

ELI LILLY & COMPANY

2016 UNGC Communication on Progress



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ABOUT ELI LILLY AND COMPANY

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

2016 CONTRIBUTIONS AT A GLANCE

\$34 M¹ Total Cash Donations

\$200 M 2003-2016 Investment in Lilly MDR-TB Partnership and Lilly NCD Partnership

\$685 M Total Product Donations

50+ Countries Hosting Volunteer Sites for Global Day of Service

\$14.8 M Total United Way Contributions

100,000 Number of Volunteer Employee Hours in Global Day of Service

1.2M+ Number of Insulin Vials Donated as of 2016 to the International Diabetes Federation's Life for a Child Program

¹ Including \$27.7 M from the Eli Lilly and Company Foundation.

ABOUT ELANCO

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

About This Report

This report represents our Communication on Progress for 2016 in implementing the principles of the United Nations Global Compact.

Data and other updates contained in this report are focused on the 2016 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 2017. This report does

not include joint ventures, partially owned subsidiaries, leased facilities, or outsourced operations.

Bureau Veritas provided independent, third-party verification of greenhouse gas emissions data for Scopes 1, 2, and 3. Bureau Veritas verified the percentage change from both the baseline year (2012 for energy intensity and waste to landfill; 2014 for wastewater discharge) and from 2015 (in all cases) compared to 2016 for the following metrics: energy efficiency, waste to landfill, waste efficiency, recycling rate, water intake, and phosphorus discharge. Otherwise, the content

and data in this report have not been externally verified.

Lilly follows structured processes to collect, evaluate, and calculate the data we report, to ensure appropriateness and accuracy. We consider external standards in deciding what data to collect and report. For example, following guidance from the World Resources Institute, we report progress toward environmental goals on an adjusted basis accounting for mergers, acquisitions, and divestitures as appropriate, to ensure comparability, unless stated otherwise. Our global Health, Safety,

and Environment management system is certified by an independent, accredited auditor in accordance with the American Chemistry Council's Responsible Care Management System requirements.

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

Robert Smith

Senior Director, Corporate Responsibility
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SUSTAINABLE DEVELOPMENT GOALS

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



Message from the CEO



Dear Valued Stakeholder,

Eli Lilly and Company is proud to voice our continued support of the United Nations Global Compact and its 10 principles related to human rights, labor, the environment, and anti-corruption. Our company's core values—integrity, excellence, and respect for people—are a natural fit with the aspiration of the Global Compact and its member companies: to take shared responsibility for achieving a better world.

From the very beginning, our founder's commitment was to combine scientific rigor and a passion for discovery with caring for the individuals and communities the company served—and to do so with an eye toward continuous improvement. Today, Lilly's 40,000+ employees worldwide work to make life better by discovering life-changing medicines, promoting better understanding of disease management, and supporting people living with illness—as well as those who care for them.

In early 2017, Lilly was honored to be named one of the "World's Most Ethical Companies" by the Ethisphere Institute, a global leader in defining and advancing ethical business standards. This recognition encompasses the work of each employee and every aspect of who we are at Lilly, including our strong and independent ethics and compliance program, our heritage, and our culture of integrity. It reflects our commitment to diversity and inclusion, and environmental stewardship. It also considers our mission to make medicines that help people live longer, healthier, more active lives, as well as our efforts to improve global health, combat hunger, and contribute positively to the communities where we live and work—a legacy including 925,000 volunteer hours logged since 2008 during our annual Global Day of Service events.

Across the globe, Lilly people are passionate about building on our heritage as we focus on discovering new therapies for diabetes, cancer, immunology disorders, Alzheimer's disease, and pain. Our global health work reaches people around the world as well, bringing diabetes and tuberculosis treatments to people in some of the world's most impoverished areas. In 2016, we expanded these efforts to include cancer therapies and additional focus countries, and we pledged that by 2030 we will bring our medicines to 30 million people in resource-limited communities every year.

Within Lilly, diversity and inclusion is a business imperative. Not only do competing perspectives drive innovation and creativity, but the healthcare market is changing rapidly, and first-hand experience with diverse populations is crucial for serving all people. The Lilly community must mirror our global communities, so that we can understand and respond to the unique needs of the millions of individuals who depend on our medicines.

With this in mind, in 2016, we conducted two extensive global studies to better understand the experience and progression of women in their careers at Lilly, so that we can ultimately improve engagement of women across our workforce, including those in senior roles. This year we are doing similar detailed studies of our African American, Latino, Asian and mixed race employees in the United States. With this knowledge, we plan to enhance our talent management practices in order to advance the careers of all our employees.

Lilly takes a broad approach to understanding and managing our environmental impacts across the product life cycle, as well. We're committed to continually reducing our environmental footprint and to publicly reporting our progress toward our goals. For 2016, Lilly received a CDP (formerly Carbon Disclosure Project) score of A-, which is considered leadership level. We've also bolstered our engagement with our suppliers around health, safety, and environmental issues and we continue our active role with the Innovative Medicines Initiative to better understand, assess, and reduce the impact of active pharmaceutical ingredients in the environment.

More than 140 years after he founded Eli Lilly and Company, our founder's charge to "make it better and better" continues to motivate and inspire us every day. There is so much more to do, and at Lilly we are determined to deliver on our promise to make life better for individuals, communities, and the world around us.

Thank you for your interest,

Dave Ricks

President and Chief Executive Officer

Human Rights

Lilly supports the UN Global Compact's principles on respecting internationally proclaimed human rights. As a global pharmaceutical company, our activities cut across a broad range of societal issues: activities such as ensuring the safety and availability of our medicines, promoting global health, and enhancing access to medicines for those who have trouble affording them. We are committed to respecting privacy and upholding labor standards. That same commitment extends to our supply chain, where we work with our suppliers to promote strong health, safety, and environmental (HSE) practices.

In this section, we discuss our work in the following areas related to human rights: bioethics; the availability and safety of our products; sourcing in our supply chain; respecting patient privacy; the affordability of medications; and our global health programs. Further information on our support for labor standards can be found in the [Labor](#) section of this report.

Bioethics



Lilly has a longstanding commitment to bioethics—which focuses on the ethics of health care, biomedical research, and biomedical public policy—as an integral component of corporate integrity in the pharmaceutical industry. In 1999, Lilly became one of the first pharmaceutical companies to establish a standing Bioethics Committee to systematically identify, evaluate, and communicate bioethics issues, and in 2008 we created a Bioethics Program with dedicated full-time staff. We embrace a comprehensive approach to bioethics and offer a variety of resources and educational offerings to help employees navigate ethical scenarios and empower them to apply bioethics principles in their daily work.

Governance of Bioethics at Lilly

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

Protecting Research Subjects' Rights in Clinical Trials

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

- The World Medical Association's [Declaration of Helsinki](#);
- The Council for International Organizations of Medical Sciences' [International Ethical Guidelines for Biomedical Research Involving Human Subjects](#);
- The International Conference on Harmonisation's [Guideline for Good Clinical Practice \(E6\)](#);

- The Pharmaceutical Research and Manufacturers of America’s [Principles on Conduct of Clinical Trials](#); and
- Applicable laws and regulations of the country or countries in which a study is conducted.

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

Lilly’s Principles of Medical Research

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

Lilly’s Bioethics Framework

Lilly’s [Bioethics Framework for Human Biomedical Research](#) provides a bioethics foundation for the company’s biomedical research so that it is conducted in a manner that aligns 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 mission, vision, and values. It specifies and compiles a sponsor’s bioethical responsibilities to multiple stakeholders in one resource. The framework informs the development of bioethics positions on topics important to pharmaceutical research and development, and informs advice the Bioethics Committee provides on specific ethics scenarios.

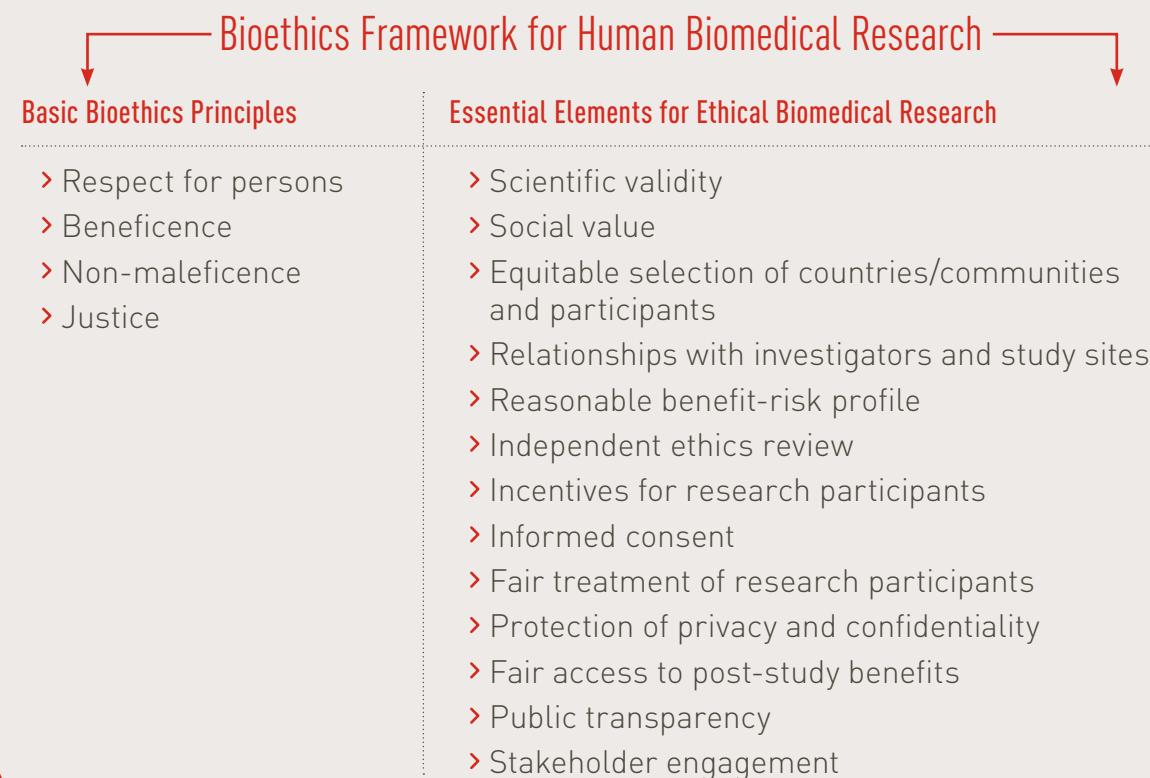
Lilly’s Positions on Current and Emerging Bioethics Issues

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

Bioethics Consultations

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

LILLY’S COMPANY MISSION, VISION, AND VALUES



Patient Safety and Product Availability

We work tirelessly to make our medications safe and effective—from the early stages of design and drug development through ongoing monitoring and understanding of the patient experience once a medication is on the market. We recognize that taking the right medication at the right time is a critical piece of a person’s overall health. Therefore, ensuring our products are available

wherever and whenever patients need them is one of our top priorities.

Global Patient Safety

Beginning with the discovery of a potential new medicine, Lilly’s goal is to ensure that the benefits and risks of the medicines we market are continuously monitored and well understood by regulators, healthcare providers, and patients. Lilly’s global [Patient Safety](#) organization, consisting of more than 300 physicians, pharmacists, nurses,

and other professionals, is dedicated to the continuous collection, monitoring, evaluation, and reporting of safety information. Even after medications are approved for general use, Lilly continues to collect [adverse event](#) reports from around the world. Lilly enters this information into a company-specific adverse event database to further evaluate the safety of our medications. New safety findings and emerging concerns are shared openly with regulators and healthcare providers to appropriately manage risks associated with the use of our medicines.

Ensuring Product Availability

The mission of Lilly's global manufacturing team is to provide a reliable supply of high-quality medicines. Because Lilly manufactures medicines that people rely upon and that can be critical for health, we know that we have a responsibility to safeguard both the materials needed to manufacture these medicines and the supply chain logistics that help to ensure their availability. Before they enter the Lilly system, our raw material and component suppliers are evaluated for technical competence, as well as patient, commercial, and HSE impacts.

Our Manufacturing Policy Committee oversees the maintenance of Lilly's inventory of essential raw materials. As a safeguard, Lilly has additional mitigation plans in place for our drug product components, including materials critical to manufacturing finished drug products.

