ELI LILLY AND COMPANY

2017 UNGC Communication on Progress

Contents

About Eli Lilly and Company

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

About Elanco

Founded in 1954, Elanco is a subsidiary of Eli Lilly and Company. We provide comprehensive products and knowledge services to improve animal health and food-animal production in more than 70 countries around the world. At Elanco, we value innovation, both in scientific research and daily operations, and strive to cultivate a collaborative work environment for more than 6,250 employees worldwide. Together with our customers, we are committed to raising awareness about global food security, and celebrating and supporting the human-animal bond. Our worldwide headquarters and research facilities are located in Greenfield, Indiana. Visit us at Elanco.com and EnoughMovement.com.

Message from the CEO

Dear Stakeholders,

As a signatory to the United Nations Global Compact since 2009, Eli Lilly and Company is pleased to affirm our commitment to the responsible business principles represented by the Global Compact. This annual review highlights our corporate responsibility activities and progress, including our work related to the UN Sustainable Development Goals. In 2017, in the midst of a productive yet challenging business environment, Lilly continued to advance our environmental and social goals, including our efforts to reach millions of people who don't have access to Lilly products today.

In September, we announced actions to streamline many of our operations to more efficiently develop new medicines for patients around the world. Global workforce reductions affected approximately 3,500 positions— the majority occurring via a voluntary early retirement program in the United States. Throughout the restructuring we strived to adhere to our core value of respect for people, offering free financial planning assistance and enhanced benefits for those who accepted early retirement.

Even amidst this restructuring, we increased our commitment to diversity and inclusion—which is critical to generating the scientific, clinical, and customer insights that make innovation possible, and enables us to execute with excellence. In 2017, we began a multi-faceted, multi-year set of initiatives to embed diversity and inclusion into every aspect of our business —and took action to increase the representation of minorities in managerial and leadership roles in the United States and women globally. Progress has begun. Representation of women across management increased by three percentage points—a faster gain than expected. We expect to see gains for minorities in management over the next few quarters, and new goals will be set at the end of this year.

Through Lilly's global health work, we strive to extend the promise of better health to more people around the world. We focus on communities and individuals not typically reached through our business—including those without health insurance, those without access to quality health services, those who can't afford our medicines, and those who have diseases that lack suitable treatments. To accelerate our global health impact, we have set 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. We call this Lilly 30x30. Reaching this goal—which is a six-fold increase over today—will require more than philanthropy. As part of a five-year, $90 million global health commitment through 2022, we are exploring a variety of approaches, including alternative business models, pricing strategies, and new uses for existing medicines and Lilly molecules that target conditions disproportionately affecting people living in lower-income communities. To speed progress, we have created an internal innovation fund to engage our employees in finding the best global health solutions that will help us reach our 30 million goal.

We also recognize that people are concerned about the cost of medicine, and that some people cannot afford the medicines prescribed by their doctors. Lilly sells medicines in 125 countries and we consider country-specific conditions when pricing medicines to help ensure patients have affordable access. We are particularly conscious also of the economic circumstances in many developing countries that can make access to medicines difficult. In response, we are exploring new value-based and outcomes-based arrangements, in developed and developing markets, to better achieve the right level of pricing. In the United States, we've worked to keep out-of-pocket costs low by negotiating discounts with private payers that help Americans pay for prescription drugs. Lilly cut the average U.S. list price of our medicines by 51 percent in 2017 via rebates and discounts—nearly twice as much as we did just five years before.

As we work to reach more people in need of medicines, Lilly is committed to continually reducing our environmental footprint and to publicly reporting our progress toward our goals. For 2017, Lilly received a CDP (formerly Carbon Disclosure Project) score of B on climate change. On water stewardship, we received an A-, which is considered leadership level. We also reduced our total solid waste by one third—or nearly 30,000 metric tonnes—compared to 2016. We take a broad approach to understanding and managing our environmental impacts—not only across the life cycle of our products, but also in our supply chain. We've bolstered engagement with our suppliers around health, safety, and environmental issues, including environmental capability-building in China and India, and we continue to invest in green chemistry approaches in R&D and end-product engineering. To better assess and reduce the impact of active pharmaceutical ingredients in the environment, we actively participate in the Innovative Medicines Initiative. Our animal health business, Elanco, has developed a comprehensive Antibiotic Stewardship Plan to help ensure safe, long-term access to antibiotics for people and animals.

From our founding in 1876 to today, Lilly has changed in almost every conceivable way except for our mission—to make high-quality products for patients—and our values of integrity, excellence, and respect for people. The value that we create for society rests upon this legacy of responsibility and is powered by the dedication of our employees. On behalf of the entire Lilly team, thank you for your interest in our work.

David A. Ricks
Chairman and CEO

RECOGNITION FOR RESPONSIBILITY: 2017–2018

ETHISPHERE INSTITUTE
World's Most Ethical Companies, 2017-2018

THOMSON REUTERS DIVERSITY AND INCLUSION INDEX
(No. 14)

NATIONAL ASSOCIATION OF FEMALE EXECUTIVES
Top Companies for Executive Women

DIVERSITY INC.
Top 50 Companies for Diversity (No. 16)

WORKING MOTHER
100 Best Companies for Working Mothers, 23 Consecutive Years

HUMAN RIGHTS CAMPAIGN FOUNDATION
Corporate Equality Index Perfect Score

CORPORATE KNIGHTS
2018 Global 100 Most Sustainable Corporations in the World Index (No. 37)

FORBES
"Just 100" 2018 (No. 28)

2017 Responsibility Highlights

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

Connecting Hearts Abroad

Lilly sponsors at least 100 employees each year to volunteer in impoverished communities through Connecting Hearts Abroad. They serve as health volunteers on community projects across Africa, Asia, Europe, and Latin America. Challenged and inspired, they return with unique stories and insights that help us become a better, more globally aware company.

Global Day of Service

In 2017, we celebrated our 10th 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.

Disaster Relief

In 2017, Lilly responded to a string of devastating earthquakes and hurricanes in Mexico, the U.S. mainland, and Puerto Rico. In Puerto Rico alone, where Lilly employs about 1,400 people, the company donated 10,000 insulin vials and pens, and the Lilly Foundation—including matched contributions from Lilly employees—donated $850,000 in cash.

United Way

Lilly and United Way are celebrating a 100-year relationship dating back to 1918. So far, Lilly has raised $285 million for United Way. In 2017, contributions from Lilly U.S. employees and retirees, plus a matching gift from the Lilly Foundation, totaled $13.1 million dollars.

2017 CONTRIBUTIONS AT A GLANCE

$33.6 M	**Total Cash Donations** including $30M from the Eli Lilly and Company Foundation.
$938 M	**Total Product Donations**
1.4 M	**Insulin Vials Donated as of 2017 to the International Diabetes Federation's Life for a Child Program**
$13.1 M	**Total United Way Contributions** including $6.8M from the Eli Lilly and Company Foundation.
$90 M	**Total Amount Committed to Global Health Programs through 2022**
1 M	**Number of Volunteer Employee Hours in Global Day of Service since 2008**

About This Report

This report represents our Communication on Progress for 2017 in implementing the principles of the United Nations Global Compact.

Data and other updates contained in this report are focused on the 2017 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 2018. This report does not include joint ventures, partially owned subsidiaries, or outsourced operations.

ERM Certification and Verification Services (ERM-CVS) provided independent, third-party verification on selected environmental data and progress against selected 2020 goals as referenced 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 environmental goals on an adjusted basis accounting for mergers, acquisitions, and divestitures as appropriate, to ensure comparability, unless stated otherwise. Our global Health, Safety, and Environment management system is certified by an independent, accredited auditor in accordance with the American Chemistry Council's Responsible Care Management System requirements.

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

Nicole Chase
Corporate Responsibility,
Eli Lilly and Company

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SUSTAINABLE DEVELOPMENT GOALS

Throughout this report, we indicate where our work aligns to the Sustainable Development Goals announced by the United Nations in September 2015. These intersections are noted by icons adjacent to relevant text.

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. We are committed to respecting privacy and upholding labor standards. That same commitment extends to our supply chain, where we work with our suppliers to promote strong health, safety, and environmental (HSE) practices.

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; respecting patient privacy; 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

Lilly's Bioethics Program is an independent organizational unit reporting to the chief medical officer, including a senior leader and full-time staff with pharmaceutical industry expertise and specialized training in bioethics. These individuals serve as resources for the company and are responsible for the program's development, deliverables, and oversight. In addition to this full-time effort, employees participate in key bioethics activities beyond their regular work responsibilities, including a Bioethics Committee. This committee includes academic experts in bioethics.

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 mission, vision, 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 informs advice the Bioethics Committee provides.

Fostering Industry Collaboration in Bioethics

To encourage collegial, non-competitive discussions regarding the application of bioethics concepts in the bio-pharmaceutical industry, Lilly has hosted two Bio-Pharmaceutical Industry Bioethics summits, with attendees representing eight different companies.

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.

LILLY'S COMPANY MISSION, VISION, AND VALUES

Bioethics Framework for Human Biomedical Research

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

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.

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 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.

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 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, being rolled out in the United States in 2018, with other countries to follow, will add an additional level of security to our distributed products.

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 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 is making considerable investments in its packaging operations, distribution centers, and IT infrastructure to support this initiative, which includes new technology deployments, which will eventually impact 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.

