



2012-13 CORPORATE RESPONSIBILITY REPORT

Our greatest contribution to society is making medicines that help people live longer, healthier, more active lives. But our company vision—to improve global health in the 21st century—demands that we do even more.

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ABOUT THE COVER

In isolated areas of South Africa's Eastern Cape, one of the many challenges is the growing prevalence of non-communicable diseases (NCDs). Lilly's NCD Partnership, in cooperation with the Donald Woods Foundation, provides medical assistance to community members, including the women in the photo, many of whom traveled long distances for services at the Hobeni Clinic.

MESSAGE FROM THE CEO

In 1876, a 37-year-old man made a decision that changed the course of history. He had just returned from service in the U.S. Army. His wife had recently died from malaria, and he was raising his young son on his own, with little money to their name. Despite these circumstances—maybe because of them—he took a risk. He started Eli Lilly and Company with the goal of creating trusted medicines at a time when untested elixirs peddled by questionable characters were commonplace.

He and subsequent generations of the Lilly family built a remarkable company focused on quality, discovery, and caring—a company that has made life better for millions of people through its medicines to treat diabetes, infectious diseases, mental health disorders, cancer, and more. Now, more than 137 years later, I and my nearly 38,000 Lilly colleagues are entrusted with carrying forward this proud legacy.

We humbly take up this task, striving as Colonel Lilly urged, to “Take what you find here and make it better and better.”

As a global biopharmaceutical company, our greatest contribution to society is making medicines that help people live longer, healthier, more active lives. This is the core of what we do. But our company vision—to improve global health in the 21st century—demands that we do even more. It calls us to continue along our company's distinguished path of giving back and lifting up in new and ever-better ways.

Over the last decade, we have transformed our corporate responsibility efforts, sharpening our focus on improving health for people in low- and middle-income countries and strengthening the communities where we work and live. We're balancing traditional philanthropy—which dates back to the earliest days of our company—with novel approaches that put to work our scientific and business expertise, resources, and the passion of our employees. We're increasingly linking our corporate responsibility efforts together—and to our business—for greater impact and continuous learning.

Improving Global Health

Our new approach to corporate responsibility is most vividly on display in our two signature global health programs focused on diabetes and tuberculosis. Through these programs, we are partnering with leading health organizations and governments to explore new approaches to complex global health challenges. Our goal: to find new solutions that can be scaled up and replicated around the world, creating ripple effects and touching even more lives.

The Lilly NCD Partnership was launched in 2011 to help fight the rising tide of non-communicable diseases (NCDs), which include heart disease, cancer, chronic respiratory diseases, and diabetes. NCDs are the leading cause of deaths worldwide, with 80 percent of NCD-related deaths occurring in low- and middle-income countries.



Through the Lilly NCD Partnership, we're investing \$30 million over five years to strengthen diabetes care for people in rural and urban settings in Brazil, Mexico, India, and South Africa. We're leveraging our nearly 100 years of diabetes experience and knowledge along with the creativity and capacity of our partners to test new approaches, report on what works and what doesn't, and then advocate for the best solutions to be replicated.

The power of partnership is something we've explored for decades. In South Africa, for example, one of our NCD partners is Project HOPE, a remarkable humanitarian health organization. Lilly's partnership with Project HOPE dates back

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to 1959, and since then, we have contributed about \$80 million in cash and in-kind gifts to support its diabetes education and training programs, disaster relief efforts, and product donations. Through the NCD Partnership, we're now working with Project HOPE to operate a diabetes clinic and train health-care workers in a township on the outskirts of Johannesburg. In 2012, we were honored to receive Project HOPE's inaugural Global Health Partner Award.

Collaboration also powers the Lilly MDR-TB Partnership, which was launched in 2003 to fight multidrug-resistant TB. This hard-to-treat form of TB particularly afflicts people living in cramped, unventilated homes often found in impoverished communities. It's preventable and curable if patients get the right medicine at the right time. But too often that's not the case: MDR-TB needlessly kills more than 150,000 people each year.

The Lilly MDR-TB Partnership is our largest philanthropic effort ever—a \$170 million commitment from 2003-2016. Through the partnership, we gave away our manufacturing technology and know-how for two antibiotics to other manufacturers; these two medicines are still part of the last line of defense to cure MDR-TB. In addition, we've partnered with global health organizations to strengthen awareness, prevention, and care, and funded early TB discovery efforts aimed at finding desperately needed new treatment options. Our current focus is primarily in countries with the highest burden of MDR-TB—China, India, Russia, and South Africa—where we're training frontline healthcare providers and improving access to safe, effective, high-quality MDR-TB medicines.

Another example of how we're working to improve global health can be found in the efforts of Elanco, our animal health business. Elanco is helping break the cycle of hunger in communities across the

world, including through its partnership with Heifer International. Our goal is to lift 100,000 families out of hunger through the donation of livestock, training, and tools.

There is no question that the complexity of global health challenges requires collaboration across the private sector, governments, NGOs, donors, academia, and providers. In this spirit, Lilly, along with 12 other major healthcare companies, signed on to the Guiding Principles on Access to Healthcare during the United Nations General Assembly in September 2013. These industry-led principles provide a common framework and help shape the cross-sector partnerships that will drive system wide change as we collectively work toward and beyond the 2015 Millennium Development Goals.

Strengthening Communities

At the heart of our efforts to strengthen communities are Lilly employees. I never cease to be amazed by the generosity of our people, who donate not only money, but also their time, energy, expertise, and passion in countless ways.

One of my proudest moments each year is when more than 20,000 Lilly employees fan out across their local communities as part of our Global Day of Service. Armies of red-shirted volunteers do everything from supporting patients and their families at our NCD sites, to beautification projects, to working in food pantries, and more. They do in one day what would otherwise take months or years to accomplish.

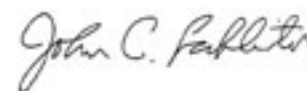
Through our Connecting Hearts Abroad program, we send at least 100 employees each year to volunteer for two weeks in impoverished communities. Through these life-changing service opportunities, our employees are seeing firsthand the challenges that confront people living in poverty,

forging lasting relationships, and bringing back personal insights and inspiration that make us a better, more globally aware company.

It's no accident that our employees long to be of service to others. Continuing in the tradition of the Lilly family, we seek to attract and retain not only the best and brightest, but the right people who fit naturally with our values and mission—employees who understand that what we do is second only to how we do it.

In short, corporate responsibility isn't a department or a function at Lilly. It's part of who we are and can be seen in all we do—from the medicines we make, to how we interact with each other and the customers we serve, to our environmental practices, and more.

You'll find a detailed accounting of all our corporate responsibility efforts in this report—a snapshot in time of how we're striving to live out Colonel Lilly's timeless call to "Take what you find here and make it better and better."



JOHN C. LECHLEITER, PH.D.

CHAIRMAN, PRESIDENT, AND
CHIEF EXECUTIVE OFFICER

NOVEMBER 2013

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Signed the new **Guiding Principles on Access to Healthcare** in 2013 with 12 other major pharmaceutical companies as part of a call for more cross-sector collaboration to expand access to quality healthcare.

In 2013, announced a first for the pharmaceutical industry—a **partnership to train minority clinical trial investigators**.

Raised Lilly's 2013 CDP climate change disclosure score to 86, above the industry average score of 82 and significantly higher than our 2012 score of 65.

Integrated our Connecting Hearts Abroad volunteer program with the Lilly NCD Partnership in 2013, sending employees to volunteer at partner sites in South Africa.

Invited to join the **Institute of Medicine's Roundtable on Health Literacy**.

Reduced energy intensity per square foot of facility space by nearly 18 percent and **decreased GHG emissions intensity by almost 17 percent** since 2007, exceeding our goals of 15 percent reductions by 2013.

Committed **\$170 million in donations** from 2003 to 2016 through the Lilly MDR-TB Partnership, Lilly's largest philanthropic effort to date.

Reduced our total recordable injury rate by 24 percent since 2007.

Lowered water intake to 12.4 billion liters, a 9 percent decrease from 2011 and a nearly 37 percent reduction since 2007.

Recognized by *DiversityInc* as a **"Top Company for Work-Family"** and cited as a model of workplace flexibility.

Opened a new LIFE (Lilly Integrated Fitness Environment) facility at our Indianapolis headquarters **to support the well-being of our employees**.

Sent more than **20,000 Lilly employees in 40 countries to volunteer** in their local communities through our annual Global Day of Service.

Decreased total waste generation by nearly 27 percent between 2007 and 2012 and **reduced waste to landfill by approximately 62 percent**.

Made approximately **\$700 million in charitable contributions**, including cash and products.

ABOUT LILLY

At Lilly, we make medicines that help people live longer, healthier, more active lives. Around the globe, we have forged productive alliances and partnerships that advance our capacity to develop innovative medicines at lower costs for some of the world's most urgent medical needs.

Founded in 1876, Lilly has a long history of medical innovation, most notably in the treatment of infectious diseases, diabetes, and depression. Today, our portfolio also includes oncology and bio-medicines. And our emerging markets business unit works to deliver medicines to address unmet needs around the world. For additional information about our corporate history and significant medical breakthroughs, visit the "About" section of www.lilly.com.

About Elanco

Elanco is a division of Lilly that focuses on animal well-being, animal productivity, and food safety in more than 75 countries. The company introduced its first product for veterinary use in 1953 and today offers more than 30 products. Elanco employs more than 2,700 people worldwide, with offices in more than 40 countries. Its global headquarters is in Greenfield, Indiana, United States, which is also the base of its U.S. business operations. Elanco products are marketed primarily to cattle, poultry, and swine producers. Elanco Companion Animal Health develops pet medicines and assists veterinarians in helping companion animals lead longer, healthier lives.

137

YEARS STRONG; FOUNDED ON
MAY 10, 1876, BY COLONEL ELI LILLY

U.S.A.

HEADQUARTERED IN INDIANAPOLIS,
INDIANA, UNITED STATES

38,000

EMPLOYEES WORLDWIDE

125

COUNTRIES WHERE PRODUCTS
ARE MARKETED

OUR APPROACH TO CORPORATE RESPONSIBILITY

We recognize that the definition of corporate responsibility for global companies like Lilly continues to evolve. In addition to core areas like transparency and business ethics, workplace practices and policies, and environmental sustainability, we are increasingly asking ourselves how we can partner with others to help address the profound disparities in health outcomes that exist in different regions of the world.

New medicines and approaches are needed—including progress in areas such as mental health, cancer, and diabetes—where we collectively have significant expertise. Our company vision inspires us to explore new, sustainable ways to treat more people in our areas of therapeutic focus. This includes examining business opportunities to provide medicines to populations that are lower on the economic pyramid. For more information about our current work in this area, see **Improving Global Health**.

HOW LILLY MANAGES CORPORATE RESPONSIBILITY

As a global company, Lilly governs corporate responsibility issues through our global corporate affairs leadership. The senior vice president of corporate affairs and communications (SVPCAC) reports directly to the chief executive officer and sits on the corporation's executive committee, which facilitates direct engagement with other senior Lilly leaders on corporate responsibility

priorities, actions, and outcomes. The SVPCAC also reports regularly to the public policy and compliance committee of the board of directors, providing a link to the corporation's highest governing body. Environmental issues are managed by Lilly's health, safety, and environment organization, which reports to the company's president of manufacturing, who reports to Lilly's chief executive officer.

CORPORATE RESPONSIBILITY GOALS FOR 2013

(2007 baseline, unless stated otherwise)

↓50%

REDUCTION IN RECORDABLE INJURY,
LOST-TIME INJURY, AND MOTOR
VEHICLE COLLISION RATES

↓15%

REDUCTION IN ENERGY
USE AND CORRESPONDING
GREENHOUSE GAS EMISSIONS
(both per square foot of facilities space)^{6,7}

↓5%

REDUCTION IN WATER INTAKE,
IN ABSOLUTE TERMS
(2010 baseline)⁸

↓20%

REDUCTION IN WASTE TO LANDFILL,
IN ABSOLUTE TERMS
(2010 baseline)⁹

See footnotes on page 9.

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KEY ISSUES FOR LILLY

Lilly considers a variety of factors and stakeholder input to determine which issues are most relevant or important to our business and our corporate responsibility performance. These factors include patient needs, conversations and interviews with stakeholders, investor queries and feedback, business strategy and risk assessment, public policy dialogue and legislative debate, and employee interests.

We consider the following corporate responsibility issues to be among the most important to our core business:

- Developing and producing safe and effective medicines;
- Upholding ethical standards in business practice, research and development, and marketing;
- Addressing issues of access to medicines and their affordability;
- Maintaining a diverse and engaged global workforce; and
- Minimizing environmental impacts and waste.

→ Leadership on Issues of Access to Health Care

Given the growing importance and complexity of healthcare access issues, in 2013, Lilly named a senior director of global health programs and access (SDGHPA), who works alongside the senior director of corporate responsibility (SDCR). Both the SDCR and the SDGHPA report directly to the SVPCAC and sit on the global corporate affairs leadership team. This operational framework allows for cross-functional work and collaboration on healthcare access and other corporate responsibility issues from a global perspective.

The SVPCAC, SDGHPA, and SDCR play a critical role in engaging a range of external stakeholders—including government, non-governmental organizations, and multisector private entities—in dialogue on healthcare access and broader corporate responsibility topics. Staff from our corporate responsibility and global health and access departments collaborate and coordinate with the corporate secretary, government affairs, investor relations, and community relations departments to promote dialogue with key stakeholders. For more information on our approach to stakeholder dialogue, see **The Importance of Stakeholder Engagement**. Lilly continues to explore new ways of gaining and sharing insights on a range of relevant healthcare access and corporate responsibility issues.

KEY PERFORMANCE INDICATORS

	GOAL	2007	2008	2009	2010	2011	2012
FINANCIAL HIGHLIGHTS							
Worldwide Revenue (\$ millions)		\$18,633.5	\$20,371.9	\$21,836.0	\$23,076.0	\$24,286.5	\$22,603.4
U.S. Revenue		\$10,145.5	\$10,930.1	\$12,294.4	\$12,865.6	\$12,977.2	\$12,313.1
Europe		\$4,731.8	\$5,333.5	\$5,227.2	\$5,106.4	\$5,290.9	\$4,259.7
Other Foreign-Country Revenue		\$3,756.2	\$4,108.3	\$4,314.4	\$5,104.0	\$6,018.4	\$6,030.6
Stock Price (\$ at year end)		\$53.39	\$40.27	\$35.71	\$35.04	\$41.56	\$49.32
Dividend (\$ per share)		\$1.70	\$1.88	\$1.96	\$1.96	\$1.96	\$1.96
Research and Development (\$ millions)		\$3,486.7	\$3,840.9	\$4,326.5	\$4,884.2	\$5,020.8	\$5,278.1
WORKPLACE HIGHLIGHTS¹							
Recordable Injury Rate ² (per 100 employees)	(↓50%)	1.44	1.18	0.92	0.96	1.09	1.10
Lost-Time Injury Rate (per 100 employees)	(↓50%)	0.62	0.59	0.38	0.41	0.47	0.49
Motor-Vehicle Collision Rate (collisions per million miles driven)	(↓50%)	11.10	12.06	11.17	10.48	10.26 ³	9.55
PHILANTHROPY HIGHLIGHTS⁴							
Product Donations (\$ millions)		\$240	\$297	\$335	\$373	\$549	\$645
Cash Contributions (\$ millions)		\$75	\$53	\$70	\$57	\$48	\$55
Total Contributions (\$ millions)		\$315	\$350	\$405	\$430	\$597	\$700

¹ 2013 goal, 2007 baseline for all three workplace-related metrics.² In previous reports, recordable injury rate was referred to as serious injury rate.³ The 2011 collision rate was adjusted slightly from our last report to reflect more accurate data collection.⁴ Total charitable donations include funding from both Lilly and The Eli Lilly and Company Foundation.

KEY PERFORMANCE INDICATORS (cont'd)

	GOAL	2007	2008	2009	2010	2011	2012
ENVIRONMENTAL HIGHLIGHTS⁵							
Energy Consumption (million BTUs)		12,900,000	11,900,000	11,300,000	11,200,000	10,800,000	10,900,000
Energy Intensity (million BTUs/1,000 square feet)	(↓15%) ⁶	594	561	541	521	495	488
Greenhouse Gas Emissions (Scope 1 and Scope 2) (metric tonnes CO ₂ e)		1,840,000	1,760,000	1,670,000	1,630,000	1,570,000	1,580,000
Greenhouse Gas Emissions Intensity (metric tonnes CO ₂ e/1,000 square feet)	(↓15%) ⁷	84.7	83.4	79.3	75.9	71.8	70.5
Water Intake (billion liters)	(↓5%) ⁸	19.6	17.6	13.2	12.8	13.3	12.4
Water Intensity (million liters/million \$ revenue)		1.05	0.864	0.605	0.555	0.549	0.549
Waste Generation (metric tonnes)		379,000	387,000	287,000	228,000	242,000	278,000
Waste Generation Intensity (metric tonnes/million \$ revenue)		20.3	19.0	13.1	9.88	10.7	12.3
Waste to Landfill (metric tonnes)	(↓20%) ⁹	32,000	22,300	14,800	15,900	10,900	12,300
Reportable Permit-Limit Exceedances ¹⁰		43	27	16	11	8	8

⁵ Following World Resources Institute guidance, energy use, greenhouse gas emissions (except Scope 3), waste, and water-use data are reported on an adjusted basis accounting for mergers, acquisitions, and divestitures, as appropriate, to ensure comparability, unless stated otherwise.

⁶ 2013 goal, 2007 baseline.

⁷ 2013 goal, 2007 baseline. This goal covers Lilly's Scope 1 and Scope 2 emissions.

⁸ 2013 goal, 2010 baseline. Water intake as used in evaluating our progress toward our water-reduction goal is the total amount of water coming into a facility, 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.

⁹ 2013 goal, 2010 baseline. Lilly's former and current waste-to-landfill goals do not include construction and demolition debris, biosolids from wastewater treatment plants, incinerator ash, coal ash if reused for mine reclamation or road base, and mycelia and urea reused for fertilizer.

¹⁰ Lilly classifies an event as a reportable permit-limit exceedance if it involves an exceedance of a numeric permit or license limit that must be reported to the regulatory authority. The reporting may be immediate (e.g., within 24 hours) or in a routine compliance report. These exceedances do not necessarily result in harm to people or the environment.

IMPROVING GLOBAL HEALTH

Pharmaceutical companies such as Lilly have traditionally sold their products in markets that have reliable infrastructure and the economic means to pay for innovative products. Philanthropic donations have helped to further expand access to medicines and health care to a relatively small number of people in low-income countries.¹¹

Now, however, governments and global health organizations worldwide are looking for new, sustainable solutions that can expand access to health care, and the pharmaceutical industry has an important role to play. There is a need for greater action—and we believe we can be an important part of the solution.

PROVIDING ACCESS TO MEDICINES AND MORE

Around the world, there is a need for greater access to medicines and quality healthcare systems to deliver the medicines to people we serve. In addition, there is growing recognition of the importance of underlying environmental factors that contribute to poor health worldwide, including malnutrition, a lack of clean drinking water, and a lack of adequate sanitation. A wave of public-private partnerships has been launched since the United Nations established the **Millennium Development Goals (MDGs)** in 2000, creating specific

targets for improving social and economic conditions in the world's poorest countries by 2015. At Lilly, we have several initiatives that directly address many of the MDG targets. These include:

- **ERADICATING EXTREME POVERTY AND HUNGER:** Our animal health division, Elanco, has committed to ending hunger for 100,000 families or 600,000 individuals globally by 2025 through a partnership with Heifer International.® Learn more in the **Strengthening Our Communities** section

¹¹ The World Bank classifies an economy as low income, middle income, or high income based on the country's gross national income per capita. data.worldbank.org/about/country-classifications.

\$30 MILLION

AMOUNT INVESTED THROUGH
THE LILLY MDR-TB PARTNERSHIP
BETWEEN 2012 AND 2016

49

NUMBER OF COUNTRIES WHERE
LILLY DOES NOT SEEK PATENTS

24 MILLION

ESTIMATED NUMBER OF PEOPLE IN
SUB-SAHARAN AFRICA WITH DIABETES
IN 2030—ALMOST DOUBLE THE CURRENT
RATE—AND THE HIGHEST PROJECTED
DIABETES GROWTH RATE OF ANY REGION
IN THE WORLD OVER THE NEXT 20 YEARS.

80%

OF ALL NON-COMMUNICABLE DISEASE
(NCD) DEATHS OCCUR IN LOW- AND
MIDDLE-INCOME COUNTRIES

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• **COMBATING TUBERCULOSIS (TB), HIV/AIDS, AND OTHER DISEASES:** For more than 10 years, the Lilly MDR-TB Partnership has worked with partners across the globe to battle deadly multidrug-resistant tuberculosis (MDR-TB). TB, a curable disease, continues to kill more than 1 million people each year, many of them also suffering from HIV/AIDS. Today, the Lilly MDR-TB Partnership is focused on strengthening the capacity of health-care professionals to identify and treat drug-resistant strains of TB, as well as increasing access to much-needed medicines. **Learn more** about this program.

As global health organizations, countries, and companies look at the MDGs, significant gaps are evident between those goals and the reality for many people. Collectively, we are a long way from meeting the public health goals we have all set for ourselves. There are many barriers that currently stand in the way, including inadequate funding, ineffective health-care delivery systems, lack of awareness among potential patients of the care that is available, and, at times, even the social stigma that still surrounds certain types of illness—including TB, HIV/AIDS, and even cancer in some cultures—that can prevent people from seeking treatment.

A new approach to complex global challenges is gaining significant traction: a concept known as “shared value.” Shared value encourages the creation of sustainable, profitable business solutions at the intersection of societal needs, business expertise, and business opportunity. Lilly and other global pharmaceutical companies have embraced the shared value approach as we look to expand access to medicines and health care. Lilly will continue to engage in philanthropic support of a variety of important issues. At the same

time, we will focus on ways to harness the full range of Lilly’s resources and expertise—human, scientific, and commercial—to help contribute long-lasting solutions to pressing global health challenges.

In the summer of 2013, Lilly assigned a cross-functional access team, composed of representatives from finance, manufacturing, marketing, and corporate affairs. The team’s charter is to explore sustainable business opportunities for expanding access to Lilly medicines initially in middle-income countries with the aspiration over time to explore low-middle income countries and beyond.

Cost of Our Medicines

Lilly strives to engage with governments throughout the world to offer our products at sustainable prices that are affordable for local populations. Yet as overall health-care costs continue to rise, even people with health insurance are paying a higher portion of costs out of pocket. For the uninsured and underinsured, in both developed and developing markets, we recognize that the cost of medical treatment, as well as the cost of prescription medicines, may be an obstacle to getting the care and medicines patients need. Prices for prescription medicines, like other products, can differ from country to country because of differences in currency value and market dynamics—or they may be kept artificially low by government price controls. Pricing based on ability to pay is one way pharmaceutical companies, including Lilly, can enhance access to medicines.

GUIDING PRINCIPLES

The complexity of global health challenges requires collaboration among private companies, governments, NGOs, donors, academia, and providers. That’s why Lilly, along with 12 other major healthcare companies, signed on to the Guiding Principles on Access to Healthcare during the United Nations General Assembly in September 2013. These industry-led principles provide a common framework to help shape the cross-sector partnerships that will expand access to quality healthcare.

Differential Pricing

Lilly advocates for policies that support *differential pricing*—i.e., the charging of different prices based on a purchaser’s ability to pay. We believe that differential pricing can help balance the desire to have affordable prices for low-income populations while still rewarding innovation.

Currently, many countries reference the price of medicines in other countries as a basis for setting prices for new medications. This practice limits differential pricing because a discounted price meant to improve access in a low- or a middle-income country can be referenced by a high-income country. Entering into commercial contracts with healthcare administrators can support the increased use of differential pricing, if those contracts are private and the discounted price cannot be referenced. Lilly also supports efforts to decrease the final price of medicine to patients; such efforts might include minimizing taxes of all types and limiting markups applied in the supply chain.

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COUNTRIES WHERE LILLY DOES NOT SEEK PATENTS



Afghanistan // Angola // Bangladesh // Benin // Bhutan // Burkina Faso // Burundi // Cambodia // Central African Republic // Chad // Comoros // Democratic Republic of the Congo // Djibouti // Equatorial Guinea // Eritrea // Ethiopia // Gambia // Guinea // Guinea-Bissau // Haiti // Kiribati // Laos // Lesotho // Liberia // Madagascar // Malawi // Maldives // Mali // Mauritania // Mozambique // Myanmar // Nepal // Niger // Rwanda // Samoa // São Tomé and Príncipe // Senegal // Sierra Leone // Solomon Islands // Somalia // Sudan // Tanzania // Timor-Leste // Togo // Tuvalu // Uganda // Vanuatu // Yemen // Zambia

Intellectual Property Protection

We believe that providing financial incentives for pharmaceutical innovation is in everyone's interest. Our ability to improve outcomes for individual patients depends on our discovering, developing, and commercializing innovative pharmaceutical products. The profits we generate enable us to invest in the research necessary to bring the next generation of new medicines to the market.

Lilly supports strong and effective protection of intellectual property rights, including patent protection for pharmaceutical products. The biopharmaceutical industry is dependent upon this protection, which grants the inventor of a new product an exclusive, yet limited, period to develop and market the product. Lilly also supports a strong and effective period of protection for the data generated by

expensive clinical trials that are then submitted to regulatory authorities for approval of biopharmaceutical products.

Without intellectual property protection, pharmaceutical research companies would not be able to recoup the approximately \$800 million to \$1.3 billion that they invest, on average, to discover and develop each new drug. Lack of strong intellectual property rights would have a chilling effect on the industry's ability to bring new lifesaving medicines to patients around the world.

→ Intellectual Property in Developing Countries

Lilly recognizes the significant contributions that U.S. trade laws and the World Trade Organization (WTO) rules have made in the area of intellectual property protection. We support their continued use to encourage

LOSSES WITHOUT INTELLECTUAL PROPERTY PROTECTION

\$800M-\$1.3B

Approximate amount pharmaceutical research companies would not be able to recoup that they invest, on average, to discover and develop each new drug.

developing countries to provide effective patent protection for pharmaceutical products and thus stimulate economic growth (through increased investment and retention of local talent) and ensure the availability of innovative medicines.

Lilly does not seek patents in Least Developed Countries (LDCs), as defined by the United Nations. In these countries, no Lilly patent can be said to prevent the manufacture or import of any Lilly drug. Nonetheless, access to medicines continues to be a major issue in these countries, demonstrating that factors other than intellectual property contribute much more significantly to the problem of access to medicines.

Product Donations

In the United States, we offer our medicines for free through our established patient-assistance programs, which we call Lilly TruAssist (www.lillytruassist.com). Learn more about Lilly's product donations in the **Strengthening Communities** section of this report.

ADDRESSING GLOBAL HEALTH CHALLENGES

In 2011, the Lilly Global Health Innovation Campaign was launched to improve the health of people living in impoverished communities that frequently lack adequate health systems. The campaign is an umbrella that encompasses two of Lilly's current signature programs: our long-standing program treating multidrug-resistant tuberculosis, the Lilly MDR-TB Partnership, and the Lilly NCD Partnership, a multipronged effort focused on non-communicable diseases. Both programs aim to advance diagnosis, treatment, and care capabilities, and, therefore, improve outcomes through partnerships with leading global and national health organizations.

The Lilly Global Health Innovation Campaign employs a novel approach that immediately benefits healthcare providers and patients and, in parallel, evaluates program outcomes. The campaign's operational framework includes three components:

- **RESEARCH:** Pilot comprehensive models of health care that address critical gaps in health systems and are based on sophisticated research and detailed data collection,
- **REPORT:** Work with well-respected partners to share data and lessons learned, and
- **ADVOCATE:** Inform key stakeholders about program findings and encourage the adoption of proven, cost-effective solutions.

Learn more about Lilly's global health programs at www.LillyGlobalHealth.com.

The Lilly NCD Partnership

The burden of non-communicable diseases (NCDs)—such as diabetes, heart disease, and cancer—is a complex public health threat. In low- and middle-income countries, this impact is exacerbated by the fact that healthcare systems have generally been oriented toward infectious diseases—even as the prevalence of NCDs is rising rapidly. Yet many patients are diagnosed late, or not at all, or are not treated according to standard protocols, which increases the risk of late-stage complications and imposes further drains on scarce resources.



In September 2011, Lilly launched the Lilly NCD Partnership, with a commitment of \$30 million over five years to work with world-class health organizations in Brazil, India, Mexico, and South Africa—countries that suffer a large burden of NCDs. Focused on diabetes, the Partnership aims to develop effective, efficient, and sustainable programs that can meaningfully improve health outcomes for those in need. The lessons from these programs will have positive impacts on the immediate populations where the programs are in operation and will inform areas of substantial improvement at the country and global level. Moreover, the lessons can be used to inform the company's policies and engagement both in Least Developed Countries (as defined by the United Nations) and in other emerging markets that Lilly serves.

In 2013, we integrated our Connecting Hearts Abroad volunteer program with the Lilly NCD Partnership, offering employees the ability to travel to South Africa to volunteer at one of our program partner sites. Employees, including medical doctors, pharmacists, diabetes educators, and communications specialists, were carefully selected and vetted based on skills needed at the site. Read more in the Strengthening Communities section of this report.

Read more about the work of the Lilly NCD Partnership in Mexico.

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FOCUS ON SOUTH AFRICA: LILLY'S NCD PARTNERS: PROJECT HOPE AND DONALD WOODS FOUNDATION

Lilly is working alongside two partners in South Africa to combat the rising tide of diabetes.

PROJECT HOPE

Lilly is helping to operate the HOPE Centre, a five-year, community-based project that will improve the lives of people at risk from or already living with diabetes. The HOPE Centre will address gaps in the continuum of care in poor communities and model innovative approaches to bring services to community members in a sustainable, cost-effective way. The first two years will be based in Zandspruit, a township on the western outskirts of Johannesburg.

DONALD WOODS FOUNDATION

This partnership aims to improve the quality of health care and patient safety in some of the poorest parts of South Africa. Our work focuses on expanding access to medicines, as well as other treatment and care in remote, rural communities of the Eastern Cape. We are collaborating to develop pioneering approaches, methodologies, and tools to ensure optimal outcomes in our key priority areas: HIV/AIDS, TB, diabetes, hypertension, and maternal and child health. We also aim to significantly reduce the costs of health services and patient access, with a goal of replicating successes in other locations.

→ Lilly NCD Partnership Summit

In July 2013, Lilly hosted the first NCD Partnership Summit in Johannesburg, South Africa. The event brought our global NCD partners together to highlight their respective programs, share experiences, and learn from one another. Topics included patient-care models, effective partnering, technology integration, measurement, and evaluation. Our partners in Africa hosted site visits to their field operations, and local journalists participated in roundtable discussions to learn about our efforts.

Stopping the Scourge of Multidrug-Resistant Tuberculosis

TB, often thought of as a disease of the past, continues to plague the world's most vulnerable populations. A preventable and curable disease, it is also one of the most contagious, and, when untreated, under-treated, or undiagnosed, spreads rapidly. Especially deadly to those with weakened immune systems, TB claims the lives of approximately 1.3 million people each year, according to the World Health Organization (WHO). And 98 percent of those deaths occur in the developing world, according to the U.S. Agency for International Development.

According to the TB Alliance for TB Drug Development, TB will rob the world's poorest countries of an estimated \$1 trillion to \$3 trillion over the next 10 years. Particularly troubling, 75 percent of TB cases strike between the ages of 15 and 54, when people are typically at their most productive economically. In fact, The World Bank estimates that loss of productivity attributable to TB accounts for 4 to 7 percent of the gross domestic product of some countries.

Curing TB requires a regimen of several medicines that must be taken daily for six to nine months. But many patients fail to complete the treatment, take poor-quality medicines, or receive medication that is incorrectly prescribed, which can lead to multidrug-resistant tuberculosis (MDR-TB). MDR-TB is even more virulent than TB, is also highly contagious, and requires an even more complex treatment regimen lasting up to two years.

The WHO projects that as many as 2 million people worldwide may develop drug-resistant strains of TB by 2025—despite widespread efforts to achieve the **2015 Millennium Development Goals** related to TB. The fact is that every time a patient is ineffectively treated for TB, drug resistance can take hold, dramatically increasing the threat to patient health and the cost of controlling the disease.

→ The Lilly MDR-TB Partnership

Since 2003, the Lilly MDR-TB Partnership has worked with leading global organizations to battle MDR-TB. After two successful phases of work (2003–2011), amounting to \$140 million in investments from our company, funding of the partnership was assumed by The Eli Lilly and Company Foundation with a final additional commitment of \$30 million. The third and final phase extends from 2012 through 2016 and focuses on two areas critical for more effective MDR-TB treatment: training healthcare providers, including nurses, doctors and pharmacists, as well as informal caregivers, such as community volunteers, and improving the supply of and access to safe, effective, and high-quality MDR-TB drugs. Activities will be conducted primarily in four high-burden MDR-TB countries: China, India, Russia, and South Africa.

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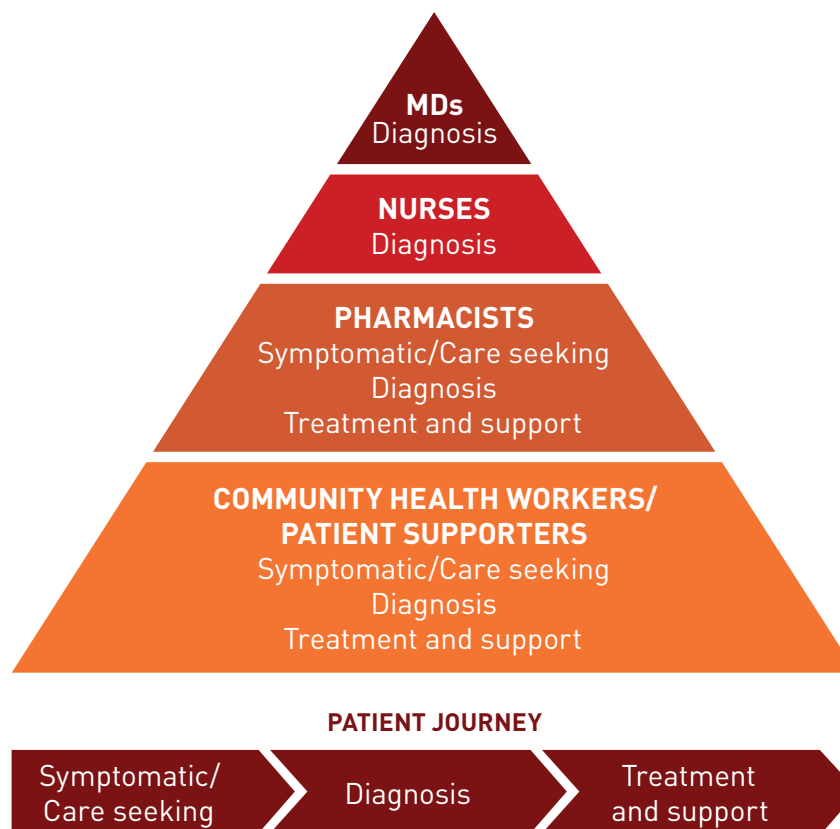
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HEALTHCARE PROVIDER TRAINING

Physicians, nurses, pharmacists, and community health workers can all play a role in the screening, diagnosis, and treatment of TB and MDR-TB patients. Oftentimes, a patient's first step is seeking help for symptoms from community health workers or pharmacists. Starting with accurate diagnosis—which can occur at many levels in the healthcare system, including from nurses and doctors in community health clinics—treatment and support are critical. This is why the Lilly MDR-TB Partnership addresses education and support at every level of patient identification and care.

