

ELI LILLY AND COMPANY

# 2019 UNGC Communication on Progress

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**PAGE 13     HUMAN RIGHTS**

UNGC PRINCIPLES ADDRESSED:

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

**PAGE 41     LABOR**

UNGC PRINCIPLES ADDRESSED:

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

**PAGE 56     HEALTH, SAFETY AND ENVIRONMENT**

UNGC PRINCIPLES ADDRESSED:

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

**PAGE 77     ANTI-CORRUPTION**

UNGC PRINCIPLES ADDRESSED:

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

# About Eli Lilly and Company

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

To learn more about Lilly, please visit us at [www.lilly.com](http://www.lilly.com) and <http://newsroom.lilly.com/social-channels>.

## About This Report

This report represents our Communication on Progress for 2019 in implementing the principles of the United Nations Global Compact.

Data and other updates contained in this report are focused on the 2019 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 2020. This report does not include joint ventures, partially owned subsidiaries, or outsourced operations.

In response to the COVID-19 pandemic, Lilly refocused internal resources to execute response activities, including those necessary to ensure that employees and their families are safe and that patients have access to Lilly medicines. As a result of these actions, we decided to postpone third-party verification of selected environmental data and progress against 2020 goals for the 2019 report. We will be completing this assurance process later in 2020 and the resulting assurance will be posted on [lilly.com](http://lilly.com).

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. Our global health, safety and environment management system is periodically reviewed by an independent, accredited auditor to ensure conformance with the American Chemistry Council's Responsible Care® Management System requirements.

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

### Mohamed Osman Mohamed

Corporate Responsibility, Eli Lilly and Company

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# A Message from Our CEO

## Dear Stakeholders,

Since Lilly's last communication on progress to the United Nations Global Compact, the world has changed. The COVID-19 pandemic has impacted the way we live, the way we conduct business and, most important, the health and wellness of millions of people. **Our response to the pandemic has been powered by our purpose, as we press forward to discover and supply medicines that make life better for people around the world.**

### Leveraging Our Expertise to Fight the Pandemic

Given the urgent need for new medicines to prevent and treat COVID-19, we partnered with two companies to develop potential antibody therapies and with National Institutes of Health in the NIAID Adaptive COVID-19 Treatment Trial with baricitinib, our JAK inhibitor. We initiated a Phase 2 clinical trial with one of our investigational antibodies, and we are developing serological antibody tests that could prove critical in the next phase of the pandemic.

Partnering with our home state of Indiana, we repurposed specialized labs to conduct free diagnostic testing and created a drive-through testing facility for healthcare workers and first responders. We created opportunities for Lilly employees to volunteer during work hours to support our medical system. And with other life sciences firms, we joined the Bill & Melinda Gates Foundation, national regulators and the WHO to ensure promising studies are quickly scaled to help people around the world.

### Advancing Global and Local Health

The actions we have taken around COVID-19 augment our employees' excellent work in 2019, as detailed in this report. Lilly delivered solid financial results, developed

DAVID A. RICKS  
Chairman and CEO



and launched important new medicines and made progress on our productivity agenda. The number of people our medicines are helping totaled more than 40 million last year.

We continue to form partnerships within and across health systems to facilitate patient access to critical treatments, regardless of income level or geography. Through our Lilly 30x30 commitment, we've set a goal to improve access to quality health care in resource-limited settings for 30 million people on an annual basis through 2030, with a focus on pipeline, programs and partnerships.

**Pipeline:** Scientific discoveries that don't become marketed medicines can still provide value. To address priority global diseases, Lilly researchers reviewed more than 350 molecules and legacy products to study mechanisms of action against known disease markers. They identified about a dozen promising candidates for further study and will make recommendations in 2020 to an internal research governing committee.

**Programs:** We offer more than 150 patient support programs across 51 countries that reach close to two million people each year. These programs support people who are taking Lilly medicines, along with their caregivers and loved ones. People who use our insulin can access numerous programs through our Diabetes Solutions Center, to which we have added the Lilly Insulin Value Program, enabling anyone with commercial insurance and those without insurance to fill their monthly prescription of Lilly insulin for \$35. Together, our solutions are helping up to 20,000 people each month better afford their insulin. In 2021, we'll be participating in a new program that aims to help seniors in Medicare Part D plans as well.

**Partnerships:** Through strategic global health partnerships, Lilly and the Lilly Foundation work to strengthen local healthcare systems and improve access to care. We use our technology and expertise to find sustainable and scalable solutions to pressing global health concerns, including diabetes and cancer.

Contributions from Lilly and the Lilly Foundation have helped support two new endeavors that are saving and strengthening lives. The first is AMPATH, a medical consortium that provides medicines and quality health care to people living in western Kenya. Lilly and the Lilly Foundation are supporting the expansion of the AMPATH model to Mexico and Ghana, respectively, with the potential to reach millions more people. The second is the new Health Worker Training Initiative, in which Lilly joined forces with four other companies and the Bill & Melinda Gates Foundation to fund 2,500 community health workers providing primary health care for nearly 1.7 million people in up to six African countries.

### Fostering Diversity and Inclusion

We continue to set aspirational goals and measure our progress in building a diverse workforce. From the end

of 2015 to the end of 2019, we increased the number of women in management globally from 41 percent to 45 percent. For racial and ethnic minorities and other non-majority members in the United States over that same period, we increased management representation from 18 percent to 24 percent. Across all levels of our company, in 2019 we saw increased representation for minorities in the United States and women globally.

Since 2015, we have conducted research called employee journeys to understand the experiences of women, African Americans, Asians and Latinxs at Lilly. We have used this information to make systemic advances that are having real, measurable impact. One example is *Make It Safe to Thrive*, an education program to build cultural literacy and strengthen teams by reducing unconscious bias and microaggressions. In 2019, all employees were required to complete an online version of this training.

### Managing Our Environmental Impact

Our promise of making life better includes protecting and preserving our world through environmental sustainability efforts. In 2019, Lilly scored a rating of B on climate change and B on water from CDP, the world's largest repository of environmental management information. We exceeded two of our 2020 environmental goals—15 percent reduction in phosphorous emissions and 20 percent improvement in waste efficiency—and we are developing our next set of targets, to be announced in 2020.

Since meeting our waste efficiency goal in 2018, we've focused on achieving our recycling and waste-to-landfill targets. During 2019, our facilities management team implemented innovative strategies for the decommissioning and demolition of a large R&D facility, seeking out new approaches to recycle and repurpose materials and achieving zero waste to landfill.

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My signature below affirms our company's ongoing commitment and our intent to support and advance the Compact's ten universally accepted principles in the areas of human rights, labor, environment and anti-corruption, in addition to the United Nations Sustainable Development Goals.

In these extraordinary times, we will continue to do everything in our power to aid in the global crisis, while delivering medicines to sustain the health of patients who rely on us. We're confident that our industry and the scientific strength that it brings will ultimately rid the world of COVID-19, and we will continue to do all we can to advance that noble cause.



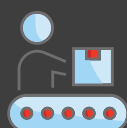
David A. Ricks, Chairman and CEO

# Lilly's Response to the COVID-19 Pandemic

The global pandemic brought on by the COVID-19 virus in early 2020 has changed the world as we know it. At Lilly, we are honored to join with our industry partners in bringing the unique scientific and medical expertise of the pharmaceutical industry to bear in this crisis. We're working together—with partners around the world—to help affected patients and communities.

Lilly continues to closely monitor the COVID-19 pandemic and its global impact. For updated information visit our [COVID-19 media page](#) on lilly.com.

## OUR PRIORITIES INCLUDE:



### Maintaining Supplies of and Access to Lilly Medicines

With the help of a large network of global external manufacturing partners we supply medicine to nearly 125 countries.

Lilly is committed to public health and does not currently anticipate shortages for any of our medicines, including all forms of insulin.

- We've taken several actions to protect our manufacturing processes, such as moving to a work-from-home policy for everyone except those with jobs that are essential to ensuring supply of medicines.
- We're in close communication with key suppliers regarding supplies of raw materials.
- Lilly does not source active pharmaceutical ingredients for any of our approved medicines from China, and, as of May 2020, our insulin manufacturing sites in the United States and Europe have not been impacted by the coronavirus.
- As the global situation evolves, we will continue to take the steps necessary to safeguard the reliable supply of our medicines.
- For those affected economically, we introduced our Lilly Insulin Value Program enabling people in the United States on commercial insurance or no insurance at all to fill their monthly prescription for most Lilly insulins for \$35.

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**“Lilly is moving at top speed and using all available resources to help fight this pandemic. Developing potential therapeutic medicines for COVID-19 is part of our vital and humanitarian mission. To be successful, we must combine resources, data and expertise, with government, academia and other companies.”**

—Daniel Skovronsky, M.D., Ph.D., Lilly's chief scientific officer and president of Lilly Research Laboratories

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## Keeping Our Employees Safe and Healthy

Protecting the health and safety of our employees has been, and remains, a major priority for Lilly. The pandemic has forced all of us to work in new ways and we are committed to supporting one another as we all adapt. We have worked to keep open communication with teams around the world during this challenging time.

- To maximize social distancing, we announced travel restrictions and remote working arrangements for those whose roles do not require on-site presence.
- In the field, we supported our customers and each other in new ways in this difficult time. We have stopped face-to-face interactions with customers in many countries and we're moving rapidly to a pure digital communication platform with customers.
- To keep employees informed, we created a frequently updated global resource page dedicated to COVID-19, including: frequently asked questions, resources for leaders and a global virtual assistant to provide responses to employee questions.
- To support employee well-being, we made physical and mental health resources available, including a global website for well-being resources featuring on-demand webinars, live fitness classes and resilience-building activities.
- This year our global Week of Well-Being included a global keynote address on resilience, a series on mental health and a virtual 5K race.
- In the United States, we enhanced local benefits related to health care, childcare and time off, and expanded reimbursement for home office ergonomic support expenditures.



## Developing Treatments for COVID-19

As the world urgently awaits new treatments for COVID-19, we at Lilly are working to do our part to put our expertise to work. In the face of the outbreak in early 2020, we've redirected scientific efforts to help solve critical medical issues—including potential therapeutics, diagnostics and testing.

- Under a partnership with AbCellera Biologics, Inc. we began Phase I clinical trials to develop treatments based on antibodies isolated from patients infected with COVID-19 who have recovered.
- We also entered into an agreement with Junshi Biosciences—which launched one of the industry's first R&D efforts aimed at discovering therapies to combat COVID-19—to co-develop therapeutic antibodies.
- We entered into a study with the National Institute of Allergy and Infectious Diseases (NIAID)—part of the National Institutes of Health—to study baricitinib as an anti-inflammatory treatment approach under the NIAID Adaptive COVID-19 Treatment Trial.
- We also have an investigational selective monoclonal antibody against Angiopoietin 2, to Phase 2 testing in pneumonia patients hospitalized with COVID-19 who are at a higher risk of progressing to acute respiratory distress syndrome.
- With other life sciences companies, we joined with the Bill & Melinda Gates Foundation, national regulators and the World Health Organization to ensure promising studies are quickly scaled to help people around the world.



## Supporting Communities

Lilly has a long history of giving back to the communities where we work and live. In this time of global crisis, we are committed to supporting our workforce, affected communities and people who need our medicines. We're working together—and with partners around the world—to help communities weather this storm and come back even stronger.

- We repurposed specialized labs to conduct free diagnostic testing in our home community of Indianapolis and created a drive-through testing facility for healthcare workers, first responders and other essential workers.
- The Lilly Foundation<sup>1</sup> joined a coalition of community funders to launch an initial \$16.5 million Central Indiana COVID-19 Community Economic Relief Fund to support human services organizations in Central Indiana during the crisis.
- The Lilly Foundation announced a 2:1 match for employee and retiree contributions to select COVID-19 community relief funds across the United States and in our hometown of Indianapolis.
- We announced a joint effort with Merck and Pfizer to enable employees who are licensed medical professionals to aid in the fight against COVID-19.
- As local schools were shuttered, the Lilly Foundation joined forces with the city of Indianapolis and other local stakeholders to establish the Indianapolis E-Learning Fund to support Indianapolis educators, students and families during the transition to at-home distance learning.
- Together with the governor of Indiana, the mayor of Indianapolis and other community stakeholders, Lilly launched the #INThisTogether community awareness campaign to provide access to helpful tips and information and galvanize communitywide commitment to flattening the curve of COVID-19 infections.
- Lilly and the Lilly Foundation also provided financial assistance for supplies and relief efforts in China through our long-standing partners, Project HOPE, Direct Relief and the Red Cross.
- Lilly donated personal protective equipment—including masks, gloves and lab coats—to Project HOPE for distribution to hospitals and clinics in high-risk areas and hot spots, including New Orleans, New York, Los Angeles, the Navajo Reservation near Gallup, New Mexico and Puerto Rico.
- The Lilly Foundation is matching 1:1 for employee contributions to international COVID-19 related projects—including more than 150 coronavirus-related projects—from relief aid distribution in China to emergency response efforts in Italy.

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**“The Lilly Foundation and Lilly are actively engaged with community partners to address new and complex challenges arising from the coronavirus—including the need for meaningful access to e-learning. The Lilly Foundation is privileged to join others to support the Indianapolis E-Learning Fund to ensure kids in Indianapolis—regardless of household income—have access to the e-learning tools and support they need to succeed.”**

**—Tiffany Benjamin, senior director, corporate responsibility, global health and president, Lilly Foundation**

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<sup>1</sup>The Eli Lilly and Company Foundation, Inc, a separate nonprofit organization, is commonly referred to as the Lilly Foundation.

# 2019 Responsibility Highlights

Beyond the impact of our medicines, Lilly has a long history of strengthening communities. We collaborate with organizations that have proven track records of social impact and we create meaningful opportunities for our employees to give and volunteer.

## United Way

During our 100-year relationship with United Way, contributions from Lilly employees and retirees—plus matching gifts from the Lilly Foundation—have totaled \$315 million. Together, we work to address complex societal challenges and create lasting change in the areas of health, education and financial stability. During its annual campaign, the Lilly Foundation worked with United Way of Central Indiana to develop new corporate partners by matching employee contributions dollar-for-dollar.

## Global Day of Service

Every year, more than 20,000 Lilly employees volunteer worldwide to improve health, education and communities around the globe. We collaborate with local organizations in 65 countries to increase our impact. Together, we've completed thousands of projects—from assembling cancer care packages to teaching in classrooms to improving local community centers.

### CONTRIBUTIONS AT A GLANCE

**\$90M**

TOTAL COMMITTED TO  
GLOBAL HEALTH EFFORTS  
THROUGH 2022

**\$1.3B**

2019 TOTAL PRODUCT DONATIONS<sup>1</sup>

**\$32.6M**

2019 TOTAL CASH DONATIONS  
\*including \$24.3M from the Lilly Foundation

**2.1M**

INSULIN VIALS DONATED: 2008-2019  
TO THE LIFE FOR A CHILD PROGRAM

**\$13.4M**

2019 TOTAL UNITED  
WAY CONTRIBUTIONS  
\*including \$6.9M from the Lilly Foundation

**1.2M**

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

<sup>1</sup>All product donations in this report have been valued at wholesale acquisition cost or WAC.

## Education—Investing in the Next Generation

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

- **Indianapolis Public Schools (IPS)**, which empowers and educates students with diverse backgrounds to think critically, creatively and responsibly to pursue their dreams with purpose. The Foundation grants support K-12 STEM subjects and ensuring equity in education;
- **The Mind Trust**, which strives to provide every Indianapolis student access to a high-quality school that will improve the lives of the students served and create new possibilities for the communities where they are located;
- **Teach for America**, which advances educational excellence and equity in the United States through a network of remarkable and diverse leaders working to expand opportunity and access for all children;
- **Starfish Initiative**, which strives to make a difference in the lives of marginalized youth—one student at a time—and its newly-launched mentoring initiative focused on LGBTQ+ teens;
- **Center for Leadership Development**, which fosters the advancement of minority youth in Central Indiana as future professional, business and community leaders by providing experiences that encourage personal development and education attainment.

## Connecting Hearts Abroad: A Decade of Impact

Lilly's global employee volunteer program marks 10 years of service and social impact in 2020. Since the program began, more than 1,300 Lilly employees worldwide have volunteered across multiple communities with limited resources in 18 countries.

Through hands-on, health-focused, sustainable projects, our volunteers help address health inequalities and extend Lilly's reach and impact on society.



### Diabetes Care in Mexico

Since 2016, teams of skilled volunteers—including diabetes educators, endocrinologists and data scientists—have served with Lilly global health partners in Mexico to explore more efficient approaches to diabetes care, especially in poorer communities.

In 2016 and 2017, Lilly volunteers worked with the **Carlos Slim Foundation** in Mexico City to help develop a new screening process for women at risk of gestational diabetes. Compared with the test commonly used to screen for this condition, the novel protocol could generate health savings of about 65 percent in Mexico. This work has captured the attention of the diabetes medical community, including the American Diabetes Association. The new approach may offer compelling evidence for its use in both developing and developed health systems.

Since 2018, Lilly employees have volunteered with Clínicas del Azúcar (CdA), a social enterprise and the largest private provider of affordable, specialized diabetes care in Monterrey, Mexico. Our volunteers are helping its network of 16 low-cost diabetes clinics develop health-based interventions to increase patient engagement. This work contributes to a three-year study under way by Lilly, the Massachusetts Institute of Technology and CdA. Early results are encouraging. For example, according to the national health survey ENSANUT, on average, about 25 percent of diabetes patients in Mexico achieve glycemic control. That number jumps to 63 percent for patients under the care of CdA. More than 100,000 patients have benefited from the support of CdA and the enterprise plans to reach one million diabetes patients within the next three years.

### Cancer Care and Advocacy in Peru and Kenya

In 2020, Connecting Hearts Abroad celebrates five years of partnership with **A Fresh Chapter** (AFC), a nonprofit that empowers people impacted by cancer to build resilience, navigate uncertainty and reclaim their stories. Forty Lilly employees who are cancer survivors or caregivers have volunteered with AFC in Peru, connecting with fellow survivors and caregivers from across the

globe, serving people and communities affected by cancer and exploring new possibilities for their own lives. Together with volunteers from AFC, our employees have reached more than 1,000 community members in Peru through volunteer projects and support groups.

In 2019, Lilly and AFC expanded our Connecting Hearts Abroad collaboration to Kenya. Through this pilot program, Lilly volunteers partnered with other cancer advocacy specialists and local Kenyans to build grassroots support and leadership in cancer advocacy—including earlier diagnosis. Through AFC's Global Emerging Leaders Program, Lilly volunteers are helping the organization advance its goal to reach 32,000 Kenyans affected by cancer by 2025.

### Supporting Holistic Care in Greece and Panama

In 2019, Lilly volunteers began working with the international nonprofit **Global Brigades** in Greece and Panama to deliver care through mobile medical clinics. Global Brigades uses a holistic model to help meet a community's health and economic goals collaboratively, building community ownership.

In Greece, Lilly volunteers cared for more than 725 refugees in two weeks, helping with health screenings and other medical services. About half of the patients screened were referred to local health centers and hospitals for additional care. In Panama, our volunteers attended to the health needs of more than 920 patients across five diverse communities.

These projects both contribute to Global Brigades' commitment to empower 100 rural communities to permanently rise out of global poverty through three core components, aligned with the United Nations Sustainable Development Goals: health care, clean water and sanitation, and economic development.