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 2017, 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 2017.

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.

Pricing in the United States

Lilly is committed to expanding access to medicines in the U.S. healthcare system, in part by providing greater transparency into the way we price our products. Lilly, along with other pharmaceutical companies, provides rebates and discounts to payer customers and supply chain entities, and these have continued to increase in recent years. Overall, average discounts to U.S. list prices have grown from 30 percent to 51 percent in the past five years.

Several factors continue to drive this trend. While changes to Lilly's portfolio have played a role in year-over-year discounts, further increases in competition among pharmaceutical manufacturers and increased negotiation leverage by pharmacy-benefit managers (PBMs) have resulted in consistently deeper discretionary discounting over the last several years. In addition, Lilly's mandatory government discounts have continued to increase.

The consistent increase in discounts on Lilly's medicines continues to widen the gap between list prices and net prices, which are the actual prices realized by Lilly. While both list and net prices have increased, net prices have done so at a significantly lower rate.

The factors that create the gap between list and net prices also contribute to the rising out-of-pocket costs that consumers pay for medicines at the pharmacy. The trends towards high-deductible health plans and greater consumer cost

sharing through co-pays and co-insurance have exposed an increasing number of people to the list price of medicines. Under this type of insurance design, consumers are more often paying the list price for medications until they meet their deductible and a percentage of the list price thereafter.

The U.S. healthcare system is designed so risk is shared among all payers for healthcare services, including prescription drugs. Working together, we can find solutions to make medicines more affordable for the people who need them. In the case of high-deductible health plans, patients' affordability could be improved if they directly receive the benefit of the rebates that pharmaceutical companies provide to PBMs. We are also committed to working with insurance companies and PBMs to develop value-based payment arrangements that tie medicine's price to the value and outcomes they provide to patients.

Please note: The amount of rebates, discounts, and returns is estimated by the company, and methodologies used may differ from methodologies used by other companies. These data are not audited and should be read in conjunction with the Revenue Recognition and Sales Return, Rebate, and Discount Accruals section of the company's 10-K filings with the Securities and Exchange Commission.

INCREASING ACCESS TO LILLY INSULINS

Lilly's commitment to working for greater affordability and access to our medicines can be seen in our efforts to make sure people with diabetes get the insulin they need. In the United States, Lilly is actively seeking solutions both within and outside the current system to address the affordability challenges. We currently offer several insulin products at deeply discounted prices directly to patients using new or improved technological platforms. In 2017, Lilly started participating in Blink Health and Inside Rx, access programs that allow people who pay retail prices for insulin to save 40 percent at the pharmacy.

Blink Health: Blink Health, a smart phone app that has no membership fees or monthly premiums, permits people to pay deeply discounted prices outside the insurance system. Patients pay online and the prescriptions can be picked up at virtually any U.S. pharmacy. Initially, this third-party patient discount program was administered through a contract with a large PBM, Express Scripts. However, effective 2018, Lilly contracts directly with Blink for administration of this offering.

InsideRx: InsideRx is a coupon program accessed through a smart phone or a kiosk located at a pharmacy. Pre-payment is not required and can be utilized at nearly 40,000 pharmacies (federal healthcare program beneficiaries are prohibited, by law, from participating). This program is administered through the PBM Express Scripts.

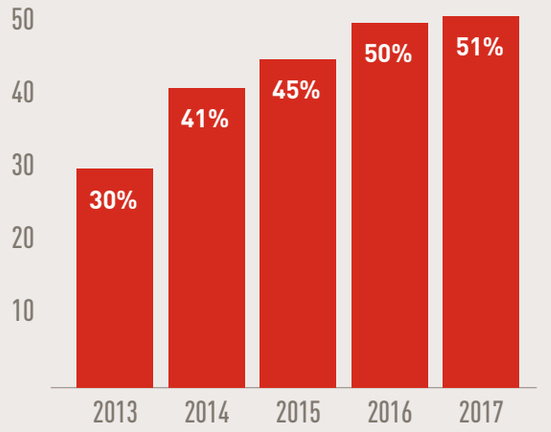
More information about these programs can be found at www.insulinaffordability.com.

Pricing Around the World

Lilly sells medicines in approximately 125 countries around the world. Each nation values medications and innovation differently and must balance competing demands for limited resources—including 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

AVERAGE DISCOUNTS TO LIST PRICE ACROSS THE U.S. PRODUCT PORTFOLIO[1]

(% TOTAL AVERAGE DISCOUNT[2])



COMPARISON OF LILLY LIST AND NET PRICE CHANGES FOR U.S. PRODUCT PORTFOLIO[1]

(% CHANGE VERSUS THE PRIOR YEAR)

YEAR	LIST PRICE[3]	NET PRICE[4]
2013	15.0	11.9
2014	11.8	1.6
2015	16.3	9.4
2016	14.0	2.4
2017	9.7	6.0

1 U.S. Product Portfolio includes all human pharmaceutical products marketed in the U.S. for which Lilly is the holder of the new drug application (NDA). This represents approximately 95 percent of total U.S. human pharmaceutical revenue.
2 Total Average Discount is calculated by dividing total annual rebates, discounts, and channel costs by total annual gross sales.
3 List Price represents the weighted average year-over-year change in the wholesale acquisition cost (WAC).
4 Net Price represents weighted average year-over-year change in net price, which is WAC minus rebates, discounts, and channel costs.

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 will help increase access to medicines. For example, value-based and outcomes-based reimbursement are models that can be adopted globally. These payment initiatives offer healthcare systems around the world the ability to deliver greater economic and health value to their patients. 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 conscious 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 must 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.

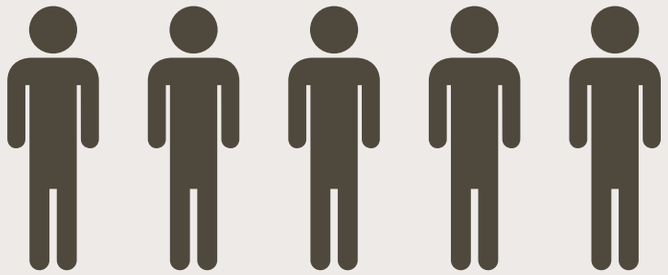
Global Health

As a leading biopharmaceutical company, Lilly has an important role to play in improving global health. Our commitment includes working to extend the Lilly promise of caring and discovery to millions more people around the world and partnering with leading experts and organizations to expand our reach. Our global health efforts focus on communities with limited resources and people who aren't typically reached by our traditional business operations. We use a mix of approaches and concentrate on diseases where we have deep technical expertise, including diabetes and cancer. Elanco, our animal health division, directs its global health efforts toward ending hunger and improving food security.

Lilly 30x30

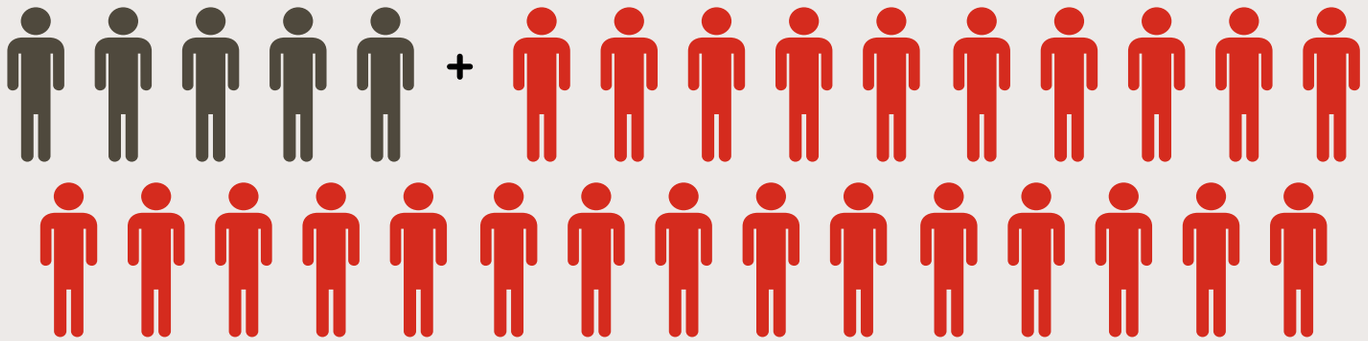
To accelerate our global health efforts, we established Lilly 30x30—a bold goal to increase access to quality health care

2017



Outside of our traditional business, we reached **5 million people** in resource-limited settings in 2017.

2030



We'll continue to expand our efforts so that by 2030, we'll reach **30 million people** in need each year.

in communities with limited resources for 30 million people on an annual basis by 2030. That's a six-fold increase over the number of people Lilly reaches in these settings today. Reaching 30 million people on an annual basis by 2030 will require not just philanthropy, but an increasingly stronger mix of novel access approaches across our business and with our partners.

Lilly 30x30 initiatives will include activities across three key areas: Pipeline, Programs, and Partnerships.

Pipeline

Through our 30x30 pipeline, Lilly is working to develop new medicines and to find new uses for existing medicines that target conditions that disproportionately affect people living in lower-income communities. These efforts include reexamining molecules that have been shelved during commercial exploration at Lilly. We will also evaluate and support external research for tuberculosis, malaria, and neglected tropical diseases.

