



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE SUMMARY: CEO Letter and Key Data

2020

*Lilly*

## A Message from Our CEO

David A. Ricks

Chairman and CEO



Dear Stakeholders,

Events of the past year serve as a powerful reminder that we must be willing to take bold, concerted action to improve human health, strengthen our social fabric and defend our natural environment.

Our purpose is to make new medicines that make life better for people around the world. While leveraging science and medicine to improve lives is by itself sustaining for humankind, we understand discovering, developing and making medicines alone is not enough. We're investing in new ways to make medicines and care more accessible, affordable and useful for everyone who needs them. To do this, we are reaching across industry and geographic boundaries to collaborate with all who share our goals of accelerating and improving access in the health-care system. We further extend our impact by strengthening communities and making a positive difference in greater social issues that matter to our business, our employees and society.

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The broad overall policy of this concern is to conduct its affairs so that 'the greatest good for the greatest number over the longest period of time' will result.

Mr. Eli Lilly  
1947

Lilly's COVID-19 response exemplifies each of these elements, as we applied the full force of our scientific expertise to combat the pandemic and its devastating effects on our most vulnerable communities and health systems around the world. We moved quickly to protect the well-being of our workforce, led the response to enormous testing deficits in our home state and collaborated across public and private sectors to discover new COVID-19 antibodies in record time – all while maintaining a steady supply of medicines for about 45 million people who rely on us.

Although we aren't done battling COVID-19, we are changed by this challenge. More than ever, we see the positive impact we can have to improve the human condition through new medicine coupled with responsible and sustainable actions, to ensure more people benefit and our work fits into the broader challenges the world faces. Key to this effort is prioritizing Environmental, Social and Governance (ESG) goals and investing in resources to expand our progress.

### Sustainability at Lilly

For Lilly, sustainability starts with our purpose and is guided by our long-standing values of integrity, excellence and respect for people. Sustainability has always been central to Lilly, and we dedicate ourselves to ensuring our sustainability efforts help address important issues for our business, our employees and society.

As we enter our 146th year, we have evolved and continue to evolve our sustainability efforts. After seeking input from a broad spectrum of stakeholders, we identified key ESG topics relevant for our company and industry, created a new position to lead ESG strategy and adopted common reporting frameworks. We'll use the Sustainability Accounting Standards Board (SASB) and the Task Force on Climate-Related Financial Disclosures (TCFD) frameworks and continue to report our progress on the United Nations Sustainable Development Goals. We have also created this ESG site to provide a comprehensive picture of our sustainability strategy, goals and results.

To provide ESG governance and oversight, we have clear lines of responsibility from Lilly's board of directors and executive committee to an ESG governance committee that is responsible for operationalizing our strategy.

### Human Capital Management is Foundational

Whatever we accomplish is made possible by our talented, dedicated people. Fulfilling our purpose requires highly skilled employees to be fully engaged in solving the world's toughest health challenges. We provide support for our global workforce through wide-ranging opportunities for training, leadership development and well-being. We work every day to build a diverse, equitable and inclusive culture where everyone is valued and heard, and we've made measurable progress across our workforce, management, corporate leadership and board of directors.

### Engaging our Communities and Serving our Patients

We're taking action to improve equity more broadly as well, launching a Racial Justice Initiative to augment the work we're doing both within Lilly and in our communities. We're expanding diversity in our clinical trials, increasing employment opportunities and investing in new health care initiatives for marginalized communities. In early 2021, we also announced a \$30 million investment in the Unseen Capital Health Fund to support founders and innovators who are enhancing health access in historically marginalized communities across the U.S.

Globally, Lilly partners to improve access to our medicines and tackle complex health challenges. We aim to improve access to quality health care for 30 million people living in limited-resource settings annually by 2030. In our battle against COVID-19, we've collaborated with the Gates Foundation to supply our treatment antibodies to low- and middle-income countries.

