UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

DIVISION OF
CORPORATION FINANCE

March 2, 2018

Tiffany R. Benjamin
Eli Lilly and Company
benjamin_tiffany_r@lilly.com

Re: Eli Lilly and Company
Incoming letter dated December 15, 2017

Dear Ms. Benjamin:

This letter is in response to your correspondence dated December 15, 2017 concerning the shareholder proposal (the "Proposal") submitted to Eli Lilly and Company (the "Company") by Mercy Investment Services, Inc. and UAW Retiree Medical Benefits Trust for inclusion in the Company's proxy materials for its upcoming annual meeting of security holders. We also have received correspondence from Mercy Investment Services, Inc. dated December 27, 2017. Copies of all of the correspondence on which this response is based will be made available on our website at http://www.sec.gov/divisions/corpfin/cf-noaction/14a-8.shtml. For your reference, a brief discussion of the Division's informal procedures regarding shareholder proposals is also available at the same website address.

Sincerely,

Matt S. McNair
Senior Special Counsel

Enclosure

cc: Susan Makos
Mercy Investments Services, Inc.
smakos@mercyinvestments.org

March 2, 2018

Response of the Office of Chief Counsel
Division of Corporation Finance

Re: Eli Lilly and Company
Incoming letter dated December 15, 2017

The Proposal urges the compensation committee to report annually on the extent to which risks related to public concern over drug pricing strategies are integrated into the Company's incentive compensation policies, plans and programs for senior executives.

We are unable to conclude that the Company has met its burden of demonstrating that it may exclude the Proposal under rule 14a-8(i)(7) as a matter relating to the Company's ordinary business operations. Accordingly, we do not believe that the Company may omit the Proposal from its proxy materials in reliance on rule 14a-8(i)(7).

We are unable to concur in your view that the Company may exclude the Proposal under rule 14a-8(i)(10). Based on the information you have presented, it does not appear that the Company's public disclosures compare favorably with the guidelines of the Proposal. Accordingly, we do not believe that the Company may omit the Proposal from its proxy materials in reliance on rule 14a-8(i)(10).

Sincerely,

Lisa Krestynick
Attorney-Adviser

DIVISION OF CORPORATION FINANCE
INFORMAL PROCEDURES REGARDING SHAREHOLDER PROPOSALS

The Division of Corporation Finance believes that its responsibility with respect to matters arising under Rule 14a-8 [17 CFR 240.14a-8], as with other matters under the proxy rules, is to aid those who must comply with the rule by offering informal advice and suggestions and to determine, initially, whether or not it may be appropriate in a particular matter to recommend enforcement action to the Commission. In connection with a shareholder proposal under Rule 14a-8, the Division's staff considers the information furnished to it by the company in support of its intention to exclude the proposal from the company's proxy materials, as well as any information furnished by the proponent or the proponent's representative.

Although Rule 14a-8(k) does not require any communications from shareholders to the Commission's staff, the staff will always consider information concerning alleged violations of the statutes and rules administered by the Commission, including arguments as to whether or not activities proposed to be taken would violate the statute or rule involved. The receipt by the staff of such information, however, should not be construed as changing the staff's informal procedures and proxy review into a formal or adversarial procedure.

It is important to note that the staff's no-action responses to Rule 14a-8(j) submissions reflect only informal views. The determinations reached in these no-action letters do not and cannot adjudicate the merits of a company's position with respect to the proposal. Only a court such as a U.S. District Court can decide whether a company is obligated to include shareholder proposals in its proxy materials. Accordingly, a discretionary determination not to recommend or take Commission enforcement action does not preclude a proponent, or any shareholder of a company, from pursuing any rights he or she may have against the company in court, should the company's management omit the proposal from the company's proxy materials.

December 27, 2017

Via e-mail at shareholderproposals@sec.gov

Securities and Exchange Commission
Office of the Chief Counsel
Division of Corporation Finance
100 F Street, NE
Washington, DC 20549

Re: Request by Eli Lilly and Company to omit proposal submitted by Mercy Investment Services and the UAW Retiree Medical Benefits Trust

Ladies and Gentlemen,

Pursuant to Rule 14a-8 under the Securities Exchange Act of 1934, Mercy Investment Services, Inc. and the UAW Retiree Medical Benefits Trust (the "Proponents") submitted a shareholder proposal (the "Proposal") to Eli Lilly and Company ("Eli Lilly" or the "Company"). The Proposal asks Eli Lilly's board to report to shareholders on the extent to which risks related to public concerns over drug pricing strategies are reflected in senior executive incentive compensation arrangements.

In a letter to the Division dated December 15, 2017 (the "No-Action Request"), Eli Lilly stated that it intends to omit the Proposal from its proxy materials to be distributed to shareholders in connection with the Company's 2018 annual meeting of shareholders. Eli Lilly argues that it is entitled to exclude the Proposal in reliance on Rule 14a-8(i)(7), on the ground that the Proposal deals with Eli Lilly's ordinary business operations; and Rule 14-8(i)(10), because Eli Lilly has substantially implemented the Proposal. As discussed more fully below, Eli Lilly has not met its burden of proving its entitlement to exclude the Proposal in reliance on either exclusion and the Proponents respectfully urge that Eli Lilly's request for relief should be denied.

The Proposal

The Proposal states:

RESOLVED, that shareholders of Eli Lilly and Company ("Eli Lilly") urge the Compensation Committee (the "Committee") to report annually to shareholders on the extent to which risks related to public concern over drug pricing strategies are integrated into Eli Lilly's incentive compensation policies, plans and programs (together, "arrangements") for senior executives. The report should include, but need not be limited to, discussion of whether incentive compensation arrangements reward, or not penalize, senior executives for (i) adopting pricing strategies, or making and honoring commitments about pricing, that incorporate public concern regarding the level or rate of increase in prescription drug prices; and (ii) considering risks related to drug pricing when allocating capital.

Ordinary Business

Rule 14a-8(i)(7) permits a company to omit a proposal that "deals with a matter relating to the company's ordinary business operations. Eli Lilly makes three claims regarding the applicability of the ordinary business exclusion to the Proposal, none of which has merit.

First, Eli Lilly argues unconvincingly that the "thrust and focus" of the Proposal is "disclosure regarding the pricing of pharmaceutical drugs." Lilly asserts that while "the Proposal mentions senior executive compensation," the focus of the Proposal is actually drug pricing. (No-Action Request at 2-3, 7-8)

Eli Lilly's contention is at odds with the plain language of the Proposal. The Proposal's resolved clause makes clear that the requested disclosure is not intended to address drug pricing generally, the prices of particular medicines, access to medicines or any other similar issue. Rather, the resolved clause deals solely with senior executive compensation arrangements and their relationship to pricing.

Likewise, the supporting statement addresses several aspects of senior executive compensation: compensation philosophy, the role of incentives, the metrics currently used in Eli Lilly's incentive compensation arrangements and the risks created when high executive pay accompanies sizeable drug price increases. To make the case for why pricing-related risks should be considered when setting senior executive compensation arrangements, the supporting statement also discusses those risks. In no way does that material cancel out or negate the unambiguous language and clear focus of the Proposal on senior executive incentive compensation arrangements.

The Proposal is similar to a 2014 proposal at Gilead Sciences, Inc. (Feb. 21, 2014) asking that metrics related to patient access be incorporated into CEO incentive compensation arrangements. In its request for relief, Gilead argued that although the proposal was "camouflage[d]" as addressing senior executive compensation, its "main focus" was to "reduce the prices the Company charges for its products." The Staff disagreed and did not grant relief. Eli Lilly's effort to shift the subject from senior executive compensation to drug pricing mirrors Gilead's unsuccessful argument.[1]

Outside the drug company context, the Staff has also declined to allow exclusion on ordinary business grounds of proposals addressing the link between senior executive pay and some other factor. For example, in BB&T Corporation (Jan. 17, 2017), the proposal asked the company to consider the pay of all company employees when setting senior executive compensation and report to shareholders in the proxy statement about how it did so. BB&T argued unsuccessfully that the proposal's focus was general employee compensation and that the proposal could therefore be omitted on ordinary business grounds.

Even assuming the Proposal's subject were the pricing of pharmaceuticals, drug prices are a matter of such consistent and sustained societal debate, with a sufficiently strong connection to Eli Lilly, to qualify as a significant social policy issue transcending ordinary business. Eli Lilly makes much of a 2017 determination

[1] That the Gilead proposal requested a policy change while the Proposal seeks disclosure does not affect the analysis. In its 1983 release accompanying changes to Rule 14a-8, the Commission repudiated the approach it had used to analyze disclosure proposals, deeming them not excludable on ordinary business grounds regardless of the disclosure subject. The Commission announced that disclosure proposals would be analyzed in the same way as proposals seeking a change in policy or behavior, by reference to the underlying subject matter rather than the form. (See Exchange Act Release No. 20091 (Aug. 16, 1983); Staff Legal Bulletin 14H (Oct. 22, 2015))

in which the Staff allowed exclusion of a proposal submitted to Eli Lilly asking for disclosure of price increases for the company's ten top-selling branded drugs; the rationale and criteria for those increases; and the legislative, regulatory, financial and reputational risks the increases create for Eli Lilly. (Eli Lilly and Company (Feb. 10, 2017)) The Staff reasoned that the proposal could be excluded because it "relate[d] to the rationale and price increases for the company's top ten selling branded prescription drugs."

That one determination does not mean that the issue of high drug prices always relates to a company's ordinary business operations. The 2017 Eli Lilly proposal sought detailed data for ten drugs over a six-year period, which took the proposal further afield from the more general policy issue of drug prices. Less specific approaches to drug pricing, by contrast, have tended to survive challenge on ordinary business grounds.

For example, the Staff denied exclusion on ordinary business grounds of proposals in Eli Lilly and Company (Feb. 25, 1993), Bristol-Myers Squibb Company (Feb. 21, 2000) and Warner Lambert Company (Feb. 21, 2000) asking the companies to adopt a policy of pharmaceutical price restraint. Eli Lilly tries to distinguish the Proposal from these proposals (and the 2014 Gilead proposal on CEO incentive compensation) on the ground that the latter are focused on "access to medicine." (See No-Action Request, at 5-6) That argument is unavailing, as patient access is a major reason for concern about high drug prices. Indeed, the "price restraint" proposals mention some of the same factors cited in the Proposal, such as the risk of legislative or regulatory backlash. And the Proposal is in fact concerned with patient access, as shown by the Proposal's supporting statement: "Public outrage over high prices and their impact on patient access may force price rollbacks and harm corporate reputation."

More recently, the Staff has declined to allow omission of proposals seeking greater drug pricing transparency. In the 2015 proxy season, proposals asked Gilead, Vertex and Celgene to report on the risks created by rising pressure to contain U.S. specialty drug prices. All three companies invoked the ordinary business exclusion, arguing that the proposals concerned the prices charged for their products, which was not a significant social policy issue, and would micromanage the companies by asking for information on a complex matter that shareholders would not be in a position to understand. (Gilead Sciences, Inc. (Feb. 23, 2015); Celgene Corporation (Mar. 19, 2015); Vertex Pharmaceuticals Inc. (Feb. 25, 2015)) The proponent successfully argued that high specialty drug prices are a significant social policy issue and that the broad focus on risks and trends obviated concerns over micromanagement.

In addition to the general societal debate regarding high drug prices detailed in the responses to the Gilead and Vertex requests cited above, Eli Lilly has been singled out for criticism in the last few years regarding the rapidly escalating price of insulin. Insulin prices have increased by over 240% in the past 10 years, leading some patients to skip doses and suffer consequences such as blindness and kidney failure. (www.nbcnews.com/health/health-news/several-probes-target-insulin-drug-pricing-n815141; www.bloomberg.com/news/articles/2017-06-29/the-crazy-math-behind-drug-prices)

Frequent press coverage has focused on Eli Lilly's prices and price increases, with headlines like "Eli Lilly's Revenue Boosted by Jacking Up Cost of Insulin for Diabetics" and "Skyrocketing Insulin Prices Force Some to Choose Between Medicine and Food." (www.marketwatch.com/story/eli-lillys-revenue-boosted-by-higher-drug-prices-for-diabetics-2016-01-28; www.wtae.com/article/skyrocketing-insulin-prices-force-some-to-choose-between-medicine-and-food/9588176; see also www.cbsnews.com/news/insulin-prices-rise-yet-again-causing-diabetics-to-cry-foul/; https://www.cnbc.com/2017/05/10/eli-lilly-raised-prices-on-9-drugs-last-week.html; https://www.wthr.com/article/rising-insulin-prices-forcing-hoosiers-with-

diabetes-to-make-tough-choices) In September 2017, patients protested high insulin prices at Eli Lilly's headquarters, demanding not only lower prices but also fuller disclosure regarding costs and profits. (www.diabetesdaily.com/blog/diabetes-advocates-protest-at-eli-lilly-about-insulin-prices-482111/)

Several state attorneys general have recently opened investigations into Eli Lilly's insulin pricing. (www.nbcnews.com/health/health-news/several-probes-target-insulin-drug-pricing-n815141) A federal lawsuit filed in January 2017 accuses Eli Lilly, Novo Nordisk and Sanofi of colluding on insulin price increases. (www.nytimes.com/2017/01/30/health/drugmakers-lawsuit-insulin-drugs.html) In November 2016, two members of Congress asked the Department of Justice and Federal Trade Commission to investigate insulin price increases. (www.sanders.senate.gov/newsroom/press-releases/sanders-cummings-request-doj-and-ftc-investigate-cost-of-diabetes-products) More recently, Minnesota Senator Amy Klobuchar sent letters to Eli Lilly, Sanofi and Novo Nordisk regarding high insulin prices. (https://www.klobuchar.senate.gov/public/index.cfm/2017/7/klobuchar-targets-rising-insulin-prices)

Eli Lilly's track record on pricing has dogged Alex Azar II, the former president of its U.S. division, who has been nominated to serve as Secretary of Health and Human Services. (http://www.businessinsider.com/trumps-hhs-nominee-alex-azar-history-with-drug-pricing-at-lilly-2017-11;https://www.nytimes.com/2017/11/26/us/politics/alex-azar-senate-confirmation-hearing-hhs.html?_r=0) Opposition to his confirmation has focused on insulin price hikes occurring on his watch at Eli Lilly. (https://aflcio.org/about/advocacy/legislative-alerts/opposition-nomination-alex-azar-be-secretary-department-health; https://www.saynotoazar.org/about-alex-azar/)

The Proponents disagree that drug pricing is the subject of the Proposal. If the Staff believes that to be the case, however, the Proposal still should not be excluded on ordinary business grounds. The sustained intensity of the public debate over high prescription drug prices, combined with Eli Lilly's high-profile role in raising the price of a common, lifesaving drug, make high drug prices a significant social policy issue for Eli Lilly, transcending ordinary business.