Supply Chain

At Lilly, our efforts to ensure the safety and integrity of our products begin with the procurement of materials and extend throughout the production process. This includes our interactions to promote strong HSE practices with suppliers who provide us materials for research and development, as well as with the contract manufacturers who help make our medicines and other pharmaceutical products. It extends to our work to stem the tide of counterfeit medicines and to ensure we comply with governmental efforts around conflict minerals.

In addition to the topics we discuss in this section, more information on our work around HSE in our supply chain can be found in the [HSE](#) section of this report.

Preventing Counterfeit Medicines

Counterfeit medicines have been found in all therapeutic areas in every region of the world. Their impact is wide-reaching and potentially deadly, both due to toxic substances sometimes found in the counterfeit medicines and because they undermine a patient's confidence in legitimate medicines and the credibility of healthcare providers.

Lilly's [anti-counterfeiting strategy](#) is composed of three key objectives:

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

Working to Deter Counterfeiters Online and In the Field

Patient safety is the driving force behind Lilly's global anti-counterfeiting efforts,

and we are deeply engaged in efforts to combat counterfeiters. We are a founder and board member of the [Alliance for Safe Online Pharmacies](#), a global coalition of stakeholders with an interest in protecting patient safety and ensuring patients have access to safe and legitimate online pharmacies.

Lilly advocates for protections for patients from the growing number of illegitimate and unsafe online drug sellers. Lilly also supports the dedicated domain name "[dot-pharmacy](#)," an initiative of the National Association of Boards of Pharmacy that helps patients distinguish safe and legal online pharmacies.

Lilly also 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 federal standard for coding, serializing, and tracking pharmaceutical products. Lilly is making

considerable investments in its packaging operations, distribution centers, and IT infrastructure to support this initiative, which includes new technology deployments on more than 30 packaging lines around the world. These efforts help to ensure that doctors, pharmacists, and patients can be confident in the medicines they prescribe, dispense, and receive.

Conflict Minerals

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

From 2014 to 2016, Lilly filed annual reports with the U.S. Securities and Exchange Commission (SEC) relating to the conflict minerals rule, under which companies describe whether products

that they manufacture or have contracted to manufacture contain certain defined minerals and whether those materials may have come from sources in the DRC region. As a part of that reporting process, we examine the raw material content of all of our global commercial products and seek to identify the origin and source of these raw materials. Our goal is to develop a better understanding of the supply chain and to avoid the inadvertent support of businesses associated with human rights violations.

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

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

Respecting Privacy

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

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

Our goal is to always deliver on the promises we make to individuals whose personal information we collect and use. We are respectful of an individual's privacy, and we demonstrate, in every business operation, in every location around the world, that people can trust us with their personal information.

Pricing

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

In the United States, we are working collaboratively to shape public policy at the federal and state levels to preserve a competitive insurance marketplace, protect patients, optimize clinical outcomes, and encourage innovative treatments. Lilly supports exploration of payment models that involve broad stakeholder engagement, assessment of impact, and development of measures that support improvements in patient outcomes and improve integration of care. We believe that value-based payment methods and programs that reward improvement in patient outcomes and healthcare system processes—rather than the quantity of services provided—will help promote access to high-value care.

Today's global prescription drug market represents a highly complex ecosystem in which the cost of, and access to, prescription medications depend on a number of market factors. Lilly's

products are currently sold in approximately 125 countries around the world. As such, we must consider unique conditions on a market-by-market basis to ensure patients have affordable access to the innovative medicines we develop. Internationally, Lilly partners with governments to offer our products at sustainable prices for local populations and to identify solutions to improve access to medicines in developing and less-developed countries. These solutions might include cash and product donations to patient assistance programs, humanitarian causes and other charitable endeavors, as well as public-private partnerships.

Pricing in the United States

Lilly is providing greater transparency into the way our products are priced and working to expand access to medicines in the U.S. healthcare system. Lilly, like other pharmaceutical companies, provides rebates and discounts to payer customers, and these have increased in recent years. Overall, average discounts to U.S. list prices have grown from 28 percent to 50 percent in the past five years.

Several factors are driving this trend. Along with changes to the Lilly

portfolio, increases in competition among pharmaceutical manufacturers, as well as increased negotiation leverage by pharmacy-benefit managers (PBMs), have resulted in deeper discretionary discounting over the last several years. Additionally, mandatory government discounts have significantly increased since passage of the Affordable Care Act in 2010.

The increase in discounts on Lilly sales creates a gap between list prices for our medications and the actual prices realized by Lilly. While list prices for Lilly products in the United States have grown at double-digit rates, net price increases have consistently been lower.

The factors that create the gap between list and net prices also contribute to the rising prices that consumers pay for medicines at the pharmacy. In the past decade, insurance plan designs have exposed many people to the list price of medicines, through growth in High-Deductible Health Plans and a shift from co-pays to co-insurance. Rather than paying a fixed dollar amount for medicines, consumers in these plans pay the full list price until they meet their deductible and a percentage of the full list price thereafter.

The U.S. healthcare system was designed so that risk is shared among all payers for healthcare services, including prescription drugs. We must work

together to find solutions to make medicines more affordable for the people who need them. In the case of High-Deductible Health Plans, affordability could be improved if patients directly received the benefit of the rebates provided by pharmaceutical companies to the insurance plan. We are also committed to working with insurance companies and PBMs to develop value-based payment arrangements that tie the price of our medicines to the value and outcomes they provide patients.

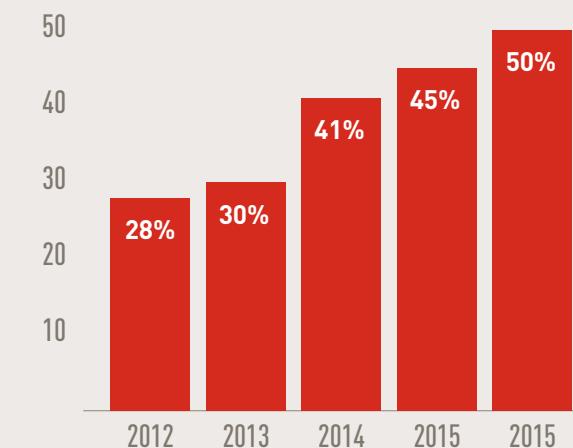
Please note: The amount of rebates, discounts, and returns is estimated by the company, and methodologies used may differ from methodologies used by other companies. These data are not audited and should be read in conjunction with the Revenue Recognition and Sales Return, Rebate, and Discount Accruals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

Increasing Access to Lilly Insulins

Lilly's commitment to working for greater affordability and access to our medicines can be seen in our efforts to make sure people with diabetes get the insulin they need. In December 2016, Lilly and Boehringer Ingelheim launched Basaglar (insulin glargine injection), a

AVERAGE DISCOUNTS TO LIST PRICE ACROSS THE U.S. PRODUCT PORTFOLIO¹

(% TOTAL AVERAGE DISCOUNT²)



COMPARISON OF LILLY LIST AND NET PRICE CHANGES FOR U.S. PRODUCT PORTFOLIO¹

(% CHANGE VERSUS THE PRIOR YEAR)

YEAR	LIST PRICE ³	NET PRICE ⁴
2012	12.8	7.8
2013	15.0	11.9
2014	11.8	1.6
2015	16.3	9.4
2016	14.0	2.4

¹ U.S. Product Portfolio includes all human pharmaceutical products marketed in the U.S. for which Lilly is the holder of the new drug application (NDA). This represents approximately 95 percent of total U.S. human pharmaceutical revenue.

² Total Average Discount is calculated by dividing total annual rebates, discounts, and channel costs by total annual gross sales.

³ List Price represents the weighted average year-over-year change in the wholesale acquisition cost (WAC).

⁴ Net Price represents weighted average year-over-year change in net price, which is WAC minus rebates, discounts, and channel costs.

long-acting insulin. Basaglar is priced at a discount to existing products. To help further reduce the cost of Basaglar, we are offering a savings card.

Starting January 1, 2017, many people who use Lilly insulin can buy it at a 40 percent discount to list price using mobile and web platforms hosted by Blink Health. The discounts, provided by Lilly through a partnership with Express Scripts, may reduce costs for people who pay full retail prices at U.S. pharmacies, such as those who have no insurance or are in the deductible phase of their high-deductible insurance plans. In addition, over the past three years, Lilly has donated more than \$378 million in diabetes medicines to charitable organizations for further distribution to qualifying individuals.

Patient Assistance Programs in the United States

It is important to us to make sure that those who can benefit from these medicines have access to them. One way we do this in the United States is through the Lilly Cares Foundation Patient Assistance Program, also known as Lilly Cares. The program is operated by The Lilly Cares Foundation, Inc., an independent foundation created to assist qualifying patients in obtaining certain Lilly medications at no cost.

In 2016, Lilly Cares helped more than 111,000 people in the United States obtain the Lilly medications they needed in the areas of mental health, diabetes, cardiovascular disease, men's health, osteoporosis, oncology, psoriasis, and growth hormone disorders.

Pricing Around the World

Pricing based on the ability to pay within a market is just one way pharmaceutical companies can enhance access to medicines for people everywhere. Lilly advocates for policies that support differential pricing (the charging of different prices based on a purchaser's ability to pay). Such policies can help balance the desire to offer lower medication prices to low-income populations while still rewarding innovation. We also support efforts to decrease the final price of medicines to patients, such as minimizing taxes of all types and limiting markups applied in the supply chain. We are also particularly conscious of the economic circumstances in many developing countries. In order to address these realities, we've developed alternative business models that recognize that the poorest nations must pay less than the wealthiest nations if we are to facilitate access to medicines. Finally, as a

way to assist in making these medicines accessible, Lilly does not seek nor enforce patents for medicines in any of the "least developed countries," as defined by the United Nations.

Global Health

Lilly's global health work extends our promise of caring and discovery to more people around the world—especially those living in communities with limited resources. We focus on diseases such as diabetes, cancer, and tuberculosis where we have deep expertise, and we partner with other leading experts and organizations. [Elanco](#), our animal health division, promotes global health through efforts to end hunger and improve food security.

“Over the last two decades, we have made tremendous progress in expanding access to quality care in poorer communities, but we can and must do more. Lilly 30x30 is a company-wide mandate to achieve a six-fold increase in the number of people we reach annually, outside of our traditional business. We will engage the entire Lilly organization to ensure that our aspirational goals are met. The investments will help millions more benefit from Lilly's life-saving work and accelerate our contributions toward the UN Sustainable Development Goals.”

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

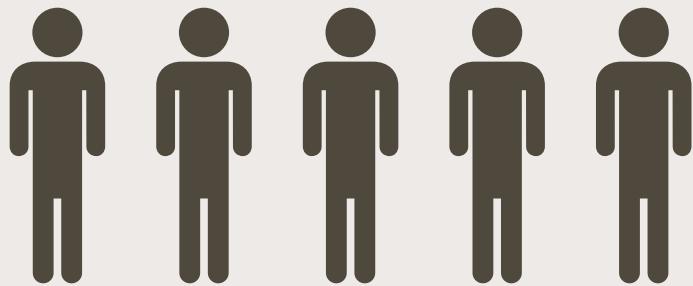
Lilly 30x30

In 2016, along with the Eli Lilly and Company Foundation, we announced Lilly 30x30, an initiative to increase access to quality health care and improve long-term health for people in communities with limited resources. Through investments in people, medicines, and health systems, we, along with our partners, aim to reach 30 million people annually by 2030. This represents a six-fold increase in the number of people we reach in these communities today.

For the company, this work will go beyond our traditional business model, and beyond philanthropy alone, to explore new approaches, such as:

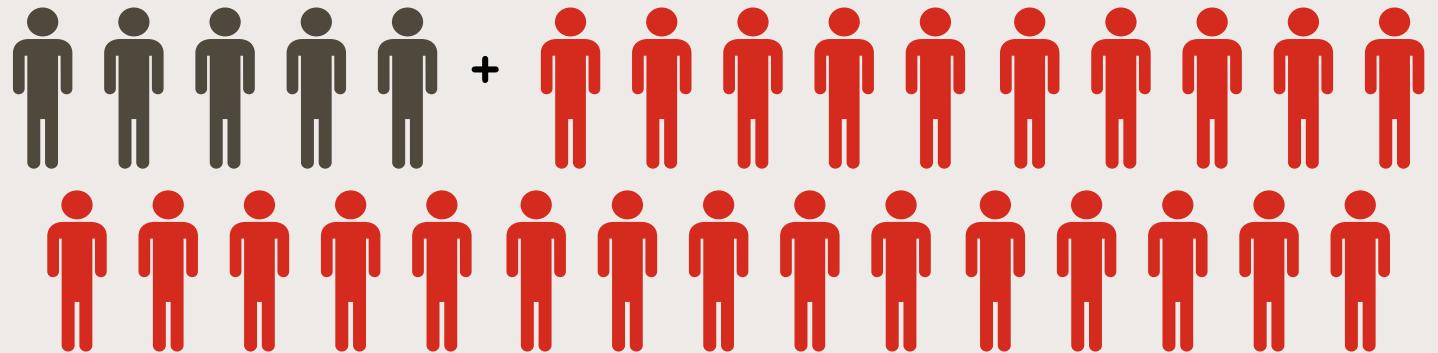
- Drug discovery for diseases disproportionately affecting communities with limited resources;

2015



Outside of our traditional business, we reached **5 million people** in resource-limited settings in 2015.

