

ELI LILLY AND COMPANY

2018 UNGC COMMUNICATION ON PROGRESS

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UNGC PRINCIPLES ADDRESSED:

- 1 Businesses should support and respect the protection of internationally proclaimed human rights; and
- 2 make sure that they are not complicit in human rights abuses.

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UNGC PRINCIPLES ADDRESSED:

- 3 Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- 4 the elimination of all forms of forced and compulsory labor;
- 5 the effective abolition of child labor; and
- 6 the elimination of discrimination in respect of employment and occupation.

PAGE 39	HEALTH, SAFETY, AND ENVIRONMENT
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UNGC PRINCIPLES ADDRESSED:

- 7 Businesses should support a precautionary approach to environmental challenges;
- 8 undertake initiatives to promote greater environmental responsibility; and
- 9 encourage the development and diffusion of environmentally friendly technologies.

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UNGC PRINCIPLES ADDRESSED:

- 10 Businesses should work against corruption in all its forms, including extortion and bribery.

ABOUT ELI LILLY AND COMPANY

Lilly is a global healthcare leader that unites caring with discovery to create medicines that 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, please visit us at www.lilly.com and <http://newsroom.lilly.com/social-channels>.

ABOUT ELANCO ANIMAL HEALTH

Elanco Animal Health Incorporated (NYSE: ELAN) is a global animal health company that develops products and knowledge services to prevent and treat disease in food animals and pets in more than 90 countries. With a 64-year heritage, we rigorously innovate to improve the health of animals and benefit our customers, while fostering an inclusive, cause-driven culture for more than 5,800 employees. At Elanco, we understand the powerful role healthy animals play in making life better. As pets increasingly become important parts of our families, the need to help them live longer, healthier, higher quality lives increase as well. As the global population grows, so too will the need to meet the demand for safe, affordable food for all. At Elanco, we're driven by our vision of food and companionship enriching life—all to advance the health of animals, people, and the planet. Learn more at www.elanco.com. Until September 20, 2018 Elanco was a subsidiary of Eli Lilly and Company.

A MESSAGE FROM OUR CEO

Dear Stakeholders,

At Eli Lilly and Company, our purpose is to unite caring with discovery to create medicines that make life better for people around the world. Core to our purpose is our commitment to aid human suffering—independent of an individual's or nation's economic status—and to conduct our business in a responsible way for the long term. As a signatory to the United Nations Global Compact since 2009, Lilly is pleased to reaffirm our commitment to the responsible business principles represented by the Global Compact, as well as our commitment to work toward the United Nations Sustainable Development Goals.

DAVID A. RICKS
Chairman and CEO



DELIVERING VALUE AND REDUCING COSTS

In 2018, the company separated our Elanco Animal Health subsidiary with an initial public offering and divestiture. This transaction allows Lilly to focus exclusively on human medicines—discovering, developing, manufacturing and reaching patients with new therapies for serious health conditions. In the past five years, we have launched 10 new medicines—halfway to our goal of 20 new molecules by 2023. The initially promising results of one of those medicines, Lartruvo for soft tissue sarcoma, were not confirmed in later clinical trials—a risk inherent in the scientific process. So Lilly worked quickly with regulators to develop a plan to withdraw Lartruvo from the market while allowing current patients to continue receiving therapy.

Growing numbers of people are benefiting from Lilly's medicines around the world. Still, we recognize that the cost of medicines is a concern for many, and sometimes an obstacle to people getting treatment. That's why Lilly has a long-standing policy of not seeking or enforcing patents for medicines in any of the "least developed countries," as defined by the United Nations. It's also why we're working with others in the U.S. healthcare system to make sure patients can get the medicines they need—at reasonable out-of-pocket costs and with pricing information they can understand. In 2018, Lilly

opened the Lilly Diabetes Solution Center to assist people who need help paying for their Lilly insulin. We also launched Insulin Lispro, an authorized generic insulin, at a list price 50 percent lower than our branded insulin, Humalog. We know there's more to do, and we are committed to working with others across healthcare systems to advocate for policies that expand access to medicines while rewarding innovation.

FOSTERING DIVERSITY AND INCLUSION

To support our strategy of innovation, we must have a culture of diversity and inclusion (D&I)—one in which everyone can bring diverse ideas, perspectives, and experiences to bear in the pursuit of our purpose. We've taken a research-based approach—modeled after the research we conduct to understand our own patient populations. This research has helped us better understand the experiences, unmet needs, and career tensions of our employees, especially women and minorities, and informed companywide D&I programs. From the end of 2016 to the end of 2018, we increased the number of women in management globally to 42 percent, our initial aspirational goal. We also increased racial and ethnic minority representation in management in the United States, to 21 percent of total management. This year, we set even higher aspirational goals for women and minorities in management. In early 2019,

we were proud that our research-based approach was recognized with the prestigious Catalyst Award—one of four companies to receive this honor this year—reflecting our D&I focus.

ADVANCING GLOBAL AND LOCAL HEALTH

Advances in healthcare have helped billions live longer lives. But in too many places around the world, due to insufficient development of healthcare systems, these innovations are out of reach. Lilly has set a goal to create new access to quality health care in resource-limited settings for 30 million people every year by 2030. We call this Lilly 30x30. It focuses on three areas: 1) Partnerships—working with others to strengthen health systems; 2) Programs—enhancing access to Lilly medicines; and 3) Pipeline—finding molecules for diseases that disproportionately affect people in resource-limited settings.

In 2018, Lilly continued to expand our partnership with AMPATH, a medical consortium making an incredible difference in the lives of patients in western Kenya who are in desperate need. Since 2002, we have committed nearly \$150 million in product donations to AMPATH, helping to dramatically reduce what were once frequent shortages of medicine. The Lilly Foundation has committed an additional \$3.5 million to help AMPATH expand its breast and cervical cancer screenings—including mobile outreach for rural areas. As of September 2018, they had reached 35,000 people.

In 2018, building on what we've learned from global health programs, we gathered with local partners to launch a program addressing health disparities in our own hometown of Indianapolis. The result is a

neighborhood-based approach designed to help address the high incidence of diabetes in three Indianapolis communities—where life expectancy can be 14 years lower than in neighborhoods just 10 miles away. The \$7 million, five-year pilot program features newly hired community healthcare workers who help identify people with diabetes and connect them with quality care.

In the next few years, we will focus even more on the areas of programs and pipeline to increase our impact.

MANAGING OUR ENVIRONMENTAL IMPACTS

Lilly is committed to continually reducing our environmental footprint and to publicly reporting progress toward our goals. In 2018, Lilly received a CDP (formerly Carbon Disclosure Project) score of A- on climate change, which is considered leadership level, and we received a B on water stewardship. As of the end of 2018, we met and even exceeded two of our 2020 goals: achieving a 20 percent improvement in our waste efficiency, and a 15 percent reduction in phosphorous emissions in wastewater.

By 2020, we will transition 90 percent of our endotoxin tests—a mandatory quality test for pharmaceuticals and medical devices—from a process which relies on bleeding horseshoe crabs, to a synthetic compound. This new method, which Lilly helped to validate, is equally effective, more efficient, and cost-effective—and it doesn't require harvesting live animals. Transitioning our testing will lessen our impacts on the wild crab population, reducing our dependence on an increasingly at-risk species that is a vital part of many food webs, including for endangered and threatened birds.

Every day, Lilly's team of 33,000 employees strives to operate our company according to our values of integrity, excellence, and respect for people. While pleased with our performance, we are not satisfied. We are compelled to improve. Thank you for your interest in our company.



DAVID A. RICKS
Chairman and CEO

2018 CORPORATE RESPONSIBILITY HIGHLIGHTS

IMPROVING LIVES AND STRENGTHENING COMMUNITIES

Lilly has a long, proud heritage of strengthening the communities where we work and live. We do this through giving, volunteering, and focusing on the issues that tie back to our business: health and education. We actively encourage our employees to volunteer—in their backyards as well as around the world—and give back in ways that are personally meaningful to them.

Connecting Hearts Abroad

More than 1,000 Lilly employees have volunteered through Connecting Hearts Abroad, our global service program. Working on health and community projects across Africa, Asia, Europe, and Latin America, volunteers return to Lilly with insights that help us become a better, more globally aware company.

Global Day of Service

In 2018, we celebrated our 11th annual Lilly Global Day of Service, on which Lilly and Elanco employees help neighbors and communities around the world. Since the program launched, employees in over 65 countries have given more than 1 million hours and created a lasting legacy by completing thousands of projects—from assembling cancer-care packages for patients to beautifying neighborhoods by planting thousands of trees.

United Way

In 2018, Lilly and United Way celebrated a 100-year relationship dating back to 1918. To date, Lilly has raised more than \$300 million for United Way. In 2018, contributions from Lilly U.S. employees and retirees, plus a matching gift from the Eli Lilly and Company Foundation totaled \$13.3 million.

CONTRIBUTIONS AT A GLANCE

\$90M

TOTAL COMMITTED TO GLOBAL HEALTH PROGRAMMING 2017-2022

\$1.3B

2018 TOTAL PRODUCT DONATIONS

\$30.3M*

2018 TOTAL CASH DONATIONS
*including \$26M from the Lilly Foundation

1.8M

INSULIN VIALS DONATED AS OF 2018 TO THE LIFE FOR A CHILD PROGRAM

\$13.3M

2018 TOTAL UNITED WAY CONTRIBUTIONS
*including \$6.7M from the Lilly Foundation

1.1M

NUMBER OF EMPLOYEE VOLUNTEER HOURS THROUGH LILLY GLOBAL DAY OF SERVICE SINCE 2008

RECOGNITION FOR RESPONSIBILITY: 2018–2019

CATALYST

2019 Catalyst Award Recipient

ETHISPHERE

World's Most Ethical Companies, 2017, 2018, and 2019

THOMSON REUTERS DIVERSITY AND INCLUSION INDEX

(No. 17)

WORKING MOTHER MAGAZINE

100 Best Companies for Working Mothers, 24 Consecutive Years

DIVERSITY INC.

2018 Top 50 Companies for Diversity (No. 5)

HUMAN RIGHTS CAMPAIGN FOUNDATION

Corporate Equality Index—Perfect Score

JUST CAPITAL

America's Most Just Companies (No. 58)

WOMEN'S CHOICE AWARD

Best Places to Work for Millennials and Women

Education—Investing in the Next Generation

The Lilly Foundation works to improve the lives of those who lack resources, including supporting and championing efforts in our home state of Indiana to strengthen public education focusing on early childhood education, K-12, and STEM subjects (science, technology, engineering, and math). The Foundation backs results-oriented programs and organizations with the proven ability to drive community impact, including:

- **Indianapolis Public Schools (IPS)**, which empowers and educates students with diverse backgrounds to think critically, creatively, and responsibly to pursue their dreams with purpose. The Lilly Foundation gave \$300,000 in grant funding to support professional development, technology investment, and youth employment at IPS's Advanced Manufacturing, Engineering and Logistics Academy and Construction, Engineering and Design Academy;
- **The Mind Trust**, which strives to provide every Indianapolis student access to a high-quality school that will improve the lives of the students served and create new possibilities for the communities where they are located;
- **Teach For America**, which advances educational excellence and equity in the United States through a network of remarkable and diverse leaders working to expand opportunity and access for all children;
- **Junior Achievement**, which inspires and prepares young people to succeed in a changing global economy. The Lilly Foundation provides support for the organization and its JA JobSpark program; and,
- **Center for Leadership Development**, which fosters the advancement of minority youth in Central Indiana as future professional, business, and community leaders by providing experiences that encourage personal development and education attainment.

ABOUT THIS REPORT

This report represents our Communication on Progress for 2018 in implementing the principles of the United Nations Global Compact.

Data and other updates contained in this report are focused on the 2018 calendar year and include global operations, unless otherwise noted. We also discuss data and trends from previous years, where relevant, and include some significant events and initiatives that occurred in the first half of 2019. This report does not include joint ventures, partially owned subsidiaries, or outsourced operations.

In September 2018, Eli Lilly and Company, launched an initial public offering (IPO) of Elanco Animal Health Incorporated (NYSE: ELAN), thereby making it an independently traded company. Elanco, previously a division of Lilly, is a global animal health company that develops products and knowledge services to prevent and treat disease in food animals and pets. This report includes data from Elanco through 2018, including the period immediately following its IPO.

ERM Certification and Verification Services provided independent, third-party verification on selected environmental data and progress against selected 2020 goals as described in the [assurance statement](#).

Lilly follows structured processes to collect, evaluate, and calculate the data we report, to ensure appropriateness and accuracy. We consider external standards in deciding what data to collect and report. For example, following guidance from the World Resources Institute, we report progress toward greenhouse gas emissions goals on an adjusted basis accounting for mergers, acquisitions, and divestitures as appropriate, to ensure comparability, unless stated otherwise. Our global Health, Safety, and Environment management system is periodically reviewed by an independent, accredited auditor to ensure conformance with the American Chemistry Council's Responsible Care® Management System requirements.

We welcome feedback on this content, as it helps us to prepare future reports.

MOHAMED OSMAN MOHAMED

Corporate Responsibility, Eli Lilly and Company

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SUSTAINABLE DEVELOPMENT GOALS

As a member of the UN Global Compact, Eli Lilly supports the United Nation's Sustainable Development Goals (SDGs) and works to advance these goals within our sphere of influence. We are inspired by the global vision that the SDGs represent—and we are committed to doing our part to contribute. You can learn more about our efforts towards the SDGs in these areas of the report.

LABOR



ANTI-CORRUPTION



HUMAN RIGHTS



HEALTH, SAFETY, AND ENVIRONMENT



HUMAN RIGHTS

Lilly supports the UN Global Compact's principles on respecting internationally proclaimed human rights. As a global pharmaceutical company, our activities cut across a broad range of societal issues: activities such as ensuring the safety and availability of our medicines, promoting global health, and enhancing access to medicines for those who have trouble affording them. In this section, we discuss our work in the following areas related to human rights: bioethics; the availability and safety of our products; sourcing in our supply chain; the affordability of medications; and our global health initiatives. Further information on our support for labor standards can be found in the Labor section of this report.



BIOETHICS

Lilly has a longstanding commitment to bioethics—which focuses on the ethics of health care, biomedical research, and biomedical public policy—as an integral component of corporate integrity in the pharmaceutical industry. 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 created a bioethics program with dedicated full-time staff. We embrace a comprehensive approach to bioethics, providing a variety of resources and educational offerings to help employees navigate ethical scenarios and apply bioethics principles in their daily work.

Governance of Bioethics at Lilly

Consolidating the company's ethics efforts under one tent, in early 2018 [Lilly's bioethics program](#) became housed within the Global Ethics and Compliance organization, reporting to the chief ethics and compliance officer. This move increases the independence of the bioethics function overall and allows the bioethics team broader focus across all aspects of Lilly's operations—from research and development to commercialization activities. Bioethics team members include full-time, dedicated staff with pharmaceutical industry expertise as well as specialized training in bioethics. These individuals serve as valuable internal resources for the company, and are responsible for the program's development, deliverables, and oversight. A cross-functional bioethics advisory committee also includes external expertise in bioethics.

ENTERPRISE RISK MANAGEMENT AND GLOBAL ETHICS AND COMPLIANCE

ETHICS AND COMPLIANCE PROGRAM

PRIVACY PROGRAM

ANTI-CORRUPTION PROGRAM

BIOETHICS PROGRAM

“Moving Lilly’s bioethics program within our Global Ethics and Compliance organization will continue to [elevate this important work and enable greater engagement](#)—beyond just clinical research—with all facets of our enterprise. This move is part of our ongoing efforts to reflect our commitment to integrity and to [engrain ethical decision-making into every phase of our work](#). In doing so, we also become a more efficient operation, helping our colleagues access the tools they need to make better, faster decisions across a range of business issues facing our industry.”

- MELISSA BARNES | SVP, ENTERPRISE RISK MANAGEMENT AND CHIEF ETHICS AND COMPLIANCE OFFICER

Protecting Research Subjects' Rights in Clinical Trials

Lilly is committed to protecting the rights and well-being of research subjects and patients who use our medicines. Lilly applies a single global standard to the conduct of medical trials involving human subjects. This standard is based on well-respected ethics guidance and other requirements including:

- The World Medical Association's [Declaration of Helsinki](#);
- The Council for International Organizations of Medical Sciences' [International Ethical Guidelines for Biomedical Research Involving Human Subjects](#);
- The International Conference on Harmonisation's [Guideline for Good Clinical Practice \(E6\)](#);
- The Pharmaceutical Research and Manufacturers of America's [Principles on Conduct of Clinical Trials](#); and,
- Applicable laws and regulations of the country or countries in which a study is conducted.

Lilly's commitment to protecting the rights of research subjects is articulated in two company guidance documents—Principles of Medical Research and Bioethics Framework for Human Biomedical Research—and upheld through company policies, standards, and procedures.

LILLY'S PRINCIPLES OF MEDICAL RESEARCH

The [Principles of Medical Research](#) specify Lilly's standard for conducting, funding, and communicating results from its medical research. For more information on how Lilly shares information from clinical trials, see the [Transparency](#) section of this report.

LILLY'S BIOETHICS FRAMEWORK

Lilly's [Bioethics Framework for Human Biomedical Research](#) provides a bioethics foundation for the company's biomedical research so that it is aligned with broadly accepted ethics principles and Lilly's core values. The framework consists of four basic principles and 13 essential elements for conducting ethical human biomedical research and sits within the context of Lilly's broader company purpose and values. It specifies and compiles Lilly's bioethical responsibilities to multiple stakeholders. The framework informs the development of bioethics positions on topics important to pharmaceutical research and development, and it informs advice that the bioethics committee provides.

FOSTERING INDUSTRY COLLABORATION IN BIOETHICS

In addition to publishing Lilly's [Bioethics Framework for Human Biomedical Research](#), Lilly was a founding member and driving force behind the establishment of the Biopharmaceutical Industry Bioethics (BIB) Forum. Founded in 2016, the BIB Forum promotes collegial, non-competitive discussions regarding the application of bioethics concepts in the biopharmaceutical industry and sharing of best practices.

Lilly's Positions on Current and Emerging Bioethics Issues

Lilly has developed [position statements](#) on bioethics issues such as stem cell research, pediatric medicine, and multinational clinical trials, among others.

Bioethics Consultations

Since 1999, Lilly's bioethics committee has offered an internal consulting service, providing a forum for employees to seek advice regarding bioethics and research ethics issues. Using the Bioethics Framework and bioethics positions, this service increases awareness about bioethics, empowers employees to raise concerns, and helps them reason through challenging issues.

LILLY'S COMPANY PURPOSE AND VALUES

BIOETHICS FRAMEWORK FOR HUMAN BIOMEDICAL RESEARCH

Basic Bioethics Principles

Respect for persons	Non-maleficence
Beneficence	Justice

Essential Elements for Ethical Biomedical Research

Scientific validity	Informed consent
Social value	Fair treatment of research participants
Equitable selection of countries/communities and participants	Protection of privacy and confidentiality
Relationships with investigators and study sites	Fair access to post-study benefits
Reasonable benefit-risk profile	Public transparency
Independent ethics review	Stakeholder engagement
Incentives for research participants	



PATIENT SAFETY AND PRODUCT AVAILABILITY

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. We recognize that taking the right medication at the right time is a critical piece of a person’s overall health. Therefore, ensuring our products are available wherever and whenever patients need them is one of our top priorities.