# SUSTAINABLE DEVELOPMENT GOALS

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

## LABOR



## ANTI-CORRUPTION



## HUMAN RIGHTS



## HEALTH, SAFETY AND ENVIRONMENT





# Human Rights

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



# Bioethics

Lilly believes that bioethics—which focuses on the ethics of health care, biomedical research and biomedical public policy—is 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, we 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.

In 2019, we continued our integration of our bioethics team into Lilly's global ethics and compliance organization, coordinating and enhancing our communications to employees and broadening our scope to encompass all phases of research and product development—from preclinical research to commercialization once a medicine is ready for the marketplace. As part of a new focus on boosting awareness of our bioethics capability throughout Lilly's global affiliates, we launched new internal pages on Lilly's intranet, translating bioethics content into eight languages in addition to English. Our team participated in bioethics conferences and relaunched the Bioethics Leadership Academy, our intensive bioethics training for employees.

**Lilly Bioethics has a new page on LillyNow—an internal company intranet—that provides Lilly employees with information on how to request a bioethics consultation, links to the Lilly Bioethics Framework for Human Biomedical Research and position papers on major bioethics issues, and contains information about bioethics education and training opportunities.**

## Governance of Bioethics at Lilly

Lilly's bioethics team reports to the company's chief ethics and compliance officer and is staffed by full-time dedicated staff with pharmaceutical industry expertise as well as specialized training in bioethics. These individuals serve as valuable internal resources for the company, and are responsible for program development, deliverables and oversight of Lilly's bioethics program. A cross-functional bioethics advisory committee also includes external expertise in bioethics.

This committee serves as a clearinghouse for the latest thinking in bioethics and provides a sounding board for the business, a place where internal Lilly teams can seek guidance on bioethics considerations, discuss potential alternative courses of action and receive recommendations on permissible and preferable paths forward. Throughout these interactions, by applying the principles contained in the Lilly Bioethics Framework, bioethics plays a role in research study design, informed consent process and content, selection of countries and clinical trial sites, requests for access to investigational treatments outside of clinical trials, animal care and use, handling of special populations (e.g. pediatrics), and timing and content of research publications, just to name a few.

“As part of Global Ethics and Compliance, the Lilly Bioethics Program not only continues to serve the research and development organization in which it was founded, but now provides resources and advice for our preclinical research and commercialization teams. We are benefiting from integrating the bioethics lens into broader business ethics conversations and we are excited to engage in and lead broader industry efforts to increase consistency in our application of bioethics.”

—Melissa Barnes, SVP, enterprise risk management and chief ethics and compliance officer

### Bioethics Leadership Academy

The Bioethics Leadership Academy (BELA) provides Lilly employees with a specialized curriculum in bioethics. Employees who are selected to participate in BELA dedicate a portion of their working time to bioethics training for nine months.

The program focuses on building basic bioethics awareness, application of bioethics principles and experiential learning, including taking part in ongoing bioethics activities and consultations. In 2019, we worked to globalize the BELA program, enrolling participants from Europe and Asia in addition to the United States.

## 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 and Positions

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

research and development and it informs advice that the bioethics committee provides. Lilly has developed **position statements** on bioethics issues such as stem cell research, pediatric medicine and multinational clinical trials, among others.

## Fostering Industry Collaboration in Bioethics

In addition to publishing Lilly's **Bioethics Framework for Human Biomedical Research**, Lilly was a founding member and driving force behind the establishment of the Biopharmaceutical Industry Bioethics (BIB) Forum. Founded in 2016, the BIB Forum promotes collegial, non-competitive discussions regarding the application of bioethics concepts in the biopharmaceutical industry and sharing of best practices. In 2019, Lilly staff participated in five bioethics conferences, sharing our approach to bioethics consultations and networking with bioethics colleagues inside and outside the industry.

# 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.

## Bioethics Consultation Service

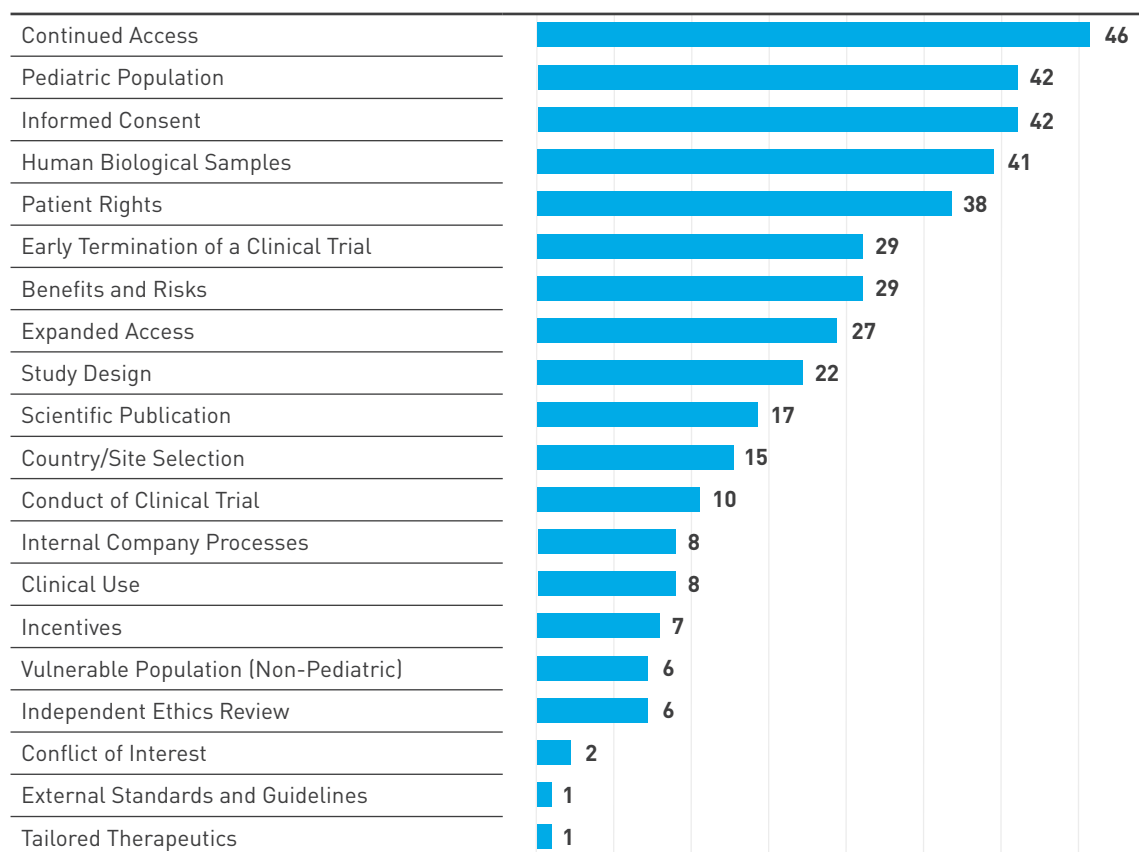
Lilly's internal Bioethics Consultation Service handles requests for consultation about specific ethical concerns, as well as bioethics position clarification and application, document review and discussion of hypothetical or historical cases.



### 400 BIOETHICS CONSULTATIONS

In 2019, Lilly Bioethics completed its 400th bioethics consultation. Since 2008, the department has consulted on over 60 different molecules.

## Primary Bioethics Consultation Topics: 2008-2018



## Bioethics Principles Informing Lilly's Bioethics Framework for Human Biomedical Research

### BASIC BIOETHICS PRINCIPLES

### KEY CONCEPTS

#### Respect for Persons

Ensures that research participants are not treated as a mere means to an end but as self-determining individuals with the right to fully exercise their autonomy, including:

- that those who are capable can provide voluntary informed consent and
- ensuring protections are in place for those who are not capable

#### Beneficence

Requires that researchers seek to maximize benefits and minimize harms

#### Nonmaleficence

Requires that researchers avoid inflicting harm or imposing undue risk of harm

#### Justice

Requires that research procedures be carried out fairly and equitably and that there is a fair distribution of the burdens and benefits of research



# Patient Safety and Product Availability

From early discovery, through drug development and while a drug is on the market, Lilly works to ensure the safe and effective use of its medicine. We recognize that taking the right medication at the right time is critical to 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

Throughout the lifecycle of a medicine from discovery through approval to after it is marketed to the public, Lilly aims to characterize the benefit-risk profile of our medicines and communicate these to patients, healthcare professionals and regulators. [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. Lilly collects adverse event reports and other safety information from around the world in a company-specific [adverse event database](#) to further evaluate the safety of our medications. New safety findings are communicated to patients, healthcare professionals and regulators 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 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. Product serialization, first rolled out in the United States in 2018, with ongoing implementation in other countries, adds 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 health, safety and environment (HSE) practices with suppliers who provide us materials for research and development, as well as with the contract manufacturers who help make our medicines and other pharmaceutical products. It extends to our work to stem the tide of counterfeit medicines and to ensure we comply with governmental efforts around conflict minerals. In addition to the topics we discuss in this section, more information on our work around HSE in our supply chain can be found in the [HSE](#) section of this report.

## Preventing Counterfeit Medicines

Counterfeit medicines have been found in all therapeutic areas in every region of the world. Their impact is wide-reaching and potentially deadly, both due to toxic substances sometimes found in the counterfeit medicines and because they undermine a patient's confidence in legitimate medicines and the credibility of healthcare providers. Lilly's [anti-counterfeiting strategy](#) is composed of three key objectives:

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

### Working to Deter Counterfeiters Online and in the Field

Patient safety is the foundation of Lilly's global anti-counterfeiting efforts, and we are engaged in efforts to combat counterfeiters. We are a founder and member of the [Alliance for Safe Online Pharmacies](#), a global coalition of stakeholders with an interest in protecting patient safety and ensuring that 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 worked collaboratively with European stakeholders on the successful implementation of the False Medicines Directive to help ensure counterfeit medicines do not make it into legitimate supply chain channels. In the United States, we actively advocated for the Drug Quality and Security Act, federal legislation that established a uniform standard for coding, serialization and tracking of products. Lilly also supports the dedicated domain name "dot pharmacy," an initiative of the National Association

of Boards of Pharmacy that helps patients find safe and legal online pharmacies. Lilly cooperates with customs, police and other law enforcement officials around the world to investigate and prosecute those who make and distribute counterfeit Lilly medicines without regard to the law or patient safety.

### Serialization

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

Lilly believes it is imperative that legislative efforts and policies around serialization and product traceability follow global standards. Non-standard requirements not only increase the implementation costs for manufacturers and trading partners, but also open the door to counterfeit and illegally diverted products entering the legitimate supply chain, increasing the potential for patient harm. Lilly actively partners with industry groups such as The Alliance for Global Pharmaceutical Serialization (RxGPS), global standards bodies such as GS1, country level groups and think tanks, and regulators in many markets around the world to advocate for global standards to ensure a harmonized approach to product traceability initiatives.

Lilly works with a variety of governmental and industry initiatives to advance reliability and effectiveness of traceability in the pharmaceutical supply chain. Our efforts include educating on, and increasing awareness of, global standards and the importance of harmonizing traceability policy by conducting training programs for regulators through our partnership with Asia Pacific Economic Cooperation. Lilly also works with the International Coalition of Medical Regulatory Authorities

to create white papers and guidance documents to help define recommendations for effective track and trace systems. In response to the U.S. Drug Supply Chain Security Act (DSCSA), which goes into effect in 2023, we have joined the Partnership for DSCSA Governance, a newly-formed, independent nonprofit organization, created to govern efforts among industry and supply chain partners. Lilly's involvement with the Partnership is extremely important in helping to achieve an effective traceability system across the industry, enabling Lilly to reap the benefits of the significant investment we have made in our serialization infrastructure.

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

## Conflict Minerals

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

From 2014 to 2020, 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 2020.

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



# Access to Medicines, Affordability and Transparency

Biopharmaceutical companies such as Lilly have a responsibility not only to develop much-needed treatments and cures but to do what we can to ensure those who need these treatments can access them. Striving to make patients' costs affordable is critical to helping them stay on their medicines and stay healthy. We're committed to working with stakeholders in healthcare systems to make sure patients can get the medicines they need—at reasonable out-of-pocket costs and with pricing information they can understand. This includes finding new solutions that help address the affordability of our medicines, including for people who need insulin.

Innovative medicines can reduce the burden of disease, improve lives and save money. But as a larger society, we also need more innovation on how to pay for medicines and better ways to deliver them to patients. That's why Lilly has been pursuing more value-based contracts, in which the price we receive depends on how much our medicines help patients. In the United States, 20 percent of revenue flowing through access-based contracts has a value-based component, and we have more than 300 alternative access contracts in other global markets, many of which are value-based.

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

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

## Pricing Around the World

Lilly sells medicines in approximately 125 countries around the world. Each country values medications and innovation differently and must balance competing demands for limited resources. This includes other healthcare products and services, as well as meeting other social needs such as education or infrastructure. At Lilly, we consider country-specific conditions when pricing medicines on a market-by-market basis, to help ensure patients have affordable access to the innovative medications we develop. We support public policies to meet this same end. We strive to price our medicines to enable

affordable access for appropriate patients, reflecting the value provided to patients, providers, payers, caregivers, the health system, and society as a whole. We define value in clinical, human, and economic terms, and we base our assessment on the results of clinical trials, economic analysis, projected and measured health outcomes, as well as market research.

Lilly is exploring new ways to achieve the right level of pricing in different markets and we advocate for policy changes that help increase access to medicines. Value-based and outcomes-based reimbursement models are examples of payment initiatives that offer the ability to deliver greater economic and health value to healthcare systems. When countries look at health costs and related outcomes holistically, rather than in budget silos, it is clear that medications deliver substantial benefits in both human and economic terms.

As a global company, we are particularly aware of the economic circumstances in many developing countries that can make access to medicines difficult. In response, Lilly has developed alternative business models, recognizing that the poorest nations should pay less than wealthy nations. Lilly also supports efforts to decrease the final price of medicines to patients, such as minimizing taxes of all types and limiting markups applied in the supply chain. In addition, Lilly has a long-standing policy of not seeking or enforcing patents for medicines in any of the least developed countries, as defined by the United Nations.

## **Lilly's Support of Universal Healthcare Principles**

In September 2019, Lilly sent a representative of our global health team to the first-ever high-level meeting of the United Nations (UN) General Assembly focused exclusively on universal health coverage (UHC). Entitled "Universal Health Coverage: Moving Together to Build a Healthier World," the meeting featured heads of state, global health leaders and policymakers, who issued a collective call to elevate discussions of access to health care beyond ministries of health and to address the issue in a holistic way.

Lilly supports the principles of UHC, and its importance in fulfilling the 2030 Agenda for Sustainable Development, which provides a framework for member countries, the private sector and non-governmental organizations to work together towards achieving peace and prosperity for people and our planet by realizing the UN's Sustainable Development Goals. UHC means that all individuals and communities have access to quality healthcare services, where and when they need them, without risk of financial hardship. Pharmaceutical companies are part of a much larger health ecosystem comprised of public and private providers, health professionals, hospitals and clinics, laboratories and health insurers, and we recognize that no single organization or sector can achieve UHC on its own. Lilly believes that the private sector is well-positioned to contribute to UHC goals since it already provides products and services for many millions of people across the globe.

## **Working Together to Build a Healthier World**

The pharmaceutical industry has voiced its perspective that there are three key components to achieving universal health coverage (UHC). In recognition of the need to move together towards achieving UHC, Lilly is committed to partnering with others towards these goals.

### **Upholding Access to Quality Primary Health Care**

Quality primary health care and resilient local health systems are the backbone of UHC. They are what enable UHC to be truly inclusive and ensure no one is left behind. The full sweep of essential healthcare services—often beginning before birth and continuing through illness, injury, work, childbirth, aging and the end of life—are foundational to health, and they are essential in helping countries respond to public health disasters and emergencies. Pharmaceutical companies,

like Lilly, play a vital role in developing and delivering health innovations that can support and strengthen local healthcare response. In 2019, Lilly joined with the Bill & Melinda Gates Foundation and four other health companies to **fund community health workers** in up to six African countries that are projected to reach an estimated 1.7 million people by 2022. By tackling health challenges at the local level, community health workers can improve individual health outcomes, contributing to increased community employment and fewer health crises, while reducing national health expenditures.

## Invest More, and Invest Better, in Health

To reduce high and impoverishing out-of-pocket healthcare expenses, sufficient, sustained, equitable and innovative funding solutions are required for UHC to become a reality. Lilly believes that new partnerships are needed that help all actors within the healthcare system ensure resources are invested more efficiently. Through investments in people, medicines and health systems, Lilly aims to reach 30 million people in resource-limited settings annually by 2030. This ambitious goal is backed by an initial \$90 million investment from the company and the Lilly Foundation to fund global health programs through 2022.

## Improve Access to Safe, Effective and Affordable Essential Medicines and Vaccines

Medical innovations, like vaccines and medicines, are not only a foundation of modern healthcare, but a critical element for achieving UHC. Safe, effective, quality and affordable medicines and vaccines can prevent, manage, or even cure disease, and ensuring they are accessible to all who need them is a key element to providing universal good health and well-being. In 2019, we turned to our asset library in search of options to address priority global health diseases. Our researchers examined more than 350 shelved assets—including small and large molecules and legacy products—alongside a list of diseases in need of better treatments. They identified about a dozen of these for further review and will make recommendations to a research governing committee in 2020.

## Pricing in the United States

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



### CUSTOMER PERSPECTIVE

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



### COMPETITIVE LANDSCAPE

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



### COMPANY CONSIDERATIONS

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



### OTHER EXTERNAL FACTORS

Such as health system changes and policy guidelines

The way that medicines are paid for in the current healthcare system can seem confusing. Here's how it works when Lilly prices our medicines in the United States.

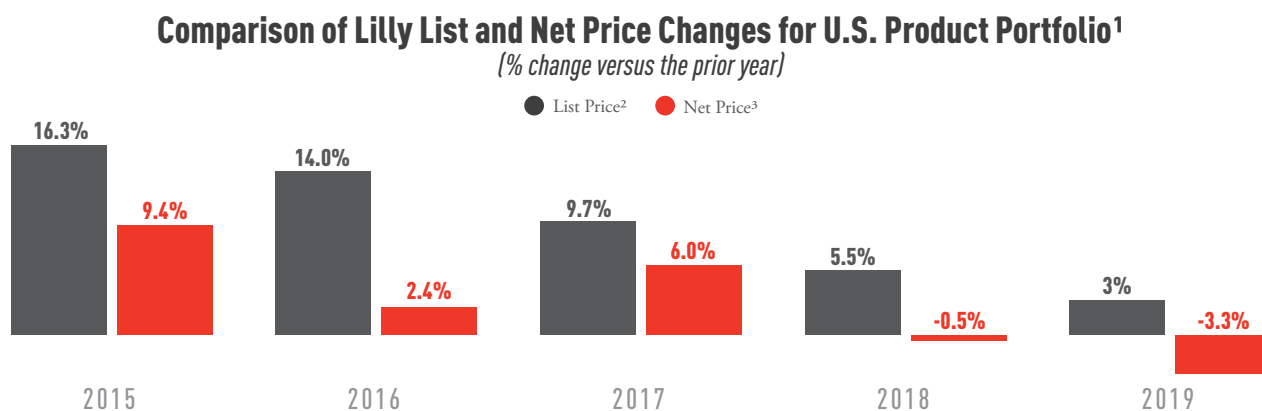
- Lilly sets a list price for each of our medicines, taking into account the value provided to patients, affordability, the competitive landscape, costs of research, manufacturing, marketing and support services we provide, as well as other factors such as health system changes.
- To ensure patient access, Lilly pays rebates and other discounts to payers, pharmacy benefit managers (PBMs) and other supply chain entities, such as wholesalers and distributors.
- The final dollar amount that Lilly ultimately realizes after paying these rebates and discounts is sometimes called the net price.

