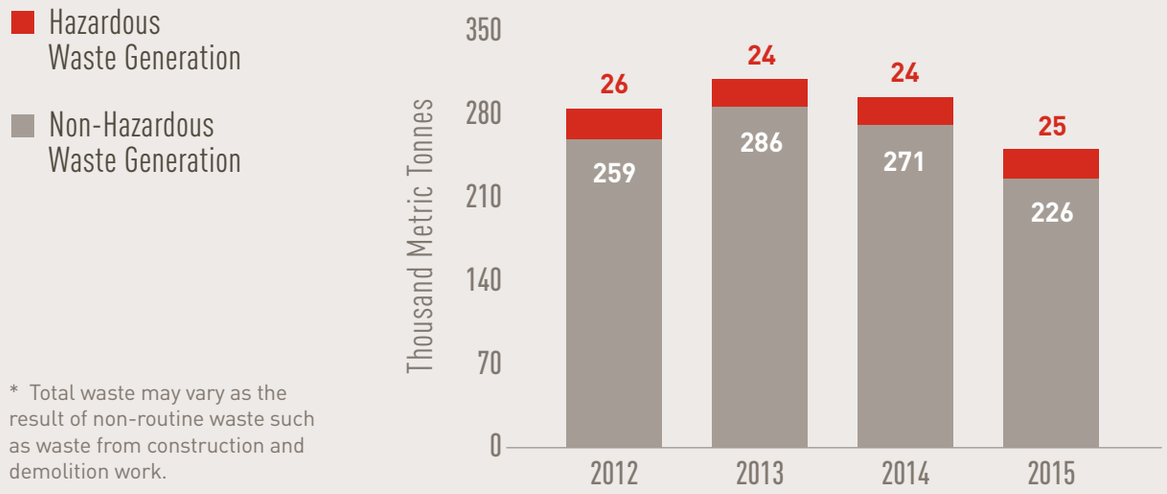
Lilly uses the following hierarchy to manage waste:

- 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 2013, we introduced a goal to achieve a 20 percent improvement in waste efficiency[7] by 2020, compared to 2012, while increasing our recycling rate above 70 percent and decreasing waste to landfill below 10 percent of total waste.

During 2015, Lilly generated 252,000 metric tonnes of total waste, 15 percent less than in 2014 and 12 percent less than in 2012.

TOTAL WASTE GENERATION*



* Total waste may vary as the result of non-routine waste such as waste from construction and demolition work.

[6] "Water intake" is the total amount of water coming into a site, including water pumped from bodies of surface water and groundwater, as well as 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.

[7] Per unit of production or site-relevant index. Lilly's waste goals do not include materials that are deemed "reused" without extensive processing. Examples include coal ash reused for mine reclamation or road base, and mycelia and urea reused for fertilizer.

We improved our recycling rate to 51 percent in 2015, up from 47 percent in 2012, and sent 26 percent of waste to landfill, compared to 28 percent in 2012 (these calculations do not include waste that was beneficially reused). During the year, 25 of 52 Lilly sites globally reported "zero-landfill" status (indicating that they send less than 0.5 percent of generated waste to landfill).

From 2012 through 2015, our waste efficiency decreased by 56 percent, based on temporary circumstances at a few of our sites. One main factor impacting waste efficiency was a temporary waste processing change at our Clinton, Indiana, animal health site in 2014, requiring more waste to be sent for incineration and to landfill. We also expanded our insulin manufacturing process at our Carolina, Puerto Rico, site, which increased the amount of byproduct produced beyond the amount that could be reused as a fertilizer ingredient, resulting in some of this material being landfilled. We continue to seek opportunities to increase waste efficiency.

Improving Process Efficiency and Reducing Waste in Wusi, China
Through use of enhanced filtration, this site reduced the amount of the solvent acetic acid required to purify a product and made it possible to recycle the liquid instead of incinerating it as in the past. These changes reduced fresh acetic acid use by 16 percent, enabled the site to recycle 62 percent of used acetic acid, and decreased waste liquid by 35 percent.

Supply Chain Sustainability

In our contracts with key suppliers, we outline the HSE principles that we ask our contract manufacturing operations (CMOs) to follow. They require the completion of an initial HSE assessment and subsequent updates every two years, the development and implementation of protective HSE procedures, and, if requested, action and ongoing dialogue with Lilly on HSE performance improvement. Lilly has used qualified HSE professionals to assess performance at our CMOs for more than a decade.