Programs

Through Lilly 30x30, we are strengthening existing programs and developing new approaches that help people in lower-income settings get greater access to Lilly products and services. These efforts include exploring and expanding alternative business models, alternative pricing strategies, patient support programs and product donations. In addition, we have created an internal innovation fund to engage our employees in finding new global health solutions. The fund will be used to advance the best ideas that will help us reach our 30 million goal.

Product Donations

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

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 that contributions get to the people who need them most.

In 2017, Lilly responded to devastating earthquakes in Mexico and hurricanes that hit the U.S. mainland and Puerto Rico. During this difficult time, Lilly donated $12.3 million in medicines and the Lilly Foundation contributed over $1 million in cash for recovery efforts, including matched contributions from Lilly employees.

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 product to the Lilly Cares Foundation Patient Assistance Program, also known as Lilly Cares. This program is operated by the Lilly Cares Foundation, Inc., a separate nonprofit organization created to assist qualifying patients in obtaining certain Lilly medications at no cost. In 2017, Lilly Cares helped more than 111,000 people in the United States obtain the Lilly medications they needed in the areas of mental health, diabetes, cardiovascular disease, men's health, osteoporosis, oncology, psoriasis, and growth hormone disorders.

In China, we offer a patient assistance program for oncology and osteoporosis patients. Products are donated to the China Primary Health Care Foundation through which patients qualify and receive their medicine. In 2017, over 6,000 patients were helped through this program.

LOOKING AT LILLY COMPOUND FOR SNAKEBITE ANTI-VENOM

As part of our commitment to reaching 30 million more people per year—in addition to those reached through our traditional business—Lilly is exploring new ways to use existing medicines and compounds as treatments for overlooked or underfunded medical needs. One of these is a previously-shelved Lilly compound that shows promise as a potential treatment for snakebite. It's estimated that more than 100,000 people a year worldwide die from snakebite—with another 400,000 injured—mainly in impoverished areas where bare feet are common and health resources few. In June 2017, the World Health Organization responded by adding snakebite to its official list of neglected tropical diseases. As explained in the documentary *Minutes to Die: Snakebite, The World's Ignored Health Crisis*, this painful death almost always occurs outside of a hospital setting. Lilly is currently sharing data and partnering with Ophirex, Inc., a U.S.-based start-up that aims to create the world's first field antidotes to snakebite.

LEAP: LILLY EXPANDING ACCESS FOR PEOPLE IN CHINA

With a rich heritage of developing innovative diabetes medicines and solutions, in 2015 Lilly aligned with the Chinese government's efforts to help more people with chronic ailments like diabetes and their communities through a program called Lilly Expanding Access for People (LEAP), a shared value initiative that reaches people beyond the scope of our traditional commercial investment model.

In China, diabetes affects an estimated 114 million adults[1]—accounting for about 25 percent of global cases of the disease. This prevalence is expected to rise as more people in China are diagnosed, and many more Chinese are likely living with prediabetes, but may not be aware that they are at risk for developing the disease.

While large, urban hospitals in China typically provide high-quality diabetes care, specialists at these facilities are often overwhelmed with thousands of patients each day. As a result, the Chinese government wants to enable people with diabetes to receive the care they need closer to the communities where they live, from local primary care practitioners and clinics. Unfortunately, these clinics are often lacking in their capacity to provide good diabetes care.

Through LEAP, Lilly has worked to improve training and support for primary care physicians to increase their confidence and skills to manage diabetes across all stages of the disease. LEAP has also empowered people to better manage their disease with the support of Lilly diabetes educators who provide disease management information and training on the proper use of insulin.

[1] International Diabetes Federation. IDF Diabetes Atlas, 8th edn. Brussels, Belgium: International Diabetes Federation, 2017.

LILLY'S LEAP: EXPANDING ACCESS WITH A NEW COMMERCIAL MODEL

What: Innovative business model that expands access to more people through additional investments.

How: Provides a coordinated approach to help strengthen capacity of healthcare providers and help people manage their diabetes closer to the communities they live in, including:

- Improved training and support for primary care physicians
- Patient education and support through Lilly diabetes educator.

Why: Creates value for society by improving health for more people; creates value for Lilly by reaching new populations through an alternative business model.

LEAP operates in 13 out of 32 Chinese provinces. From April 2015 through December 2017, through LEAP, Lilly has:

- Introduced its insulin products to approximately 5,000 institutions and 165,000 patients;
- Provided training to 40,000 primary care physicians; and
- Taught more than 33,000 people with diabetes self-management skills.

AFTER MARIA: DELIVERING LIFE-SAVING SUPPLIES IN PUERTO RICO

Less than 48 hours after Hurricane Maria knocked out electricity and nearly all phone service on the island and left roads impassable, Lilly's employees in San Juan had one priority: find a way to get insulin to patients who needed it.

Once the storm passed, and all Lilly employees were accounted for, the local team began working in close collaboration with local officials and international partners, including Direct Relief, to get supplies to people in need. Five days later, Lilly made the first of several emergency shipments to the island that included insulin, food, water, generators, and other necessities. In all, Lilly sent six shipments—including enough medicines for thousands of patients—along with vital supplies for our employees and facilities.

Getting the supplies on the island was only part of the challenge. Lilly, Direct Relief, and local officials worked together to identify where insulin was needed most, and where people could access it—including hospitals, dialysis centers and pharmacies—many of which were still closed or struggling to reopen. The Lilly team took turns waiting in long gas lines to fill up company cars, traveling on flooded and nearly impassable roadways, to deliver the life-saving medicine.

In 2018, Lilly will continue our commitment to helping Puerto Rico recover, sending two teams of medical professionals to the island—including nurses and diabetes educators—to volunteer with the international nonprofit organization Project HOPE through our Connecting Hearts Abroad global service program.

Patient Support Programs

Lilly provides nearly 150 patient support programs across 55 countries that reach over 1 million people annually. Patient support programs help manage a patient's medication/disease—and/or provide assistance for medication access, including individual discounts and reimbursement support. We estimate that of the 1 million people reached through our patient support programs, more than 400,000 live in settings with limited resources.

Internal Innovation Fund

Our 30x30 commitment requires a continuous cycle of learning and solution generation across the company. To help advance Lilly's commitment to global health, we have created an internal innovation fund to tap employee ingenuity. The fund will help advance new ideas from employees on how to increase access for people living in communities with limited resources.

Through regional consultations, we are actively engaging and soliciting ideas to help Lilly reach 30 million people by 2030. Funding decisions will be based on established 30x30 criteria, including long-term, sustainable approaches with the potential to reach more people and alignment with business priorities.

Partnerships

Lilly is engaged in numerous partnerships with leading global health organizations and governments. These partnerships work to strengthen health care systems and increase access to quality care in lower-income communities. We use our molecules, technology and expertise in collaborations with other organizations to find new approaches and solutions to pressing global health concerns, including diabetes, cancer and tuberculosis.

Lilly Global Health Partnership

The Lilly Global Health Partnership develops patient-centered models of care for diabetes and cancer to expand access and improve health outcomes at the primary care level for people in resource-limited settings. The partnership works to advance government priorities and strengthen local healthcare systems by developing and testing models of care.

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.

The Lilly Global Health Partnership advances more than 20 years of Lilly's global health work that seeks to improve access and care for tuberculosis, diabetes and cancer. Examples of how the Lilly Global Health Partnership is strengthening community-based and primary care services for non-communicable diseases (NCDs) 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.
- Implementing technology-based tools at the primary care level to drive adherence to treatment and reduce complications.

LILLY GLOBAL HEALTH PARTNERSHIP FOCUS AREAS, 2018-2022

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

	China	Kenya	Mexico	South Africa	U.S.
Diabetes	■	□	■	■	■
Cancer	□	■	□	□	□

Life for a Child

Since 2008, Lilly has donated over 1.4 million vials of insulin to the International Diabetes Federation's "Life for a Child" partnership. The program currently provides access to care, education and lifesaving medicines and supplies to nearly 15,000 children with diabetes in 48 developing countries.

Labor

At Lilly, our company values—integrity, excellence, and respect for people—shape our approach to attracting and developing a highly skilled workforce. With these values as our guide, we are committed to fairness and nondiscrimination in our employment practices, and we value diverse backgrounds, skills, and global perspectives. We want our company to be a place where our employees enjoy meaningful work, build successful careers, and make important contributions to society.

In this section, we discuss our efforts to provide employees with a safe, supportive, and rewarding work environment, to offer fair compensation, career training and development, and to help employees balance their work and personal lives. 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 key driver of business success and growth.

Workplace Restructuring

In September 2017, we announced actions to streamline many of our operations to more efficiently focus efforts to develop new medicines for patients around the world. Global workforce reductions, including those from a U.S. voluntary early retirement program, affected approximately 3,500 positions.

We recognize that decisions like these affect people's lives and we don't take them lightly. We strive to adhere to our core value of respect for people as we carry them out. Depending on location, Lilly offers workforce transition services and severance pay.

The streamlining efforts were part of a broad productivity plan to improve our cost structure and help us continue to adjust to a rapidly changing healthcare environment so we can better meet the needs of patients for innovative medicines.

The majority of the positions eliminated came from a voluntary early retirement program in the United States. Those who were eligible to participate in the voluntary program received access to free financial planning assistance, and those who retired under the program received enhanced retirement benefits.

