

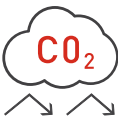


# Our Environmental Approach

Our purpose, to make life better, includes protecting and preserving the world we live in. Making medicines requires the use of valuable resources including energy, water and raw materials. We’re committed to reducing our environmental footprint across the life cycles of our products and our supply chain. To track our progress, we measure and manage energy and water use, greenhouse gas (GHG) emissions and the generation of waste and wastewater throughout our manufacturing process. Lilly manages health, safety and the environment (HSE) under a [unified governance structure](#).

## Our 2030 Environmental Goals

### Climate




**Carbon neutral**  
in our own operations

**100%**  
renewable electricity

**Enhance**  
full value-chain emissions reporting

### Waste




**Zero**  
waste to landfill

**100%**  
of plastic waste repurposed for  
beneficial use with at least 90%  
recycled or reused

**Integrate sustainability**  
into product and packaging design

### Water



**No adverse impact**  
to water-stressed areas

**No adverse impact**  
from pharmaceuticals in the  
environment

ClimateWasteWaterProduct Stewardship

## Climate

Lilly acknowledges that climate change is an ever-present reality that is contributing to a reduction in human and environmental health. Action against climate change is required to achieve the goals of the Paris Agreement and to avoid the most detrimental effects of climate change by limiting the global temperature rise to 1.5°C. Lilly is continuously working to reduce our GHG emissions within our operations and along our value chain. We are working on calculating our Scope 3 emissions and identifying climate-related risks and opportunities in our business and intend to develop measurable Scope 3 goals.

As a global company committed to making life better for people, we recognize our responsibility to reduce our carbon footprint and manage climate-related risks and opportunities to support the transition to a low-carbon economy. Lilly discloses information according to recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and aims to implement these recommendations across the TCFD categories of Governance, Strategy, Risk Management and Metrics & Targets. For more information, please see our [2021 TCFD metrics](#).  
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## Climate Action Strategy

To mitigate the impact of Lilly’s business operations on the environment and achieve our 2030 goals (described below), we are applying a comprehensive three-pronged approach:

1. **Reducing** our energy and emissions by making our overall operations more efficient
2. **Replacing** carbon-intensive processes and energy sources with low-carbon alternatives
3. **Offsetting** remaining emissions and energy sources that could not be reduced or replaced, by purchasing emissions offsets from high-quality, third-party verified carbon reduction projects (note: it is not currently possible to eliminate all emissions sources or transition all direct energy supplies to renewable sources).

For more information regarding our governance and approach to climate change and related risks/opportunities see our [CDP Climate response](#).

|                         |   |
|-------------------------|---|
| Climate Action Strategy |  |
|-------------------------|---|

## 2030 Climate Goals and Our Progress to Date

Lilly is committed to reducing our GHG emissions, and prioritizing energy efficiency to become a more climate-resilient organization. Looking toward the future, we have set climate goals for 2030 as we work toward contributing to a low-carbon economy:

- Secure 100% of our purchased electricity from renewable sources
  - In 2021, 9.6% of our purchased electricity came from renewable sources. A large portion of this renewable electricity is delivered through our utility providers to our sites in Alcobendas, Spain; Kinsale, Ireland; and Bracknell, UK. We plan to increase the amount of renewable electricity utilized as we advance new projects, including solar arrays at our sites in Puerto Rico and France, and an expansion to our solar array in Kinsale, Ireland, and another solar array in Alcobendas, Spain.
- Become carbon neutral in our own operations (Scope 1 and 2 emissions)
  - Lilly strives to be carbon neutral by 2030, and we are working to drive GHG emissions reductions throughout our operations. Our initial priority is to reduce emissions as much as possible internally before we purchase offsets to cover the remaining emissions. From 2012 to 2020, we achieved a 26% reduction in absolute emissions. In 2021, we achieved a 9% absolute emissions reduction versus 2020. This reduction was partially driven by energy efficiency improvements and an increase in the use of renewable electricity including the startup of our solar array in Kinsale.



emissions. This complex work is expected to be complete in mid-2022. Once complete, we will include portions of this information in our public disclosures such as our CDP report. These data will also be used to inform our supply chain engagement strategy related to climate change.

Recent Achievements

Throughout 2020 and 2021, because of the COVID-19 pandemic, many of our administrative areas were operating at reduced occupancy. We continued to emphasize reducing energy consumption by minimizing access to unoccupied areas and adjusting HVAC, lighting and other systems to conserve energy. **In 2021, we reduced our energy consumption by 2.9%**, and we reduced our absolute GHG emissions by 9% compared to 2020. These improvements were made while production volume increased. Our emissions reductions were driven by a combination of energy and process efficiencies, and changes in our energy supply mix to include cleaner energy sources.