Lilly continues to expand our procurement efforts to decrease the company's environmental impacts and to support markets for greener products. Office supplies remain an area of focus, and we offer online purchasing tools globally that inform employees who order these goods if items with recycled content are available. We have also expanded our green procurement program to cover areas such as product transport, manufacturing, and research.

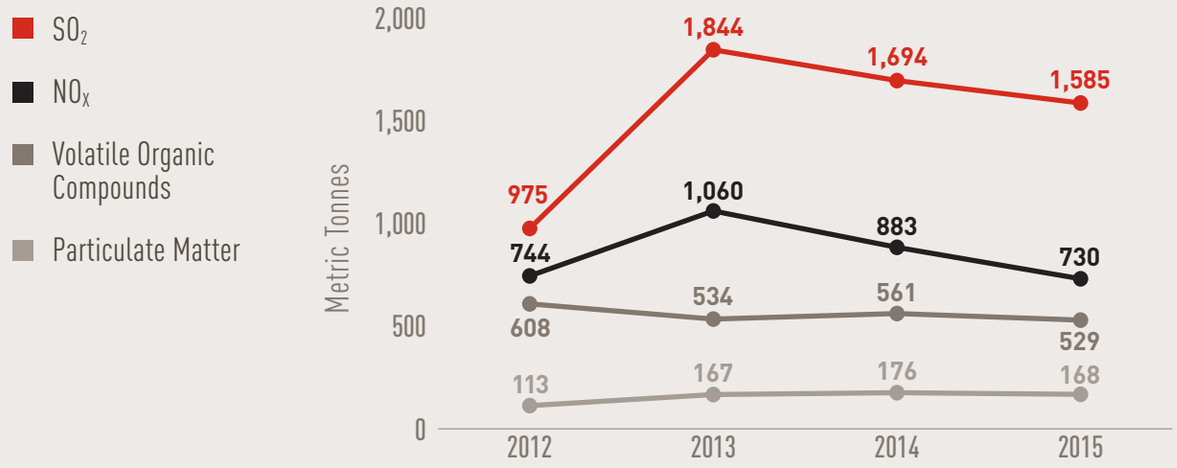
Other Air Emissions

Lilly tracks emissions of compounds that can affect air quality. The company's most significant air emissions, other than GHGs, include volatile organic compounds (VOCs), as well as sulfur dioxide (SO_2) and nitrogen oxides (NO_X) from the combustion of natural gas, oil, and coal.

DECREASING ENVIRONMENTAL IMPACTS IN PRODUCTION

In 2014, after performing a detailed environmental assessment, we launched a streamlined process for manufacturing the active pharmaceutical ingredient in our insulin product in Indianapolis. The new process significantly increased manufacturing capacity to meet projected demand for this lifesaving drug. These changes reduced both purified water use and process waste generation by 30 percent per unit of production, without increasing per unit solvent and urea waste volumes. These improvements avoid the need for additional capacity and corresponding energy use and GHG emissions. In 2015, we implemented a similar conversion at our plant in Puerto Rico, further reducing Lilly's global environmental footprint.

OTHER AIR EMISSIONS



In 2015, emissions to air of these compounds decreased by nine percent from 2014.

Biodiversity

Lilly has a long history of collaborating to protect habitat and reduce the impact of our operations on ecosystems. We pursue a tailored 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:

- Indianapolis, Indiana – As a part of Lilly's annual Global Day of Service, in 2015, we continued our work enhancing biodiversity and promoting a healthy urban ecology in the community of our corporate headquarters. Lilly volunteers logged more than 13,600 hours, planting more than 1,000 trees and nearly 9,900 plants, removing invasive plant species from 10 acres of land, and spreading more than 1,000 cubic yards of mulch. Work continued on our multiyear project to educate our employees and the communities where we operate about local water resources—part of a larger citywide collaboration called "Reconnecting to Our Waterways." Learn more about Lilly's focused, highly collaborative approach to restoring biodiversity progress in the Indianapolis area.
- Clinton, Indiana – As a partner in the Wabash River Wildlife Corridor Project, our Clinton Labs site planted additional acreage with native grasses and riparian vegetation to enhance the existing 100-acre wildlife corridor on Lilly-owned land along the Wabash River. The work was part of the Healthy Rivers Initiative, the largest conservation initiative in Indiana history. The project involves a partnership of agencies and organizations working together with willing landowners to permanently protect 43,000 acres of floodplain habitat along a 94-mile corridor of the Wabash River and Sugar Creek to conserve fish and wildlife, promote outdoor recreation, and improve the overall health of the Wabash River ecosystem.