Some additional reductions in positions came in late 2017 and early 2018 from other actions, including select site closures. For example, we began moving production at an animal health manufacturing facility in Larchwood, Iowa, to our existing plant in Fort Dodge, Iowa. And a research and development office in Bridgewater, New Jersey, and the Lilly China Research and Development

EMPLOYEE SAFETY AND WELLNESS

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 wellness are managed by our Health, Safety, and Environment (HSE) team. For more information, see our discussion in Employee Safety.

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.

Center in Shanghai, China, were closed as we streamlined our pharmaceutical research and development activities. We also further consolidated some work to existing shared service centers in Ireland and India.

In 2018, we continue to improve efficiencies and shift resources—reducing in some areas and adding in others—to meet our customers' changing needs. All of these efforts are handled consistent with applicable local requirements.

Training and Development

Ongoing employee development is critical to our success. Lilly employees receive the training they need to ensure that they have the capabilities to do their jobs, and that they understand corporate policies, such as those contained in our code of conduct.

To further support our employees, we work to cultivate a culture of lifelong learning, encouraging employees to seek ongoing education and growth experiences as a strategic element of their career at Lilly. We strive to provide opportunities for employees to build careers that reward them personally and professionally.

Lilly employees have access to learning and development programs, beyond their immediate job responsibilities, to gain new skills and achieve career aspirations. These programs include leadership training designed to build strong, inclusive leaders.

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.

We are committed to ensuring pay equity for all of our employees. For many years, we have regularly conducted pay-equity studies in the United States. In 2017, we broadened these efforts to include all employees in the United States and the UK. The results were favorable, with just a small percentage of the population requiring 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

U.S. WORKFORCE ETHNIC DIVERSITY

22% Minority Employees

- **8%** Asian
- **7%** African American
- **4%** Latino
- **2%** Two or more races
- **>1%** Native American

GENDER DIVERSITY AT LILLY IN 2017

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

The average for Fortune 500 companies is **21.8%**[1]

Lilly also has six women on its executive committee **43%**

Leadership Positions[2]

Global Workforce

U.S. Workforce

[1] 2020 Women on Boards, 2017 Gender Diversity Index.

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

benefits; and health and disability programs that are available for eligible employees when they need support. In some locations, certain benefits are extended to family members. Read more in our Employee Wellness at Lilly section.

Diversity and Inclusion at Lilly

We believe that a diverse, inclusive culture provides fertile ground for scientific and clinical innovation and also sparks new customer insights. Embracing diversity at Lilly means understanding, respecting and valuing differences—including, but not limited to, aspects of identity such as race, religion, sexual orientation, gender identity, disability status, work style, national origin and age.

The future of our business depends on us finding solutions to complex diseases, and we want to recruit the best talent from around the world. Once people join the Lilly team we want them to feel welcome and included in our company culture, able to contribute their best ideas, and comfortable bringing their "whole selves" to work.

Beyond that, we are taking steps to further diversify our leadership ranks by ensuring that everyone has equal opportunities for career growth and advancement.

Our commitment to diversity goes beyond our employees. 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.

Governance of Diversity and Inclusion: A Commitment from the Top

We believe that creating a diverse and inclusive workplace helps us to better serve the global marketplace in which we operate. We hold our leaders accountable for developing an inclusive workforce, including performance objectives focusing on mentoring, sponsorship of promising talent, and career planning.

2017 LABOR RECOGNITION

FORBES: *The Just 100 America's Best Corporate Citizens #28*

ETHISPHERE: *World's Most Ethical Companies, 2017 and 2018*

THOMSON REUTERS DIVERSITY AND INCLUSION INDEX: *#14 globally*

WORKING MOTHER MAGAZINE: *100 Best Companies for Working Mothers, 23 consecutive years*

DIVERSITY INC.: *Top 50 Companies for Diversity #16 overall; #8 for People with Disabilities; #9 for Mentoring; #8 for Progress; #11 for Employee Resource Groups*

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 2017 Top 20 Employers*

DAVE THOMAS FOUNDATION: *Best Adoption-Friendly Workplaces*

2020 WOMEN ON BOARDS: *Winning Company, Corporate Champion*

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

Lilly's senior vice president for human resources and diversity reports directly to our chairman and CEO. Top leaders receive quarterly updates on our diversity and inclusion strategy—including updates on Lilly's progress toward diversifying our management ranks. This information is then shared with all employees.

We seek to embed diversity into our talent-management processes—recruiting and staffing, learning and development, coaching, performance reviews, and succession management. Supervisors are expected to interview a diverse slate of candidates for every staffing opportunity, whether hiring from within Lilly or considering outside candidates. Our Code of Business Conduct, *The Red Book*, also summarizes our approach to creating an inclusive, nondiscriminatory environment.

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.

Creating an Inclusive Culture

We strive to create a workplace in which all Lilly employees feel welcomed, respected, valued and heard, which enables them to do their best work for the people we serve. We stress inclusive

"At Lilly, embracing diversity and inclusion is a means to drive excellence across our organization. We cannot deliver exceptional value to our customers if we do not understand all of those customers for who they are and how they see the world.

"Inside the company, we want to build greater empathy across the many dimensions of difference. We want to harness that empathy—that understanding—and turn it into workforce engagement and accelerated innovation. Diversity and inclusion are core to our strategy for changing the lives of patients with serious disease."

– Dave Ricks, Lilly chairman and CEO

EMPLOYEE RESOURCE GROUPS IN 2017

Employee Resource groups are critically important to our company's business strategy.

11 Employee Resource Groups

14,600 Members

75 Satellite Groups Globally

15,000 Internal Volunteer Hours

8,000 External Volunteer Hours

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 recent years, Lilly's ERGs have been expanding into areas that will have 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, and 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 language and culture of their destination country. Lilly ERGs also participate in recruiting events at universities and career fairs to help us attract a diverse pool of prospective employees and interns.

leadership for all supervisors—and encourage them to participate in a powerful training program—and we provide opportunities for employees to openly discuss and examine often-sensitive topics related to diversity and inclusion.

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.

ERGs include members representing all levels of the company, and each ERG has a senior leader as an executive sponsor who takes an active role in ERG events and activities. This means that ERG members have interactions with leaders they might otherwise never have a chance to 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.

Major Initiatives in 2017 and Early 2018

In 2017, we launched or continued other strategies and initiatives to improve the diversity and inclusiveness of our company culture. Among them:

- **Talent management review.** With the help of an external consulting group, we completed an assessment of our talent management program and in 2018 we have begun redesigning key parts of it to ensure consistency and fairness.
- **Aspirational diversity goals.** In 2017, we began measuring progress toward aspirational goals for increasing the numbers of women in leadership globally and minorities in leadership positions in the United States. We have begun seeing progress, with a three percent improvement in the numbers of women in management roles in 2017.
- **Conscious inclusion training.** By the end of 2018, nearly 2,000 Lilly leaders and supervisors will have experienced this training—and we intend to make it available for many more employees at all levels going forward.
- **Minority Employee Journeys.** In 2016 and 2017, Lilly began applying a market-research approach to more fully understand the experience of our employees. This data is helping Lilly identify areas to improve the experi-

ence of all employees as they progress in their careers, and to help us further diversify our leadership ranks

Lilly's Minority Employee Journeys

Modeled after the research we conduct to understand our patient populations, the Minority Employee Journey study was designed to help us understand the experiences, unmet needs, and career tensions of our employees.

We partnered with an outside firm to design and execute this research initiative. Through surveys, interviews and focus groups, we captured insights from more than 5,000 Lilly employees in the United States at all levels and across all functions.

The reported experiences of African Americans, Latinos and Asians at Lilly—their Journeys—were compared with those of Caucasian employees who were also surveyed. This information is helping us articulate each minority group-specific journey and understand their similarities and differences.

The insights gleaned from the Minority Employee Journeys, along with those of the 2016 Women's Journey, are being used in 2018 to inform our talent management program improvements and to develop action plans to address other areas—including psychological safety, executive sponsorship of top talent from all backgrounds, and greater accountability for inclusive leadership.

Ultimately, our objective is to do an even better job of ensuring career growth and equality for all of our employees.

LGBT Self-identification

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 LGBT self-identification programs. In order to make progress toward a richer and more inclusive workplace culture, in the first quarter of 2017, we invited employees in the United States to voluntarily self-identify as lesbian, gay, bisexual, transgender (LGBT), or heterosexual.

About two percent of our U.S. workforce chose to identify as LGBT in our 2017 employee survey. In 2018, we will conduct a similar survey in the United Kingdom. We believe LGBT self-identification is a good practice that, where permitted by country-specific laws and culture, can help Lilly make progress toward a richer and more 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 LGBT. Small suppliers are defined as per U.S. Small Business Administration small business size standards. We actively seek to expand relationships with these types of suppliers, which we view as an often-untapped source of talent.

In 2017, the U.S. Small Business Administration recognized us as "outstanding" in our efforts to promote and maintain supplier diversity. In 2017, we spent approximately $366 million with suppliers classified as diverse, woman-owned, and/or LGBT-owned businesses, as well as more than $587 million with more than 1,000 suppliers classified as small businesses.

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 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, and to the administrators who manage complex regulatory responsibilities.

This section covers the broad range of our health, safety, and environmental 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 2017, Lilly scored a rating of B on climate change and an A- 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 Elanco and Pharmaceutical manufacturing health, safety, and environment (HSE) committees oversee sustainability performance and compliance with applicable HSE regulations, policies, procedures, and standards while ensuring we continually measure, report, and reduce Lilly's environmental impacts associated with our own as well as contract manufacturing organizations.