Global Patient Safety

Beginning with the discovery of a potential new medicine, Lilly’s 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. Lilly’s [Global Patient Safety](#) organization—consisting of more than 300 physicians, pharmacists, nurses, and other healthcare professionals—is dedicated to the continuous collection, monitoring, evaluation, and reporting of safety information. Even after medications are approved for general use, Lilly continues to collect adverse event reports from around the world. Lilly enters this information into a company-specific [adverse event](#) database to further evaluate the safety of our medications. New safety findings and emerging concerns are shared openly with regulators and healthcare providers to appropriately manage risks associated with the use of our medicines.

material and component suppliers are evaluated for technical competence, and the ability to provide high-quality, efficacious, and cost-effective raw materials to Lilly. More information can be found in the [Supply Chain](#) section of this report.

As an additional safeguard, we have mitigation plans in place for our drug product components, including materials critical to manufacturing finished drug products. Continuous improvement initiatives in our manufacturing, packaging, and distribution capabilities help to safeguard the supply of Lilly medicines, and allow us to provide safe and effective finished drug products to patients and healthcare providers. The introduction of product serialization, first rolled out in the United States in 2018, with ongoing implementation in other countries to follow, adds an additional level of security to our distributed products.

Ensuring Product Availability

The mission of Lilly’s global manufacturing team is to provide a reliable supply of high-quality medicines. Because Lilly manufactures medicines that people rely upon and that can be critical for health, we know that 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.

Our manufacturing policy committee oversees the maintenance of Lilly’s inventory of essential raw materials. Before they enter the Lilly system, our raw



SUPPLY CHAIN

At Lilly, our efforts to ensure the safety and integrity of our products begin with the procurement of materials and extend throughout the production process. This includes our interactions to promote strong health, safety, and environment (HSE) practices with suppliers who provide us materials for research and development, as well as with the contract manufacturers who help make our medicines and other pharmaceutical products. It extends to our work to stem the tide of counterfeit medicines and to ensure we comply with governmental efforts around conflict minerals. In addition to the topics we discuss in this section, more information on our work around HSE in our supply chain can be found in the [HSE](#) section of this report.

Preventing Counterfeit Medicines

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's [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, legal actions; and,
- Partnering with governments, non-governmental organizations, and trade associations to raise awareness, and to strengthen, enact, and enforce anti-counterfeiting laws.

WORKING TO DETER COUNTERFEITERS ONLINE AND IN THE FIELD

Patient safety is the foundation of Lilly's global anti-counterfeiting efforts, and we are engaged in efforts to combat counterfeiters. We are a founder and member of the [Alliance for Safe Online Pharmacies](#), a global coalition of stakeholders with an interest in protecting patient safety and ensuring patients have access to safe and legitimate online pharmacies. Lilly advocates for protections for patients from the growing number of illegitimate and unsafe online drug sellers. Lilly also

supports the dedicated domain name "dot-pharmacy," an initiative of the National Association of Boards of Pharmacy that helps patients distinguish safe and legal online pharmacies. Lilly cooperates with customs, police, and other law enforcement officials around the world to investigate and prosecute those who make and distribute counterfeit Lilly medicines without regard to the law or patient safety.

SERIALIZATION

[Serialization](#) is the unique identification of individual packs of medicines to ensure the security of the legitimate supply chain. One of Lilly's major legislative efforts has been to advocate for the establishment of a uniform standard for coding, serializing, and tracking pharmaceutical products. Lilly has made considerable investments in its packaging operations, distribution centers, and IT infrastructure to support this initiative, including new technology, which impacts all of our packaging lines around the world. These efforts help to ensure that doctors, pharmacists, and patients can be confident in the medicines they prescribe, dispense, and receive.

Lilly believes that it is imperative that legislative efforts and policies around serialization and product traceability follow global standards. Non-standard requirements not only increase the implementation costs for manufacturers and trading partners, but also fail to adequately prevent counterfeit products from entering the legitimate supply chain, increasing the potential for patient harm. Lilly actively partners with industry groups such as The Alliance for Global Pharmaceutical Serialization (RxGPS), global standards bodies such as GS1, country level groups and think tanks, and regulators

in many markets around the world to advocate for global standards to ensure a harmonized approach to product traceability initiatives.

Lilly's advocacy efforts have created positive and tangible outcomes that we believe enhance patient safety. We played a leadership role in China on this issue, influencing a shift from a nonstandard product traceability requirement to a policy that will accommodate global standards. In Malaysia and India, Lilly is investing in advocacy to educate and inform regulatory authorities on the importance of adhering to global standards as they evaluate upcoming legislation.

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.

From 2014 to 2019, Lilly filed annual reports with the U.S. Securities and Exchange Commission (SEC) relating to the conflict minerals rule. 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 2019.

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.



ACCESS TO MEDICINES, AFFORDABILITY, AND TRANSPARENCY

Lilly supports expanded access to our medicines around the world—through the policies we promote; in the actions we take to help consumers, communities, and our employees; and by providing greater transparency about how we price our products.

How we price our medicines is not a decision we take lightly or one we make in isolation. We consider how a patient can access the medicine, and the impact that access may have across the varying and unique healthcare systems around the world. We seek to strike the balance between access and sustaining an industry that can continue to build upon the life-changing treatments it has discovered for some of our most serious diseases. This is one of the most important decisions we make as a company.

Our efforts to bring innovative medicines to patients may take different paths depending on the healthcare system unique to a specific region of the world. However, we work to ensure our strategy fits with the needs and expectations of a number of different stakeholders, in addition to patients. As we evaluate the various stakeholder perspectives, Lilly may take into account the following considerations:

- Health system needs and constraints (e.g., advanced technology, quality metrics, budget constraints)
- Patient and caregiver needs (e.g., education and support tools)
- Regulatory requirements (e.g., the need for ongoing post-market safety or outcomes studies)
- Public policy limitations (e.g., price controls) and enablers (e.g., additional research incentives)

Lilly works across the healthcare system to find solutions that make medicines more accessible. This includes innovating beyond the medicines we produce. The future of the healthcare system depends on how well it works for patients. Lilly remains committed to supporting a system that enables people to live longer, healthier, more active lives.

Pricing Around the World

Lilly sells medicines in approximately 125 countries around the world. Each country values medications and innovation differently and must balance competing demands for limited resources. This includes other healthcare products and services, as well as meeting other social needs such as education or infrastructure. At Lilly, we consider country-specific conditions when pricing medicines on a market-by-market basis, to help ensure patients have affordable access to the innovative medications we develop. We support public policies to meet this same end. We strive to price our medicines to enable affordable access for appropriate patients, reflecting the value provided to patients, providers, payers, caregivers, the health system, and society as a whole. We define value in clinical, human, and economic terms, and we base our assessment on the results of clinical trials, economic analysis, projected and measured health outcomes, as well as market research.

Lilly is exploring new ways to achieve the right level of pricing in different markets and we advocate for policy changes that help increase access to medicines. Value-based and outcomes-based reimbursement models are examples of payment initiatives that offer the ability to

deliver greater economic and health value to healthcare systems. When countries look at health costs and related outcomes holistically, rather than in budget silos, it is clear that medications deliver substantial benefits in both human and economic terms.

As a global company, we are particularly aware of the economic circumstances in many developing countries that can make access to medicines difficult. In response, Lilly has developed alternative business models, recognizing that the poorest nations should pay

less than wealthy nations. Lilly also supports 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. In addition, Lilly has a long-standing policy of not seeking or enforcing patents for medicines in any of the least developed countries, as defined by the United Nations.

Pricing in the United States

Lilly continues to work to expand access to medicines in the U.S. healthcare system—by helping consumers, communities, and our employees; by providing greater transparency about how our products are priced; and through the policies we promote.

Pricing our medicines is one of the most important decisions we make as a company. We strike a balance between access and affordability for patients while sustaining investments in life-changing treatments for some of today's most serious diseases. We consider:



CUSTOMER PERSPECTIVE

The unmet needs that medicines can fulfill for patients and caregivers, and how people can affordably access the treatment



COMPETITIVE LANDSCAPE

The benefits of our medicine compared to alternative medicines, where our medicine fits in treating conditions, and existing contracts between payers and our competitors



COMPANY CONSIDERATIONS

The costs of research, development, manufacturing, and support services for customers; business trends and other economic factors; as well as the medicine's potential market size, patent life, and place within our larger portfolio of medicines

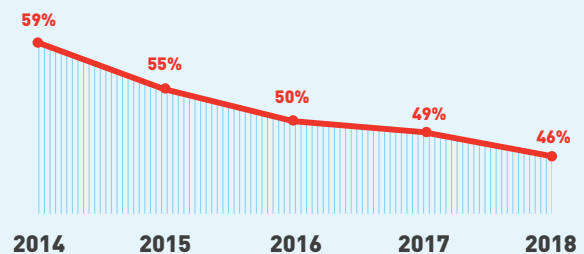


OTHER EXTERNAL FACTORS

Such as health system changes and policy guidelines

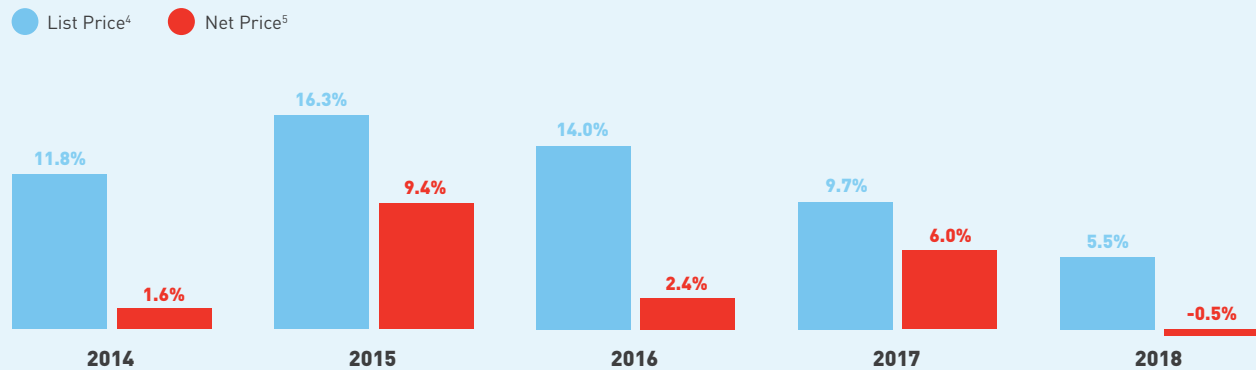
Lilly sets a list price for our medicines. To enable patient access, Lilly pays rebates and other discounts to payers and other supply chain entities. The final amount that Lilly ultimately realizes after paying these rebates and discounts is sometimes called the net price.

AVERAGE LILLY NET PRICE (AS A % OF LIST PRICE) AFTER DISCOUNTS ACROSS THE U.S. PRODUCT PORTFOLIO¹



Across our U.S. product portfolio, Lilly's average net price after rebates and discounts—the final amount we receive—has fallen from 59 percent in 2014 to 46 percent in 2018. The amount of Lilly's rebates and discounts continues to increase through a combination of factors—including increased market competition, pharmacy benefit managers' (PBMs') increased negotiation leverage, and rising mandatory government discounts. However, changes in insurance design and the trend toward greater consumer cost-sharing (through high-deductible plans and co-insurance) means a growing number of patients are exposed to medicines' full retail price at the pharmacy.

COMPARISON OF LILLY LIST AND NET PRICE CHANGES FOR U.S. PRODUCT PORTFOLIO³ (% change versus the prior year)

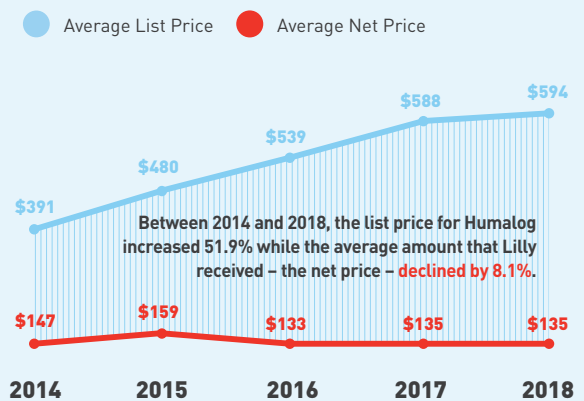


1. The average net price percentage is calculated by dividing net sales, the amount Lilly receives after discounts (rebates and channel cost), by the annual gross sales (total sales at list price, prior to all discounts). 2. Average list and net price per patient per month is calculated based on average prescribed utilization of Humalog U100, the most broadly used presentation of Humalog (Source: IQVIA LAAD Data 2014-2018). In 2018, per IQVIA reported data, if taken as prescribed, the average diabetes patient using Humalog U100 would have consumed approximately 19 MLs of insulin per month; this equates to approximately 2 vials or 6.4 Kwikpens. The actual utilization per patient per month may differ significantly depending on multiple factors, including prescription amounts and adherence behaviors. 3. U.S. Product Portfolio includes all human pharmaceutical products marketed in the United States for which Lilly is the holder of the new drug application (NDA). This represents approximately 95 percent of our total U.S. human pharmaceutical revenue. 4. List price represents the weighted average year-over-year change in the wholesale acquisition cost (WAC). 5. Net price represents weighted average year-over-year change in net price, which is WAC minus rebates, discounts, and channel costs.

Lilly works with all parts of the healthcare system to find solutions that make medicines more accessible and affordable. We support improvements to the U.S. healthcare system that appropriately balance patient affordability, market-based competition, and rewarding innovation. We advocate for policy changes at the state and federal level to improve patient affordability, such as exempting treatments for chronic diseases from patient deductibles and passing through rebates to patients at the point of sale.

In this spirit, Lilly implemented a number of solutions in 2018 that support patients and our employees. These are positive steps, but we know there is more to do, and that is why we are committed to finding more solutions to lower the out-of-pocket costs for medicine at the pharmacy counter.

HUMALOG® (U100) AVERAGE LIST AND NET PRICE (USD) PER PATIENT PER MONTH, IF TAKEN AS PRESCRIBED²



Humalog U100 is the most broadly used Lilly insulin product. The last list price increase for Humalog U100 was May 2017. The net price in the chart represents the average revenue Lilly realized per patient per month for Humalog U100 if taken as prescribed. Because of rebates and fees Lilly provides insurers and/or PBMs, increases in list prices do not always reflect increases in net prices.

“We don’t want anyone to have to pay full list price for their insulin, and many people who do will be able to pay significantly less by calling our helpline. Our goal is to ensure that people paying high out-of-pocket costs for Lilly insulins are matched with the best solution available to reduce their financial burden and help ensure they receive the treatment they need.”

- MIKE MASON | SENIOR VICE PRESIDENT, CONNECTED CARE AND INSULINS

Our Commitment to Addressing Out-of-Pocket Costs in the United States

Lilly recognizes that some people may struggle to pay for their medicines. We are committed to finding solutions to lower out-of-pocket costs and to implement other changes that can help the U.S. health system work better for patients. Below are some of the solutions we have unveiled recently:

- In August 2018, Lilly opened the **Lilly Diabetes Solution Center** to assist people who need help paying for their Lilly insulin, including those with lower incomes, the uninsured, and people in the deductible phase of a high-deductible insurance plan. More than 10,000 people every month are getting help lowering their out-of-pocket costs to affordable levels through programs like these. Lilly also donates to charitable organizations that provide free medicine, including insulin, to patients meeting program eligibility requirements. Over the last five years, Lilly has donated more than 5.4 million insulin vials and pens in the United States.
- In March 2019, Lilly announced we will offer a lower-priced version of our Humalog® insulin called Insulin Lispro. This authorized generic version—which is identical to Humalog—will be offered at a list price 50 percent lower than the current Humalog list price. **Insulin Lispro** could make insulin more affordable for certain Americans asked to pay full retail price—or a large percentage of the retail price—from their own pockets. That may include people in high-deductible health insurance plans, the uninsured, and seniors

that hit the coverage gap in their Medicare Part D plans. For patients with health plans that prefer the current system, Humalog will remain available.

- Lilly is committed to increasing transparency around the price of our medicines. In early 2019, television advertisements for our medicines began directing people to a new website, lillypricinginfo.com, that provides the list price, average out-of-pocket costs, and financial assistance information for the medicine advertised. The website provides pricing information for Trulicity®, Taltz®, Verzenio®, and Emgality®. In 2019, we will begin providing information on this website for our other medicines as well, whether they are advertised on television or not.
- Lilly actively pursues **value-based arrangements** to link the price of our medicine more directly to patient outcomes. This approach can transform the healthcare system to one that is about value versus the volume of medicines purchased. We continue to advocate for legislative and regulatory changes that support this transition.

LEADING BY EXAMPLE: REDUCING COSTS AND IMPROVING HEALTH FOR EMPLOYEES AT LILLY

Employers can play a key role in patient access and affordability by offering benefits that help reduce employee medical costs. Lilly's benefits align with this approach.

Lilly applies prescription drug rebates at the point of sale to help our employees, retirees, and their families with out-of-pocket medicine costs. Last year, more than 11,000 Lilly employees, retirees, and their families benefited from these point-of-sale rebates, reducing their costs by approximately \$3 million. We also use rebates to reduce the cost of medical coverage premiums.

We exempt preventive and chronic disease medications from the deductible of our employees' health plans to ensure there are no barriers for accessing medicines critical to their overall health and well-being. Starting in 2019, Lilly will begin providing our eligible employees and their family members living with diabetes a free connected glucose meter and related supplies, along with real-time support from trained diabetes educators.

LILLY DIABETES SOLUTION CENTER HELPS WITH INSULIN AFFORDABILITY

In 2018, the **Lilly Diabetes Solution Center**—a new patient-focused helpline—opened to help identify ways patients can access the Lilly insulin they need. Staffed with representatives who take a personalized approach, the confidential helpline is available to residents throughout the United States and all U.S. territories, and features representatives who speak English, Spanish, and several other languages. People in the United States can reach the Lilly Diabetes Solution Center by calling 1-833-808-1234. As of early 2019, more than 10,000 people each month received help through the center. In March 2019, Lilly announced a lower-priced version of Humalog called Insulin Lispro. This authorized generic version—which is identical to Humalog—is offered at a list price 50 percent lower than the current Humalog list price.

The center is offering a suite of solutions—some of which are being offered for the first time—that can significantly lower and cap high monthly out-of-pocket costs for some people who use Lilly insulins. Dedicated representatives will review the personal circumstances and identify options for people who pay near the full list price, such as the uninsured and people in the deductible phase of their high-deductible insurance plans, as well as potential solutions for people with lower incomes.

The following solutions are available through the helpline:

Point-of-Sale Savings

Helpline representatives can advise callers who face the highest out-of-pocket costs at the pharmacy, such as people who are uninsured and people in the deductible phase of their high-deductible commercial insurance plans. The amount of cost reduction varies person-to-person based upon individual circumstances. Out-of-pocket costs for people who use traditional co-pay or co-insurance plans will continue to be set by their health insurer, and federal regulations prevent people who use Medicare Part D or other federal programs from obtaining additional point-of-sale savings.