THE CHALLENGES OF IDENTIFYING AND TREATING MDR-TB

There are many challenges associated with the treatment of MDR-TB, which does not respond well to treatment with so-called “first-line medicines”—those used to treat TB. One challenge is lack of access to the full regimen of medications required. In fact, at the end of 2010, less than 16 percent of estimated MDR-TB patients globally received the medicines they needed. Because the availability of internationally quality-assured medicines to treat MDR-TB is limited, a key component of the Lilly MDR-TB Partnership was to transfer the technology and know-how for manufacturing its two MDR-TB medications, capreomycin and cycloserine, to manufacturers in high-burden countries. Lilly now works to improve access to all quality-assured medications available to treat MDR-TB by coordinating a coalition of global health partners, including the Bill and Melinda Gates Foundation, The Global Fund, WHO, and others to improve the supply of MDR-TB medicines.

Effective medicines are only part of the picture. MDR-TB is complex to diagnose in the first place. And the medicines used to treat MDR-TB often have serious side effects, which makes staying on the treatment regimen for up to 24 months even more difficult. In countries where healthcare workers are scarce, significant human resources are required to oversee treatment and compliance. Patients who must be hospitalized for the initial treatment period can increase the risk of MDR-TB transmission to staff and patients, particularly those already compromised by HIV/AIDS. There is an urgent need for additional training of healthcare workers to prevent the transmission of TB within healthcare facilities, as well as training those workers in diagnosis, treatment, and the monitoring of drug resistance.



→ The Lilly TB Drug Discovery Initiative

The battle against TB requires new, faster-acting medicines at affordable prices. The Lilly TB Drug Discovery Initiative, launched in June 2007, is a nonprofit public-private partnership focused on accelerating early-stage TB drug discovery. The initiative is run from a research facility in Seattle, Washington, and operates in partnership with the Infectious Disease Research Institute, Merck and Company, and the National Institute of Allergy and Infectious Diseases. It brings together global specialists for the systematic exploration of vast, private molecular libraries. To date, Lilly has committed more than \$20 million to this initiative.

Lilly also participates in other global health initiatives, including the following:

- The **GATES CEO ROUNDTABLE**, where Bill Gates and CEOs from innovative pharmaceutical companies work together in effective ways to provide solutions to global health issues of common interest, such as regulatory harmonization, research and development, and access and affordability of medications.
- The **TB DRUG ACCELERATOR (TBDA)**, an initiative aided by \$20 million from the Gates Foundation, is a groundbreaking partnership between pharmaceutical companies and academic researchers that aims to speed the discovery of essential new treatments for tuberculosis (TB). The long-term goal of the TBDA is to create a TB drug regimen that reduces TB treatment time from six months to one month.

THE LILLY MDR-TB PARTNERSHIP INVESTMENT

\$30M Between 2012-2016

Invested to train healthcare providers and to improve access to critical medicines in India, China, Russia, and South Africa.

TRANSFER OF MEDICINES TO RUSSIAN PARTNER

An original goal of the Lilly MDR-TB Partnership was to establish pharmaceutical manufacturing of much-needed drugs in countries suffering under a high burden of the disease. To achieve this objective, Lilly worked with manufacturers in affected countries to establish locally run, sustainable supplies of product, which could be used to treat those in need for years to come. In August 2013, this work hit a major milestone. Our Russian technology transfer partner, Biocom, received approval from the WHO for the manufacture of cycloserine, a Lilly medicine used to treat MDR-TB. With this approval, achieved four years after submitting its product dossier, Biocom is the first and only Russian pharmaceutical company to be approved by the WHO for any product and to meet WHO Good Manufacturing Practice (GMP) standards.

THE LILLY MDR-TB PARTNERSHIP ACHIEVEMENTS

The Lilly MDR-TB Partnership has trained doctors and nurses to recognize, treat, monitor, and prevent the spread of MDR-TB. These healthcare professionals have raised awareness to reduce the stigma of the disease, promoted prevention, researched drugs to improve treatment, and advocated for some of the world's most vulnerable populations. Lilly has also worked with manufacturers in high-burden countries to increase access to much-needed MDR-TB medicines.

Program highlights include the following:

- A total commitment of \$170 million from 2003–2016, Lilly's largest philanthropic effort to date, which included donations of more than 5.1 million vials of capreomycin and 5 million capsules of cycloserine;
- Transfer of manufacturing technology for two Lilly medicines to seven companies in high-burden countries to increase the availability of MDR-TB medicines;
- Investment of \$20 million to discover new tuberculosis medicines;
- Training of more than 100,000 healthcare professionals to better recognize, diagnose, and treat MDR-TB;
- Distribution of guidelines and toolkits to more than 45,000 hospitals and clinics; and
- Reaching millions of people in high-risk communities through public awareness campaigns.

RESEARCHING AND DEVELOPING INNOVATIVE MEDICINES

Lilly exists to discover and develop innovative medicines that help people live longer, healthier, and more active lives. We recognize that the best pharmaceutical products emerge from an atmosphere of optimism and teamwork, and we seek out top talent and external partnerships to help us achieve our research and development (R&D) goals. This section discusses our current clinical development pipeline, our investments to spur the faster creation of effective medicines, and the new ways we are funding R&D costs. We also discuss the important role that bioethics plays at Lilly, our commitment to upholding the highest ethical standards in our quality and manufacturing operations, the importance of diverse and effective clinical trials, our thoughtful and humane approaches to animal care and use, and global patient safety.

LILLY'S CLINICAL DEVELOPMENT PIPELINE

We currently have one of the richest Phase III pipelines in Lilly's history, representing a variety of Lilly therapeutic areas, including diabetes, oncology, neuroscience, and autoimmunity. We continue to focus on developing a complementary mix of chemical (small) molecules, taken orally, and biologics

(large) molecules, which are often given by injection. Our interactive pipeline website provides details on each of our potential new medicines in clinical development: www.Lilly.com/Pipeline. For easy access to clinical trial information, visit: www.clinical-trials.gov and search using the tag "LY."

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COMPANY-OWNED SITES ON
FIVE CONTINENTS

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CONTRACT MANUFACTURING
ORGANIZATIONS IN 45 COUNTRIES

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LILLY BIOETHICS NETWORK (BEN), A
VIRTUAL COMMUNITY OF INDIVIDUALS
WHO ARE INTERESTED IN BUILDING
THEIR KNOWLEDGE IN BIOETHICS

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THE NUMBER OF LILLY-SPONSORED
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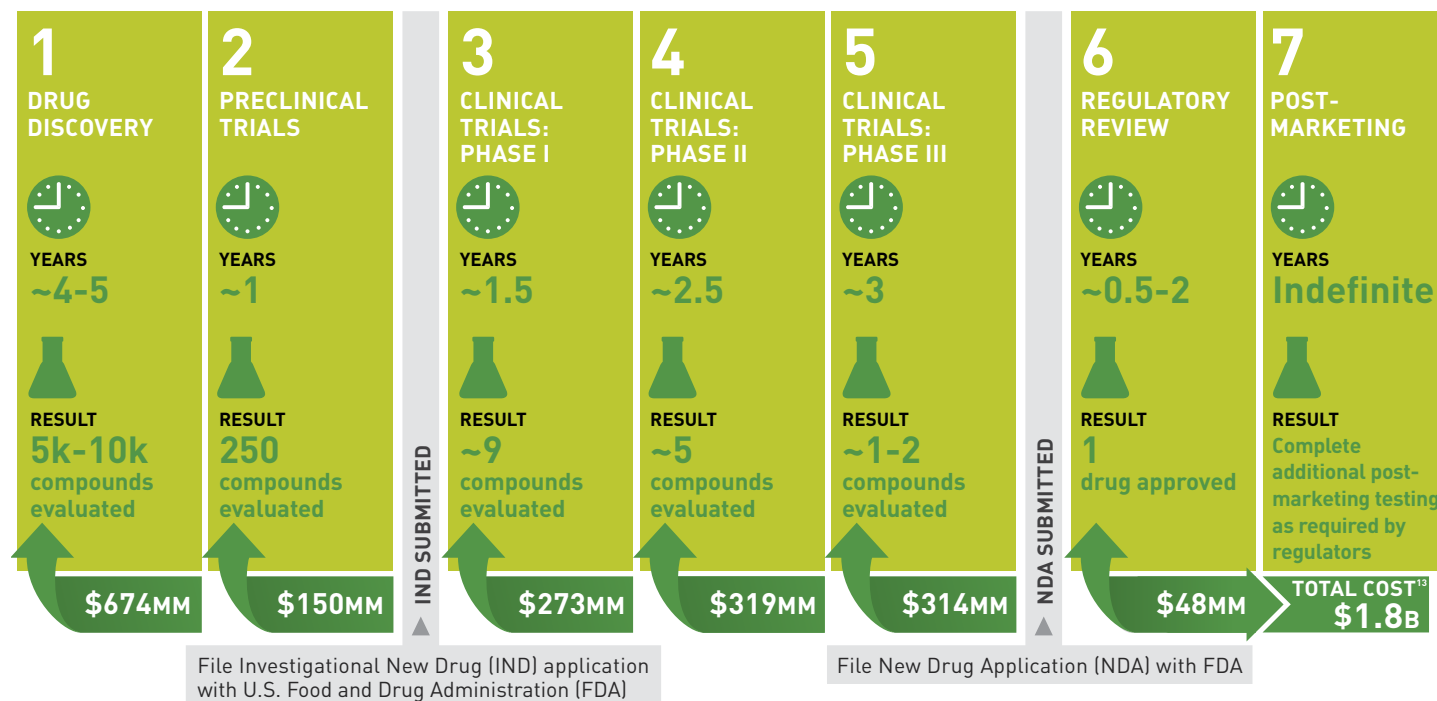
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Improving the Clinical Study Experience

Lilly Global Quality Organization

THE DRUG DEVELOPMENT PROCESS

The research-based pharmaceutical industry is uniquely able to discover, develop, and produce lifesaving medicines for patients who need them. Yet pharmaceutical research and development is a complex and lengthy process. To demonstrate the safety and efficacy of a drug, by law it must be tested in the laboratory, in living cells and organisms, in laboratory animals, and finally, in humans. After the drug-discovery process produces a promising lead, that compound is still a long way from being ready for testing in human subjects. Here is how the process unfolds in the United States.¹²



¹² We have adapted the phase chart from PhRMA and supplemented it with cost data from a recently published article on R&D productivity: Paul S. Mytelka D, Dunwiddie C, et al. *How to Improve R&D Productivity: The Pharmaceutical Industry's Grand Challenge*. Nature Reviews Drug Discovery. 2010; available from: doi:10.1038/nrd3078. Accessed October 25, 2011.

¹³ Figures provided are capitalized, meaning they account for the cost of capital to complete each phase. The \$1.8B total estimated cost includes the cost of all projects that fail during the drug discovery and development process.

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Focus on Timely Valued Medicines

At Lilly, we are focused on the quality—not just the quantity—of our R&D efforts. To ensure we can bring needed medicines to patients worldwide who are waiting, we have shifted our R&D strategy to deliver what we call “timely valued medicines” to patients.

“Timely” means our medicines reach patients with unmet needs while maintaining data and patent protection. “Valued” means our medicines are high quality and come with robust, competitive data accepted by healthcare administrators and regulators.

We believe consistent application of our timely valued medicines strategy will help us return to sustainable growth post-2014 and beyond.

Development Center of Excellence (DCOE)

Lilly’s DCOE uses a variety of tools including critical chain, advanced analytics, and **tailored therapies** to move potential new medicines more efficiently through the development process. The DCOE helps streamline internal operations, guide resource allocation, and ensure that all of our R&D efforts are being directed in the most efficient manner possible.

Tailored Therapies

Not all medicines affect every individual in the same way. Individual differences in a person’s biochemistry, as well as other factors, can determine the ultimate effectiveness of a given treatment. Personalized medicine, also known as “tailored therapeutics,” promises to deliver greater precision,

higher value, and improved outcomes for individual patients. These goals are at the heart of Lilly’s vision for biopharmaceutical innovation, and are also one of the five quality attributes of our timely valued medicines strategy. To help realize the promise of tailored therapies, Lilly explores tailoring for every single molecule that comes from its labs, using a variety of approaches to identify meaningful differences across patient populations.

While tailoring makes more sense for some therapeutic areas and not others, tailored therapies can significantly increase value for individual patients and healthcare administrators. When successful, they facilitate delivery of the right medicine to the right patient at the right time, and, hopefully, result in improved health outcomes.

For healthcare administrators, tailored therapies mean they can be more confident of the value for which they are paying because our studies will be designed to demonstrate the benefits of a given medicine to a specific patient population (e.g., those who possess a particular gene or biomarker).

For patients, tailored therapies can mean an individualized, patient-specific treatment regimen based upon personal characteristics, such as the following:

- Phenotypic characteristics (such as age or weight),
- Established biomarkers (such as HbA1C levels), and
- More novel markers emerging from new tools and technologies (such as pharmacogenomics, bioimaging, and bioinformatics).

LILLY’S COMMITMENT TO DIABETES

There is no group of patients with whom Lilly has a longer and deeper history than those impacted by diabetes. Lilly was the first company to make insulin commercially available, offer human insulin, develop the first analog insulin and, working with Amylin, bring to market the first GLP-1 (glucagon-like peptide) medication.

More than 90 years after the discovery of insulin, Lilly is more committed than ever to meeting the needs of people with diabetes. In addition to our portfolio of marketed products, we are investing in one of our largest diabetes pipelines ever—including three molecules currently in Phase III clinical development.

Diabetes is a significant national public health problem in China, affecting nearly 90 million Chinese. The state-of-the-art Lilly China Research and Development Center (LCRDC) in Shanghai is investigating the unique features of diabetes in Asian patients and identifying novel mechanisms of action, which is expected to lead to breakthrough therapies for people there with diabetes. The LCRDC is just one significant R&D investment exemplifying Lilly’s commitment to innovation in diabetes care and improving outcomes for people with diabetes around the world. In January 2011, Lilly formed a strategic alliance with Boehringer Ingelheim to jointly develop and commercialize a portfolio of diabetes compounds.

THE LILLY BIOETHICS PROGRAM: PROMOTING RESPONSIBLE HUMAN RESEARCH

The purpose of the Lilly Bioethics Program is to assist employees in identifying and addressing bioethics issues related to Lilly's research and development (R&D) activities. It is designed to address the increasingly complex ethical challenges in today's fast-paced biotechnology environment. In so doing, the program promotes ethical drug R&D, safeguards the integrity of the scientific process, and protects patients' rights and well-being.

As the Program grows, it continues to involve more people internally in ethics training, with the aim of creating a cohort of "functional experts": a group of employees capable of relating ethical thinking and knowledge back to different functional areas across the company (see information on Bioethics Leadership Academy). Lilly's commitment to bioethics education and training is evidenced by an increasing variety of educational offerings, including a day devoted to bioethics lectures and discussion with invited external experts. The Program is also committed to external engagement, demonstrated by presentations at professional and academic conferences, posting and communication of bioethics position statements, and serving on industry, academic, and government committees addressing bioethics issues related to biomedical research.

Bioethics Program Organization

The innovative and multidimensional program continues and enhances the work begun in 1999, when Lilly became one of the first pharmaceutical companies to establish a standing bioethics committee to systematically identify, evaluate, and communicate

bioethics issues. To achieve these goals, The Lilly Bioethics Program focuses on four core activities:

- Establishing and articulating company positions on key bioethics issues,
- Consulting with Lilly staff on research ethics questions,
- Conducting internal education and training on bioethics, and
- Contributing to internal collaborative projects that integrate bioethics into R&D operations, as well as external projects that contribute to the advancement of the field of bioethics as it relates to pharmaceutical applications.

The bioethics program is structured as an independent organizational unit led by a vice president of bioethics and a senior advisor who oversees full-time professional staff as well as several part-time efforts of staff from various functional areas across the company.

The full-time staff members have specialized training in bioethics and are responsible for the program's development, oversight, and deliverables (comprising the four core activities). The primary goals for the staff are to ensure Lilly's bioethics principles, positions,

and processes are established and applied throughout the company and to contribute to pharmaceutical bioethics through external service, collaborations, and scholarly endeavors.

Part-time efforts include the following:

- The Bioethics Advisory Committee, a cross-functional committee composed of senior leaders from across the company, as well as two academic experts in the field of bioethics who offer guidance on projects and consultations;
- The Lilly Bioethics Network (BEN), a virtual community of more than 150 Lilly employees who are interested in building their knowledge in bioethics;
- The Bioethics Specialist Team, a subgroup of the BEN comprising Lilly employees with specialized knowledge, experience, and skills in bioethics and an ongoing commitment both to develop in this area and to support the Lilly Bioethics Program;
- The Bioethics Leadership Academy (BELA), an internal, six-month, experiential training program designed to establish a cohort of Lilly employees with distinct bioethics skills. BELA participants work through a curriculum, participate in specified activities, and develop a project to help them respond to bioethics issues related to their functional role in the company and the pharmaceutical industry.

Lilly's Approach to Bioethics

Lilly strives to maintain the highest standards of ethical behavior in all aspects of the company's business, consistent with its brand.

Protecting Research Subjects' Rights in Clinical Trials

Lilly's bioethics framework (see right) is the basis for a single global standard that Lilly applies to the conduct of clinical trials worldwide. Our practices are consistent with the Pharmaceutical Research and Manufacturers of America's Principles on Conduct of Clinical Trials, in addition to the applicable laws and regulations of the country or countries in which a study is conducted.

Lilly is a global company serving the medical needs of a global population. In choosing locations worldwide to conduct clinical trials, Lilly considers the local prevalence of the disease under study and the medical research capabilities of the candidate institutions.

In addition, Lilly works with local ethics committees and/or health authorities, as appropriate, to ensure that conducting the proposed research in each location is scientifically and ethically justified. These decisions take these factors into consideration:

- The risks and benefits for research participants,
- The potential for the research to yield important scientific advances,
- The relevance of the research to local health needs, and
- The intent to register the drug in the host country.

In applying these considerations, Lilly places paramount importance on the safety and well-being of the individual research participants.

Lilly's Bioethics Framework and Bioethics Positions

In 2010, to provide researchers with guiding principles and practical tools, Lilly developed a bioethics framework specifically to describe and evaluate the ethics of developing, conducting, analyzing, and disclosing results from studies involving human subjects (Bioethics Framework for Human Biomedical Research). The framework incorporates company values, ethics principles from widely recognized global guidelines, and scholarly literature.

The Lilly Bioethics Program employs the bioethics framework when conducting ethical analyses to answer consultation questions and to develop bioethics positions.

Flowing out of the framework, the Lilly Bioethics Program has developed bioethics positions on relevant and emerging topics including the following (summarized below):

- Compassionate use of investigational medicines,
- Continued access to investigational medicines, and
- Pediatric clinical development of drugs and devices.

The complete list of **Lilly's bioethics position statements** is available for review online.

Summaries of New Bioethics Position Statements

➔ Compassionate Use of Investigational Medicines

Occasionally, patients with serious or life-threatening diseases or conditions seek access to promising investigational medicines outside of a clinical study setting. This is called compassionate use, but is also known as expanded access, early access, and emergency use. Patients who seek compassionate use do so either because standard treatments have failed or they cannot tolerate approved medications, and because they are unable to participate in a clinical study. Because it is unknown during clinical development whether an investigational medicine is safe and effective, compassionate use involves unidentified risk and may create a false sense of hope in patients. Compassionate use also can negatively impact the conduct of ongoing or future clinical studies (due to competing logistics and resource allocations) and subsequently delay the regulatory approval and broader availability of a new medication. Lilly anticipates compassionate use requests for investigational medicines targeted to treat serious and life-threatening diseases and develops medicine-specific guidelines for when such a request may be considered. In general, Lilly authorizes a compassionate use program based on the investigational medicine's phase of development, benefit-risk profile, availability of alternative treatments, and probability and timing of regulatory approval.

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➔ Continued Access to
Investigational Medicines

An investigational medicine, that is, a medicine being studied for human use, is usually not locally commercially available at the conclusion of a clinical study and, as a result, clinical study patients who are benefiting from an investigational medicine are not able to access the treatment. Under certain conditions (listed **here**), Lilly may offer continued access, also known as “post-trial access,” to an investigational medicine after a patient’s participation in a clinical study has ended. Any offer of continued access to an investigational medicine will be made in the context of a clinical study setting in accordance with local regulations.

➔ Pediatric Clinical Development
of Drugs and Devices

Lilly ensures special protections are in place whenever children are involved in research. When it can be reasonably anticipated that a given Lilly medicine or device may be frequently prescribed for a specific pediatric illness or condition, Lilly believes it is appropriate—and may even be necessary—to investigate such uses via clinical studies. Important considerations in Lilly’s planning for any potential pediatric medicine or device are the seriousness of the illness or condition that would be treated, the unmet medical need that exists, and the availability of existing approved pediatric treatments. Ultimately, Lilly will determine the extent and timing of any pediatric clinical studies based upon discussions with regulatory agencies.

ANIMAL CARE AND USE

Animal studies remain a vital component of the discovery and development of innovative medicines for both humans and animals. Regulations that govern the approval of our products for human and animal use dictate that we use animals for testing when alternatives do not meet regulatory standards. At Lilly, we believe we have a moral, ethical, and scientific responsibility to ensure the welfare of animals used for any purpose by our company. Our policy and standards regarding the use of animals are based upon the **U.S. Government Principles for the Utilization and Care of Vertebrate Animals Used in Testing, Research and Training**.

All Lilly-owned animal testing facilities are accredited by the Association for the Assessment and Accreditation of Laboratory Animal Care (AAALAC). AAALAC provides independent review and confirmation of appropriate animal care and use. Lilly also uses the services of third-party facilities located at various sites around the world. These third parties include contract research organizations or third-party operations that conduct research on behalf of Lilly, supply animals to Lilly, or supply feedstuffs to animals at Lilly. More than 95 percent of the animals used in pharmaceutical research for Lilly—including at third-party facilities—are rats and mice.

To monitor practices on animal research and welfare, Lilly maintains a global oversight program of all animal testing facilities with which we do business, including visits by trained specialists to conduct welfare evaluations. Lilly requires all employees and all third parties involved in our research to adhere to all applicable country and local laws, regulations, and standards regarding the care and use of animals. Moreover, we require Lilly researchers and contractors to adhere to the Lilly Animal Care and Use Principles, even if these principles are more stringent than applicable local laws. Lilly also encourages animal research and animal supply companies globally to obtain and maintain accreditation from the AAALAC.

LILLY ANIMAL CARE AND USE PRINCIPLES

When other acceptable alternatives do not exist, Lilly researchers conduct *in vivo* studies on animals to assess the potential efficacy and safety of compounds for human use. When conducting such live animal assessments, all personnel must comply with our global policy on animal care and use. They must also adhere to the following principles:

- Studies must be designed and conducted with due consideration for the relevance of the study to human or animal health, and to the advancement of scientific knowledge.
- Animals must be provided with living conditions that are appropriate for the species and that will contribute to their health and well-being.
- Personnel who care for animals or who design or conduct animal studies must be appropriately qualified and trained.
- Animals must be treated humanely to eliminate or minimize pain and distress.
- Lilly has adopted “3 Rs”: *replacement* of animals in studies whenever scientifically valid and acceptable alternatives exist, *reduction* of the number of animals used, and *refinement* of procedures to minimize distress to the animals. The 3Rs will be applied prior to the start of any study involving animal testing.
- Studies involving animals must be designed and conducted in accordance with applicable local regulatory guidance.

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The Lilly 3Rs Initiative

As part of our ongoing commitment to ethical research, in 2012, senior leadership created the Lilly 3Rs Initiative, a more formal articulation of the animal care and use strategy and practice at Lilly. The Initiative benchmarked similar activities among global pharmaceutical companies and set goals for Lilly, including increased awareness of the 3Rs by encouraging the communication of strategies for reduction, refinement, and replacement of animal use within the company; enhanced employee training on the 3Rs; and the dissemination of 3Rs information through a new global database and increased internal networking.

In 2013, senior management at Lilly also established and directed a new 3Rs Steering Committee to accomplish several objectives:

- The creation of an internal 3Rs Award to recognize accomplishments with existing techniques or with new research approaches, such as use of tissue-based models, analytic and computational models, study refinements, or environmental enhancements;
- The support of 3Rs research at external organizations in collaboration with the National Centre for the 3Rs based out of the United Kingdom;
- The establishment of company guidelines for the use of nonhuman primates. Lilly has not used chimpanzees in research since the late 1980s. Careful consideration is given when other nonhuman primate species are used in research, and these new guidelines will address the use of those species.

FORMING PARTNERSHIPS TO CREATE GLOBAL HEALTH SOLUTIONS

At Lilly, we value partnerships. Our history has proven—and our ongoing collaborations continue to prove—that by working together, we can discover, develop, and deliver the pharmaceutical therapies that will help people live longer, healthier, and more active lives.

Lilly has a long history of creating partnership models designed to bring innovation to patients, starting back more than 90 years ago with our collaboration with Frederick Banting and Charles Best, two academics at the University of Toronto with whom we made the first commercially available insulin used to treat patients with diabetes. At that time, the only known way to keep these patients from dying of excess blood sugar was to put them on a near-starvation diet.

Today, Lilly has a diverse set of collaborations established that pursue innovative methods and technologies capable of dramatically enhancing the delivery of timely valued medicines to patients who are waiting.

Our philosophy of external partnership models involves custom approaches designed to leverage external resources, scientific expertise, and development capabilities along with Lilly capacity and capability to advance molecules and technologies that complement and supplement our internal pipeline.

For example, Lilly's Open Innovation Drug Discovery (OIDD) program is a Web-based platform that provides external researchers, who may not have previously worked with us, a free point of early entry into Lilly's drug discovery process and, in doing so, may uncover innovation above and beyond what Lilly researchers are producing in their labs. This innovative concept occurs with very little investment on Lilly's part and has been very

successful in terms of the numbers of high-quality compounds submitted.

Lilly actively participates in more than 50 public-private partnerships and consortia that pursue innovative methods and technologies capable of dramatically enhancing the delivery of tailored therapies and improving the quality and efficiency of drug discovery and development. These types of partnerships offer tremendous opportunity for innovation by bringing together the best and brightest scientists in academia and industry to solve critical unanswered questions.

An example of this is Lilly's work with the National Institutes of Health (NIH), including an agreement to utilize Lilly's phenotypic drug discovery assays to screen NIH's database of 3,800 preclinical molecules for their potential to be developed into medicines for patients suffering from a variety of diseases.

Further, by teaming up with other pharmaceutical companies, academic colleagues, and government agencies in partnerships

such as TransCelerate BioPharma, the Critical Path Institute, and the Innovative Medicines Initiative in Europe, Lilly is helping to create much-needed industrywide standards of practice for things like risk-based monitoring, clinical site training, data standardization, and other efforts that will simplify the drug development process.

Globally, Lilly partners with governments to identify solutions to improve **access to medicines** in developing and less-developed countries. These solutions might include **donations of cash and products** for patient-assistance programs, global humanitarian efforts, and other charitable endeavors, as well as public-private partnerships. In addition to traditional partnerships, we find and facilitate medical innovations through **Lilly Ventures** and **Lilly Asia Ventures**. These two funds invest in start-up biopharmaceutical and medical technology companies via early expansion-stage investments.

Increasing the Speed of Innovation

To help us identify the most promising molecules as soon as possible, Lilly is developing and implementing methods to establish "proof-of-concept" (proof that a molecule works in the body as intended/theorized) sooner than ever before. Working earlier in the drug development process, we hope to lower a molecule's potential attrition rate. Lilly has goals to utilize this methodology of establishing early proof-of-concept for at least two-thirds of our pipeline.

We are using biomarkers to help generate earlier proof-of-concept data in humans to decrease the odds of late-stage pipeline attrition. We are also employing "adaptive seamless study designs," a component of our DCOE Advanced Analytics hub. Generally speaking, adaptive study designs aim to use the information generated in clinical studies

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as it emerges, in a blinded fashion, not simply when the studies have been completed. As such, they are a natural attempt to be smarter and faster about determining who benefits and, just as important, who does not benefit, from a potential medicine.

Building the Pipeline of the Future

Finding and correctly identifying promising new molecules is a time-consuming and painstaking task. And yet it is the only way that pharmaceutical companies, including Lilly, are able to discover the essential building blocks for the medicines of tomorrow. For Lilly, and the industry, to remain relevant and competitive, we must find new pathways to innovation.

→ Innovation Starts Here

Introduced in 2011, “Innovation Starts Here” is Lilly’s global, companywide initiative designed to create and sustain a dynamic environment to foster innovation and quality science. The initiative aims to remove barriers to collaboration and promote the best thinking between our people, programs, and partnerships. It also supports our broader commitment to speeding the delivery of medicines to patients and driving sustainable R&D outputs.

→ Open Innovation Drug Discovery Platform

In addition to Lilly’s own R&D efforts, we continue to invest in ways that supplement our pipeline through collaboration with external scientists, and the **Open Innovation Drug Discovery (OIDD)** platform is one of the ways we do this. Lilly’s OIDD platform is unique in that it aims to remove barriers to sustainable innovation with a novel transactional model between Lilly and external scientists. Launched in 2009, OIDD is a Web-based platform that provides external researchers—who may not have previously worked with Lilly—with a point of entry into our drug discovery process. By providing

external investigators with direct access to Lilly’s scientific infrastructure and talent, these scientists may uncover innovation above and beyond what Lilly researchers are producing in their labs.

The platform consists of three components:

- TargetD², or target drug discovery, which screens submitted molecules for their potential to interact with known disease targets.
- PD², or phenotypic drug discovery, which screens submitted molecules in complex cellular assays with the goal of identifying potential new medicines acting by novel mechanisms or pathways.
- The third component screens molecules for their potential in the fight against multidrug-resistant tuberculosis (MDR-TB)—a form of tuberculosis (TB)—through **The Lilly TB Drug Discovery Initiative**.

External “Innovation Starts Here” programs include the following:

- **THE LILLY INNOVATION FELLOWSHIP AWARD** fosters post-doctoral career development and prepares recipients for careers in the pharmaceutical industry by establishing a true industry/academic partnership where a post-doctoral fellow and academic mentor are paired with a Lilly scientist. Scientists selected for an award will receive up to four years of salary and benefits as Lilly post-doctoral scientists. For more information, visit Lilly.com/LIFA.
- **THE LILLY RESEARCH AWARD** supports research collaborations between Lilly scientists and some of the best scientists and research institutions worldwide, focusing on early-stage research, such as the development of new assays, validation of disease targets or biomarkers, and improvement of preclinical models. It is a two-way, collaborative program in which scientists in academia gain invaluable access to research tools to conduct basic research; in turn, Lilly scientists receive

critical information to help inform the future of drug discovery and development as they look to make important contributions to the general scientific community. The pre-competitive nature of the research enables Lilly and academic scientists the opportunity to jointly publish their results.

→ Cross-Industry Collaboration: TransCelerate BioPharma Initiatives

The largest ever initiative of its kind, **TransCelerate BioPharma Inc.** is an independent non-profit organization formed to identify and solve common drug development challenges with the end goals of improving the quality of clinical studies and bringing new medicines to people we serve faster. Founded by major healthcare, pharmaceutical and biopharmaceutical companies, the organization evolved from discussions at various forums for executive R&D leadership to discuss relevant issues facing the industry

DALVIR GILL, PH.D., CHIEF EXECUTIVE OFFICER OF TRANSCCELERATE

“Biopharmaceutical companies often spend an extraordinary amount of effort monitoring clinical trials—data from each patient, for every study, at every global site, is reviewed—yet, there isn’t much evidence to indicate that this level of review is effective at identifying systemic errors or substantially improving the quality of data gathered. Despite this, monitoring approaches have remained unchanged. In this position paper, we have outlined a methodology—procedures, algorithms, a toolkit—for risk-based monitoring that we believe will be effective and efficient for our member companies and others.”

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TRANSCCELERATE BIOPHARMA INITIATIVES

When it launched, TransCelerate BioPharma chose to focus on five initiatives related to clinical trial efficiency with shared goals of increased quality, patient safety, and accelerated development timelines.

INITIATIVE	OBJECTIVE	BENEFIT
Standardized Approach for High-Quality, Risk-Based Monitoring	Develop a standard framework for targeted, risk-based clinical trial monitoring	<ul style="list-style-type: none"> • Improvement in data quality and patient safety for clinical trials • Reduction in effort expended on low-value activities
Shared Investigator Site Portal	Establish a single, intuitive interface for investigators	<ul style="list-style-type: none"> • Ease of use and harmonized delivery of content and services for investigators • Reduce investigator burden • Reduce member company costs
Shared Site Qualification and Training	Establish a single, intuitive interface for investigators	<ul style="list-style-type: none"> • Improved quality of clinical sites and accelerated study start-up times
Clinical Data Standards—Efficacy (in Partnership with CDISC and CFAST) ¹⁴	Accelerate current efforts underway through CDISC to establish efficacy data standards	<ul style="list-style-type: none"> • Increased quality of clinical data and enablement of industry end-to-end data flow
Comparator Drugs for Clinical Trials	Establish a supply model to source comparator drugs between companies for use in clinical trials	<ul style="list-style-type: none"> • Reduce the cost and effort for comparator drug sourcing • Reduce the chance of counterfeit drug in study supply chain • Share critical data—e.g., stability data

¹⁴ CDISC is a global, open, multidisciplinary, nonprofit organization that has established standards to support the acquisition, exchange, submission and archive of clinical research data and metadata. The Coalition for Accelerating Standards and Therapies (CFAST), a joint initiative of CDISC and the Critical Path Institute (C-Path), was launched to accelerate clinical research and medical product development by facilitating the establishment and maintenance of data standards, tools and methods for conducting research in therapeutic areas important to public health. CFAST partners include TransCelerate BioPharma Inc. (TCB), the U.S. Food and Drug Administration (FDA), and the National Cancer Institute – Enterprise Vocabulary Service (NCI-EVS), with participation and input from many other organizations.

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TRANSCCELERATE BIOPHARMA PRINCIPLES

The activities of TransCelerate BioPharma are built upon a shared set of principles, fostering a spirit of collaboration.