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

Lilly tracks the GHG emissions of our product transportation and distribution vendors, and we collaborate to reduce those impacts while ensuring product integrity. We consider many factors in selecting product packaging, including sustainability aspects such as materials use and recyclability. We require packaging vendors in China, Europe, and the United States to certify that they source all paper and cardboard used to package our products from sustainable forests.

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[1]

ENVIRONMENT

20%
Reduction in greenhouse gas emissions[2,3]
(baseline 2012)

PROGRESS THROUGH 2017
8.4%
Reduction

20%
Improvement in energy efficiency[2]
(baseline 2012)

PROGRESS THROUGH 2017
0.7%
Decrease

15%
Reduction of phosphorus emissions in wastewater[4]
(baseline 2014)

PROGRESS THROUGH 2017
25.5%
Increase

20%
Improvement in waste efficiency[5]
while increasing recycling rate above 70% and decreasing waste to landfill below 10% of total waste
(baseline 2012)

PROGRESS THROUGH 2017
16%
Improvement
recycling rate increased to 55%, waste-to-landfill decreased to 17%

SAFETY

0.70
Total recordable injury rate

0.25
Lost-time injury rate

12%
Motor vehicle collision rate

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

[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, steam, chilled water) and on-site fuel combustion.

[4] In absolute terms. Significant source reductions are planned to move us toward our 2020 goal.

[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.

RECORDABLE INJURY AND LOST-TIME INJURY RATE

YEAR	RECORDABLE INJURY RATE	LOST-TIME INJURY RATE
2020 GOAL	**0.70**	**0.25**
2017	0.81	0.27
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%**
2017	15%
2016	16%
2015	16%
2014	18%
2007	25%

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

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.

HSE Governance Structure

HSE management at Lilly is integrated through a formal, company-wide 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;

- **Manufacturing HSE committees**, which support these efforts and drive 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.

GOVERNING HSE AT LILLY

[1] Our Elanco and pharmaceutical operations have separate but aligned HSE governance structures for manufacturing, research and development, and general and administrative functions. The Elanco and pharmaceutical governance structures share common Lilly policies, standards, and assurance systems and establish their own as appropriate.

Lilly's HSE Policy Statement, Procedures, and Standards

For clarity, 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 standards clearly articulate our commitments and guide our efforts. They include the following.

- **Protecting People, the Environment, and Our Assets – Policy Statement:** sets environmental expectations related to compliance and environmental protection for our people and operations.
- **Environmental Standard:** provides more detailed requirements and establishes the core governance requirements to manage the environmental and energy-related aspects of our operations.
- **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.
- **Global Engineering Requirements:** 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 sites and business areas 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 also certified 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 2017, we audited 25 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 75 external 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 impacts 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 which use less-toxic chemical alternatives where feasible. We explore innovations that can lessen the total negative environmental outputs which can result from production of a medicine.

Green chemistry and engineering has 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 which 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)—which requires companies to collect and register information about the chemicals they manufacture or use.

These regulations may require replacing chemicals identified as hazardous with safer alternatives, when available. To address these concerns, Lilly has begun implementation of 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. We are committed to ensuring that our facilities and supply chain remain in compliance with chemical management laws.

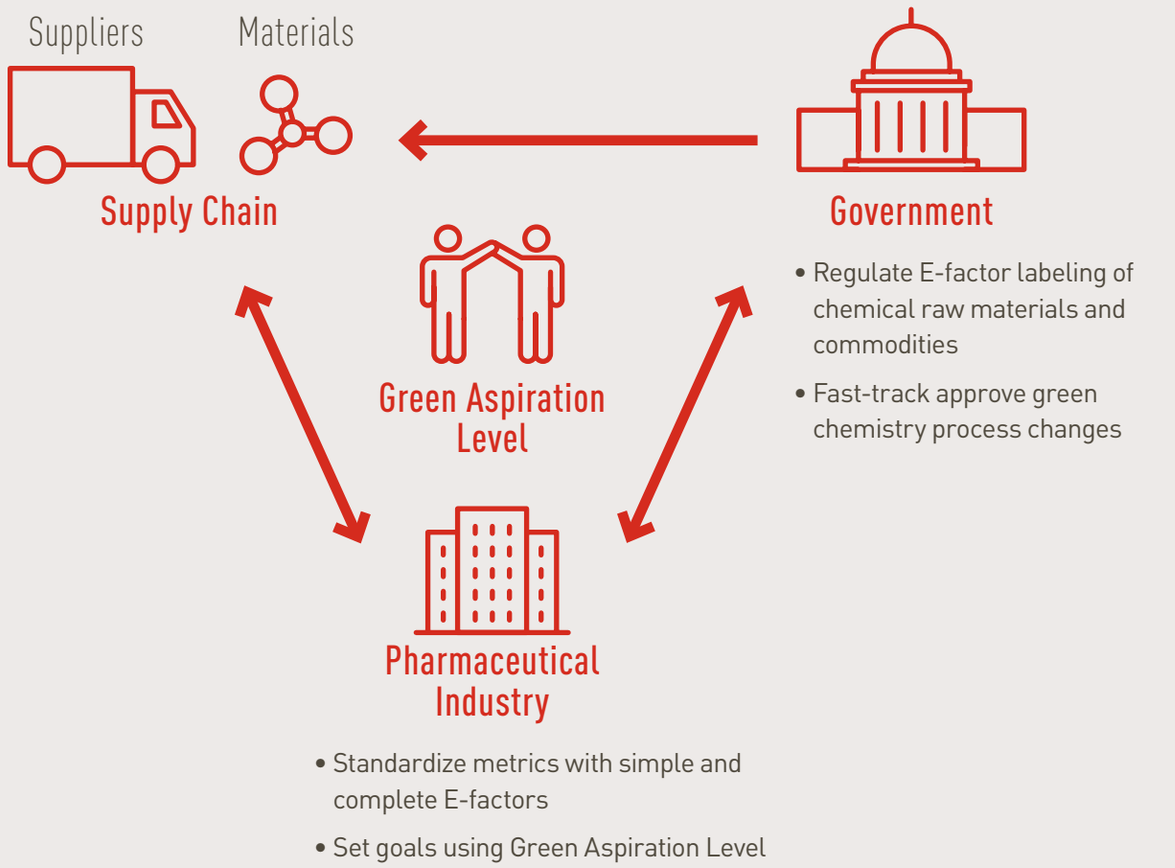
In addition to our green chemistry assessments, during the scale-up of medicine production to manufacturing levels in our human pharmaceutical business, we use an Environmental Development Review (EDR) process to evaluate other potential environmental issues and opportunities. This process helps us identify and address potential impacts arising from manufacturing, suggest process improvements, and share 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 2017, we were involved in the following pre-competitive collaborations:

- *American Chemical Society (ACS) Pharmaceutical Roundtable.* Lilly presently co-chairs this important group which has grown from three companies in 2005 to 22 today. In 2017, Lilly led a new 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.
- *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 will be 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 2017, a record five researchers were funded, three in continuous flow chemistry and two for greener biologics processes.

COLLABORATING ON A GREEN CHEMISTRY SCORECARD



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.

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 2017, CDP, formerly known as the Carbon Disclosure Project, recognized our efforts with a score of B, which is considered "managing" level.

Goals and Trends in 2017

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 2017, we decreased our emissions intensity by 8.4 percent compared to our 2012 baseline. Total energy consumption was up slightly in 2017 as well as our energy intensity. There are several reasons for this. Our goal measures both emissions intensity and energy intensity per square foot of site space. 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:

- Puerto Rico – Began a pilot project to provide advanced energy efficiency monitoring, installation of LED lighting, and optimization of heating, ventilation, and air conditioning (HVAC) systems.
- Indianapolis – Optimized chiller performance at the Lilly Technology Center, saving an estimated $1 million annually. Implemented an electronic energy and fault monitoring system for over 230 air handlers, which optimizes energy efficiency.
- Sesto, Italy – Installed a high-efficiency, uninterruptable power supply unit, variable frequency drives, and higher-efficiency electric motors on chilled water pumps, and implemented high-efficiency belting on some air handling units.

Renewable Energy

We will continue to evaluate further use of renewable energy to diversify our

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. This unit is expected to be completed in 2019, resulting in greater than $7 million of energy savings annually and approximately 15 percent reduction in GHG emissions for our Puerto Rico facility. We also operate combined heat and power systems in Kinsale, Ireland; Sesto, Italy; Speke, England; and Clinton, Indiana.

energy sources, decrease our GHG emissions, and lessen our energy use intensity over time. In 2017, energy sourced from renewable sources accounted for 48,000 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 through power purchase agreements.

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 2017, our efforts received an A- rating from the CDP's water program, above the average for the pharmaceutical industry. 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 and Waste Reduction Fund.

Goals and Trends in 2017

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 2017, while still in the project planning and early execution phase to achieve this goal, our total wastewater phosphorus emissions grew to approximately 160 metric tonnes, a 26 percent increase from 2014. Production changes that increase the amount of phosphorus materials used at several large sites negatively impacted our overall progress on this goal. However, significant source reduction projects are planned that include phasing out and replacing selected cleaning agents with non-phosphorus-based alternatives. In addition, technical teams at Lilly are evaluating existing cleaning processes and plan to apply phosphorus-reducing improvements to key sites worldwide. This work will take several years to complete and is progressing well. We expect efforts to result in significant improvements beginning in 2018 and 2019.