Free Clinics

Lilly is donating insulin to three relief agencies—Americares, Direct Relief, and Dispensary of Hope—to supply nearly 150 free clinics across the United States with Lilly insulin. Helpline representatives point people toward clinics that are most convenient to them and provide information about how to obtain insulin at those locations. Lilly is working with these relief agencies to identify as many clinics as possible that can adequately store and distribute insulin to people who need it.

Immediate Needs for Insulin

If someone has an immediate need for insulin, they can also call the Lilly Diabetes Solution Center to learn about immediate as well as longer-term options.



IMPROVING GLOBAL HEALTH

As a leading biopharmaceutical company, Lilly has an important role to play in improving access to quality health care for people living in communities with limited resources. We are committed to extending the Lilly promise of caring and discovery to millions more people around the world. Our global health efforts focus on people who aren't typically reached by our traditional business operations. We use a mix of philanthropy and shared value-based approaches, and concentrate on diseases where we have deep technical expertise, including diabetes and cancer, partnering with leading experts and organizations to expand our reach.

Lilly 30x30

To accelerate our global health efforts, we established Lilly 30x30—a bold goal to increase access to quality health care in communities with limited resources for 30 million people on an annual basis by 2030. Lilly 30x30 is a companywide effort through which we use a mix of shared value and philanthropic approaches, often in collaboration with partners, to achieve our goal.

FOCUS AREAS

Lilly 30x30 initiatives include activities across three key areas: partnerships, programs, and pipeline. In each of these three key areas, we are leading cross-functional teams to develop, pilot, and measure high-impact, scalable projects.

Partnerships - Building partnerships that strengthen health systems, increase access to medicines, and improve care

Programs - Strengthening existing programs and creating new ones that help improve access to Lilly medicines

Pipeline - Discovering new medicines and exploring our current portfolio and shelved assets to find new indications for diseases that disproportionately affect people in resource-limited settings

30x30 GOVERNANCE

Lilly has formed a steering committee to manage progress toward the 30x30 goal. This cross-functional approach includes senior executives from Lilly Research Laboratories, finance, corporate affairs, ethics and

compliance, and Lilly's international business unit. This group of leaders ensure that individuals across the company are committed to long-term progress toward Lilly's 30x30 goal.

OUR GLOBAL HEALTH APPROACH



Create

Create strategic mix of approaches ranging from novel business models to traditional philanthropy



Leverage

Leverage Lilly capabilities, assets, and the passion of our employees



Partner

Partner with leading organizations on complex health challenges



Scale Up

Scale up and replicate sustainable solutions



30x30

Reach 30 million people in resource-limited settings on annual basis by 2030

Partnerships

Through strategic partnerships providing support and funding, Lilly and the Eli Lilly and Company Foundation, a separate, independent, nonprofit organization, work to advance government priorities, strengthen local healthcare systems, and improve access to care. Lilly uses its technology and expertise in collaborations with other organizations to find innovative, sustainable, and scalable approaches and solutions to pressing global health concerns, including diabetes and cancer.

PARTNERSHIPS TO ACHIEVE THE SUSTAINABLE DEVELOPMENT GOALS

Lilly partners with local institutions around the world to pilot and extend the reach of effective health programs. Using the data that we collect, we advocate for the scaling up of interventions that show the greatest impact. We also advocate for the increased prioritization of non-communicable diseases (NCDs)—including cardiovascular diseases, cancer, diabetes, and mental health conditions—on the health agenda at the global and national levels.

Lilly is a member of the **Shared Value Initiative**, a global community of organizations committed to driving the adoption and implementation of shared value strategies among leading companies, civil society, and government organizations.

Lilly is also a member of the **NCD Alliance**, a global thought leader that brings the voice of communities and civil society to policy and practice related to NCDs.

Lilly participates in **Access Accelerated**, a first-of-its-kind, industry-driven collaboration focused on improving NCD care through new models of partnerships and multi-stakeholder engagement.

GLOBAL HEALTH PARTNERSHIP

The Lilly Global Health Partnership advances more than 20 years of Lilly’s global health work that seeks to improve access and care. Under new leadership and with increased strategic focus in 2018, the work is centered on developing collaborations with a variety of partners to expand access to quality care for people living in resource-limited settings.






Examples of how the Lilly Global Health Partnership is strengthening community-based and primary care services include:

- Developing new, standardized protocols for diabetes care in primary care settings;
- Applying early learnings for NCDs into existing and future efforts to strengthen health systems; and,
- Implementing technology-based tools at the primary care level to drive adherence to treatment and reduce complications.

We use our Research, Report, and Advocate framework to measure and evaluate effectiveness of our partnership and reach the greatest number of people. Through this approach, we pilot new models of care, share the data and lessons learned to inform policy, and advocate for the scale-up and replication of proven, cost-effective solutions.

Lilly Global Health Partnership Focus Areas

Working with expert partners, the Lilly Global Health Partnership helps people living in limited-resource settings, with a focus on five countries.

		Diabetes	Cancer
	CHINA	●	○
	KENYA	○	●
	MEXICO	●	○
	SOUTH AFRICA	●	○
	U.S.	●	○

LILLY GLOBAL HEALTH PARTNERSHIP HIGHLIGHTS

PARTNER	COUNTRY	APPROACH	EXPECTED IMPACT
CARLOS SLIM FOUNDATION	MEXICO	Developing a screening algorithm and treatment protocol for women with gestational diabetes at primary-care clinics	Screening algorithm that could reduce costs to the health system while retaining more women in care
CLINICAS DEL AZUCAR FOUNDATION	MEXICO	Implementing a randomized control trial to test key drivers for keeping people in a cascade of care using a “one-stop shop” model for diabetes	Policy recommendation to help people with diabetes remain in primary care
ADVANCED ACCESS AND DELIVERY, INTERACTIVE RESEARCH AND DEVELOPMENT, AND SOUTH AFRICA MEDICAL RESEARCH COUNCIL	SOUTH AFRICA	Creating a multi-year project aimed at integrating diabetes and hypertension care with existing TB and HIV programs	Integrated care whereby patients with TB are screened for diabetes and linked to care; increased awareness about the risk factors associated with TB, diabetes, and hypertension
UNIVERSITY OF PRETORIA	SOUTH AFRICA	Testing insulin initiation at primary care clinics in Pretoria to drive patient-centered care, incorporating a randomized control trial approach	Improved access to care for diabetes patients close to their communities
AMPATH	KENYA	Bringing screening and care for diabetes and cervical cancer closer to the communities where affected people live, and increasing awareness through worker-led, community health campaigns in three counties, funded by the Lilly Foundation	Improved early detection of cervical and breast cancer; improved care management at the community level and more effective use of scarce specialty-treatment facilities; increased cancer awareness and screening within local communities
RICHARD M. FAIRBANK SCHOOL OF PUBLIC HEALTH AND MARION COUNTY PUBLIC HEALTH DEPARTMENT, AMONG OTHERS	UNITED STATES	Using an approach common in global health programs outside the United States, in 2018 Lilly launched a pilot community outreach program that deploys community health workers with the goal of combating type 2 diabetes in three of Indianapolis’s most at-risk neighborhoods in partnership with local stakeholders and educators	Increased screening for those at high risk of diabetes, improved access and continuity of care for people with diabetes, and fostering a physical and social environment that supports diabetes control and prevention

AMPATH LILLY PARTNERSHIP GROWS TO REACH MORE PEOPLE

For more than 15 years, Lilly and the Lilly Foundation have partnered with AMPATH, an African medical consortium, providing support and funding to help AMPATH provide medicines and quality health care to people living in western Kenya. The growing partnership has played an important role in helping AMPATH build Kenya's first system of sustainable care for the communities it serves—services that would otherwise be out of reach for the many people there who live on less than \$1 a day. In 2018, Lilly donated nearly \$24 million in medicines to AMPATH.

AMPATH, which stands for Academic Model Providing Access to Healthcare, was created in 2001 in response to the HIV/AIDS epidemic in western Kenya. AMPATH is built on a partnership with Moi Teaching and Referral Hospital and the Moi University School of Medicine in Eldoret, Kenya, and a consortium of North American academic health centers, led by Indiana University.



NANCY ODARI
Cancer Survivor
Eldoret, Kenya

NANCY'S PURPOSE

Pastor, former nurse, mother, and cancer warrior who supports others on their journey—Nancy Odari is all of these and more. **“I want to encourage people to know that having cancer is not the end of life. It's a new start of life.”**

Nancy received early diagnosis and treatment for breast cancer thanks to community health screenings through AMPATH, Lilly's global health partner in Kenya. Through product and financial donations, Lilly and the Lilly Foundation support the AMPATH consortium, including the launch of AMPATH's oncology center and mobile screening program for breast and cervical cancer. Today, Nancy helps others get screening for early detection. **“In every life, you know there's a purpose for it.”**

AMPATH has continually expanded its successful approach in treating HIV/AIDS (including diagnosis, treatment, and patient support) to more diseases, including diabetes, hypertension, and cancer. Today, AMPATH serves a population of more than 8 million people in Kenya at more than 500 clinical sites—from village health centers and dispensaries, to county hospitals, to the Moi Teaching and Referral Hospital in Eldoret, where the organization is headquartered. To date, AMPATH has trained 2,600 Kenyan medical professional and community health workers, building local knowledge and service capacity.

Support and funding from Lilly and the Lilly Foundation—along with numerous other organizations and individuals—are allowing AMPATH to screen, treat, and provide palliative care to more people than ever before. Part of this vital support is directed to AMPATH's Oncology Institute, which opened in 2009 with a single physician and nurse offering services in a tent in an alley behind AMPATH's main building. Public-private partnerships, including Lilly's support with a \$1 million training-and-education grant over four years, have allowed the institute to expand into a permanent facility, including 14 additional clinics and numerous oncology-trained clinicians.

In 2018, the institute received more than 10,000 patient visits. But demand far outstrips supply: the institute is one of only two cancer centers in Kenya, meaning that nearly half of the country's 49 million people must rely on it for screening and care. To help address this gap, the Lilly Foundation committed an additional \$3.5 million, from 2016 through 2021, to fund breast and cervical cancer screenings. The screenings include mobile outreach for rural areas, and had reached 35,000 people as of September 2018.

Lilly also sends employees to volunteer with AMPATH through the company's **Connecting Hearts Abroad** program. Employees help support AMPATH's mobile screening efforts that reach people like **Nancy Odari**.

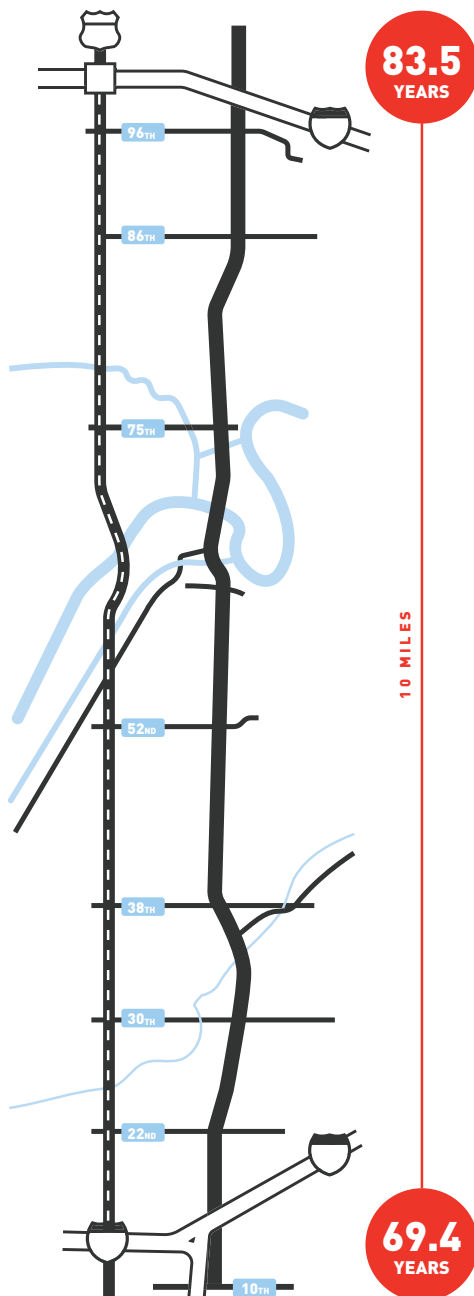
Since 2002, Lilly has committed nearly \$150 million in product donations to AMPATH, helping to dramatically reduce what were once frequent shortages of medicines that resulted in people being turned away from clinics. Within the health system, AMPATH and Lilly have worked with the Kenyan government to develop innovative solutions to improve the overall donation process, minimize delays, and improve the availability of much-needed medicines. This includes the creation of a novel system which helps ensure that donated medicines will be available on a sustainable basis after

government supplies are depleted. The model was first used for Lilly insulin, and helped to improve the availability of the medicine from 30 percent to 90 percent in western Kenya. This subsidized, but incentivized, pharmacy model has since been expanded to include most essential medicines, with similarly strong results.

FROM GLOBAL TO LOCAL: BRINGING THE LESSONS BACK HOME TO INDIANA

In the spring of 2018, Lilly joined forces with local organizations to launch a new pilot program with the goal of using community outreach to combat type 2 diabetes in three of the city's most at-risk neighborhoods. Lead partner, the Richard M. Fairbanks School of Public Health at Indiana University-Purdue University Indianapolis (IUPUI), is joined by the Eskenazi Health system, the Marion County Public Health Department, and the Local Initiatives Support Corporation (LISC) Indianapolis.

AVERAGE LIFE EXPECTANCY WITHIN 10 MILES IN INDIANAPOLIS, INDIANA



The data-driven, \$7 million, five-year program builds on similar approaches used throughout the world, including initiatives that Lilly and its partners have supported in Mexico, India, and South Africa. The pilot focuses on three Indianapolis neighborhoods with significant health disparities and high rates of diabetes: the Coalition of Northeast Neighborhoods, Northwest Neighborhood, and Near Westside Neighborhood.

Life expectancy in these three communities can be 14 years lower than in neighborhoods just 10 miles away. The lower life expectancy rate is largely due to health disparities and is similar to rates seen in countries such as Iraq and Bangladesh. The Indianapolis pilot will target both those with diabetes and those at high risk for developing the disease. In the three target neighborhoods, an estimated 10,000 people already live with diabetes, with prevalence rates as high as 17.5 percent. By comparison, the diabetes prevalence rates in nearby communities in Indianapolis is as low as 5 percent.

The pilot is powered by newly-hired community healthcare workers to help identify people with diabetes and connect them with quality care. In addition, community members will help identify and propose solutions for the cultural, social, environmental, economic, and policy barriers that increase the risk for diabetes, such as the lack of healthy food options and public spaces for exercise.

The pilot uses Lilly's global health framework, which includes studying key research questions, reporting what works and what doesn't, and then using the data to advocate for the scale-up of the most effective solutions. The program will contribute to Lilly 30x30, the company's goal to create new access to quality health care for 30 million people in underserved communities on an annual basis by 2030. It also directly supports the 2018 Indiana government drive to require the development of a statewide strategic action plan to significantly reduce the prevalence of diabetes.

Lilly and its partners are testing the hypothesis that the implementation of a multi-pronged community health model will reduce complications for those with diabetes and reduce risk factors for those considered at high risk for developing the disease. Specifically, the pilot aims to:

- Increase screening requests by those at high risk for diabetes;
- Improve access and continuity of care for people with diabetes; and,
- Foster a physical and social environment that supports diabetes control and prevention, such as better access to healthy food and exercise options.

Learn more about this program by visiting diabetes.iupui.edu.

“Despite all our strengths and assets, Indiana ranks 38th among states for overall health status. Through this effort, we are applying what we’ve learned from our global health work in underserved communities around the world with the expertise of our local partners and the passion of the people living in these neighborhoods. Together we’re going to find new solutions for closing these health disparity gaps.”

- DAVE RICKS | LILLY CHAIRMAN AND CEO

PRODUCT DONATIONS

From natural disasters to helping people with limited resources, Lilly donates medicines to vulnerable people and communities worldwide. We work with leading partners to identify when Lilly products are needed and to ensure our medicines can reach the greatest number of people who need them.

Life for a Child

Since 2008, Lilly has donated 1.8 million vials of insulin to the Life for a Child partnership. The program currently provides access to care, education, and life-saving medicines and supplies to nearly 20,000 children with diabetes in 42 developing countries. In 2018 alone, Lilly insulin donated through this program helped young people in more than 30 less-resourced countries. The program has also established new evidence regarding the outcomes for children affected by type 1 diabetes in less-resourced countries and, in some countries, has helped catalyze national awareness and policy change that has helped make the disease a government priority.

PATIENT ASSISTANCE PROGRAMS

It is important to us to ensure that those who can benefit from our medicines have access to them. One way we do this in the United States is by donating to the Lilly Cares Foundation Patient Assistance Program, also known as **Lilly Cares**. This program is operated by the Lilly Cares Foundation, a separate nonprofit organization created to assist qualifying patients in obtaining certain Lilly medications at no cost. In 2018, Lilly Cares helped more than 120,000 people in the United States obtain the Lilly medications they needed in the areas of mental health, diabetes, cardiovascular disease, men’s health, osteoporosis, arthritis, cancer, psoriasis, migraine, and growth hormone disorders.

In China, Lilly offers patient assistance programs for oncology and osteoporosis patients. Products are donated to the China Primary Health Care Foundation through which patients qualify and receive their medicine. In 2018, more than 3,000 new patients were

registered and more than 9,000 patients were helped through the two programs launched in 2014 and 2015, respectively.

DISASTER RELIEF

When major disasters strike, Lilly responds with cash and product contributions to help people in desperate situations. Every disaster is different, and immediate needs in the aftermath vary. When responding, Lilly donates items that are specifically requested by relief agencies, and we partner with those agencies to maximize our donations and ensure contributions get to the people who need them most.

In 2018, Lilly responded to two powerful hurricanes, Florence and Michael, that struck the Carolinas and Florida, as well as to the devastation caused by the wildfires in California. During these difficult times, Lilly donated \$1.85 million in medicines, and the Lilly Foundation contributed nearly \$350,000 in cash for recovery efforts, including matched contributions from Lilly employees.

Lilly also continued its partnership with Direct Relief’s Hurricane Preparedness Program (HPP) to help stock hospitals and clinics with essential supplies needed to meet the needs of patients immediately following a hurricane. Since 2009, Lilly has provided HPP with medicines so that they are prepositioned and ready-for-use in communities impacted by hurricanes and major storms. In 2018, Lilly donated \$1.1 million in product to this critical program.

Partnering with Project Hope in Puerto Rico

In the wake of the devastation that followed Hurricane Maria in 2017, much of Puerto Rico—where Lilly has two manufacturing facilities—continued to struggle in 2018 with infrastructure challenges, such as spotty electricity and disrupted access to medical care and health support services. In the face of these challenges, we maintained our commitment to [helping Puerto Rico recover](#), sending two teams of medical professionals to the island—including nurses and diabetes educators—to volunteer. For this effort, we partnered with the international nonprofit organization Project HOPE, through Lilly’s Connecting Hearts Abroad global service program.

The specialized skills-based volunteer program allowed Lilly physicians, scientists, and other healthcare professionals to apply their expertise and passion to directly impact people with, or at risk for, diabetes in communities outside of the San Juan and Ponce metropolitan areas, both heavily affected by the hurricane. Outreach services are critical in the post-hurricane context, as the storm significantly disrupted access to many healthcare services and referral networks.