PRINCIPLES OF COLLABORATION

- Recognize shared commitment for the betterment of the whole
- Leverage existing assets and technology
- Promote, but don't insist upon, universal adoption of solutions
- Capitalize on the influence of the industry and existing best practices

and solutions for addressing common challenges. Membership is open to all companies who can contribute to and benefit from these shared solutions.

TransCelerate launched in September 2012. At that time, the organization chose to focus on five initiatives related to clinical trials, designed to increase efficiency, reduce costs, and enhance patient safety. Charter Members, each retaining a permanent seat on the Board of Directors, include: AbbVie, AstraZeneca, Boehringer Ingelheim, Bristol-Myers Squibb, Eli Lilly and Company, GlaxoSmithKline, Johnson & Johnson, Pfizer, Roche, and Sanofi. In April of 2013, TransCelerate welcomed six new member companies bringing total membership to 16; they include: Astellas Pharma Inc., Biogen Idec, Braeburn Pharmaceuticals, EMD Serono, Inc., Forest Research Institute, and Onyx Pharmaceuticals.

In June 2013, TransCelerate announced the first major milestone of its five clinical trials initiatives when the organization released a position paper outlining a methodology for

risk-based site monitoring that could significantly modernize and streamline the way studies are conducted and monitored.

Funding Innovation and Discovering Value

Lilly uses external financing and innovative business models to supplement, but not replace, our core R&D investment strategy, looking for targeted areas where external funding makes sense to achieve our strategy by way of diversity of investment and risk reduction. Ultimately, this is good for our business and for the speed with which we can provide treatments to patients that need them.

→ The Capital Funds Portfolio

Formerly known separately as The Risk and Reward-sharing Collaboration and The Mirror Portfolio, The Capital Funds Portfolio is a mechanism created by Lilly to reduce the risk that is inherent in our own pipeline by tapping access to external value and funding. Through The Capital Funds Portfolio, virtual companies financed by independent investment funds acquire molecules from Lilly or external sources. The virtual companies then determine the scope and manner of execution to develop early-stage molecules from approximately one year before testing in humans to determine clinical proof-of-concept. If the proof-of-concept studies are positive, the molecules are offered for sale to biopharmaceutical companies, including Lilly.

The first major milestone for The Capital Funds Portfolio was an agreement by an independent fund to license the portfolio's first two investigational medicines (announced in February 2011). The first is a molecule developed pre-clinically by researchers at a major academic institution that is being studied as a potential treatment for congestive heart failure; the second molecule was developed by Lilly.

Another example is a molecule being developed by Artea Therapeutics, a product-focused biotechnology company funded by Atlas Ventures and OrbiMed Advisors. Artea is developing a novel approach for the prevention of migraine headaches. The worldwide rights to develop the antibody have been licensed from Lilly in an innovative collaboration that leverages Lilly's capabilities and experience developing the antibody.

Artea, using a virtual team and collaborating with **Lilly's Chorus function**, will develop the antibody through Phase II clinical studies to demonstrate proof-of-concept in migraine prevention. Upon completion of the Phase II study, Lilly will have the option to continue development of the antibody at pre-negotiated terms including milestones and royalties.

→ Chorus: Lilly's Virtual Drug Development Organization

Established in 2002, Chorus is a small, cost-effective, and operationally independent early-phase virtual drug development organization residing within Lilly's Global External Research & Development group. Chorus specializes in drug development from candidate selection to clinical proof of concept. Once clinical proof of concept is achieved, the molecule is offered for sale to biopharmaceutical companies, including Lilly. Molecules for development can originate from Lilly or from external sources.

Chorus conducts early-stage development work using a virtual model and strives to deliver robust, high-quality data packages that enable definitive "go" or "no-go" decisions. Using this approach, the Chorus function has been able to determine whether to advance or terminate a molecule's development about 12 months earlier and at a lower cost than the current industry model.

IMPROVING THE CLINICAL STUDY EXPERIENCE

The quality of the medicines we can offer to patients depends, in large part, on the quality of the clinical study data we generate. Clinical trials are central to helping us learn about the ways molecules interact with potential patients. Therefore, we are exploring ways to improve the clinical trial experience, including improving recruiting, speeding enrollment, increasing adherence to therapies, and increasing the percentage of volunteers who complete studies.

By devoting ourselves to understanding the experiences of clinical study participants, we will be better positioned to improve those experiences. In turn, we believe this will lead to an improvement in the quality of the data we obtain from studies. We believe study volunteers who have a positive experience are more likely to adhere to the study protocol, complete their intended study participation, and potentially be more positive when talking with others about their clinical study experience.

Patient-Centric Approaches

Lilly's "Volunteer/Patient Experience Measures" program, launched in 2012, is designed to help us understand and improve the experiences of research volunteers in our clinical studies. While many existing initiatives examine which studies volunteers choose to participate in, Lilly's goal is to understand why patients make particular choices involving clinical research.

The project focuses on five key questions about the clinical research volunteers' experiences:

- Why do volunteers enter clinical studies and what are their fears and expectations?
- What is the relationship between volunteers' satisfaction with their study experience and their behaviors within the study?
- What is the volunteers' experience and level of satisfaction as they enter, participate in, and complete a Lilly study?
- Why do potential enrollees decide not to participate?
- Why do enrolled volunteers drop out (and if it is because they are dissatisfied, what caused their dissatisfaction)?

The project's second stage, being conducted in collaboration with the nonprofit Center for Information & Study on Clinical Research Participation, will facilitate focus group discussions with volunteers. Lilly will use these insights to develop and validate standardized quantitative measures of the clinical study volunteer experience across several countries and disease areas.

MARY SHORT, RN, MSN, LILLY
PRINCIPAL RESEARCH SCIENTIST,
CLINICAL DEVELOPMENT

“Ultimately, a parent's perspective on the benefit-risk profile of a study determines the successful enrollment of children in clinical studies via the informed consent process. Accessing the parent perspective during the development process could guide pediatric clinical study design to improve the child/parent clinical study experience. It also has the potential to help bring medicines to pediatric patients more quickly by speeding enrollment, as well as to increase both adherence to therapy and the percentage of children who complete studies.”

In a separate program, which also aims to improve volunteer experiences with clinical research, Lilly has begun to incorporate the parent perspective in study design processes for pediatric research. Through the program, which began in 2013, Lilly employees who are parents of children with medical conditions volunteer to be contacted when a need arises to provide a parent's perspective on a pediatric study protocol. The questions cover topics such as the frequency and duration of visits, the appropriateness of formulations and dosing, and what potential barriers to participation exist. After piloting the project with Lilly parent volunteers, the program will be expanded to include non-employees, such as parents from advocacy groups.

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Increasing Efficiencies

In 2012, Lilly and Merck joined Janssen Research & Development LLC on a global cross-pharmaceutical Investigator Databank created to eliminate redundancies and increase efficiencies in conducting clinical studies. The Investigator Databank serves as a one-stop repository housing key information about investigators and clinical study sites, such as infrastructure and Good Clinical Practice training records. By storing critical information in one place, the databank will reduce time, cost and duplicative efforts, making it easier for companies to identify appropriate study sites and investigators for future clinical studies. Investigator sites that have opted-in to data sharing will have their relevant information accessible to other pharmaceutical companies participating in the collaboration.

Diversity in Clinical Trials

The impact of disease isn't the same for everyone. Research has shown that health disparities exist between groups of people who are different from one another. Minorities often suffer a disproportionately higher incidence of certain diseases, such as stroke and diabetes, compared to whites. For example, we know that African Americans are twice as likely to have diabetes and Hispanics are 1.7 times more likely to have diabetes than Caucasian Americans.¹⁵

As scientific technology has improved, it has become increasingly clear that there are differences in patients' responses to medicines based on a variety of factors, including genetics, ethnicity, and cultural differences.

Yet, historically, fewer minority patients have participated in clinical trials, resulting in more limited information on a given medicine's safety and efficacy in racially and ethnically diverse populations. These realities make it critical for Lilly to help increase the enrollment of minority populations in U.S. clinical trials.

We need more diverse representation in clinical trials to gain insights for making medicines that will be the most effective for all people who use them. Lilly aims to better match the demographic composition of clinical test groups with the disease prevalence rate in the general population. Our clinical diversity strategy is designed to help account for the patient differences that may affect clinical outcomes. We feel this strategy will help us better understand the efficacy, side-effect profiles, and risks in minority groups, which are the fastest-growing segment of the U.S. population.

→ Our Clinical Trial Diversity Strategy

Lilly has taken a leading role in the industry in enrolling minorities into U.S. clinical trials. The strategy, which is part of the company's goal to improve health outcomes for individual patients, includes the following elements:

- Translating patient materials into Spanish,
- Providing physician-education materials that include background information on the different needs of distinct patient groups,
- Partnering with advocacy organizations to raise awareness about health disparities and the need for diversity in clinical trials, and
- Actively recruiting investigators to work with diverse patient populations.

STUDY: STEPPING UP EFFORTS IMPROVES MINORITY ENROLLMENT IN CLINICAL TRIALS

Lilly conducted a study to find ways to increase enrollment of diverse populations in clinical trials and to make trials more accessible in minority communities. Released during the American Association for Cancer Research annual meeting in 2011, the study assessed the impact of ethnicity on the second-line treatment of non-small cell lung cancer. When Lilly started the observational study, only 19 percent of participants came from minority populations. To boost the proportion of underserved minority participants, the company made several enhancements, including the following:

- Selecting new trial sites that were likely to include more than 50 percent minority patient populations,
- Giving patients information about assistance programs that would help them secure treatments,
- Making on-site visits to trial sites to identify and address existing barriers,
- Translating materials into Spanish,
- Sponsoring multiple advisory boards, and
- Conducting a survey of 241 clinical trial investigators and coordinators to assess the impact of protocol design on minority participation.

THE RESULT:

Minority participation increased, with 43 percent of the remaining enrollees representing multicultural populations.

"While the study fell short of its planned patient accrual, with only 434 of 1,000 patients enrolled, it proved that minority participation in clinical trials can increase dramatically with targeted interventions," said Coleman Obasaju, M.D., Ph.D., senior medical director, Lilly Oncology. "We will apply these learnings to future trials right from the start."

¹⁵ Diabetes Data/Statistics. The Office of Minority Health. Available at minorityhealth.hhs.gov/templates/browse.aspx?lvl=3&lvlid=62. Accessed September 30, 2103.

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We're also looking at how cultural beliefs impact everything from diet to attitudes about health and healthcare-seeking behavior. We want to know how different populations interact with the healthcare delivery system and with doctors, and we want to know how they adhere to doctors' prescription orders—anything that can help us to understand what influences their health. The inclusion of diversity also is essential in our extensive health education initiatives globally. We're focused on ensuring multicultural groups have access to healthcare information to decrease healthcare disparities through ongoing community and national outreach.

Since we began our focus in 2008 on increasing minority participation in clinical trials, we have accomplished the following:

- Added more than 360 new clinical trial sites with minority patient populations of more than 25 percent;
- Developed education materials to raise awareness of clinical trials in partnership with the National Medical Association (NMA), National Hispanic Medical Association (NHMA), American Medical Association (AMA), and Education Network to Advance Cancer Clinical Trials (ENACCT); and
- Presented to groups such as NHMA, NMA, AMA Commission to End Health Care Disparities, and American Association for Cancer Research on the benefits to physicians, practices, and patients in participating in clinical trials.

TRAINING MINORITY CLINICAL TRIAL INVESTIGATORS

In 2013, Lilly and The Center for Drug Development and Clinical Trials at the Roswell Park Cancer Institute in Buffalo, New York, announced a first for the pharmaceutical industry—a partnership to train minority clinical trial investigators. There are approximately 10,400 oncologists in the United States, but approximately 1 to 2 percent are African American and approximately 2 to 3 percent are Hispanic. The goal of the new initiative is to train 75 to 150 minority oncologists in the conduct of clinical trials.

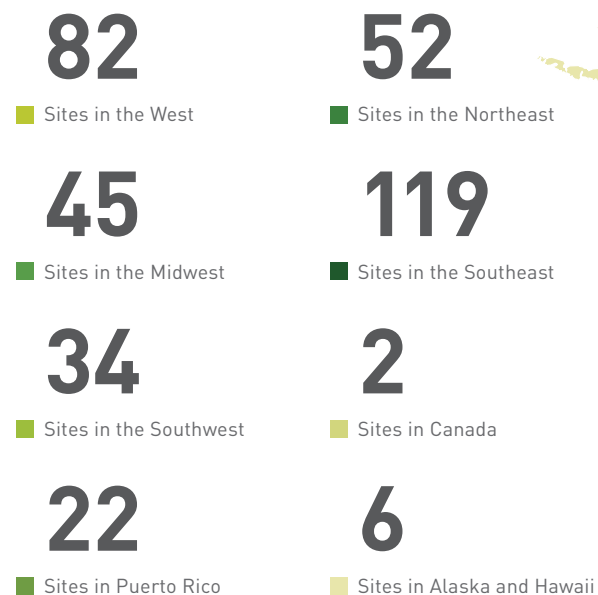
Because medicines don't work the same for everyone, it is important to understand the safety profile in patients likely to take them. Coleman Obasaju, M.D., Ph.D., senior medical director, Lilly Oncology and global leader of Diversity in Clinical Research, is heading up the effort for Lilly. By training more oncology minority investigators, Dr. Obasaju and his team aim to reach even more populations. For his work, Dr. Obasaju has been awarded the prestigious Scroll of Merit by the National Medical Association for increasing minority participation in clinical trials.

The partnership will include a three-day clinical research workshop, "Reducing Cancer Disparities Through the Training of a Diverse Workforce," conducted for minority physicians across the country. Workshops, which will begin in the spring of 2014, will run through 2016.

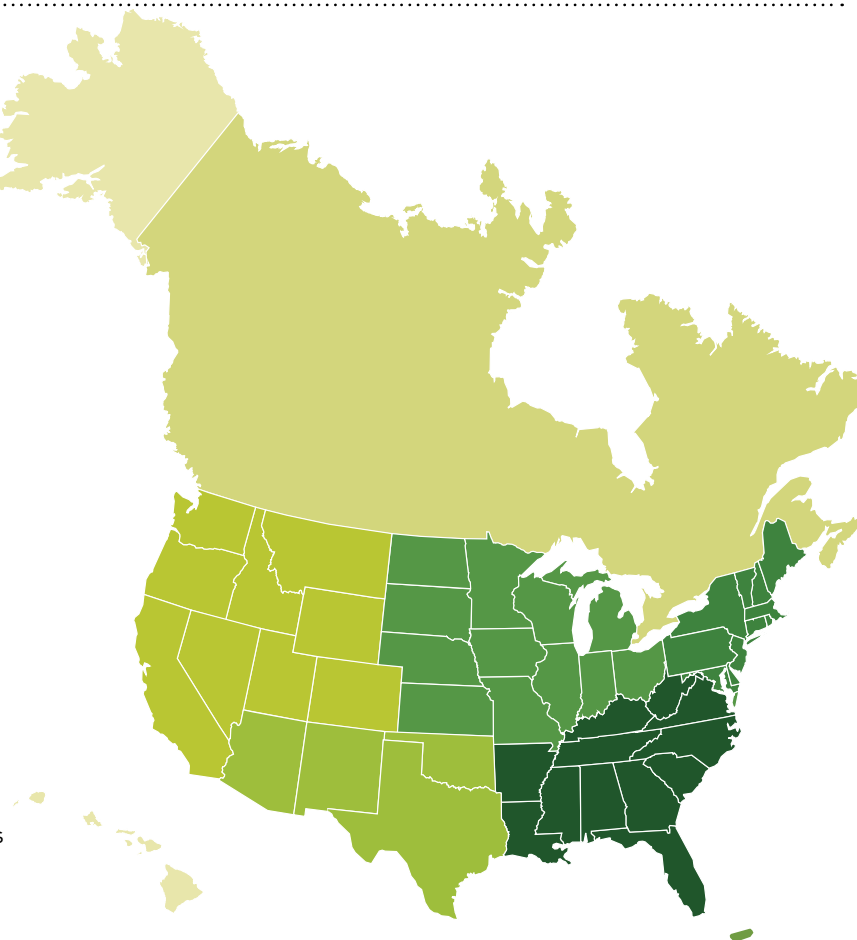
Specific workshop goals include the following:

- Enhancing clinical research in minority and underserved populations by developing a cadre of well-trained minority investigators;
- Educating participants about the principles of good clinical trial design and providing the necessary tools required to conduct trials that are relevant to minorities and under-represented populations;
- Guiding participants to identify various challenges of clinical research particularly in minority and underserved populations, and providing advice and education on how to overcome these challenges;
- Providing ongoing mentorship to young minority investigators through career-long relationships with workshop faculty; and
- Reducing cancer health disparities through increased clinical research targeting minority and underserved populations.

DIVERSITY IN LILLY-SPONSORED CLINICAL TRIALS IN NORTH AMERICA (2013 SITES)



In 2008, we set a goal that every study conducted with more than 25 clinical trial sites must select at least two sites meeting the diversity criteria. At that time, our focus was on increasing the pool of new investigators as well as encouraging the selection of sites that treated diverse populations. A diverse site means the patient population is greater than 25 percent non-Caucasian. Over the years, Lilly has standardized and improved our efforts to identify, track, and select diverse sites.



LILLY GLOBAL QUALITY ORGANIZATION

Lilly's global quality team is an independent organization within Lilly, comprising more than 2,400 individuals, including scientists, pharmacists, and other technical quality professionals. The team is involved in the entire lifecycle of the molecules we develop, working across all phases of drug development. The team's goal is to provide effective guidance and quality oversight, collaborating with colleagues in research and development and manufacturing, to assure regulatory and Lilly's quality standards and controls are followed.

Lilly Quality: Putting Patients at the Center of Everything We Do

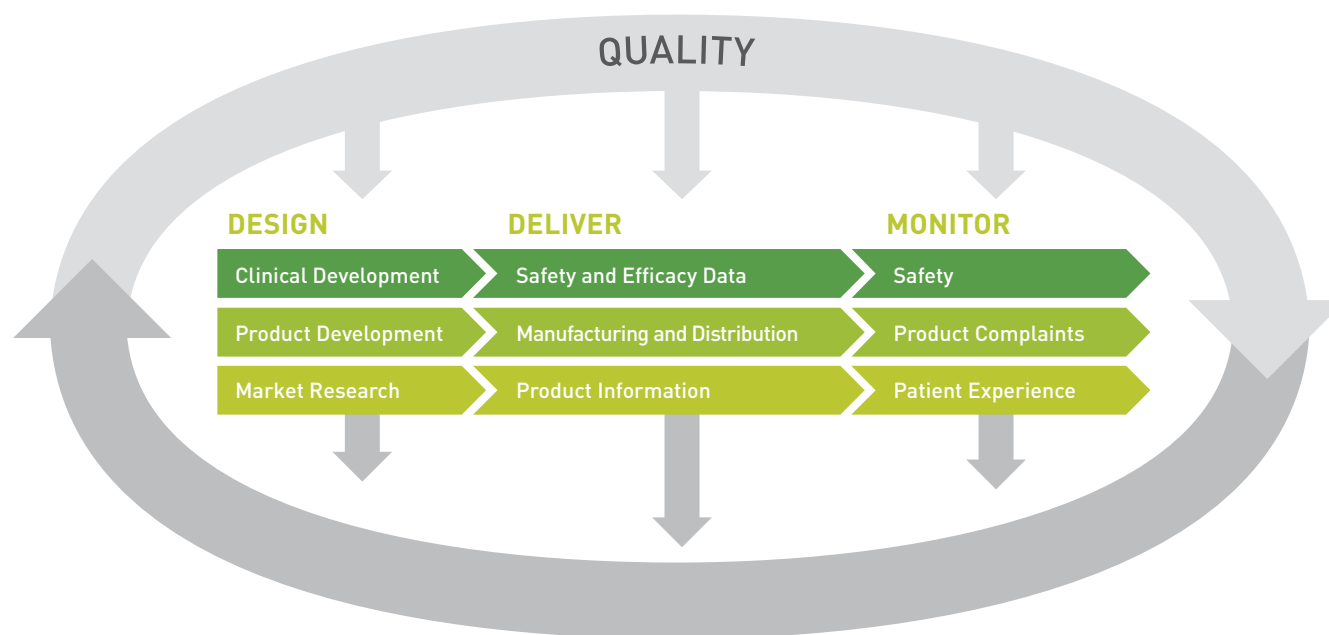
Lilly is known for superior quality—in our clinical trials, our products, and the information we provide to our customers. Producing quality medicines is our chief responsibility, and it is what protects the bond of trust

between Lilly and our customers. Every day, we work to make sound decisions consistent with current regulations, science, and the best interests of patients. Our goal is to always carefully listen to patients and customers, and to respond through continuous improvement.

To meet the expectation of quality that is Lilly's hallmark, our quality team updates and

manages the Lilly Quality System, providing the foundational quality requirements for processes throughout the product development cycle. An integrated structure of standards, business processes, organizational controls, and management controls, the Lilly Quality System is designed to assure that high-quality medicine and information get to every patient, every time. The system harmonizes quality approaches, as needed, among internal and external (contract) manufacturers of Lilly medicines, and provides the overall quality direction across the company.

To ensure we are able to meet these standards, Lilly's quality organization provides on-site support as well as conducts an annual risk-based audit plan to oversee both internal Lilly and external partner operations. Audit results provide us with the knowledge we need to continue to make improvements to our quality controls and systems.



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Lilly Global Manufacturing

Nearly 8,500 individuals—about 25 percent of our employee base—compose Lilly's global manufacturing organization. The group operates 24 company-owned sites on five continents and manages relationships with about 100 contract manufacturing organizations in 45 countries. Global manufacturing's mission is to ensure a continuous supply of the safe, high-quality medicines for which the Lilly brand is known.

The organization works across Lilly's business units to help deliver on company objectives and optimize value through a commitment to scientific excellence, quality, cost effectiveness, and integrity. All told, our global manufacturing function makes, packages, and distributes about 4,500 variations of our products (including different sizes, quantities, and label languages) for diverse markets around the world—60 percent on the pharmaceutical side of the business and 40 percent for Elanco, our animal health division.

We believe that focusing intently on both safety and quality leads to improved performance and productivity. To maintain continuous improvement, global manufacturing invests in the people, processes, technology, and facilities needed to ensure that Lilly and Elanco products provide the

quality people expect. The organization constantly measures performance and productivity against its own stringent standards and best manufacturing practices. We also use the Six Sigma process-improvement system, originally developed by Motorola, to pinpoint areas for ongoing improvement.

Global Patient Safety

Lilly's global patient safety organization is a team of more than 300 individuals, including physicians, pharmacists, nurses, and other drug-safety professionals. This group leads the company's efforts to report adverse events and continuously monitor the safety of Lilly's products through their entire life cycle, including the identification of changes in the benefit/risk balance.

Risk Education

When a regulatory agency approves a medicine, it has concluded that, for the overall public, the medication's benefits outweigh its risks for the conditions outlined in the product label. Still, accurate and up-to-date safety information is critical for healthcare providers and patients to best decide how and for whom a medication should be used. Lilly's role in risk management centers on helping healthcare providers make informed

COLEMAN OBASAJU, M.D., PH.D.
SENIOR MEDICAL DIRECTOR,
LILLY ONCOLOGY GLOBAL LEADER,
DIVERSITY IN CLINICAL RESEARCH

“Lilly's goal is to help improve individual patient outcomes. Because medicines don't work the same for everyone, we need to understand how medicines work and the safety profile in the patients likely to take them. And because culture can strongly influence how patients define health perception, lifestyle choices, and healthcare-seeking behaviors, we need to understand relevant cultural differences that impact patient outcomes.”

decisions about how and when a medicine should be used, how to monitor the patient for potential adverse events, and how to communicate to the patient about proper use of the medication. The Patient Safety section of Lilly's website is available to educate key external stakeholders about the role the pharmaceutical industry, the FDA, physicians, and patients play in ensuring medicines are safe and effective.

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For more than 137 years, the people of Lilly have approached our company's business with a deep sense of responsibility to those we serve—patients, physicians and other healthcare providers, shareholders, suppliers, business partners, our workforce, and the communities in which we operate. Our actions are grounded in our core company values of integrity, excellence, and respect for people. These values are not simply platitudes; they are infused into the Lilly culture and guide all that we do.

At Lilly, *how* we do business is as important as *what* we do. We strive to be a leader in corporate responsibility. We demonstrate our values through responsible business practices that reflect our commitments to strong governance principles; transparency; patient, customer, and employee privacy; ethical product promotion; and stakeholder engagement. Our participation in the public policy process also demonstrates our values and affects how we do business. This section of the report describes our efforts in, and approaches to, these areas in greater detail. It also highlights our work around ethical supply chain management.

Ethics, Compliance, and Governance

Our commitment to ethics and compliance is born of our commitment to integrity. Our policies, our Code of Business Conduct (which we call *The Red Book*), our compliance management systems, and our training programs reinforce ethical behavior.

As a global leader in the development, manufacturing, and sale of pharmaceutical products, we have implemented—and we continue to refine and improve—programs designed to promote ethical conduct and instill a culture of integrity. 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.

100%

PERCENTAGE OF LILLY
EMPLOYEES TRAINED IN ETHICAL
BUSINESS PRACTICES

1899

YEAR THE LILLY CODE
WAS ESTABLISHED

86,000

NUMBER OF LILLY
SUPPLIERS IN 2012

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We have invested significant resources in our ethics and compliance programs, among them programs that focus on privacy, anti-corruption, and appropriate product promotion. The elements of each program include training and communications designed to prevent potential issues from arising, as well as reporting, auditing, and monitoring to detect potential compliance gaps. We also have a robust investigation process and corrective and preventive action plans to address issues that are identified.

→ Ethics and Compliance Program Oversight

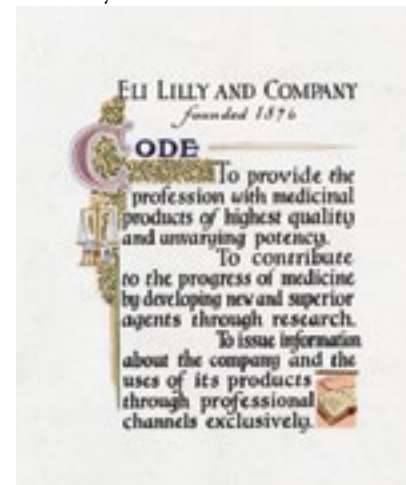
Responsibility for ethics and compliance at Lilly starts at the very top and cascades to all levels of the organization. Our board of directors' public policy and compliance committee, consisting of five independent director members, exercises direct oversight of Lilly's global ethics and compliance program. The board's audit committee has direct oversight of financial matters and some compliance-related audit matters.

Our chief executive officer routinely sets "the tone at the top" by speaking directly to employees about ethics and compliance issues through his blog, through audio and video messages, and through global town hall meetings.

The global ethics and compliance organization is charged with providing support for and assessment of compliance with global company policies that apply cross-functionally. The organization is headed by the senior vice president, enterprise risk management and chief ethics and compliance officer, who reports to the CEO and has direct access to the board of directors' public policy and compliance committee.

THE LILLY CODE

The Lilly Code, established in 1899 and illustrated in this 1932 version of the Code, served as the company's first mission statement and code of conduct. The Code established three areas of focus that endure to this day.



→ Code of Conduct, Policies, Standards, and Procedures

Our ethics and compliance programs include policies, standards, 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 23 languages, this document emphasizes the company's values and the importance of ethical decision-making, summarizes key principles from global company policies, and provides 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, STANDARDS, PROCEDURES, AND RELATED MATERIALS.** The information summarized in *The Red Book* is amplified by policies, standards, and procedures accessible to employees on the company's intranet. These documents govern Lilly's actions with respect to specific areas, including anti-corruption, privacy, product promotion, safety, medical research, communications, securities trading, record keeping, international transactions, ethical interactions with external parties, interactions with government and public officials, payments, grants and donations, meetings with healthcare providers, gifts, product samples, and many other topics. We also have functional policies, standards, and procedures that apply specifically to particular areas of our business.

→ 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.

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- **MONITORING.** Lilly maintains an ethics and compliance monitoring program. Its purpose is to evaluate whether the following have occurred:

- Compliance policies and procedures have been implemented,
- 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, standards, and government laws and regulations.

The program 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.

- **CORPORATE AUDITING.** Our internal auditing function, corporate audit services (CAS), conducts both financial and non-financial audits of all Lilly affiliates globally to evaluate compliance with various company policies and procedures. CAS audits include reviews of our anti-corruption program and our policies that govern ethical interactions. Other groups at Lilly routinely audit additional regulated functions (e.g., manufacturing, environment, and safety), as described elsewhere in this report.

→ Training and Communications

We believe training is a necessary part of promoting ethical behavior because all employees play a role in the success of our ethics and compliance program. The company's commitment to training and communication 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 group participate in a training and education session that focuses on understanding and implementing the elements of an effective compliance program globally. Training continues on a periodic and as-needed basis.
- Our leaders communicate regularly with employees to reinforce that they all must conduct company business in an ethical and compliant manner, 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, standards, and procedures seriously, and we appropriately investigate all claims of potential wrongdoing that are brought to our attention. We seek to address inappropriate conduct as early as possible and to prevent future recurrences. To accomplish this, a five-stage 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

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

- Healthcare providers whom Lilly pays for services, including clinical trial research, or to whom Lilly provides other items of value, such as educational opportunities;
- 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.

Privacy

At Lilly, we are committed to complying with privacy laws in all parts of the world and to acting ethically in our privacy practices. We work hard to meet our objectives of operating with transparency and honoring the privacy of all of those with whom we interact. We have a comprehensive global privacy program, including a global privacy office and a chief privacy officer, designed to protect the privacy rights of patients, consumers, healthcare professionals, our workforce, medical research subjects, and others. As a part of this global program, we have adopted robust privacy policies. These policies govern the collection of personal information necessary to our business operations and innovation. Our goal is to ensure that we always deliver on the promises we make to individuals whose personal information we collect and use—that no data subject is ever surprised by the ways in which we have handled their personal information. To do this, we have implemented reasonable technical, physical, and administrative safeguards to protect both personal and sensitive information from unlawful use and unauthorized disclosure, and we conduct regular monitoring and auditing. For more information on our privacy policies, see www.lilly.com/Pages/privacy.aspx.

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Transparency at Lilly

Lilly is a leader in transparency, and experience has taught us that transparency regarding business practices that involve financial payments to physicians helps to build trust with the public and other stakeholders. A look through the transparency lens at our business practices allowed us to confirm that collaboration and partnership between the industry and healthcare professionals are necessary to further innovation. In addition, we believe that fair compensation is due to healthcare professionals for services rendered in the drug development process, for medical education, or to support product promotion and commercialization. However, we understand that these relationships may be misconstrued if they are viewed as secretive. Transparency can also challenge us to view our business practices through the lens of external stakeholders. By listening and responding to stakeholders' concerns, we strive to continuously improve our transparency and the way we do business.

As a result, we have taken a number of steps to provide information on how we interact with key partners in the pursuit of advancements in medicine. Lilly first began voluntarily disclosing information to the public in 2004 when we published results from all of our clinical trials—even unfavorable ones. In an effort to increase transparency, we then began, in 2007, to disclose funding provided in the U.S. in the form of educational grants and charitable contributions. Also, as one of the requirements of its 2009 Corporate Integrity Agreement, Lilly has been required to disclose payments, reimbursed expenses, and all transfers of value to U.S.-based physicians on the Physician Payment Registry (visit the Lilly Physician Payment Registry website on www.lilly.com). In addition, Lilly publicly reports its financial support to **patient organizations** based in Europe and our company's **U.S. political contributions**.

These experiences have helped Lilly prepare to meet new obligations under the U.S. "OPEN PAYMENTS" regulations (implementing the U.S. Sunshine Act) and are also preparing Lilly to meet similar obligations under the European Federation of Pharmaceutical Industries and Associations (EFPIA) transparency initiative.

Lilly also dialogues directly with healthcare providers and others about transparency questions through EthicsPoint HCP hotline (1-877-237-8197 or elililly.ethicspointvp.com/custom/elililly/ep/).

Marketing Practices

Our commitments to ethical business practices are reflected in how we market our products. We introduce a medicine to the market only if we believe it addresses unmet patient needs. Once a product is approved for use, we communicate its benefits and risks, market it in compliance with company policies and applicable legal requirements, and monitor results for safety concerns.

Providing trusted, timely, and accurate information about our products is a vital part of our engagement with customers. We communicate product information to our customers in several ways. These include the following:

- Direct interaction between our sales representatives and prescribers, and account managers and public and private health care administrators;
- Information provided to patients and physicians through package labels and inserts; and
- Product websites and direct-to-consumer communications in some markets (see to the right).

All communications about our products are reviewed and approved internally (before use) for compliance with applicable legal

U.S. FOREIGN CORRUPT PRACTICES ACT INVESTIGATION

In August 2003, we received notice that the staff of the U.S. Securities and Exchange Commission (SEC) was conducting an investigation into the compliance by Lilly's Polish subsidiary with the U.S. Foreign Corrupt Practices Act (FCPA). Subsequently, we were notified that the SEC had expanded its investigation to other countries and that the U.S. Department of Justice was conducting a parallel investigation. In December 2012, we announced that we had reached an agreement with the SEC to settle its investigation. The settlement relates to certain activities of Lilly subsidiaries in Brazil, China, Poland, and Russia from 1994 through 2009. Without admitting or denying the allegations, we consented to pay a civil settlement amount of \$29.4 million and agreed to have an independent compliance consultant conduct a 60-day review of our internal controls and compliance program related to the FCPA.

requirements; in some jurisdictions, they are also submitted to regulatory authorities.

We are committed to following leading trade association codes of conduct regarding appropriate sales and marketing practices and interactions with healthcare professionals. These include international, regional, and country-specific codes such as the International Federation of Pharmaceutical Manufacturers & Associations (IFPMA) (for emerging markets), the European Federation of Pharmaceutical Industries and Associations (EFPIA) (for Europe), and the Pharmaceutical Research and Manufacturers of America (PhRMA) code (for the United States) (see www.phrma.org/code-on-interactions-with-healthcare-professionals).

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→ Direct-to-Consumer Communications

Given the increasingly complex health-care system, patients are seeking more information about diseases and treatments, asking questions, and evaluating their options before making choices. As a company responsible for developing new, innovative medicines, we are committed to providing communications that are truthful, accurate, and balanced. We believe that direct-to-consumer (DTC) disease-state communications—which are legal in the United States and permitted on a limited basis in some other countries—help to raise awareness of diseases and conditions that are often undiagnosed, untreated, or undertreated.

For similar reasons, we engage in DTC advertising in the United States, where we adhere to **PhRMA's Guiding Principles on Direct to Consumer Advertisements about Prescription Medicines** and additional internal Lilly principles on DTC communications.