2030



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

- Product delivery and packaging for patients in places with limited infrastructure, refrigeration, or sanitation;
- Alternative product pricing and financial assistance to improve access to care;
- Initiatives to strengthen communities' health systems and treatment capacity; and
- New patient education programs.

Lilly Global Health Partnership

Between 2003 and 2016, Lilly and the Lilly Foundation together contributed \$200 million through two signature programs that targeted tuberculosis

(TB) and diabetes care, diagnosis, and awareness. That work will carry on through the newly named Lilly Global Health Partnership, with a new five-year, \$90 million commitment to accelerate these efforts. This funding will expand the program's work to include a cancer focus and additional countries.

The Lilly Global Health Partnership includes a \$15 million commitment made in 2016 to the Infectious Disease Research Institute. This new commitment extends an eight-year collaboration to accelerate early-stage drug discovery and preclinical development for potential new TB medicines.

The Lilly Global Health Partnership and Lilly 30x30 extend and accelerate work

done through major global health programs supported by Lilly, the Lilly Foundation, and our partners over the past two decades. The Lilly Global Health Partnership encompasses and expands these continuing efforts under a single umbrella. These include:

- The Lilly MDR-TB Partnership, which included a decade-long transfer of manufacturing technology for multidrug-resistant TB (MDR-TB) medicines to other countries, support of early-stage TB drug discovery, and improved care in high-burden regions; and

“In far too many places around the world, a lack of timely diagnosis and access to quality care prevents people and communities from flourishing. Lilly's expansive vision for, and significant commitment to, treating TB in poor communities is helping to change that. By strengthening health systems, Lilly's work not only led to important progress on TB but also laid the groundwork for more integrated care to better diagnose and treat chronic conditions like diabetes and cancer. We are grateful for the company's vision and commitment, which have improved access to care for current and future generations of patients.”

– Paul Farmer, M.D., Ph.D., and global health expert

- The Lilly NCD Partnership, launched in 2011, to help governments and key stakeholders improve diabetes prevention and care for people in need.

In addition, Lilly works to improve global health through many other collaborative efforts, including ongoing product donations and funding for Academic Model Providing Access to Healthcare (AMPATH) in Kenya; support of the International Diabetes Federation’s Life for a Child program; and hunger relief efforts.

LEAP

Diabetes is a major public health problem that is sweeping the world, with devastating physical and economic impacts on individuals, their families, communities, and governments. In China, diabetes is epidemic—accounting for about 30 percent of global cases of the disease. This prevalence is expected to rise as more people in China are diagnosed, and many more Chinese are likely living with prediabetes, but may not be aware that they are at risk for developing the disease.

With a rich heritage of developing innovative diabetes medicines and solutions, Lilly has aligned with the Chinese government’s efforts to help more people with chronic ailments like diabetes and their communities through an initiative called Lilly Expanding Access for People (LEAP).

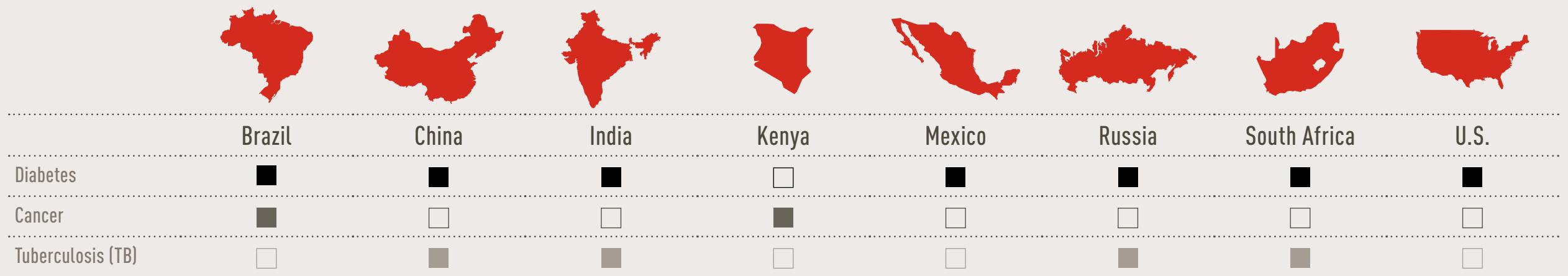
While large, urban hospitals in China typically provide high-quality diabetes care, specialists at these facilities are often overwhelmed with thousands of patients each day. As a result, people with diabetes are encouraged to visit smaller clinics located in communities

and townships, but the capacity to provide good diabetes care in these clinics is often lacking.

Under LEAP, Lilly aims to ensure that primary care physicians receive improved training to increase their confidence and skills to manage diabetes across all stages of the disease. The program aims to improve community-based care by strengthening linkages between community and township clinics with diabetes experts and larger teaching hospitals, and by empowering people to manage their disease with the support of Lilly Diabetes Educators.

LILLY GLOBAL HEALTH PARTNERSHIP REACH AND IMPACT, 2017-2021

Working with expert partners, the Lilly Global Health Partnership helps people living in limited-resource settings in Brazil, China, India, Kenya, Mexico, Russia, South Africa, and the United States.



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

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

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

Why: Create shared and lasting value for individuals, their families and communities, as well as for Lilly.

LEAP now covers 14 provinces. From April 2015 through December 2016, through LEAP, Lilly has:

- Introduced its insulin products to approximately 5,000 institutions and 150,000 patients;
- Provided training to 27,000 primary care physicians; and
- Taught more than 16,000 people with diabetes self-management skills.

Disaster Relief

When disasters strike, Lilly responds with cash and product contributions to help people in desperate situations.

We partner with relief organizations to determine how Lilly can uniquely meet needs on the ground and best serve those who are impacted.

In 2016, Lilly gave approximately \$1.6 million in product donations in the wake of natural disasters around the world. Our employees also donated funds for disaster relief efforts through the Lilly U.S. and Global Giving programs, which was matched by the Lilly Foundation for a total of more than \$120,000.

Labor

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

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

Training and Development

To further support our employees, we strive for a culture of lifelong learning, encouraging employees to seek ongoing education and growth as a strategic element of their career at Lilly. We strive to provide opportunities for employees to build careers that reward them personally and professionally. Ongoing employee development is critical to our success. Lilly employees receive approximately 40 hours of required training each year and may have access to additional learning and development programs based upon their functional expertise and career aspirations.

Pay and Benefits

At Lilly, we support a culture of well-being by providing competitive pay, comprehensive employee benefit programs, training and development resources, and opportunities for employees to serve in their communities and around the world. While our company’s programs vary around the globe, we take a holistic approach to our

employee benefits. These may include flexible work arrangements; on-site conveniences, such as cafes, fitness centers, and child care; competitive time-off programs; retirement benefits; and health and disability programs that are available for employees when they need support. In some locations, certain benefits are extended to family members. Read more in our [Employee Wellness at Lilly](#) section.

EMPLOYEE SAFETY AND WELLNESS

Keeping our people safe and healthy—whether at home or at work—is one of our highest priorities and aligns directly with our company values.

We realize that the journey toward safety excellence never ends, and we are constantly evaluating approaches to improve our programs and to integrate injury prevention into everyday work. At Lilly, employee safety and wellness are managed by our Health, Safety, and Environment (HSE) team. For more information, see our discussion in [Employee Safety](#).

LILLY'S SUPPORT OF LABOR STANDARDS

The UN Global Compact's principles state 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 outside the United States; we support these bodies and work productively with them. The vast majority of our workers globally are not covered under traditional collective-bargaining agreements.

In some countries where we operate, governments mandate working conditions, such as salary increases, minimum wages, bonuses, number of weekly working hours, vacation time, and overtime rates. These vary by country, and we follow these mandates wherever they are required. Several of our affiliates have employee councils that meet monthly with management to discuss workforce-related issues that directly impact them, such as company policies and organizational changes. As laws and guidelines change wherever we operate, we will continue to work with employees, advocacy groups, and governing bodies to maintain compliance and respect the right of free association.

Forced and Child Labor

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

Diversity and Inclusion at Lilly



We believe that a diverse, inclusive culture provides fertile ground for scientific and clinical innovation, and also sparks new customer insights. Embracing diversity at Lilly means understanding, respecting, and valuing differences, including, but not limited to, aspects of personal identity such as race, religion, gender, sexual orientation, gender identity, disability status, work style, national origin, and age. The future of our business depends on us finding solutions to complex diseases, and we want to recruit the best possible talent who may discover the next great medical breakthrough. Beyond assembling a diverse workforce, once people join the Lilly team we want them to feel fully included in our company culture, freely able to contribute their best ideas, and comfortable bringing their “whole selves” to work.

Our commitment to diversity goes beyond our own employees as well. We partner with advocacy groups, professional societies, community organizations, public and private healthcare administrators, and others to help reduce health disparities and to address the unique health care needs of all communities. Our diversity commitment extends through the full spectrum of our business, including our clinical trial strategy and our supply chain.

Governance of Diversity and Inclusion

We believe that creating a diverse and inclusive workplace helps us to better serve the global marketplace in which we operate. We hold our leaders accountable for developing an inclusive workforce, including performance objectives focusing on mentoring and career path planning. Lilly's senior vice president of global human resources and diversity reports directly to our chief executive officer. Our top leaders also receive updates at least

“Diversity and inclusion are business imperatives at Lilly. We must better understand our changing and rapidly diversifying healthcare marketplace, and first-hand experience is the best way to start. We must look like our global communities so that we understand our customers’ many, diverse needs.”

– Dave Ricks, President and Chief Executive Officer, Eli Lilly and Company

U.S. WORKFORCE ETHNIC DIVERSITY



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

GENDER DIVERSITY AT LILLY IN 2016



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

The **average for Fortune 500 companies** is just under **20.2%**¹

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

Leadership Positions²



Global Workforce



U.S. Workforce



¹ 2020 Women on Boards. 2015 Gender Diversity Index.

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

quarterly on our diversity and inclusion strategy, while our board of directors receives reports annually.

We build a focus on diversity into our talent-management processes, from recruiting, to staffing, to learning and development, to coaching and performance reviews, and to succession management. Supervisors are encouraged to consider diverse candidates for every staffing opportunity, whether hiring internally or externally. Our Code of Business Conduct, *The Red Book*, also summarizes our approach to creating an inclusive, nondiscriminatory environment.

Building a Diverse Workplace through Recruiting

We maintain a presence at top colleges and universities and work with a wide range of professional associations to recruit a diverse workforce. We also attract top diverse talent through an extensive MBA internship program in 20 Lilly locations around the world, with an emphasis in the United States, China, and Japan.

Creating an Inclusive Culture

We strive to create a workplace in which all Lilly employees feel included, respected, and valued, which enables them to do their best work for the people we serve. We stress the importance of inclusive leadership for supervisors and provide opportunities for employees to openly discuss and examine topics of diversity and inclusion.

We support Employee Resource Groups (ERGs) and empower them to make contributions vital to our company's success. We also extend this commitment to inclusivity by seeking relationships with a network of diverse suppliers.

Major Initiatives in 2016 and Early 2017

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

RECOGNITION IN 2016

As a company whose culture is built on improving the lives of others, being recognized year after year for our work to promote diversity and inclusion in our workforce is an honor we value highly.