Even prior to the hurricane, the burden of chronic diseases among adults in Puerto Rico was exceptionally high. Approximately 40 percent of adults are hypertensive and nearly 16 percent have diabetes. When it struck, Hurricane Maria exposed preexisting challenges in Puerto Rico—and created new ones—further limiting access to quality healthcare services, medications, healthy food, and clean drinking water in an already overburdened public sector.

For those on the island living with diabetes, or at risk for the disease, the effects of Hurricane Maria have complicated their ability to get access to adequate care and treatment, as well as vital self-management programs. Patients who are able to acquire insulin—which requires refrigeration—face ongoing storage challenges due to a persistent lack of reliable power. Although maintaining a healthy diet is a critical component of successfully managing diabetes, as well as hypertension, many in Puerto Rico are routinely without access to fresh fruits and vegetables.

In response, Lilly designed its program to address challenges at multiple levels, supporting those in need of immediate help, as well as working alongside local partners to strengthen the healthcare system overall. Lilly volunteers conducted diabetes screenings and testing, health education, and treatment support. They also helped train local healthcare providers and provided support for a community garden initiative to help ensure families have access to healthy food options.

LILLY’S CONNECTING HEARTS ABROAD PROGRAM: IMPACT IN PUERTO RICO



29

EMPLOYEE VOLUNTEERS



990

PATIENTS REACHED



3,350

HOURS SERVED

Programs

Through Lilly 30x30, we are strengthening existing programs and developing new approaches that help people in resource-limited settings get greater access to Lilly products and services. These efforts include exploring and expanding alternative business models that create shared value for society and Lilly, pricing strategies, patient support programs, and product donations.

PATIENT SUPPORT PROGRAMS

Lilly provides more than 150 patient support programs across 51 countries that reach close to 2 million people annually. Our patient support programs are primarily designed to support people who are taking Lilly medicines as well as their caregivers and loved ones. These programs comprise three categories: answering questions related to living with disease and managing health, providing information about our medicines and

training about proper use of our devices, and supporting patients through reimbursement and product access issues. In an effort to expand access to our medicines, Lilly designs and supports programs that take into consideration a patient's income level and ability to pay.

Pipeline

Through our 30x30 pipeline efforts, Lilly is taking a multifaceted approach to find new medicines or new indications for existing medications to address diseases that disproportionately affect people living in resource-limited settings. This includes efforts to:

- Review our current and legacy products, and research and development (R&D) capabilities, through the 30x30 lens
- Identify and explore external partnerships and business development models that support Lilly 30x30

LILLY'S WORK IN MULTIDRUG-RESISTANT TUBERCULOSIS

Building on our legacy of more than 20 years of work to reduce the burden of tuberculosis (TB), Lilly continues to support discovery efforts aimed at accelerating the next generation of TB medicines with the understanding that more effective medicines with fewer side effects are desperately needed. Our work includes support for the following:

- **The Lilly TB Drug Discovery Initiative:** a nonprofit, public-private partnership with a mission to accelerate early-stage drug discovery and develop clinical candidates by bringing together specialists from around the world for the systematic exploration of vast, private molecular libraries—including Lilly's.
- **Infectious Disease Research Institute (IDRI):** a nonprofit that applies innovative science to develop products to eliminate infectious diseases of global importance. Lilly has committed more than \$35 million in funding and in-kind contributions to IDRI from 2008 through 2021. Funders include Lilly, the Bill & Melinda Gates Foundation, the National Institutes of Health, the World Health Organization, and GlaxoSmithKline.
- **TB Drug Accelerator (TBDA):** a groundbreaking partnership between eight pharmaceutical companies and seven research organizations with support from the Bill & Melinda Gates Foundation focusing on finding a TB regimen that cures patients in just one month. The partnership has advanced several

molecules, including one to the first clinical study involving humans, which is a major milestone in drug development, and another to the point of assembling a data package for submission to the U.S Food and Drug Administration. The partnership breaks from traditional R&D practices in that the participating companies work together to develop the best prospects, regardless of where the drug originated.

LABOR

To solve some of the toughest challenges in medicine, we need the most innovative ideas from the best talent in the world. Our company's values—integrity, excellence, and respect for people—shape our approach to attracting and developing a highly skilled and ethical workforce. We are committed to fairness and nondiscrimination in our employment practices, and we value diverse backgrounds, skills, and global perspectives. Lilly is a place where employees can enjoy meaningful work, build successful careers, and be part of a caring, inclusive team working with shared purpose to create medicines that make life better for people around the world.

In this section, we discuss our efforts to provide employees with a safe, supportive, and rewarding work environment, and to offer fair compensation, training, and career development. We highlight our commitment to maintaining a workplace that upholds all applicable labor standards and is free from coercion, discrimination, and retaliation. We also underscore our efforts to promote diversity and inclusion within our company, as a reflection of our values and a key driver of business success and growth.



SHIFTING OUR CULTURE

In 2018, Lilly took a number of actions to build an increasingly collaborative and inclusive workplace culture. We unveiled a new framework to articulate and emphasize four key expectations—include, innovate, accelerate, and deliver—that will help us be the company we strive to be. The framework describes what Lilly expects of its employees and leaders, and what they, in turn, can expect from the company: to be part of a team that cares about them and our shared purpose of making life better for people around the world.

To meet our business objectives, the company expects that employees work together, inclusive of colleagues from all perspectives, to speed discovery and development of life-changing medicines, grow revenue for shareholders, and create long-term value.

Not only do we want to inspire our employees and attract the best talent, we want those who do business with Lilly to find us trustworthy and easy to work with. We strive to create an environment built on mutual respect, openness, and individual integrity. Respect for people includes our concern for all people who touch or are touched by our company: patients, customers, employees, shareholders, partners, suppliers, and communities.

A key factor in creating a positive, dynamic environment for our employees—and in delivering results for our customers—is our focus on diversity and inclusion (D&I). Lilly has taken a research-based approach to D&I in the past several years, clearly highlighting its importance and benefits in our new corporate framework—and we are seeing results. In 2019, we were proud to be one of four companies to receive the prestigious Catalyst Award for two of our signature initiatives—our Employee Journeys and People Strategy.

Read more about our [diversity and inclusion](#) initiatives later in this section.



LILLY'S SUPPORT OF LABOR STANDARDS

The UN Global Compact's principles state, in part, that both adults and children should be free from compulsory or coerced labor, and that people should have the right to associate freely and bargain collectively. Lilly fully supports these standards that are upheld in U.S. law.

Freedom of Association and Right to Collective Bargaining

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; 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 regularly with management to discuss workforce-related issues that directly impact them, such as company policies and organizational changes. As laws and guidelines change wherever we operate, we will continue to work with employees, advocacy groups, and governing bodies to maintain compliance and respect the right of free association.

Forced and Child Labor

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](#).



PAY AND BENEFITS

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

Lilly is committed to ensuring pay equity for all of our employees. We comply with local legislative analyses and reporting requirements globally; for many years, we have regularly conducted pay-equity studies in the United States. In 2018, we broadened these efforts to include Lilly employees in Brazil, China, Ireland, Italy, Spain, and the United Kingdom. The results were favorable, with a small percentage of employees receiving an adjustment.

While our company's programs vary around the globe, 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 to eligible employees when they need support. In some locations, certain benefits are extended to family members. Read more in our [Employee Well-Being at Lilly](#) section.

EMPLOYEE SAFETY AND WELL-BEING

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.

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. At Lilly, employee safety and well-being are managed by our Health, Safety, and Environment (HSE) team. For more information, see our discussion in [Employee Safety](#).



LEARNING AND DEVELOPMENT

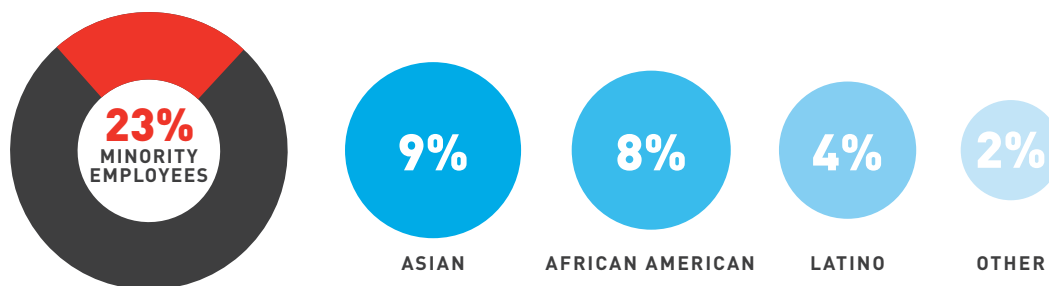
Another way Lilly invests in its employees is through learning and development. Continued learning and growth is essential for individuals to stay engaged in their work, to develop their careers, and to be the best contributors they can be for Lilly. This further helps our company fulfill its purpose.

We offer the training our employees need to do their jobs in the highly regulated pharmaceutical industry. We also provide training about corporate policies, such as those contained in our code of conduct. And we work to cultivate a culture of lifelong learning by encouraging employees to seek ongoing education and growth experiences, helping them to build careers that are rewarding both personally and professionally.

Because Lilly's work extends through business areas and functions across the entire breadth of our industry's value cycle—medicine discovery, development, manufacturing, and marketing—a single career might include opportunities in several areas of interest, or several different geographies. To help individuals navigate these opportunities, we offer access to learning and development programs that can assist individuals looking to acquire the new skills needed to achieve career aspirations.

Strong leadership is an important part of a thriving company. To invest in leaders at Lilly, we offer continuous learning and development opportunities for supervisors at all levels of the company to develop skills and apply strategies to become more inclusive, and to help their teams become more collaborative and effective.

U.S. WORKFORCE ETHNIC DIVERSITY



GENDER DIVERSITY AT LILLY IN 2018



FIVE OF FOURTEEN MEMBERS ON THE BOARD OF DIRECTORS ARE WOMEN

36%

25.7%¹

IS THE AVERAGE FOR FORTUNE 100 COMPANIES

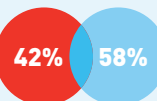


LILLY ALSO HAS SIX WOMEN ON ITS EXECUTIVE COMMITTEE

43%

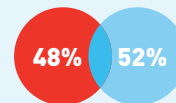
LEADERSHIP POSITIONS²

● WOMEN ● MEN



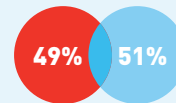
GLOBAL WORKFORCE

● WOMEN ● MEN



U.S. WORKFORCE

● WOMEN ● MEN



1. 2020 Women on Boards, 2018 Gender Diversity Index.

2. Percentage of those who supervise others or hold high-level strategic roles.



DIVERSITY AND INCLUSION: A KEY ELEMENT OF OUR CULTURE

At Lilly, we care about our people. All of them. Embracing diversity at Lilly means understanding, respecting, and valuing differences, including race, religion, sexual orientation, gender identity, disability status, work style, national origin, and age. We believe that a diverse, inclusive culture provides fertile ground for scientific and clinical innovation, and also sparks new customer insights.

Our commitment to diversity spans not only our workplace, but also shapes our understanding of the marketplace, and our relationships with our suppliers. We're inspired to make a difference in people's lives every day—through the discovery of life-changing medicines, better understanding of disease management, and support for people living with illness. We do this with a commitment to diversity and inclusion because we recognize that every individual is unique.

This perspective helps us to attract and retain the best talent from around the world—people from all backgrounds, who can understand the perspectives of our diverse customers. Our efforts to build a more diverse and inclusive workforce at Lilly have gained momentum since we began a research initiative to better understand the lived [experiences of women](#) and minorities at Lilly. The research program called Employee Journeys resulted in a subsequent set of programs known as our People Strategy.

In recognition of this work, we recently won the 2019 Catalyst Award—a prestigious global honor that evaluates companies' recruitment, development, and advancement initiatives with a focus on proven, measurable results that benefit women across a range of dimensions—including race/ethnicity, sexual orientation, gender identity, religion, age, nationality, and disability. After a rigorous examination of initiatives, Catalyst, a global nonprofit, conducts intensive on-site evaluations to hear from leaders and employees across the company about their experiences.

About the Employee Journeys: Listening and Learning

Beginning in 2015, we took the research process we use to understand patients and turned it inward to better understand the lived experiences, or journeys, of our employees: the enablers and barriers they experience in their careers. This qualitative and quantitative research—first focusing on women and then focusing on African Americans, Asians, and Latinos—yielded themes we called “moments of truth.”

This research revealed that cultural and gender differences were affecting the way some employees reported being seen and heard—or not. Many women, for example, reported experiencing something called

“imposter syndrome”—secretly feeling as though their qualifications weren't enough. Issues of authenticity were raised—where some minorities and women reported feeling pressure to act in ways that don't reflect their own unique perspectives. Women of color, especially, said they sometimes felt invisible.

We shared the results with all Lilly employees, developing a common language to help colleagues more easily relate to and understand one another's individual and cultural experiences and perceptions. The result has been a strong, companywide network of D&I champions, and a new appreciation of the value of different perspectives.

“By understanding our employees’ journeys, we’re paving the way for more inclusion and career growth for everyone—and more innovation for our patients. And we’ve just begun.”

- DAVE RICKS | LILLY CHAIRMAN AND CEO

People Strategy: Taking Action

Building a more inclusive culture doesn’t happen by itself. It requires focus and action. To that end, in 2017 and 2018, we created and implemented a set of initiatives called the People Strategy to address what we found in our research, and to further embed D&I into our internal talent systems and processes. We undertook and expanded several significant D&I strategies in 2018:

- We continued our Employee Journey research and analysis to understand the diverse experiences of our employees.
- We reviewed our talent management programs through the lens of D&I to assess and address hidden biases while ensuring greater transparency about requirements for career development and advancement.
- Knowing that D&I starts with representation across our workforce, we set aspirational recruiting goals for women globally and minorities in the United States. Through 2018, we exceeded both goals and reset guidance for 2019 in line with labor pool availability.
- For management roles across the enterprise, we held ourselves accountable for progress by setting aspirational goals to increase representation for women globally and minorities in the United States.
- Between early 2017 and the end of 2018, the total number of women in management grew, increasing our overall representation of women in these roles to 42 percent, meeting our goal. And the number of women on our Executive Committee—leaders who report directly to the CEO—climbed from 29 percent to 43 percent over that time. We also met our goals for increasing the percentage of minorities in management. We are currently re-evaluating to set new goals.

It’s important to note that these aren’t quotas. We are making progress by focusing on developing talented people from all backgrounds to further their careers. For every open position at Lilly, we require a diverse pool of candidates and a diverse set of interviewers. This helps us ensure that leaders look beyond their own comfort zone for the most qualified candidate available for each open role.

We also established new expectations for managers to lead more inclusively by valuing differences, recognizing and overcoming bias, and fostering a speak-up culture. Our performance management process and *Pulse* survey to gauge employee feedback are measurements we use to hold our leaders accountable.

We’ve expanded training programs for leaders globally, to help them develop skills to support conscious inclusion and psychological safety. Several thousand leaders have participated in one or both of these programs so far. We’ve also begun a new cultural literacy program for all employees. Top leaders have long sponsored employees who have the aspiration and the ability to lead at Lilly in the future. This sponsorship initiative has been expanded to involve more senior leaders with high-potential employees from majority and minority groups with key talents, to help guide and support their careers.

External Efforts

Our commitment to diversity goes beyond our employees. We maintain a presence at top colleges and universities and work with a wide range of professional associations to recruit a diverse workforce. We also attract top talent through an extensive global MBA internship program.

We partner with advocacy groups, professional societies, community organizations, public and private healthcare administrators, and others to help reduce health disparities and to address the unique healthcare needs of all communities. Our commitment to diversity and inclusion also extends through the full spectrum of our business, including our clinical trial strategies and our supply chain.

Global Impact

We understand that diversity means different things around the globe. Our leadership teams formulate their diversity strategies by considering our corporate perspective and then customizing their own plans based on local demographics and culture. For example, some build plans that are related to gender, provincial, generational, and/or disability diversity.

Lilly's senior vice president for human resources and diversity reports directly to our chairman and CEO. And our Code of Business Conduct, *The Red Book*, also summarizes our approach to creating an inclusive, nondiscriminatory environment.

2018 RECOGNITION

CATALYST: 2019 Catalyst Award Recipient

JUST CAPITAL: America's Most Just Companies, No. 58

ETHISPHERE:

World's Most Ethical Companies, 2017, 2018 and 2019

THOMSON REUTERS DIVERSITY AND INCLUSION INDEX

WORKING MOTHER MAGAZINE: 100 Best Companies for Working Mothers, 24 consecutive years

DIVERSITY INC.: 2018 Top 50 Companies for Diversity, No. 5

FORTUNE MAGAZINE: World's Most Admired Companies

NATIONAL ASSOCIATION OF FEMALE EXECUTIVES: Top Companies for Executive Women

HUMAN RIGHTS CAMPAIGN FOUNDATION: Corporate Equality Index—Perfect Score

BLACK ENTERPRISE MAGAZINE: Best Companies for Diversity

SCIENCE MAGAZINE: Science 2018 Top 20 Employers

DAVE THOMAS FOUNDATION: Best Adoption-Friendly Workplaces

LATINO MAGAZINE: Latino 100—Best Places for Latinos to Work

Employee Resource Groups

One key element of our inclusive culture is our Employee Resource Groups (ERGs), which help us connect with the diversity of our patients and customers around the world. In 2018, the ERGs that represent our Latino, African American, and Asian employees played key leadership roles in our Employee Journeys.

In recent years, Lilly's ERGs have been expanding into areas with a more direct business impact, becoming even more central to our company's success. For example, our ERGs frequently consult on marketing and workplace programs. They also assist with corporate executive training programs on topics such as cultural awareness and inclusion. When colleagues from other backgrounds are preparing for global assignments, ERG members help them understand the customs and culture of their destination country. Lilly ERGs also participate in recruiting events at universities and career fairs to help us attract diverse prospective employees, fellows, and interns.

ERGs include members representing all levels of the company, and each ERG has a senior leader as an executive sponsor, someone who takes an active role in ERG events and activities. This means that ERG members have interactions with leaders they might otherwise never meet, which offers opportunities for informal or formal mentoring relationships.

At Lilly, ERGs support an inclusive workplace environment by:

- Creating cross-cultural learning opportunities
- Providing networking and cultural support among employees with common backgrounds or interests
- Offering experiences for employees from diverse backgrounds to build leadership skills

About 14,600 Lilly employees are members of at least one of our 11 ERGs, which include more than 75 chapters located at Lilly offices, research sites, and manufacturing operations around the world.

EMPLOYEE RESOURCE GROUPS IN 2018

EMPLOYEE RESOURCE GROUPS ARE CRITICALLY IMPORTANT TO OUR COMPANY'S BUSINESS STRATEGY.



11

EMPLOYEE
RESOURCE GROUPS



14,600

MEMBERS



75

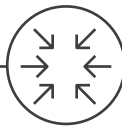
SATELLITE
GROUPS GLOBALLY

LGBTQ Employees at Lilly

Lesbian, gay, bisexual, transgender, and queer (LGBTQ) people, and those with other sexual and gender identities, are an important segment of Lilly's workforce.

In the United States, we are required to collect data on the race, gender, and ethnicity of our employees, as well as those who are military veterans or have disabilities—but there is no legal mandate for similar data collection on sexual orientation or gender identity.