In 2017, Lilly's total water intake was nearly 14 billion liters, an increase of just under three percent from 2012, due primarily to production increases.

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 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 2017

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 are directly reused.

In 2017, Lilly generated 294,000 metric tonnes of waste (including material directly reused), representing a seven percent increase as compared to 2012, and a zero percent increase as compared to 2016 amounts. However, we were able to designate 233,000 tonnes of this waste for reuse, much of it as fertilizer. After reuse, 60,000 metric tonnes of waste remained. This amount was 19 percent less than our 2012 goal baseline.

From 2012 through 2017, our waste efficiency increased by 16 percent. Processing changes in our animal health business and the process of upgrading equipment in our production facilities, account for the fluctuations in this time period. We will continue to seek opportunities to improve waste efficiency, and we forecast improvement in this area in the coming years through 2020.

We improved our recycling rate to 55 percent in 2017, up from 47 percent in 2012, and we sent 17 percent of our waste to landfills, compared to 28 percent to landfill in 2012. During the year, nine of 28 Lilly manufacturing sites globally reported zero waste-to-landfill status, indicating that they send less than 0.5 percent of the waste they generate to landfill.

Encouraging Eco-Efficiency Across Our Operations

We established the Energy and Waste 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, which are not covered by local capital budgets. Since 2006, Lilly has invested more than $43 million in this fund, enabling the implementation of 171 projects, which all told, garnered nearly $22 million in savings. These projects collectively save more than 972 billion BTUs of energy annually, avoiding more than 116,000 metric tonnes of carbon dioxide equivalent (CO_2e) of GHG emissions each year.

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, 2012-2017 [1,2]

	2012	2013	2014	2015	2016	2017
GREENHOUSE GAS EMISSIONS						
Greenhouse Gas Emissions (Scope 1 and Scope 2) (metric tonnes CO_2e)	1,547,000	1,593,000	1,559,000	1,555,000	1,464,000	1,473,000
Scope 1	432,000	481,000	458,000	476,000	463,000	483,000
Scope 2	1,115,000	1,111,000	1,101,000	1,080,000	1,001,000	990,000
Greenhouse Gas Emissions Intensity (related to goal) (metric tonnes CO_2e/1,000 square feet)[3]	57.1	58.3	58.7	56.1	52.3	52.3
Scope 3 Emissions (not included in metrics above)[4] (metric tonnes CO_2e)	303,000	298,000	288,000	301,000	294,000	259,000
ENERGY USE						
Energy Consumption (million BTUs)	10,900,000	11,400,000	11,300,000	11,400,000	11,100,000	11,400,000
Energy Intensity (million BTUs/1,000 square feet)[3]	456	472	477	464	449	459
Direct Energy Consumption (million BTUs)[5]	4,170,000	4,520,000	4,380,000	4,560,000	4,380,000	4,770,000
Indirect Energy Consumption (million BTUs)[6]	6,720,000	6,860,000	6,930,000	6,800,000	6,690,000	6,590,000
WATER USE						
Water Intake (billion liters)[7]	13.4	13.7	15.0	14.2	14.5	13.8
Phosphorus emissions to wastewater (metric tonnes)	--	--	127	133	170	159
WASTE						
Total Waste Generation (metric tonnes)	285,000	310,000	295,000	251,000	297,000	294,000
Total Waste Generation not Including Reuse (for recycling goal) (metric tonnes)[8]	74,000	75,000	89,000	112,000	90,000	60,000

	2012	2013	2014	2015	2016	2017
WASTE DISPOSITION						
Recycled (includes combustion with energy recovery) (metric tonnes)	34,300	32,500	46,700	57,000	54,000	33,300
Treated (includes combustion without energy recovery) (metric tonnes)	18,700	19,900	30,100	26,500	23,900	16,600
Landfilled (metric tonnes)	20,700	22,600	12,000	28,400	11,900	10,500
Waste Recycling Rate	47%	43%	53%	51%	60%	55%
ENVIRONMENTAL COMPLIANCE						
Reportable Permit-Limit Exceedances[9]	8	5	3	5	5	6
Number of Significant Spills[10,11]	0	0	0	0	0	0
Environmental Fines Paid (USD)	$732	$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

[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 these entities is estimated based on square footage.

[4] Data includes Scope 3 emissions from employee business travel (personal and rental cars, taxi, rail, and air travel), employee commuting, contracted product transportation and distribution, waste generated in operations, and non-Kyoto compound emissions (refrigerents, VOCs, etc.) Data does not include sales force travel using company vehicles, use of Lilly aircraft, or product distribution with Lilly vehicles. Those items are Scope 1 and included in the data above.

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

[6] Data includes energy from purchased electricity, steam, and chilled water.

[7] "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.

[8] 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.

[9] 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.

[10] In November 2017, Lilly personnel discovered an equipment malfunction at our Indianapolis active pharmaceutical ingredient (API) manufacturing site in Indianapolis. The malfunction was not detected for several months due to a pressure gauge that had failed. The malfunction was immediately fixed upon discovery, however, during those months, Lilly exceeded our permitted emissions limit of acetonitrile, a solvent used in manufacture. Lilly reported this deviation to the Indiana Department of Environmental Management shortly after it was discovered. There has not been any enforcement action to date related to this event. We do not believe this impacted our surrounding community as it immediately dissipated into the air.

[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.

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 health, safety, and environmental (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 2017, Lilly HSE professionals led several PSCI committees and, beginning in 2018, hold a seat on the PSCI Board. All told, a total of seven Lilly HSE professionals serve on PSCI's board or 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 2017, we conducted onsite audits at 65 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 2017, Lilly professionals participated in third party auditor training in China and India. Other events in India included a four-day supplier environmental capability-building workshop, a green chemistry roundtable discussion, and an education and awareness meeting with local supplier chief executive officers.

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 promotes 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

Lilly tracks the GHG emissions of our product transportation and distribution vendors, and we collaborate to reduce those impacts while also ensuring product integrity. 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.

We require packaging vendors in China, Europe, and the United States to certify that all paper and cardboard used to ship our products is sourced from sustainable forests. For folding cartons, leaflets, labels, and combination products, we accept certifications provided by the Forest Stewardship Council. For fiber sourcing, chain of custody, and product labels, Lilly accepts certification from the Sustainable Forestry Initiative.

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. We have changed the shipping mode for some of our pharmaceutical products from air to ocean, resulting in over $12 million in savings, a reduction in GHG emissions, improved product protection, and an overall reduction in packaging. As of 2017, Lilly ships 30 percent of our product via ocean.

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 and provides metrics to our management team on the type and volume of inquiries we receive on product end-of-life issues.

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).

Lilly believes that recommendations to dispose of most unused and unwanted medicines in household trash are well supported by current and ongoing research as environmentally safe, effective, and easy for consumers to understand. However, there are exceptions. For certain medications that may be diverted or pose an immediate risk to human health, the U.S. FDA recommends disposal by flushing down the toilet. When in-home disposal is not preferred or allowed by law, we support voluntary industrywide, cost-effective disposal solutions for unused medicines that are safe and easy for patients, prevent misuse of prescription drugs, and ensure environmental protection.

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.

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. While the measured concentrations of PiE are typically lower than those expected to have effects on environmental species, there are infrequent examples where effects can be linked to pharmaceuticals. Such examples are usually associated with pharmaceuticals of particular mechanisms (e.g., steroids) or particular uses (e.g., birth control). In addition, there are many "legacy" pharmaceuticals for which risk assessments and modern datasets aren't available.

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.

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 control 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. As we have begun outsourcing 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.

Antibiotic Resistance Associated with Wastewater Discharges

Production and use of antimicrobial compounds to control diseases inevitably results in residues from those compounds being discharged into wastewater treatment facilities, thereby resulting in concentrations far below their therapeutic effect levels. Some researchers have hypothesized that low concentrations of these residues in the environment will make the growth of resistance bacteria more likely.

The role of residual antibiotics in the development of resistant microbes in the environment is not clear. It is also unknown if resistant microbes in the environment can transfer resistance to pathogenic microorganisms and if these resistant pathogenic microorganisms in the environment can then infect humans to negatively impact health. Despite these unknowns, additional controls for manufacturing effluents containing antibiotics are being proposed by external stakeholders.

As a precaution, and to minimize the potential for microbes to develop resistance as a result of any discharge of antibiotics in wastewaters from our production facilities, Lilly is implementing additional control criteria on top of our existing discharge limits. These controls are consistent with internationally recognized guidance established by Veterinary International Cooperation on Harmonisation Expert Working Group to evaluate the safety of antibiotic residues. Our efforts to minimize the possibility of risk from production facility wastewaters will continue to evolve as we evaluate future scientific information and approaches, and participate in helping to develop new guidance.

In addition, our animal health division, Elanco, is continuing to implement its comprehensive eight-point Antibiotic Stewardship Plan to ensure safe, long-term access to antibiotics for people and animals.

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., Canada 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 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 a scientific publication[1] and several project reports. This project continues to support academic research for university students.

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 2017, 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;
- Continued to review articles in scientific journals, present at conferences and workshops, and participate 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, Animal Health Europe and the U.S. Animal Health Institute; and
- Lilly is actively 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. PSCI is planning 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.