Lilly is committed to increasing transparency around the price of our medicines. Our television advertisements direct viewers to a website, [lillypricinginfo.com](https://lillypricinginfo.com), that provides the list price, average out-of-pocket costs and financial assistance information for the medicine advertised.

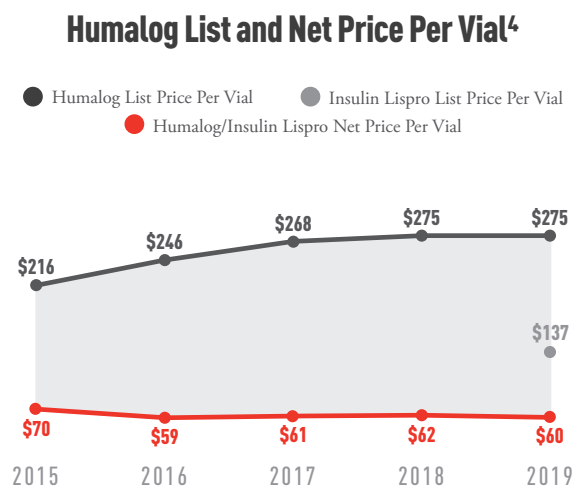
## Changes in Lilly's Net Price: 2015-2019

Across our U.S. product portfolio, Lilly's average net price after rebates and discounts—the final amount we receive—has fallen from 55 percent in 2015 to 43 percent in 2019.

The rebates and discounts we pay to PBMs, insurers, the government and other supply chain entities have continued to grow over the years, not just for insulin, but for Lilly's entire U.S. portfolio. We support the restructuring of financial incentives for the entire pharmaceutical supply chain to ensure that patients directly benefit from those rebates and discounts at the pharmacy counter.

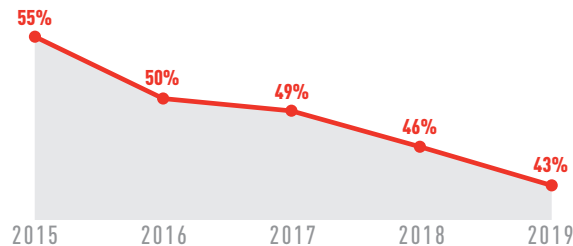


1. U.S. Product Portfolio includes all human pharmaceutical products marketed in the U.S. for which Lilly is the holder of the new drug application (NDA). This represents approximately 94% of our total U.S. human pharmaceutical revenue. 2. List Price represents the weighted average year-over-year change in the wholesale acquisition cost (WAC). 3. Net Price represents weighted average year-over-year change in net price, which is WAC minus rebates, discounts and channel costs.



The last list price increase for Humalog vial was May 2017. The net price in the chart represents the revenue Lilly realized per Humalog and Insulin Lispro vial after rebates and discounts. Increases in list prices do not always create increases in net prices.

## Average Lilly Net Price (As a % of List Price) After Discounts Across the U.S. Product Portfolio<sup>5</sup>



4. The average net price per vial, the amount Lilly receives after rebates and discounts, is calculated by dividing the total net vial sales (Humalog and Insulin Lispro vials), by the total vials sold. 5. The average net price percentage is calculated by dividing net sales, the amount Lilly receives after rebates and discounts, by the annual gross sales (total sales at list price, prior to all discounts).

## Addressing Insulin Affordability Today

Changes in the U.S. healthcare system, including an increase in high-deductible health plans and co-insurance, have contributed to greater out-of-pocket costs for many trying to afford their medications. High-deductible health plans prioritize lower monthly premium payments, but they have also shifted a greater burden of cost-sharing to consumers who need medicines. This is especially felt by those with chronic conditions—effectively causing the sick to subsidize the healthy.

For people living with diabetes, insulin is an essential, life-sustaining medicine. Ensuring affordable access to it is an issue that Lilly takes seriously. We are committed to [helping people with diabetes afford their insulin](#) regardless of whether they have insurance from an employer, Medicare, or no insurance at all.

## About Lilly Diabetes

Since pioneering the manufacturing and distribution of the first animal-based insulin in 1923 to launching the first commercially available biosynthetic form of human insulin, Lilly has been working for [over 95 years](#) to develop medicines that save and improve the lives of people with diabetes. We offer a wide range of therapies and a continued determination to provide real solutions—from medicines and technologies that can improve adherence to treatment, health outcomes and patient convenience, to ongoing diabetes research, support programs and more.

Manufacturing insulin requires deep technical expertise and a significant, ongoing financial commitment. In fact, in 2018, another pharmaceutical company canceled plans to launch a biosimilar insulin product after citing the cost of manufacturing.

- At Lilly, approximately 5,000 highly skilled personnel, such as engineers and other scientists, oversee our insulin manufacturing process around the world, 365 days a year.
- It takes several months, start to finish, to create the insulin that people use today.
- Lilly has invested more than \$1.2 billion since 2012 to expand our insulin manufacturing facilities and ensure that they are state-of-the-art.

## Treating Diabetes: Then and Now

Nearly 100 years ago, insulin was a new invention, but production was crude. To produce a vial of insulin, pancreases from livestock were ground up to extract the life-saving substance—leading to purity and quality concerns. In addition, the initial insulins did not closely mimic the way a healthy body regulates insulin. They did not fit into the lives of those living with diabetes, making it difficult to stay compliant with treatment.

Before the discovery of insulin, a child diagnosed with Type 1 diabetes at age 10 typically died less than three years after being diagnosed. Insulin was literally life-saving. Today, insulin extends life expectancy for people with Type 1 diabetes into their early 60s and 70s. That's good, but still less than the average American.

At Lilly, we're not just treating diabetes, we're trying to stop it. Lilly scientists are developing non-insulin drugs and therapies that, if successful, could put diabetes in remission or even cure it for some. We are also pursuing advances to make insulin treatment more effective, such as our "connected care" strategy—featuring an advanced insulin pen and insulin pump—and our partnership with Sigilon Therapeutics to develop cell therapies.

Across the United States, a growing number of patients—including those who rely on Lilly insulin—are exposed to the full retail price of their medicine at the pharmacy. This is one reason why we’ve focused our affordability solutions on people living with diabetes. To fill gaps in the current healthcare system, Lilly offers several insulin affordability programs for people who are most likely to be paying higher out-of-pocket costs. This includes those in high-deductible insurance plans, the uninsured, and seniors enrolled in Medicare Part D.

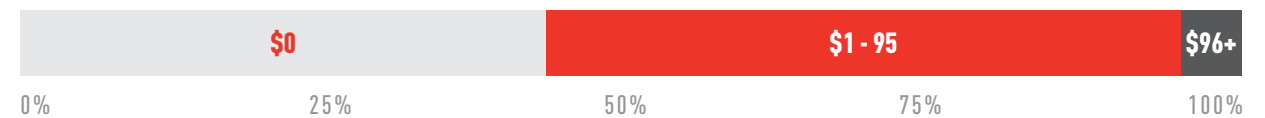
Here are some of the solutions we’ve implemented:

- **Automatic Savings\*:** Lilly offers automatic savings directly to people with commercial insurance by limiting their out-of-pocket costs at retail pharmacies.
- **Non-Branded Insulins:** Since 2019, Lilly has made three lower list-priced insulin products available. These unbranded versions allow Lilly to provide lower-priced insulins more quickly without disrupting access to branded Humalog—which thousands of insured patients depend on and which will remain available for people who want to continue accessing it through their current insurance plans.
- **Lilly Diabetes Solution Center:** People who use Lilly insulin can learn about all options that may reduce their out-of-pocket costs by calling the Lilly Diabetes Solution Center, a patient-focused hotline staffed by medical professionals that connects people living with diabetes to various solutions based on their individual circumstances.
- **Insulin Donations:** Lilly also donates medicines to charitable organizations that provide free medicine, including insulin, to patients meeting program eligibility requirements. In the last five years, Lilly has donated more than 7 million insulin vials and pens to U.S. charitable organizations, including Americares, Direct Relief, Dispensary of Hope and the Lilly Cares Foundation. See more details on this work in the [Global Health](#) section of this report.

Our programs are helping up to 20,000 people each month better afford their insulin. The average out-of-pocket costs for people with diabetes on Humalog using one of our solutions dropped 67 percent in 2019. About 95 percent of prescriptions at the retail pharmacy for Humalog cost consumers less than \$95, 90 percent cost less than \$50 and 43 percent cost nothing at all.

\*Pharmacies must participate, and uninsured patients must enroll; offer invalid for patients whose prescription claims are eligible to be reimbursed by any governmental program; some limitations apply.

**Average Cost of Humalog Prescriptions Filled at Retail Pharmacies<sup>1</sup>**  
*(2017 data)*



<sup>1</sup>Humalog is the most broadly used Lilly insulin product.

“Our goal is to ensure that people paying high out-of-pocket costs for Lilly insulins are matched with the best solution available to reduce their financial burden and help ensure they receive the treatment they need.”

—Mike Mason, senior vice president and president, Lilly Diabetes

## Other Long-Term Insulin Pricing Policy Solutions

At Lilly, we feel that broader systemic change is needed to increase affordable access to insulin. In recent years, we have begun to see meaningful answers for people who live with diabetes. Payers in the healthcare system, including insurance companies, for instance, are finding ways to pass rebates on to patients and lower co-pays for insulin.

These actions ease the burdens for most people in these coverage gap areas, but longer-term solutions are still needed. We're actively working with other stakeholders throughout the healthcare system to seek policy solutions to address gaps in our current healthcare system. Some of these include:

- **Rebate Pass Through:** We continue to advocate for insurers to pass through our negotiated rebates directly to consumers at the pharmacy counter.
- **First Dollar Coverage:** We're supportive of efforts to exempt certain healthcare services for chronic conditions—including medicines such as insulin—from an insurance plan's deductible.
- **Medicare Part D Out-of-Pocket Caps:** We're supportive of legislation to cap out-of-pocket costs for Medicare Part D patients. We believe a cap would provide a critical financial safeguard for patients.

## Preventive Care Benefits Include Insulin

One welcome sign of cost relief came in 2019, in the form of [recent guidance from the U.S. Internal Revenue Service](#), which confirms that "insulins and glucose lowering agents" are preventive care medicines that may be exempted from patients' deductibles in high-deductible health plans. In so doing, this guidance can help people with diabetes save money immediately when refilling their prescriptions. This guidance is also credited with helping ensure that people who use pre-tax health savings accounts can use these funds to help pay for their insulin without worrying about violating IRS rules. And, in turn, it's hoped that the guidance will translate into more patients adhering to the regimen prescribed by their doctors, preventing the development of costly complications.

## Value vs. Volume: An Alternative Way to Think About Medicines

When a patient seeks medical care, the healthcare system's top goal should be improving the patient's health—and medical interventions, including medicines, should be evaluated based on how well the patient's health improves. This seems obvious—but it's not how our current payment system works.

Under the existing fee-for-service model common in the United States, payments are based on the number of treatments or services provided, not upon whether a patient actually sees improvements in his or her health. However, as healthcare costs and rates of chronic disease continue to rise, there has been increased urgency to deliver care that brings greater value to both the patient and the healthcare system as a whole.

We believe that innovative value-based arrangements (VBAs) could be an important part of the solution. VBAs are one potential solution that allows Lilly to stand behind the health outcomes we expect our medicines to deliver, when used appropriately. Such arrangements link the cost of our medicine more directly to patient outcomes.

A VBA includes predefined patient health outcomes and/or associated performance metrics based on the observed impact of a particular medicine on the person taking it. Such metrics can include favorable test results, reducing re-hospitalization rates, or improving medication adherence. This approach can transform the healthcare system to one that is about value—versus the volume of medicines purchased.

In the United States, 20 percent of revenue flowing through access-based contracts has a value-based component, and we have more than 300 alternative access contracts in other global markets, many of which are value-based. Each VBA we participate in becomes an opportunity to get better at predicting the kind of meaningful real-world data we need to make these arrangements as effective as possible in improving health.

In many cases, VBAs improve access to a medicine for eligible patients. And given medicines in these arrangements are generally made available based on how well they work in specific sub-populations, patients can also get care that is more personalized. Over the long term, the results from these arrangements can help inform and improve future research and development efforts.

We believe VBAs have the potential to improve patient outcomes while lowering costs for the entire healthcare system, but it will require increased collaboration between payers, health systems, patients and industry to make it happen. Moving to a system that is value-based can help ensure payers win with improved outcomes and associated savings. Patients can win too, with better outcomes and, hopefully, better access to the medicine they need. At Lilly, we continue to advocate for legislative and regulatory changes that support this transition and we think this is one of the most important long-term changes we can make as an industry.

**“The benefit of value-based arrangements isn’t just to give access to medicines. They also allow us to learn about real world results and gather data so we can continue to improve outcomes.”**

**—Erin Huntington, senior director, pricing, reimbursement and access strategy**

## Making Health Care More Affordable for Lilly Employees and All Employees

Beginning in 2020, Lilly's health plan cut patients' costs on all insulins to a new low: zero. This is our latest step to reduce out-of-pocket costs for medicines. We've found it helps both our people and our health plan to save money.

In 2019, we shared our experience in [a report on health benefits innovation](#). We believe it's time for employers—who cover more than half of all Americans—to help drive the healthcare and insurance systems to do a better job caring for people with chronic diseases.

Employers are spending more than ever to provide health benefits to their workers—more than \$20,000 for family coverage. Yet two out of every five workers say their employers could do better. Many, especially those with chronic illnesses, say they struggle with affordability and access to the care they need.

If more employers—especially large employers—reduce cost-sharing for high-value therapies, they can change the insurance market in ways that improve health and productivity while constraining costs.

Like all employers, Lilly works every year to minimize the rising costs of health care. For more than a decade, we've offered exclusively high-deductible plans to our employees. But we take certain steps to make sure our high deductibles don't lead our people to skip or ration the care they need:

- We fund our employees' health savings accounts all at once in January. Whether someone gets sick around New Year's Day or Thanksgiving Day, they should have money to help cover their costs.
- We exempt preventive and chronic disease medications from our health plan deductibles. That means Lilly employees, retirees and their families pay 10 percent to 20 percent of those medicines' prices, but not the full retail price.
- For all medicines, Lilly's health plan has lowered costs by passing through rebates to patients at the point of sale. In just one year, sharing these rebates helped more than 11,000 of our members, who saved \$265 on average—or nearly \$3 million collectively.
- Employees and their eligible family members with diabetes can receive a free connected glucose meter and related supplies, along with real-time support from trained diabetes educators.

As we've expanded these cost-saving policies, premiums for our plan (both company-paid and employee-paid) have grown an average of just three percent annually—half as fast as the trend among all employers.

Of course, not everyone in the United States has access to employer-based health coverage. Yet for the millions of Americans who do rely on their employers for their healthcare coverage, we believe employers can lead the way to making health care work better for their employees. Even among the largest U.S. employers, just one-third today offer reduced or no cost arrangements for medicines treating chronic diseases.

C-suite leadership at companies across the United States can make the long-term decisions and trade-offs needed to do health benefits more effectively. Working together, employers can move good ideas forward and show a better way to make U.S. health care and health insurance work for all Americans.



# Improving Global Health

Our purpose at Lilly is to unite caring with discovery to create medicines that make life better for people. For more than 140 years, we have worked to develop and deliver trusted treatments that meet real needs. Yet we know that all around the world, the most vulnerable among us often don't have access to the medicines and care they need.

Today, we're working to do our part to change that. We are committed to expanding access to Lilly medicines to more people and to partnering with leading experts and organizations to help tackle complex global health challenges. We use a mix of philanthropy and shared value-based approaches and concentrate on diseases where we have deep technical expertise, including diabetes and cancer.

## Lilly 30x30

Through investments in people, medicines and health systems, Lilly aims to reach 30 million people in resource-limited settings annually by 2030. We call this global effort Lilly 30x30. To achieve our goal, we have structured Lilly 30x30 as a companywide effort, in strategic collaboration with valued external partners.

### Measuring Patient Reach

To track our 30x30 progress, Lilly developed a measurement framework that allows us to estimate the number of people we reach through our full 30x30 portfolio. In 2019, we reached an estimated 7.2 million people through Lilly 30x30, an increase of about 2.2 million over 2015. Based on new initiatives with broad reach and strategic plans to identify and pursue additional opportunities, particularly in the pipeline space, we anticipate achieving our 30x30 goal.

### 30x30 Governance

To embed accountability throughout the company, Lilly 30x30 is governed by a steering committee comprised of five executive committee members as well as the head of corporate responsibility and global health. These senior executives from Lilly—including Lilly Research Laboratories, finance, corporate affairs, Lilly's internal operations as well as ethics and compliance—all take part to oversee management of key priorities and operational milestones, ensure strategic alignment to the overall goal and measure progress. Lilly's chairman and CEO, David A. Ricks, also provides direct strategic input and receives periodic updates from the 30x30 team.

### Growing Numbers Reached through Lilly 30x30



## 30x30 Impact Areas

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

- **Pipeline** – Discovering new medicines and repurposing internal assets and legacy products for diseases that disproportionately affect people living in resource-limited settings
- **Programs** – Strengthening and creating new programs that help improve access to Lilly medicines
- **Partnerships** – Building partnerships that strengthen health systems, increase access to medicines and improve care

### Pipeline

Through our 30x30 pipeline efforts, Lilly is working to discover new medicines for diseases prevalent in settings with limited resources where viable treatment options are not readily available. We are also exploring our current portfolio and shelved assets to see if any of them might offer new treatment possibilities for conditions that currently lack good treatment options and we are working to identify and explore potential external partnerships and business development models that further support the development of our Lilly 30x30 pipeline.

### Drug Re-Purposing

Not every scientific discovery that Lilly makes will go on to become a marketed medicine—but some may still yield value in other ways. In 2019, we turned to our internal asset library in search of those with the potential to provide possible treatments for priority global health diseases. In this work, our 30x30 pipeline team followed the same process that we use to identify assets in our commercial business.

In all, more than 30 Lilly researchers examined over 350 shelved assets—including small and large molecules and legacy products—and identified about a dozen candidates for further investigation in 30x30 research workshops over the course of six months. Of those, four were advanced

to the next phase of study. The four candidates were then picked up by **Chorus**—a full-service, autonomous R&D unit within Lilly that specializes in drug development from candidate selection to clinical proof of concept. The Chorus team assessed the target assets and presented two finalist proposals to Lilly's internal scientific committee for further review and consideration.

### COVID-19 Antibody Research

The Lilly 30x30 drug repurposing efforts brought forth a shelved antibody, previously studied in cancer, for evaluation against new disease targets. Early in 2020, in response to the coronavirus pandemic, the team identified the potential and Lilly announced that we would advance this asset, LY3127804, an investigational selective monoclonal antibody against Angiopoietin 2 (Ang2), to Phase 2 testing in pneumonia patients hospitalized with COVID-19 who are at a higher risk of progressing to acute respiratory distress syndrome (ARDS). Ang2 is known to be elevated in ARDS patients and Lilly is testing whether inhibiting the effects of Ang2 with a monoclonal antibody can reduce the progression to ARDS or reduce the need for mechanical ventilation in COVID-19 patients. The trial began in late April 2020.