Second, Eli Lilly makes a confusing argument regarding the permissibility of seeking disclosure regarding senior executive compensation. It is possible that Eli Lilly is advancing the more limited proposition that a proposal cannot ask a company to include additional executive compensation disclosure *in the proxy statement*. The heading for this section of the No-Action Request, "Decisions Regarding Disclosure in the Company's Filings Made With the Commission Are Ordinary Business Matters," (No-Action Request, at 3) lends support to that interpretation. That putative rule is not relevant to the Proposal, though, which is agnostic regarding the location of the requested report.

Alternatively, Eli Lilly's quarrel may not be with the location of the report, but more broadly with the Proposal's request for additional executive compensation disclosure. After describing some of its proxy statement disclosure on executive compensation, Eli Lilly asserts, "If implemented, the Proposal would require the Company to provide disclosure that goes above and beyond what is required in Item 402 of Regulation S-K for disclosing executive compensation information." (No-Action Request, at 4)

That claim is flatly inconsistent with Staff determinations declining to allow exclusion of proposals seeking additional disclosure on senior executive compensation. For example, the proposal in The Goldman Sachs Group, Inc. (Mar. 2, 2011) asked that the board's compensation committee review, and report to shareholders on, the company's senior executive compensation policies, including whether packages are excessive, how layoffs and the pay of the lowest-compensated employee affect senior executive pay and

the effect of revenue fluctuations on the size of the compensation pool and the payouts to various groups. The Staff disagreed with Goldman Sachs' contention that the proposal related to the company's ordinary business operations.

Finally, Eli Lilly urges that the Proposal would micromanage the Company "by requiring a detailed report involving pricing strategies, entry into contracts involving pricing and allocation of capital." (No-Action Request, at 7) The "intricate detail" Eli Lilly claims the Proposal would call for includes "[t]he factors underlying price changes, terms of new contracts involving pricing and allocation of capital" which "vary by product, region and, in some cases, country." (Id.)

But the Proposal does not ask for any of that kind of information. Instead, it asks Eli Lilly to report on whether, and how, risks related to public concerns over drug pricing are reflected in senior executive compensation arrangements. Such a report does not require Eli Lilly to discuss details of contracts, the rationale for price changes or any similar details.

The ways in which senior executive compensation arrangements take into account a particular business challenge is not, as Eli Lilly contends, "outside the knowledge and expertise of shareholders." (No-Action Request, at 7) Shareholders consider proxy statement disclosure explaining the link between strategic objectives or aspects of the business climate and executive compensation decisions when casting votes on ballot items. That disclosure may describe factors related to external pressures or risks. For instance, in its statement in opposition to a shareholder proposal on reserve-related compensation metrics, ConocoPhillips explained how climate change scenario planning and progress on low-carbon objectives were reflected in senior executive compensation arrangements. (See Proxy Statement filed on April 3, 2017, at 86) Accordingly, the Proposal cannot be said to micromanage Eli Lilly.

In summary, the Proposal's "thrust and focus" is senior executive compensation, a topic that has consistently been deemed a significant social policy issue transcending ordinary business. Even if high drug prices were considered the Proposal's subject, the broad focus on policy, as opposed to details about specific medicines, takes it out of the realm of ordinary business as well. Finally, the Proposal asks for an analysis of the relationship between an aspect of the business climate and senior executive pay arrangements, which is familiar territory for shareholders and thus not outside their knowledge or expertise. Eli Lilly has thus failed to meet its burden of establishing that it is entitled to exclude the Proposal in reliance on Rule 14a-8(i)(7).

Substantial Implementation

Eli Lilly argues that it has substantially implemented the Proposal, supporting omission under Rule 14a-8(i)(10) because its current disclosure satisfies the "essential objectives" of the Proposal.

Eli Lilly's argument is based in part on a faulty notion of the Proposal's essential objective--"how the Company is managing risks relating to drug pricing." (No-Action Request, at 10) Eli Lilly's improvements in pricing transparency cited in the No-Action Request would arguably be relevant to a proposal--like the 2015 proposals at Gilead, Vertex and Celgene--seeking drug pricing risk disclosure. But generic disclosure of that kind does not satisfy the essential objective of the Proposal, which focuses on the connection between drug pricing pressures and senior executive compensation.

The Proposal's acknowledgment of pricing transparency enhancements does not, as Eli Lilly claims, illustrate the Proposal's objective but instead shows that Eli Lilly itself appears to believe that drug pricing

is an important issue facing the Company. That fact, in turn, justifies incorporating pricing concerns in senior executive pay arrangements, in the Proponents' view.

Eli Lilly tries to make a connection to executive compensation by pointing to existing disclosure of "the factors used to evaluate executive performance and compensation for its executive officers." (No-Action Request, at 11) "Pricing strategy," Eli Lilly asserts, "was integral to the performance" described in the proxy statement, including portfolio management, patent lawsuit success and new product launches. The centrality of pricing to Eli Lilly's performance is exactly the reason why the Proponents seek an explicit discussion of its role in executive pay arrangements.

Despite pricing's purported importance, the only mention of it appeared in the discussion of the performance of the Company's general counsel, who provided advice on pricing, among several subjects. Significantly, the proxy disclosure regarding Enrique Conterno's performance as head of the diabetes business unit emphasized the fact that it beat revenue and profit targets but was silent regarding pricing, despite the substantial controversy generated by Eli Lilly's insulin pricing. (The diabetes unit's financial performance was cited as justification for an increase in Mr. Conterno's equity award in a portion of the proxy statement not excerpted in the No-Action Request. See Proxy Statement filed on Mar. 20, 2017, at 40)

The Proposal asks for reporting on whether and how pricing-related risks are reflected in concrete senior executive compensation arrangements, which the Proponents note could include choice of metrics or performance measurement periods, adjustments to metrics to limit the impact of price increases or consideration in qualitative individual performance assessments. Eli Lilly has not made any disclosure of this kind, and the disclosures it cites fall far short of the requested discussion. Accordingly, the Proponents urge that Eli Lilly's request for no-action relief on substantial implementation grounds be denied.

* * *

For the reasons set forth above, Eli Lilly has not satisfied its burden of showing that it is entitled to omit the Proposal in reliance on Rule 14a-8(i)(7) or 14a-8(i)(10). The Proponents thus respectfully request that Eli Lilly's request for relief be denied.

The Proponents appreciate the opportunity to be of assistance in this matter. If you have any questions or need additional information, please contact me at (513) 673-9992 or our attorney Beth Young at (718) 369-6169.

Sincerely,

Susan J. Makos

Susan Makos
Vice President of Social Responsibility
Mercy Investment Services, Inc.
smakos@mercyinvestments.org

cc: Tiffany R. Benjamin, Assistant Corporate Secretary
Eli Lilly and Company

Keir Gumbs, Covington & Burling LLP
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Eli Lilly and Company

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December 15, 2017

VIA E-MAIL: shareholderproposals@sec.gov

Office of Chief Counsel
Division of Corporation Finance
Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549

Re: Shareholder Proposal of Mercy UAW Retiree Medical Benefits Trust

Dear Ladies and Gentlemen:

This letter and the enclosed materials are submitted by Eli Lilly and Company (the "Company") to notify the Securities and Exchange Commission (the "Commission") that the Company intends to omit from its proxy statement and form of proxy for its 2018 Annual Meeting of Stockholders (the "2018 Proxy Materials") a shareholder proposal and supporting statement (the "Proposal") submitted by Mercy Investments Services, Inc. and UAW Retiree Medical Benefits Trust (the "Proponent"). We also request confirmation that the staff of the Division of Corporation Finance (the "Staff") will not recommend enforcement action to the Commission if the Company omits the Proposal from the 2018 Proxy Materials for the reasons discussed below.

In accordance with Section C of Staff Legal Bulletin No. 14D (Nov. 7, 2008), we are emailing this letter to the Staff at shareholderproposals@sec.gov. In accordance with Rule 14a-8(j) of the Securities Exchange Act of 1934, as amended, we are simultaneously sending a copy of this letter and its attachments to the Proponent as notice of the Company's intent to omit the proposal from the 2018 Proxy Materials. Likewise, we take this opportunity to inform the Proponent that if the Proponent elects to submit any correspondence to the Commission or the Staff with respect to the Proposal, a copy of that correspondence should be provided concurrently to the undersigned on behalf of the Company.

THE PROPOSAL

The Proposal (attached hereto as Exhibit A) provides in pertinent part:

RESOLVED, that shareholders of Eli Lilly and Company ("Eli Lilly") urge the Compensation Committee (the "Committee") to report annually to shareholders on

the extent to which risks related to public concern over drug pricing strategies are integrated into Eli Lilly's incentive compensation policies, plans and programs (together, "arrangements") for senior executives. The report should include, but need not be limited to, discussion of whether incentive compensation arrangements reward, or not penalize, senior executives for (i) adopting pricing strategies, or making and honoring commitments about pricing, that incorporate public concern regarding the level or rate of increase in prescription drug prices; and (ii) considering risks related to drug pricing when allocating capital.

BASES FOR EXCLUSION

The Company hereby respectfully requests that the Staff concur in its view that the Company may exclude the Proposal from the 2018 Proxy Materials pursuant to Rule 14a-8(i)(7) and Rule 14a-8(i)(10).

ANALYSIS

I. The Proposal May Be Omitted Under Rule 14a-8(i)(7) Because It Deals with a Matter Relating to the Company's Ordinary Business Operations.

A. Rule 14a-8(i)(7) Background.

The Company respectfully requests that the Staff concur in its view that the Proposal may be excluded from the Company's 2018 Proxy Materials pursuant to Rule 14a-8(i)(7) because it deals with matters relating to the Company's ordinary business operations. The ordinary business exclusion rests on two central considerations: (1) the subject matter of the proposal (i.e., whether the subject matter involves a matter of ordinary business); and (2) the degree to which the proposal attempts to micromanage a company by "probing too deeply into matters of a complex nature upon which shareholders as a group, would not be in a position to make an informed judgment." Exchange Act Release No. 40018 (May 21, 1998); Exchange Act Release No. 20091 (Aug. 16, 1983). The lone exception to this rule is for shareholder proposals that relate to ordinary business matters but that also raise significant social policy considerations that transcend ordinary business. Exchange Act Release No. 40018 (May 21, 1998).

The Proposal requests a report that would provide details about the Company's executive compensation and its relationship to the Company's drug pricing strategy. While the Proposal ostensibly touches on a social policy issue relating to the role of pricing of pharmaceutical drugs in executive compensation decisions, the Staff has repeatedly concluded that the fact that a proposal seeks to address a social policy issue does not preclude the proposal from exclusion under Rule 14a-8(i)(7). *See e.g., Apache Corporation,* (Mar. 5, 2008) (granting no-action relief under Rule 14a-8(i)(7) where the proposal sought the implementation of certain equal employment opportunity principles prohibiting discrimination based on sexual orientation and gender identity where "some of the

principles relate[d] to Apache's ordinary business operations"). Here, the Proposal may be excluded from the Company's proxy materials because its thrust and focus is on disclosure regarding the pricing of pharmaceutical drugs, which is an aspect of the Company's ordinary business operations based on the SEC's position earlier this year in *Eli Lilly and Co.* (Feb. 10, 2017)(granting relief under Rule 14a-8(i)(7) with respect to a proposal seeking a report from the board of directors "listing the rates of price increases year-to-year for our company's top ten selling branded prescription drugs between 2010 and 2016, including the rationale and criteria used for these price increases, and an assessment of the legislative, regulatory, reputational and financial risks they represent for our company.")

B. Decisions Regarding Disclosure in the Company's Filings Made with the Commission are Ordinary Business Matters.

At its core, the Proposal seeks to influence decisions by Lilly regarding the level of detail it provides regarding the role of product pricing in senior executive compensation. The Staff has consistently found that proposals seeking disclosure regarding ordinary business matters may be excluded under Rule 14a-8(i)(7). *See Eli Lilly and Co.* (Jan. 13, 2017) (proposal requiring the company to disclose all lawsuits involving active or former employees for the past five years in the company's annual report excludable as "the proposal relates to disclosure of ordinary business matters"); *Union Pacific Corp.* (Jan. 28, 2005) (proposal recommending that the board include revenue and on-time performance data from passenger operations in the company's annual report excludable as relating to ordinary business matters (i.e., presentation of financial information)); *Amerinst Insurance Group, Ltd* (Apr. 14, 2005) (proposal requiring the company to provide a full, complete and adequate disclosure, each calendar quarter, of the accounting, of its line items and amounts of operating and management expenses excludable as relating to ordinary business matters); *Otter Tail Corp.* (Jan. 13, 2004) (proposal requesting that the company prominently publish all statements referring to goodwill impairments in annual financial reports excludable as relating to ordinary business matters); *Raytheon Co.* (Jan. 29, 2004) (proposal requesting that the company identify in the footnotes to its quarterly and annual financial statements the retiree medical expense for the current period's report compared to the retiree medical cost for the same period of the previous fiscal year excludable as relating to ordinary business matters); *Johnson Controls, Inc.* (Oct. 26, 1999) (proposal recommending disclosure of "goodwill-net" in future consolidated statements of financial position, excludable as relating to ordinary business matters); and *Baxter International, Inc.* (Feb. 20, 1992) (proposal seeking disclosure regarding ongoing litigation excludable as relating to ordinary business matters). Here, as will be discussed later in this request, the underlying subject matter of the proposal - product pricing - is something that the Staff has previously concluded relates to ordinary business matters.

Pursuant to Item 402(b) of Regulation S-K, the Company provides extensive disclosure in its annual meeting proxy statement provided to shareholders related to the incentive compensation component of its executive compensation program. Item 402(b) of Regulation S-K specifically requires, *inter alia*, a company to provide material disclosure

related to (i) how the determination is made as to when specific compensation awards are granted, (ii) how specific items of corporate performance are taken into account when setting compensation policies, (iii) how specific forms of compensation are structured and implemented to reflect these items of a company's performance, and (iv) the factors considered in decisions to increase or decrease compensation materially. The Company's current disclosures comply with these requirements.

For example, the Company provides on page 36 of its definitive proxy statement filed on Schedule 14A with the Commission on March 20, 2017 (the "2017 Proxy Statement"), that the Company's annual cash bonus component of its executive compensation program is calculated based on the Company's performance relative to internal targets for revenue, earnings per share ("EPS") and the progress of the Company's pipeline. Additionally, the Company provides disclosure that its executive compensation program provides for two different forms of equity incentives: (i) performance equity awards with a performance component measuring the Company's two-year growth in EPS relative to peers and (ii) shareholder value equity awards that pay out based on the Company's stock price growth and total shareholder return relative to peers. Further, in Annex A to its 2017 Proxy Statement, the Company provides extensive disclosure related to a summary of the adjustments related to its annual cash bonus and performance awards components of its executive compensation program. The Company also discloses that the "Compensation Committee reviews all adjustments and retains...discretion to reduce compensation below the amounts that are yielded by the adjustment guidelines."