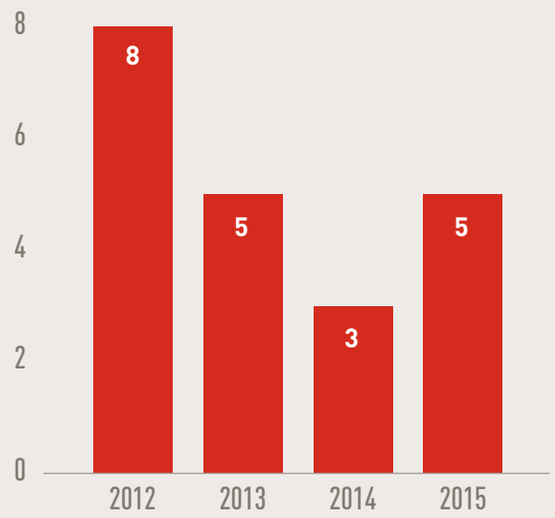
Environmental Compliance

Lilly's Health, Safety, and Environment Policy requires compliance with applicable regulations wherever we do business, and we apply our high standards even when existing laws and regulations are inadequate. (For more information about our HSE policies, standards, and management systems, see page 106.) If it is determined that we are out of compliance, we work to remedy the situation as quickly as possible and to continuously improve our performance.

Using statistics-based environmental capability assessments, we routinely review more than 50 environmental compliance-related processes across Lilly. We use the results to continually improve these processes and maintain compliance.

Lilly experienced five reportable permit-limit exceedances in 2015, up from three in 2014 but down from eight in 2012 and a decrease of approximately 90 percent during the last decade. The exceedances in 2015 had to do with storm water and wastewater-related permits. These exceedances were determined to have no material impact on the environment, and we did not receive any related agency findings or penalties. See the Environmental Performance Indicators table on page 120 for details.

TOTAL REPORTABLE PERMIT-LIMIT EXCEEDANCES



Environmental Performance Indicators[8,9]

	2012	2013	2014	2015
Greenhouse Gas Emissions				
Greenhouse Gas Emissions (Scope 1 and Scope 2) (metric tonnes CO_2e)	1,550,000	1,600,000	1,540,000	1,540,000
Scope 1	436,000	486,000	460,000	472,000
Scope 2	1,120,000	1,110,000	1,080,000	1,070,000
Greenhouse Gas Emissions Intensity (metric tonnes CO_2e/1,000 square feet)	64.7	66.0	64.9	62.4
Greenhouse Gas Emissions Intensity (related to goal) (metric tonnes CO_2e/1,000 square feet)	57.1	58.3	57.7	55.1
Greenhouse Gas Emissions Intensity (metric tonnes CO_2e/million $ revenue)	68.8	69.2	78.6	77.2
Scope 3 Emissions (not included in metrics above)[10]				
Employee Business Travel (personal car, taxi, rental car, rail, and air travel) (metric tonnes CO_2e)	99,000	94,000	68,000	90,000
Employee Commuting (metric tonnes CO_2e)	72,000	71,000	72,000	75,000
Product Transportation and Distribution (contracted) (metric tonnes CO_2e)	45,000	30,000	18,000	16,000
Waste Generated in Operations (metric tonnes CO_2e)	75,000	89,000	104,000	114,000
Non-Kyoto Compound Emissions (refrigerants, VOCs, etc.) (metric tonnes CO_2e)	15,000	17,000	28,000	9,000
Energy Use				
Energy Consumption (million BTUs)	10,800,000	11,300,000	11,200,000	11,000,000
Energy Intensity (million BTUs/1,000 square feet)	450	466	470	446
Energy Intensity (million BTUs/million $ revenue)	478	489	570	552
Direct Energy Consumption (million BTUs)	4,050,000	4,400,000	4,240,000	4,300,000
Coal (million BTUs)	690,000	1,340,000	1,300,000	1,300,000
Natural Gas (million BTUs)	2,840,000	2,530,000	2,410,000	2,490,000
Fuel Oil (million BTUs)	476,000	482,000	465,000	348,000