THOMSON REUTERS DIVERSITY AND INCLUSION INDEX, *7th Globally*

DIVERSITY INC., *Top 50 Companies For Diversity, 9th For LGBT Employees, 10th For Opportunity, 12th For Employee Resource Groups, 15th For Mentoring*

BLACK ENTERPRISE, *Best Companies For Diversity*

CITY OF INDIANAPOLIS MAYOR'S CELEBRATION OF DIVERSITY, *Sam H. Jones Award*

WORKING MOTHER, *100 Best Companies For Working Mothers, 22 Consecutive Years*

NATIONAL ASSOCIATION OF FEMALE EXECUTIVES, *Top Companies For Executive Women*

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

DIVERSITYMBA, *Best Places For Women and Diverse Managers To Work*

HUMAN RIGHTS CAMPAIGN FOUNDATION, *Corporate Equality Index—Perfect Score*

CIVILIANJOBS.COM, *Most Valuable Employers For Military*

DAVE THOMAS FOUNDATION, *Best Adoption-Friendly Workplaces*

BUSINESS INSIDER, *Top 50 Best Companies To Work For In America*

SCIENCE MAGAZINE, *Science 2016 Top Employer*

POINTS OF LIGHT, *Civic 50 Award Top 50 Most Community-Minded Companies*

TALENT BOARD, *2016 North American Candidate Experience Awards*

The Lilly Women's Employee Journey

In 2016, Lilly conducted two studies involving our global female employees, to better understand the progression of their careers.

The Lilly Women's Employee Journey gathered qualitative data from women in our commercial and research organizations about tangible and perceived challenges to female career advancement generally and specifically into more senior leadership roles. The study also identified the factors that impact women's careers at important decision points.

The journey was modeled on a business tool called the *Patient Journey* that Lilly has used to understand patient perspectives on various diseases and the potential contributions of our products. It provided an "employee-centric" approach to understanding "key moments of truth" for women and enabled us to identify the tensions that Lilly wants to address in order to improve the experience and engagement of women as they progress in their careers. A second study took a look at additional data about men and women in the Lilly workforce and also at external research on gender at work.

We are not waiting for all the data to be gathered to take action. As a result of initial analysis of the data from the

women's studies, we are providing conscious inclusion training across our company globally, starting with our executive committee. We are planning similar studies of our African American, Latino, Asian and mixed race employees in the United States in 2017.

With this knowledge, we plan to enhance our talent management practices to advance the careers of all our employees, with additional insights into issues of race and ethnicity.

LGBT Self-identification

In the United States, we are required to collect data on the race, gender, and ethnicity of our employees as well as those who are military veterans or have disabilities—but there is no legal mandate for similar data collection on sexual orientation or gender identity. Many leading U.S. employers and colleges have implemented voluntary LGBT self-identification programs. In order to make progress toward a richer and more inclusive workplace culture, in the first quarter of 2017, we invited employees in the United States to voluntarily self-identify as lesbian, gay, bisexual, transgender (LGBT), or heterosexual. We believe this is a good practice that can help Lilly to make progress toward a richer and more inclusive workplace culture.

EMPLOYEE RESOURCE GROUPS IN 2016

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

11 Employee Resource Groups

14,000 Members

75 Satellite Groups Globally

15,000 Internal Volunteer Hours

8,000 External Volunteer Hours

All employees who choose to self-identify as LGBT will be given the option to do so confidentially, and this information will not appear in their personnel or medical records file.

Employees who identify as LGBT may opt in for communications from the Global Diversity and Inclusion Office to learn about professional networking and mentoring opportunities, leadership seminars, and advanced diversity training.

In addition to better understanding the diversity of Lilly's workforce, the information will be used to:

- Analyze levels of engagement and satisfaction among LGBT employees and implement programs to enhance their employee experience;
- Identify LGBT employees with leadership potential for participation in career development programs;
- Develop staff training on sexual orientation and gender identity; and
- Further enhance Lilly's work in championing LGBT equality and inclusion.

Employee Resource Groups (ERGs)

Employee resource groups (ERGs) are more vital than ever to our company's success. Our ERGs support a richer,

more inclusive workplace culture while partnering with the business to better serve our diverse marketplace. They offer strong support networks for their members and help our company develop talented individuals for future leadership roles at Lilly.

In recent years, Lilly's ERGs have been expanding their grassroots activities into areas that will have a more direct business impact, becoming even more central to our company's success. For example, our ERGs participate in recruiting events to help attract interns and new employees from universities and career fairs. They frequently consult on marketing and workplace programs and help to serve as language interpreters during company meetings. They also assist with corporate executive training programs on topics such as cultural bias and inclusion. In addition, they provide employees preparing for global assignments with a better understanding of the language and culture of the countries in which they will work.

About 14,000 Lilly employees are members of at least one of our 11 ERGs, which feature more than 75 chapters located at Lilly offices around the world.

Supplier Diversity

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

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

In 2016, the U.S. Small Business Administration recognized us as "outstanding" in our efforts to promote and maintain supplier diversity. In 2016, we spent approximately \$600 million with 570 suppliers classified as diverse, woman-owned, and/or LGBT-owned businesses, as well as more than \$560 million with more than 1,500 suppliers classified as small businesses.

Health, Safety, and Environment

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

We strive to understand and systematically address the human behaviors and choices that can improve HSE performance. We encourage responsible action

at every point in our value chain: from the researchers who explore complicated chemical reactions, to the manufacturers who may work with hazardous substances, and to the administrators who manage complex regulatory responsibilities.

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

LILLY'S POLICY ON PROTECTING PEOPLE, THE ENVIRONMENT, AND OUR ASSETS

We strive to maintain a secure workplace and to protect people and the communities in which we operate and serve. We are focused on continuously improving our health and safety practices to promote the well-being of our people. We are committed to conducting business in a responsible and environmentally sustainable manner. We are committed to a robust security culture to protect our people and brand from harm, and our assets from loss, theft, or damage. Each Lilly employee is responsible for implementing our security practices and applying them in our daily activities.

In 2016, Lilly scored a rating of A- on climate change and B on water from CDP, formerly the Carbon Disclosure Project. CDP is the world's largest repository of environmental management information. It allows companies and their stakeholders to assess environmental performance. For CDP, a score of A or A- is considered leadership level, and a score of B is considered management level.

MANAGING ENVIRONMENTAL PERFORMANCE ACROSS THE PRODUCT LIFE CYCLE

← Materials, water, and energy, HSE management system and standards →



Research and Development

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



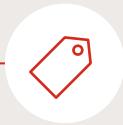
Materials and Natural Resources

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



Manufacturing

Our Elanco and Pharmaceutical manufacturing health, safety, and environment (HSE) committees oversee sustainability performance and compliance with applicable HSE regulations, policies, procedures, and standards while ensuring we continually measure, report, and reduce Lilly's environmental impacts associated with our own as well as contract manufacturing organizations.



Sales and Marketing

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



Product Transport and Packaging

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



Product Use

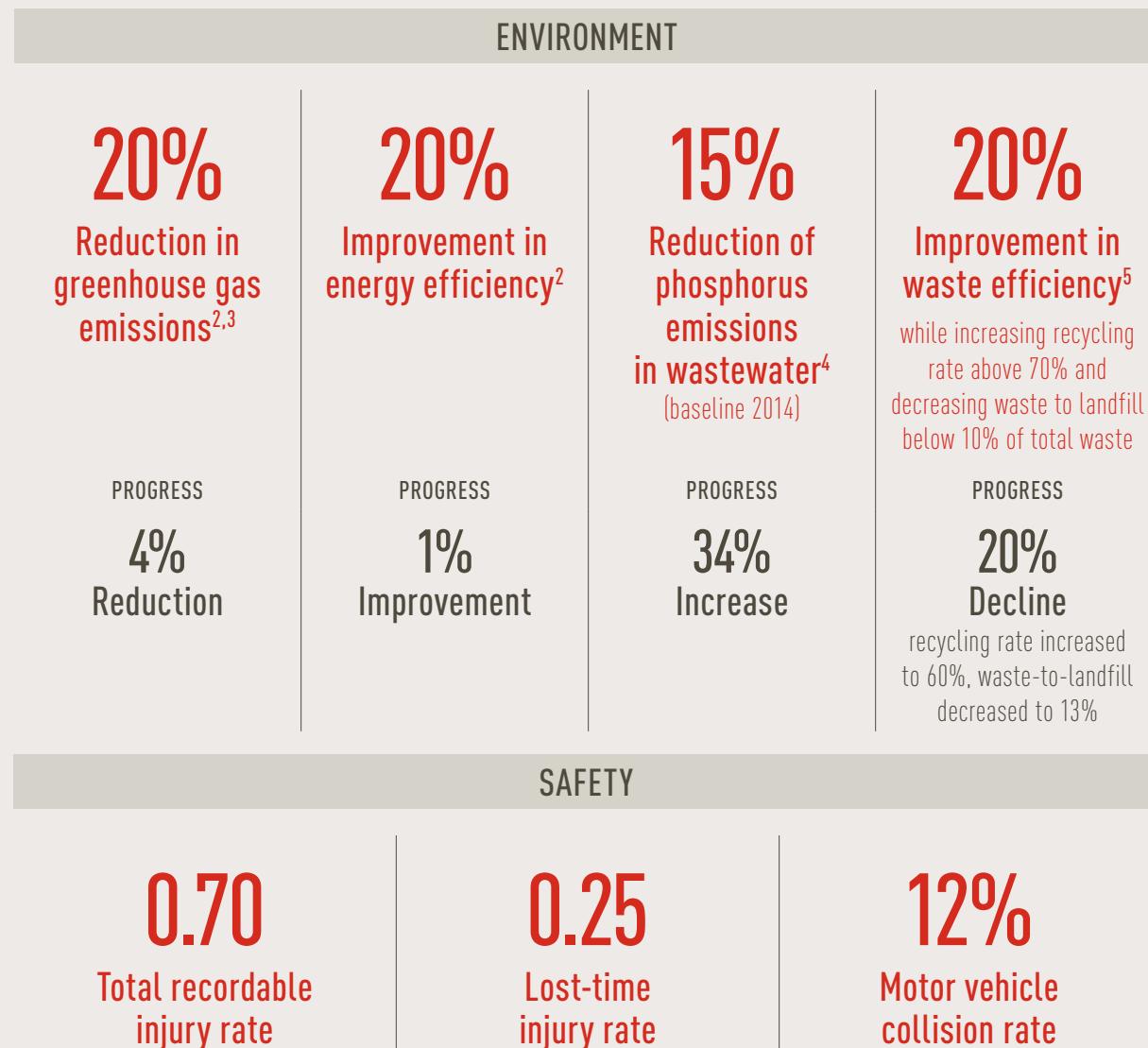
Lilly is committed to understanding the potential effects of pharmaceutical products in the environment. We support using science-based evaluations to assess and reduce the environmental risks of our pharmaceutical products. Through collaborations with industry partners, academic researchers, and regulatory agencies, we continually work to further understand and proactively address any potential impacts from our products.



Product End-of-Life

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

LILLY'S 2020 ENVIRONMENTAL AND SAFETY GOALS¹



¹ The baseline for our goals is 2012, except as otherwise noted. Following World Resources Institute guidance, progress toward environmental goals is reported on an adjusted basis accounting for mergers, acquisitions, and divestitures, as appropriate, to ensure comparability, unless stated otherwise.

² Per square foot of site space.

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

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

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

RECORDABLE INJURY AND LOST-TIME INJURY RATE

YEAR	RECORDABLE INJURY RATE	LOST-TIME INJURY RATE
GOAL	0.70	0.25
2007	1.44	0.60
2014	0.90	0.36
2015	0.88	0.27
2016	0.92	0.31

MOTOR VEHICLE COLLISION

YEAR	MOTOR VEHICLE COLLISION RATE INTERIM GOAL ⁶
GOAL	12%
2007	25%
2014	18%
2015	16%
2016	16%

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

LILLY'S SAFETY PROGRESS AND PERFORMANCE

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

HSE Governance Structure

Lilly's formal HSE governance structure integrates HSE management company-wide. HSE oversight is exercised by:

- Our Global HSE Committee, which includes senior executives from key areas of the business, ensures proper oversight, and plays a central role in monitoring corporate performance and continuous improvement;
- The vice president responsible for Corporate Engineering and Global HSE, who works closely with the Global HSE Committee to approve appropriate metrics and goals, assess company

performance, and oversee compliance with all HSE regulations, policies, procedures, and standards globally;

- The manufacturing HSE committees, which support these efforts and drive ongoing improvement throughout manufacturing; and
- Executives and lead teams in each of our business groups, manufacturing, Lilly Research Laboratories, and general and administrative functions, who manage governance for HSE in those areas.