We use philanthropy and shared-value approaches to improve health systems and concentrate on diseases where we have deep technical expertise, such as our collaboration with Life for a Child that will expand access to care for approximately 150,000 youth with diabetes across 65 countries. We've also made a \$100 million commitment to the pharma-led AMR Action Fund, the world's largest public-private partnership addressing the global health threat of antibiotic-resistant infections.

In the U.S., as we work to advance discussions to address structural factors that increase costs to patients, we continue to partner with the nonprofit and public sectors to help millions of people gain access to Lilly medicines. As an example, Lilly insulins are now available to patients for \$35 or less per month, with or without insurance.

### Protecting the Planet

Because making medicines requires the use of valuable resources, including energy, water and raw materials, we work to reduce our environmental footprint with a focus on addressing climate change, waste and water security. We believe that maintaining a safe operation for our workers and communities is our first responsibility – no one should get hurt at work or in our communities because of our work.

We've set ambitious 2030 environmental goals. For climate, we plan to secure 100% of our purchased electricity from renewable sources, make our own operations carbon neutral and enhance tracking and reporting of our full value-chain emissions. For waste, our goals are to send zero waste to landfills from our routine operations, to repurpose 100% of plastic waste for beneficial use – with at least 90% recycled or reused and to integrate sustainability-focused design principles into product and packaging design processes. Finally, for water, we plan to establish and conform to water management plans for Lilly sites in water-stressed areas, and continue to have 100% of Lilly sites meet predicted no-effect concentrations for pharmaceuticals in the environment. We will ensure appropriate controls are in place with Lilly contract manufacturers to prevent discharge of pharmaceuticals in wastewater above applicable no-effect concentration values.

### ESG is How we Operate

More important than setting ambitious goals is achieving them. This starts with embedding annual goals into the performance targets of the CEO and key executives. We review progress on these goals as a full executive committee quarterly and the board annually. Leaders are responsible for embedding these targets throughout their operations and are held accountable for progress and ultimately the achievement of our targets, including through the annual compensation process. When challenges arise, we expect our team to work to overcome them and to treat ESG objectives no differently than other vital business challenges.

Together with the support of our stakeholders, the contributions of our Lilly colleagues and our partners across the health-care system, we believe we can fulfill the charge of Eli Lilly, our company's founder: "Take what you find here and make it better and better."

David A. Ricks  
Chairman and CEO

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

This website contains forward-looking statements that are based on management's current assumptions and expectations, including statements regarding our sustainability targets, goals, commitments and programs and other business plans, initiatives and objectives. The words "estimate", "project", "intend", "expect", "believe", "target", "anticipate" and similar expressions are intended to identify forward-looking statements. All such statements are intended to enjoy the protection of the safe harbor for forward-looking statements provided by the Private Securities Litigation Reform Act of 1995, as amended. Actual results may differ materially due to various factors. The company's sustainability targets, goals, and commitments outlined in this website or elsewhere, as well as its operations, results, business, goals, and strategy may be affected by factors including, but not limited to, the impact of the evolving COVID-19 pandemic and the global response thereto; the significant costs and uncertainties in the pharmaceutical research and development process, including with respect to the timing and process of obtaining regulatory approvals; competitive developments affecting current products and the company's pipeline; regulatory actions regarding currently marketed products; litigation, investigations, or other similar proceedings involving past, current, or future products or commercial activities as the company is largely self-insured; the impact of business development transactions and related integration costs; the impact of global macroeconomic conditions and trade disruptions or disputes; and changes or developments in laws and regulations, including health care reform.

For additional information about the factors that affect the company's business, please see the company's latest Forms 10-K, 10-Q, and any 8-Ks filed with the Securities and Exchange Commission. The company expressly disclaims any obligation to update forward-looking statements except as required by applicable law.

### Pricing in the U.S.

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

- **Customer perspective** – The unmet needs that medicines can fulfill for patients and caregivers and how people can affordably access the treatment;
- **Company considerations** – The costs of research, development, manufacturing and support services for customers; business trends and other economic factors; as well as the medicine's potential market size, patent life and place within our larger portfolio of medicines;
- **Competitive landscape** – The benefits of our medicine compared to alternative medicines, where our medicine fits in treating conditions and existing contracts between payers and our competitors;
- **Other external factors** – Such as health system changes and policy guidelines.