	2012	2013	2014	2015
Liquid Propane (million BTUs)	40,400	42,400	49,600	152,000
Gasoline (million BTUs)	4,720	4,680	3,810	7,710
Indirect Energy Consumption (million BTUs)	6,760,000	6,890,000	6,930,000	6,720,000
Purchased Electricity (million BTUs)	4,550,000	4,520,000	4,420,000	4,420,000
Purchased Steam (million BTUs)	2,200,000	2,360,000	2,510,000	2,300,000
Purchased Chilled Water (million BTUs)	3,370	13,800	5,380	8,370
Water Use				
Water Intake (billion liters)[11]	13.4	13.7	15.0	14.2
Municipal (billion liters)	6.2	6.9	7.1	7.5
Surface (billion liters)	0.1	0.1	0.1	0.1
Groundwater (billion liters)	7.2	6.8	7.8	6.6
Water Intensity (million liters/million $ revenue)	0.594	0.593	0.762	0.713
Phosphorus emissions to wastewater (metric tonnes)	--	--	127	133
Waste				
Total Waste Generation (metric tonnes)	285,000	310,000	295,000	252,000
Hazardous Waste Generation (metric tonnes)	26,000	24,000	24,000	25,000
Non-Hazardous Waste Generation (metric tonnes)	259,000	286,000	271,000	226,000
Total Waste Generation not Including Reuse (for recycling goal) (metric tonnes)[12]	74,000	75,000	89,000	113,000
Waste Disposition				
Beneficially Reused (metric tonnes)	211,000	235,000	206,000	139,000
Recycled (includes combustion with energy recovery) (metric tonnes)	34,300	32,500	46,700	56,800
Treated (includes combustion without energy recovery) (metric tonnes)	18,700	19,900	30,100	26,500
Landfilled (metric tonnes)	20,700	22,600	12,000	29,100
Waste Recycling Rate	47%	43%	53%	51%

	2012	2013	2014	2015
Other Air Emissions				
Volatile Organic Compound Emissions (metric tonnes)	608	534	561	529
Particulate Matter (metric tonnes)	113	167	176	168
SO_2 Emissions (metric tonnes)	975	1,844	1,694	1,585
NO_x Emissions (metric tonnes)	744	1,060	883	730
Ozone Depletion Potential (kg CFC-11 equivalent)	7,595	8,669	14,787	6,494
Environmental Compliance				
Reportable Permit-Limit Exceedances[13]	8	5	3	5
Number of Significant Spills[14]	0	0	0	0
Environmental Fines Paid ($)	$732	$0	$0	$0
Energy, Waste, Water, and Natural Resource Use Reduction Fund				
Expenditures ($ millions)	$1.1	$1.8	$1.6	$1.7

[8] Data may be revised compared to prior reports due to changes in calculation methodology and other factors. Some segments do not add up to totals due to rounding.
[9] In 2015, adjustments were made to data for all years to reflect the acquisition of animal health operations from Lohmann (closed April 30, 2014) and Novartis (closed January 15, 2015).
[10] 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.
[11] "Water intake" is the total amount of water coming into a site, including water pumped from bodies of surface water and groundwater, as well as 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. Totals include a small amount of rainwater intake not included in other water intake subcategories.
[12] Lilly's waste goals do not include materials that are deemed "reused" without extensive processing. Examples include coal ash reused for mine reclamation or road base, and mycelia and urea reused for fertilizer.
[13] Lilly classifies an event as a reportable permit-limit exceedance if it involves an exceedance of a numeric permit or license limit that must be reported to the regulatory authority. The reporting may be immediate (e.g., within 24 hours) or in a routine compliance report. These exceedances do not necessarily result in harm to people or the environment.
[14] "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.