As shown above, the Company provides extensive disclosure about the Company's executive compensation matters in its 2017 Proxy Statement in order to comply with Item 402 of Regulation S-K. If implemented, the Proposal would require the Company to provide disclosure that goes above and beyond what is required in Item 402 of Regulation S-K for disclosing executive compensation information and provide detailed information on drug pricing decisions that are squarely within management's exercise of its business judgment. Accordingly, the Company believes that the Proposal may be properly excludable under Rule 14a-8(i)(7) because it deals with matters relating to the Company's ordinary business operations.

C. Product Pricing Decisions Fall Within the Company's Ordinary Business Operations.

The Proposal requests a "discussion of whether incentive compensation arrangements reward, or not penalize, senior executives for (i) adopting pricing strategies, or making and honoring commitments about pricing, that incorporate public concern regarding the level or rate of increase in prescription drug prices; and (ii) considering risks related to drug pricing when allocating capital." The Company's ability to set prices and its rationale and criteria for adopting pricing strategies or allocating capital are ordinary business matters that should not be subject to shareholder oversight. In fact, the SEC took such a position earlier this year. In *Eli Lilly and Co.* (Feb. 10, 2017), a proposal sought a report from the board of directors "listing the rates of price increases year-to-year for our

company's top ten selling branded prescription drugs between 2010 and 2016, including the rationale and criteria used for these price increases, and an assessment of the legislative, regulatory, reputational and financial risks they represent for our company." In response to the proposal, the Company argued that the report requested by the proponent may be excluded under Rule 14a-8(i)(7) as the report pertained to the Company's rationale and criteria used for making pricing decisions, rather than the significant social policy issue of access to medicine, and thereby sought to micromanage decisions related to the Company's business strategy. The Staff concurred with the Company's assessment that the proposal was excludable under Rule 14a-8(i)(7) as the proposal "relates to the rational and criteria for price increases..."

Here, similar to the *Eli Lilly and Co.* (Feb. 10, 2017), the Proposal is focused on the Company's decisions on pricing strategies, entry into contracts involving pricing and rationale for allocating capital. The proposal is not, however, focused on access to medicine, which raises significant social policy issues. Since the Proposal focuses on ordinary business matters, the Company may rely on Rule 14a-8(i)(7) to exclude it.

The Staff has consistently taken the position that proposals concerning a Company's pricing decisions generally may be excluded under Rule 14a-8(i)(7) on the basis that they relate to ordinary business matters. *See, e.g., Host Hotels & Resorts, Inc.* (Feb. 6, 2014) (proposal relating to the company's "discount pricing policies" excludable as relating to the company's ordinary business operations; *Equity LifeStyle Properties, Inc.* (Feb. 6, 2013) (agreeing with exclusion of a proposal under Rule 14a-8(i)(7) because "the setting of prices for products and services is fundamental to management's ability to run a company on a day-to-day basis."). Much like the proposals in the foregoing no-action letters, the Proposal seeks a report regarding the Company's pricing strategies and commitments pertaining to pricing. Although the Proposal does not specifically call for a discount as in the foregoing no-action letters, the supporting statement to the Proposal suggests that current prices of the Company's drugs are too high and implies that if senior executive compensation decisions considered "public concern regarding the level or rate of increases in prescription drug prices," the disclosure would lead to price reductions.

Prior Staff no-action letters declining to permit exclusion of shareholder proposals regarding access to pharmaceutical products do not alter the conclusion that exclusion of the Proposal is warranted. Indeed, the Proposal is distinguishable from the proposals that are the subject of such no-action letters in a meaningful and dispositive way. The Company acknowledges that the Staff has repeatedly refused to permit exclusion of proposals principally focused on access to medicine. *See, e.g. Eli Lilly and Co.* (Feb. 25, 1993) (proposal that the board seek input on, and adopt, a policy of price restraint not excludable as relating to ordinary business matters); *Bristol-Meyers Squibb Company* (Feb. 21, 2000) (proposal that the board implement a policy of price restraint on pharmaceutical products and keep drug prices at reasonable levels, not excludable under Rule 14a-8(i)(7)); *Warner Lambert Company* (Feb. 21, 2000) (same). The proposals in the *Eli Lilly and Co., Bristol-Meyers Squibb Company* and *Warner Lambert Company* letters cited directly above

(collectively, the "Pricing Policy Letters") focused on access to medicine, which the Staff has historically treated as a significant social policy issue that transcends ordinary business. By contrast, the supporting statement to the Proposal makes only a passing reference to access to medicine while the majority of the Proposal, including the resolved cause of the Proposal, focuses on the Company's drug pricing strategy. For example, as noted above, the resolved clause asks the Company to report whether incentive compensation arrangements reward executives for "adopting pricing strategies, or making and honoring commitments about pricing..." and "considering risks related to drug pricing when allocating capital." In that regard, the supporting statement also states the Proponent's view that "excessive dependence on drug price increases is a risky and unsustainable strategy."[1]

Further, the Proposal is distinct from the proposal in *Gilead Sciences, Inc.* (Feb. 21, 2014) where the Staff stated it was "unable to conclude that Gilead has met its burden of establishing that Gilead may exclude the proposal under rule 14a-8(i)(7) as a matter relating to the company's ordinary business operations." However, the crux of the proposal in *Gilead* explicitly involved the significant policy issue of patient access. For example, the proposal in *Gilead* provided "that the shareholders of Gilead Sciences, Inc. ("Gilead" or the "Company") request the Board of Directors to adopt a policy that incentive compensation for the Chief Executive Officer ("CEO") should include non-financial measures based on patient access to the Company's medicines." Here, as mentioned above, the Proposal does not address patient access in the resolved clause and only makes a passing reference to patient access in the supporting statement to the Proposal. Rather, the Proposal focuses on the Company's drug pricing strategies, entry into contracts involving pricing and considerations when allocating capital. Furthermore, the proposal in *Gilead* sought to change incentive compensation policies of the company. Here, rather than requesting a

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[1] The Company also acknowledges that recent Staff no-action letters have not permitted exclusion where proposals merely request disclosure of the risks to a company from rising pressure to contain drug prices. *See Celgene Corporation* (Mar. 19, 2015) (proposal requesting a board to report on the risks to Celgene from rising pressure to contain U.S. specialty drug prices not excludable under Rule 14a-(i)(7) as the "proposal focuses on Celgene's fundamental business strategy with respect to its pricing policies for pharmaceutical products"); *Vertex Pharmaceuticals Incorporated* (Feb. 25, 2015) (same); *Gilead Sciences, Inc.* (Feb. 23, 2015) (same) (collectively, the "Risk Disclosure Letters"). In each of the proposals in the Risk Disclosure Letters, the proponent requested that the board of directors report on the "risks to [such company] from rising pressures to contain U.S. specialty drug prices" and went on to list a number of risks the report should respond to and focused on the significant social policy of access to medicine (i.e., "the relationship between Celgene's specialty drug prices and each of clinical benefit, patient access, the efficacy and price of alternative therapies..."). Here, however, the Proposal requests a report related to the Company's ordinary business operations rather than an assessment of risks related to patient access. As explained in the body of this letter, the focus of the Proposal is to provide a detailed analysis and report of the complex considerations that factor into the Company's worldwide pharmaceutical pricing strategies and decisions. Accordingly, exclusion of the Proposal pursuant to Rule 14a-8(i)(7) is appropriate.

change in the Company's incentive compensation policies, the Proposal only seeks additional disclosure related to the topic.

In addition to the fact that the Proposal focuses on ordinary business matters, it goes too far in trying to address them. Unlike the Pricing Policy Letters and the Risk Disclosure Letters, the Proposal seeks to micromanage the Company's business by requiring a detailed report involving pricing strategies, entry into contracts involving pricing and allocation of capital. Where proposals have requested reports regarding management decisions that are inherently based on complex business considerations outside the knowledge and expertise of shareholders, the Staff has previously permitted exclusion. *See, e.g., Dominion Resources, Inc.* (Jan. 27, 2014) (proposal that would have required it to "share a report analyzing and making projections on the costs to ratepayers as those costs may appear on cost recovery applications ... for certain wind projects" excludable); *Wal-Mart Stores, Inc.* (Feb. 27, 2008) (proposal related to company policies and practices related to product safety excludable); *cf. Niagara Mohawk Holdings, Inc.* (Jan. 3, 2001) (proposal recommending a nuclear fuel management plan to achieve fuel cost savings and minimize nuclear waste excludable where the company argued that the proposal "would put the shareholders in the position of micromanaging a highly technical operational matter as to which they are unable to act on an informed basis"). As noted in the Company's periodic reports filed with the Commission, the Company sells dozens of pharmaceutical products in approximately [125] countries. The factors underlying price changes, terms of new contracts involving pricing, and allocation of capital are necessarily complex and vary by product, region and, in some cases, country, for a myriad of reasons. By requesting such "intricate detail" in a report on this fundamental element of the Company's business strategy, the Proposal "prob[es] too deeply into matters of a complex nature upon which shareholders as a group, would not be in a position to make an informed judgment." Exchange Act Release No. 40018 (May 21, 1998).

D. The Thrust and Focus of the Proposal is the Company's Pricing Decisions Rather than Senior Executive Compensation.

When determining whether a proposal focuses on a significant policy issue, the Staff considers the proposal and the supporting statement "taken as a whole." Staff Legal Bulletin No. 14C, Section D.2 (June 28, 2005) ("In determining whether the focus of these proposals is a significant social policy issue, we consider both the proposal and the supporting statement as a whole.") Here, although the Proposal mentions senior executive compensation, the focus of the Proposal is on the ordinary business matter of disclosure that goes above and beyond what is required by the Commission's rules (as discussed above) and the rationale and criteria for price increases of the Company's drug products, which affects the Company's long term strategy of its business operations.

The Staff has consistently concluded that although a proposal mentions executive compensation, if the "thrust and focus of the proposal" is on a Company's ordinary business matter, then the proposal may be excluded under Rule 14a-8(i)(7). *See, e.g., General Electric*

Co. (Jan. 10, 2005) (proposal requesting the compensation committee to consider social responsibility and environmental criteria when determining executive compensation was properly excluded under 14a-8(i)(7) as "although the proposal mentions executive compensation, the thrust and focus of the proposal is on the ordinary business matter of the nature, presentation and content of programming and film production"); *The Walt Disney Company* (Dec. 15, 2004) (same). Because the focus of the Proposal is on the ordinary business matter of the Company's rationale and criteria for price increases rather than senior executive compensation, the Proposal may be properly excluded under Rule 14a-8(i)(7).

II. The Proposal May Be Omitted Under Rule 14a-8(i)(10) Because The Proposal Has Been Substantially Implemented.

A. Rule 14a-8(i)(10) Background.

Rule 14a-8(i)(10) allows a company to exclude a shareholder proposal from its proxy statement if the company has substantially implemented the proposal. The purpose of Rule 14a-8(i)(10) is "to avoid the possibility of shareholders having to consider matters which have already been favorably acted upon by management." SEC Release No. 34-12598 (Jul. 7, 1976). Importantly, Rule 14a-8(i)(10) does not require a company to implement every detail of a proposal in order for the proposal to be excluded. The Staff has maintained this interpretation of Rule 14a-8(i)(10) since 1983, when the Commission reversed its prior position of permitting exclusion of a proposal only where a company's implementation efforts had "fully" effectuated the proposal. SEC Release No. 34-20091 (Aug. 16, 1983).

Based on this revised approach, the Staff has consistently taken the position that a proposal has been "substantially implemented" and may be excluded as moot when a company can demonstrate that it already has taken actions to address the essential elements of the proposal. *See, e.g., Exelon Corp.* (Feb. 26, 2010) (permitting exclusion under Rule 14a-8(i)(10) of a proposal requesting a report disclosing policies and procedures for political contributions based on Exelon's publicly-disclosed political spending report); *NetApp, Inc.* (Jun. 10, 2015) (permitting exclusion under Rule 14a-8(i)(10) of a proposal requesting elimination of supermajority voting provisions based on the fact that the company had previously eliminated all supermajority voting requirements from the company's by-laws). Applying this standard, the Staff has stated that "a determination that the company has substantially implemented the proposal depends upon whether [the company's] particular policies, practices and procedures compare favorably with the guidelines of the proposal." *Texaco, Inc.* (Mar. 28, 1991) (permitting exclusion under Rule 14a-8(i)(10) of a proposal requesting that the Company subscribe to the Valdez Principles where the company had already adopted policies, practices and procedures with respect to the environment that compared favorably to the Valdez Principles).

The Staff has provided no-action relief under Rule 14a-8(i)(10) when a company has satisfied the "essential objective" of a proposal, even if the company did not take the exact action requested by the proponent, did not implement the proposal in every detail, or exercised discretion in determining how to implement the proposal. *See, e.g., FedEx Corporation* (Jun. 15, 2011) (proposal requesting amendments to FedEx's corporate governance guidelines to adopt and disclose a written and detailed succession planning policy, substantially implemented by the "Succession Planning and Management Development" section of FedEx's publicly disclosed Corporate Governance Guidelines); *Citigroup Inc.* (Jan. 19, 2010) (proposal requesting the board of directors adopt a by-law amendment requiring the company to have an independent director serve as lead director substantially implemented by the fact that the company had an independent director serving as board chairman and a by-law in place requiring a lead director if the board chairman was not an independent director); *ConAgra Foods, Inc.* (Jul. 3, 2006) (proposal requesting publication of a sustainability report substantially implemented by the fact that the company had posted online a report on the topic of sustainability); *Talbots, Inc.* (Apr. 5, 2002) (proposal requesting that the company implement a corporate code of conduct based on the International Labor Organization ("ILO") human rights standard substantially implemented where the company had already implemented a code of conduct addressing similar topics but not based on ILO standards); *Nordstrom, Inc.* (Feb. 8, 1995) (proposal requesting a code of conduct for its overseas suppliers substantially implemented by existing company guidelines).