The way that medicines are paid for in the current health-care system may seem confusing. In the U.S., here's how we approach pricing our medicines:

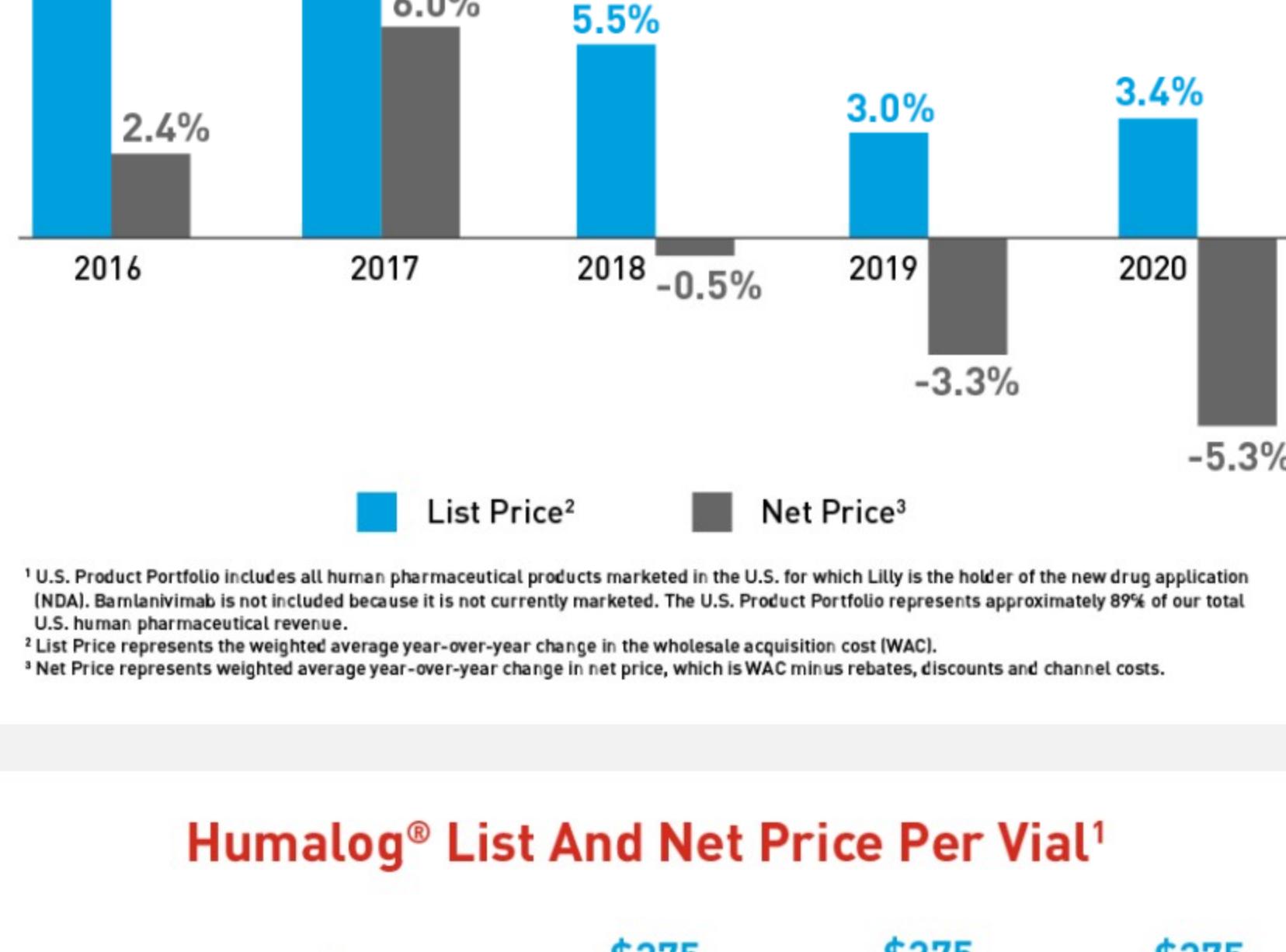
- We set a list price for each of our medicines, taking into account the value provided to patients, affordability, the competitive landscape, research costs, manufacturing, marketing and support services provided, as well as other factors such as health system changes.
- To expand patient access, we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

We are committed to increasing transparency around the price of our medicines. List prices for our medicines, as well as average out-of-pocket costs and financial assistance information are published [here](#).