LILLY HEALTH, SAFETY, AND ENVIRONMENT GOVERNANCE STRUCTURE



⁷ Our Elanco and pharmaceutical operations have separate but aligned HSE governance structures for manufacturing, research and development, and general and administrative functions. The Elanco and pharmaceutical governance structures share common Lilly policies, standards, and assurance systems and establish their own as appropriate.

Lilly's HSE Policy Statement, Procedures, and Standards

For clarity, Lilly has brief, principle-based policy statements that are implemented in two ways: through our global procedures, which describe basic principles and general expectations; and through our global standards, which provide auditable, detailed requirements. These key governance documents, and our related management systems, together address employee health and safety and environmental protection.

Lilly's global standards define our commitments and guide our efforts. They include:

- **Protecting People, the Environment, and Our Assets Policy Statement:** sets environmental expectations related to compliance and environmental protection for our people and operations.
- **Environmental Standard:** provides more detailed requirements and establishes the core governance requirements to manage the environmental and energy-related aspects of our operations.

- **Management System Standard and Verification and Corrective Action Standard:**

defines requirements to ensure compliance with Lilly HSE standards, applicable regulatory requirements, and other external HSE standards to which we subscribe.

- **Global Engineering Requirements:**

governs the engineering aspects of our operations and their energy and environmental impacts.

- **Product Stewardship Standard:**

provides a systematic way to manage product and process risks throughout the product life cycle, from discovery to product end-of-life.

Management Systems

Lilly sites and business areas have HSE management systems aligned with our Management System Standard, which is consistent with third-party standards such as International Organization for Standardization (ISO) 14001, Occupational Health and Safety Assessment Series (OHSAS) 18001, and the American Chemistry Council's Responsible Care Management System (RCMS®). Our global HSE management system is also certified to RCMS, and almost half of our manufacturing locations are certified to one or more external standards including ISO 14001, OHSAS 18001, Voluntary Protection Programs, and RCMS.

Audits

Each year, we audit approximately 30 percent of our sites globally, following the protocols outlined for each of our Global HSE Standards. Our five-year audit plan, updated annually, determines which sites to audit based on risk. External and internal auditors participate in each audit conducted.

Environmental Management

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

- **Emerging issues:** Identifying, analyzing, and managing environmental issues as they arise;
- **Procurement:** Considering environmental factors in purchasing decisions;

- **Product discovery:** Reviewing internal and external research operations to foster high HSE standards;
- **Product development:** Using inherently safer design principles, such as green chemistry, as well as engineering innovations, to identify and reduce HSE hazards from new production processes where possible;
- **Product packaging:** Reducing the amount of packaging and using environmentally-preferred materials, when possible, while satisfying regulatory and customer requirements, meeting marketing objectives, and preserving product integrity;
- **Distribution:** Ensuring safe product transport and warehousing while reducing associated environmental impacts;
- **Marketing and sales:** Working with customers to enhance the patient experience related to product environmental performance;
- **Suppliers, contract operations, and alliances:** Evaluating and influencing the HSE performance of suppliers, contract operations, and alliances; and
- **Supply chain management:** Establishing plans to ensure business continuity and appropriate emergency response, if needed.

Green Chemistry and Engineering in Research and Development

The research and development phase significantly impacts the environmental footprint of pharmaceutical manufacturing. At Lilly, we strive to embed environmental innovation early in the product development life cycle through our focus on green chemistry. Our green chemistry initiatives include evaluating less-toxic chemical alternatives for use in manufacturing and exploring innovations that can lessen the negative outputs resulting from the production of medicine.

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

- Eliminating or reducing the hazardous materials used to make a product;
- 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 for our employees and more environmentally friendly, through a commitment to continuous processing improvement.

When we are developing a new human medicine at Lilly, green chemistry considerations are a complement to other criteria such as quality, cost, and speed to market. 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. Since we outsource a significant amount of product development, we share guidelines, such as the Lilly solvent selection guide, with our partners to ensure consistent objectives, processes, and outcomes.

Employing green chemistry and engineering, we have been able to enhance the safety profile of the manufacturing process 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. We have replaced several hazardous solvents with safer alternatives, including significant, nearly carbon-neutral, efforts to limit the use of dichloromethane (a hazardous air pollutant and suspected carcinogen).

Global Chemical Management

Governments around the world and across many of the regions where

we operate have developed chemical management legislation—such as the REACH regulation in the European Union (EU)—which requires some companies to collect and register information about the chemicals they manufacture or use. These regulations may require replacing chemicals identified as hazardous with safer alternatives, when available. To address these concerns, Lilly has begun implementation of a formal program and screening process to help us evaluate certain designated “chemicals of concern” (COCs) throughout the research and development process. Our process also addresses mitigation steps where new restrictions may impact our existing operations. We are committed to ensuring that our facilities and supply chain remain in compliance with chemical management laws.

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

External Collaborations

Lilly actively pursues wider industry collaborations to help advance green chemistry, through a combination of dialogue and leadership with peer companies, scientific partnerships, and sponsorship of research. In 2016, we were involved in the following collaborations:

- **Green Peptide, Oligonucleotide, and Antibody-drug Conjugate (ADC) Leadership:**

Through the American Chemical Society’s (ACS) Pharmaceutical Roundtable, Lilly led the formation of a new sub-group focused on greener peptide, oligonucleotide, and ADC products. Over the past decade, peptides have shown great potential as therapeutic targets in both human and animal health. But their manufacture routinely involves hazardous reagents, produces high waste-to-mass ratios, and requires solvent-intensive purification systems. Complicating the issue, peptides are often synthesized by contract manufacturers, driving a need to share best practices and find opportunities for green innovation. By investing early in environmentally-friendly production methods, participating companies hope to create the scale necessary for these technologies to become cost-competitive in the long run.

- **Green Chemistry Metrics:** Lilly worked with the IQ Green Chemistry Working Group to collaboratively develop and introduce the Green Aspiration

Level (GAL) tool. Until now, the use of green chemistry metrics among pharmaceutical companies has been hampered by the lack of an agreed-upon standard. This new tool makes the development of objective goals, like process efficiency and mass intensity, easier. It uses industry benchmarks to create a unified scoring system for green chemistry formulations, and introduces a new green scorecard for use across the supply chain—including contract manufacturing. A paper about the new system was published in *Green Chemistry* in 2017.

- **Training Future Green Chemists:** Through the ACS Pharmaceutical Roundtable, Lilly collaborated with other pharmaceutical companies to design and implement a green chemistry curriculum for use at colleges and other organizations. Dr. Michael Kopach, a Research Advisor at Lilly, presented the new curriculum at the 2016 ACS conference in Philadelphia.
- **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, Lilly has provided more than \$2 million in research grants. In 2016, a record five researchers were funded, three in continuous flow chemistry and two for greener biologics processes.

Manufacturing

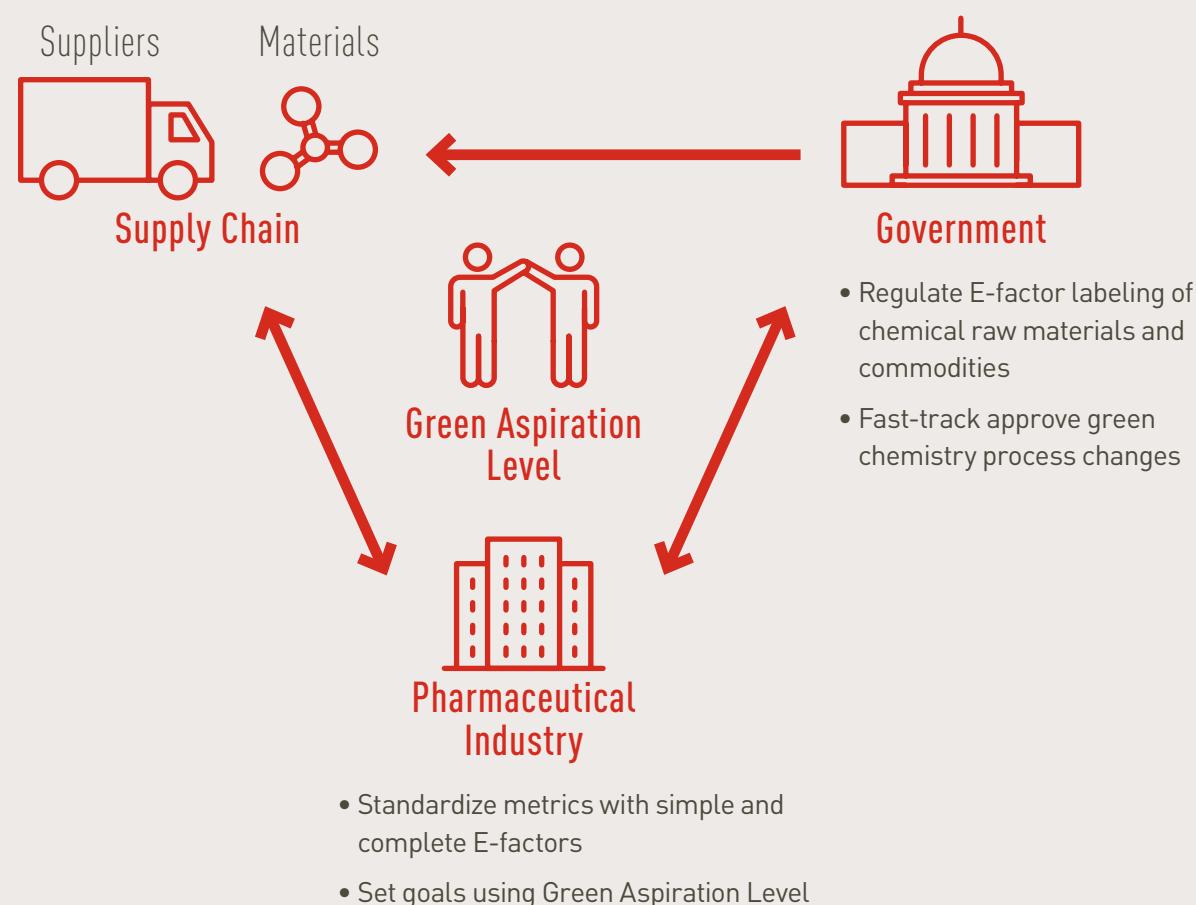
The majority of Lilly’s direct environmental impacts arise from the manufacturing of medicines. We track and manage these impacts as they relate to energy and water use, greenhouse gas (GHG) emissions, the creation and elimination of waste, and energy efficiency throughout the manufacturing process.

Energy Use and Greenhouse Gas Emissions



At Lilly, we have set aggressive targets for improving energy efficiency and thereby reducing our GHG emissions. To advance progress towards our goals, we have implemented global energy management practices. Our multi-faceted approach includes:

COLLABORATING ON A GREEN CHEMISTRY SCORECARD



- Designing for energy efficiency in new or updated processes and facilities;
- Operating our facilities and equipment efficiently;
- Monitoring and reporting energy consumption and resulting GHG emissions;
- Conducting energy assessments and implementing initiatives to enhance energy efficiency;
- Utilizing alternative energy sources, new technologies, and best practices for energy savings; and
- Participating in local, regional, and national forums to influence responsible and cost-effective decision-making and policy development relative to energy.

Lilly's 2020 goal is both to improve our overall energy efficiency and to reduce Scope 1 and Scope 2 GHG emissions by 20 percent per square foot of site space, as compared to our 2012 baseline. We also report several categories of Scope 3

GHG emissions, and we are committed to continually expanding the scope and quality of our disclosure in this area. CDP, formerly known as the Carbon Disclosure Project, recognized our 2016 efforts with a score of A-, which is considered leadership level.

Trends in 2016

Through 2016, we decreased our emissions intensity by four percent compared to our 2012 baseline. Total energy consumption was down slightly from 2015, though overall progress against our energy intensity goal remained flat. There are several reasons for this. Our goal measures both emissions intensity and energy intensity per square foot of site space. During the year, seven of our 10 largest energy-consuming sites—representing nearly 90 percent of our total energy consumption—increased production, in turn increasing their overall energy use per square foot of space. At the

same time, several of these largest sites improved their energy performance as measured per unit of production. While production increases present challenges to our performance against our goals, we encourage and reward these process energy intensity improvements. 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.

Water Use



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 2016, our efforts received a B rating from CDP's water program, above the average for the pharmaceutical industry. Our Engineering Technology Center helps Lilly sites around the world identify water-saving technologies, and Lilly sites can apply for project capital funding through Lilly's dedicated Energy and Waste Reduction Fund.