Global Reporting Initiative Index

Lilly recognizes the value that common reporting standards, such as the Global Reporting Initiative (GRI) G4 guidelines, provide for stakeholders and for companies seeking to transparently report on their corporate responsibility activities. While we are not declaring an accordance level with GRI guidelines for this report, we have prepared a GRI G4 index to aid readers looking for specific information. This index shows which G4 indicators are covered in this report and other public documents and provides a reference readers can follow to find the related information.

General Standard Disclosures

INDICATOR	SUMMARY	REPORT REFERENCE OR DIRECT ANSWER
Strategy and Analysis		
G4-1	CEO statement on sustainability	CEO Letter
G4-2	Description of key impacts, risks, and opportunities	Business Review 2015 Form 10-K
Organizational Profile		
G4-3	Name of the organization	About Lilly, About Elanco
G4-4	Primary brands, products, and/or services	About Lilly, About Elanco
G4-5	Location of organization's headquarters	Indianapolis, IN
G4-6	Number of countries where the organization operates, and countries with major operations or relevant to sustainability issues	2015 Form 10-K
G4-7	Nature of ownership and legal form	2015 Form 10-K
G4-8	Markets served	About Lilly, About Elanco, Stakeholder Engagement
G4-9	Scale of the reporting organization	2015 Form 10-K
G4-10	Employees by employment contract and gender	Workplace
G4-11	Percentage of employees covered by collective bargaining agreements	Workplace
G4-12	Description of supply chain	Supply Chain

INDICATOR	SUMMARY	REPORT REFERENCE OR DIRECT ANSWER
G4-13	Significant changes to size, structure, or ownership	2015 Form 10-K
G4-14	Whether and how the precautionary approach or principle is addressed	Product Stewardship
G4-15	Externally developed economic, environmental, and social charters, principles, or initiatives the organization subscribes or endorses	About this Report, Efforts to Improve Health Literacy, Ethics and Transparency, Supply Chain, Animal Care and Use, Environmental Stewardship
G4-16	Association memberships	Memberships
Identified Material Aspects and Boundaries		
G4-17	Entities included in consolidated financial statements and if any are not in report	About this Report
G4-23	Significant changes from previous reporting period	About this Report
Stakeholder Engagement		
G4-24	Stakeholder groups engaged by the organization	Stakeholder Engagement
G4-25	How stakeholders are identified and selected	Stakeholder Engagement
G4-26	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	Stakeholder Engagement
G4-27	Key concerns raised through stakeholder engagement, and how the organization responded	Promoting Responsible Use of Antibiotics in Food-producing Animals, Transforming Clinical Trials
Report Profile		
G4-28	Reporting period	About this Report
G4-29	Most recent report	May 2015
G4-30	Reporting cycle	Annually
G4-31	Contact for sustainability report	About this Report
G4-32	Table with Standard Disclosure locations	GRI Index
G4-33	External assurance statement	About this Report, Scope of Health, Safety, and Environment Data

INDICATOR	SUMMARY	REPORT REFERENCE OR DIRECT ANSWER
Governance		
G4-34	Governance structure	2015 Proxy Statement
G4-37	Consultation between stakeholders and the highest governance body on sustainability issues	Shareholders can communicate with the board of directors in writing via the corporate secretary's office. In general, formal mechanisms are not in place for employees to make recommendations directly to the board; however, the leadership team encourages employees to provide feedback to management through a variety of communication channels, including a compliance hotline, internal town hall style meetings, and on the CEO's blog. In addition, under the company's processes for reporting suspected ethics or compliance breaches, under certain circumstances designated employees are allowed or required to report the suspected breach directly to the relevant committee of the board of directors.
G4-38	Details on composition of organization's highest governance body and its committees	2015 Proxy Statement
G4-39	Whether Chair of highest governance body is also an executive officer	2015 Proxy Statement
G4-40	Processes nominating and selecting highest governance body and its committees	2015 Proxy Statement
G4-41	Highest governance body process for avoiding and disclosing conflicts of interest	Ethics, Compliance, and Governance, 2015 Proxy Statement
G4-43	Process for enhancing highest governance body's competencies on economic, environmental, and social issues	2015 Proxy Statement
G4-44	Process for evaluating highest governance body's performance on economic, environmental, and social topics	2015 Proxy Statement
G4-45	Highest governance body's role in risk management	2015 Proxy Statement
G4-46	Highest governance body's role in the identification and management of economic, environmental and social impacts, risks, and opportunities	2015 Proxy Statement
G4-47	Frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities	2015 Proxy Statement
G4-49	Process for communicating critical concerns to the highest governance body	See note for G4-37