Many leading U.S. employers and colleges have implemented voluntary LGBTQ self-identification programs. We invite employees in the United States and the United Kingdom to voluntarily self-identify as lesbian, gay, bisexual, transgender, or queer (LGBTQ), or heterosexual. We believe self-identification is a good practice that, where permitted by country-specific laws and culture, can help Lilly make progress toward a more diverse and inclusive workplace.



SUPPLIER DIVERSITY

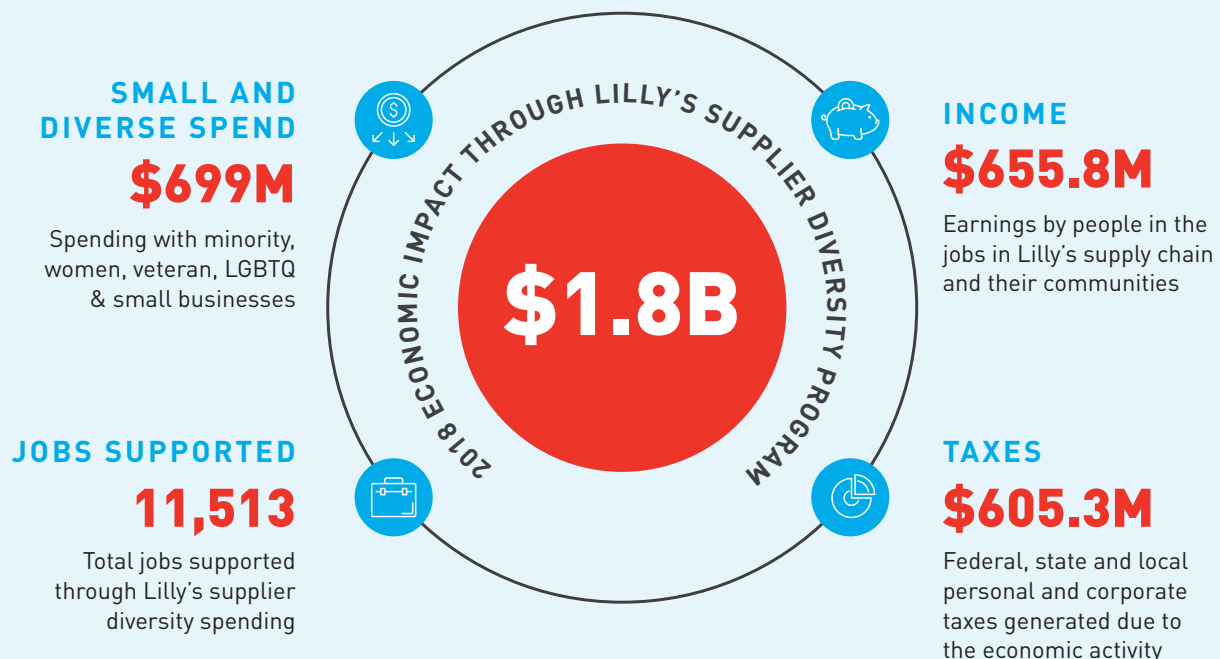
We believe that doing business with a diverse set of suppliers delivers value to the company and creates a competitive advantage for us by linking the fresh perspectives and nimble thinking of ethnically diverse, women-owned, and/or small businesses to our internal business needs.

Diverse suppliers are defined as those with at least 51 percent ownership and control by an ethnic minority, a woman, or someone who is LGBTQ. 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.

In 2018, we spent \$529 million with 619 suppliers classified as diverse, woman-owned, and/or LGBTQ-owned businesses, as well as more than \$530 million with more than 1,640 suppliers classified as small businesses. During its last audit of Lilly in 2016, the U.S. Small Business Administration awarded Lilly an "outstanding" rating in our efforts to promote and maintain supplier diversity, which is the highest recognition possible.

2018 SUPPLIER DIVERSITY IMPACT

ELI LILLY AND COMPANY IS COMMITTED TO PROVIDING OPPORTUNITIES TO MINORITY, WOMEN, VETERAN, LGBTQ AND SMALL BUSINESSES THROUGH ITS SUPPLIER DIVERSITY PROGRAM.



HEALTH, SAFETY, AND ENVIRONMENT

Making medicines that help people live longer, healthier, more active lives requires the use of valuable resources, such as energy, water, and raw materials. At Lilly, we believe that promoting a healthy environment, maintaining a safe workplace, and operating responsibly and in an environmentally sustainable manner are linked to our business and supported by our mission and values. As a result, Lilly manages health, safety, and the environment (HSE) under a unified governance structure.

We strive to understand and systematically address the human behaviors and choices that can improve HSE performance. We encourage responsible action at every point in our value chain: from the researchers who explore complicated chemical reactions, to the manufacturers who may work with hazardous substances, to the administrators who manage complex regulatory responsibilities.

This section covers the broad range of our HSE activities, from our approach and management systems, to our work addressing environmental and safety issues across our value chain, to performance data and examples demonstrating our progress.

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 Lilly employee is responsible for implementing our security practices and applying them in our daily activities.

In 2018, Lilly scored a rating of A- on climate change and B on water from CDP, formerly the Carbon Disclosure Project. CDP is the world's largest repository of environmental management information. It allows companies and their stakeholders to assess environmental performance. For CDP, a score of A or A- is considered "leading" level, and a score of B is considered "managing" level.

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.



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.



Manufacturing

Our HSE committee oversees 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.



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.



Product Transport and Packaging

We consider many factors in selecting product packaging, including sustainability aspects such as materials use and recyclability.



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.

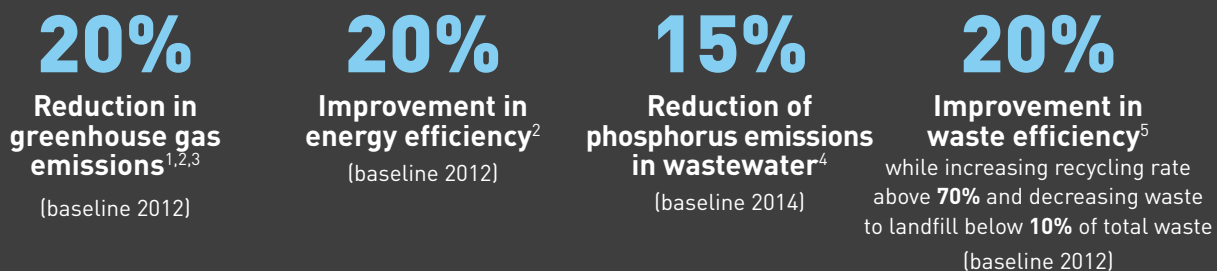


Product End-of-Life

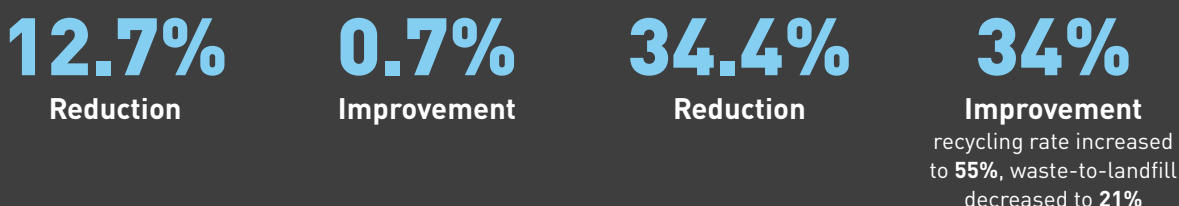
Due to patient safety considerations and medicine regulations, reuse and recycling are not applicable to our products. We are working with stakeholders to ensure cost-effective approaches are available for product end-of-life disposal that balance environmental protection, patient privacy, legal compliance, and security.

LILLY'S 2020 ENVIRONMENTAL AND SAFETY GOALS

ENVIRONMENT



←←← PROGRESS THROUGH 2018 →→→



SAFETY

LILLY'S 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. These goals were developed to reduce our injury rates across a seven-year period: 2014–2020.



RECORDABLE INJURY AND LOST-TIME INJURY RATE

YEAR	RECORDABLE INJURY RATE	LOST-TIME INJURY RATE
2020 GOAL	0.70	0.25
2018	0.79	0.27
2017	0.82	0.28
2016	0.93	0.32
2015	0.88	0.27
2014	0.90	0.36
2007	1.44	0.60

MOTOR VEHICLE COLLISION

YEAR	MOTOR VEHICLE COLLISION RATE ⁶
2020 GOAL	12%
2018	15%
2017	15%
2016	16%
2015	16%
2014	18%
2007	25%

1 Following World Resources Institute guidance, progress toward the greenhouse gas reduction goal is reported on an adjusted basis accounting for mergers, acquisitions, and divestitures, as appropriate, to ensure comparability, unless stated otherwise.

2 Per square foot of site space.

3 This goal covers Lilly's Scope 1 and Scope 2 emissions related to site-purchased energy (e.g., electricity, natural gas, steam, and chilled water) and on-site fuel combustion.

4 In absolute terms.

5 Per unit of production or site-relevant index. Lilly's waste goals do not include materials that are deemed "beneficially reused" without extensive processing.

6 A new goal for measuring motor vehicle collisions was established in 2015.



HSE GOVERNANCE STRUCTURE

HSE management at Lilly is integrated through a formal, companywide structure, including the following groups and individuals:

- **Global HSE committee**, which includes senior executives from key areas of the business, ensures proper oversight, and plays a central role in monitoring corporate HSE strategy, compliance performance and performance against goals, as well as continuous improvement;
- **Vice President responsible for corporate engineering and global HSE**, a member of the global HSE committee who works closely with HSE and other functional leaders to ensure an appropriate and thoughtful response to HSE risks and opportunities, monitor emerging and evolving issues, approve appropriate metrics and goals, and oversee compliance with all HSE regulations, policies, procedures, and standards worldwide;
- **Lilly Research Laboratories HSE committees**, which promote safety, health, and environmental aspects across research and development labs;
- **Affiliates HSE committee**, which oversees those elements of *HSE Directions* programs which affect all affiliates globally;
- **Manufacturing HSE committee**, which supports these efforts and drives ongoing improvement throughout manufacturing; and,
- **Executives and lead teams in each of our business groups, manufacturing, Lilly Research Laboratories, and general and administrative functions**, who ensure good governance and oversee performance for HSE in those areas.

Lilly's HSE Policy Statement, Procedures, and Standards

Lilly has brief, principle-based policy statements that are implemented in two ways: through our global procedures, which describe basic principles and general expectations; and through our global standards, which provide auditable, detailed requirements. These key governance documents, and our related management systems, together detail Lilly's HSE management and performance expectations.



Lilly's global policies and standards clearly articulate our commitments and guide our efforts. They include the following:

- **Protecting People, the Environment, and Our Assets – Policy Statement:** Sets companywide expectations for conducting business in a responsible and environmentally sustainable manner, promoting the well-being of employees, and protecting the communities in which we operate.
- **Management System Standard:** Defines requirements to ensure a robust process is in place within each part of the organization to effectively manage compliance with Lilly HSE standards, applicable regulatory requirements, and other external HSE standards to which we commit.
- **Environmental Standard:** Provides more detailed requirements and establishes the core governance requirements to manage the environmental and energy-related aspects of our operations.
- **Health and Safety and Process Safety Standards:** Provide requirements for identifying and evaluating workplace hazards and establishing control measures to eliminate or reduce the risk of injuries and illnesses.
- **Global Engineering Standards:** Establish requirements for the design and operation of facilities and equipment, to ensure compliance with internal and external requirements, and responsibly manage environmental aspects of operations.
- **Product Stewardship Standard:** Provides a systematic approach to managing product and process risks throughout the product life cycle, from research and discovery to product end-of-life.

Management Systems

Our Management System Standard requires that all business areas, including manufacturing, research and development, affiliate locations, and general administrative offices, adhere to an HSE management system that is consistent with third-party standards such as the 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®) standards. Our global HSE management system is periodically reviewed by an independent, accredited auditor to ensure it conforms to the RCMS.

Audits

We conduct audits of Lilly sites following protocols for each of our Global HSE Standards as well as regulatory requirements. Our five-year audit plan is updated annually and identifies which sites to audit based on risk, with sites associated with high-risk operations being audited more frequently. This results in annual audits of approximately 25 to 30 percent of our sites globally. In 2018, we audited 18 sites. All audit results are shared with senior management, and sites are required to respond to all audit observations and track action plans. We also hosted 71 HSE-related external regulatory agency visits which resulted in no critical observations and no related fines.



ENVIRONMENTAL MANAGEMENT

Lilly takes a broad approach to understanding and actively managing the risks and opportunities associated with HSE issues across the product life cycle. Our Product Stewardship Standard provides a systematic way to manage product and process risks, from the discovery of new medicines through use, to product end-of-life and disposal considerations. Reflecting the breadth of product-related sustainability issues we consider and manage, the Product Stewardship Standard guides us in these areas:

- **Emerging issues:** Identifying, analyzing, and managing environmental issues as they arise;
- **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 preferred 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; and,
- **Supply chain management:** Establishing plans to ensure business continuity and appropriate emergency response, if needed.

Green Chemistry and Engineering in Research and Development

The research and development phase significantly influences the environmental footprint of pharmaceutical manufacturing. At Lilly, we strive to embed environmental innovation early in the product development lifecycle through our focus on green chemistry and end-product engineering. Our green chemistry initiatives include developing manufacturing processes that use less-

toxic chemical alternatives where feasible. We explore innovations that can lessen or eliminate potential negative environmental outputs, which can result from production of a medicine.

Green chemistry and engineering have been a focus area at Lilly for many years. We engage in a variety of activities, including:

- Eliminating or reducing the hazardous materials used to make a product;
- Focusing specifically on removal of substances of very high concern, classified as potentially carcinogenic,

mutagenic or toxic for reproduction by the European Chemicals Agency;

- Shrinking the waste profiles of certain molecules through reduced solvent and water use;
- Increasing the overall efficiency of material use;
- Advancing the underlying green chemistry of medicine development and making production both safer and more environmentally friendly through a commitment to continuous process improvement; and,
- Implementing new manufacturing technologies that minimize environmental impact, including continuous flow processes, which Lilly has worked to advance in the pharmaceutical industry.

When we are developing a new human medicine at Lilly, green chemistry considerations are a complement to other criteria such as quality, cost, and speed to market. In fact, in most cases green chemistry improvements are directly proportional to reduced product costs as these improvements typically deliver higher product quality and yield. From the selection of candidate molecules, through the identification of manufacturing processes, our established business practices hold our development teams accountable for process efficiency, the type and quantity of materials used, and safety. At major milestones, we evaluate success and share feedback with development teams. We share guidelines, such as the Lilly solvent selection guide and safety information, with our external partners to ensure consistent objectives, processes, and outcomes.

Employing green chemistry and engineering, we have been able to enhance the safety profile of manufacturing processes by significantly reducing the risk scale of the most hazardous manufacturing steps. We are also focused on the adoption of greener and safer solvents where possible. For example, we have replaced several hazardous solvents with safer alternatives, including significant, nearly carbon-neutral, efforts to limit the use of dichloromethane (a hazardous air pollutant and suspected carcinogen).

GLOBAL CHEMICAL MANAGEMENT

Governments around the world and across many of the regions where we operate have developed chemical management legislation—such as the REACH regulation in the European Union (EU)—that requires companies to collect and register information about the chemicals they manufacture or use, unless those chemicals are exempt.

These regulations may require replacing chemicals identified as hazardous with safer alternatives, when available. To address these concerns, Lilly has

implemented a formal program and screening process to evaluate designated “chemicals of concern” throughout the research and development process. Our process also addresses mitigation steps where new restrictions may impact our existing operations. This allows us to ensure that our facilities and supply chain remain in compliance with chemical management laws.

In addition to our green chemistry assessments, during the scale-up of medicine production to manufacturing levels in our human pharmaceutical business, we use an Environmental Development Review (EDR) process to evaluate other potential environmental issues and opportunities. This process identifies and addresses potential impacts arising from manufacturing, suggests process improvements, and facilitates learning as new medicines transition from the laboratory to the manufacturing facility.

EXTERNAL COLLABORATIONS

Lilly actively pursues wider industry collaborations to help advance green chemistry, through a combination of dialogue and leadership with peer companies, scientific partnerships, and sponsorship of research. In 2018, we were involved in the following pre-competitive collaborations:

- **American Chemical Society (ACS) Pharmaceutical Roundtable:** Lilly co-chairs this important group, which has grown from three companies in 2005 to 28 today. In 2018, Lilly continued to lead a subgroup focused on greener peptide, oligonucleotide, and antibody-drug conjugate development and manufacture. Over the past decade, peptides have shown great potential as therapeutic targets in both human and animal health, but their manufacture routinely involves hazardous reagents, produces high waste-to-mass ratios, and requires solvent-intensive purification systems. By investing early in environmentally friendly production methods, participating companies hope to create the scale necessary for these technologies to become cost-competitive in the long run.
- **IQ Consortium:** Lilly continues working with the IQ Green Chemistry Working Group to promote the [Green Aspiration Level \(GAL\) tool](#). Until now, the use of green chemistry metrics among pharmaceutical companies has been hampered by the lack of an agreed-upon standard. This new tool makes the development of objective goals, like process efficiency and mass intensity, easier. It uses industry benchmarks to create a unified scoring system for green chemistry formulations, and introduces a new green scorecard for use across the supply chain.

Green Chemistry in Action: Replacing Horseshoe Crabs in Endotoxin Testing



JAY BOLDEN
Lilly Microbiologist

Lilly microbiologist Jay Bolden is an expert in bacterial endotoxin detection—a process used both by Lilly and the entire pharmaceutical industry to ensure the safety of their products. He never expected his hobby as a birder to intersect with a novel way to test for harmful bacteria in the lab. Yet Jay has helped Lilly to forge a new path, and in the process, **he has helped to protect a threatened marine species and the larger ecosystem that depends on it.**

For each batch of injectable medicines and medical devices manufactured across the globe, companies must prove that they have been checked—and tested free of—potentially life-threatening endotoxins. Water and raw materials used in manufacture must be tested as well. Around the world, this process is repeated approximately 70 million times each year, the linchpin of quality testing for the pharmaceutical industry. In this process, the

humble horseshoe crab plays a vital role: its cloudy blue blood can be used to make an assay, known as LAL, that clots readily in **the presence of endotoxins that could prove fatal if exposed to a person's bloodstream or spinal fluid.**

To satisfy demand, LAL manufacturers capture, bleed, and release an estimated 500,000 horseshoe crabs along the eastern seaboard of the United States. Estimates of how many crabs die as a result are hard to pin down, with estimates ranging from five to 30 percent. In Asia, manufacturers use local horseshoe crab populations to make an alternative variant of the testing assay, TAL, which is used mainly by pharmaceutical manufacturers in the region. Most of the crabs harvested in Asia are ultimately killed after they are bled, and **in 2019, the International Union for Conservation of Nature and Natural Resources listed the Asian tri-spine horseshoe crab as an endangered species.**

Compounding adversities for the horseshoe crab are decades of overharvesting for use as eel and whelk bait, and fertilizer, not to mention devastating habitat loss linked to the commercial development of seashore communities and climate change impacts, including more intense storms and rising sea levels that threaten their spawning grounds. In the Delaware Bay, home to the world's largest population of spawning horseshoe crabs, the population has crashed—**declining by 90 percent over the past two decades.** As a keystone species, the crab is vital to area food webs, and its decline has adversely impacted many other animals, notably shorebirds that rely on consuming horseshoe crab eggs to complete their migrations. At least one bird species that feeds on the crab's eggs, the red knot, is now listed as threatened.