Applying these principles, the Staff has consistently concurred with the exclusion of shareholder proposals that request a report to shareholders containing information the company has already publicly disclosed. *See, e.g., Wal-Mart Stores, Inc.* (Feb. 21, 2017) (exclusion of a proposal requesting that the company establish "time-bound, quantitative goals" for reducing food waste in the United States and issue a report on its plans to achieve these goals where the company noted that it had already established a goal to achieve zero waste to landfills in key markets, including the United States, by a certain date, and that the company detailed its plans to achieve this goal in a report available on its website); *The Boeing Company* (Feb. 3, 2016) (concurring that a proposal requesting a semiannual report disclosing specific information about the company's charitable contributions was substantially implemented where such information was already available on the company's website and in various sets of guidelines that had already been adopted); *Duke Energy Corporation* (Feb. 21, 2012) (permitting exclusion of a shareholder proposal which requested that a committee of independent directors of the company review the actions the company was or could be taking to build shareholder value and reduce greenhouse gas and other emissions and to report to shareholders on how the company planned to achieve these goals where the company noted that it provided extensive information regarding its efforts to reduce emissions in its public filings with the Commission, as well as in a sustainability report which was available on the company's website); *The Coca-Cola Company* (Jan. 25, 2012) (concurring that a proposal requesting a report on the company's responses to public policy challenges associated with the use of

Bisphenol-A, or BPA, was substantially implemented where the company provided disclosure on this subject across its website).

B. The Company Has Substantially Implemented the Proposal.

Here, the Proposal may be excluded under Rule 14a-8(i)(10) because the Company has already taken steps to address the essential objective of the Proposal. In the Company's 2016 Integrated Summary Report, available on the Company's website and also attached as Exhibit B hereto (the "Integrated Report"), the Company substantially increased disclosure around price transparency. (See Slides 15-16 of the Integrated Report). The Integrated Report states "Lilly is providing greater transparency into the way our products are priced and working to expand access to medicine in the U.S. health care system" and "Lilly, like other pharmaceutical companies, provides rebates and discounts to payer customers, and these have increased in recent years. Overall, average discounts to U.S. list prices have grown from 28 percent to 50 percent in the past five years." The Integrated Report goes on to state the factors that are driving these pricing discounts, including "changes to the Lilly portfolio, increases in competition among pharmaceutical manufacturers, as well as increased negotiation leverage by pharmacy-benefit-managers... and mandatory government discounts." This additional disclosure related to the Company's pricing determinations addresses the essential objective of the Proposal, which is to report to its shareholders how the Company is managing risks relating to drug pricing. The Proponent even acknowledges that the Company has taken steps to comply with the essential objective of the Proposal by stating in the supporting statement to the Proposal that "we applaud Eli Lilly for improving transparency on drug pricing and supporting alternative pricing approaches."

Further, the Proposal suggests that the requested report "would allow shareholders to better assess the extent to which compensation arrangements encourage senior executives to responsibly manage risks relating to drug pricing and contribute to long-term value creation." However, the board of directors of the Company established the Company's Compensation Committee (the "Compensation Committee") for this exact purpose. The purpose of the Company's Compensation Committee, as set forth in the Compensation Committee Charter of the Company, is to "act on behalf of the board of directors to establish the compensation of executive officers of the company and to provide oversight of the company's global compensation philosophy." In overseeing the Company's global compensation philosophy, the Compensation Committee's primary responsibilities include:

- to submit a committee report on executive compensation for the proxy statement, and review and discuss with management the annual Compensation Discussion and Analysis and recommend to the board its inclusion in the proxy statement;
- to make recommendations to the board with respect to incentive compensation plans, equity-based plans and other executive compensation matters coming before the board, including periodic assessments of whether compensation programs are appropriately aligned with the company's management of enterprise risk; and

- oversee the company's engagement with shareholders regarding executive compensation matters.

In addition to these disclosures, the Company has already disclosed the factors used to evaluate executive performance and compensation for its executive officers. For example, Lilly's 2017 proxy statement disclosed the following in the context of discussing the performance of its named executive officers:

> Performance Review Process
> In setting potential EO compensation for 2016, the Compensation Committee considered both individual and company performance during 2015.
>
> 2015 Individual NEO Performance
> A summary of the committee's review of the individual NEOs is provided below:
>
> Dr. John Lechleiter: In accordance with the company's Corporate Governance Guidelines, the independent directors conducted a review of Dr. Lechleiter's performance during 2015, which was provided to the Compensation Committee during a private session. Under Dr. Lechleiter's leadership, the company increased its growth prospects in the medium and long term and drove near-term volume growth, attributable to new products including Cyramza, Trulicity®, and Jardiance. In 2015, the company launched Basaglar and Portrazza®, following the successful launch of three new molecular entities (NMEs) in 2014. In addition, the company achieved the successful integration of Novartis Animal Health and led an initiative to improve the efficiency and sustainability of the company's research and development process. Dr. Lechleiter continued to set a positive tone of integrity, inclusiveness, safety, and compliance in his internal and external interactions.
>
> Derica Rice: Mr. Rice demonstrated strong leadership of our portfolio management in partnership with Dr. Lundberg. The committee noted the portfolio review process is far more robust than in past years. His function met very difficult financial targets while continuing to provide outstanding support to the business.
>
> Jan Lundberg: Dr. Lundberg led Lilly Research Laboratories positive pipeline progression, including regulatory approvals for Cyramza in 2nd-line gastric cancer in Japan and 2nd-line metastatic colorectal cancer in the U.S., Trulicity in Japan, Humalog® U-200 Kwikpen, and Glyxambi® in the U.S., and Synjardy® in the U.S. and Europe. In addition, regulatory submissions were completed for Taltz and all planned Phase 3 trial starts were achieved.
>
> Dr. Lundberg played a key leadership role in reorganizing external research. He sponsored the expansion of our research capabilities in San Diego and Boston and progressed our next-generation development strategy.

Michael Harrington: Mr. Harrington provided thoughtful counsel on a variety of issues including commercial practices, pricing, intellectual property policy, and several other areas. He was instrumental in several successful negotiations with external parties, and the company prevailed in several patent lawsuits including Alimta® in the U.S. and Europe.

Enrique Conterno: Under Mr. Conterno's leadership, the Diabetes business had a very strong year beating revenue and earnings targets. The business successfully launched several new products in the U.S. (Trulicity, Humalog U-200 Kwikpen, Glyxambi, and Synjardy). Mr. Conterno drove improvements in manufacturing our insulin products and forged strong partnerships with other functions.

Pricing strategy was integral to the performance described above. For example, the successful launches of new products in the U.S. (Trulicity, Humalog U-200 Kwikpen, Glyxambi, and Synjardy) implicitly reflect successful pricing strategies. Further, the role of pricing strategy was explicitly referenced in the discussion of Michael Harrington's performance. We believe this disclosure reflects the extent to which pricing was explicitly factored into executive compensation.

As set forth above, the Company believes that it has satisfied the essential objective of the Proposal. Notably, the Company believes its public disclosures outlined in the Integrated Report and the specific purpose of the Company's Compensation Committee and the responsibilities and duties assigned to the Compensation Committee satisfy the essential objective of the Proposal and compare favorably to the guidelines of the Proposal. As a result, the Company has substantially implemented the Proposal and believes the Proposal is excludable under Rule 14a-8(i)(10).

CONCLUSION

Based upon the foregoing analysis, we respectfully request that the Staff concur that the Company may exclude the Proposal from the 2018 Proxy Materials. Should the Staff disagree with the conclusions set forth in this letter, or should you require any additional information in support of our position, we would welcome the opportunity to discuss these matters with you as you prepare your response.

We would be happy to provide you with any additional information and answer any questions that you may have regarding this subject. Correspondence regarding this letter should be sent to Keir Gumbs at kgumbs@cov.com. If we can be of any further assistance in this matter, please do not hesitate to call me at (317) 433-2588 or Keir at (202) 662-5500.

Sincerely,

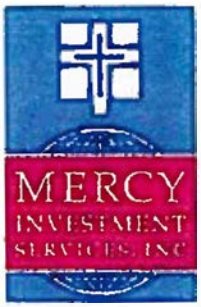
Tiffany R. Benjamin
Assistant Corporate Secretary
Eli Lilly and Company
Lilly Corporate Center
Indianapolis, IN 46285

Enclosures

cc: Mercy Investments Services, Inc.
cc: UAW Retiree Medical Benefits Trust

Exhibit A
Proposal

See attached.



November 10, 2017

Bronwen L. Mantlo
Vice President, Deputy General Counsel, and Corporate Secretary
Eli Lilly and Company
Lilly Corporate Center
Indianapolis, IN 46285

Dear Ms. Mantlo:

Mercy Investment Services, Inc. (Mercy), as the investment program of the Sisters of Mercy of the Americas has long been concerned not only with the financial returns of its investments, but also with the social and ethical implications of its investments. We believe that a demonstrated corporate responsibility in matters of the environment, social and governance concerns fosters long-term business success. Mercy Investment Services, Inc., a long-term investor, is currently the beneficial owner of shares of Eli Lilly and Company.

Mercy is filing the enclosed resolution requesting Eli Lilly Compensation Committee to report annually to shareholders on the extent to which risks related to public concern over drug pricing strategies are integrated into Eli Lilly's incentive compensation policies, plans and programs for senior executives.

Mercy Investment Services, Inc. is filing the enclosed shareholder proposal for inclusion in the 2018 proxy statement, in accordance with Rule 14a-8 of the General Rules and Regulations of the Securities Exchange Act of 1934. Mercy Investment Services, Inc. has been a shareholder continuously for more than one year holding at least $2,000 in market value, and will continue to invest in at least the requisite number of shares for proxy resolutions through the annual shareholders' meeting. A representative of the filers will attend the Annual Meeting to move the resolution as required by SEC rules. The verification of ownership is being sent to you separately by our custodian, a DTC participant. We respectfully request direct communications from Eli Lilly and Company, and to have our supporting statement and organization name included in the proxy statement.

We look forward to having productive conversations with the company. Please direct your responses to me via my contact information below.

Best regards,

Donna Meyer, PhD
Director of Shareholder Advocacy
713-299-5018l
dmeyer@mercyinvestments.org

RESOLVED, that shareholders of Eli Lilly and Company ("Eli Lilly") urge the Compensation Committee (the "Committee") to report annually to shareholders on the extent to which risks related to public concern over drug pricing strategies are integrated into Eli Lilly's incentive compensation policies, plans and programs (together, "arrangements") for senior executives. The report should include, but need not be limited to, discussion of whether incentive compensation arrangements reward, or not penalize, senior executives for (i) adopting pricing strategies, or making and honoring commitments about pricing, that incorporate public concern regarding the level or rate of increase in prescription drug prices; and (ii) considering risks related to drug pricing when allocating capital.

SUPPORTING STATEMENT

As long-term investors, we believe that senior executive incentive compensation arrangements should reward the creation of sustainable long-term value. To that end, it is important that those arrangements align with company strategy and encourage responsible risk management.

A key risk facing pharmaceutical companies is potential backlash against high drug prices. Public outrage over high prices and their impact on patient access may force price rollbacks and harm corporate reputation. Legislative or regulatory investigations regarding pricing of prescription medicines may bring about broader changes, with some favoring allowing Medicare to bargain over drug prices. (E.g., https://democrats-oversight.house.gov/news/press-releases/cummings-and-welch-launch-investigation-of-drug-companies-skyrocketing-prices; https://democrats-oversight.house.gov/news/press-releases/cummings-and-welch-propose-medicare-drug-negotiation-bill-in-meeting-with) An October 2017 report indicated that five states and federal prosecutors are investigating insulin makers, including Eli Lilly, for anticompetitive practices related to pricing. (https://medcitynews.com/2017/10/insulin-prices-soar/)

We applaud Eli Lilly for improving transparency on drug pricing and supporting alternative pricing approaches. We are concerned, however, that the incentive compensation arrangements applicable to Eli Lilly's senior executives may not encourage senior executives to take actions that result in lower short-term financial performance even when those actions may be in Eli Lilly's best long-term financial interests.

Eli Lilly uses revenue and earnings per share (EPS) as metrics for the annual bonus and EPS growth as the metric for performance awards. (2017 Proxy Statement, at 41-42) A recent Credit Suisse analyst report stated that "US drug price rises contributed 100% of industry EPS growth in 2016" and characterized that fact as "the most important issue for a Pharma investor today." The report identified Eli Lilly as a company where price increases accounted for at least 100%

of EPS growth in 2016. (*Global Pharma and Biotech Sector Review: Exploring Future US Pricing Pressure*, Apr. 18, 2017, at 1)

In our view, excessive dependence on drug price increases is a risky and unsustainable strategy, especially when price hikes drive large senior executive payouts. For example, media coverage of the skyrocketing cost of Mylan's EpiPen noted that a 600% rise in Mylan's CEO's total compensation accompanied the 400% EpiPen price increase. (See, e.g., https://www.nbcnews.com/business/consumer/mylan-execs-gave-themselves-raises-they-hiked-epipen-prices-n636591; https://www.wsj.com/articles/epipen-maker-dispenses-outsize-pay-1473786288; https://www.marketwatch.com/story/mylan-top-executive-pay-was-second-highest-in-industry-just-as-company-raised-epipen-prices-2016-09-13)

The disclosure we request would allow shareholders to better assess the extent to which compensation arrangements encourage senior executives to responsibly manage risks relating to drug pricing and contribute to long-term value creation. We urge shareholders to vote for this Proposal.

UAW RETIREE
Medical Benefits Trust

November 13, 2017

Bronwen L. Mantlo
Vice President, Deputy General Counsel, and Corporate Secretary
Eli Lilly and Company
Lilly Corporate Center
Indianapolis, IN 46285

Dear Ms. Mantlo,

The purpose of this letter is to inform you that the UAW Retiree Medical Benefits Trust (the "Trust") is co-sponsoring the resolution submitted by Mercy Investment Services, Inc. (Mercy) for inclusion in in Eli Lilly and Company's (the "Company") proxy statement for the 2018 Annual Meeting of Stockholders.

The Trust is the beneficial owner of more than $2,000 in market value of the Company's stock and has held such stock continuously for over one year. Furthermore, the Trust intends to continue to hold the requisite number of shares through the date of the next annual meeting. Proof of ownership will be sent by the Trust's custodian, State Street Bank and Trust Company, under separate cover.

We welcome a dialogue with the Company to discuss the issues raised by the proposal. Please contact me at (734)r887-4964 or via email at mamiller@rhac.com at any time if you have any questions or would like ton further discuss these issues.n

Sincerely,

Meredith Miller

Meredith Miller
Chief Corporate Governance Officer
UAW Retiree Medical Benefits Trust

Enclosure

110 Miller Avenue, Suite 100, Ann Arbor, MI 48104-1296
Tel: 734-887-4964 • Fax: 734-929-5859

RESOLVED, that shareholders of Eli Lilly and Company ("Eli Lilly") urge the Compensation Committee (the "Committee") to report annually to shareholders on the extent to which risks related to public concern over drug pricing strategies are integrated into Eli Lilly's incentive compensation policies, plans and programs (together, "arrangements") for senior executives. The report should include, but need not be limited to, discussion of whether incentive compensation arrangements reward, or not penalize, senior executives for (i) adopting pricing strategies, or making and honoring commitments about pricing, that incorporate public concern regarding the level or rate of increase in prescription drug prices; and (ii) considering risks related to drug pricing when allocating capital.