Climate Highlights



Reducing Our Energy Use Emissions

We continue to evaluate how to improve our energy resiliency and expand our use of renewable electricity consistent with our goal to diversify our energy sources and decrease our GHG emissions over time. Our current initiatives include:

- Designing for energy efficiency in new or updated processes and facilities
- Operating our facilities and equipment in increasingly efficient ways
- Facilitating the use of advanced energy monitoring and control solutions
- Conducting and acting on energy assessments and implementing recommended projects to improve energy efficiency
- Evaluating and incorporating alternative energy sources, new technologies and best practices for energy use and GHG emission reductions
- Participating in local, regional and national forums to understand and integrate energy management best practices and to support responsible and cost-effective decision-making and policy development (e.g., the U.S. Environmental Protection Agency’s ENERGY STAR Pharmaceutical Focus Group)

Recent Energy Initiatives



- **HVAC Systems Optimization** – Sites in Alcobendas, Spain, Fegersheim, France and Indianapolis in the U.S. have completed initiatives to decrease energy consumed in HVAC systems. These projects include chiller replacements, building air handler optimizations and air flow reduction initiatives. Sesto implemented new drive-belt technology on air handlers to improve efficiency. Collectively, we expect that these projects will reduce energy consumption by an estimated 14,000 MWh per year.
- **Chiller System Optimization** – Chilled water and cooling systems are some of the highest energy consuming systems in pharmaceutical operations, and they continued to be a focus for our engineering resources in 2021. Our site in Kinsale, Ireland replaced fixed speed pump motors with variable speed motors. In Indianapolis, a chiller was replaced with a new, higher efficiency chiller. One of our sites in Puerto Rico implemented the first phase of a chilled water and cooling tower optimization project, and another site began a substantial efficiency upgrade to its chilled water system that is expected to be completed in mid-2022. These projects are expected to reduce energy consumption by over 12,500 MWh per year.

Encouraging Eco-Efficiency Across Our Operations



In 2006, we established the Energy, Waste and Water Reduction Fund to encourage projects that demonstrate the greatest potential for reductions in emissions and energy use but are not funded by site capital budgets. Since then, we have approved over \$50 million supporting more than 190 projects. Since the inception of the program, these projects collectively save more than one trillion BTUs of energy annually, avoiding approximately 131,000 metric tonnes of GHG



we also actively recognize innovation and excellence in Health, Safety and the Environment (HSE) management by granting annual HSE awards. Nominations represent a significant accomplishment, and the awards recognize our employees for helping Lilly achieve energy and GHG emissions reduction goals. Projects are also assessed on their potential to scale in other areas across the company.

## Reducing Emissions through Cleaner Energy

We continue to evaluate how to improve our energy resiliency and expand our use of renewable electricity consistent with our goal to diversify our energy sources and decrease our GHG emissions over time.

### Enhancing the Use of Solar

In 2021, 9.6% of our purchased electricity was secured from renewable sources. We have reduced GHG emissions at key facilities by leveraging solar energy. These projects include:

- Kinsale** – In July, 2021, Lilly **started up** a 20-acre solar array in Kinsale, Ireland consisting of over 12,600 solar panels, which at the time of construction represented the largest solar development in Ireland. The solar array is expected to provide up to 15% of the site’s purchased electricity, resulting in an estimated 2,350 tonne reduction in the site’s annual carbon footprint. Lilly Kinsale has initiated a 10-acre expansion to this solar array, which is expected to be online by the end of 2022.



Solar field at Lilly’s Kinsale, Ireland location.

- India** – In 2019, Lilly India began operating a rooftop solar array on its administrative building in Gurugram (Gurgaon), India. The 40-kW capacity solar panels will help reduce Lilly’s carbon footprint in the city – a key priority due to rising pollution levels. The solar panels supply approximately 10% of the site’s energy needs.
- Manufacturing facilities** in Fegersheim, France and Sesto, Italy have solar arrays of 62 kW and 145 kW, respectively. Additional solar capacity is being installed at our manufacturing facilities in Puerto Rico and Fegersheim.

### Energy Resiliency

In 2017, we began designing a new 9 megawatt (MW) combined heat and power system at our Puerto Rico facility, which successfully commenced operation in 2021. The combined heat and power (CHP) system will significantly improve the resiliency of our Puerto Rico manufacturing operations and will also result in lower energy expenses and reduced GHG emissions. We also operate combined heat and power systems at our manufacturing sites in Kinsale, Ireland and Sesto, Italy.

### Fleet Fuel Economy

Our *GREENDirections* program focuses on fleet fuel economy and GHG emissions, office energy conservation and waste reduction for our sales and marketing affiliates around the world. Each year, our affiliates look for opportunities to



we optimize the fuel efficiency and reduce the GHG emissions generated by our sales force fleet by choosing vehicles with better fuel economy and promoting driving and work practices that emphasize safety and fuel savings. We have introduced hybrid or electric fleet vehicles in several geographies where infrastructure is available. For example, Lilly's fleet in Japan consists of approximately 80% hybrid vehicles, and our affiliate in Germany has begun including electric vehicles in their fleet offering. We centrally manage vehicle selection across the EU, Japan and the U.S., which improves efficiency and supports the implementation of strong safety and environmental standards.