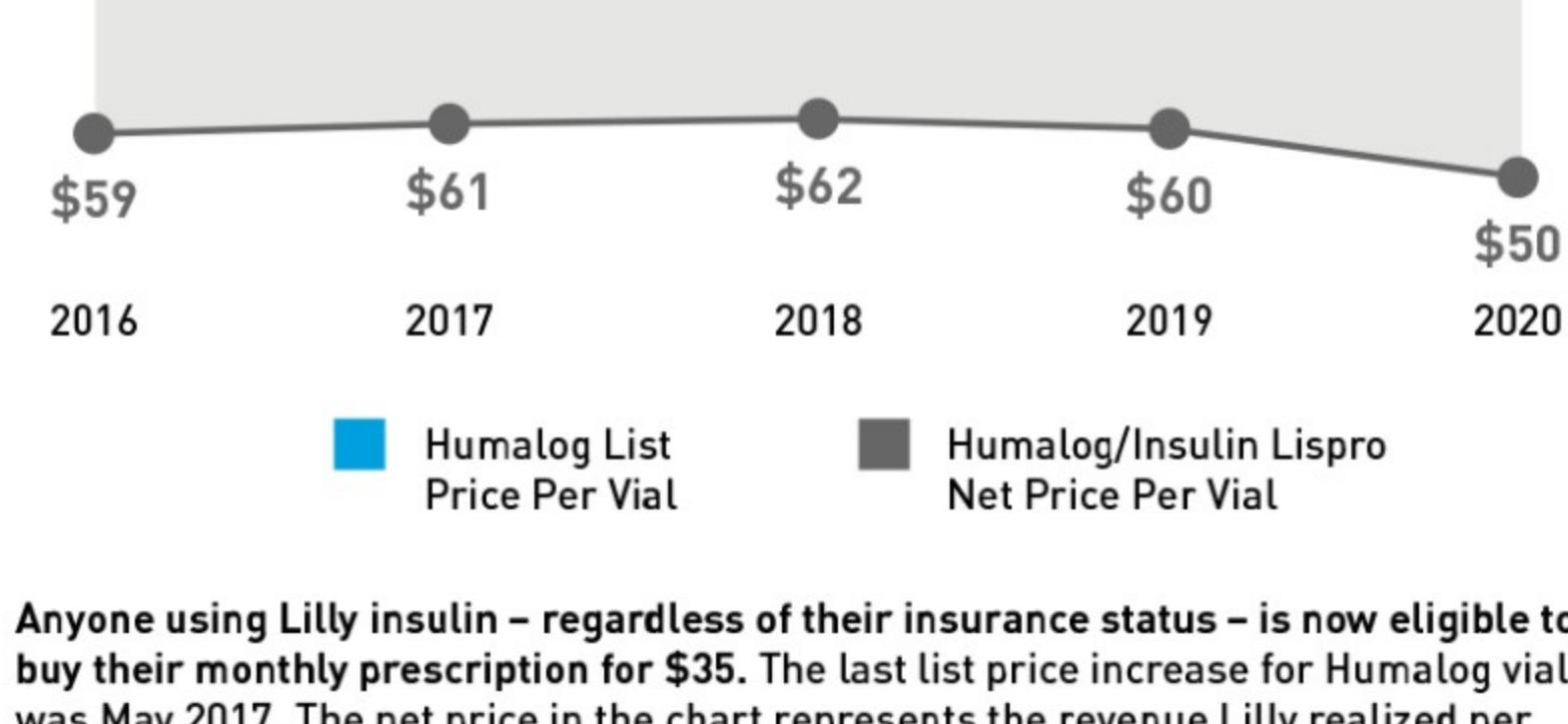
#### Changes in Lilly's Net Price: 2015-2020