SUPPORTING STATEMENT

As long-term investors, we believe that senior executive incentive compensation arrangements should reward the creation of sustainable long-term value. To that end, it is important that those arrangements align with company strategy and encourage responsible risk management.

A key risk facing pharmaceutical companies is potential backlash against high drug prices. Public outrage over high prices and their impact on patient access may force price rollbacks and harm corporate reputation. Legislative or regulatory investigations regarding pricing of prescription medicines may bring about broader changes, with some favoring allowing Medicare to bargain over drug prices. (E.g., https://democrats-oversight.house.gov/news/press-releases/cummings-and-welch-launch-investigation-of-drug-companies-skyrocketing-prices; https://democrats-oversight.house.gov/news/press-releases/cummings-and-welch-propose-medicare-drug-negotiation-bill-in-meeting-with) An October 2017 report indicated that five states and federal prosecutors are investigating insulin makers, including Eli Lilly, for anticompetitive practices related to pricing. (https://medcitynews.com/2017/10/insulin-prices-soar/)

We applaud Eli Lilly for improving transparency on drug pricing and supporting alternative pricing approaches. We are concerned, however, that the incentive compensation arrangements applicable to Eli Lilly's senior executives may not encourage senior executives to take actions that result in lower short-term financial performance even when those actions may be in Eli Lilly's best long-term financial interests.

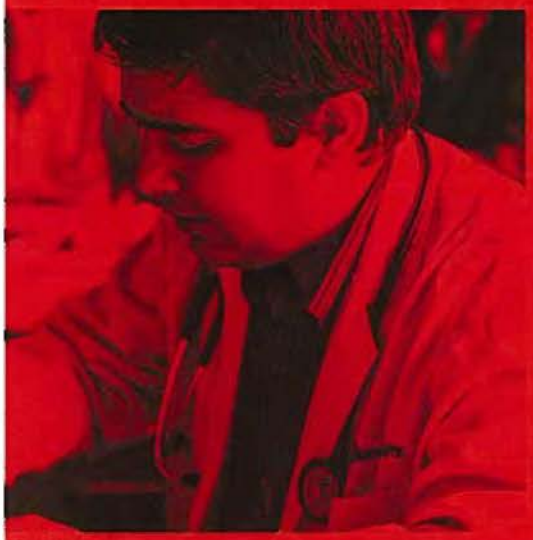
Eli Lilly uses revenue and earnings per share (EPS) as metrics for the annual bonus and EPS growth as the metric for performance awards. (2017 Proxy Statement, at 41-42) A recent Credit Suisse analyst report stated that "US drug price rises contributed 100% of industry EPS growth in 2016" and characterized that fact as "the most important issue for a Pharma investor today." The report identified Eli Lilly as a company where price increases accounted for at least 100% of EPS growth in 2016. (*Global Pharma and Biotech Sector Review: Exploring Future US Pricing Pressure*, Apr. 18, 2017, at 1)

In our view, excessive dependence on drug price increases is a risky and unsustainable strategy, especially when price hikes drive large senior executive payouts. For example, media coverage of the skyrocketing cost of Mylan's EpiPen noted that a 600% rise in Mylan's CEO's total compensation accompanied the 400% EpiPen price increase. (See, e.g., https://www.nbcnews.com/business/consumer/mylan-execs-gave-themselves-raises-they-hiked-epipen-prices-n636591; https://www.wsj.com/articles/epipen-maker-dispenses-outsize-pay-1473786288; https://www.marketwatch.com/story/mylan-top-executive-pay-was-second-highest-in-industry-just-as-company-raised-epipen-prices-2016-09-13)

The disclosure we request would allow shareholders to better assess the extent to which compensation arrangements encourage senior executives to responsibly manage risks relating to drug pricing and contribute to long-term value creation. We urge shareholders to vote for this Proposal.

Exhibit B
Integrated Report

See attached.



BETTER SCIENCE. BETTER LIVES.

Lilly

ELI LILLY AND COMPANY 2016 INTEGRATED SUMMARY REPORT

TO OUR LILLY SHAREHOLDERS

Eli Lilly and Company is now entering a new period of growth and opportunity, driven by newly launched products and potential medicines emerging from our late-stage pipeline. As our prospects and plans for the future come into clear view, it's also a good time to implement the leadership transition we announced last summer, with Dave becoming CEO on January 1.

JOHN C. LECHLEITER, PH.D., CHAIRMAN, AND DAVID A. RICKS, PRESIDENT AND CHIEF EXECUTIVE OFFICER

We've worked together closely over the past five years in developing and executing our company's strategy, and our CEO transition highlights continuity in Lilly's strategic direction. In this letter, we'll review our company's performance in 2016, our priorities for 2017, our expectations for the rest of the decade, and the challenges and commitments that shape our strategy and work.

REVIEW OF 2016 PERFORMANCE

In 2016, Lilly's worldwide revenue was $21.22 billion, up 6 percent from 2015 due to increased volume led by newly launched products—including Trulicity®, Cyramza®, Jardiance® and Taltz®. This growth was partially offset by the impact of the loss of exclusivity for Cymbalta® in Europe and Canada, Zyprexa® in Japan, and Alimta® in several countries.

Total operating expenses, which include research and development, and marketing, selling and administrative expenses, increased 3 percent to $11.70 billion. Research and development expenses increased 9 percent to $5.24 billion, or 24.7 percent of revenue, and marketing, selling and administrative expenses decreased 1 percent to $6.45 billion.

Net income and earnings per share increased 14 percent to $2.74 billion, and $2.58, respectively, compared with 2015. 2016 was also another productive year for our innovation strategy, highlighted by regulatory approvals for Taltz for psoriasis, Lartruvo™ for soft tissue sarcoma, and a new indication in the U.S. and label update in the EU for Jardiance to reflect the data from the EMPA-REG OUTCOME study on the reduction of risk of cardiovascular death in adults with type 2 diabetes and established cardiovascular disease.

We've continued to advance our pipeline with a number of positive data readouts, Phase 3 starts, and regulatory submissions through the past year. We also continued to complement our internal R&D efforts with external innovation—most recently our acquisition of CoLucid Pharmaceuticals, which adds lasmiditan, in development for the acute treatment of migraine, to our Phase 3 pipeline.

We were disappointed that solanezumab did not meet the primary endpoint in a Phase 3 study of people with mild dementia due to Alzheimer's disease. Neurodegeneration remains one of our core therapeutic areas, and we are pursuing many other promising approaches. We remain well positioned to lead the next set of breakthroughs for Alzheimer's patients.

As we write this letter in early 2017, already this year the company has launched the new Jardiance indication in the U.S. and label update in the EU; Olumiant® (baricitinib) has been approved in Europe for rheumatoid arthritis and we await final regulatory action in the U.S.; and we're looking forward to data on abemaciclib in breast cancer, galcanezumab in migraine, and other key readouts. We expect strong growth from new products, with important contributions from animal health and our established pharmaceutical products.

2017 PRIORITIES: STICKING TO THE BASICS

We see tremendous opportunity ahead, and we believe that we will achieve our potential by sticking to the basics. Our priorities for 2017 represent continuity in our strategy and a clear focus on the fundamentals. Those priorities are as follows:

The first is to **launch with excellence**, introducing our newest set of medicines around the world, driving a new revenue line for the company against increased competition and marketplace complexity.

The second priority is to **reload our pipeline.** As we bring an exciting cohort of new medicines to patients, we see promising opportunities—internal and external—to take their place. But the bar is getting ever higher. We aim to build clear strategies for differentiation of our medicines and to take advantage of our leadership position in our core therapeutic areas—diabetes, oncology, immunology, and neurodegeneration.

We're also determined to accelerate pipeline progress through our Next Generation Development (NGD) model. Since we've launched NGD, we've cut about a year off the actual time from first human dose to a patient in the market, and we'll further reduce this time to compete and win in our therapeutic areas.

We will also complement our internal research with external innovation, as demonstrated by our acquisition of CoLucid. We're a better company if we can compare our internal opportunities with those outside and make the right decisions for our stakeholders—most importantly, patients—about what medicines we should advance.

Third, we'll be focused on **increasing productivity.** By driving volume-based revenue growth while also controlling costs in all areas of our business, we will expand our margins over the balance of this decade. This will provide capacity to make investments in our future and increase our return to shareholders.

Our final priority is **talent development.** This means having the right leadership team in place and attracting leading scientific talent to our company from around the world. Lilly's new and expanded R&D centers in key research hubs—San Diego, Boston, New York, London and Indianapolis—support the recruitment of world-class scientific talent, and with our growth, we can offer both current and prospective employees even more opportunities for exciting careers.

EXPECTATIONS THROUGH 2020

Our management team is committed to achieving the goals we've laid out for the remainder of this decade.

Specifically, we expect to deliver revenue growth from 2015 to 2020 that averages at least 5 percent annually on a constant currency basis, driven by volume growth from our new products, and despite the headwind of patent expirations we are now experiencing outside the U.S. and will experience in 2017 and 2018 in the U.S. We also expect to expand margins, driven by improvements both in cost of sales and in operating expenses.

We've stated that these are our minimum expectations for the mid-term period, and they were not dependent upon solanezumab's success. We believe the combination of top-line growth and margin expansion over the balance of the decade provides a compelling thesis for investors.

That growth will be driven by a productive pipeline of new medicines. We've launched seven new products since 2014, with the prospect of launching a total of 20 between 2014 and 2023. Our near-term opportunities include Olumiant for rheumatoid arthritis, abemaciclib for breast cancer, and galcanezumab for migraine prevention.

We see Trulicity, Jardiance, Taltz, Olumiant, and abemaciclib as key growth drivers over this period, with the possible addition of Cyramza depending on data in additional indications. We'll maximize the potential of our new products—many of which could address unmet needs in large patient populations—by pursuing new indications and differentiating our products in the classes in which we compete. And we'll maintain a balanced investment across all phases of our pipeline to ensure a steady flow of innovation and avoid gaps as patents expire on older products.

RESPONDING TO THE REALITIES WE FACE

Even as we remain confident that we will achieve our goals, we must be clear about the realities we face, and the need to change and adapt to our emerging growth drivers and to external pressures and uncertainties around the world.

First, we have new opportunities—in immunology, for example—at the same time as some of our older products are sunsetting with the patent expiries that are a normal part of our business. So we will move our attention and resources to the new opportunities that will drive our growth.

Second, we face growing pressures on pricing and access around the world. Here in the United States, our largest market, prescription drug prices loom large in the debate over health care reform. Steps to repeal and replace provisions of the Affordable Care Act will be both complicated and hotly contested, and we will engage vigorously to advocate solutions that support pharmaceutical innovation and access to new medicines.

To help inform the debate on whether the prices paid for pharmaceuticals truly reflect their value and contribution to the health care system, Lilly is now including in this report data that provide greater transparency into the pricing of our medicines. These data highlight the dynamics that create a wide gap between list prices for our medications and the actual revenue realized by Lilly's U.S. operations. (For more information, please turn to page 15.) While we aim to do a better job of communicating the value of our medicines, we must also improve that value by developing better and better medicines and investing in new indications.

In order to increase our financial flexibility amid this uncertainty, we must stay on course to bring down our operating costs to 50 percent or less of revenue in 2018 and improve our gross margin.

CONFIDENCE AND COMMITMENT

Guided by our mission to make life better, we will continue to demonstrate integrity and transparency, and a commitment to corporate responsibility, in all aspects of our business. This integrated summary report provides an update on our efforts to operate responsibly and transparently, strengthen communities, and improve global health.

As we look toward completing our leadership transition —when John retires from the board and Dave becomese chairman on June 1—we're highly confident in the futuree of this company. In the year ahead, Lilly will maintain thee positive momentum we've built over the past few yearse and stay on course to achieve the expectations we'vee shared with investors.e

We're grateful to the Board of Directors for their guidance and support through this transition. We also want to thank all of our Lilly colleagues for keeping their focus on the important work to be done amid continuing change inside and outside the company.

And we're all in agreement on one thing that won't change—Lilly's commitment to innovative medicines that make a difference for patients. We believe that better science does indeed mean better lives—for patients first and foremost, and for our shareholders, employees, and communities.

We are as excited as ever about the opportunity for this company to make life better for people around the world, and we appreciate your support.

JOHN C. LECHLEITER, PH.D.
Chairman

DAVID A. RICKS
President and Chief Executive Officer

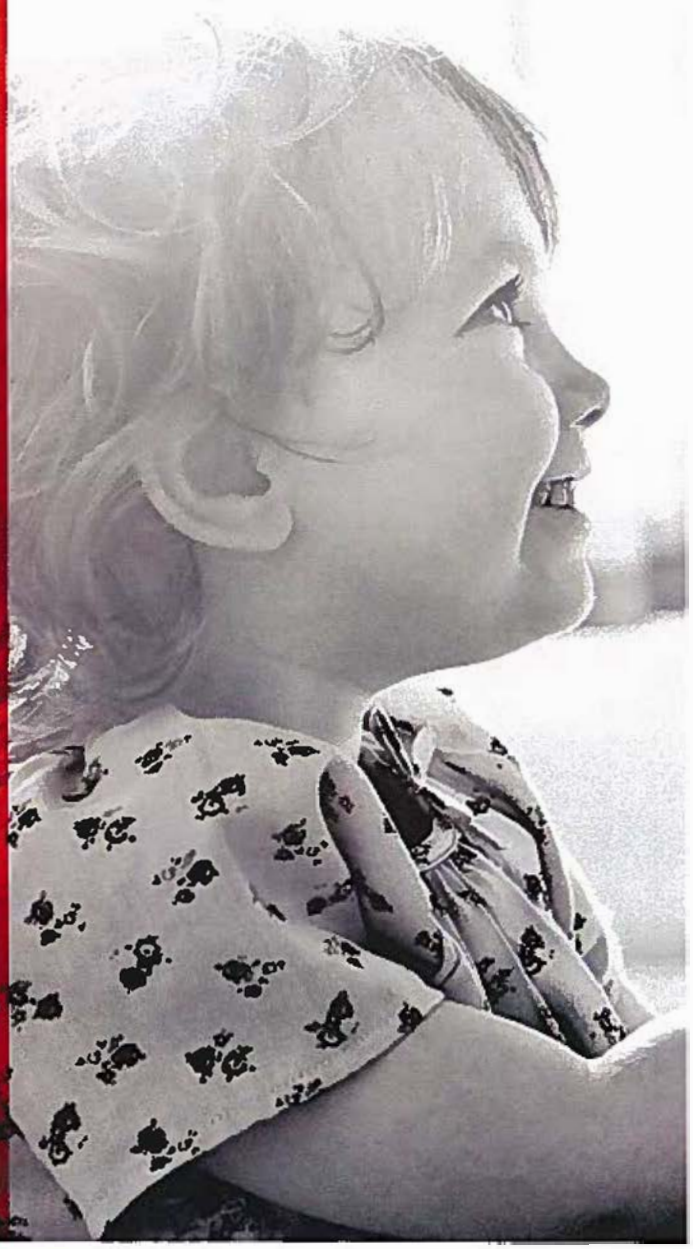
ELI LILLY AND COMPANY 2016 INTEGRATED SUMMARY REPORT

BETTER SCIENCE. BETTER LIVES.