ADDRESSING PARENTS' ADVERTISING CONCERNS

Since October 2010, we have participated in an initiative in the United States with the Parents Television Council (PTC) to alert parents to broadcast television programs that will contain advertisements for erectile dysfunction drugs. Lilly sends to the PTC weekly broadcast schedules of Cialis® advertisements. The PTC publishes advertising schedules for erectile dysfunction drugs on the PTC's website here: w2.parentstv.org/Main/Toolkit/Ed_Sched.aspx.

U.S. CORPORATE INTEGRITY AGREEMENT

In January 2009, as part of the resolution of a government investigation related to our U.S. marketing and promotional practices with respect to Zyprexa®, we entered into a Corporate Integrity Agreement with the U.S. Department of Health and Human Services Office of the Inspector General, which requires us to maintain our compliance program and to undertake a set of defined corporate integrity obligations for five years. The agreement also provides for an independent third-party review organization to assess and report annually on the effectiveness of the company's ethics and compliance program. This information is used, along with other information, to build enhancements into our ethics and compliance program.

THE IMPORTANCE OF STAKEHOLDER ENGAGEMENT

At Lilly, our engagement with a wide range of stakeholder groups provides a basis for developing innovative medicines and enhances our collective ability to improve patient outcomes, both of which are important to our business.

Participating in dialogue and partnerships with groups beyond our own company allows us to understand different viewpoints, explain our positions, and address differences when they arise. We approach these discussions through several departments at Lilly: public policy; government affairs; advocacy; health, safety, and environment; and communications. This Corporate Responsibility report and our related website are also part of that stakeholder dialogue.

This section of the report describes our engagement with advocacy organizations and provides examples of our stakeholder groups and engagement channels.

Engaging with Patient and Consumer Advocacy Organizations

We interact with advocacy organizations to address global healthcare challenges and to help shape the healthcare environment in ways that support patients. We believe that our role within this environment is discovering and developing breakthrough medicines, as well as providing information about these medicines and the diseases they treat to healthcare professionals, patients, and their caregivers.

Lilly values the independence of external organizations, and we recognize that an advocacy group's scientific or educational agenda, perspectives, and legal obligations may differ from our own.

We follow our company principles and industry codes when interacting with third-party patient and consumer advocacy groups. Our principles are built upon the concepts of compliance with legal requirements, open and honest communications, transparency, and a diversity of funding recipients.

We seek to establish collaborative partnerships that achieve the following:

- Engage stakeholders on matters involving public policy, improving patient access to treatment options, and supporting market-oriented solutions to the healthcare issues we all face;
- Build awareness about various disease states, treatment options, and the importance of adherence to treatment recommendations;
- Provide educational information, tools, and resources;
- Improve medical standards of care and foster productive communication between patients and their healthcare providers; and
- Serve varied populations and provide educational materials that are culturally appropriate and that respect the diversity of patients and caregivers.

LILLY FRANCE CONVENES PATIENTS' ASSOCIATION FORUM

Lilly France recently convened its first-ever Patients' Associations Forum, a full-day conference with representatives from 23 patient advocacy groups that advocate for patients with a wide range of conditions, including Alzheimer's disease, diabetes, and psoriasis. The meeting included several workshops and roundtable discussions about the challenges that the protocols governing clinical trials pose to patients and how they might be overcome so that more patients are encouraged to participate in such trials. For example, the advocates identified the need to provide more information to patients before, during, and at the end of the clinical trial process. The Lilly France medical team built the program in consultation with a board of 10 patient advocacy groups constituted specifically for this occasion, along with the help of the communications, regulatory, and clinical operations teams.

LILLYPAD

Our LillyPad blog provides a dialogue with the public on matters that are of mutual interest to us and to those following our industry. (See lilypad.lilly.com/) The blog, which includes posts from a variety of professionals across Lilly, focuses on public policy issues such as health and wellness, innovation, and job creation. It also describes our corporate responsibility initiatives, advocacy efforts, and the work that our employees do every day to make the world a healthier place in which to live. Visitors may add comments to contribute to the discussion.

Who Are Our Stakeholders?

STAKEHOLDER GROUPS AND EXAMPLES OF ENGAGEMENT CHANNELS

PATIENTS

- Healthcare provider discussions
- Educational materials and programs
- Product package inserts and medication guides
- Patient advocacy groups
- Patient support and assistance programs
- Online product resources
- The Lilly Answers Center telephone line
- Direct-to-consumer advertising

EMPLOYEES¹⁶

- Live “global town hall” meetings
- Intranet social collaboration/networking tools, including CEO blog
- Employee resource groups
- Employee surveys
- Electronic newsletters
- Hotline for ethics, compliance, and privacy questions/concerns

INVESTORS

- Daily interactions through our investor relations’ function
- Industry investor conferences
- Meetings in Indianapolis and major global cities
- Quarterly earnings communications
- Annual meeting of shareholders
- Annual report and other financial disclosures
- Periodic investment community update meetings

HEALTHCARE PROFESSIONALS

- Online medical information resources
- Disease-state educational programs
- Advisory boards
- Sales-force interactions
- Direct-mail communications
- The Lilly Answers Center telephone line
- Medication guides and package inserts
- Online registries
- Publications (manuscripts, posters, and abstracts)
- Medical letters
- Patient-support programs
- Lilly-sponsored symposia and scientific exchange meetings
- Medical and commercial booths at congresses
- Interactions with Lilly physicians, scientists, and medical liaisons
- Contracting for clinical trial investigation work
- Lilly-sponsored mobile apps that provide physicians with easy-to-access research and clinical trial information

GOVERNMENT AND REGULATORY ORGANIZATIONS

- Policy education materials
- Published policy research
- Responses to written requests for information
- Oral and written testimony
- Written comments on proposed regulations
- Policy discussions
- Advisory boards
- Meetings and conferences
- Communication of studies
- Lobbying activities
- Educational briefings
- Direct legislator and policy-maker engagement

SUPPLIERS

- Green procurement program
- Product Stewardship Standard
- Supplier self-assessments and qualifications
- Supplier audits that Lilly performs
- Supplier risk-assessment process
- Policy advocacy conversations with vendors

NON-GOVERNMENTAL ORGANIZATIONS

- Partnerships to support patients and families
- Partnerships to raise awareness about certain diseases
- Advisory board participation
- Participation in annual conferences/exhibitions
- Company communications
- Memberships

Our business partners, including those involved in research, development, commercial, and manufacturing alliances, are also important stakeholders. Our office of alliance management performs about 15 “Voice of Alliance™” surveys per year of more than 2,000 respondents, asking both our business partners and the Lilly employees involved in those partnerships how the collaborations could be improved.

COMMUNITY MEMBERS

- Employee service on boards and committees of local organizations
- Participation in local volunteer opportunities
- Employee-directed philanthropy

PUBLIC AND PRIVATE HEALTHCARE ADMINISTRATORS

- Account-manager interactions
- Disease-state educational programs
- The Lilly Answers Center telephone line
- Online medical information resources
- Advisory boards

¹⁶ Approximately 38,088 employees as of June 30, 2013.

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THE INSTITUTE OF MEDICINE DEFINES HEALTH LITERACY AS:

“the degree to which individuals have the capacity to obtain, process, and understand basic health information and services needed to make appropriate health decisions.”

Improving Patient Outcomes Through Health Literacy

Health literacy—or the ability to read, understand, and act on health information—is vital to achieving the best possible healthcare results for each individual patient. It means being able to read an appointment card, follow a healthcare provider's instructions, use a medical device, or understand medication instructions. Health literacy is not necessarily related to education level or general reading ability.

According to the National Assessment of Adult Literacy, two in five American adults have difficulty processing the healthcare information they need to make appropriate health decisions. The American Medical Association reports that the most commonly affected patients—low income individuals, the elderly, people with limited education, ethnic minorities, immigrants, and individuals for whom English is a second language—have more medication errors, hospitalizations, and higher levels of illness than those with greater health literacy.

The health literacy problem is a crisis of *understanding* medical information rather than simply being able to *access* information.

In alignment with our corporate vision of “Improved Outcomes for Individual Patients,” Lilly believes that clear health communication is a vital component of the healthcare delivery system in which pharmaceutical companies play an important role. Our health education department has made a strong push in recent years to improve healthcare communications and to better connect with patients in ways that are both meaningful and actionable.

It's not about oversimplifying our patient resources; it's about communicating in plain “living room” language so ordinary people can understand medical information and play a more active role in making appropriate decisions about their health.

We believe we can play a role by helping to address some of the gaps in healthcare communication. One way we have begun to do this is by partnering with nationally recognized health literacy experts to train employees and to help us assess, test, and implement new, clear communication standards for the materials and resources that we share with patients.

In 2012, our efforts received national recognition from the Institute for Healthcare Advancement, which awarded Lilly its Published Materials Award for outstanding achievements in health literacy for two educational pieces: **Eating to Feel Your Best and Being Active to Feel Your Best** and their Spanish counterparts, **Comer para Sentirse lo Mejor Posible** and **Estar Activo para Sentirse lo Mejor Posible**. The two brochures address some of the building blocks of good health: the importance of making healthy food choices and staying active.

Health literacy initiatives have also expanded to other areas within Lilly. For example, as of mid-2013, we have several



health literacy pilot programs in progress to improve the way we communicate with patients. One pilot program is evaluating the informed consent documents that are required of individuals to enroll in our clinical trials. Another pilot is focusing on the technical response documents used by agents in The Lilly Answers Center to more effectively respond to consumer questions. A third pilot project originating in the global patient safety division at Lilly aims to improve readability of key product-related documents intended for patients.

As a result of work like this, Lilly was invited to join the Institute of Medicine's **Roundtable on Health Literacy** in 2013. Lilly is currently one of just three pharmaceutical companies on the Roundtable, which brings together leaders from academia, industry, government, foundations and associations, and representatives of patient and consumer groups that have an interest and role in improving health literacy.

By participating on the Roundtable, we have an opportunity to make a difference on the national level and to directly support the **National Action Plan to Improve Health Literacy** as outlined by the U.S. Department of Health and Human Services.

We look forward to reporting on these efforts and other health literacy initiatives in the future.

EXPANDING OUR DIABETES OUTREACH

At Lilly, expanding our definition of diversity to include people with a wide range of healthcare, social, and situational needs makes sense to us. Both in the United States and globally, we are expanding our outreach and education for people with diabetes who fast during the Muslim holiday of Ramadan.

Up to 1.5 billion people worldwide practice the Muslim faith. The number of people with diabetes is growing at an alarming rate in many areas with large Muslim populations. Fasting during the holy month of Ramadan is an obligation for healthy adult Muslims, and some experts suggest that up to 50 million people with diabetes worldwide also observe the Ramadan fast.

For many people with diabetes, skipping or reducing meals can quickly result in serious complications. Since we recognize that many Muslims with diabetes wish to stay healthy while they fast, we are providing Ramadan-focused educational materials.

In the United States, we are developing structured education tools to share with healthcare professionals and religious leaders in five cities with large Muslim populations. Globally, we're providing information on fasting and diabetes through a tool called Conversation Maps™. These are visual "road maps" that facilitate group discussions so people with diabetes can get more involved in managing their disease. The new Ramadan-focused Conversation Maps, which were developed with the International Diabetes Federation, were made available in more than 20 countries in 2013. Read more about our Conversations Maps in the **Patients** section.

IMPROVING HEALTH THROUGH ENGAGEMENT WITH FAITH-BASED GROUPS

Lilly has long recognized that churches and other faith-based groups are powerful allies for improving health. We work with several religious communities to engage stakeholders.

Our ongoing relationship with the Church of God in Christ, which has 6 million members, most of them African American, has achieved some excellent results. Several years ago, we started working with the Church's leaders to distribute educational materials focused mostly on healthy and active lifestyle choices. The leaders have asked many times for more copies of our brochures, and we have now

given out close to 1 million brochures.

Individual churches within the Church of God in Christ have also become more engaged in keeping their congregations healthy. Many of the churches now run diabetes-screening programs. Some have revamped the menus in their church kitchens to create healthier meals. And some have applied for grants through First Lady Michelle Obama's "Let's Move!" program. These churches are truly investing in the well-being of their members, and we are glad that Lilly has played a small role in their success.

COMMUNITY CONVERSATIONS

Lilly is committed to helping improve healthy outcomes for people with chronic health conditions. In the United States, one of our initiatives is Community Conversations, which pulls together a variety of stakeholders in local communities to identify and develop solutions to the systems of care that may impact patients and their families. Lilly has worked alongside interested stakeholders to carry out Community Conversations based on agendas that are driven by local needs and priorities.

Community Conversations provides a broad spectrum of relevant stakeholders an opportunity to meet, hear from a technical expert, discuss information, and create an action plan. The program can lead to new partnerships, engage new and existing partners on critical issues, advance priorities, and build links and connections to important resources. For example, Lilly recently brought stakeholders together to talk about what can be done in communities to address unique issues related to Alzheimer's disease.

The initial results of the pilot program for Alzheimer's disease have been encouraging. Stakeholders representing public health clinics, emergency rooms, senior housing units, and law enforcement agencies have discussed new approaches to help meet the needs of people and families affected by the disease.

The program was originally developed to address a range of issues related to mental health care. The Community Conversations program in mental health has resulted in better collaboration between law enforcement agencies and the mental health profession and patient advocacy organizations, better integration of community resources and training programs for providers, and a platform for ongoing knowledge sharing and problem solving.

By serving as a catalyst and a connector, Lilly is playing an important role to improve the lives of people with mental illness and Alzheimer's disease.

ADVANCING PUBLIC POLICY

As a biopharmaceutical company that treats serious diseases, we play an important role in public health and related public policy debates. We believe it is important for our company to participate in global policy debates and form partnerships with various stakeholders to create innovative solutions to global health challenges. Our engagement in the public policy arena helps address the most pressing issues related to ensuring that patients have access to needed medications—leading to improved patient outcomes.

Through our policy research, development, and stakeholder dialogue activities, Lilly focuses on a number of dynamic areas that are important to our company, our industry, and the people we serve. We develop these positions with the needs of patients foremost and will sponsor policy research to engage with stakeholders while being informed.¹⁷ Throughout, we seek to strengthen our relationships with the primary party responsible for the public health—government—and collectively look for solutions that promote improved patient outcomes.

At Lilly, these public policy efforts center on areas that are critical for a sustainable innovation “ecosystem,” including intellectual property, healthcare delivery, pricing and reimbursement, regulatory system, and secure supply chain. More **detailed information on key issues** is available on lilly.com.

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 activity 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

SUSTAINABLE INNOVATION

Through our engagement in the public policy arena, we strive to do our part in an “ecosystem” of innovation—an environment where innovators can bring forth the benefits of medical breakthroughs for all nations and people and where these medical breakthroughs can reach the people who need them. An “ecosystem” of innovation has several important elements, including sound intellectual property protection and a functioning regulatory system.¹⁸

Indeed, people cannot access medicines that have never been invented. Therefore, society benefits in the long term when intellectual property protection encourages creation and invention—such incentives lead to solutions for unmet medical needs—and when regulatory systems are transparent, predictable, and aligned with global frameworks—such operations help speed innovation to patients.

Consequently, Lilly supports policies that balance the long-term benefits of medical innovation with the high cost of developing such technologies.

IN 2012, LILLY SPENT THE FOLLOWING AMOUNTS:

- A total of \$1,680,410 in political financial support in the United States: \$439,550 in corporate contributions and \$1,240,860 through the Lilly Political Action Committee (PAC).
- \$10.95 million 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.

¹⁷ These are examples of Lilly-sponsored policy research projects:

- A pilot study to identify areas for further improvements in patient and public involvement in health technology assessments for medicines,
- Drug reimbursement recommendations by the National Institute for Health and Clinical Excellence: Have they impacted the National Health Service budget?

¹⁸ You can read more about the ecosystem approach [here](#).

ANTI-COUNTERFEITING MEASURES

To ensure patients have access to trusted medicines, a secure supply chain is a necessity. The global problem of counterfeit medicines requires a sustained, long-term commitment. Despite the ongoing efforts of law enforcement and health authorities throughout the world, as well as the efforts of the pharmaceutical industry to increase the integrity of the supply chain and support transnational law enforcement cases, the rate of counterfeiting continues to increase significantly. Collaboration and cooperation are critical to stop this dangerous trend. Lilly is committed to working with a wide range of public and private partners to reduce the threat to patients. To learn more, see **Tackling the Threat of Counterfeit Medicines**. To read more about critical elements within trade agreements, see our **trade agreements policy**.

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 Lilly PAC, 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?
- Does the candidate represent a state or district where Lilly operates a facility or has a large concentration of employees or retirees?
- Would Lilly support have an impact on his or her campaign?

Eligible Lilly employees in the United States may choose to make voluntary contributions to the Lilly PAC. Lilly PAC donations, which are made in accordance with its budget, are determined annually by the Lilly PAC governing board, which is composed of 13 U.S.-based employees from various groups within the company. Support is divided between the federal and state levels and allocated among various candidates according to specific recommendations from Lilly's government affairs department and employee PAC members. Lilly PAC meets all disclosure requirements and is audited annually by Ernst & Young.

Memberships

In addition to direct political contributions, Lilly maintains memberships in organizations that report lobbying activity to the U.S. federal government. We support organizations that champion public policies that contribute to pharmaceutical innovation, healthy patients, and a healthy business climate. Our annual report of **Political Financial Support** also notes our memberships in trade associations that report lobbying activity to the U.S. government and to which we contribute \$50,000 per year or more.

What follows is a list of U.S.-based organizations that conduct lobbying activities to which Lilly contributes a minimum of \$50,000 a year. Organizations with which Lilly holds a board seat are noted to reflect our greater degree of involvement in setting priorities for these organizations.

➔ Memberships in 2012:

Board seat:

- American Feed Industry Association
- Animal Health Institute
- Biotechnology Industry Organization
- Greater Indianapolis Chamber of Commerce
- Healthcare Leadership Council
- Indiana Chamber of Commerce
- National Association of Manufacturers
- Pharmaceutical Research and Manufacturers of America

Non-board seat:

- Business Roundtable
- U.S. Chamber of Commerce

MANAGING OUR SUPPLY CHAIN

Ensuring our products are in stock and available globally wherever patients need them is one of our top priorities. As worldwide attention has increasingly focused on the need to monitor global supply chains to ensure reliability and safety, we at Lilly have continued to invest in this area. Through better integration of Lilly-owned facilities and external suppliers, we have been able to provide a consistent flow of materials so we can manufacture our medicines in a more efficient and effective manner. We view our supply chain as an extension of our operations, and we strive to instill our company's operating principles within our supplier network. These include our support of the United Nations Global Compact principles, adherence to labor laws, development of a diverse supply base, and the promotion of sustainability efforts to minimize our environmental impact. To learn more about our environmental impacts and how we work to mitigate them, see **Fostering Environmental Sustainability**.

Lilly's Supply Chain at a Glance

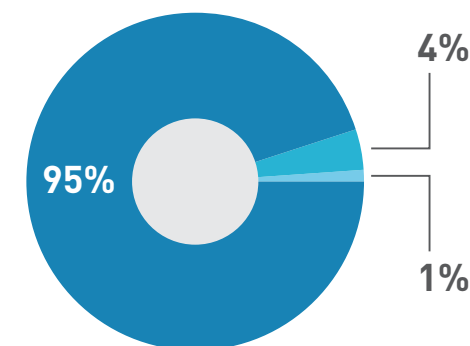
Lilly maintains relationships with thousands of suppliers of materials and services. We categorize these suppliers into three tiers to help identify their potential impact to our business from a supply risk¹⁹ perspective. See the chart for more detail.

Maintaining Quality, Safety, and Security of Supply

Our ability to manufacture quality medicines for the people we serve depends on the quality and availability of the materials used

¹⁹ Supply risk is the risk associated with Lilly's dependence on a third party for either services or materials that are critical to the operation of our business. Supply risk can come from many factors, including but not limited to supplier financial stability, the ability to produce or provide services in a quality manner, or the impact of a natural disaster on the supplier's site. This risk is monitored on an annual basis, and mitigation plans are implemented and monitored to minimize it.

LILLY SUPPLIERS IN 2012 BY TYPE



- TIER A:** Suppliers provide goods and services across a range of areas needed for general business functioning. These include general office supplies, travel services, IT equipment, catering, and other routine services.
- TIER B:** Suppliers provide raw materials and other common commodities used for packaging and manufacturing operations. These include packaging materials, waste disposal services, and energy.
- TIER C:** Suppliers provide active pharmaceutical ingredients, including specialty chemicals. Suppliers in this tier include active ingredient suppliers, contract manufacturers, and research and development labs.

In 2012, Lilly used the services of approximately 86,000 suppliers. Supplier data include Elanco, our animal health division.

the maintenance of our inventory of critical raw materials across the company. These inventory levels are monitored quarterly to assure they are adequate.

We have a number of ongoing initiatives to enhance the security of our supply chains and our extended distribution network. For example, over the past few years, Lilly has played a leading role in the industry to help spur the global adoption of **Transported Asset Protection Association (TAPA) standards**. Now commonplace across the industry, these standards govern the warehousing and shipping of goods. TAPA helps ensure that a

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The Importance of Stakeholder Engagement

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• Managing Our Supply Chain

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certain level of security for our pharmaceutical transportation carriers and warehouse/distribution center facilities is met.

Securing a legitimate supply chain and protecting consumers from counterfeit medicines is also a major focus for Lilly. See **Tackling the Threat of Counterfeit Medicines** to read more about our broad-based anti-counterfeiting efforts, including product serialization and traceability.

Our Involvement in the Pharmaceutical Supply Chain Initiative

Lilly follows the **Pharmaceutical Industry Principles for Responsible Supply Chain Management**, as set forth by the Pharmaceutical Supply Chain Initiative (PSCI), an industry group in which Lilly is an active participant. The PSCI principles, which Lilly adopted in 2009, were designed to align with those of the United Nations Global Compact; they represent high-level expectations set for industry suppliers in the areas of ethics, labor, health and safety, the environment, and related management systems.

The vision of PSCI is that, through the application of these principles, better social, economic, and environmental outcomes will result in a more sustainable pharmaceutical supply chain for all involved parties. These include improved conditions for workers, enhanced global economic development, and a cleaner environment for local communities.

Lilly fully embraces the vision of PSCI. We are committed to influencing positive social and environmental change in the pharmaceutical industry, including helping to build our suppliers' capabilities. Through our participation in PSCI, Lilly, alongside 16 other major pharmaceutical companies, shares a goal of providing suppliers and service providers with common HSE, labor, ethics, and business management standards. To learn more about Lilly's work to mitigate

environmental impacts across the product lifecycle, see **Fostering Environmental Sustainability**.

In mid-2012, Lilly, in conjunction with the other participating companies of PSCI, began developing baseline supplier questionnaires that address not only compliance with HSE standards, but also human rights and ethics. We also began collaboration with PSCI to conduct joint industry audits of selected suppliers. These on-site audits are aimed at assessing and verifying the adherence of our suppliers to high standards in HSE performance, human rights, and ethics.

Building on this work, in April 2013, Lilly modified its own self-assessment questionnaire to align with the PSCI template. In addition, we are beginning to align our on-site assessment program to incorporate additional human rights and ethics expectations.

As part of Lilly's ongoing supply-chain risk management, Lilly suppliers in Tiers B and C are requested to complete a supplier self-assessment questionnaire. Tier A suppliers must indicate that they support the PSCI principles and sign a statement testifying to this effect. Suppliers in Tiers B and C must be available for on-site assessments at Lilly's discretion.

Our ongoing work in this area will also include the development of a library of supplier capabilities and the development of workshops that will provide tools and materials to help our suppliers and supplement their HSE programs.

Upholding Human Rights Throughout the Supply Chain

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 abide by Lilly

CHARLES FISHER

SENIOR DIRECTOR, GLOBAL SUPPLY CHAIN

“At Lilly, we recognize that a detailed understanding of our entire supply chain is critical to meeting patients' needs and expectations. We established an integrated system of policies, business processes, and governance structures to ensure our global supply chain is safe, effective, and responsible.”

human rights standards as one piece of our **Supplier Code of Conduct**.

➔ Conflict Minerals

Lilly is concerned with the many human rights violations that occur in the Democratic Republic of Congo and the surrounding region. The conflicts that are occurring in this region may be financed by the mineral mining of cassiterite, columbite-tantalite, wolframite, and gold. In support of the provisions in the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, Lilly is working to develop a better understanding of the supply chain of “conflict minerals” used in our products and will conduct due diligence to determine the origin of these raw materials to avoid the inadvertent support of businesses associated with human rights violations. This work will require our suppliers to develop a thorough understanding of their supply chains. We expect our suppliers to provide information regarding the origin of parts or products supplied to Lilly and whether those parts or products contain “conflict minerals.”

TACKLING THE THREAT OF COUNTERFEIT MEDICINES

Counterfeit medicines, produced and distributed by global criminal networks, are an increasing threat to patient safety. The Pharmaceutical Security Institute documented 2,018 incidents of pharmaceutical crime during 2012, a 1.6 percent increase over 2011, with incidents reported in 123 countries. According to data from the World Economic Forum, counterfeit drug sales generated an estimated \$200 billion in illicit profits in 2011 alone. Every year, healthcare providers, health authorities, and law enforcement agencies must spend an increasing amount of resources to combat this growing threat. Lilly faces this same challenge. We employ a variety of anti-counterfeiting strategies for our medicines and are actively engaged in efforts to combat counterfeiting to protect patients and the Lilly brand.

Counterfeiting is an issue that has historically affected many developing countries, but the Internet has exacerbated the problem by serving as a platform to increase the availability of these dangerous products globally. In the European Union (EU), approximately a quarter of all counterfeit goods detained in postal traffic in 2012 were medicines.

Today, counterfeit medicines are exported across borders using conventional and unconventional trade routes and shipping methods that change frequently in response to regulatory and law enforcement actions. Products are often made in one country, trafficked through other countries, and ultimately sold to consumers in yet another country.

Ensuring that patients can continue to benefit from safe medicines requires innovative approaches to expose and outwit counterfeiters—and a broad, coordinated effort among many stakeholders to give patients confidence in the safety and efficacy of the medicines they take. Lilly has made a sustained, long-term commitment to address

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

Securing the Legitimate Supply Chain

For many years, Lilly has used various types of anti-counterfeiting and tamper-evident technologies as part of the overall strategy to protect patients. We are also putting systems in place to meet emerging pharmaceutical “track and trace” standards around the globe. These standards are designed to help patients, pharmacists, and others

determine if a given medicine is a fake or the real thing.

Serialization, the unique identification of individual packs of medications, is a particularly promising technology. As each batch of finished product is packaged, a globally unique two-dimensional code is assigned and physically marked on the product’s packaging. To track and trace the movement of individual packs, serial numbers can be recorded and electronically linked to outbound deliveries to customers. As a result, some countries have begun to require serialization, including pharmacy validation that a serial number is valid, before dispensing a given medicine to patients. By requiring not only manufacturers, but also wholesalers and pharmacies, to record shipments and receipts of serialized products, a documented chain of custody can be established.

Implemented correctly, serialization will help secure the legitimate supply chain, while simultaneously offering other benefits to patients and the healthcare providers who serve them. These include automated checking of expiry dates, a way to record the batch number of specific medicines in a patient’s electronic medical records, and a reduction in fraudulent reimbursement claims for medicines not actually dispensed to patients.

Lilly is making a considerable investment in its packaging operations, distribution centers, and information technology infrastructure to support this initiative, which will include new technology on more than 30 packaging assembly lines around the world. The incremental cost of meeting these standards is significant: a roughly \$100 million investment. Additionally, Lilly is working closely with other organizations to advocate for common serialization standards in the United States and globally. These efforts will help doctors, pharmacists, and patients around the world trust the legitimacy of the medicines they prescribe, dispense, and receive, respectively.

Deterring Counterfeiters Online and in the Field

Nearly 97 percent of online drug sellers are not legitimate under U.S. pharmacy laws. The vast majority of pharmacy websites do not require a valid prescription to sell a medicine; others issue an on-the-spot “prescription” after a visitor completes an online questionnaire. This setting provides the perfect haven for counterfeiters to sell counterfeit medicines.

Lilly is deeply engaged in efforts to close off such illegitimate channels on the Internet. We are a founder and board member of the Alliance for Safe Online Pharmacies (ASOP), a broad coalition of stakeholders with an interest in protecting patient safety and ensuring patients have access to safe and legitimate online pharmacies. In Europe, we are an active partner in the European Alliance for Access to Safe Medicines (EAASM) and ASOP EU to further educate patients about the dangers of counterfeit medicines and encourage Internet stakeholders to take voluntary action to tackle the problem of illegal online pharmacies.

Lilly works collaboratively with European stakeholders (pharmacists, wholesalers, and parallel distributors) on the successful implementation of the Falsified Medicines Directive. The Directive is an EU initiative designed to safeguard public health by regulating pharmaceutical supply chains and monitoring activity to help prevent counterfeit medicines from being dispensed to patients through legitimate supply chain channels in the European Union.

In addition, Lilly supports prosecutors and other law enforcement personnel in the criminal prosecution of counterfeiters around the world by gathering evidence, testing samples, testifying in court, and filing civil actions. Lilly also participates in the World Customs Organization’s Interface Public-Members (IPM) database, a secure

JOHN C. LECHLEITER, PH.D.

CHAIRMAN, PRESIDENT, AND CEO,
ELI LILLY AND COMPANY, MARCH 2013

“Drug counterfeiters put at risk the health of patients around the world by producing substandard and sometimes lethal medicines. Putting an end to counterfeiting requires broad, coordinated action on a global scale. This new initiative between the pharmaceutical industry and INTERPOL is aimed at helping ensure that patients can trust in the safety and efficacy of the medicines they rely on.”

online tool serving as an interface between front-line customs officers and the private sector. IPM is used by customs agents to help identify counterfeit products that cross national borders.

Partnering with Global Stakeholders

In March 2013, INTERPOL and 29 of the world’s leading pharmaceutical companies joined forces to launch a landmark agreement to combat counterfeit medicines. The three-year initiative is funded by an investment of nearly \$5.9 million combined from the companies involved and is designed to forge strong partnerships between law enforcement and industry to enhance the global response to pharmaceutical crime.

The program targets multiple issues, including combating branded and generic drug counterfeiting, as well as identifying and dismantling organized crime networks linked to this illegal activity. Lilly was a leader in the formation of this important public-private partnership.

SUPPLIER DIVERSITY

Lilly aspires to broaden the participation of small and diverse businesses in our supplier network. Supplier Diversity Development (SDD) delivers value and creates a competitive advantage for Lilly by linking the external capabilities of ethnically diverse, women-owned, and small businesses to Lilly’s internal business needs, helping to spur innovation and creativity. In so doing, we are better able to understand and connect with those we serve. Diverse suppliers are defined as those with at least 51 percent ownership by an ethnic minority, a female, or one that is categorized by the U.S. Small Business Administration as a small business.

The mission of our supplier development efforts is to accomplish the following:

- Encourage diverse and small businesses to grow as they work with Lilly and to attract new business to our communities—creating a greater quality of life;
- Utilize smaller niche suppliers to provide competitive opportunities over larger, well-known companies—giving Lilly an advantage when achieving business objectives; and
- Access additional expertise from diverse businesses to bring fresh perspectives and cutting-edge opportunities from an often untapped source of talented suppliers.

Since 2005, the U.S. Small Business Administration has recognized Lilly as “outstanding” in our efforts to promote and maintain supplier diversity, and we strive to maintain this rating. In 2012, we spent a total of \$500.5 million with 346 businesses classified as diverse and 304 woman-owned businesses, as well as \$714.7 million with 1,610 businesses classified as small.

SUPPORTING STRONG WORKPLACE PRACTICES

At Lilly, we invest in our people, providing competitive salaries, robust training and development programs, and benefits to support their overall well-being. Our culture fosters collaboration and engagement, builds teamwork, and inspires creativity. Our talented and engaged employees are part of an enterprise that strives to make a positive difference in the lives of patients worldwide.

We're proud to be recognized year over year as one of the best places to work. That's a legacy instilled more than 137 years ago by our founder, Colonel Eli Lilly. His values of integrity, excellence, and respect for people remain the hallmarks of our company and drive us in fulfilling our mission: making medicines that help people live longer, healthier, more active lives.

We welcome and encourage a diverse, multicultural workforce that is reflective of the patients we serve and are committed to upholding the principles of nondiscrimination. We promote a culture of health and safety and are working hard to reduce our injury rates across our company.

A Rewarding Work Environment

Creating an environment where our employees are able to bring their whole selves to work is important for an innovation company like ours. When employees feel they belong, they're free to focus on what truly matters: our patients.

Inspired levels of employee engagement and productivity are achieved through investments that promote individual well-being and contribute to overall organizational health.

Compensation and Benefits

Lilly's pay programs are designed to deliver total compensation that is competitive with the market, drive a high-performance culture by rewarding top performers, and be affordable for the business. Our pay-for-performance philosophy links individual and company performance with compensation to help employees understand the relationship between the work they do and the company's bottom line.

Employees are evaluated annually for development and performance. The process, which is required for all employees, includes a set of tools and resources designed to align individual work with company objectives and positively impact performance through assessment, coaching, and continuous improvement.

38,088²⁰

WORLDWIDE WORKFORCE
(AS OF JUNE 30, 2013)

75

NUMBER OF DIFFERENT
NATIONALITIES REPRESENTED
IN THE WORKFORCE

50

APPROXIMATE NUMBER OF
LANGUAGES SPOKEN AT
INDIANAPOLIS HEADQUARTERS

24%

REDUCTION IN TOTAL RECORDABLE
INJURY RATE SINCE 2007

²⁰ The majority of Lilly's workforce are full-time employees.

WORKFORCE HIGHLIGHTS

EMPLOYEES (AS OF JUNE 30, 2013)

10,175	Indianapolis
944	Indiana (excluding Indianapolis)
5,815	United States (excluding Indiana)
21,154	Outside United States
7,700	Approximate number of research and development employees
10%	Estimated percentage of workforce at headquarters born outside the United States

Lilly invests in a wide array of benefits to support our employees around the world. Depending on location, these benefits may include: retirement programs; health coverage for individuals, spouses, domestic partners, and eligible family members; disability benefits; and life insurance. In some locations, we also offer health benefits to our retirees and their eligible partners, spouses, or survivors. Many of the benefit programs are flexible to allow employees to tailor them to their individual needs. In the United States, we offer the same core benefit programs to all regular-hire employees, which promotes fairness within the company.

Learning and Development

We provide our employees with opportunities to build careers that reward them personally and professionally. By enhancing employee knowledge and skills, we help our

company remain viable in an increasingly competitive environment.

Lilly employees receive approximately 40 hours of required training each year and have access to additional learning and development programs based upon their functional expertise and career aspirations.

Employee development includes training programs that encourage a diverse, nondiscriminatory, and respectful working environment. We require diversity training for new hires in the United States; supervisors in the United States complete additional diversity training.