Trends in 2016

In 2013, we introduced a goal to reduce absolute phosphorus emissions in our wastewater discharge by 15 percent by 2020, as compared to 2014 levels. This goal addresses an issue that is increasingly important to communities, regulators, and investors. In 2016, while still in the planning phase to achieve this goal, our total wastewater phosphorus emissions grew to 170 metric tonnes, a 34 percent increase from 2014. Process changes at several large sites negatively impacted our overall progress on this goal. Significant source reduction projects are planned that include phasing out and replacing selected cleaning agents with non-phosphorus-based alternatives. In addition, technical teams at Lilly are evaluating existing cleaning processes and plan to apply phosphorus-reducing improvements to key sites worldwide.

In 2016, Lilly's total water intake equaled 14.5 billion liters, a two percent increase from 2015, due primarily to production increases.

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. During 2016, our manufacturing site in Kinsale, Ireland, began operation of a new cogeneration facility, which is expected to annually generate 4.4 MW of electricity and supply the site with 3.9 MW of thermal energy. This could decrease the site's GHG emissions by 3,600 tonnes CO₂e per year. Three additional Lilly sites have cogeneration units in operation, and we are exploring other opportunities for cogeneration at manufacturing facilities.

Waste



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 volume. For Lilly, total waste does not include material that is directly reused for other purposes.

Lilly uses the following hierarchy of approaches to process waste generated across our manufacturing and research and development 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 incineration), where possible;
- Treat waste to reduce toxicity and volume; and
- Send waste to landfill (as a disposal method of last resort, or when legally required).

Trends in 2016

Lilly tracks progress toward our waste efficiency goal by measuring the amount of waste we generate that is available for recycling. This does not include materials that are beneficially reused, which make up the bulk of waste we generate. From 2012 through 2016, our waste efficiency declined by 20 percent, though our 2016 efficiency performance is a marked improvement of 23 percent compared to the previous year. A combination of facility acquisitions and processing changes in our animal health business, including equipment upgrades in our production facilities, helps account for both the fluctuations and significant improvements in this time period. We will continue to seek opportunities to improve waste efficiency and forecast improvement in this area in the coming years through 2020.

In 2016, Lilly generated 297,000 metric tonnes of total waste, representing a four percent increase as compared to our 2012 baseline, and an 18 percent increase as compared to 2015 amounts. However, we were able to designate 207,000 tonnes of this waste for reuse, much of it as fertilizer. After reuse,

90,000 metric tonnes of total waste remained. While this amount was 22 percent more than our 2012 baseline, it represented a 20 percent reduction as compared to 2015.

We improved our recycling rate to 60 percent in 2016, up from 47 percent in 2012, and we sent 13 percent of our waste to landfills, compared to 28 percent to landfill in 2012. During the year, 24 of 53 Lilly sites globally reported zero waste-to-landfill status, indicating that they send less than 0.5 percent of the waste they generate to landfill.

Encouraging Eco-Efficiency Across Our Operations

We established the Energy and Waste Reduction Fund in 2006 to encourage projects that reduce our overall environmental impacts. The fund supports projects that demonstrate the greatest potential for reductions in emissions and energy use, which are not covered by local capital budgets. Since 2006, Lilly has invested more than \$38.9 million in this fund, enabling the implementation of 151 projects, which all told, garnered nearly \$20.5 million in savings.

These projects collectively save more than 879 billion BTUs of energy annually, avoiding about 109,658 metric tonnes of carbon dioxide equivalent (CO₂e) of GHG emissions each year.

We actively recognize innovation and excellence in HSE management by granting annual HSE awards. Nomination for these awards represents a significant accomplishment on behalf of project teams, and we seek to reward teams that have shown an exemplary commitment to helping Lilly achieve energy and GHG emissions reduction goals. In addition to criteria such as a project's energy and GHG reductions, we consider the potential to replicate the approach in other locations. Of 71 nominations in 2016, 23 energy reduction projects were recognized with awards. Since 2012, 347 projects have been nominated, with 116 receiving this award.

Environmental Performance Indicators^{8,9}

	2012	2013	2014	2015	2016
GREENHOUSE GAS EMISSIONS					
Greenhouse Gas Emissions (Scope 1 and Scope 2) (metric tonnes CO ₂ e)	1,550,000	1,600,000	1,540,000	1,540,000	1,520,000
Scope 1	435,000	485,000	459,000	476,000	476,000
Scope 2	1,116,000	1,112,000	1,083,000	1,066,000	1,041,000
Greenhouse Gas Emissions Intensity (related to goal) (metric tonnes CO ₂ e/1,000 square feet) ¹⁰	57.1	58.3	57.8	55.2	54.6
Scope 3 Emissions (not included in metrics above) ¹¹ (metric tonnes CO ₂ e)	306,000	300,000	290,000	302,000	299,000
ENERGY USE					
Energy Consumption (million BTUs)	10,800,000	11,300,000	11,200,000	11,200,000	11,000,000
Energy Intensity (million BTUs/1,000 square feet) ¹⁰	449	465	471	454	450
Direct Energy Consumption (million BTUs) ¹²	4,040,000	4,390,000	4,240,000	4,390,000	4,390,000
Indirect Energy Consumption (million BTUs) ¹³	6,740,000	6,870,000	6,940,000	6,800,000	6,630,000
WATER USE					
Water Intake (billion liters) ¹⁴	13.4	13.7	15.0	14.2	14.5
Phosphorus emissions to wastewater (metric tonnes)	--	--	127	133	170
WASTE					
Total Waste Generation (metric tonnes)	285,000	310,000	295,000	251,000	297,000
Hazardous Waste Generation (metric tonnes)	26,000	24,000	24,000	25,000	24,000
Non-Hazardous Waste Generation (metric tonnes)	259,000	286,000	271,000	225,000	272,000
Total Waste Generation not Including Reuse (for recycling goal) (metric tonnes) ¹⁵	74,000	75,000	89,000	112,000	90,000

	2012	2013	2014	2015	2016
Waste Disposition					
Recycled (includes combustion with energy recovery) (metric tonnes)	34,300	32,500	46,700	57,000	54,000
Treated (includes combustion without energy recovery) (metric tonnes)	18,700	19,900	30,100	26,500	23,900
Landfilled (metric tonnes)	20,700	22,600	12,000	28,400	11,900
Waste Recycling Rate	47%	43%	53%	51%	60%
ENVIRONMENTAL COMPLIANCE					
Reportable Permit-Limit Exceedances ¹⁶	8	5	3	5	5
Number of Significant Spills ¹⁷	0	0	0	0	0
Environmental Fines Paid (\$)	\$732	\$0	\$0	\$0	\$0
ENERGY, WASTE, WATER, AND NATURAL RESOURCE USE REDUCTION FUND					
Expenditures (\$ millions)	\$1.1	\$1.8	\$1.6	\$1.7	\$0.9

⁸ Data may be revised compared to prior reports due to changes in calculation methodology and other factors. Some segments do not add up to totals due to rounding.

⁹ In 2015, adjustments were made to data for all years to reflect the acquisition of animal health operations from Lohmann (closed April 30, 2014) and Novartis (closed January 15, 2015).

¹⁰ Data includes GHG emissions related to manufacturing sites only.

¹¹ Data includes Scope 3 emissions from employee business travel (personal and rental cars, taxi, rail, and air travel), employee commuting, contracted product transportation and distribution, waste generated in operations, and non-Kyoto compound emissions (refrigerants, VOCs, etc.) Data does not include sales force travel using company vehicles, use of Lilly aircraft, or product distribution with Lilly vehicles. Those items are Scope 1 and included in the data above.

¹² Data includes energy from combustion of coal, fuel oil, natural gas, and liquid propane.

¹³ Data includes energy from purchased electricity, steam, and chilled water.

¹⁴ "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.

¹⁵ Lilly's waste goals do not include materials that are deemed "reused" without extensive processing. Examples include coal ash reused for mine reclamation or road base, and mycelia and urea reused for fertilizer.

¹⁶ 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.

¹⁷ "Significant spill" in this report refers to any unexpected, unintended, abnormal, or unapproved dumping, leakage, drainage, seepage, discharge, or other loss of a substance that resulted in damage to the environment (i.e., human health, aquatic life, or wildlife) or a material event requiring reporting to the U.S. Securities and Exchange Commission. Damage means the actual or imminent alteration of the environment so as to render the environment harmful, detrimental, or injurious.

Supply Chain



We rely on our suppliers—including those who supply us with active pharmaceutical ingredients (APIs) and contract manufacturers—to help us ensure our human and animal medicines are available. As we have broadened our manufacturing base and integrated new acquisitions into our operations, we have taken significant steps to reduce our exposure to the risks inherent in managing a global supply chain. Lilly continues to strengthen our ongoing efforts to monitor our supply chain for performance on HSE indicators. We have also taken steps to engage our suppliers more directly on HSE issues, and we have taken a more active role in helping our suppliers to 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.

Governance of Supply Chain at Lilly

In addition to our global standards that govern HSE issues, our Product Stewardship Standard informs our approach to managing risk across our supply chain. In 2016, we aligned our procurement policies more closely with the

Pharmaceutical Industry Principles for Responsible Supply Chain Management, which PSCI created together with its member companies. These principles, aligned with the United Nations Global Compact, provide the pharmaceutical industry with a consistent standard of measurement for suppliers in the areas of ethics, labor, health and safety, the environment, and related management systems. The principles themselves and related information can be found on the [PSCI website](#).

In all new contract manufacturing operations (CMO) contracts, Lilly asks that suppliers support the PSCI principles, and they receive our expectations for HSE performance in our Supplier Code of Conduct. We also use an annual review process that evaluates them according to a number of factors, including their HSE performance. We have made significant progress in targeting those suppliers that we deem to be at greatest risk of violations to our HSE standards. The Public Policy and Compliance Committee of our board of directors receives quarterly risk reports highlighting HSE areas of concern in our supply chain. In the small percentage of cases, we intervene quickly when we become aware that there are serious HSE issues and expect those suppliers to implement changes. If swift corrective action is not taken by the supplier, we reserve the

right to halt production or, if necessary, to terminate contracts.

Assessing Contract Manufacturers and Research Laboratories

For more than a decade, Lilly HSE professionals have worked to assess and strengthen performance at the outside research laboratories and contract manufacturing operations with which we do business. Lilly utilizes these third-party suppliers in three areas of our business: our research and development division; Elanco, our animal health division; and our human health pharmaceutical division. All three areas share a common methodology and reporting framework for assessing risk, and that information 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 performance. We use a system to address critical concerns with suppliers, which helps us ensure that suppliers make progress and remedy problems.

For nearly a decade, our research division has performed assessments of third-party suppliers of APIs and other materials needed for medicine de-

velopment. The program uses Lilly HSE tools that align with PSCI principles. This due diligence process focuses on the safe management of molecules and the capabilities of contract research organizations to meet our HSE requirements.

At Elanco, we contract with more than 160 CMOs and are systematically assessing their HSE performance. In 2016, we audited all of those suppliers deemed to be higher-risk, as well as 50 percent of CMOs designated medium-risk.

Within Lilly's human pharmaceutical division, in 2016 we strengthened our alignment with PSCI through a wider use of common tools and practices. As part of this relationship, Lilly staff participate in PSCI work groups and have led capability-building trainings for several manufacturers in India. Dedicated HSE professionals oversee our CMO assessment process, and in 2016 they engaged 55 CMOs, plus additional "suppliers of focus" that we monitor closely.

Green Procurement Initiative

Lilly continues to expand our efforts to decrease the company's environmental impacts across product transport, manufacturing, and research, and to support the development of markets for "greener" products. Lilly's green procurement initiative builds these efforts into multi-year agreements that will

track progress over time. As part of our procurement process, suppliers must complete an initial HSE questionnaire that is subsequently updated every two years. We also ask our suppliers to provide good faith assistance in identifying initiatives they are undertaking related to HSE, and to respond to data requests from Lilly to help us establish goals and metrics for HSE performance in our supply chain. When an HSE event occurs that may affect the delivery of Lilly materials, we require suppliers to provide Lilly with timely notification.

For certain products that Lilly manufactures, such as injection devices used by patients to administer some of our medicines, the materials required demand the highest standards of quality, sterility, and reliability to ensure patient safety. Although we consider environmental impacts in our design and materials selection efforts in this area, we procure only virgin raw materials for manufacturing to meet the exacting standards for these devices.