Our founder Colonel Eli Lilly said, "Take what you find here and make it better and better." And now more than ever before, better science means better lives, not only for people who take Lilly medicines, but also for our shareholders, employees, and communities in which we work and live.

Today, we live in an amazing era for medicine. And our efforts to advance pharmaceutical science bring tremendous value to health care, as medicines offer the most effective—and cost-effective—solutions available to prevent and treat some of the world's most urgent medical challenges.

In 2016, Lilly added to its history of innovation with new treatments for psoriasis and cancer—for a total of seven new Lilly medicines since 2014—and continued progress in our research pipeline. In 2017, we'll continue to advance promising new treatments in multiple therapeutic areas, including diabetes, oncology, immunology, Alzheimer's disease, and pain.



ABOUT THIS REPORT

For 2015, Lilly introduced an integrated report, combining two traditional publications: our annual report, covering our business and financial results, and our corporate responsibility report, focused on our broad-based social and environmental goals, activities, and impacts. This year, we are bringing together this information in a summary format to highlight ways that Lilly's business performance and research progress, coupled with our corporate responsibility activities, create value for our investors and other stakeholders over time.

This document contains forward-looking statements that are based on management's current expectations, but actual results may differ materially due to various factors. The company's results may be affected by factors including, but not limited to, the risks and uncertainties in pharmaceutical research and development; competitive developments; regulatory actions; litigation and investigations; business development transactions; economic conditions; and changes 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 and 10-Q filed with the Securities and Exchange Commission. The company undertakes no duty to update forward-looking statements.

More detail on Lilly's environmental, social, and governance priorities, strategies, and operations can be found in our United Nations Global Compact Communication of Progress, issued May 2017.

LILLY UNITES CARING WITH DISCOVERY TO MAKE LIFE BETTER FOR PEOPLE AROUND THE WORLD.

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2016 FINANCIAL HIGHLIGHTS

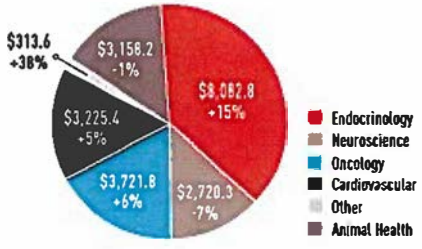
ELI LILLY AND COMPANY AND SUBSIDIARIES (DOLLARS IN MILLIONS, EXCEPT PER-SHARE DATA)	Year Ended December 31 2016	2015	CHANGE %
REVENUE	$ 21,222.1	$ 19,958.7	6
RESEARCH AND DEVELOPMENT	5,243.9	4,796.4	9
RESEARCH AND DEVELOPMENT AS A PERCENT OF REVENUE	24.7%	24.0%	
NET INCOME	$ 2,737.6	$ 2,408.4	14
EARNINGS PER SHARE—DILUTED	2.58	2.26	14
RECONCILING ITEMS[1]:			
Venezuela devaluation charge	0.19	—	
Novartis Animal Health inventory step-up	—	0.10	
Amortization of intangible assets	0.44	0.39	
Acquired in-process research and development	0.02	0.33	
Asset impairment, restructuring, and other special charges	0.29	0.25	
Net charge related to repurchase of debt	—	0.09	
NON-GAAP EARNINGS PER SHARE—DILUTED[2]	3.52	3.43	3
DIVIDENDS PAID PER SHARE	2.04	2.00	
CAPITAL EXPENDITURES	1,037.0	1,066.2	(3)
EMPLOYEES	41,975	41,275	2

1. For more information on these reconciling items, see the company's latest Form 10-K filed with the Securities and Exchange Commission.
2. Numbers may not add due to rounding.

REVENUE GROWTH ACROSS THERAPEUTIC AREAS

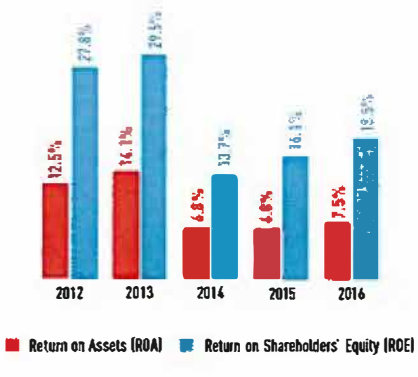
($ MILLIONS, PERCENT GROWTH)

Revenue in Endocrinology increased 15 percent primarily driven by growth of Trulicity, Forteo, Jardiance, Trajenta, and Basaglar. Oncology grew 6 percent primarily due to higher volumes for Cyramza and Erbitux, partially offset by lower volumes for Alimta, and Cardiovascular grew 5 percent mostly due to higher realized price for Cialis. Revenue in Neuroscience decreased 7 percent driven by lower volumes for Zyprexa and Cymbalta due to loss of patent protection.



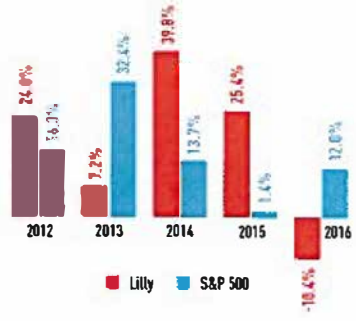
RETURN ON ASSETS AND SHAREHOLDERS' EQUITY

ROE increased in 2016 as a result of an increase of net income mainly due to higher sales for Trulicity and other new pharmaceutical products and lower acquired in-process research and development charges.



TOTAL SHAREHOLDER RETURN

Over the past five years, Lilly's annualized total shareholder return has averaged 17 percent, compared to 15 percent for the S&P benchmark, due to the increase in the stock price and steady dividend stream.



BUSINESS PERFORMANCE

In 2016, Lilly achieved worldwide revenue growth of 6 percent due to higher volume. The worldwide volume increase was primarily driven by Trulicity and other new pharmaceutical products, including Cyramza, Jardiance, and Taltz, along with Humalog® and Erbitux® (due to the transfer of commercialization rights in North America to Lilly). *See highlights of newly launched products on next page.*

We sustained momentum with a series of approvals and launches since our 2015 annual report. With approvals of Taltz for psoriasis and Lartruvo for soft tissue sarcoma, Lilly accounted for nearly 10 percent of all U.S. Food and Drug Administration (FDA) approvals in 2016. In addition, Jardiance received a new cardiovascular indication in the U.S. and label update in Europe, and we achieved a number of other approvals and launches in various geographies for new indications and line extensions. We launched Basaglar® in the U.S. in December 2016.

Revenue grew faster than total operating expenses (OPEX), which increased 3 percent. As a result, we reduced OPEX as a percent of revenue by more than 100 basis points compared with 2015. We are on course toward our goal of bringing down OPEX to 50 percent or less of revenue in 2018.

Reported net income and earnings per share in 2016 increased 14 percent compared with 2015. We returned $2.16 billion to shareholders during the year through the dividend and paid $600.1 million to repurchase Lilly shares.

OTHER KEY DEVELOPMENTS

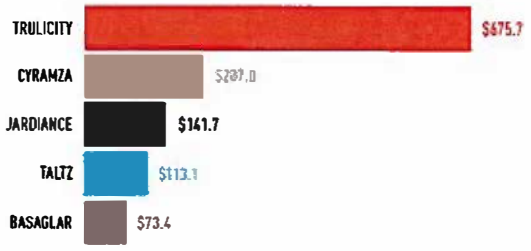
We continue to make targeted strategic investments in our pipeline and product launches. Recent developments include acquisition of CoLucid Pharmaceuticals, which adds a Phase 3 candidate for migraine treatment to our pipeline; acquisition of Boehringer Ingelheim's U.S. feline, canine, and rabies vaccines portfolio; and expansion of our immuno-oncology collaboration with Merck.

Court rulings in the U.S. and Japan upheld our vitamin regimen patents on Alimta; if the patents are upheld through all remaining challenges, Alimta would maintain exclusivity in Japan until June 2021 and in the U.S. until May 2022. There are ongoing legal proceedings related to Alimta in several European courts.

In early 2017, we announced a series of changes to our pharmaceutical organization and leadership structure to better align them with the company's growth opportunities. The adjustments to pharmaceutical therapeutic and geographic business areas are designed to maximize the potential of our late-stage pipeline and newly launched medicines, while improving productivity. The changes will also simplify Lilly's global commercial organization and result in a reduction in leadership positions.

PRODUCT REVENUE GROWTH

($ IN MILLIONS REPRESENT GROWTH IN REVENUE, EXCLUDING FOREIGN CURRENCY IMPACT)

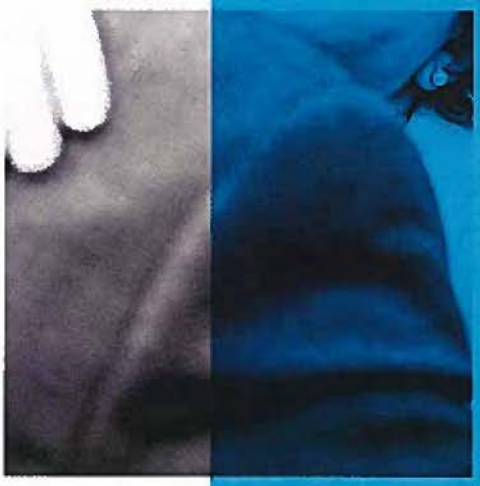


Five new pharmaceutical products—Trulicity, Cyramza, Jardiance, Taltz, and Basaglar—together generated revenue growth of approximately $1.2 billion excluding the impact of foreign currency, driven primarily by volume increases.

REVENUE PER EMPLOYEE

($ THOUSANDS, PERCENT GROWTH)

In 2016, revenue per employee increased 5 percent to $506,000, primarily due to higher revenue driven by volume growth from Trulicity and other new pharmaceutical products.



HIGHLIGHTS: RECENTLY LAUNCHED PRODUCTS

TRULICITY

Trulicity was the fifth entrant into the GLP-1 market in the United States, competing with an entrenched market leader. Based on its combination of efficacy and convenience, Trulicity has built a strong position with both physicians and patients and has served as a catalyst for overall growth in the GLP-1 class. In addition, when you compare total prescriptions for Trulicity and other GLP-1 medicines two years after their launches, Trulicity outperforms the current market leader at that point in its growth trajectory. We've also seen strong uptake in a number of markets outside the U.S.

CYRAMZA

Cyramza has achieved an exceptionally strong launch in Japan. The first approved indication was in gastric cancer, which has high prevalence and is aggressively treated in Japan. In just one year, Cyramza in combination with paclitaxel was established as the new standard of care, with over 50 percent market share, and we see room for continued growth.

TALTZ

Taltz, an anti-IL-17A monoclonal antibody, is one of our most recent launch successes. Taltz has helped to further growth of the IL-17A class, which offers patients with psoriasis significantly higher rates of disease clearance than existing therapies. Taltz has surpassed two leading psoriasis treatments in new-to-brand prescription volume in dermatology less than 10 months after launch.

JARDIANCE

Jardiance, an oral treatment for type 2 diabetes that is part of the Lilly and Boehringer Ingelheim diabetes alliance, has shown steady growth in share of the SGLT-2 class. In December 2016, the U.S. FDA approved a new indication for Jardiance to reduce the risk of cardiovascular (CV) death in adults with type 2 diabetes and established CV disease, and the new indication was launched in January 2017. Jardiance is the only diabetes treatment also approved by the FDA to reduce the risk of CV death.

SCIENCE: OUR PIPELINE

The Lilly pipeline currently includes 47 new molecules in clinical development, including eight molecules in Phase 3, 16 in Phase 2, and 23 in Phase 1. In addition, we are selectively highlighting seven molecules being studied for up to 14 new indications or line extensions (NILEX) that have advanced to Phase 2 testing or later.

Since our last annual report: 12 molecules advanced into Phase 1 testing; four advanced into Phase 2 testing; two molecules entered Phase 3: our BACE inhibitor (AZD3293) in partnership with AstraZeneca being studied for the treatment of Alzheimer's disease, and the recently acquired 5-HT1F agonist lasmiditan being studied in migraine. Three molecules were approved for marketing in an initial indication: Olumiant (baricitinib), our JAK inhibitor in collaboration with Incyte Corporation for the treatment of rheumatoid arthritis; Taltz (ixekizumab), our IL-17A antibody for psoriasis; and Lartruvo (olaratumab), our antibody that blocks PDGF receptor-α, for the treatment of advanced sarcoma. In addition, regulatory approval was achieved for several select NILEX. We terminated development of 12 molecules and discontinued the study and registration of solanezumab for both mild and prodromal stages of Alzheimer's disease.

ADDITIONAL INFORMATION AND QUARTERLY UPDATES ARE AVAILABLE ON THE LILLY INTERACTIVE PIPELINE AT WWW.LILLY.COM.