### Gates Foundation COVID-19 Collaboration

In March 2020, Lilly joined a cross-industry collaboration with the Bill & Melinda Gates Foundation to accelerate the development, manufacturing and delivery of vaccines, diagnostics and treatments for COVID-19. This consortium of life sciences companies was convened to work collectively with national regulators and the World Health Organization to ensure promising studies are quickly scaled to help people around the world. Along with our peer companies, Lilly agreed to share our proprietary library of molecular compounds for which we have appropriate threshold safety and efficacy data. Lilly is also committing human capital as well, by engaging the president of Lilly Research Labs and the company's top scientists in this effort.

Read more about [Lilly's response to the coronavirus pandemic](#) that emerged in early 2020 at the beginning of this report and on [lilly.com](https://lilly.com).

## Programs

Medicines play an important role in making life better for people. When used appropriately, medications can help us live longer and healthier, slow the progression of disease, improve management of chronic conditions, enhance our quality of life, prevent or minimize complications and side effects of disease, or even eliminate the need for costly or painful hospitalizations and surgeries. But medicines can often be out of reach financially for those who need them the most. Ensuring access to medicines is an important component of investing in community health and well-being.

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

### Patient Support Programs

Lilly offers more than 150 patient support programs across 50 countries that reach nearly 2 million people annually. These programs, including new insulin affordability efforts in the United States, support people who are taking Lilly medicines as well as their caregivers and loved ones.

Our patient support programs fall into three categories: answering questions related to living with disease and managing health; providing information on Lilly medicines and training on Lilly devices; and supporting patients through reimbursement and product access issues. To help expand access to our medicines, Lilly designs support programs that take into consideration a patient's income level and ability to pay.

## Shared Value Workshops

We conducted 30x30 shared value workshops with Lilly teams in Egypt and South Africa in 2019 to explore novel ideas to expand access to Lilly products. The learnings from these workshops have led to the development of a shared value playbook, a toolkit for Lilly affiliates around the world to run similar workshops independently.

### 30x30 Fellow

In 2019, we created a Lilly 30x30 Fellow program in Lilly's international operations. Initial work is focused on South and East Asia, Middle East and Africa (SAMETA) region. The goal of the project is to find ways to increase access to Lilly's medicines in those SAMETA countries where Lilly has limited or no presence.

## U.S. Insulin Affordability

We know that some people struggle to pay for their medicines—especially after the stress on the U.S. economy brought by the COVID-19 pandemic. To fill gaps in the healthcare system, Lilly has introduced several insulin affordability programs for people who are most likely to pay higher out-of-pocket costs. We have options that cover a variety of personal circumstances, including for those whose income is limited or has gone away completely. People who use Lilly insulin can learn about all available options that may reduce their out-of-pocket costs by calling the [Lilly Diabetes Solution Center](#), which connects people to a suite of affordability solutions. These solutions are helping up to 20,000 people each month better afford their insulin. In 2019, the average out-of-pocket spend among people using our savings programs decreased more than 65 percent. See more details on this work in the [Pricing](#) section of this report.

## Partnering with Relief Agencies to Increase Access to Insulin

As part of Lilly's commitment to identify gaps in the healthcare system and find solutions that help people with diabetes live healthier lives, we announced in early 2020 that we would donate at least 200,000 KwikPens® to three relief organizations—Americares, Direct Relief and Dispensary of Hope—to stock insulin at nearly 200 U.S. free clinics through 2022. These donations will directly support people with limited resources living with diabetes who qualify for free clinic services.

Separately, Lilly is providing \$2 million to fund grants available through two relief organizations: Direct Relief and Americares. These agencies will distribute grant funds to a wide range of eligible free clinics. In the United States, there are many ways that people with limited resources can access insulin but sorting through the various options can be frustrating and time consuming. These grants will establish programs at free clinics to help people with diabetes served by these clinics to better understand and access resources that can help them—including:

- medicine and supplies
- medical care
- insurance coverage
- educational resources
- access to community programs
- help choosing and applying for insurance coverage or patient assistance programs

In helping to expand healthcare access and improve quality of care for people with diabetes across the United States, we hope these grants will eliminate some of the frustration that comes with navigating the various resources available. Clinics can learn more about the program requirements and apply for the Lilly-funded grants through Direct Relief or Americares.

## Partnerships

Through strategic partnerships, Lilly and the Eli Lilly and Company Foundation, Inc., a separate nonprofit organization, work to advance government priorities, strengthen local healthcare systems and improve access to care. Lilly uses its technology and expertise in collaboration with other organizations to find innovative, sustainable and scalable solutions to pressing global health concerns, including diabetes and cancer. We work to establish cross-industry collaborations and develop and test models of care to reach as many people as possible.

Our commitment to tackle complex global health challenges takes many forms. We work to develop and scale sustainable solutions while focusing on diseases

where we have deep technical expertise. One area where we have a focus is non-communicable diseases (NCDs), which disproportionately affect people living in settings with limited resources. More than three quarters of NCD deaths—32 million—occur in low- and middle-income countries. Even in the United States, NCDs have greater impact on underserved communities. It's not uncommon for someone in a community with limited resources to live 10 to 15 years less than someone just 10 miles away in a more affluent community.

We share the data and lessons learned to help inform policy and advocate for the scale-up and replication of proven, cost-effective solutions.



## Collaborations to Advance the UN Sustainable Development Goals

Lilly participates in [Access Accelerated](#), a first-of-its-kind, multi-stakeholder collaboration focused on improving non-communicable disease (NCD) care. NCDs include cardiovascular diseases, cancer, chronic respiratory diseases, diabetes and mental illness.

Lilly is also a member of the [NCD Alliance](#), global thought leader on policy and practice related to NCDs.

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

**“Dispensary of Hope is excited to expand the ongoing effort with Lilly’s insulin donation program. Insulin saves lives, and the addition of donated Humalog and Basaglar KwikPens® is important for the nation’s uninsured, low-income community.”**

**—Chris Palombo, Dispensary of Hope CEO**

## Notable Cross-Industry Collaborations

### Lilly Joins Africa Health Worker Training Initiative

As part of our 30x30 commitment, Lilly joined four other health companies and the Bill & Melinda Gates Foundation in early 2020 to announce a new fund to increase access to community-based primary healthcare for nearly 1.7 million people by 2022 in up to six African countries. The partnership is a response to the growing call to action globally to advance universal health coverage and work toward the UN’s Sustainable Development Goals around good health and well-being. Led by nonprofit partners [Last Mile Health](#) and [Living Goods](#), the initiative will employ 2,500 community health workers equipped with digital tools.

Each of the six investors will contribute \$1.5 million total over the next three years. This funding will be matched by [The Audacious Project](#) through an existing \$50 million matching commitment, resulting in a total \$18 million total investment. In addition to financial contributions, industry partners will contribute disease-specific expertise and experience in the discovery and development of new tools.

Living Goods and Last Mile Health have pioneered an effective community health worker model and are continually exploring novel approaches to training and retaining community health workers. Investing in community health workers produces some of the best returns in health—and can yield a 10:1 return on investment. In addition, community health workers can meet up to 90 percent of a population’s health needs—one of the most efficient and effective ways to achieve universal health coverage. Not only will this partnership allow community health workers to reach more patients, but the curricula and tools developed through the investment will support improved community health training for years to come.

The initiative encompasses three specific areas:

- Training and deployment of 2,500 digitally-empowered community health workers in Liberia, Kenya, Uganda, Malawi and up to two additional countries.
- Supporting Last Mile Health's Community Health Academy, an open source, digital learning platform for community health workers and health systems leaders. To date, over 11,000 learners have been enrolled in the Community Health Academy's courses worldwide.
- Contributing expertise and staff to a new Kenya Performance Lab to develop mobile-based tech innovations to improve community health worker productivity and supply chains. Innovations will be introduced in Kenya and then scaled to other countries.

**"Focused investment in community health workers can accelerate progress to make universal health coverage a reality. Public-private collaboration is critical to help governments lower barriers to quality care and innovative medicines that save and improve people's lives."**

**—David A. Ricks, Lilly Chairman and CEO**

### **Lilly Helps to Expand Successful AMPATH Model**

Building on 30 years of success in western Kenya, Lilly and the Lilly Foundation's longtime partner AMPATH—also known as Academic Model Providing Access to Healthcare—is establishing new partnership sites in Puebla, Mexico and Tamale, Ghana, with the potential to reach more than 7 million people by 2030. Over the years, as AMPATH has grown and evolved its approach, so too has Lilly and the Lilly Foundation's partnership with the organization, which now includes nearly \$150 million in product donations, support of oncology programming and employee volunteerism. With the support of Lilly and the Lilly Foundation, this latest effort has the potential to expand AMPATH's vital work providing medicines and healthcare services to millions more people—many who live on less than \$1 a day.

AMPATH was established in 1989 when four Indiana University (IU) School of Medicine physicians joined with the new Moi University School of Medicine in Eldoret, Kenya. The healthcare partnership that emerged grew to support one of Africa's most successful models for HIV/AIDS care and control. Today, AMPATH's work is evolving again, this time to support a comprehensive health model inclusive of economic empowerment, an integrated care system and universal health insurance.

The newest rounds of funding to the organization are supporting AMPATH's expansion to Mexico and Ghana to help validate its healthcare model as a scalable one that can be replicated in new settings, as well as efforts to ensure the scalability of the AMPATH model around the world.

## Other Global Health Partnership Highlights

### Diabetes Impact Project in Indianapolis Neighborhoods (DIP-IN)

Lilly and the [Richard M. Fairbanks School of Public Health](#) are collaborating on a five-year pilot—featuring newly-hired community health workers to help identify people with—or at risk of—developing—diabetes and connect them with quality care. To reduce barriers to health, community health workers are also assisting residents in addressing other life challenges, including depression, substance abuse and domestic violence. Community members are full partners and leaders in the effort. They are identifying and proposing solutions to barriers that increase the risk for diabetes, such as the lack of healthy food options and public spaces for exercise. The pilot has the potential for adoption by the [Eskenazi Health](#) system in Indiana and other communities across the United States, and the data generated is expected to help scale the program and reach more than 380,000 patients by 2030.

**“Our global health partnerships focus on investment in key areas and working with organizations that have demonstrated the ability to find innovative solutions to complex problems. Our past relationship with AMPATH in Kenya makes us confident that this model holds the promise to do that in other locations around the world.”**

**—Tiffany Benjamin, senior director, corporate responsibility, global health and president, Lilly Foundation**

### Diabetes and Pregnant Women in Mexico

Mexico, like many other low and medium-income countries, faces an epidemic of NCDs. Diabetes is an especially pressing issue, since it is estimated that approximately half of Mexicans are unaware of their disease status. Diabetes affects all aspects of health, however, can have particularly detrimental effects on pregnant women.

Lilly is collaborating with the [Carlos Slim Foundation](#) to test a new, less expensive screening process for pregnant women who may be at risk of Type 2 diabetes and gestational diabetes. In addition, the children born from this group of women will be followed for 24 months, to study the effects of gestational diabetes on children. The data will increase the understanding of both diseases within the Mexican population and inform future public policy. If fully scaled across the country, the program could reach 1.2 million women and children by 2030.

## Product Donations

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

### Life for A Child

Since 2008, Lilly has donated 2.1 million vials of insulin to the [Life for a Child](#) partnership. The program provides access to care, education and life-saving medicines and supplies to children with diabetes in developing countries. In 2019, our donations helped 19,000 young people in 31 countries with limited resources. Life for a Child efforts have encouraged governments to prioritize diabetes on national health agendas and move toward sustainable care.

## Brandon Mariscal

### Life for A Child Insulin Recipient

As a 5-year-old in Bolivia, Brandon Velarde Mariscal was fighting for his life.

**“My son was dying. He didn’t eat. He couldn’t walk,”** said his mother. After more than a year, Brandon was diagnosed with Type 1 diabetes. Even then, he was given too little insulin and he continued to lose weight. Finally, Brandon’s mother found a doctor who stabilized his condition and connected them with a program to get him the insulin he needed—Life for a Child.

Lilly has supplied more than 2 million vials of insulin to the program, which helps young people with diabetes in developing countries. Last year, Lilly insulin helped 19,000 young people in 31 countries. Now 24, Brandon recently graduated as a dentist and helps improve health for others.

**“I want to prove that diabetes hasn’t been an impediment for me. People with diabetes, we can do it.”**

Learn more about [Brandon’s story](#).



## 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 is through our support of programs designed to help patients access the medicines they need.

**United States:** Eli Lilly and Company donates its medications to the Lilly Cares® Foundation, a separate nonprofit organization. Lilly Cares operates the Lilly Cares Foundation Patient Assistance Program which assists qualifying patients in the United States obtain certain Lilly medications at no cost. In 2019, Lilly Cares helped more than 140,000 people with a significant financial need obtain prescribed medications in the areas of mental health, diabetes, cardiovascular disease, men’s health, osteoporosis, arthritis, cancer, psoriasis, migraine and growth hormone disorders.

**China:** Lilly offers three patient assistance programs, two for oncology and one for osteoporosis patients. Products are donated to China Primary Health Care Foundation through which eligible patients qualify and receive their medicine. In 2019, more than 6,000 new patients were registered and more than 9,000 patients were helped through these three programs launched in 2014, 2015 and 2019 respectively.

## Disaster Relief

Disasters—whether natural or manmade—can change lives in an instant. That’s why Lilly works with leading partners to prepare for the worst and respond with our collective best. We do this through disaster preparedness efforts, providing medicines when requested by our partners and helping people and communities recover.

### Disaster Readiness

While it is impossible to prepare for every situation, the impact of a disaster can be lessened by being ready before it happens.

Since 2009, Lilly has worked with Direct Relief, a global nonprofit organization, to supply insulin and other medicines as part of its Hurricane Prep Packs. Developed with experts from frontline clinics and health centers following Hurricane Katrina and refined in the decade since, the prep packs contain basic supplies and medications which are pre-positioned in health centers located in hurricane zones within the United States, Puerto Rico and the U.S. Virgin Islands.

In 2019, Lilly donated just over \$700,000 in product to this critical program.

Each mobile, waterproof pack supports care for up to **100 people** for approximately **three to five days** and contains:



Lilly also donates vials and pens of insulin to Direct Relief’s Disaster Response Inventory initiative, which provides medical items that are urgently needed following disasters—including wildfires, tornadoes, typhoons, earthquakes, floods and hurricanes. These supplies offer immediate assistance while longer-term needs are assessed. In 2019, Lilly donated \$2.7 million in supplies.

We are also supporting Healthcare Ready and its efforts to help people get access to the information and medicines they need in times of disaster. A nonprofit that helps to strengthen healthcare supply chains, Healthcare Ready collaborates with the public health and private sectors by addressing pressing issues before, during and after disasters, as well as helping to advance best practices around overall healthcare preparedness and response.

In 2019, Lilly provided \$225,000 to expand Healthcare Ready’s *Rx Open*, an online, interactive map of open pharmacies during times of disaster, and *Rx on the Run*, which helps people document and share prescriptions and provider information in advance of, or during, a disaster. In addition, funding from Lilly helped Healthcare Ready create a web-based repository of patient education and preparedness resources to allow people to search for targeted information based on their own situation, such as medical condition, type of disaster and geography (e.g., diabetes, hurricane, New Orleans).

## Helping People in Times of Disaster

The best way for people to access Lilly medicines during a crisis is through their normal pharmacy, if possible. Sometimes, conditions force some pharmacies to close. That's why Lilly helped to expand Healthcare Ready's *Rx Open*, which shows open pharmacies across the United States.

If insulin or other medicines have been damaged or destroyed by a disaster, patients can talk to their pharmacy about getting a new 30-day supply. Many insurance plans have disaster overrides that allow for replacement of destroyed medicine for the cost of a co-pay.

Lilly often activates its own disaster response process to ensure people have access to the medicines they need. This process helps people who don't have a disaster override or who have a high-deductible plan that normally requires them to pay full price for their treatment. In these cases, Lilly will provide a new 30-day supply at no charge.

Together, our goal is to provide

**the right medicines**

**to the right people**

**at the right time.**



In 2018, Lilly created the **Diabetes Solutions Center** to help people with immediate needs, which has expanded to include those impacted by the COVID-19 pandemic.

Lilly is also a charter member of the **Partnership for Quality Medical Donations**, which brings together international medical-product companies and humanitarian organizations to advance the quality of product donations. The partnership helps ensure high levels of coordination before the next disaster strikes—and facilitate an effective, efficient response when it does.

**“During times of disaster, people need access to the essentials—shelter, food, water and, most certainly, health information and critical medicines. Our work with Healthcare Ready and Direct Relief expand our ongoing efforts to help people in times of disaster. It’s one more way that we’re working to help ensure people can access Lilly insulin and other medicines when they need them.”**

**—David A. Ricks, Lilly Chairman and CEO**

## Disaster Response

In times of great need, Lilly and the Lilly Foundation respond. We donate medicines and supplies that are specifically requested by relief agencies, including **Direct Relief**, **Americares** and **Project HOPE**. These agencies work closely with clinics and hospitals on the ground to quickly assess and prioritize needs.

The Lilly Foundation provides strategic cash donations to relief organizations such as the [American Red Cross](#) and [GlobalGiving](#) and matches employee contributions dollar for dollar. These donations help support immediate needs during a crisis and, in cases of severe disasters, rebuilding efforts over time. In collaboration with these organizations, the Lilly Foundation responded to Australia's wildfires and the earthquakes in Puerto Rico earlier this year. In early 2020, Lilly responded to the global [coronavirus pandemic](#), creating specialized labs for local testing, opportunities for Lilly employees to volunteer and partnering with government and other life sciences companies to advance and study potential treatments for COVID-19. The Lilly Foundation also responded with strategic cash donations.

### Disaster Relief in 2019

In September 2019, Lilly responded to Hurricane Dorian, which affected Florida and the Bahamas, contributing more than 5,000 total insulin vials and pens that were distributed as part of Direct Relief's Disaster Response Inventory. Lilly employees across the globe also contributed to relief efforts through Lilly Global Giving. Personal donations of \$25 or more were matched by the Lilly Foundation.

Read more about Lilly's response to the [coronavirus pandemic](#) that emerged in early 2020 at the beginning of this report.

### Connecting Hearts Abroad Volunteers Work to Improve Health

More than 1,300 Lilly employees have volunteered through Connecting Hearts Abroad, Lilly's global service program. Most work on [health-related projects in communities with limited resources](#), working alongside local partners, gaining first-hand experience with complex global health challenges and Lilly's role in addressing them, including:

- At displacement camps in Greece, where in 2019 ambassadors cared for more than 725 refugees, helping with health and vision screenings and other medical services. About half of the patients screened were referred to local health centers and hospitals for additional care.
- In Panama, where volunteers attended to the health needs of more than 920 patients across several diverse communities. Serving these communities is part of a uniquely holistic model to meet community's health and economic goals, collaboratively, building community ownership.

- In Indianapolis, the Diabetes Impact Project (DIP-IN) is Lilly's first U.S. global health partnership. Volunteers work alongside local partners and community members in three urban communities where rates of diabetes are double the global rate. Projects completed support the broader DIP-IN initiative designed to build resources and connections within communities with the goal of preventing diabetes or better managing it so that people can live long and healthy lives.
- In Kenya, where volunteers worked with [A Fresh Chapter](#) (AFC), a non-profit whose mission is to heal the emotional scars of cancer through volunteerism, meaningful travel, and programs designed to reframe adversity and redefine what is possible, as well as Lilly's long-standing partner AMPATH to improve advocacy and care for people with cancer. Through the partnership, AFC plans to reach 32,000 Kenyans by 2025.