Sales and Marketing

Our sales and marketing affiliates around the world develop goals and implement improvement strategies as part of our *GREEN Directions* program, which

focuses on fleet fuel economy and GHG emissions, office energy conservation, and waste reduction. Each year, our affiliates look for opportunities to enhance their environmental performance by identifying and implementing new projects and setting targets.

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

Packaging and Transportation

Lilly tracks the GHG emissions of our product transportation and distribution vendors, and we collaborate to reduce those impacts while also ensuring product integrity. We consider many factors in selecting product packaging, including sustainability considerations, such as materials use and recyclability.

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

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

In 2016, we began allowing customers in the United States to return coolers, which are used in direct-to-physician sample shipments that require cold storage, for reuse or recycling. We include prepaid return labels that can be applied over the original UPS shipping label for easy return.

In transporting our products, we have made strides in reducing the volume of empty space in the packages we ship, which has increased our overall fleet efficiency. We are nearly halfway through our 2017 goal of converting 50 percent of our overseas shipments from air to sea transport, which emits significantly fewer GHG emissions while protecting product quality and strengthening security assurance.

Product End-of-Life

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

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

We are actively involved in the Pharmaceutical Product Stewardship Work Group, a U.S.-based membership association of manufacturers of prescription and over-the-counter medicines that supports compliance with U.S. household disposal regulations for unused medicines and sharps. We also engage with other industry stakeholders in the European Union, such as European

Federation of Pharmaceutical Industries and Associations (EFPIA), as well as in Canada (Health Products Stewardship Association).

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

Pharmaceuticals in the Environment (PiE)

After they are used by people to treat diseases and health conditions, pharmaceuticals typically enter our natural environment through normal biological processes. To a much lesser extent, 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 how to best evaluate potential associated human and environmental risks.

Using advanced analytical testing technologies, scientists today can measure trace amounts of PiE that were previously undetectable. Studies to date, including the oft-cited World Health Organization's (WHO's) 2011 Technical Report on Pharmaceuticals in Drinking Water, and the extensive joint study by the U.S. Environmental Protection Agency and U.S. Geological Survey published in 2017, indicate that these trace amounts are unlikely to impact human health. WHO has cautioned water suppliers, regulators, and other interested parties to not let concerns over PiE divert attention and resources from other critical water quality priorities.

Some concerns, particularly outside of the United States, include how PiE might contribute to antimicrobial resistance or the build-up of environmentally-persistent pollutants, especially if water treatment is inadequate. These concerns are further evidenced by the United Nations' Strategic Approach to International Chemicals Management. At Lilly, we are aware of increasing interest in PiE, and we are committed to working with others to continue to monitor and address concerns as they arise.

Governance of PiE at Lilly

Due its importance to Lilly and our stakeholders, we have established a PiE governance committee that reports to our executive-level Global HSE Committee to set strategic direction, support effective internal collaborations, and recommend resources for related initiatives. The PiE committee also provides long-range oversight for the programs that control active pharmaceutical discharges from manufacturing sites, as well as offering guidance to the Lilly Aquatic Exposure Guideline Committee (LAEG). The LAEG sets levels that can be safely discharged while protecting surface water uses, including drinking water for people, and surface water used by wildlife.

LAEG also consider levels of antimicrobials that can safely be discharged into the environment. Our animal health division, Elanco recently announced its [Antibiotic Stewardship Plan](#).

Our manufacturing governance committees have direct oversight and accountability for environmental impacts arising from our operations. They work to minimize or mitigate PiE impacts across the product value chain, by implementing and continuously evaluating protective measures for both our operations and those of our manufacturing partners.

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 recognized scientific processes recommended by U.S. and European regulatory agencies for identifying and minimizing any significant 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.

To study the overall impact of our operations on local habitats, our site in Kinsale, Ireland, has conducted a continuous evaluation of aquatic habitat quality since 1978. This 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. This long-term effort has supported studies published in peer-reviewed scientific publications and continues to support academic research for university students.

External Collaborations

We continue to partner with industry, academia, and governments to improve both our understanding of, and our response to, PiE. Among ongoing efforts in 2016, Lilly scientists and technical experts have:

- Helped develop 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;

IMPROVED METHODOLOGIES FOR ASSESSING ENVIRONMENTAL RISKS

Lilly participates in the Intelligence-led Assessment of Pharmaceuticals in the Environment project ([iPiE project](#)), a program supported by the Innovative Medicines Initiative, a public-private partnership coordinated by the European Commission and the industry group EFPIA, in collaboration with universities and other research organizations, public bodies, and nonprofit groups. Our current commitment to the project runs through 2018.

The iPiE project develops frameworks that support environmental testing for new pharmaceuticals, as well as helps to prioritize 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. The project will create a modeling tool to screen APIs under development and prioritize existing APIs for enhanced testing.

- Continued to publish and review articles in scientific journals, present at conferences and workshops, and participate in meetings concerning the safety of pharmaceutical residues in water, in collaboration with the U.S. National Research Council, 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, the International Federation for Animal Health—Europe and the U.S. Animal Health Institute; and
- Worked with the Pharmaceutical Supply Chain Initiative (PSCI) to deliver training sessions for external manufacturing partners on risk-based approaches to managing APIs in manufacturing effluents.

Elanco: Enriching Life Through Food and Companionship

Elanco Animal Health is a division of Lilly that focuses on animal well-being, animal productivity, and food safety in more than 75 countries. Our vision is that food and companionship enrich life. Given the focus of our business, breaking the cycle of hunger and promoting the human-pet bond are a natural fit for Elanco's corporate responsibility efforts and further extend our efforts to improve global health.

Promoting Responsible Use of Antibiotics in Food-producing Animals

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

the health of people, and protecting the planet, a concept we refer to as "One Health."

Antibiotic resistance occurs naturally over time, as bacteria develop resistant genes that are then passed on to other bacteria. This natural process can be magnified by the misuse and overuse of antibiotics. At Elanco, we are committed to working together with the human, animal, and environmental health communities to develop effective, sustainable solutions to the problem of antibiotic resistance. Elanco's Eight-Point [Antibiotic Stewardship Plan](#) promotes the responsible use of antibiotics, reduces the use of [shared-class antibiotics](#), and replaces antibiotics with alternatives. We're moving swiftly ahead to fulfill that plan, while respecting that there are no quick and easy solutions.

By 2020, Elanco commits to delivering a total of 25 viable development projects that address critical unmet challenges in livestock production via alternatives to shared-class antibiotics. We believe that by that date, we can provide solutions that address five of these disease challenges in a fundamentally new way. We will increase the awareness of these unmet disease challenges and work to inspire and incentivize new innovation from many sources, including internal development, external partnerships, and open-source innovation.

Promoting Food Security

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

Through global partnerships and volunteer efforts in our own backyard, we support community programs and initiatives that provide food to those who need it and promote awareness of hunger and food insecurity. Our [commitment](#) focuses on three areas: employee engagement, community and customer engagement, and sustainable development, with a unified goal of nutritious food that is accessible and affordable to all. We have pledged to "break the cycle of hunger" in 100 communities around the world by 2020. We've defined breaking the cycle as ensuring at least 100 people are food secure for at least one year. To date, we've impacted 72 communities and more than 750,000 households.

As part of our focus on food security, Elanco is working to:

- Partner with grocery stores and producers to provide protein-rich eggs to local food banks through the [HATCH for Hunger](#) program, as fresh protein is one of the most challenging items for food banks to secure. To date,

1.3 million eggs have been donated in five states through six food pantries in the United States.

- Bring 100,000 families out of hunger in the coming years through a partnership with [Heifer International projects](#) in Asia and Africa, as well as support of the [East Africa Dairy Development](#) project.
- Raise awareness about the growing challenge of food security and partner with others to develop solutions through the [ENOUGH Movement](#), a global community working together to ensure everyone has access to nutritious, affordable food—today and in the future.

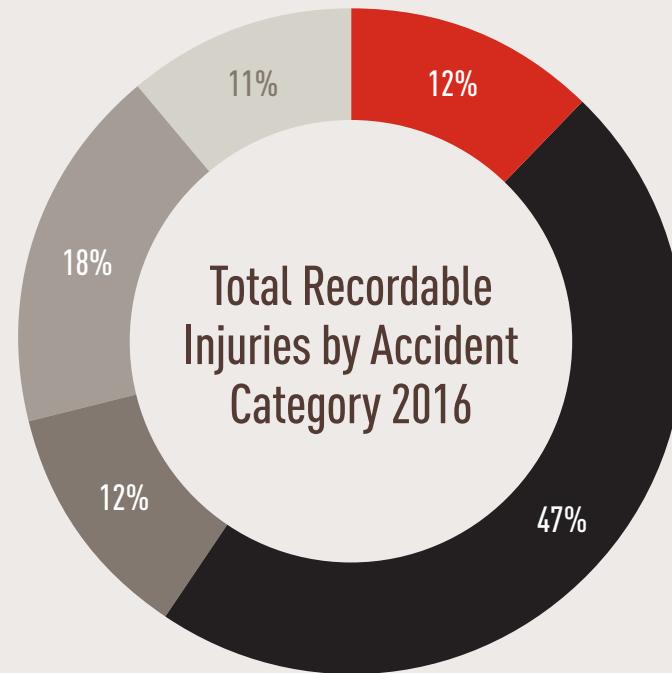
Promoting the Human-Animal Bond

Pets enrich our lives through companionship, the service they provide, and the proven health and social benefits to people and communities. At Elanco, we advocate for the health benefits pets bring to people by supporting and highlighting the research that proves the importance of the [human-animal bond](#). With partnerships like [Pet Partners](#) and [Canine Assistants](#), we support the animals that support us—from assistance and therapy animals to search, rescue, and police dogs.

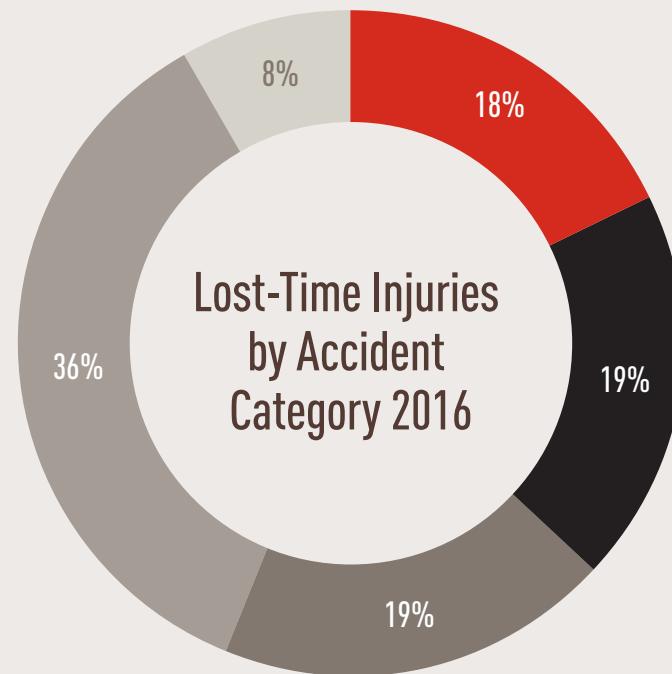
Employee Safety

When it comes to safety, Lilly focuses on creating a company-wide culture where best-in-class practices are intuitively and consistently followed. To do this, we assess and continuously strive to improve our safety culture across our manufacturing, research and development, and sales and marketing organizations. We believe this ongoing commitment promotes the well-being of our people and helps to safeguard communities where we operate.

Since we introduced our global safety goals in 2007, our injury rate has declined by nearly 40 percent, equivalent to the prevention of hundreds of injuries to Lilly employees across the globe. In 2013, we established new interim goals for the three occupational safety metrics we track: recordable injuries, lost-time injuries, and motor vehicle collision rate. These goals were developed to help reduce our injury rates across a seven-year period: 2014–2020. While we did experience slight increases in our 2016 rates, as compared to 2015, our long-term trajectory shows a strong trend toward decreased injuries. We will continue to assess the data and make improvements where possible to achieve our goals.



■ Struck by / Against / Caught between¹⁹ ■ Ergonomic Risk²⁰ ■ Motor Vehicle Collisions
■ Slip / Trip / Fall ■ Other



¹⁹ Refers to non-motor vehicle injuries resulting in abrasion, contusion, and laceration.
²⁰ Refers to ergonomic risks (posture and/or force, repetition, duration of tasks) which increase the likelihood of a sprain or strain.