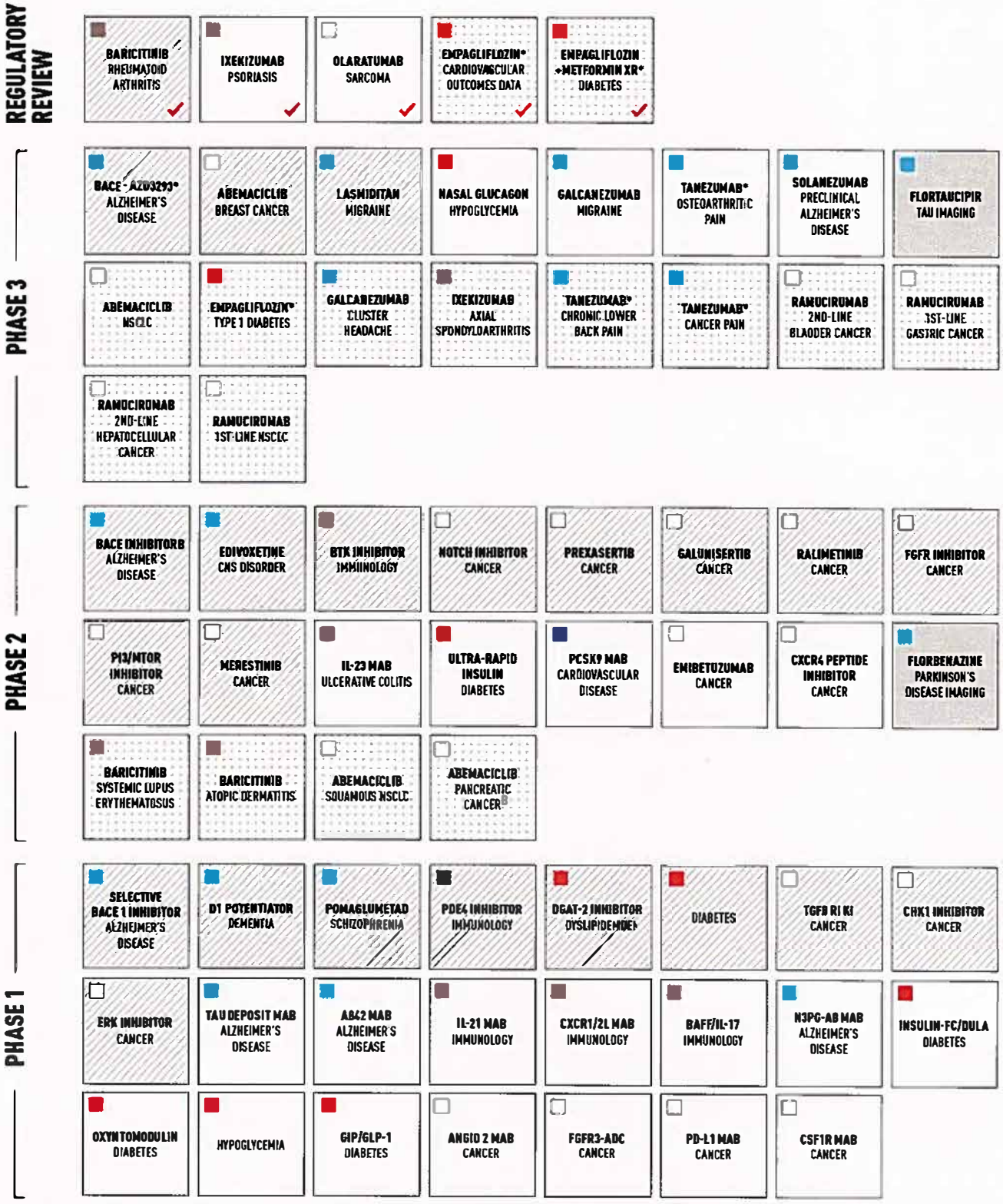
In 2016, Elanco, our animal health division, delivered 25 country-level approvals for 17 new products or projects. Three important approvals in 2016 include IMVIXA™ (lufenuron), for the treatment of sea lice in salmon; Interprity™ (avilamycin), a first-in-class, animal-use-only antibiotic for poultry; and Galliprant® (grapiprant), a novel non-steroidal, anti-inflammatory drug for pain and inflammation due to osteoarthritis in dogs. Galliprant was in-licensed by Elanco from Aratana Therapeutics. As of December 2016, the Elanco development pipeline included 36 molecules or unique formulations, including 13 in the final phase of development, and 55 molecule expansion or line extension projects, 39 of which are in the final phase of development.

PIPELINE OF MOLECULES IN CLINICAL DEVELOPMENT

INCLUDING SELECT NEW INDICATIONS AND LINE EXTENSIONS (NILEX)

NEW CHEMICAL ENTITY
NEW BIOLOGIC ENTITY
DIAGNOSTIC
SELECT NILEX

CARDIOVASCULAR
DIABETES
IMMUNOLOGY
NEUROSCIENCE
ONCOLOGY
✓ REGULATORY APPROVAL ACHIEVED
*COMMERCIAL COLLABORATION



Information is current as of March 1, 2017. The search for new medicines is risky and uncertain, and there are no guarantees. Remaining scientific, regulatory or commercial hurdles may cause pipeline compounds to be delayed or to fail to reach the market.

HIGHLIGHTS: KEY MOLECULES IN THE PIPELINE

OLUMIANT (BARICITINIB)

Olumiant (baricitinib) has received marketing authorization in Europe for the treatment of moderately-to-severely active rheumatoid arthritis (RA), and final regulatory action is anticipated in the United States in the first half of 2017. Part of Lilly's growing focus on immunology, baricitinib is a once-daily, oral, selective JAK1 and JAK2 inhibitor, in collaboration with Incyte Corporation.

We conducted four large studies, all of which met their primary endpoint, comparing baricitinib head-to-head with placebo as well as with the two leading standards of care. In one study, for example, baricitinib demonstrated superiority to adalimumab on signs and symptoms of RA as measured by the ACR scale, with the separation remaining statistically significant at multiple time points through 52 weeks. We're encouraged by the results of this study and look forward to launching baricitinib for RA in global markets in 2017.

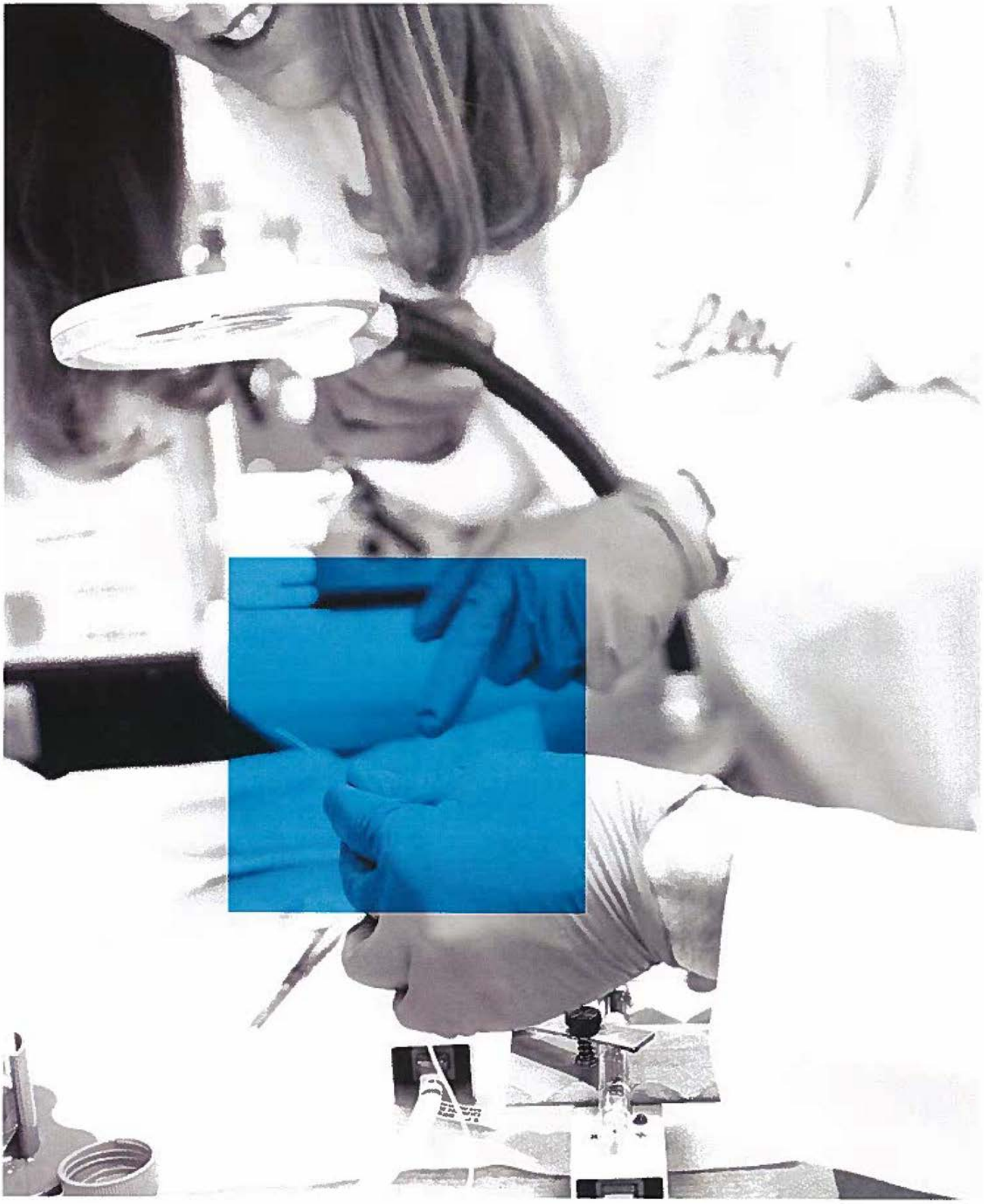
ABEMACICLIB

Abemaciclib is a CDK 4 and CDK 6 inhibitor being studied in several cancer types. In 2016, we received data from MONARCH 1, a Phase 2 study that evaluated abemaciclib monotherapy treatment in advanced breast cancer patients. These patients had received a median of five prior treatments and had a poor prognosis—for example, 50 percent had disease in three or more metastatic sites. Given these patient characteristics, we're encouraged that abemaciclib produced robust and durable single-agent activity, with a median duration of response of 8.6 months. At the time of this 12-month analysis, median overall survival was 17.7 months. These results reinforce our belief in abemaciclib as a potential best-in-class CDK 4 and CDK 6 inhibitor. We await final data in the first half of this year from MONARCH 2, the Phase 3 study of abemaciclib in combination with fulvestrant in advanced breast cancer.

GALCANEZUMAB AND TANEZUMAB

With the addition of lasmiditan, Lilly has three potential medicines in late-stage development for pain, an area with significant unmet need. The others are galcanezumab and tanezumab. Galcanezumab is a CGRP antibody in Phase 3 trials for prevention of migraine and cluster headache. In the United States alone, 36 million people suffer from migraine. Currently, no medicines are approved to prevent cluster headache attacks, one of the most painful conditions known.

Tanezumab, developed in collaboration with Pfizer, is an antibody that selectively targets nerve-growth factor. It is currently in Phase 3 studies for osteoarthritis (OA) pain, chronic lower back pain, and cancer pain. In earlier Phase 3 trials, tanezumab demonstrated superiority to both placebo and oxycodone in chronic OA pain. Tanezumab has the potential to provide a unique combination of benefits not offered by any currently marketed analgesic—pain relief and sustained effect, without risk of addiction. Given concerns about opioids, an effective, non-opioid pain medication would be a great advance for patients and society.



CORPORATE RESPONSIBILITY

IMPROVING GLOBAL HEALTH

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

LILLY 30x30

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

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

Drug discovery for diseases disproportionately affecting communities with limited resources

Product delivery and packaging for patients in places with limited infrastructure, refrigeration, or sanitation

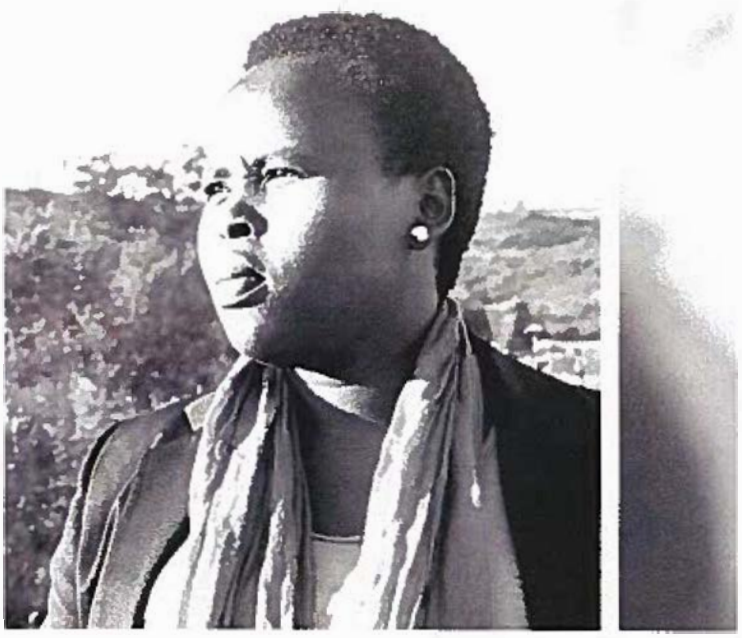
Alternative product pricing and financial assistance to improve access to care

Initiatives to strengthen communities' health systems and treatment capacity

New patient education programs

LILLY GLOBAL HEALTH PARTNERSHIP

Between 2003 and 2016, Lilly and the Lilly Foundation together contributed $200 million through two signature programs that targeted tuberculosis and diabetes care, diagnosis, and awareness. That work will carry on through the newly named Lilly Global Health Partnership, with a new five-year, $90 million contribution to accelerate these efforts.



CONTRIBUTIONS AT A GLANCE

Total Cash Donations in 2016 **including $27.7 M from the Eli Lilly and Company Foundation*	$34 M*
Total Product Donations in 2016	$685 M
Total United Way Contributions in 2016	$14.8 M
Number of Insulin Vials Donated as of 2016 to the International Diabetes Federation's Life for a Child Program	1.2 M+
Investment 2003-2016 in Lilly MOR-TB Partnership and Lilly NCD Partnership	$200 M
Countries Hosting Volunteer Sites for Global Day of Service in 2016	50+
Number of Volunteer Employee Hours in Global Day of Service in 2016	100,000

LILLY GLOBAL HEALTH PARTNERSHIP REACH AND IMPACT, 2017-2021

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

STRENGTHENING COMMUNITIES

Our history of community involvement is nearly as old as the company itself, and we have a long tradition of volunteerism and philanthropy. Lilly actively encourages employees to get involved, with programs that help them serve at home and abroad. For us, this is an important investment that connects us more deeply with people we serve and sparks new ideas about how we can make life better.

CONNECTING HEARTS ABROAD

In 2016, more than 100 Lilly employees participated in Connecting Hearts Abroad (CHA), a program that offers two weeks of paid leave for volunteer assignments in some of the world's most impoverished communities. In Peru, 10 CHA volunteers impacted by cancer participated in community projects and met with local cancer patients and survivors.

2016 CONNECTING HEARTS ABROAD COUNTRIES

BRAZIL, GHANA, GUATEMALA, INDIA, KENYA, MEXICO, PERU, SOUTH AFRICA, TANZANIA, AND THAILAND

GLOBAL DAY OF SERVICE

Each October, more than 24,000 Lilly employees, including 3,000 from Elanco, spend a day helping friends and neighbors in communities around the world. Since the program launched in 2008, employees in more than 65 countries have given more than 925,000 hours through our Global Day of Service—one of the largest single-day volunteer programs of any global enterprise.