[1] Kennedy, R, Arthur, W, Keegan, B, 2011. Long-term trends in benthic habitat quality as determined by Multivariate AMBI and Infaunal Quality Index in relation to natural variability: a case study in Kinsale Harbour, south coast of Ireland. Marine Pollution Bulletin 62: 1427–1436.

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 2018. A second phase to continue iPIE project efforts beyond 2018 is under consideration.

Elanco: Enriching Life Through Food and Companionship

Elanco, Lilly's animal health division, provides comprehensive products and knowledge services to improve animal health and food-animal production in more than 70 countries around the world. At Elanco, we focus on two causes: food security and the human-animal

bond—both extensions of our company vision: food and companionship enriching life. Our cause-driven business strategy engages our employees as well as the communities where we live and work, and aims to provide sustainable solutions to global health challenges.

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. In June 2015, human and animal health leaders gathered at the White House in Washington, DC, to discuss antibiotic stewardship and how to protect the long-term effectiveness of antibiotics. Building on that event, Elanco developed an aggressive, multifaceted plan to combat antibiotic resistance, which includes a significant research investment and a landmark, first-of-its-kind antibiotic stewardship summit for the global animal protein industry and food chain leaders.

Promoting Food Security

Because Elanco is dedicated to improving animal health—including the health of animals raised for food—we have a direct connection to helping feed people all over the world.

We work to ensure nutritious food is accessible and affordable to all through hunger-related initiatives that help break the cycle of hunger for thousands of people around the world. This work is made possible through partnerships with Heifer International and United Way Worldwide.

Today, we are:

- Raising awareness about the growing challenge of food insecurity and partnering with others to develop solutions through the ENOUGH Movement, a global community working together to ensure everyone has access to nutritious, affordable food.
- Ending hunger and improving food security for 100 communities by 2020, bringing 100,000 families out of

OUR ANTIBIOTIC STEWARDSHIP PLAN

Elanco's comprehensive eight-point Antibiotic Stewardship Plan is designed to ensure safe, long-term access to antibiotics for people and animals. The plan uses a "One Health" approach that recognizes the interconnection between healthy people, healthy animals, and a healthy planet. Through this work, we have:

- Worked with producers, veterinarians, and food chain partners globally to improve the responsible use of antibiotics—including delivering health monitoring and tracking data to producers to help them make more informed decisions and potentially reduce the need for antibiotic treatment
- Ceased marketing of growth promotion uses for shared-class antibiotics
- Eliminated over-the-counter sales of shared-class antibiotics, where veterinary oversight exists
- Not supported concurrent use of shared-class antibiotics to treat the same disease
- Supported veterinary oversight and responsible use—including building infrastructure such as veterinary education where gaps exist
- Developed new animal-only antibiotics and committed a significant portion of our food animal research budget to creating alternatives to shared-class antibiotics

hunger in the coming years through a partnership with Heifer International, projects in Asia and Africa, as well as support of the East Africa Dairy Development project.

- Working to improve animal health and productivity in dairy herds and poultry flocks for smallholder farms in Kenya, Uganda, and Tanzania through the East Africa Growth Accelerator project.

Promoting the Human-Animal Bond

We celebrate the benefits of pets in our daily lives through increased interactions with companion animals, better access to veterinary care, and global programs that support the human-animal bond.

Pets enrich our lives through companionship, the service they provide, and the proven health and social benefits they bring to people and communities. At Elanco, we support and highlight research proving pets are good for us. And we support the animals that support us—from assistance and therapy animals to search, rescue, and police dogs—working through partnerships with therapy and service organizations, such as Pet Partners and Canine Assistants, and in coordination with our veterinary customers' programs.

Employee Safety

Lilly focuses on creating a companywide culture where best-in-class 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 to 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 and vehicle safety training, contributes greatly to our company safety culture. Together with measures of lagging indicators, that have recorded events that have occurred, such as our recordable and lost-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 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 help reduce our injury rates across a seven-year period: 2014–2020.

In 2017, Lilly established two new leading indicators designed to reduce company injury and illness rates. Both of these metrics are shared with the executive committee quarterly, emphasizing the importance of maintaining an employee safety culture and minimizing risk.

- **Office ergonomic risk:** This area continues to constitute the highest percentage of recordable injuries across the company. We use WorkPace® software, which is designed to monitor computer use and to prompt employees to take regular breaks. We are measuring the percentage of employees using WorkPace® software, as well as the percentage of those employees identified as high-risk based on software diagnostics. High-risk employees (due to duration of computer use, and/or lack of breaks) receive personalized assessments.
- **Motor vehicle collisions:** When employees travel for work, their risk for accidents and personal injury increases. At Lilly, we have established leading indicators around the safe operation of company vehicles, including measuring the percentage of our sales representatives that receive "behind-the-wheel" defensive driving training, and the percentage of sales representatives that receive two face-to-face safety coaching sessions per year from their supervisor. These two leading metrics have a proven impact on lessening collisions.

Promoting a Culture of Safety at Lilly

We promote our company safety culture by including our employees in the process of improving performance. We educate employees in identifying and speaking up about unsafe behaviors and conditions, from acute hazards in need of immediate intervention, to those with the potential to cause chronic health issues, such as poor ergonomic design.

In 2017, Lilly continued to instill a culture of safety. Key examples included:

- Conducting our second DuPont Safety Perception Survey (SPS) across the pharmaceutical manufacturing organization. The survey demonstrated strong improvements for all facets of safety culture from our initial 2014 SPS;
- Completing our first DuPont SPS for targeted sales affiliates to establish baseline culture scores;

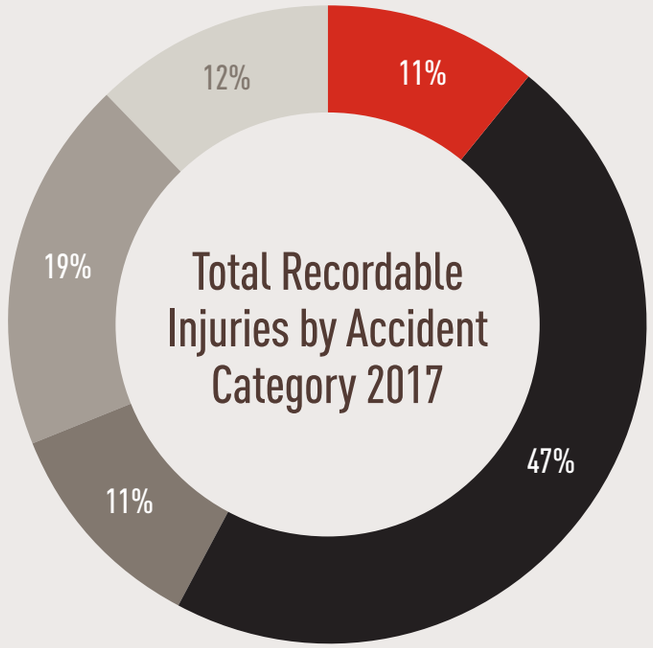
- Partnering with an external organizational effectiveness consultant, to develop and implement a HSE leadership course across our pharmaceutical development organization;
- Completing significant enhancements to our internal system designed for employee safety engagement (BSafe 5.0), and growing BSafe usage across the entire company; and,
- Continuing our growth and investment in behavioral-based safety programs, focusing on key risk factors for human error, and expanding the SafeStart® program, a global initiative focused on human error prevention, to reduce injuries within pharmaceutical manufacturing and Lilly Research Laboratories.

Reducing the Potential for Serious Injury

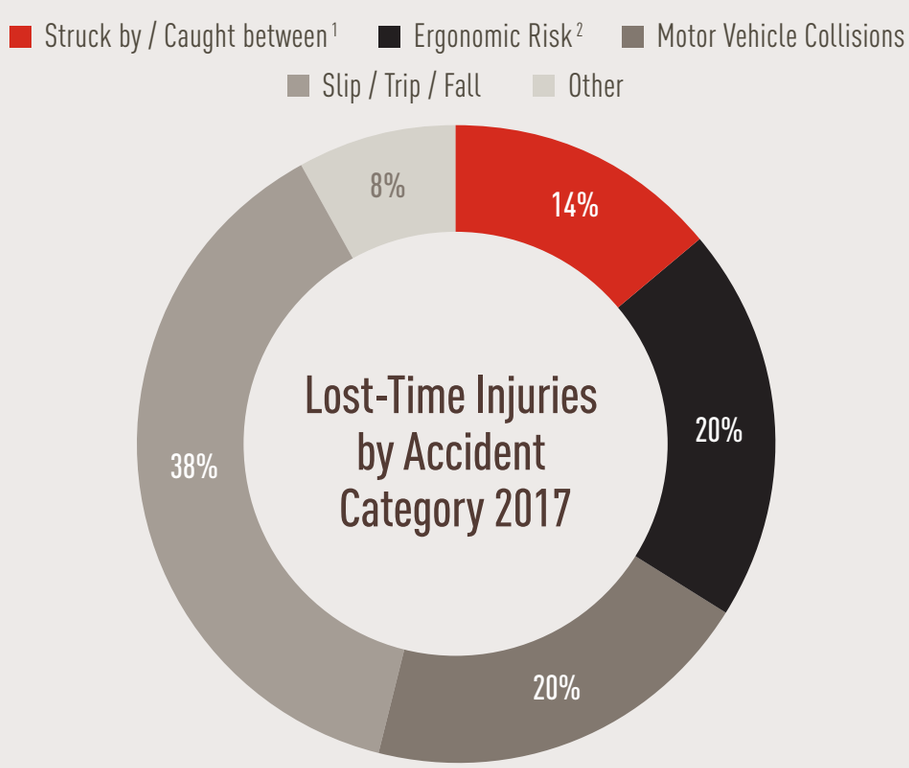
While the most common work-related injuries are covered by our safety programs, we have also committed to systematically addressing infrequent but severe events, where the consequences can be life-threatining, if not fatal. To prevent such serious injuries and fatalities (SIF), we subscribe to the following model:

- Train employees at all levels on the SIF Prevention model and key SIF definitions

LILLY'S SAFETY PROGRESS AND PERFORMANCE



YEAR	RECORDABLE INJURY AND ILLNESS RATE	LOST-TIME INJURY AND ILLNESS RATE
2020 GOAL	**0.70**	**0.25**
2017	0.81	0.27
2016	0.93	0.32
2015	0.88	0.27
2014	0.90	0.36
2007	1.44	0.60



[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.