Working at Lilly, Jay had been aware of an alternative method to test for endotoxins using a synthetic alternative—recombinant factor C, or rFC—developed just over 20 years ago. However, lacking an official entry in the United States Pharmacopeia (USP), and facing regulatory uncertainty in the eyes of health authorities, it required additional validation testing to prove safety for a successful FDA approval. Across the industry there was reluctance to undertake this extra validation, as well as concerns about widespread access to the alternative test agent.

Jay began to wonder if he could make a difference. He had seen his first red knot in the Delaware Bay in 2005, during one of many birding adventures. But now, the bird and its plight held more of a personal connection. In 2014, when Jay met Dr. Jack Levin, one of the two scientists who discovered the LAL reaction in the first place, he recalled Dr. Levin saying that **if ever LAL were ever to be unseated from its central role as the main endotoxin test agent, it would be because of the birding community.**

The turning point came in 2013, when Lilly began planning an insulin-manufacturing facility in China, where the native horseshoe crab species has been in decline. Concerned about potential future supply problems with LAL—and knowing that Lilly is committed to reducing the use of animals in research and testing wherever possible—Jay lobbied and won support from two governance committees at Lilly, getting permission to validate the rFC approach.

Lilly drew a line in the sand in 2016, applying the rFC test to all new products being developed internally. We were the first company to submit an application for drug approval to the FDA—Emgality®—to prevent migraine headaches—where the final drug will be tested using rFC. In a watershed moment, the FDA approved Emgality in 2018, making it the first medicine approved for the market release using rFC. **By 2020, Lilly intends to transition 90 percent of our endotoxin tests to the synthetic compound.**

Upon implementation of the rFC test across all Lilly manufacturing sites, **on the order of several thousand horseshoe crabs will be saved in the first year and every year thereafter.** Jay hopes that the ripple effect will be much larger, if the broader pharmaceutical industry can be persuaded to adopt the rFC test as a more efficient and cost-effective approach that doesn't require the ethical tradeoffs of harvesting live animals.

- **Training Future Scientists:** Through the ACS Pharmaceutical Roundtable and IQ Consortium, Lilly collaborated with other pharmaceutical companies to design and implement a green chemistry curriculum for use at colleges and other organizations, which was presented at the 2018 ACS meeting in New Orleans.
- **Research Grants:** Through the ACS Pharmaceutical Roundtable, Lilly is active in selecting and funding researchers who are advancing the field of green chemistry. Since 2005, the Pharmaceutical Roundtable has provided more than \$2 million in research grants. In 2018, five researchers were funded, including one for green peptide chemistry and one for green Suzuki chemistry. The green peptide process uses fewer solvents than traditional methods to build the peptides—compounds of amino acids that can have medicinal potential. The green Suzuki chemistry model, meanwhile, replaced the use of palladium, a rare earth metal that is critical to reducing vehicle air pollution, with iron, a much more commonly-available metal.

Manufacturing

The majority of Lilly's direct environmental impacts are from the manufacturing of medicines. We measure and manage these impacts as they relate to energy and water use, greenhouse gas (GHG) emissions, and the generation of waste and wastewater throughout the manufacturing process. Lilly launched an initial public offering (IPO) of Elanco Animal Health Incorporated in September 2018, and divested our remaining interest in Elanco in March 2019, making it an independent, publicly traded company. Elanco was previously a division of Lilly, and data from Elanco operations is included in Lilly's manufacturing data through 2018, including the period immediately following the IPO. Beginning in 2019, Lilly will adjust our environmental performance data baseline calculations to reflect the Elanco divestiture.

Lilly recognizes the potential impacts associated with climate change and the risks of severe weather events. In 2017, our manufacturing plant in Puerto Rico sustained minor damage from Hurricane Maria. Since then, Lilly has completed initial design for a new nine-megawatt combined heat and power system at our Puerto Rico facility. The project will improve our resiliency to severe weather events and our environmental performance. See [Promoting Cogeneration](#) for more on our work in Puerto Rico.

ENERGY USE AND GREENHOUSE GAS EMISSIONS

Lilly set aggressive targets for improving energy efficiency and thereby reducing our GHG emissions. We have an established global energy management program

to ensure continuous improvement and advance progress towards our goals. Our multi-faceted approach includes:

- Designing for energy efficiency in new or updated processes and facilities;
- Operating our facilities and equipment efficiently;
- Facilitating the use of advanced energy monitoring and control solutions;
- Measuring and internally and externally reporting energy use and related GHG emissions;
- Conducting and acting on energy audits and implementing recommended projects to improve energy efficiency;
- Evaluating and incorporating alternative energy sources, new technologies, and best practices for energy use and GHG emission reductions; and
- Participating in local, regional, and national forums to understand and integrate energy management best practice and to support responsible and cost-effective decision-making and policy development.

To help identify and assess energy management and technology best practice, Lilly is an active participant in the U.S. EPA's ENERGY STAR Focus on Energy Efficiency in Pharmaceutical Manufacturing partnership. In addition to our Scope 1 and Scope 2 GHG emissions reduction efforts, we monitor several categories of Scope 3 GHG emissions and are committed to expanding the scope and quality of related data and disclosures. In 2018, CDP, formerly known as the Carbon Disclosure Project, recognized our efforts with a score of A-, which is considered leadership level.

Goals and Trends in 2018

Lilly's 2020 goal is to improve both our energy efficiency and Scope 1 and Scope 2 GHG emissions intensity, measured per unit of site space, by 20 percent as compared to our 2012 baseline. Through 2018, we decreased our emissions intensity by 12.7 percent compared to our 2012 baseline. Total energy consumption was flat compared to 2012, while our energy efficiency improved by 0.7 percent. Since 2012, eight of our 11 largest energy-consuming sites—representing nearly 88 percent of our total energy consumption—increased production, in turn increasing their overall energy use per square foot of space. At the same time, several of these largest sites improved their energy performance as measured per unit of production. While production increases present challenges to our performance against our goals, we encourage and reward these process energy intensity improvements.

Recent energy initiatives include the following:

- **Global Engineering** – Developed a new global energy monitoring system for implementation at Lilly’s largest energy consuming sites, which will provide a platform for collection of energy data and real-time identification of energy saving opportunities. This system will be largely implemented in 2019 at our largest sites, including Lilly’s main corporate headquarters, the Lilly Technology Center, and other global manufacturing sites.
- **Puerto Rico** – Designed and began implementation of a chilled water optimization project at a Puerto Rico manufacturing facility, resulting in projected annual energy savings of \$160,000, and installed additional LED lighting.
- **Sesto, Italy** – Completed projects to increase the use of recovered heat from the combined heat and power system at our manufacturing facility, and installed additional energy monitoring instrumentation to assist in identifying energy savings opportunities.

PROMOTING COGENERATION

Cogeneration, which uses combustion to generate electricity on-site while also recovering usable heat, presents another opportunity to reduce GHG emissions in our operations. In 2017, we began the design process for a new nine megawatt combined heat and power system at our Puerto Rico facility. Since then, Lilly has completed initial design, with major construction expected to begin in 2019. This project is expected to result in roughly \$6 to 7 million of energy savings annually and approximately 15 to 20 percent reduction in GHG emissions for our Puerto Rico facility. We also operate combined heat and power systems in Kinsale, Ireland; Sesto, Italy; and Speke, England.

Renewable Energy

We will continue to evaluate further use of renewable energy to diversify our energy sources, decrease our GHG emissions, and lessen our energy use intensity over time. In 2018, energy sourced from renewable sources accounted for 49,000 MWh. We are members of the [Rocky Mountain Institute’s Business Renewables Center](#) and are currently evaluating the feasibility of incorporating more renewable energy sources.

WATER USE AND WASTEWATER

Manufacturing operations account for the majority of the water used by Lilly. Our manufacturing locations that produce injectable medicines require exceptionally high-quality water, while our utility operations use water for cooling and to support steam boilers. Some sites have updated equipment to use waterless cooling systems, and others reclaim water for this purpose. To a lesser extent, we consume water for domestic use in our offices. Lilly has assessed our water risks, and while we generally operate in locations where water scarcity and quality risk is low, we will continue our focus on conserving water, reducing our intake, and improving water quality. Potential future regional water risk, unpredictable costs, and climate change concerns have further strengthened our commitment to use this resource wisely.

In 2018, our efforts received a B rating from the CDP’s water program, above the average for Biotech, Health Care and Pharmaceutical sector rankings. Our

Engineering Technology Center helps Lilly sites around the world identify water-saving technologies, and Lilly sites can apply for capital project funding through Lilly’s dedicated Energy, Waste, and Water Reduction Fund.

Goals and Trends in 2018

In 2013, we introduced a goal to reduce absolute phosphorus emissions in our wastewater discharge by 15 percent by 2020, as compared to our 2014 baseline. This goal addresses an issue that is increasingly important to communities, regulators, and investors. In 2018, our total wastewater phosphorus emissions declined to approximately 83 metric tonnes, a 34.4 percent decrease from 2014. Production cleaning changes and other manufacturing changes decreased the amount of phosphorus discharged at several large sites, thus positively impacting our overall progress on this goal.

With regard to our goal progress, we have successfully surpassed our 15 percent phosphorus emission reduction goal at the end of 2018. As a result, we are setting a stretch goal to reduce an additional 10 percent of phosphorus emissions by 2020 using 2018 as the new baseline year. We have significant source reduction projects planned, including phasing out and replacing selected cleaning agents with non-phosphorus-based alternatives.

In 2018, Lilly’s total water intake was 13.9 billion liters, an increase of just under four percent from 2012, due primarily to production changes.

WASTE

Lilly generates both nonhazardous and hazardous waste from its manufacturing processes. Examples include broth from fermentation operations and waste solvent from the extraction processes used in the manufacture of small molecule pharmaceuticals. Lilly uses the following hierarchy of approaches to disposition of waste generated across our operations:

- Eliminate or reduce the amount of waste produced;
- Reuse materials when possible (including closed loop recycling);
- Recycle spent materials to make new products;
- Recover energy from waste (through combustion), where possible;
- Treat waste to reduce toxicity and volume; and,
- Send waste to landfill (as a disposal method of last resort, or when legally required).

Goals and Trends in 2018

In 2013, we introduced a goal to achieve a 20 percent improvement in waste efficiency by 2020, as compared to our 2012 baseline. We also aim to increase our recycling rate above 70 percent and decrease our waste-to-landfill below 10 percent of our total waste generated. For purposes of tracking progress toward our waste goals, “total waste” does not include material that is directly reused for other purposes, because the bulk of the “wastes” we generate is directly reused.

Lilly generated 206,000 metric tonnes of waste (including material directly reused) in 2018, representing a decrease of 28 percent compared to 2012, and a 30 percent decrease compared to 2017 amounts. We were able to designate 152,000 tonnes of this waste for reuse, much of it as fertilizer. After reuse, 54,000 metric tonnes of waste remained.

With regard to progress toward our goal, we have successfully surpassed our 20 percent waste efficiency improvement target, as our waste efficiency improved by 34 percent between 2012 and the end of 2018. Our recycling rate increased in 2018 to 55 percent, up from 47 percent in 2012, and we sent 21 percent of our waste to landfills, compared to 28 percent waste sent to landfill in 2012. As we have successfully achieved the waste efficiency aspect of our 2020 goal, for the next two years, we will focus primarily on achieving our recycling and waste-to-landfill targets.

ENCOURAGING ECO-EFFICIENCY ACROSS OUR OPERATIONS

We established the Energy, Waste and Water Reduction Fund in 2006 to encourage projects that reduce our overall environmental impacts. The fund supports projects that demonstrate the greatest potential for reductions in emissions and energy use, and that are not covered by local capital budgets. Since 2006, Lilly has invested more than \$45.5 million in this fund, enabling the implementation of 174 projects, which all told, garnered more than \$22 million in savings. These projects collectively save more than one trillion BTUs of energy annually, avoiding more than 121,000 metric tonnes of GHG emissions each year, measured as carbon dioxide equivalents (CO₂e).

We actively recognize innovation and excellence in HSE management by granting annual HSE awards. Nomination for these awards represents a significant accomplishment on behalf of project teams, and we seek to reward teams that have shown an exemplary commitment to helping Lilly achieve energy and GHG emissions reduction goals. In addition to criteria such as a project’s energy and GHG reductions, we consider the potential to replicate the approach in other locations.

LILLY'S ENVIRONMENTAL PERFORMANCE, 2012-2018^{1,2,12}

	2012	2013	2014	2015	2016	2017	2018
GREENHOUSE GAS EMISSIONS							
Greenhouse Gas Emissions (Scope 1 and Scope 2) (metric tonnes CO ₂ e)	1,571,000	1,610,000	1,580,000	1,570,000	1,470,000	1,470,000	1,380,000
Scope 1	435,000	484,000	460,000	478,000	464,000	482,000	392,000
Scope 2	1,136,000	1,130,000	1,120,000	1,097,000	1,009,000	985,000	983,000
Greenhouse Gas Emissions Intensity (related to goal) (metric tonnes CO ₂ e/1,000 square feet) ³	57.1	58.1	58.5	55.9	52.2	52.1	49.8
Scope 3 Emissions (not included in metric tonnes above) (metric tonnes CO ₂ e) ⁴	305,000	300,000	289,000	302,000	294,000	259,000	283,000
ENERGY USE							
Energy Consumption (million BTUs) ⁵	11,000,000	11,500,000	11,400,000	11,500,000	11,100,000	11,400,000	11,000,000
Energy Intensity (million BTUs/1,000 square feet) ³	453	468	474	460	448	459	450
Direct Energy Consumption (million BTUs) ⁶	4,210,000	4,560,000	4,410,000	4,590,000	4,390,000	4,750,000	4,390,000
Indirect Energy Consumption (million BTUs) ⁷	6,830,000	6,960,000	7,020,000	6,890,000	6,730,000	6,620,000	6,640,000
WATER USE							
Water Intake (billion liters) ⁸	13.4	13.7	15.0	14.2	14.5	13.8	13.9
Phosphorus emissions to wastewater (metric tonnes)	--	--	127	133	170	159	83
WASTE							
Total Waste Generation (metric tonnes)	285,000	310,000	295,000	251,000	297,000	294,000	206,000
Total Waste Generation not Including Reuse (for recycling goal) (metric tonnes) ⁹	74,000	75,000	89,000	112,000	90,000	60,000	54,000
WASTE DISPOSITION							
Recycled (includes combustion with energy recovery) (metric tonnes)	34,300	32,500	46,700	57,000	54,000	33,300	29,800
Treated (includes combustion without energy recovery) (metric tonnes)	18,700	19,900	30,100	26,500	23,900	16,600	13,100
Landfilled (metric tonnes)	20,700	22,600	12,000	28,300	11,800	10,500	11,200
Waste Recycling Rate	47%	43%	53%	51%	60%	55%	55%
ENVIRONMENTAL COMPLIANCE							
Reportable Permit-Limit Exceedances ¹⁰	8	5	3	5	5	6	6
Number of Significant Spills ¹¹	0	0	0	0	0	0	0
Environmental Fines Paid (USD)	\$732	\$0	\$0	\$0	\$0	\$0	\$0
ENERGY, WASTE, WATER, AND NATURAL RESOURCE USE REDUCTION FUND							
Expenditures (million USD)	\$1.1	\$1.8	\$1.6	\$1.7	\$0.9	\$3.3	\$3.2

1 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.

2 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).

3 Data includes GHG emissions and energy use related to manufacturing facilities and other entities with more than \$50,000 annual energy spend. Data for other locations is estimated based on square footage.

4 Data included in Scope 3 emissions disclosure contain assumptions and estimation as described here: Employee business travel (personal and rental cars, taxi, rail, and air travel) uses WRI GHG Protocol Cross-Sector Tool averages for fuel types, vehicle types, aircraft types, and aircraft travel distances; employee commuting uses EPA average for fuel types, vehicle types, and commuting distances; contracted product transportation and distribution is based on Lilly's U.S. distribution footprint and extrapolated for distribution outside the United States; waste generated in operations uses Lilly-specific waste carbon content estimates for waste incineration and EPA's WARM version 12 emission factors for landfilled and land-applied waste, and assumes transportation related emissions only for certain land-applied organic waste types. Scope 3 data does not include emissions from sales force travel using company vehicles, use of Lilly owned aircraft, on-site waste incineration, or product distribution with Lilly owned vehicles, as these are included in the Scope 1 data above.

5 Energy consumption is the total of direct energy consumption and indirect energy consumption, as defined in these footnotes, and does not include mobile sources.

6 Data includes energy from combustion of coal, fuel oil, natural gas, and liquid propane.

7 Data includes energy from purchased electricity, steam, and chilled water.

8 "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. Lilly does not generally collect water data from small locations that house primarily administrative activities such as sales and marketing offices unless they are co-located at a Lilly manufacturing or research facility.

9 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.

10 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.

11 "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.

12 This data includes that of Lilly's former subsidiary, Elanco Animal Health, including the period immediately following Elanco's IPO, approximately the fourth quarter of 2018. Beginning in 2019, Lilly will adjust our environmental performance data baseline calculations to reflect the Elanco divestiture.

Supply Chain

We rely on our suppliers—including those who supply us with materials for research and development, active pharmaceutical ingredients (APIs), and other contract manufacturers—to ensure the availability of our human and animal medicines. As we have broadened our manufacturing base and integrated new acquisitions into our operations, we have taken significant steps to reduce our exposure to the risks inherent in managing a global supply chain. Lilly continues to strengthen our ongoing efforts to monitor our supply chain for performance on HSE indicators. We have also taken steps to educate and engage our suppliers more directly on HSE issues, and we have taken a more active role in helping our suppliers build expertise around HSE topics. This includes our ongoing work as part of the Pharmaceutical Supply Chain Initiative (PSCI), a non-profit business membership organization founded in 2006, which counts Lilly as one of its inaugural members. In 2018, Lilly HSE professionals led two PSCI committees and seven Lilly HSE professionals served on PSCI's committees.

GOVERNANCE OF SUPPLY CHAIN AT LILLY

PSCI, with its member companies, created and maintain the [Pharmaceutical Industry Principles for Responsible Supply Chain Management](#) (the PSCI Principles). The PSCI Principles provide our industry with consistent supplier performance standards in the areas of ethics, labor, health and safety, the environment, and related management systems. At Lilly, we have aligned several codes, policies and procedures with the PSCI Principles, including the following:

- Lilly's Global Product Stewardship Standard, which details our approach to managing risk across the value chain and directly addresses our supply chain due diligence and supplier HSE risk assessment and management practices
- Lilly Supplier Code of Business Conduct, applicable to all suppliers
- Relevant procurement standards
- Standard contract language applicable to providers of contract manufacturing services

Lilly manufacturing procurement contracts ask that suppliers support the PSCI Principles and conform to the HSE expectations outlined in our Supplier Code of Business Conduct. Standard contract language also requires that manufacturing suppliers agree to submit, if requested, to audits that assess compliance with the principles. Lilly has a formal process for targeting those suppliers that we believe represent the greatest potential HSE risk for this additional scrutiny. We intervene quickly when we become aware of serious HSE issues.