Our succession-management process identifies individuals who we believe have the ability to lead at higher levels. We work to develop women and diverse employees for consideration for future openings in key positions. Managers from each division assess employees in their organization to determine which individuals have the potential to take on more senior roles. These employees are provided development opportunities in their organizations to grow in their leadership capability. Lilly also conducts leadership retreats globally for employees who represent diverse talents and backgrounds.

In addition, Lilly sponsors a wide array of cultural and educational programs designed to develop and support women, people of diverse backgrounds, and people with disabilities both internally and externally, including the following:

- **CENTER FOR LEADERSHIP DEVELOPMENT (CLD):** Lilly is a long-time corporate partner with the Center for Leadership Development in Indianapolis, which fosters the development of minority youth. One of the CLD's initiatives is the annual Corporate Youth Summit, where attendees interact with senior Lilly leaders and learn tips on how to succeed in business and in life.
- **SUMMER INTERNSHIPS:** Each year, more than 150 individuals—many non-white

FREEDOM OF ASSOCIATION

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.

and/or female—participate in summer internship programs designed to help us recruit, retain, and develop a diverse workforce. We have an extensive global MBA internship program in 20 Lilly locations around the world with major emphasis in the United States, China, and Japan. In the United States, we seek to recruit female MBA talent through a partnership with the Forté Foundation, a consortium of major corporations and top business schools. In addition to hiring MBA interns, we have an extensive program for engineering students to support our manufacturing and quality functions. A primary reason we offer our internship program is to recruit full-time talent.

Lilly maintains a campus recruiting initiative at many of the top colleges and universities in the United States, including historically black colleges and universities. In addition,

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CONDUCTING OUR BUSINESS ETHICALLY AND TRANSPARENTLY

SUPPORTING STRONG WORKPLACE PRACTICES

Diversity and Inclusion

Employee Health, Safety, and Wellness

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to gain exposure to diverse talent, we align with a number of national organizations, including National Society of Hispanic MBAs, Black Data Processing Associates, National Black MBA Association, Asian MBA, Adelante, Thurgood Marshall College Fund, National Organization for the Professional Advancement of Black Chemists and Chemical Engineers, National Society of Black Engineers, Society of Hispanic Professional Engineers, The Society of Women Engineers, and The Consortium for Graduate Study in Management.

Recruitment, Hiring, and Retention Practices

As a global company, we search around the world for talented individuals. To address the medical needs of millions of people, we must have a diverse group of employees who understand the varying needs of the people we serve. We transfer employees from location to location for leadership development and staffing of critical skill requirements. We hire locally and promote from within whenever possible.

We also pay particular attention to retention rates. We believe that it takes time to deeply understand the drug development process. As a result, long-service employees are often in the best position to cultivate the innovation that leads to the breakthroughs that customers expect. As a result, we pay particular attention to the interests of individuals. We want to see a clear indication that Lilly is a place where people enjoy their work and find it meaningful, where they want to build a career, where they want to raise their families, where they feel valued, and where they feel like they can make a contribution.

Engaging Employees

Effective employee collaboration is critical to our success, and we use a variety of programs and tools to engage our employees and foster and promote teamwork.

Lilly employees are asked to participate in an annual Pulse survey, which helps understand employee morale and engagement. Responses also give valuable feedback to our leaders about how they are leading during this challenging period. The number of employees who participate in the survey remained high in 2012, at 82 percent. Results of the 2012 survey show that employees are feeling more positive about Lilly, individual work areas, and our leadership compared to 2011. Overall employee "satisfaction in Lilly" rates also improved—from 68 percent to 74 percent. Our greatest strengths remained the same from 2011. These are in the areas of engagement, integrity, teamwork, and accountability. Although we made some progress over 2011 results, improvement is still needed in such areas as prioritization and eliminating roadblocks that stand in the way of achieving results.

Leaders globally are being held accountable for higher levels of employee engagement at Lilly. As part of this accountability, we asked leaders to take specific actions in their areas of responsibility. For example, leaders at Lilly Hong Kong took actions to address issues related to retention identified in the annual employee survey. These included increasing positive communications from leadership, creating an employee appreciation bulletin board, re-evaluating awards, and allowing greater employee flexibility in decision-making. In Germany, the leadership team focused on the need to reduce stress identified in the Pulse survey through the development of the Lilly Balance Program, featuring recreational opportunities for employees and a Zen balance room.

Our signature employee-engagement program—Connecting Hearts Abroad—allows employees to volunteer, on company time, for two weeks around the world. Our volunteers work in communities where people lack access to basic resources, including quality health care. Launched in 2011, the program is helping employees from all different operational

PRIVACY CONCERNS

We were the first in our industry to formally implement a policy to protect the privacy of our employees' genetic information, with the goal of ensuring such information cannot be used to discriminate in employment and benefit-related decisions.

areas learn about the diverse populations our company serves.

Our colleagues who volunteer for these experiences return home as better employees and stronger leaders. Since the program began, more than 400 Lilly employees have devoted nearly 24,000 hours of service to helping children, families, the elderly, and communities in need. For more on this initiative, see the **Engaging with Patients and Communities** section of this report.

We also provide an online tool for business-oriented social collaboration. "The Loop," an internal social-networking site, offers employees a platform for collaborating across teams, functions, and geographies. Through it, our workforce can tap into each other's expertise, insights, and creativity.

Piloted in the fall of 2010, the Loop now attracts more than 20,000 regular Lilly users. Available to all employees, the online forum has helped our employees meet new experts within the company, expand internal professional networks, and make new friends.

Popular uses include interactive internal newsletters, project coordination, personal interest communities, senior leader communications, employee wellness campaigns, and support for new business processes and tools.

In late 2012, The Loop won the *Information Week* 500 Top Industry Innovator Award within the pharmaceutical industry.

Supporting Our People

From baby boomers to millennials, working families to singles, we offer opportunities for employees to balance the competing facets of their lives to maximize success.

We invest in a number of programs around the world to support our employees at work and in life. While program offerings vary by location, our intent is to reflect multiple dimensions of personal well-being, including physical and emotional health, planning for a successful financial future, development within a career, establishment of successful relationships, and the ability to positively impact our communities.

At our Indianapolis headquarters, employees can visit an on-site health clinic for personal needs such as allergy and influenza injections, mammography services, laboratory tests, immunizations, and wellness checkups, as well as care for occupational injuries and illness. This campus also provides conveniences such as multiple fitness facilities, two child development centers, a credit union, and dry cleaning services.

Flexibility in the Workplace

For Lilly, flexibility in the workplace is about being able to recruit and retain the best talent in a competitive marketplace and to prepare for the changing environment. It's a mindset that focuses on business outcomes and less on when and where the work is completed; and it's grounded in collaborative relationships between employees and their supervisors.

In 2012, Lilly was recognized by *DiversityInc* as a "Top Company for Working Families" and was cited as a model of workplace flexibility. Our programs are also being recognized at the local affiliate level (see the box above: *Lilly Korea named "Best Family Friendly Company"*).

LILLY KOREA NAMED "BEST FAMILY FRIENDLY COMPANY"

In 2011, Korea's Ministry of Gender Equality and Family and the Ministry of Health and Welfare named Lilly Korea a "Best Family Friendly Company." This program encourages companies to create a family-friendly environment with a culture that supports work-life balance. Female talent retention and productivity improvement are also important goals of this program. To receive the certification, which is valid for three years, Lilly Korea underwent a robust evaluation process that reviewed internal policies and programs, while also conducting employee surveys and management team interviews over a four-month period. There have been 106 companies, including public agencies, that have been recognized by the Ministry to date, and Lilly Korea is the only multinational pharmaceutical company among them.

A NEW LIFE

At our Indianapolis headquarters, a new LIFE (Lilly Integrated Fitness Environment) facility highlights our commitment to supporting the well-being of our employees. Whether for physical fitness, stress relief, or personal development, the center offers an environment specifically designed for employees to be at their best. The 24,000-square-foot facility features various group fitness classes including a cycling studio, a bike hub for those who choose to bike to work, bicycles for employees to borrow, locker facilities, and an energy refreshment bar. Just outside the facility is a multipurpose track and soccer field.

RESTRUCTURING AT LILLY

Lilly has been confronting a challenging business environment as we face the expiration of several important Lilly patents.

From 2009 to 2011, we eliminated nearly 5,600 full-time positions across Lilly, not counting additions made in high-growth areas of our business, such as Elanco, diabetes, and business development, or in high-growth regions, like Japan. Now it's our goal to keep our headcount flat at least through the end of 2014. That said, staffing levels in some areas will go up in some areas as we focus on urgent priorities—such as advancing our drug pipeline—and will likely go down in others.

In 2013, we announced we would need to restructure in the U.S., resulting in a reduction of up to 30 percent of our full-time U.S. sales force, and that we would be closing our manufacturing site in Giessen, Germany, in 2014. About 125 full-time and 100 flexible-staff employees will be affected at our Giessen site. We also plan to close our manufacturing site in Mexico City by mid-2015. The majority of the site's 130 full-time employees and around 70 flexible-staff employees will be impacted.

Lilly strives to comply with all minimum-notice periods governing workforce reductions and other significant operational changes. These difficult decisions affecting people's lives are not taken lightly, and we strive to adhere to our core value of respect for people as we carry them out. Depending on location, Lilly offers a number of workforce transition services and severance pay.

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Workplace Awards

Across the globe, we're frequently ranked as one of the best companies in the world at which to work. Some recent recognition includes the following awards:

- Top 50 Companies for Diversity: For the third year in a row, Lilly has been named to *DiversityInc's* "Top 50 Companies for Diversity" list (2013), which recognizes diversity best practices.
- Top 100 Best Places to Work: *Working Mother* magazine (1995–2013).
- Best Places to Work, Corporate Equality Index: Lilly achieved a perfect score of 100 each year on the Human Rights Campaign (2006–2012). The index measures an organization's efforts toward creating an equitable environment for lesbian, gay, bisexual, and

transgender (LGBT) employees. The company also has been named a Workplace Excellence Award finalist by Out & Equal Workplace Advocates and a Top Company for LGBT Equality by *Work Life Matters Magazine*.

- Top 50 Companies for Executive Women: Lilly has been recognized for the fifth year as a company that encourages women's advancement by the National Association of Female Executives (2009–2013).
- Top Company for Working Families: Lilly was cited as a model of workplace flexibility for employees by *DiversityInc* (2012).
- Top 20 Employers Survey, *Science*, Lilly ranks No. 5. More than 3,600 people responded to the survey, which asks readers to identify the most respected employers in the biotechnology and biopharmaceutical industries.

In addition, Lilly has been selected as a 2020 Women on Boards Winning Company for commitment to diversity on our board of directors. Women on Boards is a national campaign to increase the percentage of women on public corporate boards to 20 percent by 2020. Nearly one third of **Lilly's board of directors** is female.

See Lilly.com for more honors.

While not all-inclusive, the following map provides a snapshot of Lilly's global workplace awards.

GLOBAL WORKPLACE AWARDS

U.S.

DiversityInc "Top 50 Companies for Diversity," "Top Company for Working Families," Top Healthcare Company, Best of the Best list

MEXICO

Mexico Institute for Women Equity Gender Certification, Certified Socially Responsible Company by the Mexican Center of Philanthropy

PERU

Best Workplace from the Great Place to Work Institute

PUERTO RICO

Diversity education

COSTA RICA

Named a great place to work from the Great Places to Work Institute

VENEZUELA

Best Workplace from the Great Place to Work Institute

ARGENTINA

Great Places to Work List

UK

Company of the year

SPAIN

2012 ABC Award recipient, Voted Best Pharma Company of the year; one of the 2012 Best Workplaces

TURKEY

2012 Best Employer by Aon Hewitt, Listed on Forbes Turkey 2012 "Best Companies for Women" list

PAKISTAN

Outstanding Achievement Award from the president of Pakistan in recognition of the affiliate's leadership in creating awareness of diabetes and supporting healthcare providers

INDIA

2013 Top 15 on India's Best Companies for Rewards & Recognition, Listed on 2012's Top 50 Best Places

CHINA

One of the best employers in Shanghai

KOREA

Best Family Friendly Company

JAPAN

Great Places to Work List

Diversity and Inclusion

Year after year, Lilly has been recognized among the top companies in the United States for our commitment to diversity and inclusion. Ensuring that diversity is sought, valued, and respected is critical to our company's success. Our focus is finding innovative medical solutions for patients, and we can only do that with a workforce that brings a wide variety of perspectives.

We are working to further embed diversity within the culture at Lilly by weaving it into every aspect of our business—from how we hire our employees to our clinical trial and marketing practices.

Our commitment to diversity empowers us to generate unique insights and ideas, create solutions, and deliver innovation to improve outcomes for individual patients. We invest in and nurture relationships with diverse groups of customers, partners, advocates, suppliers, and community organizations to help us better serve our patients. Lilly must have a diverse group of employees who understand the varying needs of the diverse people we serve.

Fostering a nondiscriminatory work environment and a culture of inclusion are key priorities for us. For Lilly employees, embracing diversity means understanding, respecting, and valuing differences, including but not limited to race, religion, gender, sexual orientation, work style, national origin, and age.

Our diversity commitment extends through the full spectrum of our business, including our **clinical trial strategy** and our **supply chain**. Promoting diversity externally is vital as we strive to improve the health care our patients receive. For example, fewer minority patients have participated in clinical trials, resulting in more limited information on a medicine's safety and efficacy in these populations. Lilly has a clinical diversity strategy to better understand patient

differences that may affect clinical outcomes and to help increase the enrollment of racially and ethnically **diverse populations in clinical trials**. This strategy will help Lilly better understand the efficacy, side-effect profiles, and risks in minority populations.

The inclusion of diversity is also essential in our health education initiatives globally. Lilly is committed to cultural competency and ensuring multicultural groups have access to healthcare information to decrease healthcare disparities through ongoing community and national outreach.

We are seeing good results from our emphasis on diversity. For example, we have been named three times to *DiversityInc's* list of "Top 50 Companies for Diversity," which is widely recognized as the premiere third-party diversity assessment in the United States. In the 2013 list, Lilly ranked 35th out of 893 companies that completed the survey.

We recently have stepped up our diversity and inclusion efforts with a more visible and business-based commitment that focuses on people in all areas of our global organization. In our manufacturing arena, for example, we promote the effort under the banner "What Makes *You* Unique Makes *Us* Stronger." We have developed and adopted a formal business case for diversity and inclusion based on the notion that all manufacturing employees must feel included in our operations and engaged in our mission.

In recent years, we have increased our leaders' accountability for developing diverse talent globally. Lilly's senior vice president of global human resources and diversity reports directly to our chief executive officer. Our top leaders also receive updates quarterly on our diversity strategy, while our board of directors receives reports annually.

Our Code of Business Conduct, *The Red Book*, guides our approach to a nondiscriminatory environment. Our code requires

employees to "behave so that the workplace is free of improper conduct and harassment, and other inappropriate forms of discrimination." (For more on *The Red Book*, see the **Ethics section of this report**.)

In addition to *The Red Book*, we have an Equal Employment Opportunity Policy and a Global Policy on Personal Information Privacy and Security.

JOHN C. LECHLEITER, PH.D.

CHAIRMAN, PRESIDENT, AND CHIEF
EXECUTIVE OFFICER

“As we recruit the very best scientists and physicians from universities and medical schools around the world, we see an increasingly diverse population among the group of individuals who really form the core of our company, based as we are on innovation. And the way that our business is shifting in terms of serving different populations and different segments of different populations than we have in the past, both here in the United States and in emerging markets, has brought me, and the whole company, a greater awareness of how different we are with respect to the way in which medicine is practiced, the way in which treatment is sought, and the way in which people understand disease and approach therapy.”

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OUR PATIENTS

Clinical trial diversity

Patient education

Partnerships

WORKPLACE

We must leverage the individual strengths of
OUR PEOPLE

Recruiting and staffing

Retention

Employee resource groups

Training

Flexible work arrangements

SUPPLIER

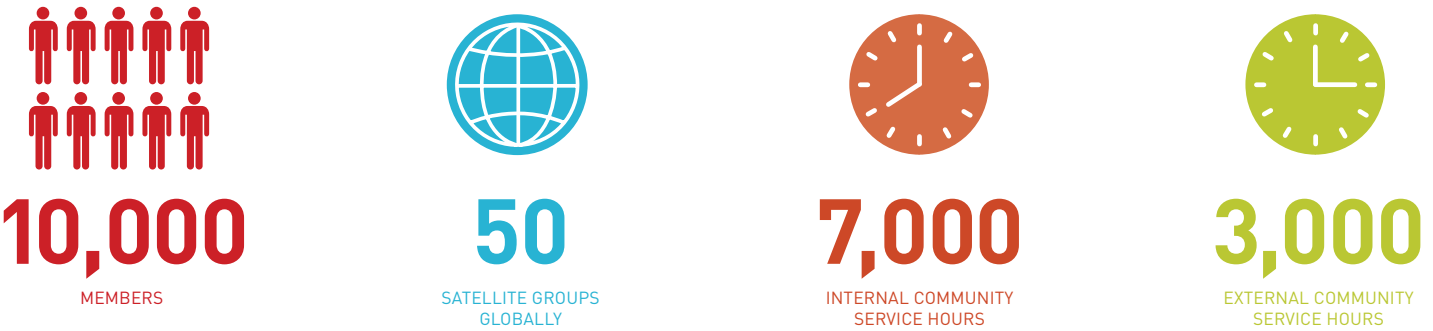
We must strengthen our supplier base and invest in our community with
OUR PARTNERS

Supplier networking and business events

Partnerships with diverse supplier certification entities

Identification of spend opportunities amid supplier rationalization

EMPLOYEE RESOURCE GROUPS' IMPACT (2012)



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Lilly's employee-led resource groups connect people from diverse backgrounds for networking and, at the same time, support the company's business objectives, including the commitment to creating an inclusive work environment. Employee Resource Groups (ERGs) help us understand our diverse patient populations globally and also provide a support network and sense of community for employees.

We have 10 ERGs: the African American Network, the Organization of Latinos, the Lilly India Network, the Global Women's Network, the Middle Eastern Network, the Chinese Culture Network, the Eli Lilly Asian Network, PRIDE, Working and Living with Disabilities, and Veterans Leadership Network. An estimated 10,000 employees belong to the organizations or have participated in their events.

ERG members gave approximately 7,000 hours in 2012 to help Lilly's business internally and devoted 3,000 hours externally, strengthening Lilly's brand. This work is in addition to their regular job responsibilities.

For example, the Asia Women's Network organizes 30-plus events a year in 10 Lilly locations. Events range from development and leadership training to speaker programs. The organization encourages Asian women to achieve their full potential as individuals and leaders, both professionally and personally.

Fighting for Inclusion

We are proactive in working in the legal system to ensure that the communities in which we operate are open and welcoming. We are coming from the perspective of a large Indiana employer with a global and diverse workforce.

Many of Lilly's employees are scientists, medical doctors, pharmacists, and engineers who are critical to the research and

AFRICAN AMERICAN FORUM

In the 1980s, a small group of African American managers met in a small conference room at Lilly Corporate Center and formed the Black Affirmative Action Team (BAAT). Supported by senior leaders to increase minority recruitment, BAAT members worked to advance affirmative action goals and held annual orientation sessions for newly hired associates.

The group was small in number but members' impact on the company's diversity efforts has made a difference.

Fast forward to 2013. The African American Network (AAN)—Lilly's longest-standing employee resource group—is continuing the tradition established by BAAT of providing professional development and networking opportunities, but these days the AAN is doing so on a much larger scale through year-round activities, including the annual African American Forum.

This year marks a significant milestone for the AAN, which celebrated its 25th forum in August. A record 847 employees, including top leaders, attended and celebrated the anniversary. The theme for the forum was "Honor the Past, Celebrate the Present, Equip for the Future."

LILLY SAUDI ARABIA LEADS IN GENDER DIVERSITY NATIONALLY

Lilly Saudi Arabia has transformed its local workforce. Over the last three years, the affiliate transitioned from having no female employees to being a national industry leader in gender diversity.

The process began in 2010 when Lilly Saudi Arabia sought and was granted permission by the national labor office to have a "female section" at the Saudi location. In Saudi Arabia, men and women are restricted by law regarding when and how they can work together, although the separation of men and women is not absolute.

Lilly Saudi Arabia restructured the local office to accommodate the labor office's requirements and signed an agreement to attract Saudi nationals, particularly females. That's when the culture change began.

Lilly Saudi Arabia now employs the highest percentage of females among all pharmaceutical firms in the nation. Thirty-two females work at the Saudi affiliate as medical educators, medical representatives, and office-based employees, composing 20 percent of the total workforce. Approximately 60 percent are Saudi nationals.

development of new medicines. We recruit worldwide for these highly skilled people in an intensely competitive environment for excellent employees. Our ability to thrive in our home state of Indiana is dependent on an environment that is welcoming.

That is why we continue to raise our voice in opposition to a proposed Indiana constitutional amendment, House Joint Resolution 6 (HJR 6), which seeks to ban same-sex marriages and civil unions. Lilly views this proposed amendment as harmful and overreaching. In addition to restricting marriage

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and civil unions, it could pose challenges to the extension of domestic partner benefits. Lilly has advocated that HJR 6 be stopped. We believe this amendment detracts from our ability to attract and retain talent, and it is detrimental to Indiana’s efforts to be a life sciences leader, which requires a critical mass of world-class talent in the private sector and at our academic institutions. It will also place further burdens on our lesbian, gay, bisexual, and transgender colleagues and will make them feel less welcome in our home state.

Lilly is prepared to continue our strong advocacy against having this unfair language incorporated into Indiana’s highest legal document.

Lilly has joined a new grassroots organization called Freedom Indiana, which is dedicated to raising awareness and advocating that Indiana will be better off if the legislature sets aside HJR 6 so we can focus on more pressing issues. Lilly donated \$100,000 to the efforts.

Our involvement in this campaign is an important investment in our future. As we search for answers to complex diseases, such as

Alzheimer’s, diabetes, and cancer, we need the world’s best, most innovative minds.

Employee Diversity Data

In 2012, approximately 52 percent of our U.S. workforce was male, and 48 percent was female. Global numbers were 54 percent male, 46 percent female.

Minority employees made up approximately 20 percent of our U.S. workforce, breaking down as follows: 7 percent African American, 7 percent Asian, 3 percent Latino, 2 percent two or more races, and less than 1 percent Native American.

Our 14-member board of directors included four women, one Latino, and one person of color. Overall, our senior²¹ management is 24 percent female. For all management, women compose 36 percent. In the United States, for all management, minorities make up 15 percent, while senior management is 10 percent minority.

Our 14-member executive committee, which reports directly to our CEO, includes four women, one Latino, and one African American.

2012 MINORITY EMPLOYEES
.....
(PERCENT BREAKDOWN, U.S. ONLY)

7% African American

7% Asian

3% Latino

2% Two or more races

<1% American Indian/Alaska native and Native Hawaiian/other Pacific Islander
.....

.....
²¹ "Senior leadership" is defined as the approximately 150 top positions at Lilly.

EMPLOYEE HEALTH, SAFETY, AND WELLNESS

As one of the world's top-10 providers of medicines, we strive to make people's lives better—including those of our own employees. Indeed, the health and safety of our workforce is one of our greatest concerns. We want our employees to be healthy and productive for the work they do at Lilly and in their lives outside of the workplace.

Lilly's management systems for employee health and safety are incorporated into our overall **health, safety, and environment policy**. Our employees worldwide regularly collaborate on injury-prevention programs and activities, such as finding ways to reduce ergonomic risks or enhance business processes to boost company compliance.

We believe that successful injury prevention requires all employees to be vigilant about keeping themselves and others safe. Our health and safety programs are tailored to each of our business areas, including sales and marketing, manufacturing, research and development, and administrative global services.

Safety Progress and Performance

We believe that no employees should be hurt while doing their jobs at Lilly—ever. Our workforce faces a variety of risks. For example, many of our employees spend large amounts of time driving, and motor vehicle accidents can happen. Others are in laboratories where they work with potentially dangerous materials. Still others face potential musculoskeletal disorders from working within a manufacturing setting.

In 2008, we set new goals to significantly reduce employee-injury rates. We report our progress against these targets to senior management and the public. Lilly measures health and safety performance globally using rates of total recordable injuries and lost-time injuries.²³ Our goals aim to reduce both rates by 50 percent by the end of 2013, compared with 2007 rates.²⁴ Our third safety goal is to reduce collisions per million miles (CPMM), the rate of motor vehicle accidents, by 50 percent by the end of 2013, also compared with 2007. To meet these injury-reduction targets, we've focused on situations that pose the greatest risks for our employees worldwide: slips, trips, and falls; motor vehicle collisions; and ergonomic risks.

The goals, which were aggressive and aspirational, accomplished what we hoped they would: a change in workplace climate and a reduction in the severity of injuries across our global operations. At the end of 2012,

GOALS: INJURY PREVENTION GOALS FOR 2013 (WITH A 2007 BASELINE)



REDUCTION IN RECORDABLE
INJURY RATE²²



REDUCTION IN LOST-TIME
INJURY RATE



REDUCTION IN MOTOR VEHICLE
COLLISION RATE

we had reduced the rates of recordable injuries and lost-time injuries by 24 and 21 percent, respectively, since the baseline year. The motor vehicle collision rate (per million miles), meanwhile, dropped by 14 percent during the same time period.

²² In previous reports "recordable injury" was referred to as "serious injury" rate.

²³ The **total recordable injury rate** is defined by the number of work-related injuries and illnesses that require medical treatment beyond immediate first aid per 100 employees working full-time for a year. The **lost-time injury rate**, which reflects the severity of serious injuries, equals the number of serious injuries that result in an employee missing at least one day of work per 100 employees working full-time for a year.

²⁴ Recent acquisitions, such as ImClone and Elanco Kansas City, are included in the data in this report.

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Although we have made solid progress, we do not expect to meet our 2013 reduction targets. One primary reason for this is that we are seeing more consistent reporting of injuries in our facilities in emerging markets. We have worked hard to encourage all of our facilities to report injuries when they occur so our employees are treated immediately, the injury is not aggravated, and we can learn from the incidents and help avert similar events in the future.

We have prioritized ergonomic assessments and improvements over recent years, focusing on ways to adjust the job to fit the employee, rather than the other way around. We're integrating ergonomic design criteria into capital improvement projects within the workplace, and we routinely host training sessions for employees in all types of jobs. We continue to invest millions of dollars in projects and experts to implement employees' ideas, further improving ergonomic conditions in offices, laboratories, and manufacturing plants. We evaluate our sales fleet vehicles for their ergonomic features as well as their safety engineering features, crash test ratings, and energy efficiency.

In 2012, we continued to push toward reducing the rate of motor vehicle collisions involving our sales teams, who spend much of their time on the road. Through our motor vehicle safety program, hseDIRECTIONS, thousands of Lilly sales representatives have received behind-the-wheel training. In addition to motor vehicle safety, the hseDIRECTIONS initiative covers personal security, ergonomic risk, and sustainable fleets. The program has also helped minimize distracted driving by employees.

➔ Injury Prevention Approach

Beginning in 2010, we took a new approach to injury-prevention education, implementing our Injury Prevention Corporate Initiative. We focused on vital behaviors to prevent the top four causes of serious injuries at our

company—ergonomic risk; slips, trips and falls; motor vehicle collisions; and everyday safety—translating safety-related information into 12 languages, which was used by leaders at all levels of the company to discuss injury prevention with their employees. We continue to leverage these vital behaviors as a conduit to injury prevention, conveying information to our employees through posters, departmental meetings, and other internal communications.

Each of our business areas routinely analyzes injury data to improve injury prevention systems. We have placed significant emphasis on employee behaviors, through activities that help demonstrate a commitment to safety and develop personal safety skills, to help workers identify their own roles in preventing injuries. This approach is critical for us to increase employee participation toward injury prevention at work and at home.

Lilly's risk-management programs cover all aspects of the business, with intense emphasis on mitigating catastrophic events. We recently expanded our globally integrated process safety management program with increased focus on dust-explosion prevention at all applicable manufacturing and development sites. In addition, we have increased the scope of laboratory safety at Lilly to put greater emphasis on safety risks from discovery chemistry through process development.

➔ Serious Injury and Fatality Prevention

In 2012, we began a Serious Injury and Fatality (SIF) prevention project examining high-risk health and safety aspects of our operations that are precursors to fatalities or disabling injuries. Through benchmarking with other companies, we have learned that companies with very low injury rates and a strong safety culture can, at times, have a fatality or disabling injury. An organization cannot be considered "world class"

if even one employee is subject to a life-threatening injury in the workplace.

This project is timely for several reasons. A current decrease in recordable injuries is offset by a flat or even growing rate of fatalities and/or disabling injuries across the manufacturing sector. A Rand Corporation study concluded that no mathematical relationship exists between injury rates and the probability of having a fatality. Although Lilly has not had a fatality in manufacturing for many years, we have had several injuries and near misses that could have resulted in fatality.

The SIF prevention project is aimed at identifying gaps in our operational processes that could result in a fatality and/or disabling injury. After benchmarking several companies that have been working on this issue for several years, we developed a multistep process to reduce SIF-related risks.

In the first step, we identify SIF precursors, which are defined as high-risk processes in which management controls are either absent, ineffective, or not complied with, and—if allowed to continue or repeat—could reasonably result in a fatality. Lilly will complete an analysis of five high-risk areas in 2013.

In the second step, we monitor each operation's progress toward eliminating precursor risks. Risk management and mitigation, in the form of new or enhanced company standards, are communicated globally. Each operation is accountable for creating action plans aimed at eliminating gaps identified by the precursor analysis.

The last step is to measure and prioritize potential SIF events. This involves a quarterly review of injuries that resulted in or could have resulted in a SIF event. These injuries are categorically tracked and trended. The intent is to drive and maintain the SIF rate to zero.

Lilly did not suffer any work-related fatalities in 2012.

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HEALTH AND SAFETY DATA

TOTAL RECORDABLE INJURY RATE
PER 100 EMPLOYEES



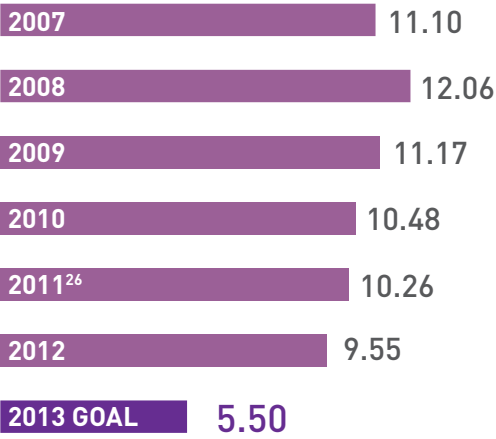
The Total Recordable Injury Rate (TRIR)²⁵ has dropped by 24 percent since 2007. TRIR reductions in areas such as slips, trips, and falls or motor vehicle collisions have been partially offset by an increase in ergonomic-risk injuries and illnesses, predominantly in administrative areas. Increased reporting of injuries in our emerging market locations represented a significant contribution to the higher rates in 2011 and 2012.

LOST-TIME INJURY RATE
DAYS (OR) WORKDAYS PER 100 EMPLOYEES



The Lost-Time Injury Rate (LTIR) has dropped by 21 percent since 2007. Motor vehicle injuries are the largest contributor to lost-time cases. The slight increase in 2012 lost-time cases is primarily due to improved reporting.

MOTOR VEHICLE COLLISION RATE
COLLISIONS PER MILLION MILES DRIVEN

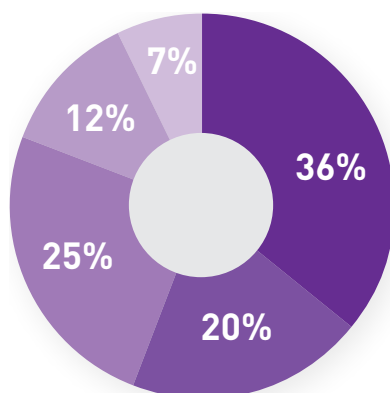


The rate of collisions per million miles (CPMM) has dropped by 14 percent since 2007. Implementation of behind-the-wheel training, the Global Mobile Electronic Device policy, and other defensive-driving techniques have begun to have a positive impact on this rate. Although the downward trend in CPMM continues, our current rate of improvement is not sufficient to meet the 2013 goal.

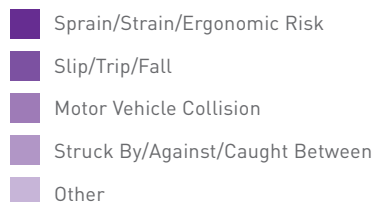
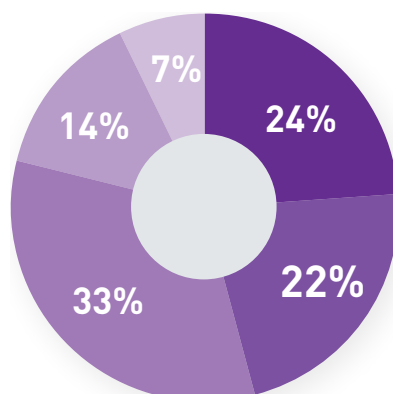
²⁵ In previous reports, TRIR was referred to as "Serious Injury Rate" (SIR).

²⁶ The 2011 collision rate was adjusted slightly from our last report to reflect more accurate data collection.

PERCENT BREAKDOWN OF RECORDABLE INJURIES:



PERCENT BREAKDOWN OF LOST-TIME INJURIES:



Company injuries are divided into accident categories so that we can analyze, communicate, and act upon global trends consistently.

→ Promoting Employee Wellness

In June 2011, Lilly made a renewed investment in the well-being of our employees through the launch of a new global compensation and benefits program, including the formation of a wellness and productivity team. The team has direct responsibility for U.S. wellness strategy, work-life operations, health management and promotion, and employee activities, as well as leaves and disability. There are similar wellness teams at several of our global locations.

The mission of the wellness and productivity team mirrors what we call the Lilly Promise. Part of that promise is our commitment to making medicines that help patients live longer, healthier, more active lives. We need to do the same for our employees and their families in recognition that we experience the same individual stresses, issues, and challenges as all others.

When people hear the term “wellness,” they often think about the physical aspects of health and fitness. To fulfill our promise to employees, we have broadened this view of wellness by promoting the multiple dimensions that contribute to personal well-being: physical, mental, financial, social, career, and community. In 2012, we launched **Fit for Life**, a set of tools and resources to help employees not only better manage their health but also to identify those things that can contribute to a more healthy and active life. Some of the Fit for Life offerings include the following: free health screenings, well-being assessments and plans, health coaching, and access to fitness centers.

In the United States, Lilly offers health-plan coverage to employees, retirees, and their eligible dependents; plan participants may obtain some Lilly-manufactured medicines at no cost. In the United States, Lilly provides coverage for preventive-care services (such as annual physicals and cancer screenings) that go well beyond the requirements established under federal healthcare reform. Outside the United States, we deliver competitive benefit packages and health coverage that vary depending upon location. In many countries, our employees receive government-provided medical benefits.