TOTAL RECORDABLE INJURY RATE



LOST-TIME INJURY RATE



MOTOR VEHICLE COLLISION RATE¹⁸



¹⁸ A new goal for measuring motor vehicle collisions was established in 2015.

Promoting a Culture of Safety at Lilly

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

In 2016, Lilly continued to instill in our employees a culture of safety by:

- Developing a strategic HSE transformation map for safety culture improvement;
- Completing safety perception surveys for all newly-acquired Elanco animal health manufacturing and research and development locations, as well as at our Erl Wood research and development center in the United Kingdom, and our Pharmaceutical Technical Services and Sciences organization;
- Creating and delivering a safety leadership training course in partnership with DuPont at all newly-acquired Elanco animal health vaccine manufacturing locations;
- Conducting more than 2,000 industrial and personal ergonomic assessments

- for employees in manufacturing areas, laboratories, offices, and sales vehicles; and
- Expanding our internal *B Safe* safety observation program to four of our new Elanco animal health manufacturing locations and to our Mexico City sales affiliate.

Reducing the Potential for Serious Injury

While the most common work-related injuries are covered by our safety programs, we have also committed to systematically addressing rare but potentially catastrophic events, where the consequences can be tragic. To prevent such serious injuries and fatalities (SIF), we have established programs that aim to eliminate high-risk hazards and behaviors.

Our efforts on SIF prevention since 2012 have been successful. We ask employees to report “near misses”—events that could have, but did not, result in an injury. We use this data to take steps, even in the absence of a SIF event, to improve our performance in this area. In 2016, we bolstered our SIF efforts by:

- Hosting a SIF prevention conference with 14 peer pharmaceutical companies;

- Updating the global manufacturing scorecards for both Lilly and Elanco to measure monthly SIF events and potential SIF events; and
- Completing shop-floor assessments of the equipment lockout program, which encourages safe use of tools, for all Lilly and Elanco manufacturing sites.

In addition, Lilly has made a concerted effort to improve process safety management (PSM) for high-risk chemical manufacturing and development operations, according to a plan created in 2013. In 2016, we built upon this progress by:

- Completing technical improvements to the safe operating limits for sites with high-risk operations;
- Creating global PSM requirements for the testing of high-risk safety devices that ensure mechanical integrity and operational consistency; and
- Modifying Lilly’s PSM audit and self-assessment program to focus on high-priority process safety elements.

Sales and Marketing Safety

At Lilly, sales and marketing employees represent nearly 30 percent of our global workforce. Their jobs require them to spend significant time driving, subjecting them to accident risks which

are often out of their control. In 2009, we launched a motor vehicle safety program, *HSE Directions*, designed specifically for the thousands of Lilly employees who are on the road every day, visiting physicians, hospitals, clinics, and other customers. Our *HSE Directions* investment has resulted in a decrease in motor vehicle collisions, and, consequently, a significant reduction in motor vehicle-related injuries. In 2016, we saw further progress. As part of this effort, we:

- Continued to improve our motor vehicle collision rate year-on-year, with a 40 percent decrease in collision rate since the program began in 2009;
- Implemented best-in-class motorcycle safety requirements;
- Simplified and improved global injury reporting through a new iPad app; and
- Trained field operations food animal employees in our *AgriDirections* program.

Employee Wellness at Lilly



The mission of the wellness and productivity team mirrors the Lilly Promise—uniting caring with discovery to make life better, including for our own employees and their families. Lilly is committed to creating a work environment that

supports employee efforts to manage both work and personal life responsibilities. We have a broad view of wellness at Lilly, designed to create a culture of well-being across five dimensions: physical, financial, social, community, and sense of purpose. The wellness and productivity teams, both in the United States and in our international locations, have direct responsibility for our wellness strategy, work-life balance programs, employee activities around healthy living, as well as medical and disability leaves.

Wellness in the United States

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

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

Other U.S. efforts to support our employees' physical and emotional health include access to a dietitian, quarterly fitness challenges, and a comprehensive employee-assistance program, including consultations with on-site psychologists. New mothers may receive support through robust maternity leave programs, on-site childcare centers and back-up care options, nursing rooms, and parenting education opportunities. We also promote financial well-being through a variety of online financial

tools and financial advisory programs. Many of the benefit offerings also are available to spouses, domestic partners, and qualified dependents to promote well-being for the entire family, not just the person directly employed by Lilly.

Wellness in Our International Sites

Outside the United States, we deliver competitive benefit packages and health coverage that varies depending on location. In many countries, our employees receive government-provided medical benefits. Wellness programs at two of our international locations, Spain and Ireland, are highlighted below.

- Our Alcobendas manufacturing site, near Madrid, Spain, launched a holistic, integrated program to promote healthier, active lifestyles among employees. The first initiative of the program discussed cardiovascular health, using a program developed by the Diabetes Alliance in cooperation with Boehringer Ingelheim and Lilly.

Using videos and self-evaluation tools to examine fitness and stress levels, the three-week program supports the development of healthier habits.

- Our manufacturing site in Kinsale, Ireland, launched the *Live4Life* program, which also takes a holistic approach to supporting behaviors that are important to living a healthy and fulfilling life. Based on an employee survey of key wellness needs and interests, the *Live4Life* program offers quarterly topics throughout the year, featuring speakers, displays, information sessions, and fun activities to promote employee well-being.

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, then as now, 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 in 2017 named Lilly one of the "World's Most Ethical Companies."

We train all of our employees in ethical business practices and have systems in place to detect violations of law, regulation, and company policy, 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 compliance.

In this section, we discuss our commitment to work against corruption in all its forms. We detail our Code of Business

Conduct, our compliance management systems, and our training programs—all of which reinforce ethical behavior and help avoid corruption and other unacceptable activities. This section also highlights our efforts to be more transparent about our operations, including our clinical trials, our educational grants, and payments we make to physicians.

Ethics, Compliance, and Governance at Lilly

At Lilly, our policies, our Code of Business Conduct (which we call *The Red Book*), our compliance management systems, our training programs, and our communications all reinforce ethical behavior. We have implemented programs designed to promote ethical conduct and foster a culture of integrity, which we continue to refine and improve.

We train all of our employees in ethical business practices and have systems

in place to detect potential violations of the law and company policies and to correct processes so that errors do not occur going forward. Our ethics and compliance program includes deliberate assessment of risks, training, and communications designed to prevent issues from arising, as well as reporting, auditing, and monitoring to detect potential compliance gaps. We also have a robust investigation process and develop corrective and preventive action plans to address issues that are identified.

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 vehicles:

- ***The Red Book***: We regularly update and disseminate our Code of Business Conduct, *The Red Book*. Available in 24 languages, this document and associated training emphasize the company's values and the importance of ethical decision-making, summarize key principles from global company policies, and provide examples for employees to practice applying these principles to their decisions and actions. *The Red Book* is designed to provide foundational guiding principles to help our employees navigate an increasingly complex global business environment.

• **Policies, Procedures, and Related**

Materials: The information summarized in *The Red Book* is amplified by policies and other materials accessible to employees on the company’s intranet. These documents govern Lilly’s actions with respect to specific areas, including our ethical foundation, preventing corruption, respecting privacy, communicating honestly, speaking up, protecting information assets, and many other topics.

Reporting, Monitoring, and Auditing

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

- **Internal Reporting:** Lilly employees are required to report to the company any known or suspected violations of the law, *The Red Book*, company

policies, or official orders or decrees applicable to our business. Employees are also encouraged to report any other ethical concerns or issues. Our toll-free Ethics and Compliance Hotline is staffed by an independent firm, 24 hours a day, seven days a week. Due to differences in local law, local reporting processes can vary.

- **Monitoring:** Lilly maintains an ethics and compliance monitoring program that has been standardized to include a global monitoring strategy, a risk assessment and monitoring plan with standard tools, and a process for reporting metrics to business leaders and key company stakeholders. Its purpose is to evaluate whether the following have occurred:
 - Ethics and compliance policies and procedures have been implemented and followed;
 - Employees have been trained on these policies and procedures; and
 - Management is providing sufficient oversight of business processes and related results to support compliance with company policies, procedures, and government laws and regulations.
- **Corporate Auditing:** Our internal corporate auditing function conducts both financial and nonfinancial audits of all Lilly affiliates globally to evaluate

compliance with various company policies and procedures. These audits include reviews of our anti-corruption program and our policies that govern ethical interactions.

Training and Communications

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

- Each year, all Lilly employees (and certain company contractors) must complete training on *The Red Book* and certify that they have received, read, understand, and will abide by its requirements.
- Employees receive targeted ethics and compliance training related to their specific job responsibilities.
- New employees in the ethics and compliance organization participate in a training and education curriculum that focuses on understanding and implementing the elements of an effective compliance program globally.
- Our leaders communicate regularly with employees to reinforce that everyone is responsible for conducting

LILLY HONORED FOR INTEGRITY AND TRANSPARENCY WORK

Lilly’s ethics and compliance program was honored at the 2016 Corporate Governance Awards in New York City. The awards are a global program of the organization that publishes *IR Magazine* and *Corporate Secretary*, read by executives around the world.

Lilly was one of three finalists for having the best compliance and ethics program in the “large cap” category—large publicly traded companies. The recognition highlighted work to simplify our policies and procedures, to streamline our Code of Business Conduct, *The Red Book*, and to encourage employees to speak up and voice concerns so we can all learn from our experiences.

“We have made great progress simplifying our policies and procedures and raising awareness of the resources employees can use to make the right decisions for the right reasons. I’m proud that our organization was recognized.”

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

company business in an ethical and compliant manner, as well as making decisions and taking actions in line with the company's values of integrity, excellence, and respect for people.

Investigations and Corrective Actions

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

Anti-Corruption Due Diligence

We earn and maintain the trust of those we serve by acting with integrity, in accordance with our mission and values, everywhere we operate. 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—in order 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 all over the world.

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

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

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

Transparency and Disclosure at Lilly

Lilly is supportive of transparency initiatives globally. We believe openly reporting financial interactions with healthcare professionals (HCPs) and healthcare organizations (HCOs) helps

to build trust with patients, caregivers, and other key stakeholders. In addition to disclosing payments Lilly makes to HCPs and HCOs, we engage in dialogue directly with members of the healthcare system and other interested parties about transparency questions through our EthicsPoint hotline (1-877-237-8197) or the [Lilly EthicsPoint website](#).

Payments to Physicians and Healthcare Organizations

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

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

interactions their own medical professionals have with Lilly.

In the United States, Lilly follows disclosure requirements at both the 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 if a physician or a particular teaching hospital has had financial interactions with a biopharmaceutical company, including Lilly.

Outside the United States, in addition to adhering to legislated requirements for countries in which we operate, Lilly participates in voluntary disclosure codes led by local 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 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 transparency in Europe](#), or view our [EFPIA Patient Organization Disclosure](#).

Clinical Trials Data Transparency

Lilly has a history of commitment to transparency of our clinical studies, and we recognize that responsible sharing of clinical study data has the ability to enhance public health. Currently, Lilly registers and posts results of all clinical trials on [clinicaltrials.gov](#). Since the start of 2014, Lilly has enhanced our transparency initiatives in alignment with the PhRMA/EFPIA Principles for Responsible Clinical Trial Data Sharing. Next, Lilly will begin creating summaries of Phase II and III clinical trial results written in patient-friendly language using simple, everyday terms. The summaries

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

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

Political Engagement

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

All of our employees must also comply with our global policies, core values, and legal obligations, which are outlined in

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

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

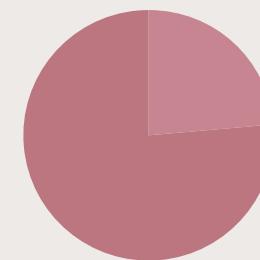
- Has the candidate historically voted or announced positions on issues of importance to Lilly, such as pharmaceutical innovation and health care?
- Has the candidate demonstrated leadership on key committees of importance to our business?
- Does the candidate demonstrate potential for legislative leadership?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

FINANCIAL SUPPORT AND LOBBYING ACTIVITY

In 2016, Lilly spent the following amounts on direct political activity:

\$1,683,000

in political financial support in the United States



\$360,000 to state candidates in corporate contributions; and

\$1,323,000 through the Lilly Political Action Committee (LillyPAC).

\$6,860,000

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.

Lilly