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

### Comparison of Lilly List And Net Price Changes For U.S. Product Portfolio<sup>1</sup>

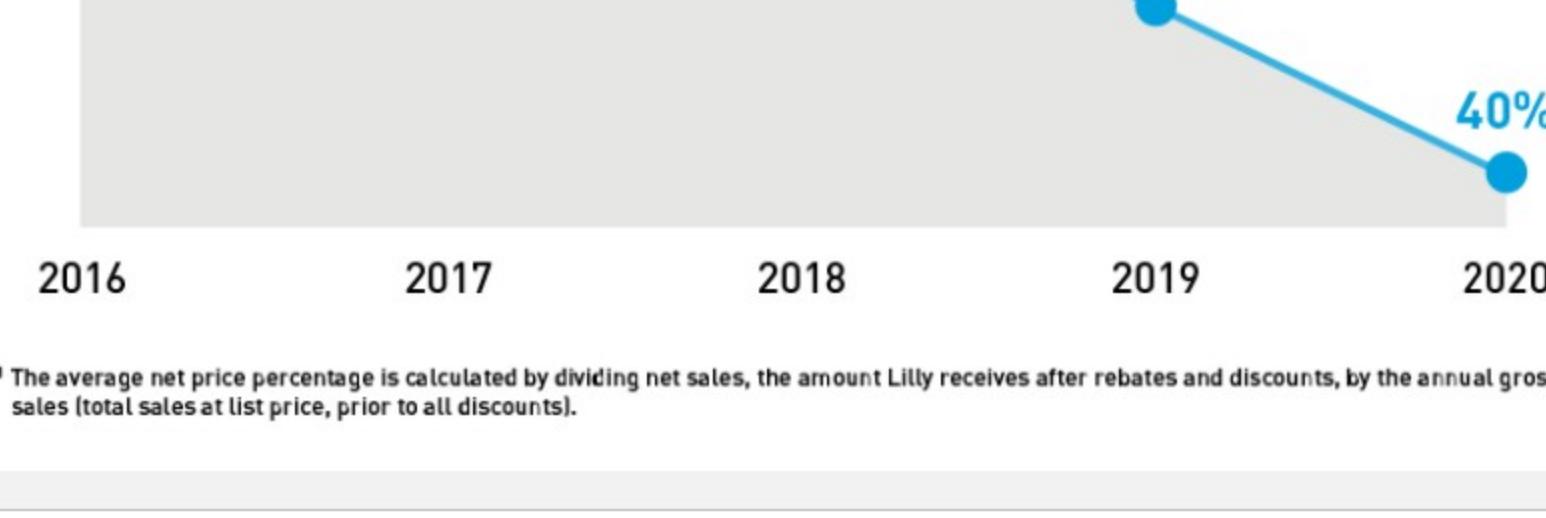


### Humalog® List And Net Price Per Vial<sup>1</sup>

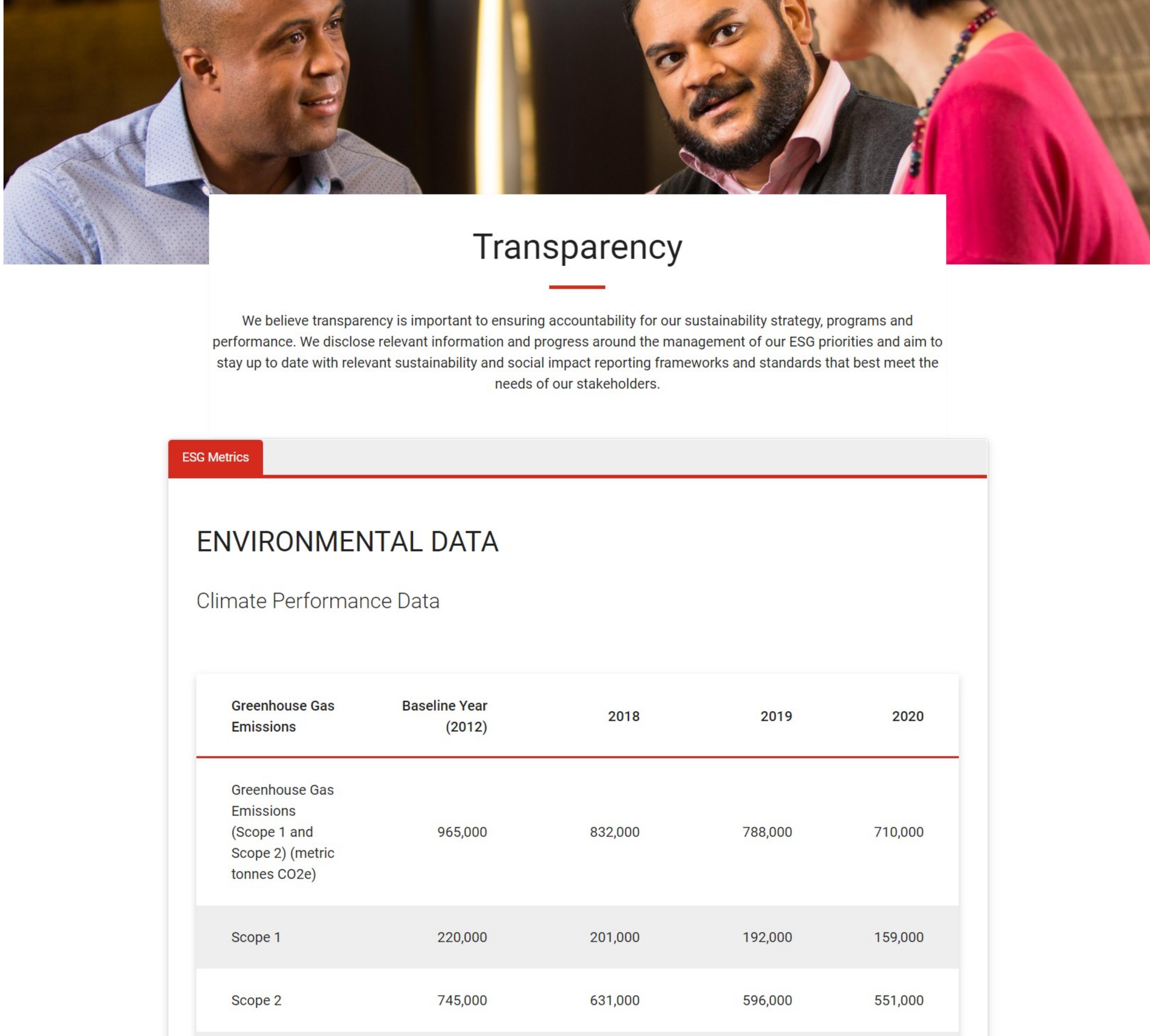


### Average Lilly Net Price

(as a % of list price) after discounts across the U.S. product portfolio<sup>1</sup>



<sup>1</sup> The average net price percentage is calculated by dividing net sales, the amount Lilly receives after rebates and discounts, by the annual gross sales (total sales at list price, prior to all discounts).



## Transparency

We believe transparency is important to ensuring accountability for our sustainability strategy, programs and performance. We disclose relevant information and progress around the management of our ESG priorities and aim to stay up to date with relevant sustainability and social impact reporting frameworks and standards that best meet the needs of our stakeholders.

