
Audit Committee Charter

Purpose

The audit committee's primary function is to assist the board of directors in fulfilling its oversight responsibilities by monitoring:

- The integrity of financial information which will be provided to the shareholders and others;
- The systems of internal controls and disclosure controls which management has established;
- The performance of internal and independent audit functions; and
- The company's compliance with legal and regulatory requirements.

Composition and Term

The committee shall consist of no fewer than three directors. All committee members must meet applicable New York Stock Exchange (NYSE) and Securities and Exchange Commission (SEC) independence and experience requirements or any stricter requirements as may be established by the committee. All committee members shall be financially literate or must become financially literate within a reasonable period of time after appointment to the committee. At least one member of the committee shall be an audit committee financial expert as determined by the board in accordance with NYSE listing standards. At least one member of the committee shall serve concurrently on the public policy and compliance committee.

The committee members shall be appointed for one-year terms at the annual meeting of the board. The board shall designate the chairperson.

Administrative Matters

The committee shall meet not less than six times per year and shall report at the next board meeting following each such committee meeting. The committee shall meet at least annually with the public policy and compliance committee. This meeting will allow the audit committee to review non-financial legal and regulatory compliance as well as the risk assessment and risk management processes, which are overseen by the public policy and compliance committee. The committee shall meet periodically with management, the general auditor, and the company's independent registered public accounting firm (the

"independent auditor") in separate executive sessions. The committee may request any officer or employee of the company, the company's outside counsel, or representatives of the company's independent auditor to attend a meeting of the committee or to meet with any members of, or advisors to, the committee. The committee may, at any time, retain its own outside advisors at the company's expense.

Supporting Corporate Staff

General auditor
Chief accounting officer
Office of the corporate secretary

Duties and Responsibilities

The committee shall have the following duties and responsibilities:

1. Maintain a clear understanding with management and the independent auditor that the committee is directly responsible for compensation and oversight of the work of the independent auditor, including:
 - Having the sole authority (subject to shareholder ratification) to appoint or replace the independent auditor;
 - Approving the compensation of the independent auditor;
 - Reviewing and evaluating the lead partner of the independent audit team;
 - At least annually, reviewing and evaluating the overall performance and conduct of the independent auditor and whether to rotate the independent external audit firm;
 - Reviewing the audit scope and audit plan of the independent auditor;
 - Reviewing the scope and plan for the independent auditor's audit of the company's internal controls over financial reporting;
 - Obtaining and reviewing, at least annually, a report from the independent auditor which describes the firm's internal compliance procedures, any issues raised from peer reviews, the annual inspection of the firm by the Public Company Accounting Oversight Board (PCAOB), or other quality reviews of the firm, any steps taken



- to deal with the issues, and all relationships between the firm and Lilly or other matters that could affect the firm's independence, fitness, and/or ability to perform the audit;
- Overseeing rotation of the lead audit partner as required by law (or any stricter policies as may be established by the committee);
 - Working with management to ensure clear hiring policies for employees or former employees of the independent auditor; and
 - Resolving disagreements between management and the independent auditor regarding financial reporting.
2. Pre-approve all audit services and permitted non-audit services (including fees) to be performed for Lilly by the independent auditor, consistent with the requirements of the SEC and NYSE or any stricter standards as may be adopted by the committee.
 3. Oversee the internal audit function, including:
 - Reviewing the appointment and replacement of the general auditor;
 - Reviewing and approving the internal audit plan, including the plan for testing of internal controls over financial reporting;
 - Reviewing significant reports to management prepared by internal audit (and management's responses);
 - Reviewing the results of the internal controls testing, including any significant deficiencies or material weaknesses identified in the testing (and management's responses);
 - Discussing with the independent auditor and management the responsibilities, budget, and staffing of the internal audit function; and
 - Conducting an annual review of the performance and compensation paid to the independent auditor.

The general auditor will report directly to the chair of the audit committee, with a secondary reporting relationship to the chief financial officer for administrative purposes.
 4. Prepare a report for inclusion in the company's annual proxy statement in accordance with SEC regulations.
 5. Review, with management and the independent auditors, the annual and quarterly financial results before they are filed in periodic reports with the SEC or other regulators. These reviews shall include discussions with management and the independent auditor regarding significant financial reporting issues and judgments made in connection with the preparation of Lilly's financial statements. The committee shall also receive regular reports from the independent auditor on the critical accounting policies and practices of Lilly and significant alternative treatments of financial information within GAAP that have been discussed with management. The committee shall discuss with the independent auditor all matters required to be communicated to the committee by the independent auditor under the standards of the Public Accounting Oversight Board (PCAOB) and the NYSE.
 6. Review and discuss with management Lilly's earnings press releases, including the use of non-GAAP information, as well as financial information and earnings guidance provided to analysts and rating agencies.
 7. Provide an open avenue of communication between the independent auditor, the general auditor, and the board, including sufficient opportunity for the independent auditor and the general auditor to meet with the committee in private session.
 8. Consider and review with the independent auditor, the chief accounting officer, and the general auditor:
 - The independent auditor's audit of the company's financial statements and the auditor's report thereof;
 - The independent auditor's audit with respect to the company's internal controls over financial reporting and the auditor's report thereof;
 - Any related significant findings and recommendations of the independent auditors or the internal auditors, including any significant deficiencies or material weaknesses, together with management's responses thereto;
 - Any difficulties encountered in the course of the audits, including any restriction on the scope of work or access to required information; and
 - Any material written communications between the independent auditor and management, including management representation letters or schedules of unadjusted differences.



9. Together with the public policy and compliance committee, oversee the company's compliance with the company's code of conduct, including but not limited to those codes that apply specifically to employees involved in matters that affect accounting, auditing, and financial reporting.
10. Review procedures to promote and protect employee and third-party reporting of suspected fraud or wrongdoing relating to accounting, auditing, or financial reporting, including procedures for:
 - Receiving, retaining, and addressing complaints received by Lilly relating to such matters;
 - Enabling employees to submit to the committee, on a confidential and anonymous basis, any concerns regarding such matters; and
 - Protecting reporting employees from retaliation.
11. Together with the public policy and compliance committee, assist the board in its oversight of legal and regulatory compliance. The audit committee shall have sole oversight over matters of financial compliance (accounting, auditing, financial reporting, and investor disclosures). As to all other areas of compliance ("non-financial compliance"), the public policy and compliance committee shall have oversight responsibilities in the first instance; however, the two committees shall meet jointly at least annually to review the major non-financial compliance matters, including:
 - Overall state of compliance
 - Significant legal or regulatory compliance exposure
 - Material reports or inquiries from regulators.
12. Oversee the company's program, policies, and procedures related to information asset security and data protection.
13. Inquire of management, the general auditor, and the independent auditors about significant financial risks or exposures and evaluate the steps management has taken to monitor and control such risks to the company.
14. Conduct or authorize investigations into any matters within the committee's scope of responsibilities. The committee may retain (at the company's expense) independent counsel, accountants, or others to assist in the conduct of any investigation.
15. Annually review and assess the effectiveness of the committee and the adequacy of the reporting and information flows it is receiving, and make such changes as are required to maintain and enhance the committee's effectiveness, including recommending to the directors and corporate governance committee any changes to the committee's charter or membership.

The committee shall also undertake such additional activities within the scope of its primary functions as the committee may from time to time determine.