INDICATOR	SUMMARY	REPORT REFERENCE OR DIRECT ANSWER
G4-51	Remuneration policies for the highest governance body and senior executives	2015 Proxy Statement
G4-52	Process for determining remuneration	2015 Proxy Statement
G4-53	How stakeholders' views are sought and taken into account regarding remuneration	2015 Proxy Statement
Ethics and Integrity		
G4-56	Organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics	Ethics and Transparency
G4-57	Internal and external mechanisms for seeking advice on ethical and lawful behavior, and organizational integrity	Bioethics , Ethics, Compliance, and Governance
G4-58	Internal and external mechanisms for reporting concerns about unethical or unlawful behavior	Ethics, Compliance, and Governance

Specific Standard Disclosures

INDICATOR	SUMMARY	REPORT REFERENCE OR DIRECT ANSWER
Economic		
Economic Performance		
DMA	Disclosure on management approach	Business Review, 2015 Form 10-K
G4-EC1	Direct economic value generated and distributed	Business Review, 2015 Form 10-K
G4-EC2	Financial implications and other risks and opportunities due to climate change	Greenhouse Gas Emissions
G4-EC3	Coverage of the organization's defined benefit plan obligations	2015 Form 10-K
Indirect Economic Impacts		
DMA	Disclosure on management approach	Improving Global Health, Strengthening Communities
G4-EC7	Development and impact of infrastructure investments and services supported	Strengthening Communities
G4-EC8	Significant indirect economic impacts, including the extent of impacts	Improving Global Health, Hunger Relief

INDICATOR	SUMMARY	REPORT REFERENCE OR DIRECT ANSWER
Environmental		
Materials		
DMA	Disclosure on management approach	A Lifecycle Focus, How We Manage Environmental Issues, Product Stewardship
G4-EN2	Percentage of materials used that are recycled input materials	Materials Use
Energy		
DMA	Disclosure on management approach	A Lifecycle Focus, How We Manage Environmental Issues, Product Stewardship, Energy Use
G4-EN3	Energy consumption within the organizations	Energy Use, Environmental Performance Indicators
G4-EN5	Energy intensity	Energy Use, Environmental Performance Indicators
G4-EN6	Reduction of energy consumption	Energy Use
Water		
DMA	Disclosure on management approach	A Lifecycle Focus, How We Manage Environmental Issues, Product Stewardship, Water Use
G4-EN8	Total water withdrawal by source	Water Use, Environmental Performance Indicators
Biodiversity		
DMA	Disclosure on management approach	How We Manage Environmental Issues, Pharmaceuticals in the Environment, Biodiversity
G4-EN13	Habitats protected or restored	Biodiversity
Emissions		
DMA	Disclosure on management approach	A Lifecycle Focus, How We Manage Environmental Issues, Product Stewardship, Greenhouse Gas Emissions, Energy Use, Other Air Emissions
G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1)	Greenhouse Gas Emissions, Environmental Performance Indicators

INDICATOR	SUMMARY	REPORT REFERENCE OR DIRECT ANSWER
G4-EN16	Energy indirect greenhouse gas (GHG) emissions (Scope 2)	Greenhouse Gas Emissions, Environmental Performance Indicators
G4-EN17	Other indirect greenhouse gas (GHG) emissions (Scope 3)	Environmental Performance Indicators
G4-EN18	Greenhouse gas (GHG) emissions intensity	Greenhouse Gas Emissions, Environmental Performance Indicators
G4-EN19	Reduction of greenhouse gas (GHG) emissions	Greenhouse Gas Emissions
G4-EN20	Emissions of ozone-depleting substances (ODS)	Environmental Performance Indicators
G4-EN21	NOx, SOx and other significant air emissions	Other Air Emissions, Environmental Performance Indicators
Effluents and Waste		
DMA	Disclosure on management approach	A Lifecycle Focus, How We Manage Environmental Issues, Product Stewardship, Water Use, Waste
G4-EN23	Total weight of waste by type and disposal method	Waste, Environmental Performance Indicators
G4-EN24	Total number and volume of significant spills	Environmental Performance Indicators
G4-EN25	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally	Waste, Environmental Performance Indicators
Products and Services		
DMA	Disclosure on management approach	A Lifecycle Focus, How We Manage Environmental Issues, Product Stewardship
G4-EN27	Extent of impact mitigation of environmental impacts of products and services	Innovations in Green Chemistry, Decreasing Environmental Impacts in Production
G4-EN28	Percentage of products sold and their packaging materials that are reclaimed by category	Product End of Life
Compliance		
DMA	Disclosure on management approach	How We Manage Environmental Issues, Environmental Compliance
G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	Environmental Compliance, Environmental Performance Indicators