To respond to the COVID-19 pandemic, Lilly is collaborating with partners to explore virtual volunteer opportunities for 2020.



# Labor

To solve the toughest challenges in medicine, Lilly is committed to attracting and retaining a diverse, agile workforce of top talent from around the world. Everything we do requires fully engaged people.

Our company's values—integrity, excellence and respect for people—shape our approach to attracting and developing a highly skilled and ethical workforce. We are committed to fairness and nondiscrimination in our employment practices, and we value diverse backgrounds, skills and global perspectives. Lilly is a place where employees can enjoy meaningful work, build successful careers and be part of a caring, inclusive team working with shared purpose to make life better for people around the world. We support a culture of well-being by providing competitive pay, comprehensive employee benefit programs, robust training and development, and opportunities for employees to volunteer in their communities and around the world.

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



# Our Culture and Values

As the pace of change accelerates across our global industry, our culture and values provide a solid foundation from which we work to fulfill our company's purpose. From a global enterprise view, we seek to create a high-performance team culture, improve experiences for customers and employees, and deliver results by making life better for people around the world. To accomplish this, we have developed a comprehensive strategic framework that prioritizes people. We embrace progressive workplace approaches driven by research and employee feedback, and we focus on hiring, developing and retaining top talent with a wide range of experiences and perspectives.

Our long-standing values of integrity, excellence and respect for people reflect our concern for our many stakeholders, including patients, customers, employees, shareholders, partners, suppliers and communities. To embody our values in our daily work, everyone at Lilly is expected to include, innovate, accelerate and deliver. Consistently modeling these behaviors is critical to our business goals, enabling us to speed the delivery of life-changing medicines, grow revenue and create long-term value. On an individual level, embracing this approach helps employees be free to speak up, share ideas and be fully engaged in our important work every day. We invest in employees' growth by providing resources for career and leadership development.

A vital element of our company culture is diversity and inclusion (D&I). We have taken a rigorous, research-based approach, clearly highlighting its importance and benefits. Our efforts have yielded results and recognition, as we were proud to be one of four companies to receive the prestigious global Catalyst Award in 2019.

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



# Lilly's Support of Labor Standards

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

## Freedom of Association and Right to Collective Bargaining

Lilly recognizes the importance of freedom of association in the workplace and respects the right of our employees to join associations of their own choosing. We interact with works councils and unions in several countries; we support these bodies and work productively with them. The vast majority of our workers globally are not covered under traditional collective-bargaining agreements.

In some countries where we operate, governments mandate working conditions, such as salary increases, minimum wages, bonuses, number of weekly working hours, vacation time and overtime rates. These vary by country, and we follow these mandates wherever they are required.

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

## Forced and Child Labor

Lilly maintains a long-standing practice of complying with local minimum-age laws and requirements and does not employ child labor, or forced or compulsory labor, in any of our facilities globally. In 2011, Lilly revised our global standards and procedures to include specific language about human rights, including our expectation that vendors to Lilly abide by Lilly's human rights standards as one component of our [Supplier Code of Conduct](#).



# Pay and Benefits

Our pay and benefits programs are designed to attract and retain diverse, highly motivated employees while reinforcing our care for employees and our shared purpose to make life better. In 2019, to unite Lilly employees globally and strengthen the connection to our core purpose, Lilly issued a special equity grant, *Lilly Shares*, to more than 29,000 eligible employees around the world, ensuring an ownership opportunity for nearly every employee. Lilly's compensation programs reward and recognize employee contributions and overall business success, while our benefit programs provide the flexibility to meet employees where they are in life and support overall well-being. We strive to deliver our total rewards with a global mindset, distinguishing programs only where local business needs or markets necessitate.

Lilly is committed to ensuring pay equity for all employees. We comply with local legislative analyses and reporting requirements globally, and for many years, we have regularly conducted pay-equity studies in the United States. In 2017, we included the U.K. in this study, and in 2018 we broadened these efforts to include Lilly employees in Brazil, China, Ireland, Italy, Spain and the U.K. In the 2019 U.S. pay equity analyses, as in previous years, overall results were positive with a small percentage of employees receiving an adjustment.

Employee insights are key to shaping total rewards offerings at Lilly. In 2019, employees in various locations received enhanced employee benefits based on insights they shared in the previous year's reward preferences survey. Employees in six of Lilly's larger geographies were invited to participate in the survey, and nearly 75 percent (more than 18,000 employees) responded to express their reward preferences. Their insights provide us with important input as we design reward programs that help our employees be at their best.

A sampling of 2019 rewards enhancements included:

- Enhanced summer holiday benefits in China and the United States, and employee choice for additional leave time in the U.K.;
- Expanded leave benefits, including extended personal and family member illness leaves in China and expanded parental leave benefits for mothers, fathers and partners, as well as adoptive and foster parents in the United States;

- Medical well-being time allotment in Italy for a medical check-up day; and
- Financial well-being offerings expanded in China, Italy and the U.K. for long-term financial planning.

While our company's programs vary around the globe, we take a holistic approach to employee benefits. These may include flexible work arrangements; on-site conveniences, such as cafes, fitness centers and child development centers; competitive time-off programs; retirement benefits; and health and disability programs that are available to eligible employees when they need support.

Lilly offers the *Inspire* employee recognition program to reward and recognize employees at Lilly locations globally. The program includes supervisor-to-employee, peer-to-peer and years-of-service recognition. Employees can recognize colleagues and congratulate and support coworkers' successes through the companywide recognition feed, providing a consistent and meaningful recognition experience for employees around the world.



# Well-Being at Lilly

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

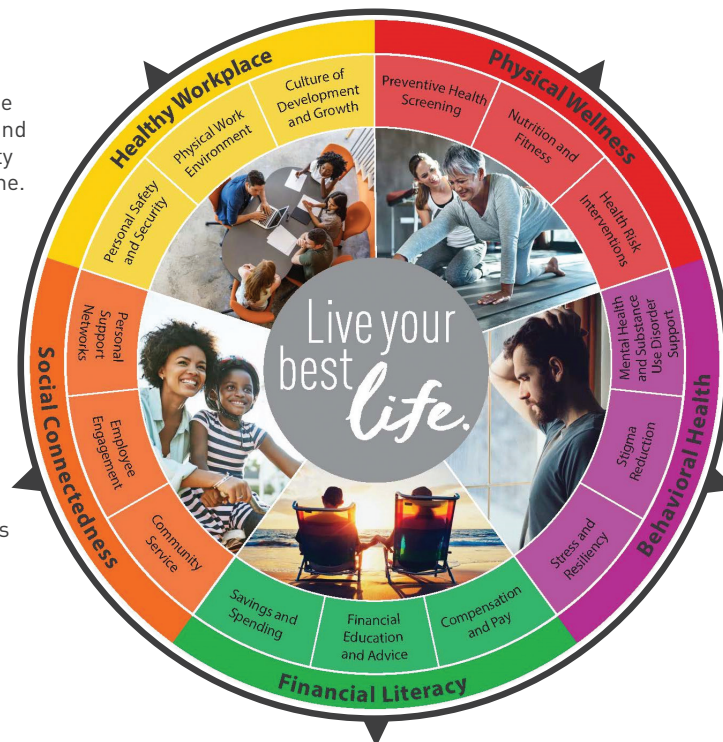
## Lilly's Global Well-Being Framework

### A healthy workplace

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

### Social connectedness

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



### Physical wellness

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

### Behavioral health

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

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

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

In the United States, Lilly's *myBestLife* program offers a set of tools and resources to help employees better manage their health, as well as support them in living a healthier and more active life. Lilly offers health plan coverage to employees and their eligible dependents, and our coverage for preventive health services goes well beyond the requirements established under federal healthcare reform.

At our Indianapolis headquarters, two medical clinics allow employees to have annual preventive screenings and routine lab work on-site. We have several fitness centers available as well, offering individual and group exercise. When employees travel, we provide access to a national network of more than 10,000 fitness centers located across the United States. We partner with our food-service vendors to offer a wide range of healthier dining choices and snacks, some of which are subsidized by Lilly. We provide showers and bike racks for the Indianapolis employees who commute to work by bicycle.

Other efforts to support our employees' physical and emotional health in the United States include access to a dietitian, frequent fitness challenges, such as the popular "Maintain Not Gain" holiday team competition, and a comprehensive employee assistance program. Across the United States since 2011, we have designated all sites smoke-free. New adoptive, foster and birth parents and their partners are eligible for generous parental leave, two on-site child development centers at corporate headquarters, back-up care options and parenting education opportunities. New mothers receive maternity-leave benefits and access to lactation rooms. We promote financial well-being through a variety of online financial tools and financial advisory programs, and we offer individual financial counseling on-site or by phone at no cost to employees. Many of the benefit offerings also are available to spouses, domestic partners and qualified dependents to promote well-being for the entire family.

Lilly affiliate sites around the world offer extensive wellness programs, aimed at providing a holistic approach to employee health, safety and well-being. These integrated programs feature safety culture messages and initiatives, and at some sites, integrate diversity and inclusion programs as well. The Lilly global well-being framework is intended to guide companywide efforts and investments by focusing on five global domains identified for supporting personal well-being, each with distinct areas of focus.

## Employee Safety

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 is managed by our health, safety and environment (HSE) team. For more information, see our discussion in [Employee Safety](#).



# Learning and Development

Another important way Lilly invests in employees is through learning and development (L&D). Continuing to learn and grow is essential for people to stay engaged in their work, develop their careers and make meaningful contributions that help our company fulfill its purpose.

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

Because Lilly's work encompasses business areas and functions across the entire breadth of our industry's value cycle—discovery, development, manufacturing and marketing—a single career might include opportunities in several areas of interest or in several different geographies. To help our employees navigate these opportunities, we offer access to L&D programs that can assist them in acquiring the new skills needed to pursue their career objectives.

In 2019, we introduced *Explore Your Career*, a new global framework and suite of resources designed to help employees grow and lead every day. *Explore Your Career* contains tools and guidance for employees and their managers to assess career interests, map career plans and develop skills. Also included is an online course platform with thousands of courses that cover business, technical and creative skills.

Strong leadership is a critically important part of a thriving organization. We're expanding our investment in leadership development, offering continuous L&D opportunities for leaders at all levels of the company, in all parts of the world. The aim is to help supervisors develop skills and apply strategies to ensure inclusive teams that collaborate and perform effectively. In addition to an online learning platform, available on demand in multiple languages, in 2019 we expanded our classroom offerings to target leadership development and skill-building. We also offered a series of in-depth workshops to provide opportunities for more experienced leaders to deepen their skills as well. Furthermore, we created live forums to connect our top 1,100 leaders globally to ensure alignment around leadership expectations and provide ongoing opportunities for their professional development.

The universally accessible, online programming we have introduced makes it easier for everyone to partake in Lilly's L&D offerings. We have also modified design standards for global training courses to improve accessibility for people with disabilities and other unique needs. Examples include ensuring that courses are compatible with assistive technologies such as screen readers for employees with visual impairments and providing transcripts for individuals with hearing impairments. Across Lilly, we are intentionally designing learning experiences to be more inclusive and effective for everyone.



# Diversity and Inclusion: Our Differences Make a Difference

At Lilly, diversity and inclusion (D&I) are core to how we do business. We take a holistic approach because we're a stronger company when we have a workforce of top talent from different backgrounds—people who are respected, valued, welcomed and heard. To fulfill our purpose, we must look at challenges from multiple viewpoints and understand the diverse experiences of the patients who depend on us. In short, our differences make a difference—to patients and to our business.

## **D&I at Lilly Includes High-Level Governance, Intentional Corporate Culture and Ongoing Data Analysis.**

**Leadership commitment:** Our CEO and Executive Committee consistently state expectations for inclusive leadership and hold leaders accountable for building diverse and inclusive teams. Lilly's senior vice president for human resources and diversity reports directly to our chairman and CEO. Our chief diversity and inclusion officer is a vice president who reports to the senior vice president.

**Clarity of purpose and expectations for everyone:** *The Red Book*, our code of business conduct, summarizes our approach to creating an inclusive, nondiscriminatory environment.

**Data to inform and measure:** We began setting aspirational goals in 2017 as part of our commitment to increase the number of women, minority group members and other diverse populations in leadership roles. Once goals are set, we monitor our progress over time to inform our approach. To help achieve our D&I goals, we help make sure everyone can contribute fully as their authentic, professional selves so they can grow in their careers.

We approach D&I with the same rigor as other business-critical challenges. Because fostering D&I begins with understanding, we have conducted in-depth employee research—Employee Journeys—that have yielded important insights about the experience of women, African Americans, Latinxs and Asians at Lilly. This research has helped to illuminate common themes and challenges these employees face in their lives and in their career paths. Similar in-depth research is in progress for LGBTQ (lesbian, gay, bisexual, transgender and queer/questioning) employees. Powerful insights from this research have led to companywide changes that are improving the culture for everyone.

In recognition of this work, Lilly received the 2019 Catalyst Award, a prestigious global honor that evaluates companies' recruitment, development and advancement initiatives with a focus on proven, measurable results that benefit employees across a range of dimensions, including race/ethnicity, sexual orientation, gender identity, religion, age, nationality and disability.

In 2019, we also launched D&I initiatives focused on people with disabilities and veterans. We're working to improve accessibility to workplace facilities and technology for employees with visible and invisible disabilities through a multifaceted global initiative across several functions. We've also expanded efforts for hiring and supporting veterans, who bring valuable skills to our business. In concert with these efforts, our employee resource groups for people with disabilities and for veterans have added new programming and extended community-outreach efforts.

## Turning Understanding and Empathy Into Action

The Employee Journey work was modeled after the patient journey process we conduct for our medicines. This process helps us more fully understand the experiences of particular groups, including ways in which their experiences might be similar to, or different from, those of other groups. We're using the results of this research to help improve the experience of all employees as they progress in their careers, and to further diversify Lilly's leadership ranks.

After researching the journeys of women, African Americans, Asians and Latinxs, we launched similar research in 2019 to understand the lived experiences of LGBTQ employees. We have shared the results of the first four Journeys with the entire company and will do so with the LGBTQ results in 2020. These learnings provide a common language to help colleagues more easily relate to and empathize with people of other cultures. This research has resulted in growing energy around diversity and inclusion, with a companywide network of D&I champions, initiatives and teams in every business area—and an expanding appreciation of the value of different perspectives.

We recognize that there is more work to do, but these initiatives are improving our culture. In our 2019 employee feedback survey, we saw improvements of two percent to three percent over last year on key questions related to inclusion.

## Specific D&I Activities and Results

Building a more inclusive culture requires sustained focus and action, and the holistic integration of D&I into our entire business. Leaders and managers at Lilly are expected to lead more inclusively by valuing differences, recognizing and overcoming bias and fostering a "speak-up" culture—where all colleagues feel their ideas and contributions will be valued. Our performance management process, Pulse employee survey and direct-report surveys are ways we gauge employee feedback and hold leaders accountable. Our commitment to D&I is a core component of how we do business—and there are many examples that this work is making a real difference.

Here are some highlights:

### Measuring Progress on D&I

- We continue to set aspirational goals and measure our progress in diversity. From the end of 2015 to the end of 2019, we increased the number of women in management globally from 41 percent to 45 percent. For racial and ethnic minorities and other non-majority members in the United States over that same period, we increased management representation from 18 percent to 24 percent. Across all levels of our workforce, in 2019 we saw increased representation for minorities in the United States and women globally.
- Six of 14 members (43 percent) of the Executive Committee, which reports directly to the CEO, are women, including one woman of color. Our 13-member board of directors includes four women (31 percent) and five members of underrepresented groups (38 percent).

## Understanding and Supporting Diverse Employees

- We continued our Employee Journey research and analysis to understand the diverse experiences of our employees, with a focus in 2019 and 2020 on the experiences of LGBTQ employees in the United States and the U.K.
- We introduced *Explore Your Career*, a new global framework of tools and resources, to improve our talent programs and processes. *Explore Your Career* ensures broader access and greater transparency about career development and advancement.
- Lilly is committed to supporting employees who work and live with disabilities around the world. In 2019, we established a global disability council that so far has focused its efforts on accessibility. We now have task forces and detailed action plans in priority areas such as facilities, learning and development, information and digital solutions, and making internal communications and externally facing websites more accessible.
- In response to insights from our Employee Journey research, we developed *Make it Safe to Thrive*, an education and awareness program created to help build cultural literacy and understanding about conditions needed for employees to feel psychologically safe at work. We emphasize that all people, whether from majority or minority groups, can fully share their diverse ideas, experiences, knowledge and insights only when they feel safe from bias and stereotypes. More than 3,000 leaders globally have participated in required live training, using real-life scenarios, to gain greater awareness of how unconscious bias and microaggressions can harm team cohesiveness and hurt employee engagement. The training also focuses on how leaders should address such situations when they arise at work. In late 2019, we also launched online *Make it Safe to Thrive* training that is required for all employees. We continue to offer resources related to this program to ensure continued focus.
- We continue to offer a conscious inclusion program at Lilly, developed to help employees identify and overcome unconscious biases. This program is instructor-led and available on request. More than 3,000 people have participated over the past several years.
- We have also introduced several signature leadership development programs.
  - » *Emerge* is a program in its third year, designed to develop minority talent at Lilly. The three-day program, led by CEO David Ricks, combines relationship-building and leadership development featuring case studies of tough decisions from Ricks' own career. Mentioned in an [article](#) about Lilly in *The Wall Street Journal*, *Emerge* focuses on top talent from diverse backgrounds. First-year participants in 2018 were African American women; year two participants in 2019 were Latinas and Asian women, and year three participants in 2020 include a mix of men and women from several minority groups.
  - » In addition, we have a number of leadership development programs for various levels of leaders, and all of them include significant participation from minority-group members.

## Mentorship, Sponsorship and Fostering Employee Connections

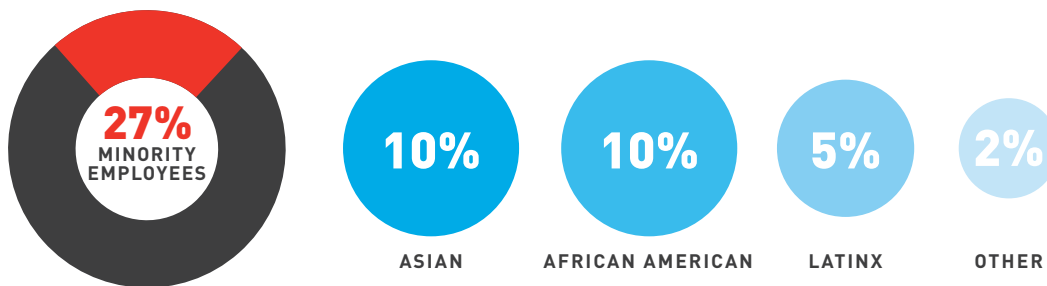
- Senior leaders have long sponsored employees who have the aspiration and ability to become future business leaders at Lilly. In 2019, we expanded focus on a sponsorship initiative that requires senior executives to guide and support the careers of diverse employees with higher potential. The number of formal sponsors grew from under 50 to about 125.
- In 2019, we unveiled a new initiative, *Ask Me About My Journey*, where employees are encouraged to sit down with peers who are different from themselves to learn about one another's lives and career journeys. We provide conversation starters, and the rest is up to them.