At our Indianapolis headquarters, we have several on-site fitness centers for individual and group fitness activities. We have worked with our food-service vendors to provide a wider range of healthier dining choices and snacks—some of which are subsidized. We provide showers and bike racks for our more than 150 Indianapolis employees who commute to work by bicycle. We have also made our headquarters smoke-free.

Other efforts to support employee physical and emotional health include free gym memberships (both on-site and off campus), disease-management and smoking-cessation programs, support groups for new mothers, health coaching, and a comprehensive employee-assistance program, including on-site psychologists. We also promote financial well-being through a variety of financial advisory programs. Many of the benefit offerings are available to spouse/domestic partner and qualified dependents as well.

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FOSTERING GOOD EMPLOYEE HEALTH

Lilly is frequently recognized for the on-site healthcare services we provide to our workforce in the United States. Each year, our corporate health services department in Indianapolis logs more than 31,000 clinical visits for employees' personal needs, such as emergency medical services, allergy injections, preventive healthcare, body mass index (BMI) calculations, laboratory work, and care for occupational injuries and illnesses. The corporate-based Employee Health Services (EHS) staff includes board-certified physicians, clinical psychologists, a pharmacist, nurse practitioners, medical assistants, and registered nurses.

In certain locations, our company provides on-site mammograms, gynecology clinics, laboratory work, and physical therapy facilities. Our colonoscopy program, which has performed more than 18,000 exams since 1995, has one of the largest screening databases for colon cancer in the world.

EHS offers employees medical and other health-related services closely linked with the health insurance benefits we offer. Personal health coaches are available for assistance in managing certain diseases and lifestyle challenges. We also offer a no-cost tobacco-cessation program, including nicotine-replacement products, and a free healthy-weight management program that includes counseling calls with a registered dietician or health educator.

Lilly has twice won the American College of Occupational and Environmental Medicine's Corporate Health Achievement Award (in 1997 and 2003) and has garnered the C. Everett Koop Award for excellence in health promotion (1998). In 2010, our health and wellness programs received the top award for large companies in Indiana from Healthiest Employers, LLC.

ENGAGING WITH PATIENTS

At Lilly, we are committed to shaping a healthcare environment with better patient outcomes. This means going beyond medicine to do our part to create a more accessible healthcare system with better treatment options and better care. We also believe we can play a role in educating family members, thought leaders, stakeholders, and decision makers who impact patient outcomes, both directly and indirectly.

Patient-Assistance Programs

Our responsibilities to patients include working within our sphere of influence and cooperatively across sectors to promote access to medicines, including sponsoring patient-assistance programs. The patient-assistance programs demonstrate Lilly's desires to improve patient outcomes and to continue our rich history of commitment in helping patients meet the challenge of obtaining access to Lilly medications. Through the diverse patient-assistance programs supported by Lilly, a wide portfolio of valuable medications is available to eligible patients.

In the United States, Lilly TruAssist (www.lilly-truassist.com) provides access to products for eligible patients through several patient-assistance programs. The majority of our product donations are made through TruAssist, which serves as the umbrella program for Lilly's many patient assistance efforts.

Supporting Patients

We are also going beyond medicine to help patients improve their health and manage their diseases. Our patient programs typically focus on our core areas of expertise,

including Alzheimer's disease, cancer, diabetes, and mental illness, and are aligned with our business objectives. Our programs help us to gain valuable patient insights while offering patients the best treatments possible. Lilly is a patient-focused business, and these programs help us stay true to our purpose. Moreover, we believe they are the right thing to do.

We support many programs, including the following examples.

Diabetes Programs

→ Diabetes Conversations

Created by Healthy Interactions in collaboration with the International Diabetes Federation, Lilly Diabetes sponsors the Diabetes Conversations program, featuring Conversation Map™ education tools. This innovative education method uses a unique, visual approach to facilitate interactive group participation and empower people with diabetes to become actively involved in managing the disease. The education tools, available in 38 languages, have been launched in more than 121 countries since 2008.

121

NUMBER OF COUNTRIES WHERE
THE DIABETES CONVERSATION
PROGRAM HAS BEEN LAUNCHED.

\$4
MILLION

AMOUNT GIVEN TO ASSIST STUDENTS
LIVING WITH MENTAL ILLNESS FOR
TUITION, LAB FEES, AND BOOKS

\$2.46
MILLION

LILLY'S CONTRIBUTION IN INSULIN
PRODUCTS TO DIABETES CAMPS

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→ Type 1 Diabetes: Collaboration with Disney

A child's diagnosis of type 1 diabetes (T1D) can be overwhelming, and caregivers often question if they will ever be able to get their families back into any kind of daily routine. Both parents and the child may feel the diagnosis is the end of their future hopes and dreams. This customer understanding served as the foundation for Lilly Diabetes to partner with one of the most recognizable brands in the world: Disney. Lilly pairs its deep expertise in diabetes care with Disney's magical storytelling to encourage and inspire families coping with a diagnosis of T1D for a child.

Launched in 2011, the collaboration offers healthcare providers and families a variety of fun and educational printed resources including a book series for younger children featuring Coco, the first Disney character with T1D. The flagship book, *Coco and Goofy's Goofy Day*, is now available in 17 languages around the world through many pediatric endocrinologist and other healthcare provider offices. Lilly and Disney also offer online content that provides advice and practical everyday tips for families affected by T1D at www.Spoonful.com/type1.



→ Lilly Camp Care Package

For more than a decade, Lilly has been one of the largest providers of insulin and glucagon, educational materials, volunteers, scholarships, and special guests to diabetes camps through the comprehensive Lilly Camp Care Package. In 2012, 88 diabetes camps

participated in the Camps in Color program, an art therapy-based initiative for children. Requesting camps received \$2.46 million in insulin product and more than 18,400 educational book packs. Lilly also provides camp tuition support through its partnership with the American Diabetes Association.

Mental Health Programs

→ Lilly Reintegration Scholarships

Over the past 15 years, Lilly Reintegration Scholarships have assisted students living with mental illness by directing more than \$4 million to cover their tuition, lab fees, and books at nearly 350 schools across the United States. The program specifically benefits individuals living with schizophrenia, schizoaffective disorder, bipolar disorder, or major depressive disorder who wish to attain a certificate or degree from an accredited institution to help them secure employment and reintegrate into society. Approximately 1,200 students have received assistance from the scholarship—in pursuit of all levels of education, from high school equivalency degree to Ph.D.—attending state and private universities, community colleges, and trade schools.

When the program was founded in 1997, the goal was to demonstrate that if symptoms are controlled and the proper community resources are in place, individuals battling mental illness can reintegrate into society. At the end of the 2012–2013 academic year, Lilly Reintegration Scholarship students graduated with degrees such as Doctor of Veterinary Medicine from Cornell University, Master of Social Work from Grand Valley State University, Bachelor of Science in Business Administration from New York University, Associate of Science in Medical Lab Technology from Fortis Institute, and a Certificate in Accounting from Southern Oregon University. The majority of

LILLY DIABETES SUPPORTS DIABETES SCHOLARS FOUNDATION WITH \$100,000 DONATION

In 2013, Lilly Diabetes donated \$100,000 to the Diabetes Scholars Foundation scholarship fund for the second year in a row. The contribution supported the Foundation's mission to empower young people with type 1 diabetes (T1D) to live their lives to the fullest. The Foundation used the donation to fund the Lilly Diabetes Tomorrow's Leaders Scholarships for students with T1D, as well as conference scholarships for families to attend the 2013 Children with DIABETES® Friends for Life® conference in Orlando. In 2012, the Lilly Diabetes scholarships went to support 21 students pursuing higher education, as well as 10 families who attended the 2012 Friends for Life conference.

Lilly Reintegration Scholarship recipients graduate with honors and, overall, have a graduation rate far higher than the national average (82 percent versus 55.5 percent²⁷). While Lilly is proud that the program has met our goal, it is the students who have gone beyond all expectations, embracing opportunities, reaching their full potential, and showing society that they have the capacity to excel.

Alzheimer's Programs

→ "Worried About your Memory?" Campaign

There are nearly 36 million people living with dementia in the world; about 800,000 of them are in the United Kingdom. Less than half of the people with dementia in the

²⁷ Source: www.higheredinfo.org.

LILLY MENTAL ILLNESS PROGRAM RECOGNIZED NATIONALLY

A program developed by Lilly for individuals living with serious mental illnesses is the first from a pharmaceutical company to be included in a distinguished national registry. Despite advances in treatment, individuals with serious mental illnesses, such as bipolar disorder and schizophrenia, die an average of 25 years younger than the overall population, largely due to preventable conditions, such as cardiovascular disease and diabetes, which are often caused by poor nutrition and lack of exercise. Studies have shown that our program, called Team Solutions and Solutions for Wellness, improves the well-being of people living with these illnesses, including improvements in patient body mass index, waist circumference, blood pressure, and knowledge about their illnesses. Since Lilly introduced Team Solutions and Solutions for Wellness in 1997, more than 38,000 healthcare professionals have used its resources. The program reinforces Lilly's commitment to the well-being of this frequently underserved population. The program's addition to the National Registry of Evidence-Based Programs and Practices (NREPP)—an online U.S. registry of evidence-based interventions for the prevention and treatment of mental and substance use disorders—means the program's free online resources and training materials will now be accessible to even more healthcare professionals, with the potential to help many more patients.

United Kingdom receive a diagnosis, yet we know that early diagnosis leads to better care and support. To help people who have concerns about dementia, Lilly has partnered with the Alzheimer's Society on the "Worried About Your Memory?" campaign. The campaign encourages people concerned about their memories to visit their doctors and seek diagnoses. Together, we have enabled 1.7 million leaflets, 17,000 campaign posters, and 60,000 information booklets to be distributed to surgical centers, health centers, and hospitals in the United Kingdom.

As a result, 16,000 people requested an information packet and 2,000 people called the Alzheimer's Society helpline and referenced our literature. Most importantly, we know that 44 percent of people who requested a booklet went on to visit their doctors, and 15 percent of doctors noted more people visiting them with memory problems while the campaign was running. Accurate and early diagnosis is vital if patients are to be able to live well with dementia, and the "Worried About Your Memory?" campaign has played a small but important role in increasing awareness and understanding of the disease in the United Kingdom.

Oncology Programs

➔ Oncology On CanvasSM

The Lilly Oncology On Canvas: Expressions of a Cancer Journey Art Competition and Exhibition honors the journeys people face when confronted with a cancer diagnosis.

The biennial competition invites individuals diagnosed with any type of cancer—as well as their families, friends, caregivers, and healthcare providers—to express, through art and narrative, the life-affirming changes that give their cancer journeys meaning. The result is a compelling art collection that provides insights into the wide range of emotions experienced by those touched by cancer. For more information, see www.lillyoncologyoncanvas.com/Pages/Index.aspx.

➔ PACE

Lilly Oncology is dedicated to helping improve the cancer policy environment—specifically those decisions that impact the development of treatments and patient access to care. In 2012, Lilly Oncology launched PACE (Patient Access to Cancer care Excellence), an initiative that aims to encourage public policies and healthcare decisions that speed the development of new medicines, assure cancer treatments respond to the needs and qualities of individual patients, and improve patient access to the most effective cancer medicines. For more information, see the [PACE Network](#) website.

LILLY AROUND THE WORLD

Each year, Lilly donates substantial amounts of products and cash, and our employees volunteer their time and skills around the world. Our history of community involvement is nearly as old as the company itself, with a global reach that extends far beyond the medicines we make. Many of our donations—including those provided through The Eli Lilly and Company Foundation—focus on improving access to medicines and quality health care. In 2012, we gave more than \$700 million in products and cash, a sizeable jump up from \$597 million the prior year.

We are increasingly linking our corporate responsibility efforts and charitable investments to our therapeutic and business expertise. These investments are critical for the people they benefit—and for our company—at a time when society is demanding greater involvement from businesses such as our own. We aim to demonstrate leadership by using our resources and our deep expertise to make a meaningful, measurable, and sustainable difference.

STRENGTHENING COMMUNITIES

All of our giving—both as a company and through The Eli Lilly and Company Foundation—focuses on advancing two goals. First, we are improving health outcomes for those in need. For company funded activities, we are increasingly seeking to do this through a “shared value²⁸” lens; in other words, we are applying our unique assets and expertise to help address pressing societal challenges,

thereby creating value for society and our company. Second, we are strengthening the communities in which we live and work. Read more about the giving strategy of The Eli Lilly and Company Foundation here.

\$700 MILLION

TOTAL LILLY CHARITABLE CONTRIBUTIONS
IN PRODUCTS AND CASH

24,000

HOURS DONATED BY LILLY EMPLOYEES
THROUGH CONNECTING HEARTS
ABROAD PROGRAM

100,000

NUMBER OF FAMILIES FOR WHOM
ELANCO HAS COMMITTED TO END
HUNGER THROUGH A PARTNERSHIP
WITH HEIFER INTERNATIONAL

²⁸ Porter, Michael E. and Mark R. Kramer. 2011. “Creating Shared Value.” Harvard Business Review.

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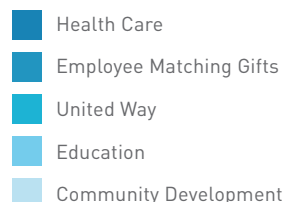
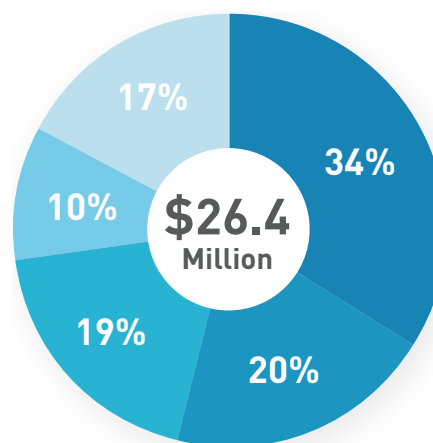
In 2011, we began a new approach to employee volunteerism, building on our long tradition of innovation and caring. Lilly introduced Connecting Hearts Abroad, a program that sends at least 100 employees per year on two-week assignments to provide assistance in communities in need. Since the program began, Lilly employees have devoted nearly 24,000 hours of service to helping children, families, and the elderly.

At the local level, we focus our community investments on programs that improve patient outcomes, especially in Lilly's therapeutic areas of expertise, including diabetes, cancer, and mental health. In addition, we look for ways to enhance the quality of life in communities in which Lilly has a presence. For example, in 2012, we made our largest United Way donation of more than \$12 million, which will primarily benefit local residents in our headquarters state of Indiana. In addition, Lilly, through the Lilly Foundation, contributes to organizations strengthening public education in Indiana.

Our animal health division, Elanco, focuses on hunger relief and is developing the technology needed to feed a growing world population. Elanco has committed to sustainably end hunger for 100,000 families globally through a partnership with the nonprofit Heifer International®.

THE ELI LILLY AND COMPANY FOUNDATION CHARITABLE GIVING 2012

TOTAL DOLLAR AMOUNT: \$26.4 MILLION



LILLY RAISED ITS GIVING LAST YEAR TO HELP MORE PEOPLE:

Lilly gave more than \$700 million in charitable contributions in 2012 to help people living in impoverished communities, patients facing financial hardship, and families struggling to recover from natural disasters, among other needs.

Highlights include the following:

- We donated products valued at more than \$645 million through our assistance efforts:
 - U.S. patient-assistance programs, Lilly TruAssist
 - Global health programs, and
 - Disaster-relief efforts.
- We gave more than \$55 million in cash and in-kind services to strengthen education, reduce hunger, and improve health and human services in our communities.

U.S. patient-assistance programs: In 2012, more than 300,000 people received help paying for their Lilly medicines through our patient-assistance programs. This is an 18 percent increase in patients served over the previous year.

CHARITABLE DONATIONS

(\$ MILLIONS)²⁹

	2008	2009	2010	2011	2012
Product Donations	297	335	373	549	645
Cash and In-kind Contributions	53	70	57	48	55
Total Contributions	350	405	430	597	700

²⁹Total charitable donations include funding from both Lilly and The Eli Lilly and Company Foundation.

LILLY GLOBAL COMMUNITY GIVING

The programs captured in the map represent some of our biggest philanthropic initiatives. We also highlight several of these programs in greater detail elsewhere in this report.

\$30

MILLION OVER FIVE YEARS

THE LILLY MDR-TB PARTNERSHIP

China, Russia, South Africa, India

This public/private initiative works to tackle multidrug-resistant tuberculosis (MDR-TB) in high-burden countries. In 2011, Phase III launched with a \$30 million philanthropic commitment over five years (2012-2016) from The Eli Lilly and Company Foundation. This initiative works to improve healthcare provider training and access to high-quality second-line medicines.

10K

FAMILIES HELPED

ELANCO HEIFER PARTNERSHIP

Zambia, China, Indonesia, India

Our Elanco animal health division has committed to end hunger for 100,000 families—or 600,000 individuals—globally by 2025 through a partnership with Heifer International®. To date, more than 10,000 families have been helped.

800K

VIALS OF INSULIN DONATED

LIFE FOR A CHILD

Sub-Saharan Africa, Asia, South America

We have committed to donating more than 800,000 vials of insulin to the International Diabetes Federation's "Life for a Child" program between 2008 and 2015. As of the end of 2012, Lilly had donated nearly 345,000 vials to help children who have no access to diabetes treatment.

\$60

MILLION SINCE 2002

AMPATH

Eldoret, Kenya

Lilly's more than 10-year partnership with Indiana University and the Moi Teaching and Referral Hospital provides donations and medicines to treat diabetes, mental illness, and cancer. Through the AMPATH (Academic Model Providing Access to Healthcare) Program, Indiana University and Moi staff collaborate to improve patient outcomes. Lilly has donated about \$60 million in medicines since 2002.

\$30

MILLION OVER FIVE YEARS

THE LILLY NCD PARTNERSHIP

Brazil, India, Mexico, South Africa

The Lilly NCD Partnership, launched in 2011, provides \$30 million over five years (2012-2016) to fight the rising burden of non-communicable diseases (NCDs) in developing nations, with a focus on diabetes.

100

LILLY AMBASSADORS

CONNECTING HEARTS ABROAD

Brazil, Peru, Costa Rica, Morocco, Russia, Ghana, Tanzania, China, India, Thailand

Our Connecting Hearts Abroad program sends at least 100 "Lilly Ambassadors" each year on two-week assignments to provide assistance in developing communities. In 2012, nearly 200 employees from 44 countries volunteered as ambassadors in impoverished communities in 11 countries.



DISASTER RELIEF

We gave approximately \$750,000 in cash and product donations in 2012 following natural disasters.



CHARITABLE CONTRIBUTIONS WORLDWIDE

In 2012, we gave more than \$700 million in charitable contributions (including cash, products, and other in-kind donations) to organizations around the world, driven by an 18 percent increase in the number of people served through our U.S. patient-assistance program, Lilly TruAssist.



GLOBAL DAY OF SERVICE

Our annual Global Day of Service is among the largest single-day volunteer initiatives of any U.S. company. In 2012, more than 20,000 employees in 40 countries volunteered in their local communities.

\$890K

RAISED

GLOBAL GIVING

East Africa, Guatemala, Haiti, Thailand, Turkey, Zambia

Since the launch of Lilly Global Giving in 2011, employees have helped raise nearly \$890,000 to support hundreds of global projects. Some of the most popular programs supported aim to help children in Guatemala and Haiti, address food insecurity and illness in Zambia, and provide disaster relief in Thailand, Turkey, and East Africa.

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LILLY GLOBAL COMMUNITY GIVING



27 M

NUMBER OF MEALS TO BE DELIVERED BY THE END OF 2015

INDY HUNGER NETWORK

Indiana

Elanco is a primary sponsor of the Indy Hunger Network (IHN), a coalition of hunger relief organizations in Indianapolis. IHN has a goal of delivering 27 million meals by the end of 2015.



2,000

TEACHERS SUPPORTED FINANCIALLY AND STRATEGICALLY

STEM PROGRAM

Indiana

Lilly is financially and strategically supporting the implementation of the Indiana Science Initiative in our home state, supporting 2,000 teachers serving 53,000 students. This investment is part of our commitment to encourage students to study and perform well in the subjects of Science, Technology, Engineering, and Mathematics (STEM).



\$2.5 M

EDUCATION-FOCUSED GRANT TO IMPROVE PUBLIC EDUCATION

MIND TRUST GRANT

Indianapolis, Indiana

Our largest-ever education-focused grant (\$2.5 million over three years through 2012) to The Mind Trust is helping improve public education for underserved children in Indianapolis through programs such as Teach For America and by providing support for a novel charter school network.



20,000

POUNDS OF WATERMELON GROWN AND HARVESTED

GOLDEN HARVEST

Augusta, Georgia

Elanco employees grew and harvested more than 20,000 pounds of watermelon and 6,000 pounds of pumpkins on land owned and managed by Elanco Augusta to benefit Golden Harvest, a local food bank.



\$12.69 M

DONATED BY LILLY

UNITED WAY

Indiana

In 2012, Lilly donated a record breaking \$12.69 million to the United Way.

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Global Day of Service

Our annual Global Day of Service (GDOS) is among the largest single-day volunteer initiatives of any U.S. company. In 2012, more than 20,000 employees in 40 countries volunteered in their local communities.

In Indianapolis, Indiana, we focused our work along six waterways as part of a larger citywide collaborative known as Reconnecting to Our Waterways. Nearly 8,000 Lilly employees and other volunteers picked up litter, removed invasive plants, marked storm drains, and painted or installed public art projects.

Since the annual service day's inception in 2008, Lilly has contributed approximately 475,000 volunteer hours at an estimated value of nearly \$10 million.

Watch a video about our **GDOS Oncology on CanvasSM Story**.

Employee Matching Gifts

In 2011, Lilly introduced a new program that—for the first time—gave employees across the globe a voice in how our company directs some of its philanthropic dollars through The Eli Lilly and Company Foundation.

Since its launch, Lilly employees have raised more than \$890,000 through Lilly Global Giving and supported over 800 projects in the areas of health, hunger, education, the environment, and disaster relief. These contributions include personal donations, a dollar-for-dollar match by The Eli Lilly and Company Foundation of eligible donations, and application of a one-time \$50 foundation credit given to employees in 2011. Some of the most popular programs supported aim to help children in Guatemala and Haiti, address food insecurity and illness in Zambia, and provide disaster relief in Thailand, Turkey and East Africa.

Among the top-supported projects by employees is the Copperbelt Livelihood Enhancement Project in Zambia. The Copperbelt Province faces a pervasive problem of food insecurity, illness, and dependency. Elanco has partnered with Heifer International to help more than 6,000 families through multiple interventions. These include training in animal husbandry and agricultural practices, as well as programs to improve awareness about health, hygiene, and sanitation. Read more about Elanco's hunger initiatives on **pages 69-70**.

Connecting Hearts Abroad

Our signature Connecting Hearts Abroad program sends at least 100 "Lilly Ambassadors" each year on two-week assignments to provide assistance in developing communities. Through Connecting Hearts Abroad, Lilly has sent more than 400 employees from its operations worldwide on service assignments in communities throughout Asia, Africa, Eastern Europe, and Latin America—communities that often lack access to basic resources such as clean water, medical care, or quality education. Since the program began, Lilly employees have devoted nearly 24,000 hours of service to helping children, families, the elderly, and communities in need.

Upon returning from their service assignments, Lilly ambassadors share their experiences and insights with colleagues through town hall style and team meetings, blogs, and videos. The goal is to help employees gain a deeper global perspective and spark new ideas and ways of thinking about patients, ultimately making Lilly a better company. Watch a video about the program: **Lima: A Connecting Hearts Abroad Story**.

BART PETERSON

LILLY SENIOR VICE PRESIDENT OF CORPORATE AFFAIRS AND COMMUNICATIONS

“One of our goals with Connecting Hearts Abroad is to give our employees an opportunity to view the world through a different lens and bring their talents, energy, passion, and compassion to serve people around the world. As we think about the kind of company we want to be over the next several decades, Connecting Hearts Abroad gives our employees—and Lilly—a clearer view of the world, which can only make us a better company.”

Supporting HOPE

The Lilly NCD Partnership, launched in 2011, provides \$30 million over five years (2012-2016) to fight the rising burden of non-communicable diseases (NCDs) in developing nations, with a focus on diabetes. In 2013—and for the first time—a team of Connecting Hearts Abroad Lilly employee volunteers traveled to Johannesburg, South Africa, to work with Project HOPE through the Lilly NCD Partnership.

Ten Lilly volunteers in South Africa applied specific skills and expertise to support the work of the HOPE Centre in Zandspruit, an extremely impoverished area on the outskirts of Johannesburg. The HOPE Centre provides treatment and care to local residents and strives to inform, educate, and empower the community about health issues, especially diabetes and hypertension. At the HOPE Centre, the team of Lilly volunteers—which included doctors, pharmacists, diabetes educators, and communication specialists—helped conduct

community screenings, worked with the clinic support team to improve pharmacy and lab operating procedures, developed information sheets to help improve patient understanding and medication compliance, and supported nutrition education and peer educator training.

Elanco: Fighting Hunger at Home and Abroad

Elanco, a division of Lilly, focuses on enriching lives through food and pet companionship. At Elanco, enriching life means more than providing innovative products and services; it means accepting responsibility for our community—and our world.

In 2011, the world's population reached 7 billion on its way to a predicted 9 billion or more by the year 2050. Between now and 2020, we'll see the fastest growth of the global middle class in history. By 2050, we'll have 3 billion more people move into the middle class, living healthier, more productive lives. But the fastest period of that growth will occur between now and 2020. Historically, the first thing populations do as they gain income is improve their diets—broadening beyond rice or beans to include milk, eggs, and meat.

Elanco is focused on breaking the cycle of hunger in 100 communities by 2017. Our commitment complements the work of our products to help farmers deliver a safe, affordable, and sufficient food supply. We believe enhancing efficiency and improving technology in food production is critical to solving world hunger. As the global population continues rising and demand for protein increases, we must be able to produce more with less.

Globally, Elanco develops the technology needed to feed a growing population. Locally, we provide solutions to achieve food security through community partnerships and initiatives to create awareness and increase engagement. Personally, our employees donate their time and talents to break the cycle of hunger in their communities.

Learn more about specific Elanco initiatives here.

→ Breaking the Cycle

Elanco supports diverse global projects through employee and customer engagement to fight hunger and achieve food security. Through Elanco's innovations, volunteer efforts, customer engagement, and financial support, we've already begun "breaking the cycle" in more than 20 communities.

We're committed to making a difference in ways that are sustainable for at least a year and that achieve the following objectives:

- Impact a specific group of people with a hunger/food project,
- Involve Elanco employees for support, and
- Connect with Elanco key stakeholders and customers.

Elanco provides all our employees with a half-day of paid time off per quarter to volunteer with a local hunger project. Ultimately, our efforts will impact the following:

- **100 COMMUNITIES**—We plan to "break the cycle" of hunger in 100 global communities by 2017 through local efforts and through partnerships with our customers.
- **100,000 FAMILIES**—A strategic relationship with Heifer International will help bring 100,000 families out of hunger.

JEFF SIMMONS

ELANCO PRESIDENT

“In the next five years, Elanco will use its resources to 'break the cycle' of hunger in 100 communities. We will make food more secure for a sustainable period. By breaking the cycle of hunger, we help create hope and opportunity for the hungry while we experience hunger up close and personal.”

United Way Campaign

Lilly's support of the United Way dates back to the 1800s, when Colonel Eli Lilly sponsored the Charity Organization Society, a forerunner of today's charity. Over 92 years, Lilly has raised more than \$245 million for the nonprofit organization.

In 2012, we donated a record-breaking \$12.69 million to the organization, with 564 United Way affiliates receiving money from our campaign. As the largest gift in our company's history, the donation represents the contributions of Lilly's U.S. employees and retirees, plus a matching gift from The Eli Lilly and Company Foundation. The funds will help support the United Way of Central Indiana as well as other local United Ways nationwide.

FOSTERING ENVIRONMENTAL SUSTAINABILITY

The medicines we make require the use of valuable resources, such as energy, water, and raw materials. We know that how we operate our business today can have a long-lasting impact on people and the planet. That's why Lilly takes a broad approach to understanding and managing our environmental impacts across the product life cycle. We're committed to conducting our business in a patient-centered and an environmentally, socially, and financially responsible manner.

OUR COMMITMENT AND APPROACH

Lilly's progress toward meeting our environmental goals (see page 75) demonstrates the company's commitment to reduce our environmental footprint. We believe implementing innovative, cost-effective, and more sustainable solutions creates ongoing business value. This section covers the broad range of our environmental activities, from our approach and management systems, to our work addressing environmental issues across our business, to performance data and examples illustrating progress.

A Life Cycle Focus

Each stage of the pharmaceutical product life cycle includes distinct environmental, health, and safety impacts and offers opportunities for improvement. The graphic on the next page provides an overview of our work to reduce the potential impacts from our operations.

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LILLY'S 2013 CDP CLIMATE
CHANGE DISCLOSURE SCORE,
UP FROM 65 IN 2012

90%

RAINWATER CAPTURE RATE AT LILLY'S
HEADQUARTERS IN INDIANAPOLIS, INDIANA,
DECREASING THE SITE'S STORM WATER
IMPACT BY 45 MILLION LITERS ANNUALLY

11

NUMBER OF LILLY SITES GLOBALLY
THAT REPORTED "ZERO-LANDFILL"
STATUS IN 2012 (INDICATING THAT
THEY SEND LESS THAN 0.5 PERCENT
OF GENERATED WASTE TO LANDFILL)

MANAGING ENVIRONMENTAL PERFORMANCE ACROSS THE PRODUCT LIFE CYCLE

← MATERIALS, WATER, AND ENERGY, HSE MANAGEMENT SYSTEMS AND STANDARDS →



RESEARCH AND DEVELOPMENT

We consider environmental factors from the earliest stages of design and development. Our design for the environment initiatives related to human health pharmaceuticals include green chemistry, environmental product risk assessments, and an internal Environmental Development Review process to evaluate potential environmental issues and opportunities during the scale-up of medicine production to manufacturing levels. For more information, see [page 78](#).



MATERIALS AND NATURAL RESOURCES

Lilly, customers, and governments worldwide are increasingly focused on the materials and chemicals used to make products. We work to reduce use of materials, water, and other natural resources when possible. For more information, see [page 75](#).



MANUFACTURING

Measuring, reporting, and reducing Lilly's environmental impacts from manufacturing are central to the company's environmental sustainability program. Our manufacturing health, safety, and environment (HSE) committee oversees compliance and sustainability with applicable HSE regulations, policies, procedures, and standards while making certain we drive continuous improvement throughout the manufacturing organization. For more information, see [page 82](#).



SALES AND MARKETING

At many Lilly sales and marketing offices worldwide, we've established projects to improve environmental performance while increasing employee awareness and action. Lilly continually works to enhance the fuel efficiency of our sales-force vehicles to meet our internal target to reduce overall fleet fuel use by 10 percent globally by 2013.



PRODUCT TRANSPORT AND PACKAGING

Lilly considers many factors in selecting product packaging, including sustainability dimensions such as reducing materials use and enhancing packaging recyclability. We track the GHG emissions of our product transportation and distribution vendors, and we work with them to reduce those impacts while also ensuring product integrity. For more information, see [page 80](#).



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 the production, distribution, use, and disposal of our products. For more information, see [page 78](#).



PRODUCT END OF LIFE

Medicines are intended to be used in their entirety by patients, and unused medicines cannot be recycled. As a result, models of take-back, reuse, and recycling in other sectors, designed to capture value from products after use, are not a good fit for our industry. We are working with customers and partners to ensure cost-effective approaches are available for product end of life disposal that balance environmental risk, patient privacy, legal compliance, and security. We also support the proper disposal of syringes, needles, and other sharps used in home settings to mitigate potential public health and environmental risks. We primarily use education to achieve this. For more information, see [page 81](#).

SCOPE OF HEALTH, SAFETY, AND ENVIRONMENTAL DATA IN THIS SECTION

- Data in this section cover Lilly's global operations, including wholly-owned subsidiaries, unless stated otherwise.
- Data may be revised compared to prior reports due to changes in calculation methodology and other factors.
- Following World Resources Institute guidance, energy use, greenhouse gas (GHG) emissions (except Scope 3), and water-use data are reported on an adjusted basis accounting for mergers, acquisitions, and divestitures, as appropriate, to ensure comparability, unless stated otherwise.
- Years are calendar years, unless stated otherwise.
- Bureau Veritas provided independent, third-party verification of GHG emissions data for Scopes 1, 2, and 3. View a **statement** about Scopes 1 and 2 and a **statement** about Scope 3. In addition, Bureau Veritas verified the percentage decrease from both the baseline year (2007) and from 2011 compared to 2012 for the following metrics: energy intensity, waste to landfill, and water intake.

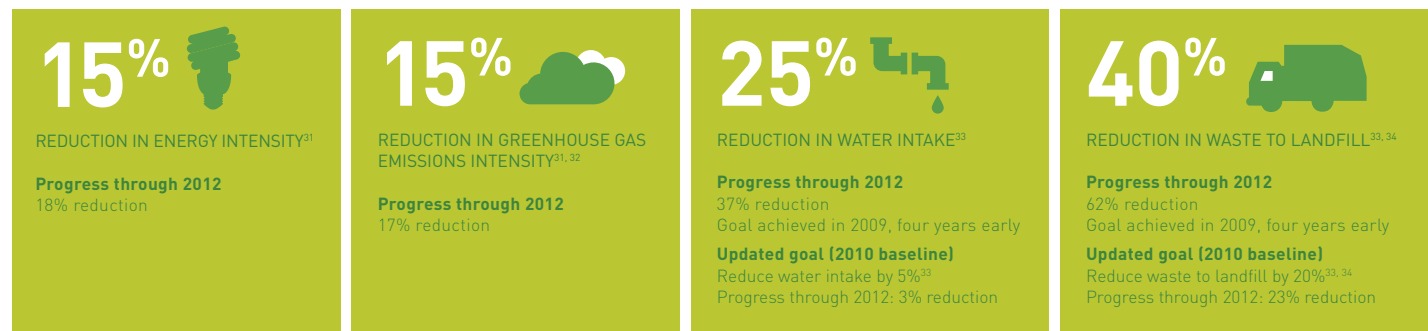


Lilly's Environmental Goals

Setting, driving toward, and communicating our progress to achieve HSE performance goals are central to our HSE management approach.

In 2008, Lilly established several HSE performance goals to minimize our impact on the environment and to reduce employee and contractor injuries. We achieved our water intake and waste-to-landfill reduction goals significantly ahead of the target date and reset our goals for these measures, demonstrating our drive for continuous improvement. For information about progress toward our health and safety goals, see [page 59](#).

2013 GOALS (BASELINE OF 2007 UNLESS OTHERWISE NOTED)³⁰



As described above, we've made significant progress against our 2013 environmental goals. To motivate Lilly to continually decrease our environmental impacts, we've launched a new set of goals for 2020. As in the past, we'll continue to report our progress transparently.