Off-Setting through Carbon Removal Projects

While our primary strategy is to directly reduce emissions and replace carbon-intensive sources with clean energy sources where possible, to achieve carbon neutrality we recognize the remaining emissions will need to be offset by purchasing certificates from climate protection projects with recognized quality standards. In 2021, we did not purchase any carbon offsets. The decision to purchase offsets will be made based on the remaining emissions that cannot be eliminated.

Scope 3 Emissions and Supply Chain Engagement

We are working to advance transparency across our value chain, including in our full Scope 3 emissions, which are currently being calculated and are expected to be reported for the first time in the later half of 2022 through our CDP Climate report. We are engaging with key suppliers and identifying areas of our value chain where we could potentially make improvements and increase resiliency.

Green Logistics



Climate Performance Data

| Greenhouse Gas Emissions (Location-based) (1)                                    | 2018    | 2019    | 2020    | 2021    |
|--|---------|---------|---------|---------|
| Greenhouse Gas Emissions (Scope 1 and Scope 2) (metric tonnes CO2e) <sup>2</sup> | 832,000 | 788,000 | 710,000 | 645,000 |
| Scope 1  | 201,000 | 192,000 | 159,000 | 157,000 |
| Scope 2  | 631,000 | 596,000 | 551,000 | 488,000 |

| Greenhouse Gas Emissions (Market-Based) (1)                                      | 2018                    | 2019                    | 2020                    | 2021    |
|--|-------------------------|-------------------------|-------------------------|---------|
| Greenhouse Gas Emissions (Scope 1 and Scope 2) (metric tonnes CO2e) <sup>2</sup> | Not previously reported | Not previously reported | Not previously reported | 623,000 |

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|---|----------------------------|----------------------------|---------------------|-------------------|
| EMISSIONS<br>(Market-Based) (1)   | 2018                       | 2019                       | 2020                | 2021              |
|   |                            |                            |                     |                   |
| Value-Chain<br>Greenhouse Gas<br>Emissions                                | 2018                       | 2019                       | 2020                | 2021              |
|   |                            |                            |                     |                   |
| Scope 3 Emissions<br>(metric tonnes<br>CO2e) <sup>3</sup>                 | 263,000                    | 235,000                    | 176,000             | Not yet available |
|   |                            |                            |                     |                   |
| Energy  | 2018                       | 2019                       | 2020                | 2021              |
|   |                            |                            |                     |                   |
| Total Energy<br>Consumption<br>(million BTUs)                             | 6,650,000                  | 6,400,000                  | 6,200,000           | 6,100,000         |
|   |                            |                            |                     |                   |
| Direct Energy<br>Consumption <sup>4</sup><br>(million BTUs)               | 1,730,000                  | 1,690,000                  | 1,700,000           | 1,600,000         |
|   |                            |                            |                     |                   |
| Indirect Energy<br>Consumption <sup>5</sup><br>(million BTUs)             | 4,920,000                  | 4,700,000                  | 4,500,000           | 4,500,000         |
|   |                            |                            |                     |                   |
| Renewable<br>Electricity  | Not previously<br>reported | Not previously<br>reported | 7.0%                | 9.6%              |
|   |                            |                            |                     |                   |
| Climate Goals   | 2030 Goal                  |                            | 2021 Performance    |                   |
|   |                            |                            |                     |                   |
| 100% Renewable Electricity  | 100%                       |                            | 9.6%                |                   |
|   |                            |                            |                     |                   |
| Carbon Neutral (Market-Based Scope<br>1 and Scope 2)                      | Carbon Neutral             |                            | 623,000 tonnes CO2e |                   |
|   |                            |                            |                     |                   |
| Enhance Tracking and Reporting of<br>Full Value-Chain Emissions (Scope 3) | N/A                        |                            | On track            |                   |

Footnotes

Note: Some segments do not add up to totals due to rounding.

Note: Bureau Veritas was engaged by Eli Lilly and Company to provide [limited assurance](#) in relation to specified 2021 environmental performance data presented.

1. A **location-based** method reflects the average emissions intensity of grids on which energy consumption occurs (using mostly grid-average emission factor data). A **market-based** method reflects emissions from electricity that companies have purposefully chosen (or their lack of choice). It derives emission factors from contractual instruments, which include any type of contract between two parties for the sale and purchase of energy bundled with attributes about the energy generation, or for unbundled attribute claims. [https://ghgprotocol.org/sites/default/files/Scope2\\_ExecSum\\_Final.pdf](https://ghgprotocol.org/sites/default/files/Scope2_ExecSum_Final.pdf)
2. 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 are estimated based on square footage.
3. 2018 through 2020 Scope 3 data include the following Scope 3 categories: upstream transportation and distribution, waste generated in operations, business travel, employee commuting, upstream leased assets, downstream leased assets, franchises, investments. We are currently working to advance transparency across our value chain, including reporting on all 15 Scope 3 emissions, which are being calculated and expected to be reported for the first time in mid-2022.



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view Lilly's [environmental data from 2020](#), including our previous goals and progress through 2020. Additional historical data are available in our [reporting archives](#).

Download Our 2021 ESG Data

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