YEAR	MOTOR VEHICLE COLLISION RATE[3]
2020 GOAL	**12%**
2017	15%
2016	16%
2015	16%
2014	18%
2007	25%

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

- Measure SIF events and potential SIF events across the entire company
- Identify and mitigate SIF Precursors
- Integrate SIF prevention into existing business processes

In 2017, we improved our global performance in SIF by:

- integrating sales affiliate data into existing manufacturing and laboratory SIF metrics;
- finalizing global "control of hazardous energy" assessments and authoring a technical paper;
- creating a revised protocol for assessing safe operation of powered industrial trucks and forklifts, then delivering regional assessment instruction; and
- communicating one page summaries of potential SIF events to share SIF precursors.

Lilly participated in, and presented company accomplishments at several SIF prevention conferences in 2017. These opportunities allowed Lilly to benchmark our results with peer companies.

Sales and Marketing Safety

At Lilly, sales and marketing employees represent nearly 30 percent of our global workforce. Their jobs require them to spend significant time driving, subjecting them to accident risks which are often out of their control. 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 in motor vehicle collisions, and, consequently, a significant reduction in motor vehicle-related injuries. In 2017, we saw further progress. As part of this effort, we:

- continued to improve our motor vehicle collision rate year-on-year, with a 43 percent decrease in collision rate since the program began in 2009;
- 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 Wellness at Lilly

The mission of the well-being and productivity team mirrors the Lilly Promise—uniting caring with discovery to make life better, including for our own employees and their families. Lilly is committed to creating a work environment that supports employee efforts to manage both work and personal life responsibilities. We have a broad view of wellness at Lilly, designed to create a culture of well-being across five dimensions: physical, financial, social, community, and sense of purpose. The well-being and productivity team has direct responsibility for our global well-being strategy, which is implemented by teams in the United States and our international locations. Related programs include a wide variety of topics focused on work-life balance, physical activity, healthy eating, financial wellness, as well as medical and disability leaves of absence.

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 contribute to a healthier and more active life. Employees can meet with a health coach on-site, by phone, or through group webinars at no cost. Lilly also 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, an on-site medical clinic allows employees to have annual preventative screenings and routine lab work. We also have several on-site fitness centers for individual and group exercise activities in addition to providing access to a national network of more than 10,000 fitness centers. We partner with our food service vendors to provide a wide range of healthier dining choices and snacks—some of which are subsidized. We provide showers and bike racks for more than 150 Indianapolis employees who commute to work by bicycle. We have also made all U.S. sites smoke-free.

Other U.S. efforts to support our employees' physical and emotional health include access to a dietitian, frequent fitness challenges, and a comprehensive employee-assistance program. New mothers may receive support through robust maternity leave programs, on-site childcare centers and back-up care

options, nursing rooms, and parenting education opportunities. We also promote financial well-being through a variety of online financial tools and financial advisory programs, as well as offer individual financial counseling on-site. 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 their own wellness programs. Some examples from our manufacturing sites include:

- The Sesto plant in Italy provides a holistic, integrated approach to employee health, safety and well-being. Sesto created a wellness team in 2017 and one of their first initiatives was developing well-being initiatives for their night shift workers—including identifying healthier food options.
- The Fegersheim plant in France completed construction of a new fitness center in early 2018 designed to promote health and well-being through employee exercise and relaxation.
- The Alcobendas plant in Spain operates an employee well-being program designed to increase health and injury prevention, build morale and workplace participation, and improve quality of life for employees. As part of their wellness focus, the plant has also introduced a nutrition and physical activity plan for employees, supported by healthier choices in the cafeteria on-site.
- The Kinsale plant in Ireland ran their fifth annual Live4Life week-long celebrations in 2017 focused on physical and psychological well-being, financial well-being, work-life balance, goal setting, first aid in the home, cancer awareness, and positive psychology, among other topics. The site incorporated feedback from an employee survey to create a well-being calendar featuring informational sessions with keynote speakers and on-site events throughout the year.

Anti-Corruption

For more than 140 years, Lilly people have approached our company's business with a deep sense of responsibility to all 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 honored Lilly as one of the "World's Most Ethical Companies" in 2017 and 2018.

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 detail 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 all reinforce ethical behavior. We have implemented programs designed to promote ethical conduct and foster a culture of trust and integrity, which we continue to refine and improve. We train all of our employees in ethical business practices and have systems in place to detect potential violations of the law and company policies 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.

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 24 languages, this document and associated training emphasize the company's values and the importance of ethical decision-making, summarize key principles from global company policies, and provide examples for employees to practice applying these principles to their decisions and actions. The foun-

dational 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.

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 throughout the business. 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.

LILLY HONORED FOR INTEGRITY AND TRANSPARENCY WORK

Lilly's ethics and compliance program was recognized at the 2017 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.

Lilly took top honors for Best Use of Technology and was one of five finalists for best compliance and ethics program in the "large cap" category comprising large publicly traded companies. The recognition highlighted the development of our myIntegrity app—available on iPhone and iPad—that provides quick and easy access to country-specific ethics and compliance procedures and information. Lilly also unveiled a new dashboard to help track ethics and compliance activities around the world. These technologies enhance our ethics and compliance program and help employees get the information they need to make good decisions quickly.

"We have made great progress simplifying our programs and raising awareness, and we are committed to continuing to find new ways to help employees do the right thing. I am so proud of all the work that contributed to this recognition."

— Melissa Barnes, Senior Vice President, Enterprise Risk Management and Chief Ethics and Compliance Officer

- 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.

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.

Lilly uses anti-corruption, due diligence processes 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

- Learn more about Lilly's commitment to transparency at Lilly.com
- Lilly engages in dialogue directly with members of the healthcare system and other interested parties about ethical interactions through our EthicsPoint 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.

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 if a physician or a particular teaching hospital has had financial interactions with a biopharmaceutical company, including Lilly.

Outside the United States, in addition to adhering to 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 also 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 of 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 2014, Lilly enhanced our transparency initiatives in alignment with the PhRMA/EFPIA Principles for Responsible Clinical Trial Data Sharing.

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 begun conducting pilot projects creating summaries of Phase II and III clinical trial results in patient-friendly language using simple, everyday terms. In 2018, Lilly will begin making these clinical trial "plain language summaries" available to study sites and piloting reliable distribution methods.

The summaries will be translated into the local language(s) where the studies took place and made available for the research sites and study participants.

Respecting Privacy

At Lilly, we are committed to the ethical management of all personal information, whether it is that of a customer, an employee, or any other individual.

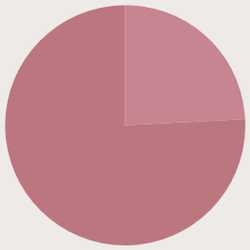
We are open and honest about how we collect, manage, use, and disclose personal information, and we are intentional about protecting it. We strive to only share it with those who are authorized—and have a legitimate business need—to see it. Our global privacy office and chief privacy officer oversee a global privacy program that is designed to protect the privacy rights of all individuals whose personal information is entrusted to us. Key components of that program include a principles-based policy that is supported by an infrastructure of procedures, job aids, training, and other materials governing the collection and use of personal information.

Our goal is to always deliver on the promises we make to individuals whose personal information we collect and use. We are respectful of an individual's

FINANCIAL SUPPORT AND LOBBYING ACTIVITY

In 2017, Lilly spent the following amounts on direct political activity[1]:

$1,427,000
in political financial support in the United States



$347,000 to state candidates in corporate contributions; and

$1,080,000 through the Lilly Political Action Committee (LillyPAC).

$7,035,000
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

privacy, and we demonstrate, in every business operation, in every location around the world, that people can trust us with their personal information.

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 at the board level by the Public Policy and Compliance Committee, which is composed entirely of outside directors. All decisions are made without regard for the private, personal preferences of the company's officers and executives.

All of our employees must also comply with our global policies, core values, and legal obligations, which are outlined in our written Code of Business Conduct, The Red Book. Our annual report of Political Financial Support provides details of our company's U.S. political contributions; our memberships in organizations that report lobbying activity to the U.S. government, and to which we contribute $50,000 a year or more; and the activities of our Political Action Committee, the 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?


Lilly