### ESG Metrics

#### ENVIRONMENTAL DATA

##### Climate Performance Data

Greenhouse Gas Emissions	Baseline Year (2012)	2018	2019	2020
Greenhouse Gas Emissions (Scope 1 and Scope 2) (metric tonnes CO <sub>2</sub> e)	965,000	832,000	788,000	710,000
Scope 1	220,000	201,000	192,000	159,000
Scope 2	745,000	631,000	596,000	551,000
Greenhouse Gas Emissions Intensity (related to goal) (metric tonnes CO <sub>2</sub> e/1,000 square feet) <sup>3</sup>	41	36	34	32
Scope 3 Emissions (not included in metric tonnes above) (metric tonnes CO <sub>2</sub> e) <sup>4</sup>	266,000	263,000	235,000	176,000

Energy Use	Baseline year (2012)	2018	2019	2020
Energy Consumption (million BTUs) <sup>5</sup>	6,630,000	6,650,000	6,400,000	6,200,000
Energy Intensity (million BTUs/1,000 square feet) <sup>3</sup>	327	329	314	307
Direct Energy Consumption (million BTUs) <sup>6</sup>	1,590,000	1,730,000	1,690,000	1,740,000
Indirect Energy Consumption (million BTUs) <sup>7</sup>	5,040,000	4,920,000	4,700,000	4,446,000

Energy and Waste Reduction Fund	Baseline year	2018	2019	2020
Expenditures (million USD) <sup>8</sup>	N/A	\$3.2	\$2.1	\$0.7

##### Footnotes

- Lilly's 2020 waste goals do not include materials that are deemed "reused" without extensive processing. Examples include urea reused for fertilizer and materials such as soil and concrete reused as clean fill.
- In 2019, slightly adjusted its environmental performance data baseline calculations and performance data for subsequent years for all categories except the Energy, Waste and Water Reduction Fund to reflect the late 2018 divestiture of Elanco Animal Health. In order to facilitate year-over-year comparisons, this adjustment included the Environmental Compliance data.
- This metric includes Scope 1 emissions and energy from onsite fuel combustion (excluding mobile sources) and Scope 2 emissions and energy from site-purchased energy (i.e., electricity, steam and chilled water). For smaller locations not billed directly to Lilly, data is estimated based on square footage.
- Data included in Scope 3 emissions disclosure contains assumptions and estimation as described here: Employee business travel (personal and rental cars, taxi, rail, and air travel) uses WRI GHO Protocol Cross-Sector Tool averages for fuel types, vehicle types, aircraft types, and aircraft travel distances; employee commuting uses EPA average for fuel types, vehicle types, and commuting distances; contracted product transportation and distribution is based on Lilly's U.S. distribution footprint and extrapolated for distribution outside the United States; waste generated in operations uses Lilly-specific waste carbon content estimates for waste incineration and EPA's WARM version 12 emission factors for landfilled and land-applied wastes; and assumes transportation related emissions only for certain land-applied organic waste types. Scope 3 emissions from employees commuting were adjusted to reflect the proportion of employees working remotely during 2020. No additional scope 3 emissions from remote working were included. Scope 3 Emissions do not include non-Kyoto compounds. Scope 3 data does not include emissions from force travel using company vehicles, use of Lilly owned aircraft, on-site waste incineration, or product distribution with Lilly owned vehicles, as these are included in the Scope 1 data above.
- Energy consumption is the total of direct energy consumption and indirect energy consumption, as defined in these footnotes, and does not include mobile sources.
- Data includes energy from combustion of coal, fuel oil, natural gas, and liquid propane.
- Data includes energy from purchased electricity, steam, and chilled water.
- Because currently Lilly does not have goals related to Energy, Waste and Water Reduction Fund expenditures, there are no baseline years.
- ERM Certification and Verification Services (ERM CVS) was engaged by Eli Lilly and Company to provide limited assurance in relation to specified 2020 environmental performance data presented.

##### Waste Performance Data

Waste	Baseline year (2012)	2018	2019	2020
Total Waste Generation (metric tonnes)	170,000	120,000	140,000	130,000
Total Waste Generation not Including Reuse (for recycling goal) (metric tonnes) <sup>1</sup>	52,000	39,000	56,000	44,000

Waste Disposition	Baseline year (2012)	2018	2019	2020
Recycled (includes combustion with energy recovery) (metric tonnes)	31,000	25,000	44,000	34,000
Treated (includes combustion without energy recovery) (metric tonnes)	14,000	9,100	7,100	7,300
Landfilled (metric tonnes)	7,700	4,800	5,000	2,700
Waste Recycling Rate	59	64	78	78
Total waste to landfill (% of total)	15%	12%	9%	6%

##### Footnotes

- Lilly's 2020 waste goals do not include materials that are deemed "reused" without extensive processing. Examples include urea reused for fertilizer and materials such as soil and concrete reused as clean fill.
- The baseline year for waste metrics is 2012.
- ERM Certification and Verification Services (ERM CVS) was engaged by Eli Lilly and Company to provide limited assurance in relation to specified 2020 environmental performance data presented.