INDICATOR	SUMMARY	REPORT REFERENCE OR DIRECT ANSWER
Transport		
DMA	Disclosure on management approach	A Lifecycle Focus, Product Stewardship, Decreasing Environmental Impacts in Sales and Marketing
G4-EN30	Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce	Decreasing Environmental Impacts in Sales and Marketing, Environmental Performance Indicators
Overall		
DMA	Disclosure on management approach	Energy Use, Water Use, Waste, Energy, Waste, Water, and Natural Resource Use Reduction Fund
G4-EN31	Total environmental protection expenditures and investments by type	Energy Use, Water Use, Waste, Energy, Waste, Water, and Natural Resource Use Reduction Fund
Supplier Environmental Assessment		
DMA	Disclosure on management approach	How Lilly Manages Supply Risk, Pharmaceutical Industry Principles for Responsible Supply Chain Management, Product Stewardship, Water Use, Supply Chain Sustainability
G4-EN32	Percentage of new suppliers that were screened using environmental criteria	Supply Chain Sustainability, Maintaining and Monitoring Quality, Safety, and Security of Supply
G4-EN33	Significant actual and potential negative environmental impacts in the supply chain and actions taken	Maintaining and Monitoring Quality, Safety, and Security of Supply, Water Use, Supply Chain Sustainability
Social: Labor Practices and Decent Work		
Employment		
DMA	Disclosure on management approach	Workplace
G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	A Culture of Well-Being
Occupational Health and Safety		
DMA	Disclosure on management approach	Employee Health and Safety, and Wellness

INDICATOR	SUMMARY	REPORT REFERENCE OR DIRECT ANSWER
G4-LA5	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs	Lilly does not formally measure the percentage of our total workforce represented in joint management-worker health and safety committees. An estimated 80 percent of our global workforce members utilize health and safety committees to assist in the management of local occupational health and safety programs.
G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	Health and Safety Data
G4-LA8	Health and safety topics covered in formal agreements with trade unions	Workplace
Training and Education		
DMA	Disclosure on management approach	Bioethics, Ethics, Compliance, and Governance, Animal Care and Use, Workplace
G4-LA9	Average hours of training per year per employee by gender, and by employee category	Engaging Employees in Bioethics, Ethics, Compliance, and Governance, Animal Care and Use, A Coaching Culture, Learning and Development
G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	A Coaching Culture, Learning and Development
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	A Coaching Culture
Diversity and Equal Opportunity		
DMA	Disclosure on management approach	Diversity and Inclusion
G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	Diversity and Inclusion
Supplier Assessment for Labor Practice		
DMA	Disclosure on management approach	How Lilly Manages Supply Risk, Pharmaceutical Industry Principles for Responsible Supply Chain Management
G4-LA14	Percentage of new suppliers that were screened using labor practices criteria	How Lilly Manages Supply Risk, Maintaining and Monitoring Quality, Safety, and Security of Supply

INDICATOR	SUMMARY	REPORT REFERENCE OR DIRECT ANSWER
G4-LA15	Significant actual and potential negative impacts for labor practices in the supply chain and actions taken	How Lilly Manages Supply Risk
Social: Human Rights		
Investment		
DMA	Disclosure on management approach	How Lilly Manages Supply Risk
G4-HR2	Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	Every year, Lilly employees spend approximately 41,000 hours—a minimum of one hour per person—undergoing mandatory training on our code of conduct. *The Red Book* covers a broad spectrum of basic human-rights issues.
Freedom of Association and Collective Bargaining		
DMA	Disclosure on management approach	Workplace
Child Labor		
DMA	Disclosure on management approach	Upholding Human Rights Throughout the Supply Chain
G4-HR5	Operations and suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor	Upholding Human Rights Throughout the Supply Chain
Forced or Compulsory Labor		
DMA	Disclosure on management approach	Upholding Human Rights Throughout the Supply Chain
G4-HR6	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor	Upholding Human Rights Throughout the Supply Chain
Supplier Human Rights Assessment		
DMA	Disclosure on management approach	Upholding Human Rights Throughout the Supply Chain, Pharmaceutical Industry Principles for Responsible Supply Chain Management, Conflict Minerals