## Recruiting, Hiring and Talent Pipeline

- Since 2018, we have required hiring managers to field a diverse pool of candidates and a diverse panel of interviewers for every open position at Lilly. Hiring in this way helps ensure that people from all backgrounds have equal opportunities to further their careers. It also helps ensure that leaders look beyond their own comfort zone for the most qualified candidate available for each open role.
- Our commitment to diversity and inclusion reaches beyond our current employees. To recruit a diverse workforce, we partner with a wide range of professional associations, along with top colleges and universities. We focus on top talent from all backgrounds, with special attention to Latinxs, African Americans, Asians, veterans, individuals with disabilities, and early career professionals in the United States, as well as women globally.
- To help develop our future talent pipeline, each summer we invite first- and second-year college students from underrepresented groups to participate in a summer work experience at our headquarters as part of a Lilly team. This experience provides students an excellent introduction to the pharmaceutical industry, to Lilly and to a corporate environment. The work experience prepares students for our [corporate internship program](#) later in their college careers. We also attract top talent through an extensive global MBA internship program.

## U.S. WORKFORCE ETHNIC DIVERSITY

as of year-end 2019



## GENDER DIVERSITY AT LILLY IN 2019



FOUR OF THIRTEEN MEMBERS  
ON THE BOARD OF DIRECTORS  
ARE WOMEN

31%

20.4%<sup>1</sup>

IS THE AVERAGE FOR  
RUSSELL 3000 COMPANIES



LILLY ALSO HAS SIX WOMEN  
ON ITS EXECUTIVE COMMITTEE

43%

### MANAGEMENT POSITIONS

● WOMEN ● MEN

45% 55%

### GLOBAL WORKFORCE

● WOMEN ● MEN

50% 50%

### U.S. WORKFORCE

● WOMEN ● MEN

50% 50%

1. 2020 Women on Boards Gender Diversity Index

## Employee Resource Groups at Lilly

Membership in Lilly's employee resource groups (ERGs) continues to grow, with an estimated 15,000 people participating worldwide. We have several corporate international ERGs representing women, LGBTQ people, early career professionals and people with disabilities. Many geographies also have local organizations.

In the United States, most of our 11 corporate ERGs based at headquarters in Indianapolis also have associated field-based organizations. Ally organizations within Lilly are especially active in supporting women and LGBTQ employees at our company.

Anyone from any background can join any ERG or ally group. Their efforts are designed to improve the employee experience for everyone and to be a voice for their unique perspectives to improve our business. Here are the U.S.-based corporate ERGs and highlights of their work in the past year:

### African American Network (AAN)

This dynamic organization is Lilly's oldest ERG, dating back to 1984. It has a cohesive strategy for helping Lilly become the employer of choice in biotech for African Americans and Latinxs by engaging African American employees to help recruit and retain top talent. AAN efforts include Black History Month activities and the African American-Latino Forum, which in total include more than 2,000 employees. Membership in AAN increased 25 percent from 2018 to 2019.

### Africa, Middle East and Central Asia Network (AMECA)

Members of AMECA focus on interfaith education and cross-cultural understanding. A broad cross-section of Lilly people has learned and grown from AMECA activities such as panel discussions on the hijab, world religions and immigration issues.

### Chinese Culture Network (CCN)

Lilly's Chinese population is the largest minority group in our research and development organization and includes some of our most accomplished scientists who are widely recognized in their fields. CCN focuses on talent development through mentorship to help people with strong technical skills also strengthen their leadership skills. A program called *Expert to Leader* invites internal and external leaders and speakers to share information and experiences. CCN has also developed a reverse-mentorship program to pair senior leaders at Lilly with more junior team members of Chinese descent to build cultural awareness. Priorities for CCN and Lilly include attracting and developing Asian talent across all parts of our business.

### Early Career Professionals (ECP)

ECP is one of our fastest-growing ERGs, with more than 2,000 members. The group is quite diverse, so it exemplifies intersectionality across cultures from a generational perspective. ECP has worked with other ERGs on multiple programs to build connections both within Lilly and in communities where we operate through volunteer activities, as well as playing a key role in attracting and engaging top talent.

### Lilly India Network (LIN)

LIN is an active organization, providing a network for employees whose heritage is Indian or who come to Lilly from India or South Asia. The organization has built connections with external groups, including a strategic partnership with the American Association of Physicians of Indian Origin (AAPI), the largest ethnic medical association in the United States. LIN also works with Lilly sales representatives and medical liaisons to help them develop greater cultural literacy for their interactions with South Asian healthcare providers. A Diwali celebration at headquarters is a highlight each year for Lilly people of all backgrounds. It showcases Indian food, dance, art and culture—in addition to beautiful brightly colored clothing and decorations.

### Japan International Leadership Network (JILN)

Japan is Lilly's second-largest affiliate, after the United States, and many Japanese employees spend most of their careers in Japan. JILN members in the United States focus on building cultural awareness among current and emerging leaders at Lilly and on communicating the unique features of Japan's business environment as well as the importance of Japan to Lilly's business.

### Organization of Latinx at Lilly (OLA)

Latinxs form the largest ethnic group in the United States, representing about 17 percent of the U.S. workforce and 18 percent of the U.S. population, with a buying power in 2020 projected at \$1.7 trillion. Lilly has made it a priority to improve the number of Latinx employees and leaders in our workforce. OLA has launched an internal campaign, “Our People, Our Business/Nuestra Gente, Nuestro Negocio” to emphasize the growing business opportunity that Latinx represent. Recruiting Latinxs and helping them connect to other Latinx colleagues and the broader Lilly community is OLA’s top priority. Other priorities include facilitating mentorship and sponsorship opportunities and building awareness with other cross-functional groups on the importance of engaging with Latinx people in the United States.

### Pride

Lilly’s Pride ERG includes international, corporate and field organizations. The ERG also includes large U.S. and international ally organizations—people who work to learn about LGBTQ colleagues’ experiences and to support them. In 2019, the Pride ERG engaged 27 senior leaders in reverse mentoring, where senior leaders at Lilly pair with colleagues who identify as LGBTQ. The Pride ERG partnered with human resources and other ERGs to influence Lilly’s expanded parental-leave policy, and has partnered with human resources in recruiting efforts. The Global Ally Coach program now counts more than 1,400 LGBTQ allies who volunteer to answer questions from non-LGBTQ people about LGBTQ inclusion.

### Veterans Leadership Network (VLN)

In 2019, VLN launched a mentorship program to help new employees who have served in the armed forces with their transition to the corporate environment at Lilly. Lilly became a founding member of Circle City Vets to help make Indianapolis a more attractive place for veterans

to live and work. The ERG also created an associated organization for veterans who work in U.S. locations outside Indianapolis, launching a field mentorship program this year. The VLN is focused on showcasing unique talents and skills learned in the military and how they can be a competitive advantage for Lilly.

### Women’s Initiative for Leading at Lilly (WILL)

WILL increased its membership by 40 percent in 2019 to 2,400 members, reflecting companywide interest in women’s leadership. Because women make most healthcare decisions around the world, they represent an important priority group for Lilly. WILL delivered several high-impact events focused on gender equity and the career experiences of all women, including women of color and LGBTQ women. Its signature event in 2019 drew more than 1,000 employees and many top leaders for a dynamic day of learning about gender bias and equity. WILL continued its successful partnerships with the national Healthcare Businesswomen’s Association, winning HBA’s coveted ACE Award in 2019. The Men as Allies organization at Lilly is growing quickly as well, supporting the goals and members of WILL and educating its members on gender equity advocacy.

### enAbleUS

EnAbleUS and its sister international organization enAble represent the largest minority group in the world—people with disabilities. This ERG focuses on removing barriers for people with disabilities and partners with community groups, including with the Joseph Maley Foundation in Indianapolis for Lilly’s Take Your Child to Work Day. enAbleUS also works with Lilly’s health and safety staff as well as workplace facilities and technology teams around the world to advocate for greater accessibility. The group held its first signature event in 2019 featuring powerful personal stories from people with both apparent and invisible disabilities.

## EMPLOYEE RESOURCE GROUPS IN 2019

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



15

EMPLOYEE  
RESOURCE  
GROUPS



14,600

MEMBERS



75

SATELLITE  
GROUPS  
GLOBALLY

## 2019-2020 Recognition

At Lilly we strive to be leaders in diversity and inclusion and workplace benefits, and we're honored when we receive recognition for our efforts. Here are some of our accolades for 2019 and early 2020:

<b>CATALYST:</b> For Our Employee Journeys, People Strategy	<b>NATIONAL ASSOCIATION FOR FEMALE EXECUTIVES:</b> Top 10 Companies for Executive Women, 2019 and 2020	<b>ETHISPHERE:</b> World's Most Ethical Companies 2017 - 2020
<b>DIVERSITYINC:</b> Top 50 Companies of Diversity: #3	<b>WORKING MOTHER:</b> 100 Best Companies for Working Mothers, Quarter-Century Club	<b>SCIENCE MAGAZINE:</b> Top Employers: #9
<b>JUST CAPITAL:</b> Win-Win of Just Jobs and Top 100 U.S. Companies Supporting Healthy Communities and Families	<b>INDEED:</b> Top-Rated Workplaces, No. 14	<b>FORBES:</b> America's Best Large Employers: #3, and Best Employer for Diversity
<b>BLACK ENTERPRISE:</b> 50 Best Companies for Diversity	<b>HUMAN RIGHTS CAMPAIGN FOUNDATION:</b> Best Place to Work for LGBTQ Equality, Perfect Score 2019-2020	<b>NATIONAL ORGANIZATION ON DISABILITY:</b> Leading Disability Employers



# Supplier Diversity

We believe that doing business with a diverse set of suppliers helps the company accelerate innovation and deliver strong results. By actively seeking out the fresh perspectives and insights of ethnically diverse, women-owned and small businesses to meet our wide range of internal and external needs, we strengthen both our own company and firms across our supply chain.

A supplier is considered diverse when at least 51 percent ownership and control are held by an ethnic minority, a woman or someone who is LGBTQ. Small suppliers are defined by the U.S. Small Business Administration's (SBA's) [small business size standards](#).

Given the importance of advancing supplier diversity, we have developed a comprehensive strategy comprising three key elements: compliance with government goals, commitment to seeking out and working with small and diverse suppliers and community engagement.

We met or exceeded our approved targets for each of the six government categories in 2019. We continued to mentor small and diverse suppliers by expanding support programs with the aim of helping our suppliers build stronger business practices. We also hosted our fourth annual Lilly Supplier Day, an event that connects relevant and qualified suppliers with our procurement professionals and facilitates partnership with advocacy groups.

In 2019, we spent \$555 million with 523 suppliers classified as diverse, woman-owned and/or LGBTQ-owned, as well as more than \$546 million with 1,433 suppliers classified as small businesses. During its most recent audit in 2016, the U.S. Small Business Administration recognized Lilly's efforts to promote and maintain supplier diversity as "outstanding"—the highest possible rating. In 2019, the company ranked ninth for supplier diversity in DiversityInc's Top 50 Companies for Diversity awards. The supplier diversity category assesses the use of best practices in achieving higher levels of procurement from diverse vendors.

## 2019 SUPPLIER DIVERSITY IMPACT

Eli Lilly and Company is committed to providing opportunities to minority, women, veteran, LGBTQ and small businesses through its supplier diversity program.



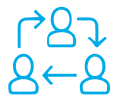


# Health, Safety and Environment

Making medicines that make life better for people around the world requires the use of valuable resources, such as energy, water and raw materials. At Lilly, we believe that promoting a healthy environment, maintaining a safe workplace, and operating responsibly and in an environmentally sustainable manner are linked to our business and supported by our purpose and values. As a result, Lilly manages health, safety and the environment (HSE) under a unified governance structure.

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

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



# HSE Governance Structure

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

- **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;
- **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 and performance against goals, as well as continuous improvement;
- **Manufacturing HSE committee**, which supports these efforts and drives ongoing improvement throughout manufacturing;
- **Lilly Research Laboratories HSE Lead Team**, which promotes health, safety and environmental aspects across research and development labs;
- **HSEDirections**, which is the governing program for all global affiliates and global business solutions centers and is administered under the direction of the Global HSE committee, with HSE representatives leading compliance at each affiliate; 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



### Lilly's Global Policy on Protecting People, the Environment and Our Assets

We strive to maintain a secure workplace and to protect people and the communities in which we operate and serve.

We are focused on continuously improving our health and safety practices to promote the well-being of our people. We are committed to conducting business in a responsible and environmentally sustainable manner.

We are committed to a robust security culture to protect our people and brand from harm, and our assets from loss, theft or damage. Each of us is responsible for implementing our security practices and applying them in our daily activities.

## Lilly's HSE Policy Statements, Procedures and Standards

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

Lilly's global policy statements, procedures and standards clearly articulate our commitments and guide our efforts. They include the following:

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

## Management Systems

All business areas, including manufacturing, research and development, affiliate locations and general administrative offices, are required to operate with an HSE management system that adheres to the requirements of the Lilly HSE standard. The basic elements of the Lilly HSE Management System standard are consistent with third-party standards such as the International Organization for Standardization (ISO) 14001, ISO 45001 and the American Chemistry Council's Responsible Care Management System (RCMS®) standards. Our global HSE management system is periodically reviewed by an independent, accredited auditor to ensure it conforms to the RCMS.

## Audits

We conduct audits of Lilly sites following protocols for each of our global HSE standards as well as regulatory requirements. Our five-year audit plan is updated annually and identifies which sites to audit each year based on risk, with sites associated with high-risk operations being audited more frequently. This approach results in audits of approximately 20 to 30 percent of our sites globally each year. In 2019, we audited 19 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 63 HSE-related external regulatory agency visits in 2019 which resulted in no critical observations.

## LILLY'S 2020 ENVIRONMENTAL AND SAFETY GOALS

### ENVIRONMENT

**20%**

**Reduction in greenhouse gas emissions<sup>1,2,3</sup>**  
(baseline 2012)

**20%**

**Improvement in energy efficiency<sup>2</sup>**  
(baseline 2012)

**10%**

**Reduction of phosphorus emissions in wastewater<sup>4</sup>**  
(baseline 2018)

**20%**

**Improvement in waste efficiency<sup>5</sup>**  
while increasing recycling rate above **70%** and decreasing waste to landfill below **10%** of total waste  
(baseline 2012)

←←← PROGRESS THROUGH 2019 →→→

**9%**

**Reduction**

**0%**

**Improvement**

**11%**

**Reduction**

**9%**

**Improvement**  
recycling rate increased to **78%**, waste-to-landfill decreased to **9%**

### SAFETY

#### LILLY'S SAFETY PROGRESS AND PERFORMANCE

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

**0.70**

**Total recordable injury rate**

**0.25**

**Lost-time injury rate**

**12%**

**Motor vehicle collision rate<sup>6</sup>**

#### RECORDABLE INJURY AND LOST-TIME INJURY RATE

YEAR	RECORDABLE INJURY RATE	LOST-TIME INJURY RATE
<b>2020 GOAL</b>	<b>0.70</b>	<b>0.25</b>
<b>2019</b>	0.71	0.26
<b>2018</b>	0.84	0.29
<b>2017</b>	0.83	0.29
<b>2016</b>	0.93	0.32
<b>2015</b>	0.89	0.26
<b>2007</b>	1.44	0.60

#### MOTOR VEHICLE COLLISION

YEAR	MOTOR VEHICLE COLLISION RATE <sup>6</sup>
<b>2020 GOAL</b>	<b>12%</b>
<b>2019</b>	12%
<b>2018</b>	15%
<b>2017</b>	15%
<b>2016</b>	16%
<b>2015</b>	16%
<b>2007</b>	25%

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

<sup>2</sup> Per square foot of site space.

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

<sup>4</sup> In absolute terms.

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

<sup>6</sup> A new goal for measuring motor vehicle collisions was established in 2015.



# Environmental Management

Our promise of making life better includes protecting and preserving the world we live in through our environmental sustainability efforts. As our product portfolio evolves, we search for new and better ways to minimize our environmental footprint.

## Green Chemistry and Engineering in Research and Development

The research and development phase significantly influences the environmental footprint of pharmaceutical manufacturing. At Lilly, we strive to embed environmental innovation early in the product development lifecycle through our focus on **green chemistry** and end-product engineering. Our green chemistry initiatives include developing manufacturing processes that use less-toxic chemical alternatives where feasible. We explore innovations that can lessen or eliminate potential negative environmental outputs, which can result from production of a medicine.

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

- Eliminating or reducing the hazardous materials used to make a product;
- Focusing specifically on removal of substances of very high concern, classified as potentially carcinogenic, mutagenic or toxic for reproduction by the European Chemicals Agency;
- Shrinking the waste profiles of certain molecules through reduced solvent and water use;
- Increasing the overall efficiency of material use;

- Advancing the underlying green chemistry of medicine development and making production both safer and more environmentally friendly through a commitment to continuous process improvement; and
- Implementing new manufacturing technologies that minimize environmental impact, including continuous flow processes, which Lilly has worked to advance in the pharmaceutical industry.

When we are developing a new 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 efforts to limit the use of dichloromethane (a hazardous air pollutant and suspected carcinogen).

## Lilly Moves Ahead with Horseshoe Crab Reagent Alternative

In 2018, Lilly worked to validate an alternative method of endotoxin testing—a necessary step for all medicines—that does not require sourcing from horseshoe crabs. Several species of crabs are under threat or endangered from habitat loss and overharvesting.

As of the end of 2019, five of our eight manufacturing labs had converted to the non-crab sourced alternative rFC test reagent, with the remaining three on track for conversion by the end of 2020.

Lilly's industry-leading effort helped influence changes in the European pharmacopoeia which will result in a new endotoxin test chapter in July 2020—with draft changes proposed in the United States pharmacopoeia in 2020—to facilitate broader industry adoption and conversion to endotoxin testing alternatives that do not require the capture and bleeding of vast quantities of horseshoe crabs.

## 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—that requires companies to collect and register information about the chemicals they manufacture or use, unless those chemicals are exempt.

These regulations may require replacing chemicals identified as hazardous with safer alternatives, when available. To address these concerns, Lilly has implemented a formal program and screening process to evaluate designated “chemicals of concern” throughout the pharmaceutical research and development process. Our process also addresses mitigation steps where new restrictions may impact our existing operations. This allows us to ensure that our facilities and supply chain remain in compliance with chemical management laws.

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

## MANAGING ENVIRONMENTAL PERFORMANCE ACROSS THE PRODUCT LIFE CYCLE



### Research and Development

We consider environmental factors from the earliest stages of design and development. We use the 12 principles of green chemistry, environmental risk assessments, packaging manufacturing reviews and an Environmental Development Review process to evaluate potential environmental impacts during the scale-up of human health pharmaceutical production to manufacturing levels.



### Materials and Natural Resources

Our stakeholders, including customers, governments and suppliers worldwide, are increasingly focused on the materials and chemicals used to make products. We have a chemical management program and work to reduce our use of materials, water and other natural resources when possible.



### Manufacturing

Our HSE committee oversees sustainability performance and compliance with applicable HSE regulations, policies, procedures and standards while ensuring we continually measure, report and reduce Lilly's environmental impacts associated with our own as well as contract manufacturing organizations.



### Sales and Marketing

At many Lilly sales and marketing offices worldwide, we manage projects to improve environmental performance while increasing employee awareness and action. Lilly continually works to improve the fuel efficiency of our sales force fleet through vehicle choice and optimization of driving and work practices. These efforts also reduce associated greenhouse gas (GHG) emissions.



### Product Transport and Packaging

We consider many factors in selecting product packaging, including sustainability aspects such as materials use and recyclability. We seek to optimize shipment volumes and transportation modes to reduce GHG emissions.