2020 GOALS (BASELINE OF 2012 UNLESS OTHERWISE NOTED)³⁰



³⁰ 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.

³¹ Per square foot of facility space.

³² This goal covers Lilly's Scope 1 and Scope 2 emissions.

³³ In absolute terms.

³⁴ Lilly's former and current waste-to-landfill goals do not include construction and demolition debris, biosolids from wastewater treatment plants, incinerator ash, coal ash if reused for mine reclamation or road base, and mycelia and urea reused for fertilizer.

³⁵ Per unit of production or relevant index.

How We Manage Environmental Issues

→ Policies and Standards

Several policies and standards define our commitments and guide our efforts:

- Our global **HEALTH, SAFETY, AND ENVIRONMENTAL POLICY** sets environmental expectations related to compliance and environmental protection for our people and operations.
- Our **ENVIRONMENTAL STANDARD** provides more detailed requirements and establishes the core governance requirements to manage significant environmental and energy-related aspects of our operations.
- Our **MANAGEMENT SYSTEM STANDARD** and **VERIFICATION AND CORRECTIVE ACTION STANDARD** define requirements to ensure compliance with Lilly HSE standards, applicable regulatory requirements, and other external HSE standards to which the corporation subscribes.
- Our **GLOBAL ENGINEERING STANDARDS** govern many environmental aspects of our operations, such as energy use and GHG emissions.

- Our **PRODUCT STEWARDSHIP STANDARD** provides a systematic way to manage product and process risks in our supply chain and our operations, and during the use of our products.

→ HSE Governance

Lilly's formal HSE governance structure (see graphic) ensures that management of HSE issues is integrated companywide. 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 ensuring continuous improvement. The vice president of global HSE works closely with the global HSE committee to set appropriate metrics and goals, assess company performance, and oversee compliance with all HSE regulations, policies, procedures, and standards globally. The manufacturing HSE committee supports these efforts and drives ongoing improvement throughout the manufacturing organization. Executives and lead teams in each of our business groups and manufacturing, as well as Lilly Research Laboratories and general and administrative functions, manage governance for HSE in those areas.

LILLY'S HEALTH, SAFETY, AND ENVIRONMENTAL POLICY

Encourages and expects each employee to be environmentally responsible and to conduct work practices in a safe manner in accordance with established policies, standards, and procedures. These practices are considered an essential measure of performance for all employees.

Builds health, safety, and environment considerations into all phases of the business, including product and technology discovery and development, facility design, operation and maintenance, and product delivery.

Strives for an injury-free workforce and minimizes environmental impact through implementation of programs in our facilities and the surrounding communities that reduce risks to employees, neighbors, the public at large, and the environment.

Encourages and promotes waste minimization, the sustainable use of natural resources, recycling, energy efficiency, resource conservation, and resource recovery.

LILLY HEALTH, SAFETY, AND ENVIRONMENTAL GOVERNANCE STRUCTURE



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→ Management Systems

All Lilly business units have an HSE management system 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 Chemical 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 either ISO 14001, Voluntary Protection Programs (VPP), or RCMS.

→ Audits

To assess performance, we audit a significant portion of our sites globally each year following the protocols outlined for each of our Global HSE Standards. We use a risk-based approach to determine which sites to audit and then reassess those sites every one to five years. Both external and internal auditors participate in each audit conducted.

Energy, Waste, Water, and Natural Resource Use Reduction Fund

Making capital investments in technology and physical plant operations can have a substantial, positive environmental impact. However, these projects compete for funding with other essential projects at each facility. To address this challenge, we established an Energy, Waste, Water, and Natural Resource Use Reduction Fund. The Fund helps pay for capital projects at our facilities globally and promotes the

development of environmentally superior, efficient technologies, and best-practice sharing across our facilities.

A total of more than \$32 million has been approved for investment in 121 projects since 2006. This is in addition to the amounts that are spent by those facilities independent of the global fund. These projects have collectively saved nearly 940 billion BTUs of energy, avoiding more than 100,000 metric tonnes carbon dioxide equivalent (CO₂e) of emissions. In 2012, examples included these facility improvements:

- **SPEKE, UNITED KINGDOM:** An energy recovery initiative further increased the already high efficiency of the site's two cogeneration gas turbine units by capturing waste flue gas heat to preheat boiler feed water, replacing use of steam.
- **ALCOBENDAS, SPAIN:** The facility's energy team installed heat recovery equipment in laboratory heating, ventilation, and air conditioning (HVAC) units to preheat incoming air in the winter and precool the air in the summer, reducing mechanical heating and cooling loads at the site.

Sustainable Culture at Lilly

The ongoing success of our environmental efforts is enhanced by our employees' commitment to sustainability. Hundreds of employees, passionate about the environment and reducing impacts on local communities, make up dozens of "green teams" globally. With the support of HSE representatives and management, these teams work to reduce environmental

impact at their sites. The green teams also engage internal and external experts to provide insight on environmental issues at work and at home. These teams implement projects such as employee carpooling programs, energy-efficiency initiatives, and beverage container and cardboard recycling. The green teams bring forward ideas for management approval and demonstrate that projects are cost-effective and provide environmental benefits.

To extend the benefits of strong environmental performance beyond our operations, we also encourage employees to act as better environmental stewards outside of their work and provide them with information and resources to do so. Examples include increasing composting and recycling in their homes, upgrading to more efficient lighting at home, and using public transport when feasible to decrease impacts from commuting.

PRODUCT STEWARDSHIP

Lilly takes a broad approach to understanding and managing our HSE impacts across the product life cycle (see page 74). This improves our own performance and demonstrates our values, while also meeting the expectations of customers and other stakeholders who are increasingly focused on Lilly's progress in this area.

Lilly's Product Stewardship Standard defines our health, safety, and environmental requirements for assessing Lilly products (see box). Numerous Lilly business units and functional groups contribute to implementing this standard across the entire value chain—from product discovery and development; through manufacturing, sales and marketing, distribution and use; to final disposal. The scope covers both internal and external value chain elements globally. This approach is intended to integrate product stewardship deeply into Lilly's business.

We focus on the following areas:

- Using green chemistry to reduce the use of energy, water, and hazardous materials in our development and manufacturing processes;
- Reviewing materials used in devices to reduce their environmental footprint;
- Reducing the environmental impact of product manufacturing;
- Developing more sustainable packaging practices;
- Using science-based environmental risk assessments to evaluate the potential impact of our products in the environment; and
- Disposing of products responsibly at end of life.

Design for Environment

In many industries, including pharmaceuticals, the majority of product environmental impacts are determined at the design stage. In the development of our human health pharmaceuticals, we consider environmental factors from the earliest phases of design and development. We take into account the materials and processes we will use to make products as well as how we will package those products to distribute to customers. This integrated approach enables us to identify opportunities to improve product environmental performance.

Innovations in Green Chemistry

In the early 1990s, Lilly was one of the first pharmaceutical companies to use green chemistry to transform our manufacturing processes to be inherently safer, more efficient, and more environmentally friendly.

Traditionally, pharmaceutical manufacturers viewed the use of hazardous materials as a necessary part of making medicine. Green chemistry, by contrast, works to reduce or eliminate the use of hazardous materials where possible so protection, controls, and treatment are reduced or are no longer needed.

LILLY'S PRODUCT STEWARDSHIP STANDARD

Reflecting the breadth of product-related sustainability issues, our Product Stewardship Standard covers the following areas:

- **EMERGING ISSUES:** Identifying, analyzing, and managing new and emerging issues,
- **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 to identify and reduce HSE hazards from new products or processes where possible, and using appropriate safeguards throughout these activities,
- **PRODUCT PACKAGING:** Reducing the amount of packaging and using environmentally preferable 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:** Decreasing the environmental impact of promotional materials, and communicating with customers about sustainability,
- **SUPPLIERS, CONTRACT OPERATIONS, AND ALLIANCES:** Evaluating and influencing the HSE performance of suppliers, contract operations, and alliances (see page 46 for more information about supplier management), and
- **SUPPLY CHAIN MANAGEMENT:** Establishing plans to ensure business continuity and appropriate emergency response if needed.

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The potential benefits of finding new and better ways to make pharmaceutical products are substantial. Lilly's approach to green chemistry in our human health pharmaceuticals is twofold:

- We seek improvements by reducing the amount of hazardous material used to make a product, increasing overall materials efficiency, evaluating chemical alternatives, and avoiding use of the riskiest substances.
- We strive to advance the underlying chemistry and engineering technologies used to make medicines through innovation, both internally and externally through partnerships.

To support these efforts, we have established guidelines for both the quantity of materials needed for the synthesis of a new product and the restricted use of materials that could significantly increase the environmental and safety risks of a process. Development teams incorporate these standards, along with other design criteria, as part of their Process by Design methodology when developing a new process and judging its suitability for future manufacturing. We then complete a review to evaluate success in implementing these standards and share feedback with the development teams (see **Environmental Development Review on page 80**).

To measure progress in green chemistry, we have established material use efficiency standards at critical steps in the human health product development process, including the Process Mass Intensity (PMI) factor, a ratio of the total mass of raw materials (including water) put into a process for every kilogram of drug produced.

We have developed several processes that improve environmental performance and enhance process safety by reducing the operational scale of the most hazardous manufacturing steps by more than one

hundredfold. For example, Lilly scientists recently published an article in *Green Chemistry* journal (see detail), demonstrating a new type of Grignard reaction related to pharmaceutical production. This innovation reduces PMI by more than 30 percent and decreases the amount of metals and reactive raw materials required by more than 99 percent.

Providing our human health scientists with useful information at key decision points helps them make the best decisions when using chemistry to design processes. To accomplish this, we have developed electronic lab notebooks, used by chemists within the company, which include information and tools regarding process efficiency, solvent selection, and materials of concern. When any researcher adds information to the notebook, it is easily available to all Lilly researchers worldwide.

We have also established accountability for the routine use of green chemistry principles in our human health business. Expectations to use green chemistry are built into our product development objectives along with other important criteria, such as quality and cost. Development teams are accountable for process efficiency and safety from the point when candidate molecules are selected through the development of a manufacturing process, and we monitor progress at major development milestones.

Lilly also focuses on the use of greener and safer solvents. For example, we have made significant efforts to limit the use of dichloromethane (a hazardous air pollutant) within Lilly. The edivoxetine hydrochloride supply chain has historically used dichloromethane to produce a key intermediate by an inefficient resolution process for the primary active pharmaceutical ingredient starting material. We developed a more efficient amino acid-based approach that does not use dichloromethane. This process utilizes

environmentally benign solvents, such as 2-methyl THF, which is derived from furfural and is considered a nearly carbon neutral substance.

Lilly has also been a key contributor to the Pharmaceutical Roundtable and has recently co-chaired its workgroup on green chemistry. One focus area in 2012 was developing a \$100,000 research grant, for which academic researchers and others can apply, to produce safer solvents as potential replacements for traditional solvents. We have also contributed to the creation and public release of a solvent selection guide by the Pharmaceutical Roundtable that capitalizes on the best practices of several companies.

➔ Process Improvements for Evacetrapib Won the Lilly Green Chemistry Award

The synthesis of evacetrapib, a small molecule in Phase III clinical development being studied for the treatment of high-risk vascular disease, had previously utilized a reductive amination reaction using the stoichiometric reducing agent sodium triacetoxyborohydride (STAB). While this process performs well, STAB can release flammable hydrogen gas on exposure to water. STAB also poses concerns for material storage and handling and introduces further liabilities with waste removal. Since 2012, we have shifted to a continuous iridium-catalyzed reductive amination process. This green alternative reduces waste generation, uses materials more efficiently to conduct the reaction, decreases hazardous materials use, and uses a more sustainable catalytic coupling protocol. This new process is also significantly safer and has the potential to save up to \$80 million over the projected life of the product. To increase these benefits, we also plan to use this process for other high-pressure reactions in the future.

Environmental Development Review

Lilly uses an Environmental Development Review (EDR) process in our human health pharmaceutical business to evaluate potential environmental issues and opportunities during the scale-up of medicine production to manufacturing levels. The EDR process helps us identify and address potential impacts of manufacturing and waste treatment, suggest process improvements, and share learning as new medicines come through the pipeline and transition into manufacturing.

An EDR conducted in 2013 identified significant opportunities for the recovery and reuse of solvents for the manufacture of a product in our pipeline. Compared to incineration of these solvents, this reuse would decrease GHG emissions by more than 83 percent (equivalent to 4,300 metric tonnes CO₂e per year), while recovering solvent worth up to \$5 million annually. The review of production at a contract manufacturer that makes an intermediate for this same process uncovered additional solvent recovery opportunities that would decrease GHG emissions from incineration by 87 percent (equivalent to 3,700 metric tonnes CO₂e per year) at that facility, while saving \$3 million annually.

See more information about our environmental performance in manufacturing on [page 82](#).

Global Chemical Management

Lilly, customers, and governments worldwide are increasingly focused on the chemical substances used in products. Governments across many of the regions where we operate have developed chemical management legislation, such as the European Union (EU) Registration,

Evaluation, Authorisation, and Restriction of Chemicals (REACH) regulation, which requires manufacturers and importers of chemicals to collect and register information about the chemicals they manufacture or use. These regulations may also require replacing the most hazardous chemicals with safer alternatives when available.

We continue to assess the impact of these new and emerging global chemical management regulations on substances we manufacture and on our raw materials. We are committed to ensuring our facilities remain in compliance with all relevant laws.

Materials Use

Lilly produces injection devices that patients may use to administer some of our medicines. Due to the function of these products, they demand the highest standards of quality, sterility, and reliability. Assuring these high standards are met consistently is our top priority. Although our environmental design and materials selection efforts extend to this area, we use only virgin raw materials to meet these standards and do not currently use post-consumer recycled materials to manufacture these devices.

Packaging

Pharmaceutical packaging is highly regulated and must fulfill many functions, including protecting product integrity during transit and storage, providing information, resisting counterfeiting, and protecting contents from tampering or access by children. Packaging is also a source of cost and waste. Through our sustainable packaging efforts, we continually review packaging technologies and practices to reduce the amount of packaging used; to utilize lower environmental impact materials, including recycled content; to enhance recyclability; and to

reuse or recycle packaging throughout the supply chain. During recent years, we've saved thousands of metric tonnes of packaging and millions of dollars through these efforts. We're also collaborating with our distributors, retail pharmacies, and health-care providers to better understand the overall pharmaceutical packaging footprint and ways to reduce it.

Our Product Stewardship Standard also supports these efforts. It requires that in our procurement processes we consider the use of post-consumer recycled materials, products from certified sustainable forests, and materials derived from renewable resources. Lilly's paperstock suppliers in China, Europe, and the United States have certified that they source materials from sustainable forests as accredited by Forest Stewardship Council (FSC) or equivalent entities.

Recent examples of packaging innovation include the following:

- **GIESSEN, GERMANY:** We implemented several packaging-process improvements at our Giessen site in Germany in 2011 for the launch of one of our products. Through these efforts, we reduced the reject rate, decreased waste by nearly four metric tonnes per year, and have saved an estimated \$1.5 million annually.
- **INDIANAPOLIS, INDIANA:** In 2010, a joint effort by our packaging engineers and brand teams in Indianapolis, Indiana, resulted in simplifying product sample packaging for two products. Redesigning the blister (the protective plastic sleeve that covers each individual pill) for one product sample, removing the external carton for the sample bottle for another product, and eliminating the wallet (the protective cardboard sleeve for blister packs) for both products will save an estimated \$1.3 million yearly.

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Pharmaceuticals in the Environment

Using advances in analytical testing technologies, scientists at locations around the world have measured trace amounts of residues of pharmaceutical products in the environment that were not previously detectable. These residues are widespread and found mainly in streams, rivers, and other water bodies. Reported concentrations are extremely low—as low as one part per trillion (equivalent to about one teaspoon of sugar dissolved in more than 3,300 Olympic-sized swimming pools). An estimated 90 percent of the medicines found in the environment are due to excretion from patients after normal use as prescribed.

At the levels currently present in the environment, risks to human health are considered to be very unlikely. This is consistent with findings of the World Health Organization (WHO), which evaluated selected investigations conducted in Australia, the United Kingdom, and the United States. Although acute effects on aquatic life are considered to be insignificant at current levels, the availability of data on the potential long-term impacts is increasing and varied, and chronic impacts on some aquatic life forms cannot be ruled out at this time.

As part of our commitment in this area, we continually assess the emissions of active ingredients from all Lilly manufacturing facilities. Lilly is committed to understanding the potential effects of our products in the environment as well as in humans, and we support using science-based evaluations to assess and minimize related environmental risks. We collaborate with industry partners, academic researchers, and regulatory agencies to further proactively address any potential impacts from the production, distribution, use, and disposal of our products.

Lilly supports industry efforts to make information about pharmaceuticals in the environment and the environmental characteristics of medicines readily available. Our scientists have published articles and presented on these topics and have participated in discussions about the safety of pharmaceutical residues in water at scientific meetings held by the U.S. National Academies National Research Council, the WHO, the U.S. Environmental Protection Agency, and European governmental sponsors. Summary results from environmental fate and effect studies are available in our **Material Safety Data Sheets** and are routinely updated.

As a precautionary measure, pharmaceutical products are subjected to environmental and other testing as a part of registration protocols prior to marketing. Therefore, we test and assess our medicines for potential effects on the environment to meet current regulatory requirements and internal standards before launching new medicines. We regularly update our testing protocols for new and existing pharmaceuticals as knowledge and testing methods improve. We will continue to collaborate with regulatory, academic, and research organizations to advance knowledge in this area. See **Lilly's Position on Pharmaceuticals in the Environment**.

Product End of Life

Medicines are intended to be used in their entirety by patients. As a result, typical models of take-back, reuse, and recycling that are designed to capture value from products (such as paper, beverage containers, or electronic equipment) after use, do not apply to our industry. We continue to work with customers and partners to better understand and ensure an effective approach to product end of life issues.

In cases where patients do not finish their medication, reuse or recycling is not a safe option due to the nature of our products. Therefore, we support educating patients and caregivers on how to properly dispose of unused medicines because both groups have an important role to play. In the United States, we promote efforts to educate the public about proper drug disposal methods for unused medicines. For example, both Lilly and the PhRMA trade association support the **SMARxT DISPOSAL™** program. Additionally, see **Lilly's Position Statement on the Disposal of Unused Medicines** in the United States.

We also support the proper disposal of syringes, needles, and other sharps used in home settings to mitigate potential public health and environmental risks. Based on feedback from patients and healthcare providers, we believe that education offers the greatest opportunity to improve disposal practices for sharps. We are working to more effectively communicate this information to patients through product user manuals, patient education programs, improved sales force awareness, and updated information at **The Lilly Answer Center**.

PERFORMANCE IN OPERATIONS

We are committed to continually improving environmental performance across Lilly's operations. This includes our most significant areas of environmental impact—energy use, greenhouse gas (GHG) emissions, water use, and waste. We are also dedicated to maintaining compliance with applicable legal standards, advancing our green procurement, reducing non-GHG air emissions, and supporting biodiversity efforts in communities where we operate. As a fundamental part of our approach, we establish, work toward, and share progress against HSE performance goals (see page 75).

Energy Use and Greenhouse Gas Emissions

The topic of climate change is compelling governments, companies, and citizens worldwide to act. We've responded to climate change by setting and making progress toward aggressive targets for improved energy efficiency and reduced GHG emissions. These efforts improve our environmental performance and decrease energy use, which represents one of the most substantial operational costs for our research, manufacturing, and distribution activities. Recognizing the connection between GHG emissions and water use, we have also conducted evaluations of water-stressed areas where we operate (see page 85).

Energy assessments are central to our approach. Since 2006, we have conducted 30 energy assessments at our most energy-intensive sites. These findings have contributed to approximately \$137 million in cumulative cost avoidance³⁶ from 2007 to 2012, while helping us to avoid more than 800,000 metric tonnes CO₂e of GHG emissions during that same time period.

Additionally, Lilly has implemented several global strategic initiatives to support these efforts, such as energy submetering to enable monitoring and benchmarking of facilities and utility equipment, use of the Laboratory Energy Efficiency Profiler assessment tool, and retrocommissioning³⁷ of laboratory and administrative facilities.

At three facilities, we generate electric power using photovoltaic arrays. At a fourth Lilly site, we have entered into an agreement to purchase solar power from a third-party provider that is constructing a nearly 10-MW array adjacent to our facility. We continue to use renewable energy to diversify our energy sources and decrease GHG emissions globally, using direct generation as well as direct and indirect purchases of renewable energy from local utilities. Cogeneration, which involves using an on-site engine to generate electricity while also recovering usable heat from the process to improve overall energy efficiency, is another important part of our approach. We currently feature three sites with 10-MW, 4.3-MW, and 2.4-MW cogeneration units in operation.

ENERGY PROGRAM

We are committed to using energy in the most efficient, cost-effective, and environmentally responsible manner. To do so, we establish energy-efficiency goals and implement energy management practices globally. Our approach includes the following elements:

- Design for energy efficiency in new or updated processes and facilities;
- Operate our facilities and equipment efficiently;
- Monitor and report energy consumption and resulting GHG emissions;
- Conduct energy assessments and implement initiatives to enhance energy efficiency;
- Utilize alternative energy sources, new technologies, and best practices; and
- Participate in local, regional, and/or national forums to influence responsible and cost-effective decision-making and policy development relative to energy.

To expand benefits companywide, Lilly employees share best practices in energy efficiency through several channels, such as our global health, safety, and environment workshop, regional networks, and Engineering Technical Center. The latter is a group of experienced engineers who provide consultation on operational issues, including energy forecasting and efficiency initiatives to manage projected demand. We also conduct a yearly internal awards presentation for HSE performance (which, similar to the initiatives described earlier in this paragraph, also addresses water savings and waste reduction).

³⁶ Lilly has calculated estimated cost avoidance due to energy efficiency improvements based on financial models, energy rates, and other factors.

³⁷ "Retrocommissioning" refers to a structured process for identifying suboptimal performance in an organization's lighting, heating, cooling, and other systems, and making adjustments as needed.

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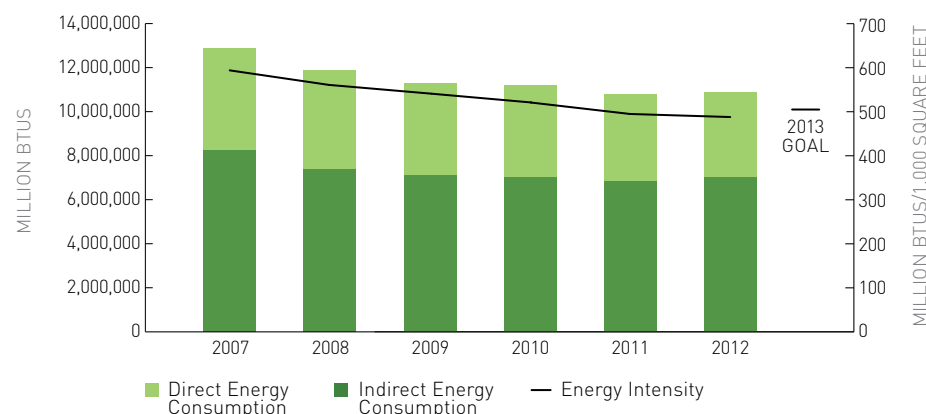
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PROGRESS TOWARD GOAL—ENERGY USE



Other educational opportunities include the following:

- Energy-focused webinars and collaboration sites on the Lilly intranet,
- Use of our internal social networking site to share best practices and make suggestions,
- Global Energy Day, a widely attended annual employee event that includes poster presentations, videos, contests, guest speakers, and energy-focused informational booths to promote awareness of and progress toward Lilly's companywide energy goal.

In 2012, Lilly's energy use totaled 10,900,000 million BTUs, almost 1 percent more than 2011 (see graph). Since 2007, our energy intensity per square foot of facility space has improved by nearly 18 percent, exceeding the company's goal of a 15 percent reduction by 2013.³⁸

During 2012, the company's Scope 1 and Scope 2 GHG emissions equaled 1,580,000 metric tonnes CO₂e, less than 1 percent greater than in 2011 (see graph on page 84). Lilly's GHG emissions intensity improved by almost 17 percent compared with 2007, surpassing the company's goal of a 15 percent improvement by 2013.³⁹ The decrease in Scope 1 and Scope 2 GHG emissions between 2007 and 2012 is equivalent to the annual emissions of about 54,000 passenger vehicles.⁴⁰

This year, we again reported several categories of Scope 3 GHG emissions, as included in the Summary Data Table on page 90 (and not included in the graph on page 84). We are committed to continually expanding the scope and quality of our disclosure in this area. To support these efforts, we have initiated a project to gather energy and GHG data from our key suppliers to more effectively assess our Scope 3 emissions and overall carbon footprint.

³⁸ 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.

³⁹ This goal covers Lilly's Scope 1 and Scope 2 emissions per square foot of facility space.

⁴⁰ According to www.epa.gov/cleanenergy/energy-resources/refs.html.

⁴¹ Capper, J. July 2010. "Comparing the Environmental Impact of the U.S. Beef Industry in 1977 to 2007." Abstract presentation at the American Society of Animal Science meetings.

CLIMATE CHANGE-RELATED RISKS AND OPPORTUNITIES

Lilly faces various climate change-related issues, risks, opportunities, and impacts in its global operations, which we integrate into the framework of our Corporate Responsibility and Enterprise Risk Management (ERM) strategies.

We regularly assess climate change-related regulatory risks and opportunities through our environmental regulatory technical committee (ERTC), and physical and other climate change-related risks through our ERM process. Information from these assessments informs our business strategies across multiple components within the business.

One set of risks and opportunities that Lilly focuses on relates to food animal production (the production of animals used for human food consumption) due to our Elanco animal health product portfolio. Food animal production has a sizable impact on global GHG emissions, and our products and services help producers sustainably deliver more food and address hunger globally while using fewer resources. This decreases climatic and other environmental impacts while making food safer, more affordable, and more abundant. For example, between 1977 and 2007, efficiency-enhancing technologies reduced the carbon footprint per kilogram of beef produced by 18 percent, while also decreasing related water usage by 14 percent and associated land usage by 34 percent.⁴¹

To increase awareness about these benefits, we analyze and communicate improved animal productivity and health as a means to reduce GHG emissions as well as impacts on natural resource use (such as land, water, and fossil fuels). We share this information with food animal industry organizations; various non-governmental organizations; multistakeholder groups, such as Global Roundtable for Sustainable Beef, U.S. Dairy Innovation Center, and National Pork Board; as well as companies operating within the sector's retail supply chain.

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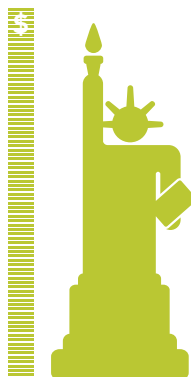
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equivalent to
A STACK OF \$100 BILLS TALLER THAN

THE STATUE OF LIBERTY
(ground to torch)



Lilly's 2013 CDP climate change disclosure score increased to 86, compared to the average score of 82 in the healthcare sector and our company's score of 65 in 2012. Our performance band also improved, from C to B. See Lilly's recent **CDP climate change submission** for additional detail about the company's approach and performance in this area.

➔ Reducing Energy Use in Augusta, Georgia

Lilly continually looks for opportunities, both large and small, at all of our facilities to reduce energy use. For example, Lilly's manufacturing site in Augusta, Georgia, optimized the operation of its air compressors to virtually eliminate unneeded use during the facility's fermentation cycles. These improvements have reduced energy use related to compressed air by 43 percent. Based on 2012 production volumes, the project decreased energy use by 4.5 million kWh, while saving \$290,000 during the year. Production needs are projected to increase significantly over the next five years, which will result in even greater savings.

➔ Designing Green Buildings in Kinsale, Ireland

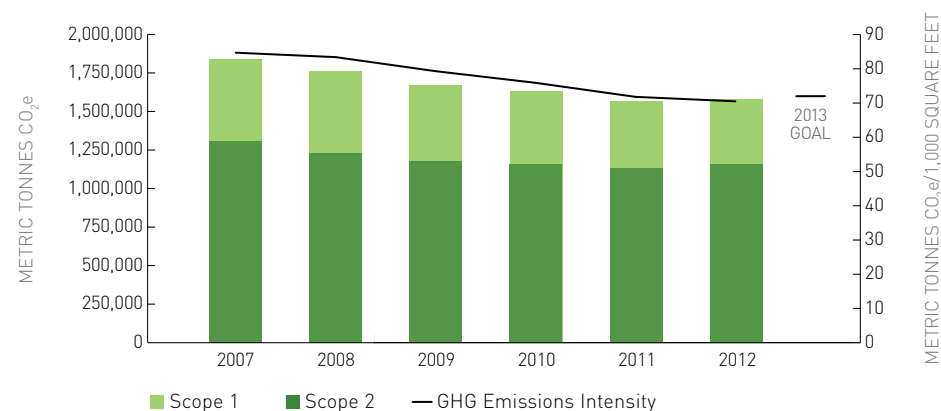
In Kinsale, Ireland, Lilly's new biotech facility, currently under construction, is designed for the manufacture of future biomedicines. The structure will have about 47 percent more floor space than the current largest biotech building at the site, and originally had been projected to increase the site's total energy use and costs by as much as 70 percent. In the conceptual phase, Lilly global facilities delivery group, the project's architecture and engineering firms, and Kinsale site engineers partnered to integrate energy efficient design considerations throughout the project. As part of this process, the extended team identified and documented 135 energy conservation measures, of which nearly 50 were ultimately approved. These collectively have the potential to reduce annual GHG emissions by more than 9,300 metric tonnes CO₂e and decrease water use by nearly 30 million liters yearly, compared to original projections, while saving an estimated \$1.7 million in energy costs annually.

➔ Decreasing Environmental Impacts in Sales and Marketing

We use a scorecard at our sales and marketing affiliates in the Americas, Canada, and Europe to identify and assess progress toward reducing energy use, water consumption, waste, and transportation. Each year, these affiliates look for opportunities to enhance their environmental performance by identifying and planning new projects and setting targets across more than 40 dimensions. Between 2012 and 2013, 10 of 25 affiliates moved up a performance level (the levels include Beginner, Follower, Good Citizen, Leader, and Best in Class). Eighty percent of affiliates have returned a scorecard showing improved performance through new green initiatives.

Across our sales and marketing organization, we are converting part of our fleet to TDI (Turbocharged Direct Injection) clean diesel models to leverage our purchasing power and decrease our GHG emissions. At the same time, we are saving money and still providing high-quality fleet options with outstanding safety ratings for our representatives. Compared with a similar-sized gasoline engine, these diesel engines deliver about 30 percent better fuel economy and reduce CO₂e emissions by a corresponding amount.

PROGRESS TOWARD GOAL—GHG EMISSIONS



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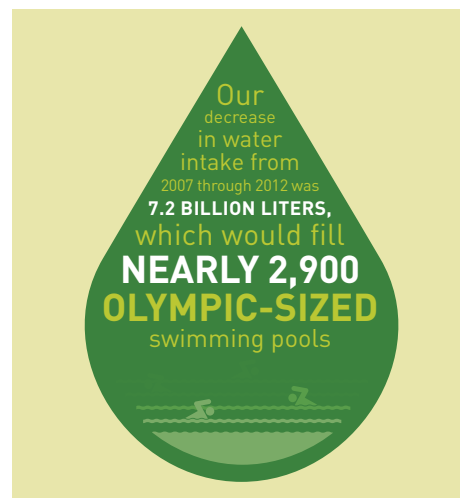
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Water Use

Water remains an important issue for Lilly. Predicted future regional water scarcity, increased costs, and climatic changes have only strengthened our commitment to use water wisely.

Manufacturing operations represent a majority of the water consumed by Lilly. In our operations that produce injectable products, we require exceptionally high-quality water. In our utility operations, we use substantial amounts of water for cooling and to support steam boilers. Some sites have updated to waterless cooling systems, and others have installed technology that reclaims water for this purpose. To a lesser extent, we consume water for domestic uses in our offices (such as cafeterias, bathrooms, and landscaping). Our Engineering Technical Center helps our sites to identify water-saving technologies. Additionally, capital is available to sites through Lilly's Energy, Waste, Water, and Natural Resource Use Reduction Fund.



In 2012 and 2013, we used the World Business Council for Sustainable Development's Global Water Tool© and the United Nations Environment Programme's Vital Water Graphics tool to evaluate water stress-related risks to our internal and externally sourced operations. Using business-interruption criteria, we estimated potential financial impacts for each type of risk and assessed whether it is significant to the company.

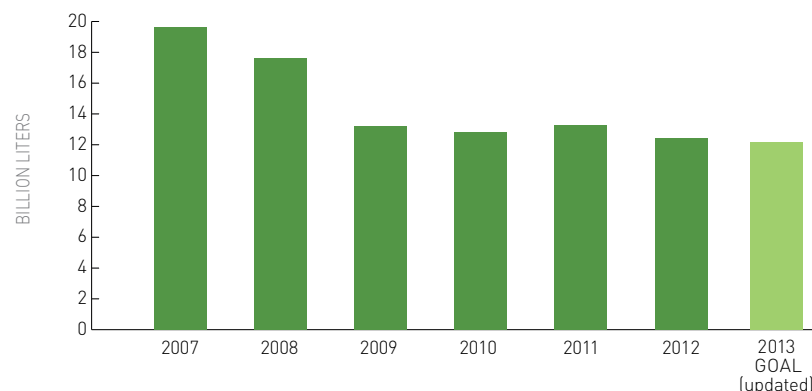
We evaluated more than 100 contract manufacturing sites to determine business risk related to potential extended droughts. This analysis covered a range of operations, from bulk active ingredient production sites that require the largest amounts of water to packaging sites that consume the least. Through this assessment, we determined that extended periods of drought should not significantly impact our business. We use inventory management practices to mitigate these types of risks, and each of our facilities

creates a local business-continuity plan that considers many possible sources of business interruption, including water availability.

Learn more in Lilly's **2013 CDP water submission**.

In 2012, Lilly's water intake⁴² was 12.4 billion liters, a greater than 9 percent decrease from 2011 and a nearly 37 percent reduction since 2007 (see graph below). Major contributing factors to the 2012 reduction included implementation of a product-recovery process at one of our bulk production sites as well as pumping improvements at another bulk production location. An extended heat period that caused water shortages at some sites in North America during the last two years also motivated more efficient water use.

PROGRESS TOWARD GOAL—WATER INTAKE



⁴² "Water intake" is the total amount of water coming into a facility, 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.

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Rain gardens help reduce storm water runoff from hard surface areas.



Underground capture and infiltration pipes reduce storm water discharges by 90 percent from parking lots and roofs.

→ Decreasing Water Use in Augusta, Georgia

Lilly's site in Augusta, Georgia, uses three water-softening units to treat process water. Employees determined that the devices were experiencing inconsistent softener cycles, which decreased system performance and water-use efficiency. After careful analysis, project team members adjusted the saline (softener) levels and significantly reduced rinsing times.