INDICATOR	SUMMARY	REPORT REFERENCE OR DIRECT ANSWER
G4-HR10	Percentage of new suppliers that were screened using human rights criteria	None of Lilly's suppliers and contractors have undergone a formal screening on human rights. Globally, we set strict expectations for our suppliers and vendors relating to human rights. Lilly's Supplier Code of Business Conduct, a publicly available document, sets an expectation that: "We conduct our business activities with respect for people and a commitment to diversity, equal opportunity, and freedom from exposure to improper conduct and discrimination." For more information, see Upholding Human Rights Throughout the Supply Chain
Social: Society		
Local Communities		
DMA	Disclosure on management approach	Improving Global Health, Hunger Relief, Strengthening Communities
G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs	Improving Global Health, Hunger Relief, Strengthening Communities
Anti-Corruption		
DMA	Disclosure on management approach	Ethics, Compliance, and Governance
G4-SO3	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	Anti-Corruption Due Diligence
G4-SO4	Communication and training on anti-corruption policies and procedures	Ethics, Compliance, and Governance
Public Policy		
DMA	Disclosure on management approach	Advancing Public Policy, Political Engagement
G4-SO6	Total value of political contributions by country and recipient/beneficiary	Political Engagement

INDICATOR	SUMMARY	REPORT REFERENCE OR DIRECT ANSWER
Compliance		
DMA	Disclosure on management approach	Ethics and Transparency
Supplier Assessment for Impacts on Society		
DMA	Disclosure on management approach	How Lilly Manages Supply Risk, Pharmaceutical Industry Principles for Responsible Supply Chain Management
G4-SO9	Percentage of new suppliers that were screened using criteria for impacts on society	How Lilly Manages Supply Risk, Pharmaceutical Industry Principles for Responsible Supply Chain Management
Social: Product Responsibility		
Customer Health and Safety		
DMA	Disclosure on management approach	Global Patient Safety, Counterfeit Medicines
G4-PR1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	Lilly's Quality System, Global Patient Safety, Counterfeit Medicines
Product and Service Labeling		
DMA	Disclosure on management approach	Global Patient Safety, Efforts to Improve Health Literacy
G4-PR3	Type of product and service information required by the organization's procedures for product and service information and labeling, and percentage of significant product and service categories subject to such information requirements	Global Patient Safety, Efforts to Improve Health Literacy
Marketing Communications		
DMA	Disclosure on management approach	Marketing Practices
Customer Privacy		
DMA	Disclosure on management approach	Privacy

United Nations Global Compact Index

Eli Lilly and Company is proud to voice our continued support for the UNGC principles. Our website, www.lilly.com, contains detailed information about our company policies, procedures, and programs that are related to the UNGC, including information on our workplace policies, ethics, and transparency, as well as our environmental impacts and programs.

UNGC PRINCIPLE		INFORMATION IN REPORT
1	Businesses should support and respect the protection of internationally proclaimed human rights.	Supply Chain
2	Businesses should make sure they are not complicit in human rights abuses.	Supply Chain, Workplace
3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	Workplace
4	Businesses should uphold the elimination of all forms of forced and compulsory labour.	Supply Chain
5	Businesses should uphold the effective abolition of child labour.	Supply Chain
6	Businesses should uphold the elimination of discrimination in respect of employment and occupation.	Workplace
7	Businesses should support a precautionary approach to environmental challenges.	Environmental Stewardship
8	Businesses should undertake initiatives to promote greater environmental responsibility.	Environmental Stewardship
9	Businesses should encourage the development and diffusion of environmentally friendly technologies.	Environmental Stewardship
10	Businesses should work against corruption in all its forms, including extortion and bribery.	Ethics and Transparency