### 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

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.

## 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 2019, we were involved in the following collaborations:

- **American Chemical Society (ACS) Pharmaceutical Roundtable:** Lilly co-chaired this important group in 2019, which has grown from three companies in 2005 to 37 today. In 2019, Lilly led the peptide and oligonucleotide group focused on “greener” peptide development and manufacture. Over the past decade, peptides have shown great potential as therapeutic targets, but their manufacture routinely involves hazardous reagents, produces high waste-to-mass ratios and requires solvent-intensive purification systems. In fact, as compared to the development of small molecules, peptides generate up to 100 times the amount of waste. To address this issue and promote innovation, in 2019 the ACS Pharmaceutical Roundtable peptide team published [Sustainability Challenges in Synthetic Peptide Synthesis and Purification: From R&D to Production](#). The article was one of the most widely read articles featured in *The Journal of Organic Chemistry* over the 2019 calendar year.
- **IQ Consortium:** Lilly continues to work 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. The GAL 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.

- **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 \$2.3 million in research grants. In 2019, seven researchers were funded, including two for green peptide chemistry and one for non-precious metal catalysis.

## Lilly Research

During 2019, Lilly made significant advancements in green chemistry through its own research, several of which were published in scientific journals. Highlights include the following:

- Development of a more efficient and greener process for synthesis of a material used to produce the metastatic breast cancer drug abemaciclib (trade name Verzenio®). The revised process reduces the volume and hazard profile of the waste generated and it improves the purity of the intermediate itself.
- Advancement of Lilly’s position in flow chemistry through the development of a customized small volume continuous manufacturing process for a Lilly investigational drug, that reduces the manufacturing footprint, using less energy and fewer resources, as well as generates less waste.
- Development of a continuous aerobic oxidation reaction, replacing heavy metals with oxygen, the greenest of all oxidants.
- Co-authoring a study on the use of copper as a replacement for less desirable oxidants in catalyzed aerobic oxidation reactions.

## Manufacturing

During the manufacture of medicines, we aim to minimize our environmental impact. We measure and manage these impacts as they relate to energy and water use, greenhouse gas (GHG) emissions and the generation of waste and wastewater throughout the manufacturing process. Lilly launched an initial public offering (IPO) of Elanco Animal Health Incorporated in September 2018, and divested our remaining interest in Elanco in March 2019, making it an independent, publicly traded company. For 2019, Lilly adjusted our environmental performance data baseline calculations to reflect the Elanco divestiture.

Lilly recognizes the potential impacts associated with climate change and the risks of severe weather events. Lilly operates several combined heat and power systems which improve our resiliency to severe weather events and our environmental performance. See [Promoting Cogeneration](#) for more on our newest cogeneration system in Puerto Rico.

## Energy Use and Greenhouse Gas Emissions

Lilly set aggressive targets for improving energy intensity and thereby reducing our GHG emissions. We have an established global energy management program to ensure continuous improvement and advance progress towards our goals. The following are part of our multi-faceted approach:

- 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 assessments 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. Environmental Protection Agency'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 2019, CDP recognized our efforts with a score of B, which is considered "management" level and is average for the biotech and pharmaceutical industry sector.

## Lilly India Installs New Solar Plant

In 2019, Lilly India began operating a rooftop solar array on its building in Gurugram (Gurgaon) near New Delhi. The 40kW capacity solar panels, installed on an open terrace, will help reduce Lilly's carbon footprint in the city – a big priority in New Delhi due to rising pollution levels. The new solar panels are projected to supply 10 percent of the site's energy needs.

### Goals and Trends in 2019

Lilly's 2020 goal is to improve both our energy intensity 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 2019, we decreased our emissions intensity by nine percent compared to our 2012 baseline. Total energy consumption was up by 0.7 percent compared to 2012, while our energy intensity was essentially flat compared to 2012. Six of our eight largest manufacturing sites, accounting for over 50 percent of our energy consumption, have increased production rates since 2012. Four of those sites also increased total energy consumption, resulting in higher energy intensity. While production increases present challenges to our performance against our goals, we encourage and reward process energy intensity improvements. We also have made progress in our Indianapolis administrative and laboratory facilities by improving energy intensity over 15 percent, primarily due to improvements in our chilled water and HVAC systems.

Recent energy initiatives include the following:

- **Global Engineering** – Lilly's global engineering organization developed a new global energy monitoring system for implementation at Lilly's largest energy consuming sites. This system provides energy managers with a tool that centralizes energy data, provides analytics and allows for identification of energy saving opportunities. This system was largely implemented in 2019 at our largest sites, including Lilly's main corporate headquarters, the Lilly Technology Center and larger global manufacturing sites. Lilly saved at least 64,000 megawatt hours of energy in 2019 as a result of this system.

- **Puerto Rico and Alcobendas Manufacturing Sites and Lilly Aviation Facility in Indianapolis** – These sites each completed major LED lighting renovations totaling more than \$1.6 million.
- **Puerto Rico** – Both of Lilly's sites in Puerto Rico completed facility energy assessments known as "treasure hunts." These three-day events task a group of employees to identify ways to improve energy efficiency on site. In 2019, these events identified more than 6,900 megawatt hours of energy reduction opportunities.

### Promoting Cogeneration

Cogeneration, which uses combustion to generate electricity on-site while also recovering usable heat, presents another opportunity to reduce GHG emissions in our operations. In 2017, we began the design process for a new nine-megawatt combined heat and power system at our Puerto Rico facility. By the end of 2019, the new engine, generator and heat recovery boiler were installed, and we began construction on the building structure that will house the system. Construction is expected to last through 2020. The project is expected to result in roughly \$6 to 7 million of energy savings annually and approximately 15 to 20 percent reduction in GHG emissions for our Puerto Rico facility. We also operate combined heat and power systems at Lilly sites in Kinsale, Ireland, and Sesto, Italy.

### Renewable Energy

We will continue to evaluate further use of renewable energy to diversify our energy sources, decrease our GHG emissions and lessen our energy use intensity over time. In 2019, energy from renewable sources accounted for approximately 50,000 MWh. We are a member of the [Renewable Energy Buyers Alliance](#) and are currently evaluating the feasibility of incorporating more renewable energy sources.

### Water Use and Wastewater

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

In 2019, our efforts received a B rating from CDP's water program, the average for the biotech and pharmaceutical industry sector. Our Engineering Technology Center helps Lilly sites around the world identify water-saving technologies and Lilly sites can apply for capital project funding through Lilly's dedicated Energy, Waste and Water Reduction Fund.

### Goals and Trends in 2019

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

Because we successfully surpassed our original 15 percent phosphorus emission reduction goal by the end of 2018, we set a stretch goal to reduce an additional 10 percent of phosphorus emissions by 2020 using 2018 as the new baseline year. As of the end of 2019, we met that goal by decreasing our phosphorus emissions 11 percent compared to 2018. We have additional source reduction projects planned for 2020, including phasing out and replacing selected cleaning agents with non-phosphorus-based alternatives.

## Building 110 Demolition Achieves Zero Waste to Landfill

After a building in Lilly's technology center was targeted for demolition, a cross-functional team of HSE, facilities management and utilities engineering developed a comprehensive process to ensure minimal environmental impact would result. Despite an accelerated schedule, the team was able to develop a process to decontaminate the building's hazardous waste collection system before demolition, and then identify a vendor to recycle all construction and demolition debris that would have otherwise been destined for the landfill. In all, more than 3,000 tons of material was recycled.

### Waste

Lilly generates both nonhazardous and hazardous waste from its manufacturing processes. Examples include buffer solution from resin regeneration in biosynthetic insulin production and waste solvent from the extraction processes used in the manufacture of small molecule pharmaceuticals. Lilly uses the following hierarchy of approaches to disposition of waste generated across our operations:

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

### Our Environmental Performance in 2019

In 2019, Lilly scored a rating of B on climate change and a B on water from CDP, the world's largest repository of environmental management information. For CDP, a score of B is considered "management" level.

### Goals and Trends in 2019

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

Lilly generated 140,000 metric tonnes of waste (including material directly reused) in 2019. We were able to designate 84,000 tonnes of this waste for reuse, much of it as fertilizer. After reuse, 56,000 metric tonnes of waste remained.

With regards to progress against our goal, in 2018, we successfully surpassed our 20 percent waste efficiency improvement target, as our waste efficiency improved by 34 percent between 2012 and the end of 2018. In 2019, we achieved our 2020 recycling and waste-to-landfill goals. Our recycling rate increased to 78 percent, exceeding our goal of 70 percent, and waste sent to landfills declined to nine percent. Our waste efficiency metric was impacted by demolition projects at two sites in 2019. Excluding these one-time events, our waste efficiency was above 40 percent. In 2020, we are focusing on additional improvements.

# Reducing Our Waste Impact by Focusing on Plastics

## Plastic Reuse and Recycling at Indianapolis Device Assembly & Packaging

Lilly optimizes plastic use at our device manufacturing facility in Indianapolis through a reuse and recycling program. As part of this program, in 2019, nearly three million pounds of plastic pallets and component trays were continually reused throughout the manufacturing process, and 2.6 million pounds of packaging material for incoming device components were sent to our recycling partner. The diverted plastics are able to be used as feedstocks for other products such as composite decking and carpet padding. Reusing plastic pallets instead of wood also saved the approximate equivalent of 7,500 trees.

## Lilly Cafeteria Eliminates Use of Expanded Polystyrene Products

To minimize ephemeral plastics from our waste streams, in early 2020 all Indianapolis-based cafeterias began phasing out polystyrene foam products and plastic straws. Other Lilly European sites, including our Alcobendas, Spain location, have taken similar steps, including eliminating plastic waste from cafeterias and coffee stations.

## Lilly Catering Discontinues Use of Plastic Water Bottles

During 2019, Lilly's internal catering service at the Indianapolis headquarters began supplying filtered water in place of plastic water bottles, resulting in the elimination of an estimated 750,000 plastic bottles from Lilly's waste stream annually.

## Encouraging Eco-Efficiency Across Our Operations

We established the Energy, Waste and Water Reduction Fund in 2006 to encourage projects that reduce our overall environmental impacts. The fund supports projects that demonstrate the greatest potential for reductions in emissions and energy use, and that are not covered by local capital budgets. Since 2006, Lilly has invested more than \$47.6 million in this fund, enabling the implementation of 183 projects. These projects collectively save more than one trillion BTUs of energy annually, avoiding nearly 124,000 metric tonnes of GHG emissions each year, measured as carbon dioxide equivalents.

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, 2015 - 2019<sup>1,2</sup>

	Baseline Year <sup>13</sup>	2015	2016	2017	2018	2019
<b>GREENHOUSE GAS EMISSIONS</b>						
Greenhouse Gas Emissions (Scope 1 and Scope 2) (metric tonnes CO <sub>2</sub> e)	972,000	927,000	876,000	864,000	856,000	864,000
Scope 1	220,000	214,000	216,000	228,000	201,000	193,000
Scope 2	752,000	713,000	660,000	636,000	654,000	671,000
Greenhouse Gas Emissions Intensity (related to goal) (metric tonnes CO <sub>2</sub> e/1,000 square feet) <sup>3</sup>	41.5	39.2	37.0	36.5	37.3	37.5
Scope 3 Emissions (not included in metric tonnes above) (metric tonnes CO <sub>2</sub> e) <sup>4</sup>	278,000	237,000	248,000	232,000	265,000	240,000
<b>ENERGY USE</b>						
Energy Consumption (million BTUs) <sup>5</sup>	6,650,000	6,730,000	6,600,000	6,650,000	6,790,000	6,700,000
Energy Intensity (million BTUs/1,000 square feet) <sup>3</sup>	327	327	324	327	335	328
Direct Energy Consumption (million BTUs) <sup>6</sup>	1,590,000	1,620,000	1,660,000	1,790,000	1,730,000	1,670,000
Indirect Energy Consumption (million BTUs) <sup>7</sup>	5,060,000	5,110,000	4,950,000	4,860,000	5,060,000	5,030,000
<b>WATER USE</b>						
Water Intake (billion liters) <sup>8,14</sup>	-	6.88	6.70	6.59	6.78	6.27
Phosphorus emissions to wastewater (metric tonnes) <sup>15</sup>	72.6	-	-	-	72.6	64.6
<b>WASTE</b>						
Total Waste Generation (metric tonnes)	170,000	120,000	150,000	160,000	120,000	140,000
Total Waste Generation not Including Reuse (for recycling goal) (metric tonnes) <sup>9</sup>	52,000	48,000	44,000	41,000	39,000	56,000
<b>WASTE DISPOSITION</b>						
Recycled (includes combustion with energy recovery) (metric tonnes)	31,000	18,000	22,000	26,000	25,000	44,000
Treated (includes combustion without energy recovery) (metric tonnes)	14,000	19,000	15,000	10,000	9,100	7,100
Landfilled (metric tonnes)	7,700	10,000	6,800	4,400	4,800	5,000
Waste Recycling Rate	59	38	50	65	64	78
<b>ENVIRONMENTAL COMPLIANCE<sup>14</sup></b>						
Reportable Permit-Limit Exceedances <sup>10</sup>	-	0	3	2	0	1
Number of Significant Spills <sup>11</sup>	-	0	0	0	0	0
Environmental Fines Paid (USD) <sup>12</sup>	-	\$0	\$0	\$0	\$0	\$48,375
<b>ENERGY, WASTE AND WATER REDUCTION FUND</b>						
Expenditures (million USD) <sup>14</sup>	-	\$1.7	\$0.9	\$3.3	\$3.2	\$2.1

- 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 2019, Lilly adjusted its environmental performance data baseline calculations and subsequent years' performance data for all categories except the Energy, Waste and Water Reduction Fund to reflect the late 2018 divestiture of Lilly's former subsidiary Elanco Animal Health. In order to facilitate year-over-year comparisons, this adjustment included the Environmental Compliance data.
- 3 Data includes GHG emissions and energy use related to manufacturing facilities and other entities with more than \$50,000 annual energy spend. Data for other locations is estimated based on square footage.
- 4 Data included in Scope 3 emissions disclosure contain assumptions and estimation as described here: Employee business travel (personal and rental cars, taxi, rail and air travel) uses WRI GHG Protocol Cross-Sector Tool averages for fuel types, vehicle types, aircraft types and aircraft travel distances; employee commuting uses EPA average for fuel types, vehicle types and commuting distances; contracted product transportation and distribution is based on Lilly's U.S. distribution footprint and extrapolated for distribution outside the United States; waste generated in operations uses Lilly-specific waste carbon content estimates for waste incineration and EPA's WARM version 12 emission factors for landfilled and land-applied waste, and assumes transportation related emissions only for certain land-applied organic waste types. Scope 3 data does not include emissions from sales force travel using company vehicles, use of Lilly owned aircraft, on-site waste incineration or product distribution with Lilly owned vehicles, as these are included in the Scope 1 data above.
- 5 Energy consumption is the total of direct energy consumption and indirect energy consumption, as defined in these footnotes, and does not include mobile sources.
- 6 Data includes energy from combustion of coal, fuel oil, natural gas and liquid propane.
- 7 Data includes energy from purchased electricity, steam and chilled water.
- 8 "Water intake" is the total amount of water coming into a site, including water pumped from bodies of surface water and groundwater, as well as water provided by a utility. It includes water used in processes, utilities and other ancillary operations, such as irrigation. The term does not include groundwater pumped solely for treatment to satisfy regulatory actions or requirements (e.g., remediation activities where the water is not used for another purpose). Values do not include the water extracted from wells solely for the purpose of lowering the groundwater table(s) to maintain the physical and structural integrity of building foundations. Totals include a small amount of rainwater intake not included in other water intake subcategories. Lilly does not generally collect water data from small locations that house primarily administrative activities such as sales and marketing offices unless they are co-located at a Lilly manufacturing or research facility.
- 9 Lilly's waste goals do not include materials that are deemed "reused" without extensive processing. Examples include urea reused for fertilizer and materials such as soil and concrete reused as clean fill.
- 10 Lilly classifies an event as a reportable permit-limit exceedance if it involves an exceedance of a numeric permit or license limit that must be reported to the regulatory authority. The reporting may be immediate (e.g., within 24 hours) or in a routine compliance report. These exceedances do not necessarily result in harm to people or the environment.
- 11 "Significant spill" in this report refers to any unexpected, unintended, abnormal or unapproved dumping, leakage, drainage, seepage, discharge or other loss of a substance that resulted in damage to the environment [i.e., human health, aquatic life or wildlife] or a material event requiring reporting to the U.S. Securities and Exchange Commission. Damage means the actual or imminent alteration of the environment so as to render the environment harmful, detrimental or injurious.
- 12 In November 2017, Lilly personnel discovered an equipment malfunction at our Indianapolis active pharmaceutical ingredient manufacturing site in Indianapolis that resulted in a permit limit exceedance. The malfunction was immediately fixed upon discovery and reported to the Indiana Department of Environmental Management (IDEM). IDEM issued a notice of violation to Lilly in 2018, and the matter was resolved in 2019 with Lilly paying a fine of \$45,000. We do not believe this impacted our surrounding community as it immediately dissipated into the air. Additionally, Lilly paid a fine of \$3,375 in 2019 for an alleged violation of sharps handling requirements at its Branchburg, New Jersey, manufacturing facility during 2018.
- 13 The baseline year is 2012 for energy, GHG and waste data. For phosphorus emissions to wastewater, the original baseline year was 2014. Because Lilly achieved its 2020 phosphorus goal in 2018, we set an additional 2020 goal with 2018 as the new baseline year.
- 14 Because currently Lilly does not have goals related to water intake, environmental compliance or Energy, Waste and Water Reduction Fund expenditures, there are no baseline years for these metrics.
- 15 In 2018, Lilly met its 2020 goal of reducing phosphorus emissions to wastewater by 15% compared to the baseline year of 2014. We then set an additional 10% reduction goal using 2018 as the new baseline year and adjusted 2018 data for the divestiture of Lilly's former subsidiary Elanco Animal Health in late 2018. Because the initial goal was achieved, data for years prior to 2018 was not adjusted to reflect subsequent events and therefore is not comparable to data for the new goal period.

## 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 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 HSE events and risks. 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 2019, Lilly HSE professionals led two PSCI supplier capability-building sub-committees and served on three of PSCI's supplier capability-building 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; and
- 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. HSE considerations are integrated into Lilly's formal 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.

### 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 2019, Lilly professionals developed and delivered a webinar on appropriate wastewater stewardship and in 2018, supported supplier capability training in China and India.

## Sales and Marketing

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

On the road, Lilly optimizes the fuel efficiency of our sales force fleet by choosing vehicles with better fuel economy, and we promote driving and work practices that emphasize safety and fuel savings. We have begun introducing hybrid or electric fleet vehicles in several geographies where infrastructure is available.

For example, Lilly's fleet in Japan consists of 75 percent hybrid vehicles, and Australia's fleet is currently 20 percent hybrid. These efforts, in turn, also reduce the GHG emissions associated with our sales fleet. Lilly centrally manages vehicle selection across the European Union, Japan and across the United States, which improves efficiency while enabling us to implement strong safety and environmental standards.

## Packaging and Transportation

We consider many factors in selecting product packaging, including sustainability considerations, such as materials use and recyclability. Pharmaceutical packaging must meet stringent regulatory and internal standards. In some cases, this prevents us from using recycled content in packaging, as is the case with containers that come into direct contact with our products, where we require virgin materials be used to deter counterfeiting. 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.