##### Water Performance Data

Water Use	Baseline Year	2018	2019	2020
Water intake <sup>1,2</sup> (billion liters)	-	6.78	6.27	6.10
Phosphorus emissions to wastewater <sup>3</sup> (metric tonnes) <sup>3</sup>	72.6	72.6	64.6	47.6

##### Footnotes

- "Water intake" is the total amount of water coming into a site, including water pumped from bodies of surface water and groundwater, as well as water provided by a utility. It includes water used in processes, utilities, and other ancillary operations, such as irrigation. The term does not include groundwater pumped solely for treatment to satisfy regulatory actions or requirements (e.g., remediation activities where the water is not used for another purpose). Values do not include the water extracted from wells solely for the purpose of lowering the groundwater table(s) to maintain the physical and structural integrity of building foundations. Totals include a small amount of rainwater intake not included in other water intake subcategories. Lilly does not generally collect water data from small locations that house primarily administrative activities such as sales and marketing offices unless they are co-located at a Lilly manufacturing or research facility.
- Because currently Lilly does not have goals related to water intake there is no baseline year.
- In 2018, Lilly met its 2020 goal of reducing phosphorus emissions to wastewater by 15% compared to the baseline year of 2014. We then set an additional 10% reduction goal using 2018 as the new baseline year and adjusted 2018 data for the divestiture of Lilly's former subsidiary Elanco Animal Health in late 2018. Because the initial goal was achieved, data for years prior to 2018 was not adjusted to reflect subsequent events and therefore is not comparable to the data for the new goal period.
- ERM Certification and Verification Services (ERM CVS) was engaged by Lilly to provide limited assurance in relation to specified 2020 environmental performance data presented.

[Download Our Full Environmental Data](#)

## SOCIAL DATA

### 2020 Diversity and Inclusion Data

Our 2020 EEO-1 data can be found [here](#).

#### Board Diversity:

As of February 27, 2021, the company's 15-member board of directors included six women and seven members of underrepresented groups (including MGM as well as LGBTQ individuals).

### U.S. Workforce Ethnic Diversity

Year	2018	2019	2020
Minority Group Member (MGM) Employees	23%	27%	27%
Asians	9%	10%	10%
Black/African Americans	8%	10%	10%
Latinx	4%	5%	5%
Other	2%	2%	2%

\*numbers may not add due to rounding

### Minority Group Members in Management Positions (U.S.)

Year	2018	2019	2020
Minority Group Members in Management Positions (U.S.)	19%	22%	22%

### Gender Diversity at Lilly

Year	2018	2019	2020
Women on Board	36%	31%	31%
Women on EC Team	43%	43%	43%
Women in Management (all M levels)	42%	45%	46%
Women in Global Workforce	48%	50%	50%
Women in U.S. Workforce	49%	50%	50%

### Lilly's Safety Progress and Performance

#### Total Recordable and Lost-Time Injuries in 2020



Year	Recordable Injury & Illness Rate (1)	Lost-Time Injury & Illness Rate (1)	Motor Vehicle Collision Rate (2)	Severe Injury Rate (3,4)	Safety Leadership Score (4)
2020 GOAL	0.70	0.25	12%	N/A	N/A
2020	0.53	0.16	7%	0.51	89%
2019	0.71	0.26	12%	-	-
2018	0.84	0.29	15%	-	-
2017	0.83	0.29	15%	-	-
2016	0.93	0.32	16%	-	-
2015	0.89	0.26	16%</td		