If a supplier in question does not take swift corrective action, as is our expectation, we reserve the right to halt production or terminate contracts. HSE considerations are integrated into Lilly's formal, annual process for evaluating manufacturing suppliers.

ASSESSING CONTRACT MANUFACTURERS AND RESEARCH LABORATORIES

For more than a decade, Lilly HSE professionals have worked to assess and strengthen performance at the external research laboratories and contract manufacturing organizations (CMOs) with which we do business. We use a standard auditing methodology and reporting framework for addressing risk, and a summary of results is included in the quarterly reports received by the board of directors' public policy and compliance committee. We designate suppliers that are critical to our business as "suppliers of focus," and take a special interest in their capabilities and performance. In 2018, we conducted onsite audits at 33 CMO sites.

OTHER SUPPLIER EDUCATION AND ENGAGEMENT

Lilly is an active PSCI member and our HSE professionals have led or participated in a number of PSCI sponsored webinars and in-country events. In 2018, Lilly professionals participated in supplier capability training in China and India, building on work in 2017 conducting third-party auditor training.

Sales and Marketing

Our sales and marketing affiliates around the world develop goals and implement improvement strategies as part of our *GREENDirections* program, which focuses on fleet fuel economy and GHG emissions, office energy conservation, and waste reduction. Each year, our affiliates look for opportunities to enhance their environmental performance by identifying and implementing new projects and setting targets.

On the road, Lilly optimizes the fuel efficiency of our sales force fleet by choosing vehicles with better fuel economy, and we promote driving and work practices that emphasize safety and fuel savings. These efforts, in turn, also reduce the GHG emissions associated with our sales fleet. Lilly centrally manages vehicle selection across the European Union and across the United States, which improves efficiency while enabling us to implement strong safety and environmental standards.

Packaging and Transportation

We consider many factors in selecting product packaging, including sustainability considerations, such as materials use and recyclability. Pharmaceutical packaging must meet stringent regulatory and internal standards. In some cases, this prevents us from using recycled content in packaging, as is the case with containers that come into direct contact with our products, where we require virgin materials be used to deter counterfeiting. Where we can, we continually seek to improve packaging design to reduce the amount of packaging used, include lower-impact materials, and ensure recyclability. Our Product Stewardship Standard helps set expectations for these efforts.

In transporting our products, we have made strides in reducing the volume of empty space in the packages we ship, which has increased our overall fleet efficiency. Additionally, we have achieved GHG emission reductions by changing the shipping mode for some of our pharmaceutical products from air to ocean. In 2018, we shipped 50 percent of our product via ocean, resulting in reduced GHG emissions. Another benefit of ocean shipping is an overall reduction in packaging used because less protective packaging is required during transport.

Product End-of-Life

Unlike many consumer products that can be recycled, or are composed of materials that can be reclaimed at the end of their usefulness, medicines are by nature different. Public health regulations often prohibit the use of recovered materials from pharmaceutical products like those produced by Lilly.

Lilly continues to work with customers, industry partners, and public health officials to address these product end-of-life issues. Our Product Stewardship Governance Committee meets quarterly and regularly engages with our leadership to better integrate product stewardship efforts into our business. We promote policy decisions that are efficient, effective, and that protect both human health and the environment. We also support educating patients and caregivers on proper disposal of medicines, as well as disposal of syringes, needles, and other sharps used in home settings. We communicate this information to patients through product user manuals, and through The Lilly Answers Center, a hotline that answers frequently asked questions.

We are actively involved in the [Pharmaceutical Product Stewardship Work Group](#), a U.S.-based membership association of manufacturers of prescription and

over-the-counter medicines that supports compliance with U.S. household disposal regulations for unused medicines and sharps. We also engage with other industry stakeholders in the European Union, such as [European Federation of Pharmaceutical Industries and Associations \(EFPIA\)](#), as well as in Canada ([Health Products Stewardship Association](#)).

Pharmaceuticals in the Environment (PiE)

After they are used to improve human and animal health, medicines enter our natural environment through the normal biological processes of waste elimination. They may also enter the environment from improper disposal of unused products or through manufacturing discharges. Residues of these medicines may pass through waste and sewage treatment facilities and enter rivers, streams, or lakes. While reported concentrations of pharmaceuticals in the environment (PiE) are usually extremely low, their presence and biological potency raise questions about potential risks to humans and the environment.

Reports such as the World Health Organization's *Pharmaceuticals in Drinking Water* (2012) and the multiple publications following an extensive, three-year joint study by the U.S. Environmental Protection Agency and U.S. Geological Survey on the presence of contaminants in drinking water and surface water have concluded that the concentrations of pharmaceuticals in drinking water are unlikely to have a direct impact on human health and aquatic life. However, some health advocates and researchers are concerned that low concentrations of antibiotics in the environment comprise an indirect threat to human health by promoting the development of antimicrobial resistant genes in bacteria. Questions have also been raised about the impact of the pharmaceutical supply chain, especially when those suppliers are located in countries that may lack rigorous environmental protection standards.

Lilly is committed to ensuring that the active pharmaceutical ingredients (APIs) used in our products do not have a negative impact on the environment whether exposure is associated with end use or manufacturing. We are committed to understanding the public's questions and concerns related to PiE.

GOVERNANCE OF PiE AT LILLY

Due to the importance of PiE issues to Lilly and our stakeholders, we have established a PiE Governance Committee that reports to our executive-level Global HSE Committee. The PiE Governance Committee sets strategic direction related to PiE and provides long-range oversight for the program that controls active

pharmaceutical discharges from manufacturing sites, our Lilly Aquatic Exposure Guideline (LAEG) program. The LAEG program determines containment needed at our manufacturing sites to protect environmental species living in downstream surface waters in addition to humans and wildlife using those surface waters. This program has been in place for many years for Lilly facilities. For outsourced segments of our manufacturing processes, we have begun to implement our LAEG program with contract manufacturers (third party suppliers) of targeted products and active pharmaceutical ingredients.

ENVIRONMENTAL DATA AND RISK ASSESSMENTS FOR LILLY APIs

We assess our medicines for potential environmental impacts, ensuring that they meet regulatory requirements and internal standards before introducing our products to markets. We use procedures recommended by U.S., Canadian and European regulatory agencies for identifying and minimizing risks from residues of our products in the environment, and for determining predicted no-effect concentration values for our medicines. We also make information on the environmental hazards and impacts of our pharmaceutical products available through product [safety data sheets](#) and through the [FASS](#) product database published by the Swedish Pharmaceutical Trade Association.

ENVIRONMENTAL IMPACT STUDY OF MANUFACTURING

To study the overall impact on the local environment, our manufacturing site in Kinsale, Ireland, initiated a continuous evaluation of aquatic habitat quality in 1978. The Kinsale Harbour Study is maintained by the National University of Ireland Galway and is one of the longest studies of marine coastline conducted anywhere in the world. The evaluation has shown no evidence of an adverse impact from the Lilly wastewater discharge point on any aspect of habitat quality in the study area. Results have been published in peer-reviewed scientific publications and several project reports. This project continues to support academic research for university students.

IMPROVED METHODOLOGIES FOR ASSESSING ENVIRONMENTAL RISKS

Lilly participates in the Intelligence-led Assessment of Pharmaceuticals in the Environment project ([iPiE project](#)), a program supported by the Innovative Medicines Initiative, a public-private partnership coordinated by the European Commission and the industry group EFPIA, in collaboration with universities and other research organizations, public bodies, and nonprofit groups. The iPiE project develops frameworks, methods, databases, and software tools to support environmental testing for new pharmaceuticals and prioritizes the testing of active pharmaceutical ingredients (APIs) that were approved for use before 2006 and that remain in use today. The frameworks draw upon existing data on the environmental impact of APIs, toxicological studies, and computer models. Our current commitment to the project runs through 2019.

EXTERNAL COLLABORATIONS

We continue to partner with industry, academia, and governments to improve both our understanding of, and our response to, PiE. Among ongoing efforts in 2018, Lilly scientists and technical experts have:

- Supported the Eco-Pharmaco-Stewardship plan in collaboration with EFPIA and the Inter-Association Initiative on PiE, including a proposal for extended environmental risk assessment evaluations, and a model for wastewater control limits for pharmaceutical residues at manufacturing facilities;
- Reviewed articles in scientific journals, presented at conferences and workshops, and participated in meetings concerning the safety of pharmaceutical residues in water, in collaboration with the U.S. EPA, and the Society of Environmental Toxicology and Chemistry;
- Served on technical committees addressing topics related to PiE for industry trade associations such as EFPIA; and,
- Engaged with the Pharmaceutical Supply Chain Initiative (PSCI) team developing training for external manufacturing partners on risk-based approaches to managing APIs in manufacturing effluents. Lilly delivered four presentations on PiE at on-location capability training for partners in India and China in 2018. As a PSCI member company, Lilly conducts health, safety, and environment assessments of its supply chain partners where environmental performance, including PiE, is evaluated.

About Elanco Animal Health

In September 2018, Lilly launched an initial public offering of Elanco, thereby making it an independently traded company. Elanco provides comprehensive products and knowledge services to improve the health of food animals and pets in more than 90 countries around the world.

PROMOTING RESPONSIBLE USE OF ANTIBIOTICS IN FOOD-PRODUCING ANIMALS

Antibiotics, including those manufactured by Elanco, are one way, but not the only way, that farmers keep their animals healthy. Feeding animals carefully balanced diets to strengthen their immune systems and providing clean, comfortable, well-maintained housing are also important. But because bacteria and other microbes are constantly evolving and found everywhere in the environment, it's virtually impossible to prevent animals from being exposed to disease. This is true whether animals are kept on open ranges or housed indoors.

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. At Elanco, we believe that the concern over reduced effectiveness of antibiotics is real and needs to be addressed. All those involved—the human, animal, and environmental health communities—must take responsibility and work together to develop long-term, responsible solutions.

For our part, Elanco is committed to bringing greater clarity to issues around antibiotic stewardship and engaging in collectively shaping science-based recommendations on responsible use, animal welfare, and the long-term sustainability of the food system. Elanco Animal Health has updated its commitment to fighting antimicrobial resistance, which includes promoting responsible antibiotic use practices and policies while developing alternatives to medically important antibiotics (a subset of which include critically important antibiotics to human health).

ELANCO'S ANTIBIOTIC STEWARDSHIP PLAN

The Antimicrobial Resistance Challenge, led by the Centers for Disease Control and Prevention (CDC) and U.S. Health and Human Services (HHS), is a yearlong effort to accelerate the fight against antimicrobial resistance with action across governments and industries. As part of this effort, Elanco has committed to:

- Invest at least half of Elanco's food animal research and development budget in projects dedicated to

developing alternatives to shared-class antibiotics;

- Increase veterinary and professional oversight access in countries with limited resources through new partnerships;
- Expand data collection and analytics to inform animal health professionals on best practices, and;
- Encourage vaccination and nutrition programs that reduce the need for medically important antibiotics by preventing disease.

Elanco's commitment—outlined within the CDC's Antimicrobial Resistance Challenge materials—is the next step in its eight-point antibiotic stewardship plan. Since the inception of the antibiotic stewardship plan in 2015, Elanco has made tangible progress, including the following:

- Changed nearly 100 labels to remove growth promotion claims from our medically important antibiotic molecules globally, even if the practice is allowed by local regulation;
- Completed submission of 67 labels to move products from over-the-counter use to be under the oversight of a veterinarian in the countries where over-the-counter uses remained and veterinary infrastructure exists;
- Brought more than 15 antibiotic alternatives into our pipeline to help producers replace antibiotics when possible;
- Convened a landmark, first-of-its-kind One Health Antibiotic Stewardship Summit for more than 200 global animal protein industry and food chain leaders and declared priorities to help combat antimicrobial resistance as part of efforts to produce a sustainable food supply, and;
- Joined with 200 other companies and 700,000 veterinarians worldwide to undersign Health for Animals' "Commitments and Actions on Antibiotic Use," which outlines the five guiding responsible use principles of the animal medicines industry.

“It is of utmost importance we address the complex challenge of antimicrobial resistance and preserve the effectiveness of medicines for people and animals. Supporting the CDC and HHS effort is an important step in reaffirming our commitment to responsible antibiotic usage and veterinary oversight capacity around the world. This is a global issue, and any solution will require global participation across all sectors of human and animal health.”

- JEFF SIMMONS | PRESIDENT AND CEO, ELANCO



EMPLOYEE SAFETY

Lilly focuses on creating a companywide culture where best-in-class safety practices are intuitively and consistently followed. To do this, we assess and continuously strive to improve our safety performance across our entire enterprise. We believe this ongoing commitment promotes the well-being of our employees and helps safeguard communities where we operate.

At Lilly, we measure both leading and lagging indicators when assessing our overall safety performance. We have found that tracking leading—or predictive indicators—such as ergonomic risk, safety culture surveys, and vehicle safety training contributes greatly to our company safety culture. Using these indicators in conjunction with measures of lagging indicators—such as our recordable and lost-time injury rates—we are able to paint a comprehensive picture of the areas that most influence employee safety across Lilly. This approach allows us to both influence change where needed, and track our safety progress in concrete ways over time.

Since we introduced our global safety goals in 2007, our total recordable injury and illness rate has declined by nearly 45 percent, equivalent to the prevention of hundreds of injuries and illnesses to Lilly employees across the globe. In 2013, we established new goals for the three occupational safety metrics we track: recordable injuries, lost-time injuries, and motor vehicle collision rate. These goals were developed to help reduce our injury rates across a seven-year period, 2014 through 2020.

In 2017, Lilly established new leading indicators focused on office ergonomic risk and motor vehicle safety designed to influence behavior change and reduce company injury and illness rates. These metrics are shared with the executive committee quarterly, emphasizing the importance of maintaining an employee safety culture and minimizing risk.

Promoting a Culture of Safety at Lilly

We know that to reach our goals for safety performance, Lilly must continue to instill and promote a best-in-class safety culture. We use a well-known model—the DuPont™ Bradley Curve™—to measure our progress, and we will continue to use this model in the foreseeable future. In 2018, we launched a number of key initiatives to continue improving our performance in this area, including:

- Developing our first draft of safety culture requirements to be included in our global Health, Safety, and Environment (HSE) standards that apply across the company;
- Collaborating with external partners to develop a new training course on safety management fundamentals for new leaders at Lilly;
- Completing training/education for all levels of leadership within the pharmaceutical development organization to improve HSE leadership and culture;
- Piloting an advanced initiative working with an external partner to improve informal risk assessment and peer-to-peer conversations to improve operational safety at the task level;
- Continuing expansion of existing behavioral-based safety efforts and tools across the organization that focus on reducing human error and further engagement of employees and leadership; and
- Developing and executing safety culture improvement plans for manufacturing, research and development, and sales affiliate sites.

Reducing the Potential for Serious Injury

While the most common work-related injuries are covered by our safety programs, we also have committed to systematically address infrequent but severe events, where the consequences can be potentially life-altering or fatal. To prevent such serious injuries and fatalities (SIFs), we subscribe to the following model:

- Train employees at all levels on the SIF prevention model and key SIF definitions
- Measure SIF events and potential SIF events across the entire company
- Identify and mitigate SIF precursors
- Integrate SIF prevention into existing business processes

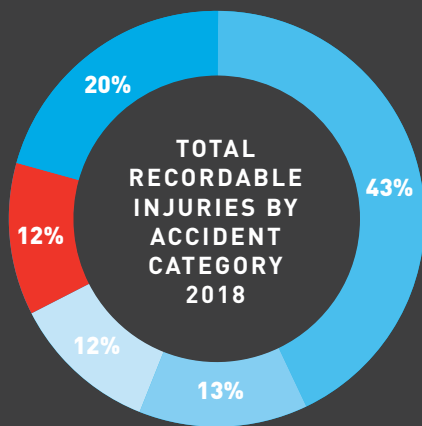
In 2018, as part of a continuous improvement effort, we created a global SIF team responsible for analyzing

potential SIF events and precursors. The SIF team analyzes event data, always focusing on reducing the probability of employees' exposure to high-risk hazards. Specific actions conducted in 2018 include:

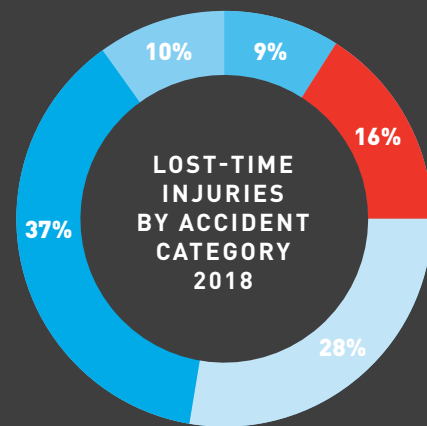
- Conducting workshops where employees could voice their opinions and identify improvements related to SIF;
- Sharing near-miss events across the globe with an emphasis on learning and prevention;
- Conducting forklift and dock safety assessments to identify and mitigate SIF precursors; and
- Approving a global plan to upgrade engineering controls for dock loading and unloading operations.

Lilly also participated in, and presented company accomplishments at, SIF prevention conferences in 2018. These opportunities allowed Lilly to benchmark our results with peer companies.

LILLY'S SAFETY PROGRESS AND PERFORMANCE



- Struck by / Caught between¹
- Ergonomic Risk²
- Motor Vehicle Collisions³
- Slip / Trip/ Fall
- Other



YEAR	RECORDABLE INJURY AND ILLNESS RATE	LOST-TIME INJURY AND ILLNESS RATE
2020 GOAL	0.70	0.25
2018	0.79	0.27
2017	0.82	0.28
2016	0.93	0.32
2015	0.88	0.27
2007	1.44	0.60

YEAR	MOTOR VEHICLE COLLISION RATE ³
2020 GOAL	12%
2018	15%
2017	15%
2016	16%
2015	16%
2007	25%

¹ Refers to non-motor vehicle injuries resulting in abrasion, contusion, and laceration.

² Refers to ergonomic risks (posture and/or force, repetition, duration of tasks) which increase the likelihood of a sprain or strain.

³ A new goal for measuring motor vehicle collisions was established in 2015.

Note: Reporting data is fluid and dynamic, and slight discrepancies from year-to-year are the result of minor updates or recharacterizations of previously-recorded data.

Sales and Marketing Safety

At Lilly, sales and marketing employees represent approximately 35 percent of our global workforce. Their jobs require them to spend significant time driving, exposing them to the risk of accidents which are challenging to mitigate. In 2009, we launched a motor vehicle safety program, *HSEDirections*, designed specifically for the thousands of Lilly employees who are on the road every day, visiting physicians, hospitals, clinics, and other customers. Our *HSEDirections* investment has resulted in a decrease over time in motor vehicle collisions, and, consequently, a significant reduction in motor vehicle-related injuries. In 2018, our motor safety vehicle rate essentially stayed steady. As part of ongoing efforts to improve motor vehicle safety, in 2018 we:

- Continued to monitor our motor vehicle collision rate year-over-year, which has shown a 35 percent decrease in collision rate since 2010;
- Defined and implemented leading indicator metrics, which are reviewed quarterly at the executive level; and
- Implemented the “Drive Safe, Arrive Safe” program to help reduce distracted driving and the devastating effect it can have on individuals and their loved ones.