These enhancements, which required no capital investment, have increased softener performance from poor to near-optimum and reduced water usage by more than 4.9 million liters per year. Additionally, the site increased throughput between systems regenerations, improved the predictability of when regenerations would occur, and increased overall system capacity. These results will help reduce or avoid future capital expenditures.

The team also developed additional recommendations to further reduce water and salt use, as well as waste generation and operating costs. Lilly will consider implementing these improvements in coming years.

→ Improving Storm Water Management in Indianapolis, Indiana

Lilly has begun capturing 90 percent of the rainwater that falls on its headquarters site in Indianapolis, Indiana. By retaining water on site and letting it seep slowly into the ground, we have reduced the facility's storm water impact by 45 million liters annually, which reduces the potential for pollution and damage to waterways. We accomplished this through techniques such as directing storm water to underground pipes that allow the water to naturally infiltrate into the soil instead of entering the city sewer system. We have also implemented vegetation-assisted bioretention areas and captured water for use on site in systems designed for non-potable water uses.

Watch this video to learn more.

Waste

Lilly uses the following hierarchy to manage waste:

- Eliminate or reduce the amount of waste produced,
- Reuse materials when possible (often multiple times),
- Recycle used materials to make new products,
- Recover energy from waste,
- Treat waste to reduce toxicity and volume, and
- Send waste to landfill only when the options above are not feasible.

Due to increases in production, total waste generation rose by nearly 15 percent from 2011 to 2012, to 278,000 metric tonnes (see graph on **page 87**). Specifically, the difference related to increases in fermentation waste and a sizable amount of concrete and soil waste associated with construction at one site, much of which was reused. Between 2007 and 2012, however, total waste generation decreased by nearly 27 percent. The reduction is equivalent to the amount of waste that would fill about 10,000 garbage trucks.⁴³

During 2012, Lilly sent 12,300 metric tonnes of waste to landfill, up from 10,900 metric tonnes in 2011, but approximately 62 percent less than in 2007 (see graph on **page 87**).⁴⁴ During the year, 11 Lilly sites globally reported "zero-landfill" status (indicating that they send less than 0.5 percent of generated waste to landfill).

⁴³ This assumes each garbage truck has a capacity of about 10 metric tonnes.

⁴⁴ These data do not include construction and demolition debris, biosolids from wastewater treatment plants, incinerator ash, coal ash if reused for mine reclamation or road base, and mycelia and urea reused for fertilizer.

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27%

DECREASE IN TOTAL WASTE GENERATION
BETWEEN 2007 AND 2012



THE REDUCTION IS EQUIVALENT
TO THE AMOUNT OF WASTE THAT
WOULD FILL ABOUT

10,000

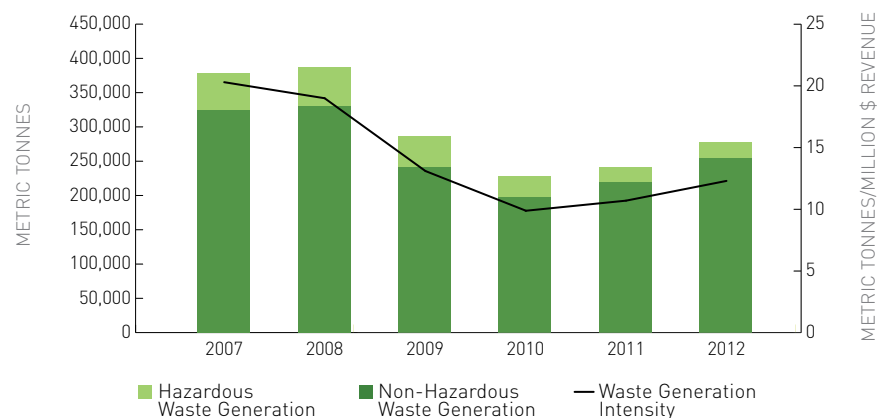
GARBAGE TRUCKS



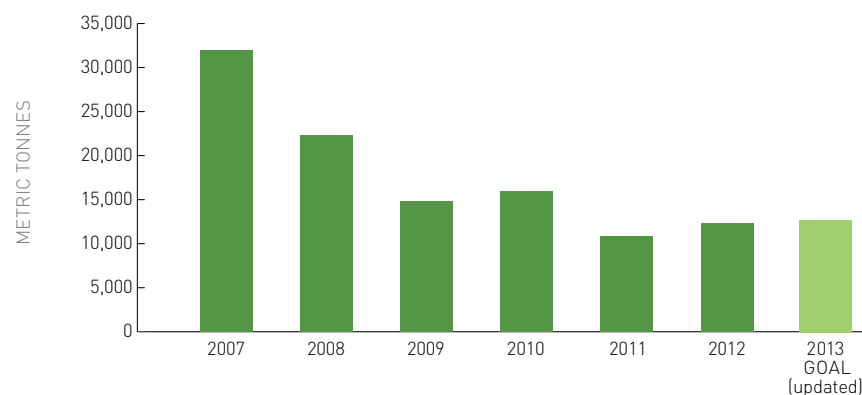
→ Moving beyond Zero Waste in Surrey, United Kingdom

Lilly's research and discovery facility in the United Kingdom achieved zero-landfill status in 2011. Building upon this accomplishment, in 2012, the facility began to capture office-based compostable waste streams, redirected certain animal bedding to incineration with energy recovery, and simplified waste-handling methods to enable a more consistent process. Among other results, during the year, the site reduced general waste by 6 percent, recycled 96 percent of all waste, and streamlined the number of waste-handling methods from 22 to just 6. Due to these efforts, the overall cost per tonne of waste disposed decreased by 15 percent.

WASTE GENERATION



PROGRESS TOWARD GOAL—WASTE TO LANDFILL



→ Benefitting Schools and Reducing Waste through Teachers Day in Indianapolis, Indiana

Since 2000, Lilly has assisted Indiana's schools while promoting reuse during our annual "Teachers Day." In 2013, teachers from 70 schools around the state "shopped" from about 150 pallets containing more than 20 metric

tonnes of free lab equipment and office supplies to use in their classrooms. The total estimated value of items donated was \$100,000.

This event helps reduce our waste sent to landfills, while also providing much-needed assistance to help schools stretch budgets and enable teachers to advance science in their classrooms.

Watch this video to learn more.

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Green Procurement

Lilly continues to expand its green procurement efforts to decrease the company's environmental impacts and support markets for green products. Office supplies remain an area of focus. We offer online purchasing tools globally that inform employees who order office supplies if items with recycled content are available. In 2012, Lilly purchased more than 1,900 different office supply products that contained recycled material. During the year, an estimated 24 percent of the office supplies Lilly purchased by volume in the state of Indiana qualified as "green" compared to 13 percent in 2009.⁴⁵

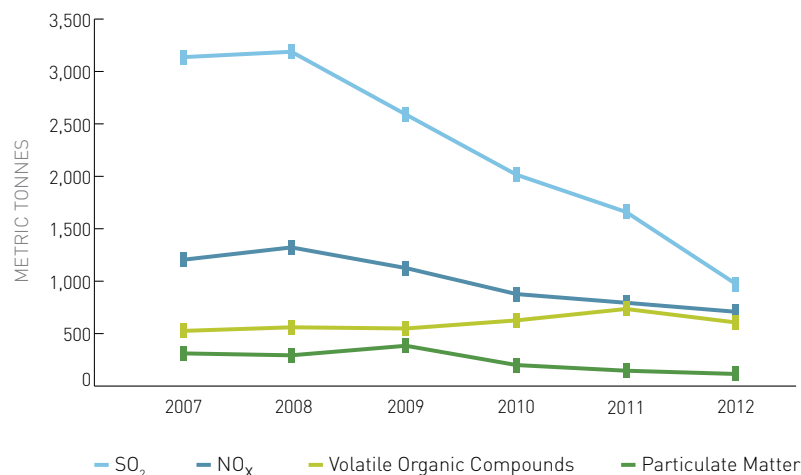
We expanded our green procurement program to cover areas such as product transport, manufacturing, and research. In 2012, we transitioned our approach to shipping products related to clinical trials requiring refrigeration from one-way shipping containers to reusable packaging that provides better thermal protection, is easier to pack, and reduces the number of containers. These enhancements reduce environmental impacts while decreasing costs to ship products to clinics.

For more information about Lilly's efforts in product packaging, see page 80.

Other Air Emissions

Lilly tracks emissions of compounds that can affect air quality. Currently, the company's most significant air emissions, other than greenhouse gases, include volatile organic compounds (VOCs) as well as sulfur dioxide (SO₂) and nitrogen oxides (NO_x) resulting from the combustion of natural gas, oil, and coal.

OTHER AIR EMISSIONS



Between 2007 and 2012, our total air emissions (not including GHGs) decreased by nearly 54 percent, largely driven by changes in manufacturing processes. Emissions decreased in all categories except VOCs, which rose due to increased production rates. Reductions in SO₂ and NO_x emissions were driven by the divestiture of Tippecanoe Laboratories in 2009, as well as energy efficiency improvements and changes to the company's fuel mix during the period.

Biodiversity

Lilly has a long history of working collaboratively to protect habitat and reduce the impact of our operations on ecosystems. We pursue a decentralized approach, recognizing that biodiversity challenges and opportunities vary based on location, and we engage in conservation projects and habitat enhancements at many sites worldwide. We also support conservation efforts in the communities where our facilities are located.

Examples include the following:

- **GUAYAMA, PUERTO RICO:** Our facility maintains about 10 acres within its grounds as an ecological habitat conservation area to help preserve and restore the vibrant plant life found in this location. The space is divided into three areas that focus on education, reforestation, and preservation.
- **AUGUSTA, GEORGIA:** Our manufacturing site manages a 650-acre farm in Burke County that is used for contingency application of some of the facility's nitrogen-rich by-products (which are typically used by local farmers). The location's Wildlife Habitat Team focuses on enhancing biodiversity at the site through the implementation of its wildlife management plan. Ongoing projects include improving Northern Bobwhite quail habitat, managing a 1.5-acre pollinator garden, and maintaining a waterfowl feeding area. The team also collaborates with the local community on various outreach programs.

⁴⁵ According to the definition of environmentally preferable at www.epa.gov/epp/pubs/guidance/finalguidanceappx.htm#AppendixA.

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Waterfowl enjoy the wetlands area at our Clinton, Indiana, facility, which is open to the public.

• **CLINTON, INDIANA:** In early 2011, we launched a project that showcases the compatibility of conservation and farming, while protecting more than 300 acres at our manufacturing facility in this location. Lilly's site is part of a 20-mile long conservation easement established in collaboration with local conservation partners to permanently protect land along the Wabash River (see photo).

• **INDIANAPOLIS, INDIANA:** In 2012, we focused our annual Global Day of Service (GDOS) work near our global headquarters along six waterways as part of a larger citywide collaborative known as Reconnecting to Our Waterways. Nearly 8,000 Lilly employees and other volunteers participated. Learn more on **page 71**.

We also work to improve our understanding of the company's impact on biodiversity. For example, Lilly has operated a bulk manufacturing site in Kinsale, Ireland, since 1982 and discharges treated wastewater to the Kinsale Harbour. In 1978, we commissioned a long-term ecological

study of Kinsale Harbour with the University of Galway. This study, which is ongoing, has suggested that the minor changes observed in the aquatic life on the seafloor of the harbour are associated with storm events rather than treated wastewater from our facility.

Environmental Compliance

Lilly's policy is to comply with applicable health, safety, and environment regulations wherever we do business. Where existing laws and regulations are inadequate, Lilly applies its standards consistent with this policy. We believe compliance is fundamental to maintaining our facilities' "right-to-operate" in their local communities. (For more information about our HSE policies, standards, and management systems, see **page 76**.) If it is determined that we are out-of-compliance, we work to remedy the situation as quickly as possible and to continuously improve our performance.

Using environmental capability assessments, we apply statistical process-control techniques to drive our key environmental compliance-related processes to be in control, compliant, and continuously improving. We routinely assess nearly 50 environmental processes and use the results to improve our control strategies.

Reportable permit-limit exceedances decreased from 43 in 2007 to eight in 2012, an 81 percent reduction that equals the lowest level ever reported by the company. Of the exceedances in 2012, six were related to water, and two were related to air.

See the Summary Data Table on **page 90** for detail.

Environmental Awards and Recognition



Climate change disclosure score of 86, performance band B (2013)



Listed as the 77th greenest U.S. company (2012)



Recognition of carbon-management programs for United Kingdom operations (2012)

FOSTERING ENVIRONMENTAL SUSTAINABILITY SUMMARY DATA TABLE^{46,47}

	2007	2008	2009	2010	2011	2012
ENERGY USE						
Energy Consumption (million BTUs)	12,900,000	11,900,000	11,300,000	11,200,000	10,800,000	10,900,000
Energy Intensity (million BTUs/1,000 square feet)	594	561	541	521	495	488
Energy Intensity (million BTUs/million \$ revenue)	692	581	519	486	445	482
Direct Energy Consumption (million BTUs)	4,670,000	4,440,000	4,240,000	4,200,000	4,000,000	3,900,000
Coal (million BTUs)	1,410,000	1,290,000	1,140,000	1,280,000	1,170,000	690,000
Natural Gas (million BTUs)	2,480,000	2,360,000	2,420,000	2,230,000	2,300,000	2,770,000
Fuel Oil (million BTUs)	768,000	770,000	653,000	676,000	459,000	435,000
Liquid Propane (million BTUs)	18,600	22,300	29,600	23,000	15,900	700
Indirect Energy Consumption (million BTUs)	8,240,000	7,400,000	7,100,000	7,000,000	6,830,000	7,000,000
Purchased Electricity (million BTUs)	4,630,000	4,540,000	4,330,000	4,310,000	4,200,000	4,320,000
Purchased Steam (million BTUs)	2,990,000	2,610,000	2,310,000	2,200,000	2,240,000	2,200,000
Purchased Chilled Water (million BTUs)	619,000	254,000	449,000	491,000	445,000	491,000
GREENHOUSE GAS EMISSIONS						
Greenhouse Gas Emissions (Scope 1 and Scope 2) (metric tonnes CO ₂ e)	1,840,000	1,760,000	1,670,000	1,630,000	1,570,000	1,580,000
Scope 1	527,000	505,000	485,000	476,000	437,000	415,000
Scope 2	1,310,000	1,230,000	1,180,000	1,160,000	1,130,000	1,160,000
Greenhouse Gas Emissions Intensity (metric tonnes CO ₂ e/1,000 square feet)	84.7	83.4	79.3	75.9	71.8	70.5
Greenhouse Gas Emissions Intensity (metric tonnes CO ₂ e/million \$ revenue)	98.7	86.4	76.2	70.8	64.6	69.7
Scope 3 Emissions (not included in metrics above) ⁴⁸						
Employee Business Travel (personal car, taxi, rental car, rail, and air travel) (metric tonnes CO ₂ e)	65,000	65,000	63,000	72,000	67,000	99,000
Employee Commuting (metric tonnes CO ₂ e)	76,000	76,000	76,000	72,000	71,000	72,000

⁴⁶ 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.⁴⁷ Following World Resources Institute guidance, energy use, greenhouse gas emissions (except Scope 3), waste, and water-use data are reported on an adjusted basis accounting for mergers, acquisitions, and divestitures, as appropriate, to ensure comparability, unless stated otherwise.⁴⁸ These data do 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.

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	2007	2008	2009	2010	2011	2012
Product Transportation and Distribution (contracted) (metric tonnes CO ₂ e)	30,000	26,000	39,000	43,000	50,000	45,000
Waste Generated in Operations (metric tonnes CO ₂ e)	103,000	83,000	60,000	68,000	72,000	74,000
Non-Kyoto Compound Emissions (refrigerants, VOCs, etc.) (metric tonnes CO ₂ e)	14,000	33,000	15,000	23,000	55,000	15,000
WATER USE						
Water Intake (billion liters) ⁴⁹	19.6	17.6	13.2	12.8	13.3	12.4
Municipal (billion liters)				6.5	6.6	6.0
Surface (billion liters)				0	0	0
Groundwater (billion liters)				6.3	6.8	6.5
Water Intensity (million liters/million \$ revenue)	1.05	0.864	0.605	0.555	0.549	0.549
WASTE						
Waste Generation (metric tonnes)	379,000	387,000	287,000	228,000	242,000	278,000
Hazardous Waste Generation (metric tonnes)	53,800	55,500	46,400	31,000	22,000	23,900
Non-Hazardous Waste Generation (metric tonnes)	325,000	331,000	241,000	197,000	220,000	254,000
Waste Generation Intensity (metric tonnes/million \$ revenue)	20.3	19.0	13.1	9.88	10.7	12.3
Waste Disposition						
Beneficially Reused (metric tonnes)	253,900	198,700	201,600	148,800	176,200	211,400
Recycled (includes incineration with energy recovery) (metric tonnes)	31,500	102,000	28,800	45,000	35,500	33,600
Treated (includes incineration without energy recovery) (metric tonnes)	49,100	49,700	35,600	12,300	13,300	13,600
Landfilled (metric tonnes)	44,700	32,600	21,200	22,100	17,000	19,800
Landfilled (related to goal) (metric tonnes) ⁵⁰	32,000	22,300	14,800	15,900	10,900	12,300

⁴⁹ "Water intake" as used in evaluating our progress toward our water-reduction goal is the total amount of water coming into a facility, 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. Data for breakdown of water intake by source are not available prior to 2010.

⁵⁰ Our former and current waste-to-landfill goals do not include construction and demolition debris, biosolids from wastewater treatment plants, incinerator ash, coal ash if reused for mine reclamation or road base, and mycelia and urea reused for fertilizer.

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	2007	2008	2009	2010	2011	2012
OTHER AIR EMISSIONS						
Volatile Organic Compound Emissions (metric tonnes)	526	560	549	626	735	606
Particulate Matter (metric tonnes)	311	293	384	200	146	115
SO ₂ Emissions (metric tonnes)	3,137	3,188	2,589	2,015	1,660	973
NO _x Emissions (metric tonnes)	1,205	1,322	1,125	877	794	708
Ozone-Depleting Substances Potential (kg CFC-11 equivalent)	795	2,808	790	790	3,718	1,168
ENVIRONMENTAL COMPLIANCE						
Reportable Permit-Limit Exceedances ⁵¹	43	27	16	11	8	8
Number of Significant Spills ⁵²	0	0	0	0	0	0
Environmental Fines Paid (\$)	\$96,900	\$0	\$12,000	\$1,200	\$340,000 ⁵³	\$732
ENERGY, WASTE, WATER, AND NATURAL RESOURCE USE REDUCTION FUND						
Expenditures (\$ millions)	\$0	\$6.5	\$5.7	\$4.1	\$0.8	\$1.1

⁵¹ 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.

⁵² "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.

⁵³ During routine inspections in 2006 and 2007, the U.S. Environmental Protection Agency identified potential weaknesses in our leak detection and repair program at our Lilly Technology Center facility in Indianapolis, Indiana. In addition, in 2006 we voluntarily reported to the state and city environmental agencies that we had exceeded an annual limit for air emissions. In response to these events, we have implemented numerous corrective actions and enhancements to our environmental programs. We paid a penalty of \$337,500 in early 2011 to settle the case. There was no harm done to employees, neighbors, or the environment as a result of these events.

ABOUT THIS REPORT

This is Eli Lilly and Company's 2012-2013 Corporate Responsibility Report, which highlights progress and initiatives since our **2011-2012 Corporate Responsibility Update**.

It also serves as Lilly's annual Communication on Progress for the United Nations Global Compact (UNGC), of which Lilly is a signatory. The UNGC is a strategic policy initiative for businesses that are committed to aligning their operations and strategies with 10 universally accepted principles in the areas of human rights, labor, the environment, and anti-corruption. An index to the UNGC indicators in this report can be found on **page 109**. More information about the UNGC can be found at: www.unglobalcompact.org.

Data and other updates contained in this report are focused on the 2012 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 2013. This report does not include joint ventures, partially owned subsidiaries, leased facilities, or outsourced operations.

This report is aligned with the Global Reporting Initiative (GRI) G3 Guidelines, at the B application level. The GRI is a network-based organization that produces a comprehensive sustainability reporting framework widely used around the world. An index to GRI indicators in this report is included on **page 94**. More information about the GRI and the application levels can be found at www.globalreporting.org.

Our financial information, which is prepared according to the generally accepted accounting principles (GAAP) in the United States, is subject to our own internal accounting control systems and to external third-party audits. (All dollar amounts given are in U.S. dollars.) In addition to those external third-party financial audits, Bureau Veritas provided independent, third-party verification of greenhouse gas emissions data for Scopes 1, 2, and 3. Bureau Veritas also verified the percentage decrease from both the baseline year (2007) and from 2011 compared to 2012 for the following metrics: energy intensity, waste to landfill, and water intake. 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 report, as it helps us to improve future reports. Please contact:

ROBERT SMITH

SENIOR DIRECTOR, CORPORATE RESPONSIBILITY, AND
PRESIDENT, THE ELI LILLY AND COMPANY FOUNDATION

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Standard Disclosures Part I: Profile Disclosures

Reporting Key: ● Fully ● Partially ○ Not

PROFILE DISCLOSURE	DESCRIPTION	REPORTED	CROSS-REFERENCE/DIRECT ANSWER
1. STRATEGY AND ANALYSIS			
1.1	Statement from the most senior decision-maker of the organization.	●	page 2
1.2	Description of key impacts, risks, and opportunities.	●	pages 2, 7 2012 10-K, pages 16-19
2. ORGANIZATIONAL PROFILE			
2.1	Name of the organization.	●	page 5
2.2	Primary brands, products, and/or services.	●	page 5

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DISCLOSURE	DESCRIPTION	REPORTED	CROSS-REFERENCE/DIRECT ANSWER
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	●	The Board of Directors of Eli Lilly and Company are elected by the company's shareholders to oversee the actions and results of the company's management. Lilly's operational structure includes five main business units: Lilly Bio-medicines, Lilly Diabetes, Lilly Emerging Markets, Lilly Oncology, and Elanco Animal Health. Lilly Research Labs and the Development Center of Excellence compose the research and development areas of the organization. Manufacturing and Quality have responsibility for producing medicines and monitoring safety throughout our products lifecycle. Additionally, the company is supported by general and administrative capabilities including key organizations such as finance, information technology, corporate affairs, and legal. For more information about our products and partners, consult the 2012 Annual Report on Lilly.com.
2.4	Location of organization's headquarters.	●	page 5
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	●	page 5
2.6	Nature of ownership and legal form.	●	page 5
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	●	page 5, 41
2.8	Scale of the reporting organization.	●	page 5
2.9	Significant changes during the reporting period regarding size, structure, or ownership.	●	page 53
2.10	Awards received in the reporting period.	●	pages 3, 42, 52, 54, 63, 89
3.1	Reporting period (e.g., fiscal/calendar year) for information provided.	●	page 93

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DISCLOSURE	DESCRIPTION	REPORTED	CROSS-REFERENCE/DIRECT ANSWER
3.2	Date of most recent previous report (if any).	●	page 93
3.3	Reporting cycle (annual, biennial, etc.).	●	page 93
3.4	Contact point for questions regarding the report or its contents.	●	page 93
3.5	Process for defining report content.	●	page 7
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers). See GRI Boundary Protocol for further guidance.	●	page 93
3.7	State any specific limitations on the scope or boundary of the report (see completeness principle for explanation of scope).	●	page 93
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.	●	page 93
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report. Explain any decisions not to apply, or to substantially diverge from, the GRI Indicator Protocols.	●	pages 74, 75, 90-91
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/periods, nature of business, measurement methods).	●	pages 8, 61, 90
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	●	No significant changes.
3.12	Table identifying the location of the Standard Disclosures in the report.	●	pages 94-108
3.13	Policy and current practice with regard to seeking external assurance for the report.	●	page 93

4. GOVERNANCE, COMMITMENTS, AND ENGAGEMENT

4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.	●	Proxy Statement, pages 11-16
4.2	Indicate whether the Chair of the highest governance body is also an executive officer.	●	Proxy Statement, page 7

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DISCLOSURE	DESCRIPTION	REPORTED	CROSS-REFERENCE/DIRECT ANSWER
4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members.	●	Proxy Statement, pages 11-12
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	●	Shareholders can communicate with the board of directors in writing via the corporate secretary's office. In general, formal mechanisms are not in place for employees to make recommendations directly to the board; however, the leadership team encourages employees to provide feedback to management through a variety of communication channels, including a compliance hotline, internal town hall style meetings, and on the CEO's blog. In addition, under the company's processes for reporting suspected ethics or compliance breaches, under certain circumstances designated employees are allowed or required to report the suspected breach directly to the relevant committee of the board of directors.
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance).	●	Proxy Statement, pages 23-24; There is no explicit linkage between compensation and social and environmental performance
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	●	page 35 Proxy Statement, pages 14-15
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics.	●	Proxy Statement, page 17
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	●	pages 36, 73-74 2012 Annual Report, page 2 Proxy Statement, page 14

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DISCLOSURE	DESCRIPTION	REPORTED	CROSS-REFERENCE/DIRECT ANSWER
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.	●	page 6
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	●	Proxy Statement, page 17
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization.	●	page 81
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	●	pages 3, 10, 11, 26, 39, 47, 74
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization: * Has positions in governance bodies; * Participates in projects or committees; * Provides substantive funding beyond routine membership dues; or * Views membership as strategic.	●	pages 45, 49
4.14	List of stakeholder groups engaged by the organization.	●	page 41
4.15	Basis for identification and selection of stakeholders with whom to engage.	●	page 40
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	●	pages 40-41
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.	●	pages 40-41

Standard Disclosures Part II: Disclosures on Management Approach (DMAs)

Reporting Key: ● Fully ◐ Partially ○ Not

G3 DMA	DESCRIPTION	REPORTED	CROSS-REFERENCE/DIRECT ANSWER
DMA EC	DISCLOSURE ON MANAGEMENT APPROACH-ECONOMIC		
	Economic performance	●	page 8 2012 10-K, page 2, 23-39 2012 Annual Report, Executive Letter and Financial Highlights
	Market presence	◐	pages 8, 10, 12
	Indirect economic impacts	◐	pages 68-69
DMA EN	DISCLOSURE ON MANAGEMENT APPROACH-ENVIRONMENTAL	●	
	Materials	●	pages 77-80
	Energy	●	pages 77, 82-84
	Water	●	pages 77, 85-86
	Biodiversity	●	pages 88-89
	Emissions, effluents and waste	●	pages 77, 81, 82, 84, 86-88
	Products and services	●	pages 78-81
	Compliance	●	page 89
	Transport	◐	page 84
	Overall	●	pages 73-77
DMA LA	DISCLOSURE ON MANAGEMENT APPROACH-LABOR PRACTICES	●	
	Employment	●	pages 50-51
	Labor/management relations	●	page 51
	Occupational health and safety	●	pages 59-60

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G3 DMA	DESCRIPTION	REPORTED	CROSS-REFERENCE/DIRECT ANSWER
	Training and education	●	pages 51-52
	Diversity and equal opportunity	●	pages 55-58
DMA HR	DISCLOSURE ON MANAGEMENT APPROACH-HUMAN RIGHTS	●	
	Investment and procurement practices	●	pages 46-47
	Non-discrimination	●	pages 55, 57
	Freedom of association and collective bargaining	●	page 51
	Child labor	●	page 47
	Forced and compulsory labor	●	page 47
	Security practices	○	
	Indigenous rights	○	
DMA SO	DISCLOSURE ON MANAGEMENT APPROACH-SOCIETY	●	
	Community	●	page 67
	Corruption	●	pages 35, 37-38
	Public policy	●	page 44
	Anti-competitive behavior	○	
	Compliance	●	pages 35-36
DMA PR	DISCLOSURE ON MANAGEMENT APPROACH-PRODUCT RESPONSIBILITY		
	Customer health and safety	●	pages 33-34
	Product and service labelling	●	page 34
	Marketing communications	●	pages 34, 38
	Customer privacy	●	pages 38-39
	Compliance	●	pages 35, 38

Standard Disclosures Part III: Performance Indicators

Reporting Key: ● Fully ● Partially ○ Not

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DISCLOSURE DESCRIPTION

REPORTED

CROSS-REFERENCE/DIRECT ANSWER

ECONOMIC

Economic performance

EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	●	page 8 2012 10-K, Item 8 beginning on page 40
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	●	page 83 See Lilly's 2013 CDP climate change submission for additional detail.
EC3	Coverage of the organization's defined benefit plan obligations.	●	2012 10-K, page 73
EC4	Significant financial assistance received from government.	○	

Market presence

EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation.	○	
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	○	
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.	○	

Indirect economic impacts

EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	●	pages 10-11, 15, 69, 70
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.	●	page 68

ENVIRONMENTAL

Materials

EN1	Materials used by weight or volume.	○	
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DISCLOSURE	DESCRIPTION	REPORTED	CROSS-REFERENCE/DIRECT ANSWER
EN2	Percentage of materials used that are recycled input materials.	●	page 80
Energy			
EN3	Direct energy consumption by primary energy source.	●	pages 82-84, 90
EN4	Indirect energy consumption by primary source.	●	pages 82-84, 90
EN5	Energy saved due to conservation and efficiency improvements.	●	pages 82-84
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	○	
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	○	
Water			
EN8	Total water withdrawal by source.	●	pages 85-86, 91
EN9	Water sources significantly affected by withdrawal of water.	●	page 85
EN10	Percentage and total volume of water recycled and reused.	○	
Biodiversity			
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	○	
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	●	pages 81, 88-89
EN13	Habitats protected or restored.	●	pages 88-89
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity.	●	pages 88-89
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	○	
Emissions, effluents and waste			
EN16	Total direct and indirect greenhouse gas emissions by weight.	●	pages 83-84, 90
EN17	Other relevant indirect greenhouse gas emissions by weight.	●	pages 83, 90-91
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	●	pages 82-84

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EN19	Emissions of ozone-depleting substances by weight.	●	page 92
EN20	NOx, SOx, and other significant air emissions by type and weight.	●	pages 88, 92
EN21	Total water discharge by quality and destination.	○	
EN22	Total weight of waste by type and disposal method.	●	pages 86-87, 91
EN23	Total number and volume of significant spills.	●	page 91
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.	○	
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.	○	
Products and services			
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	●	pages 78-81
EN27	Percentage of products sold and their packaging materials that are reclaimed by category.	●	page 81
Compliance			
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	●	pages 89, 92
Transport			
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.	●	pages 84, 90-91
Overall			
EN30	Total environmental protection expenditures and investments by type.	●	pages 77, 92
SOCIAL: LABOR PRACTICES AND DECENT WORK			
Employment			
LA1	Total workforce by employment type, employment contract, and region.	●	page 51

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LA2	Total number and rate of employee turnover by age group, gender, and region.	○	
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	●	pages 50-51
Labor/management relations			
LA4	Percentage of employees covered by collective bargaining agreements.	●	page 51
LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements.	●	page 53
Occupational health and safety			
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.	●	Lilly does not formally measure the percentage of our total workforce represented in joint management-worker health and safety committees. An estimated 80 percent of our global workforce members utilize health and safety committees to assist in the management of local occupational health and safety programs.
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region.	●	page 61
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	●	page 62
LA9	Health and safety topics covered in formal agreements with trade unions.	●	page 51
Training and education			
LA10	Average hours of training per year per employee by employee category.	○	page 51
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	●	pages 51-52
LA12	Percentage of employees receiving regular performance and career development reviews.	●	page 51

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Diversity and equal opportunity


LA13 Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.  **page 58**


LA14 Ratio of basic salary of men to women by employee category. 

SOCIAL: HUMAN RIGHTS

Diversity and equal opportunity

HR1 Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening. 

HR2 Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.  None of Lilly's suppliers and contractors have undergone a formal screening on human rights, though in April 2013, Lilly enhanced its baseline HSE questionnaire to elicit information from suppliers identified as "higher risk." This update included questions about compliance with human rights and ethics expectations. We are currently incorporating these expectations into our on-site assessments of suppliers. **Page 47** contains a discussion on human rights in the supply chain.

HR3 Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.  Every year, Lilly employees spend approximately 40,000 hours—a minimum of one hour per person—undergoing mandatory training on our code of conduct. *The Red Book* covers a broad spectrum of basic human-rights issues.

Non-discrimination

HR4 Total number of incidents of discrimination and actions taken. 

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Freedom of association and collective bargaining

HR5 Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights.



Child labor

HR6 Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor.



page 47

Forced and compulsory labor

HR7 Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor.



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Security practices

HR8 Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.



All security personnel worldwide, including contractors in the United States, are required to undergo our code of conduct training, which covers topics directly related to Lilly's core values of integrity, excellence, and respect for people. The training is not specifically directed at the topic of human rights but is closely associated. Security personnel participate in diversity training to sensitize them to the uniqueness of each individual worker and the value they bring to our workforce. Security personnel are also expected to act in a professional and unbiased manner. Corresponding positive performance is valued and appropriately recognized.

Indigenous rights

HR9 Total number of incidents of violations involving rights of indigenous people and actions taken.



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SOCIAL: SOCIETY

Community

S01	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting.	●	page 53
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Corruption

S02	Percentage and total number of business units analyzed for risks related to corruption.	●	pages 35-37
S03	Percentage of employees trained in organization's anti-corruption policies and procedures.	●	pages 35-37
S04	Actions taken in response to incidents of corruption.	○	

Public policy

S05	Public policy positions and participation in public policy development and lobbying.	●	pages 44-45
S06	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	●	pages 44-45

Anti-competitive behavior

S07	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.	○	
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Compliance

S08	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	●	page 92
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SOCIAL: PRODUCT RESPONSIBILITY

Customer health and safety

PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	●	pages 33-34
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PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.	○	
Product and service labelling			
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	●	pages 33-34
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.	○	
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	○	
Marketing communications			
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	●	pages 38-39
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.	○	
Customer privacy			
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	○	
Compliance			
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	○	

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UNGC PRINCIPLE	INFORMATION IN REPORT
Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights.	Managing Our Supply Chain, page 47
Principle 2: Businesses should make sure they are not complicit in human rights abuses.	Managing Our Supply Chain, page 47
Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	Supporting Strong Workplace Practices, page 51
Principle 4: Businesses should uphold the elimination of all forms of forced and compulsory labour.	Managing Our Supply Chain, page 47
Principle 5: Businesses should uphold the effective abolition of child labour.	Managing Our Supply Chain, page 47
Principle 6: Businesses should uphold the elimination of discrimination in respect of employment and occupation.	Diversity and Inclusion, page 55
Principle 7: Businesses should support a precautionary approach to environmental challenges.	Fostering Environmental Sustainability, page 73
Principle 8: Businesses should undertake initiatives to promote greater environmental responsibility.	Fostering Environmental Sustainability, page 73
Principle 9: Businesses should encourage the development and diffusion of environmentally friendly technologies.	Fostering Environmental Sustainability, page 73
Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.	Conducting Our Business Ethically and Transparently, page 35