## Product End of Life

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

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

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

## Pharmaceuticals in the Environment

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

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

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

## Governance of PiE at Lilly

Due to the importance of PiE issues to Lilly and our stakeholders, we have established a PiE governance committee that reports to our executive-level global HSE committee. The PiE governance committee sets strategic direction related to PiE and provides long-range oversight for the program that controls active pharmaceutical discharges from manufacturing sites, our Lilly Aquatic Exposure Guideline (LAEG) program. The LAEG program determines treatment and containment capabilities needed at our manufacturing sites to protect environmental species living in downstream surface waters in addition to humans and wildlife using those surface waters. This program has been in place for many years for Lilly facilities. For outsourced segments of our manufacturing processes, we have begun to implement our LAEG program with contract manufacturers (third party suppliers) of targeted products and active pharmaceutical ingredients.

## Environmental Data and Risk Assessments for Lilly APIs

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

## Environmental Impact Study of Manufacturing

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

## Improved Methodologies for Assessing Environmental Risks

Lilly participated in the Intelligence-led Assessment of Pharmaceuticals in the Environment project ([iPiE project](#)) a program supported by the Innovative Medicines Initiative (IMI), 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 developed frameworks, methods, databases and software tools to support environmental testing for new pharmaceuticals and prioritized 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. Lilly plans to participate in a second IMI collaborative study on PiE scheduled to begin in late 2020.

### 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 2019, Lilly scientists and technical experts have engaged as follows:

- Supported the Eco-Pharmaco-Stewardship plan in collaboration with EFPIA and the Inter-Association Initiative on PiE, including a proposal for extended environmental risk assessment evaluations, and a model for wastewater control limits for pharmaceutical residues at manufacturing facilities;
- Reviewed articles in scientific journals, presented at conferences and workshops and participated in meetings concerning the safety of pharmaceutical residues in water, in collaboration with the U.S. EPA and the Society of Environmental Toxicology and Chemistry;
- Served on technical committees addressing topics related to PiE for industry trade associations such as EFPIA;
- Co-led a Pharmaceutical Supply Chain Initiative team developing training for external manufacturing partners on risk-based approaches to managing APIs in manufacturing effluents, including coordination of a one day “deep dive” session on the topic of PiE where presentations were given by industry leaders at an on-location capability training session for partners in India;
- Led the development of a calculator tool for PSCI to provide its members and suppliers to help them better understand how to calculate control targets for their facilities; and
- Conducted health, safety and environment assessments of its supply chain partners, including evaluation of PiE, as part of Lilly’s membership in PSCI.



# Employee Safety

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

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

Since we introduced our global safety goals in 2007, our total recordable injury and illness rate has declined by nearly 50 percent, equivalent to the prevention of hundreds of injuries and illnesses to Lilly employees across the globe. In 2013, we established new goals for the three occupational safety metrics we track: recordable injuries, lost-time injuries and motor vehicle collision rate. These goals were developed to help reduce our injury rates across a seven-year period, 2014 through 2020. At the end of 2019, our motor vehicle collision rate met our 2020 goal of 12 percent.

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

## Promoting a Culture of Safety at Lilly

We know that to reach our goals for safety performance, Lilly must continue to instill and promote a best-in-class safety culture. We use a well-known model—the DuPont™ Bradley Curve™—to measure our progress, and we will continue to use this model in the foreseeable future. In 2019, to continue improving our performance in this area, we completed the following key initiatives:

- Developed and released safety culture requirements as part of our global health, safety and environment (HSE) standards that apply across Lilly;
- Developed a training course on safety management fundamentals targeting new leaders and completed train-the-trainer sessions;
- Partnered with DuPont Sustainable Solutions to complete a safety perception survey across the research and development and global quality organizations;
- Created a cross-functional manufacturing team to improve HSE leadership development;
- Initiated a project to integrate safety into our implementation of lean manufacturing across all global manufacturing sites;
- Expanded our global HSE metrics reported to the senior executive team to include safety culture focus; and
- Extended existing behavioral-based safety efforts and tools that focus on reducing human error and further engagement of employees and leadership to new areas.

## All Ireland Occupational Safety Award for Kinsale Manufacturing Plant

At the 28th All Ireland Occupational Safety Awards, held in fall 2019, Lilly's Kinsale, Ireland manufacturing plant was awarded the chemical / pharmaceutical industry sector award. The All Ireland Occupational Safety Awards were established in 1992 with 20 entries and have since grown to become Ireland's premier safety awards.

Lilly's award recognizes the organization that made an outstanding contribution to occupational safety, health and welfare during 2018 and that has demonstrated proactive safety and occupational health programs.

## Reducing the Potential for Serious Injury

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

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

Achievements of the team in 2019 included the following:

- Conducted SIF workshops for identifying and mitigating risks with the highest severity while reinforcing the key concepts of Lilly's SIF prevention strategy;
- Standardized SIF data procedures across the manufacturing organization to facilitate risk reduction through generation of more comprehensive and complete data;
- Approved the implementation of new metrics for our executive committee focusing on SIF events and SIF near miss rates;
- Implemented forklift anti-collision technology at our Sesto, Italy, manufacturing site in order to proactively reduce risk resulting from an increase in both pallet movement and the number of employees;
- Upgraded and standardized truck restraint systems at docks globally to minimize the risk of SIFs by controlling the interface between all truck trailers, forklift operators and dock equipment; and
- Initiated a global program for assessment of electrical safety standards and performance at every manufacturing site.

Lilly also participates regularly with peer companies in event sharing and benchmarking discussions. These opportunities enable Lilly to continuously identify opportunities to reduce SIF risks as well as help peer companies learn from near-miss events at Lilly.

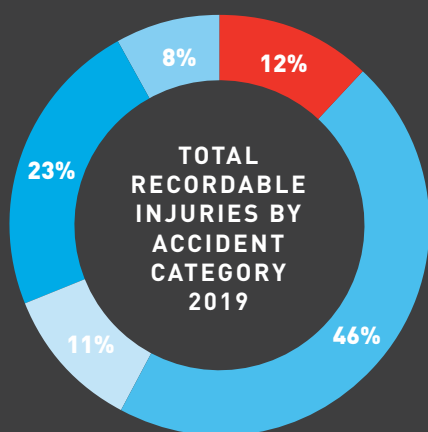
## Managing Our Process Safety Risks

Some pharmaceutical manufacturing processes use hazardous chemicals that are subject to process safety management standards established by the U.S. Occupational Safety and Health Administration, U.S. Environmental Protection Agency and EU directives and regulations. Over two decades ago, Lilly developed a globally integrated process safety management (GIPSM) program to manage process safety risks that goes well beyond regulatory expectations to include chemicals not governed by these standards. By maintaining a sustained focus on process safety programs and improvement

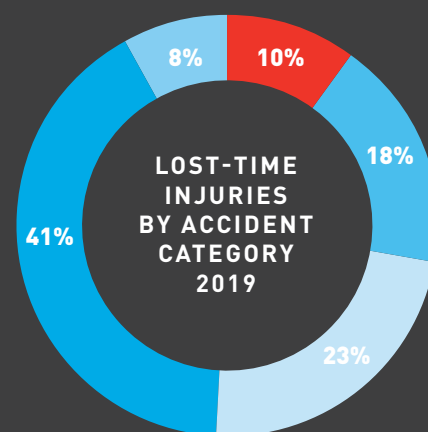
initiatives, Lilly has significantly reduced the risk posed by the most serious potential process safety events. Lilly launched the following key improvement initiatives in 2019 to continue to advance our process safety management program:

- Improved the process to transfer critical chemical process safety information from drug development to manufacturing;
- Completed efforts to enhance identification of critical safe operating limits for GIPSM processes and convey them to manufacturing site operators;
- Identified and executed an improved strategy to test safety devices that detect or control chemical process parameters;
- Improved our overall process for chemical piping inspection at all of our high-risk GIPSM program sites;
- Implemented an improved global chemical hazards training program for manufacturing operations technical support personnel; and
- Completed an organizational capability assessment leading to the establishment of internal technical experts to focus on key global aspects of the Lilly GIPSM program, including process hazard reviews, facility siting, and mechanical integrity tests and inspections, as well as to work with manufacturing site resources to strengthen their respective process safety approaches and performance.

## LILLY'S SAFETY PROGRESS AND PERFORMANCE



- Struck by / Caught between<sup>1</sup>
- Ergonomic Risk<sup>2</sup>
- Motor Vehicle Collisions<sup>3</sup>
- Slip / Trip / Fall
- Other



YEAR	RECORDABLE INJURY AND ILLNESS RATE	LOST-TIME INJURY AND ILLNESS RATE
2020 GOAL	0.70	0.25
2019	0.71	0.26
2018	0.84	0.29
2017	0.83	0.29
2016	0.93	0.32
2015	0.89	0.26
2007	1.44	0.60

YEAR	MOTOR VEHICLE COLLISION RATE <sup>3</sup>
2020 GOAL	12%
2019	12%
2018	15%
2017	15%
2016	16%
2015	16%
2007	25%

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

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

<sup>3</sup> A new goal for measuring motor vehicle collisions was established in 2015.

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

## Collision Rate Improves After Sales Fleet Investments

In 2019, Lilly sharpened our focus on motor vehicle safety for our sales and marketing fleet around the globe, increasing safe driving discussions, offering enhanced driver training, as well as introducing cell phone technology designed to help alleviate distracted driving by preventing text messages and calls while a car is in motion. Lilly's global collision rate percentage improved from 15 to 12 percent.

## Sales and Marketing Safety

At Lilly, sales and marketing employees represent approximately 35 percent of our global workforce. Their jobs require them to spend significant time driving, exposing them to the risk of accidents which are challenging to mitigate. In 2009, we launched a motor vehicle safety program, *HSEDirections*, designed specifically for the thousands of Lilly employees who are on the road every day, visiting physicians, hospitals, clinics and other customers. Our *HSEDirections* investment has resulted in a decrease over time in motor vehicle collisions, and, consequently, a significant reduction in motor vehicle-related injuries. In 2019, our vehicle collision rate declined approximately 20 percent relative to 2018 and met our 2020 goal of 12 percent. As part of ongoing efforts to improve driver safety, in 2019 we took the following actions:

- Continued to monitor our motor vehicle collision rate year-over-year, which has shown a 50 percent decrease since 2010; and
- Integrated more vehicles with new safety and collision-avoidance technologies in the European Union, Japan and the United States fleets.

### Employee Well-Being at Lilly

At Lilly, we take a broad view of well-being across numerous dimensions of an employee's life, including physical health, financial literacy and social connectedness. Our policies are designed to support employees and their families, to contribute to the health and productivity of Lilly, and ultimately, to ensure we can be the best for the clients we serve. Read more about [Well-Being at Lilly](#) in the Labor section of this report.



# 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 has honored Lilly as one of the "World's Most Ethical Companies" four years in a row, 2017–2020.

We train all 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. Our program meets external requirements, including codes issued by the International Federation of Pharmaceutical Manufacturers & Associations, the Pharmaceutical Research and Manufacturers of America and the European Federation of Pharmaceutical Industry Associations.

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



# Ethics, Compliance and Governance at Lilly

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

We continually work to improve our program and help leaders assess, in real time, the risks they face. As part of this effort, we are continuing our work to connect our data sources into a centralized hub of information and identify potential risk categories to track. We also are building a team to analyze this information, develop insights based on what we learn and highlight key findings for appropriate follow-up.

Our people are a key part of our program, and we focus on developing leaders throughout Lilly's operations who are committed to integrity. We regularly provide high-potential employees with developmental assignments within the Ethics and Compliance function. These employees not only help improve our program by providing valuable insights from the business, but they also receive a rich developmental experience and return to business roles with a renewed commitment to integrity. Currently, more than a dozen senior leaders serving in critical business leadership positions around the world have this ethics and compliance experience.

## Ethics and Compliance Program Oversight

The ethics and compliance organization is headed by the senior vice president of enterprise risk management, who is also Lilly's chief ethics and compliance officer. This position reports to the CEO and has direct access to the board of directors' Public Policy and Compliance Committee.

### Code of Conduct, Policies and Procedures

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

- *The Red Book*: We regularly update and disseminate our Code of Business Conduct, *The Red Book*. Available in 21 languages, this document and associated training support a judgment-based approach and emphasize the company's values and the importance of ethical decision-making, summarize key principles from global company policies and provide examples for employees to practice applying these principles to their decisions and actions. The foundational principles of *The Red Book* are designed to help our employees navigate an increasingly complex global business environment.
- *Policies, Procedures and Simplified Principles-based 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, where permitted by local law. 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 a risk-based 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 receive training on the policies and procedures; and
  - » Managers provide sufficient oversight of business processes and related results to support compliance with company policies, procedures, as well as 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.

## Understanding Culture and Human Nature to Improve Ethics and Compliance

Culture is a key consideration for any ethics and compliance program. At Lilly, we are focused on the impact of human behavior on culture, and we are using what we learn to improve our program.

Behavioral economics research shows that pressure can lead people to rationalize decisions in the short term that might not be the best in the long term. At Lilly, we have been sharing this research with our team, our leaders and our employees so we can acknowledge that we all possess this vulnerability and understand that we need to act to protect Lilly from these rationalizations.

To illustrate this point, we opened a painful chapter in our past by sharing the story of how pressures led Lilly employees to rationalize bad decisions years ago and the consequences of these decisions. We brought an expert to Lilly in 2019 to speak with executives and employees, and we developed a course for leaders and supervisors to gain a deeper understanding of how they might affect our culture—for better or for worse—and the actions they can take to mitigate against the risk of rationalization.

## Training and Communications

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

Our commitment to training and communications is visible through many of our activities, including the following:

- Each year, all Lilly employees (and certain company contractors) must complete training on *The Red Book* and certify that they have received, read, understand and will abide by its requirements. In the last three years, 100 percent of employees have completed this training during the annual training period.
- Employees receive targeted ethics and compliance training related to their specific job responsibilities.
- New employees in the ethics and compliance organization participate in a comprehensive training and education curriculum that helps them understand and implement the elements of an effective ethics and compliance program globally.
- Our leaders communicate regularly with employees to ensure they understand that Lilly holds each employee responsible for making decisions and taking actions that reflect our company's values of integrity, excellence and respect for people.
- In the spirit of learning, we share stories with employees of how we have made mistakes and times when we have made the right decisions under pressure. We do this to help employees learn from these experiences so they can replicate best practices as well as not repeat the same mistakes. Our executives use these examples to reinforce their expectations that all employees speak up to ask questions or raise concerns, listen to each other and the outside world, and hold one another accountable for these behaviors and for doing the right thing.
- In the last two years, we have intensified our conversations with our ethics and compliance team, our leaders and our employees about the important role of human behavior in ethical decision-making as well as their role in fostering an environment that encourages all employees to speak up, ask questions, voice concerns and share ideas. As we have these discussions in workshops and team meetings around the globe, we are sparking conversations about how actions and words can influence behavior.

## Investigations and Corrective Actions

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

We share information with our employees to help them understand the investigations process as well as the overall results of investigations.

## Anti-Corruption Due Diligence

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

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

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

- Individuals who may be authorized by Lilly to interact with government officials on the company's behalf;
- Prospective recipients of grants and donations; and
- Prospective business development partners.

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

**“We are committed to nurturing a culture where every Lilly employee is empowered to speak up with questions and concerns, to listen to others when they speak up, and to follow up and hold one another accountable for doing the right thing.”**

**— Melissa Barnes, SVP, enterprise risk management and chief ethics and compliance officer**



# Transparency and Disclosure at Lilly

Being transparent about the nature and extent of our relationships with external groups makes it possible for Lilly to build trust and respect for how we work with these groups to benefit patients. Lilly supports various transparency initiatives on a global basis. Our guideposts for these initiatives include being respectful of local laws related to intellectual property, trade secrets, competition and privacy; ensuring any information that is disclosed does not undermine our ability to compete effectively; and confirming that information is communicated with appropriate context in an easily understood manner.

## Payments to Physicians and Healthcare Organizations

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.

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

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

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

Lilly reports these financial interactions to the Centers for Medicare and Medicaid Services (CMS). On an annual basis, CMS makes all reported industry financial interactions public in a searchable [Open Payments Database](#). On the site, you can view whether a 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 applicable local and national legislated requirements for countries in which we operate, Lilly participates in voluntary disclosure codes led by local or regional trade associations. One such example is the European Federation of Pharmaceutical Industries and Associations (EFPIA), which has established the EFPIA HCP/HCO Disclosure Code as well as the EFPIA Patient Organization Disclosure Code. Lilly views our commitment to transparency and disclosure as an opportunity to ensure that patients, HCPs, HCOs and business partners feel

confident when engaging with Lilly. The [EFPIA](#) website has additional information on the HCP/HCO and Patient Organization Codes. You can also view more on [Lilly's commitment to HCP/HCO transparency in Europe](#), or view our [EFPIA Patient Organization Disclosure](#).

- 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.

## Clinical Trials Data Transparency

Lilly is committed to the 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 addition to any legally required clinical trial registries. For Phase 2 and Phase 3 trials that complete in 2019 and beyond, Lilly submits results one year after the completion of the trial regardless of the medicine's approval status.

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 [vivli.org](#). Qualified researchers can submit research proposals and request anonymized data to test new hypotheses.

In 2013, Lilly began conducting pilot projects creating summaries of Phase 2 and 3 clinical trial results in patient friendly language using simple, everyday terms. In 2020, Lilly will continue creating plain language summaries of Phase 2-4 clinical trial results and making English versions available to study sites. Lilly is developing a translation process to enable the posting of plain language summaries to the European Union Portal and Database. For EU portal posting, the summaries will be translated into the local language(s) where the studies took place.

## Respecting Privacy

Global concerns about data privacy have exploded in recent years, as the world becomes more networked and interconnected than ever before. Lilly has had a long-standing commitment to data privacy and we have had

a global privacy program in place for many years. That program is continually refreshed in response to the ever-changing privacy landscape, including the introduction of—or anticipated introduction of—new regulatory requirements and ethical considerations around data privacy.

In the past two years new privacy laws have gone into effect (e.g., the European Union's General Data Protection Regulation, the California Consumer Protection Act) or were passed for implementation in the near future (e.g., Brazil's General Data Privacy law). By passing such laws, regulators have sent a strong and powerful message underscoring the critical importance of protecting personal information. These expectations are consistent with Lilly's commitment to the ethical management of all personal information that is entrusted to us, whether it is that of a customer, an employee, or any other individual.

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



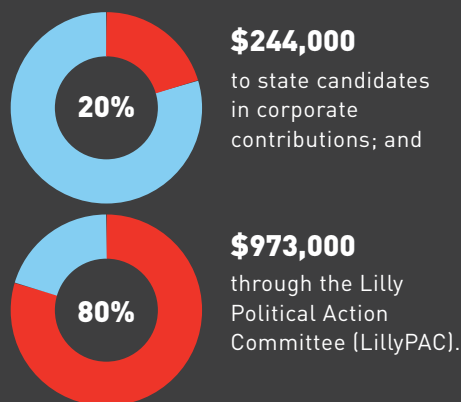
# Political Engagement

## FINANCIAL SUPPORT AND LOBBYING ACTIVITY

IN 2019, LILLY SPENT THE FOLLOWING AMOUNTS ON DIRECT POLITICAL ACTIVITY<sup>1</sup>:

**\$1,217,000**

IN POLITICAL FINANCIAL SUPPORT IN THE UNITED STATES



**\$6,910,000**

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.

<sup>1</sup> Rounded to the nearest thousand

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?

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