Employee Well-Being at Lilly

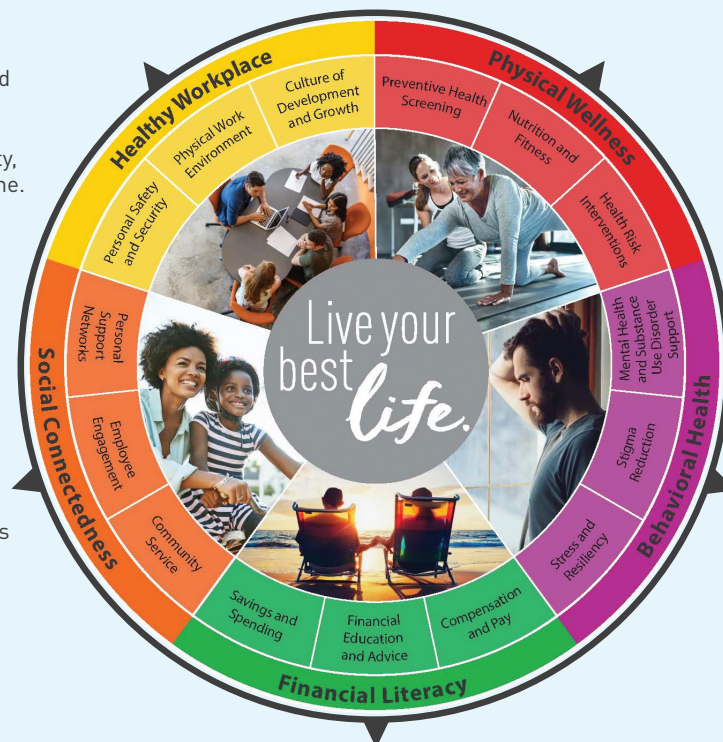
We want our company to be a place where our employees enjoy meaningful work, build successful careers, and make important contributions to society. We work to foster a healthy, vibrant work environment, while also supporting our people in the important time that they spend at home, with their families, and in their communities. We believe this holistic focus helps us to all be at our best—more collaborative, more creative, and more engaged—which, in turn, helps our employees deliver on our company promise to make life better for patients.

At Lilly, we take a broad view of well-being that emphasizes multiple dimensions of each employee’s life. We focus on creating a healthy workplace, promoting physical wellness and behavioral health, improving financial literacy, and maintaining social connectedness. While local cultures, regulations, and market dynamics influence our offerings in each country, our employee well-being strategy is global.

LILLY’S myBESTLIFE EMPLOYEE WELLNESS PROGRAM

A healthy workplace is one where employees and managers collaborate on processes to protect and promote the health, safety, and well-being of everyone.

Social connectedness refers to the relationships integral to well-being. Your social network can offer support, happiness, contentment, a sense of belonging, and can help during difficult times.



Physical wellness promotes proper care of your body for optimal health and functioning.

Behavioral health focuses on preventing or intervening in mental illness, like depression or anxiety, as well as substance abuse or other addictions.

Financial literacy refers to the skill and knowledge that help you make informed and effective decisions with all of your financial resources.

WELL-BEING IN THE UNITED STATES

In the United States, our *myBestLife* program offers a set of tools and resources to help employees better manage their health, as well as identify those things that can help individuals live a healthier and more active life. Lilly offers health plan coverage to employees and their eligible dependents, and our coverage for preventive health services go well beyond the requirements established under federal healthcare reform.

At our Indianapolis headquarters, two medical clinics allow employees to have annual preventive screenings and routine lab work on-site. We have several fitness centers available as well, offering individual and group exercise. When employees travel, we provide access to a national network of more than 9,000 fitness centers located across the United States. We partner with our food service vendors to offer a wide range of healthier dining choices and snacks—some of which are subsidized by Lilly. We provide showers and bike racks for the more than 150 Indianapolis employees who commute to work by bicycle.

Other efforts to support our employees' physical and emotional health in the United States include access to a dietitian, frequent fitness challenges, and a comprehensive employee assistance program. Across the United States, we have also designated all sites smoke-free. New parents are eligible for a generous parental leave, two on-site child development centers at corporate headquarters, back-up care options, and parenting education opportunities. New mothers receive maternity leave benefits and access to lactation rooms. We promote financial well-being through a variety of online financial tools and financial advisory programs, and we offer individual financial counseling on-site or by phone. 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.

WELLNESS IN OUR INTERNATIONAL SITES

Lilly affiliate sites around the world offer extensive wellness programs, aimed at providing a holistic approach to employee health, safety, and well-being. These integrated programs feature safety culture messages and initiatives, and in some sites, integrate diversity and inclusion programs as well.

Some examples from our manufacturing sites include:

- The Sesto plant in Italy provides a holistic, integrated approach to employee health, safety, and well-being through their program *Welly*. Initiatives include a focus on offering healthier food options for night shift workers, conferences on sleep hygiene, fitness classes

at the on-site fitness center, and an on-site kindergarten with flexible hours.

- The Fegersheim plant in France completed construction of a new fitness center, *BWell*, in early 2018, designed to promote health and well-being through employee exercise and relaxation. The site hosted monthly educational sessions on well-being, nutrition, and physical and mental health—including a diabetes screening day, ergonomic awareness, melanoma screenings, and sleep hygiene presentation, among other topics.
- The Alcobendas plant in Spain operates an integrated employee well-being program, *Naturally*, designed to increase health and injury prevention, build morale and workplace participation, and improve quality of life for employees. As part of their well-being focus, nutrition and physical activity plans are available for employees, supported by healthier choices in the on-site cafeteria. Physiotherapy is also available at the facility for employees, and in 2018, the site hosted a conference on stroke identification and prevention.
- The Kinsale plant in Ireland ran its sixth annual *Live4Life* week-long celebration in 2018, dedicated to approaching health, safety, and well-being from a holistic, integrated perspective. Events included a wide variety of topics focused on work-life balance, physical activity, mental well-being, and healthy eating. Kinsale has integrated diversity and inclusion into its programming, spotlighting its positive effect on employee self-esteem, work-life balance, career development, mental and physical health, social connectedness, and belonging.
- The Suzhou plant in China completed an employee-wide well-being survey in 2018, which identified work-life balance and nutritional, physical, and personal wellness to be among the top areas of interest for employees.
- The Erl Wood research facility in the United Kingdom has developed a holistic approach to well-being through its program *Get Active, Be Healthy, Live Well!* Featuring activities and programs from the human resources and health, safety, and environment departments, the program encourages employees to be active and connected to one another. Focus areas include diversity and inclusion, fitness and nature exploration challenges, outdoor meeting spaces, on-site health screens, and an emotional well-being online tool.
- Lilly's global business services center in Cork, Ireland, offered a series of workplace wellness events in 2018, including psychosocial risk

assessments and well-being surveys for employees. Results from these informed both site and function-specific wellness action plans. Activities included guest speakers on topics such as resilience and mental agility, financial well-being, and nutrition and physical activity, as well as workplace ergonomic assessments. The site introduced a healthier daily lunch option in the cafeteria, and promoted the "Lilly Lap," a two-kilometer route around the business park where employees can walk or run.

ANTI-CORRUPTION

For more than 140 years, Lilly's people have approached our company's business with a deep sense of responsibility to all of our stakeholders. Our actions, now as then, are grounded in our core company values of integrity, excellence, and respect for people. Recognizing our efforts to operate responsibly—including our strong ethics and compliance program—the Ethisphere Institute has honored Lilly as one of the "World's Most Ethical Companies" three years in a row—2017, 2018, and 2019.

We train all of our employees in ethical business practices and have systems in place to detect violations of laws, regulations, and company policies, including those related to anti-corruption. We have developed—and we continue to refine and improve—an anti-corruption program designed to promote ethical conduct and instill a culture of integrity.

In this section, we discuss our commitment to work against corruption in all its forms. We provide details about our code of business conduct, our compliance management systems, and our training programs—all of which reinforce ethical behavior and help avoid corruption and other unacceptable activities. This section also highlights our efforts to be more transparent about our operations, including our clinical trials, educational grants, and payments we make to physicians.



ETHICS, COMPLIANCE, AND GOVERNANCE AT LILLY

At Lilly, our policies, our code of business conduct (which we call *The Red Book*), our compliance management systems, our training programs, and our communications work together to reinforce ethical behavior. We have implemented programs designed to promote ethical conduct and foster a culture of trust and integrity, which we continue to nurture 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, as well as to correct processes to avoid errors going forward. Our ethics and compliance program includes 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 we develop corrective and preventive action plans to address issues we identify. We have aligned our bioethics work with our ethics and compliance program to reflect our evolving business as well as the external environment in which we operate. And, we have expanded and centralized our anti-corruption due diligence work to focus on greater consistency across the globe.

Ethics and Compliance Program Oversight

The ethics and compliance 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, AND PROCEDURES

Our ethics and compliance program includes policies and procedures. We communicate our key compliance-related expectations through the following channels:

- **The Red Book:** We regularly update and disseminate our code of business conduct, *The Red Book*. Available in 21 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 foundational principles of *The Red Book* are designed to help our employees navigate an increasingly complex global business environment.

- **Policies, Procedures, and Related Materials:**

Our policies, procedures, and other materials provide additional details and are available 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.

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 that includes 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. The purpose of the program is to assess whether:
 - Ethics and compliance policies and procedures are implemented and followed;
 - Employees are trained on the policies and procedures; and
 - Managers provide sufficient oversight of business processes and related results to support compliance with company policies, procedures, and government laws and regulations.
- **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 the policies that govern ethical interactions.

LILLY HONORED FOR INTEGRITY AND TRANSPARENCY WORK

Lilly's ethics and compliance program has received recognition for three consecutive years at the Corporate Governance Awards in New York City. The awards are a global program of the organization that publishes *IR Magazine and Corporate Secretary*, read by executives around the world. In 2017, Lilly took top honors for Best Use of Technology, and in 2016, 2017, and 2018 Lilly was one of five finalists for best compliance and ethics program in the "large cap" category comprising large publicly traded companies.

We continually work to improve our program so we can ultimately help business leaders around the globe assess the risks they face in real time. As part of this effort, we are:

- Working to connect our data tracking systems to create one repository for information;
- Identifying categories of potential risks to track; and,
- Building a team to analyze key findings so we can create or improve processes to try to prevent issues from occurring.

“This work builds on the progress we have made in recent years simplifying our programs and raising awareness of the resources available to guide decision-making at Lilly. We are committed to getting better and better as we help our employees do the right thing.”

- **MELISSA BARNES** | SVP, ENTERPRISE RISK MANAGEMENT AND CHIEF ETHICS AND COMPLIANCE OFFICER

TRAINING AND COMMUNICATIONS

All employees play a role in the success of our ethics and compliance program. Therefore, we consider training and communications an essential component of promoting and nurturing ethical behavior and a culture of trust and integrity throughout the business. Some of the strategies we use to further strengthen our culture include sharing real stories of mistakes we have made as an organization and their consequences and helping leaders understand the vital role they have in listening and creating an environment that encourages ethical behavior.

Our commitment to training and communications 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 organization participate in a training and education curriculum that helps

them understand and implement the elements of an effective ethics and compliance program globally.

- Our leaders communicate regularly with employees to ensure they understand that Lilly holds each employee responsible for making decisions and taking actions that reflect our company's values of integrity, excellence, and respect for people.
- In the spirit of learning, we took the bold step this year of sharing with employees details about mistakes we made nearly two decades ago with one of our medications, and the important lessons we learned from that experience. Our executives used this example to reinforce their expectations that all employees speak up to ask questions or raise concerns, listen to each other and the outside world, and hold one another accountable for these behaviors, and for doing the right thing. While we never want to go back to this time in our history, we believe it's important to learn from it so we do not repeat the same mistakes.
- We also began a conversation with our leaders and supervisors about their role in fostering an environment that encourages employees to speak up, ask questions, voice concerns, and share ideas. We developed a workshop to help leaders understand how people make decisions and how leaders' actions and words can influence employee behavior.

INVESTIGATIONS AND CORRECTIVE ACTIONS

We take all reports of known or suspected violations of company policies 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, a global investigation process conducts 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

We strive to earn and maintain the trust of people we serve by acting with integrity in all that we do everywhere we operate around the world. We recognize that bribery, fraud, and other acts of dishonesty are a betrayal of that trust, so we do not offer, provide, authorize, or accept anything of value—or give the appearance that we do—to inappropriately influence a decision or gain an unfair advantage. Our commitment to operating with high ethical standards extends to all business relationships, dealings, and activities around the world.

Our centralized team of anti-corruption, due diligence experts works to drive consistency of approach around the world as well as partner with our colleagues in the business to achieve results.

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

- Individuals who may be authorized by Lilly 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.



TRANSPARENCY AND DISCLOSURE AT LILLY

Lilly is supportive of transparency initiatives globally. We believe openly reporting financial interactions with healthcare professionals (HCPs) and healthcare organizations (HCOs) helps to build trust with patients, caregivers, and other key stakeholders.

Payments to Physicians and Healthcare Organizations

Lilly collaborates with both HCPs and HCOs, focusing on a single goal: improving the health and quality of patients' lives. Being transparent about the nature and extent of our relationships makes it possible to build trust about how we work to benefit patients.

We believe HCPs should be compensated at a fair market rate for their time and expertise whether they are scientists helping to [research](#) a potential new treatment, HCPs [advising](#) us on medical and scientific matters, or physicians conducting an [educational program](#) for Lilly with their peers. By disclosing our financial relationships with both HCPs and HCOs, patients, caregivers, and other key stakeholders can better see and understand the collaborations and interactions their own medical professionals have with Lilly.

In the United States, Lilly follows disclosure requirements at the local, state and federal levels. Lilly adheres to the requirements set forth by the federal law known as the Physician Payment Sunshine Act (also called "Open Payments"), which is part of the broader U.S. Affordable Care Act. It requires the biopharmaceutical and medical device manufacturing industry to report certain financial interactions to a defined group of physicians and teaching hospitals. Interactions include items such as payments for services provided for research, or food and beverage provided during an educational program.

Lilly reports these financial interactions to the Centers for Medicare and Medicaid Services (CMS). On an annual basis, CMS makes all reported industry financial

interactions public in a searchable [Open Payments Database](#). On the site, you can view whether a particular physician or teaching hospital has had financial interactions with a biopharmaceutical company, including Lilly.

Outside the United States, in addition to adhering to local and national legislated requirements for countries in which we operate, Lilly participates in voluntary disclosure codes led by local or regional trade associations. One such example is the European Federation of Pharmaceutical Industries and Associations (EFPIA), which has established the EFPIA HCP/HCO Disclosure Code as well as the EFPIA Patient Organization Disclosure Code. Lilly views our commitment to transparency and disclosure as an opportunity to ensure that patients, HCPs, HCOs, and business partners feel confident when engaging with Lilly. The [EFPIA](#) website has additional information on the HCP/HCO and Patient Organization Codes. You can view more on [Lilly's commitment to HCP/HCO transparency in Europe](#), or view our [EFPIA Patient Organization Disclosure](#).

Clinical Trials Data Transparency

Lilly has a history of commitment to transparency in our clinical studies, and we recognize that responsible sharing of clinical study data has the ability to enhance public health. Currently, Lilly registers and posts results of all clinical trials on [clinicaltrials.gov](#) in addition to any legally required clinical trial registries. For Phase 2 and Phase 3 trials that complete in 2019 and beyond, Lilly will submit results one year after the completion of the trial regardless of the medicine's approval status.

TRANSPARENCY AT LILLY

- Learn more about Lilly's commitment to transparency at [Lilly.com](https://www.lilly.com).
- Lilly engages in dialogue directly with members of the healthcare system and other interested parties about ethical interactions through our ethics and compliance hotline (1-877-237-8197), the [Lilly EthicsPoint](#) website, or through means provided by disclosure code administrators such as governments and trade associations.
- Learn more about Lilly sharing the results of our clinical trials in the [Clinical Trials Data Transparency](#) section of this report.

Lilly makes patient-level data available from Lilly-sponsored trials on marketed drugs for approved uses following acceptance for publication. Lilly is one of several companies that provide this access through the website clinicalstudydatarequest.com. Qualified researchers can submit research proposals and request anonymized data to test new hypotheses.

In 2013, Lilly began conducting pilot projects creating summaries of Phase 2 and 3 clinical trial results in patient friendly language using simple, everyday terms. In 2019, Lilly will continue creation of plain language summaries of Phase 2-4 clinical trial results and making English versions available to study sites. Lilly is developing a translation process to fulfill posting plain language summaries to the European Union (EU) Portal and Database, when available. For EU portal posting, the summaries will be translated into the local language(s) where the studies took place.

Respecting Privacy

Global concerns about data privacy have exploded in recent years, as the world becomes more networked and interconnected than ever before. Lilly has had a longstanding commitment to data privacy, and we have had a global privacy program in place for many years. That program is continually refreshed in response to the ever-changing privacy landscape, including the introduction of—or anticipated introduction of—new regulatory requirements and ethical considerations around data privacy.

In 2018, new privacy laws went into effect (e.g., the EU's General Data Protection Regulation) or were passed for implementation in the near future (e.g., the California Consumer Protection Act and Brazil's General Data Privacy law). By passing such laws, regulators have sent a strong and powerful message underscoring the critical importance of protecting personal information. These

expectations are consistent with Lilly's commitment to the ethical management of all personal information that is entrusted to us, whether it is that of a customer, an employee, or any other individual.

At its core, our privacy program reflects our commitment to being open and honest about how we collect, manage, use, and disclose personal information, and to being intentional about protecting it. It also reflects our goal to share personal information only with those who are authorized—and have a legitimate business need—to see it. Our program is overseen by our chief privacy officer who is supported by an international team of dedicated privacy professionals, along with an extensive network of ethics and compliance professionals worldwide. Key components of our program include a principles-based policy supported by an infrastructure of procedures, job aids, training, and other materials governing the collection and use of personal information. Our goal at Lilly is always to deliver on the promises that we make to individuals—in every business operation, in every location around the world—around the ethical use and management of the personal information that we collect and use.



POLITICAL ENGAGEMENT

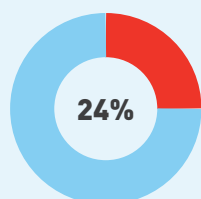
When engaging in lobbying efforts or making political contributions, we comply with the laws that govern such activities. All financial support and lobbying activities are overseen by the board of directors' public policy and compliance committee, which is composed entirely of outside directors. All decisions are made without regard for the private or personal preferences of the company's officers and executives.

FINANCIAL SUPPORT AND LOBBYING ACTIVITY

IN 2018, LILLY SPENT THE FOLLOWING AMOUNTS ON DIRECT POLITICAL ACTIVITY¹:

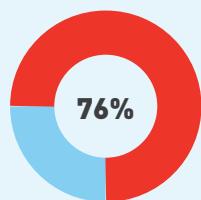
\$1,284,000

IN POLITICAL FINANCIAL SUPPORT IN THE UNITED STATES



\$306,000

to state candidates in corporate contributions; and



\$978,000

through the Lilly Political Action Committee (LillyPAC).

\$6,180,000

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.

¹ Rounded to the nearest thousand

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 [LillyPAC](#), 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?

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