UNITED WAY

With ties dating back nearly 100 years, Lilly has raised more than $250 million for United Way. In 2016, contributions from Lilly U.S. employees and retirees, plus a matching gift from the Lilly Foundation, totaled $14.8 million. In 2015, Lilly and United Way of Central Indiana piloted an approach in which more than 50 Lilly teams have been paired with United Way agencies. The year-long connections help Lilly employees understand and support their agency partner's mission and needs. Lilly also supports United Way Worldwide projects in Brazil, India, South Africa, and Spain. In 2016, Elanco donated $300,000 to United Way Worldwide, part of an effort to fight global food insecurity and "Break the Cycle of Hunger in 100 Communities" by 2020.

OPERATING RESPONSIBLY

For more than 140 years, Lilly people have approached our company's business with a deep sense of responsibility to all our stakeholders. Our actions are grounded in our core company values of integrity, excellence, and respect for people. In addition, we support the United Nations Global Compact and its principles related to human rights, labor, the environment, and anti-corruption. Three key aspects of operating responsibly are promoting diversity and inclusion, maintaining a safe workplace, and fostering environmental stewardship.

Recognizing our efforts in these areas—as well as our efforts to improve global health, our strong ethics and compliance program, and our heritage and culture of integrity—the Ethisphere Institute has named Lilly one of the World's Most Ethical Companies in 2017.

DIVERSITY

As a global company in the 21st century, we believe diversity and inclusion are critical to our success. An inclusive culture helps to drive the scientific, clinical, and customer insights that fuel innovation. We're working to further embed diversity at Lilly in every aspect of our business—from how we hire and develop our employees to our clinical trial and marketing practices. Below is a partial list of recognitions for our diversity initiatives in 2016:

DIVERSITY INC., *Top 50 Companies for Diversity*

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

WORKING MOTHER, *100 Best Companies for Working Mothers, 22 consecutive years*

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

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

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

BLACK ENTERPRISE, *Best Companies for Diversity*

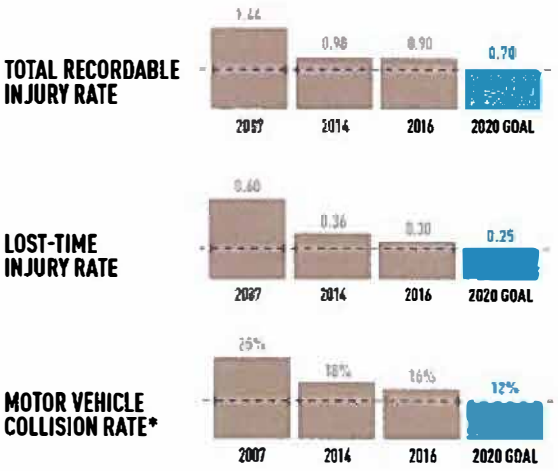
CIVILIANJOBS.COM, *Most Valuable Employers for Military*

EMPLOYEE SAFETY

Lilly is focused on creating a culture of safety where best-in-class practices are intuitively and consistently followed. To do this, we assess and continuously improve our safety culture across our manufacturing, R&D, and sales and marketing organizations. Lilly is dedicated to ongoing improvement of our health and safety practices to promote the well-being of our people, and to safeguard communities where we operate.

Safety Progress and Performance

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

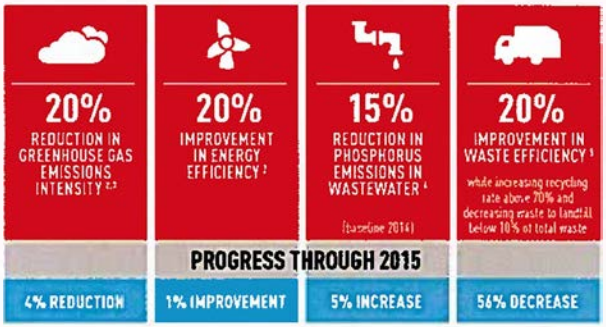


ENVIRONMENTAL STEWARDSHIP

Making medicines requires the use of valuable resources, such as energy, water, and raw materials. We take a broad approach to understanding and managing our environmental impacts across the product life cycle, and we're committed to continuously looking for ways to improve our performance.

Lilly's 2020 Environmental Goals

To motivate Lilly to continuously decrease our environmental impacts, we drive progress toward our 2020 goals. The baseline is 2012, except as noted below.[1] Data for 2016 performance will be available in late May 2017 and shared on lilly.com, as well as in our 2016 United Nations Global Compact Communication on Progress.



IN 2016, LILLY SCORED A CDP RATING OF A- ON CLIMATE CHANGE AND B ON WATER

CDP, formerly the Carbon Disclosure Project, is the world's largest repository of environmental management information. It allows companies and their stakeholders to assess environmental performance. For CDP, a score of A or A- is considered "leadership" level and a score of B is considered "management" level.

LEARN MORE AT WWW.CDP.NET

Phosphorous emissions increased in 2015, while we were still in our planning phase to achieve this goal. Progress will require phasing out and replacing cleaning agents with non-phosphorus-based alternatives. Technical teams are evaluating current cleaning processes and will apply findings to key Lilly sites worldwide.

From 2012 through 2015, **waste efficiency** declined by 56 percent. Two primary factors are a temporary change at our Clinton, Indiana, animal health site in 2014, requiring more waste to be sent to incineration and landfill; and expansion of insulin manufacturing at Carolina, Puerto Rico, which increased the amount of byproduct beyond the amount that could be reused in fertilizer. We continue to seek opportunities to increase waste efficiency and expect to make progress on our waste goals by 2020.

*A new goal for measuring motor vehicle collisions was established in 2015. 1. Following World Resources Institute guidance, progress toward environmental goals is reported on an adjusted basis accounting for mergers, acquisitions, and divestitures, as appropriate, to ensure comparability, unless stated otherwise. 2. Per square foot of site space. 3. This goal covers Lilly's Scope 1 and Scope 2 emissions related to site-purchased energy (e.g., electricity, steam, chilled water) and on-site fuel combustion. 4. In absolute terms. 5. Per unit of production or site-relevant index. Lilly's waste goals do not include materials that are deemed "beneficially reused" without extensive processing. Examples include coal ash reused for mine reclamation or road base, and mycelia and urea reused for fertilizer.

PRICING TRANSPARENCY AND ACCESS TO MEDICINES

Lilly is providing greater transparency into the way our products are priced and working to expand access to medicines in the U.S. health care system.

Lilly, like other pharmaceutical companies, provides rebates and discounts to payer customers, and these have increased in recent years. Overall, average discounts to U.S. list prices have grown from 28 percent to 50 percent in the past five years.

AVERAGE DISCOUNTS TO LIST PRICE ACROSS THE U.S. PRODUCT PORTFOLIO[1]

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

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

COMPARISON OF LILLY LIST AND NET PRICE CHANGES FOR U.S. PRODUCT PORTFOLIO[1]

(% CHANGE VERSUS THE PRIOR YEAR)

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

1. U.S. Product Portfolio includes all human pharmaceutical products marketed in the U.S. for which Lilly is the holder of the new drug application (NDA). This represents approximately 95 percent of total U.S. human pharmaceutical revenue. 2. Total Average Discount is calculated by dividing total annual rebates, discounts, and channel costs by total annual gross sales 3. List Price represents the weighted average year-over-year change in the wholesale acquisition cost (WAC) 4. Net Price represents weighted average year-over-year change in net price, which is WAC minus rebates, discounts, and channel costs

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

The U.S. health care system was designed so that risk is shared among all payers for health care services, including prescription drugs. We must work together to find solutions to make medicines more affordable for the people who need them. In the case of High-Deductible Health Plans, affordability could be improved if patients directly received the benefit of the rebates provided by pharmaceutical companies to the insurance plan. We are also committed to working with insurance companies and PBMs to develop value-based payment arrangements that tie the price of our medicines to the value and outcomes they provide patients.

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

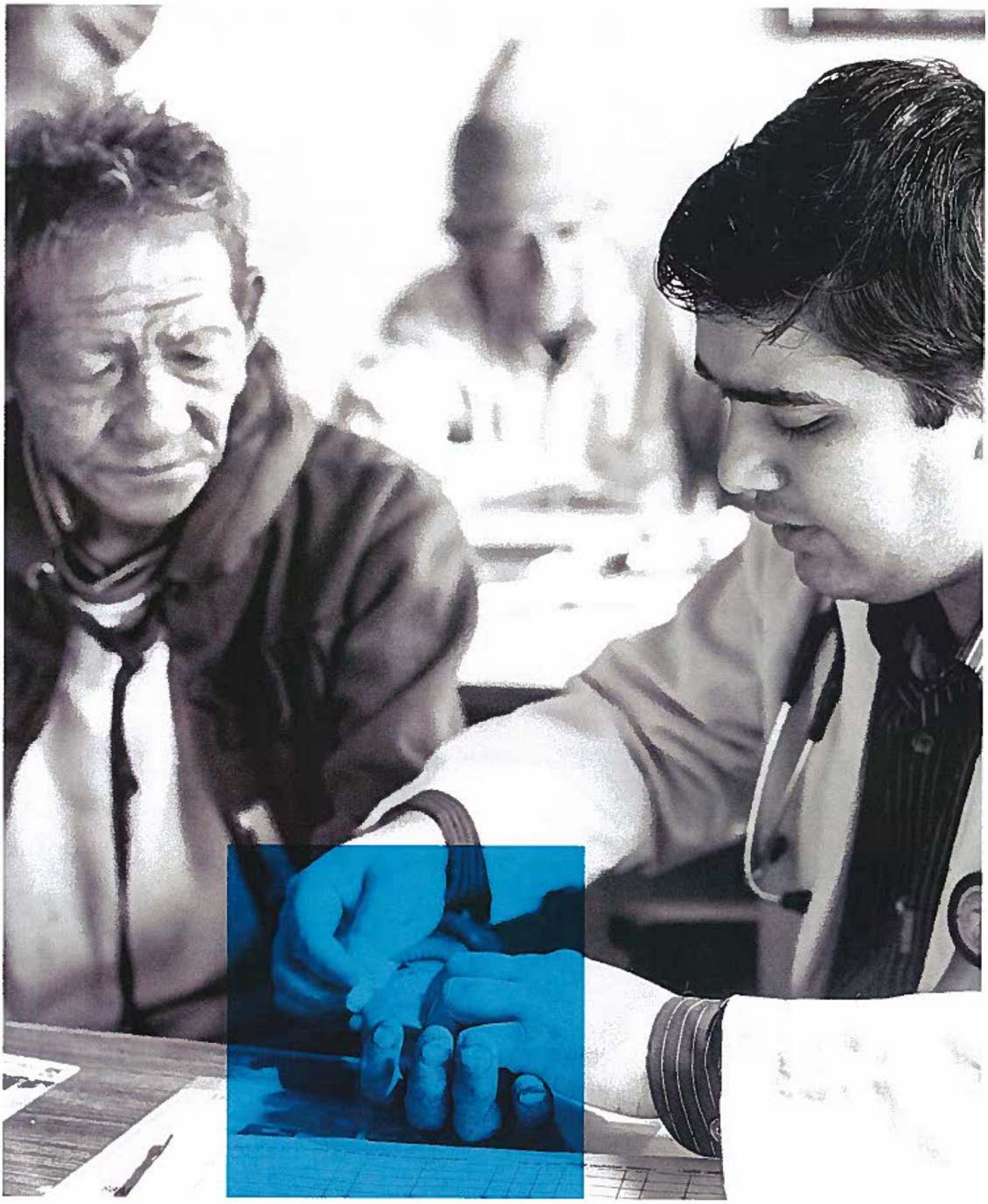
INCREASING ACCESS TO LILLY INSULINS

Lilly's commitment to working for greater affordability and access to our medicines can be seen in our efforts to make sure people with diabetes get the insulin they need.

In December 2016, Lilly and Boehringer Ingelheim launched Basaglar (insulin glargine injection), a long-acting insulin. **Basaglar is priced at a discount to existing products.** To help further reduce the cost of Basaglar, we are offering a savings card.

Starting January 1, 2017, many people who use Lilly insulin can buy it at a 40 percent discount to list price using mobile and web platforms hosted by Blink Health. The discounts, provided by Lilly through a partnership with Express Scripts, may reduce costs for people who pay full retail prices at U.S. pharmacies, such as those who have no insurance or are in the deductible phase of their high-deductible insurance plans.

In addition, over the past three years, **Lilly has donated more than $378 million in diabetes medicines** to charitable organizations for further distribution to qualifying individuals.



GOVERNANCE

Q&A WITH LEAD DIRECTOR, ELLEN R. MARRAM

Q: WHAT WERE THE MOST SIGNIFICANT CHANGES YOU SAW IN THE PAST YEAR IN TERMS OF THE BOARD?

A: We are very excited to welcome Dave Ricks as the company's new president and CEO, and chairman of the board later this year. We believe Dave has the innovative mind and strategic skills to move the company forward into an even more productive period.

In 2016 and 2017, we also spent a great deal of time focused on board refreshment and engagement. We added three new independent directors as well as Dave, decreasing the average tenure of our independent directors. These talented individuals brought new energy and ideas, combining with the experience and expertise of our previous members to maintain an engaged and active board. We believe that having the right mix of professional experience along with gender and ethnic diversity is key to maintaining strong board oversight.

Q: WHAT HAS THE BOARD DONE TO ENSURE AN EFFECTIVE TRANSITION TO A NEW CHAIRMAN, PRESIDENT, AND CEO?

A: The independent directors, as a group and also with John Lechleiter, actively engaged in last year's CEO succession process. In replacing John, we focused on selecting the best candidate, given the profile of the industry and anticipated environment for the next decade; evaluating the role of the board chair; and developing a plan to make the transition most effective. As a result, we decided that John would continue on as non-executive chairman of the board until May 31, 2017, with Dave becoming chairman on June 1, 2017. We believe that having Dave serve in both capacities is in the best interests of shareholders, and that this transition period will allow Dave to start off strong.

Q: HOW HAVE YOU ENGAGED WITH MANAGEMENT TO ENSURE THEY DRIVE VALUE AND INCREASE PRODUCTIVITY?

A: We have consistently challenged management to consider new ways to drive innovation and increase long-term shareholder value. Dave has brought fresh energy and built upon John's already-strong legacy of developing strategic solutions to create growth and drive results. We have made some recent changes to both our pharmaceutical and animal health businesses that should drive further improvement, reorganizing business and geographic areas to reflect our evolving and complex external environment.

Lilly is in a position of strength and remains determined to deliver long-term growth and shareholder value through a commitment to innovation and sustained investment in research and development, a focus on five areas in human health along with animal health, and agile strategic planning.

DIRECTOR AND CEO SUCCESSION PLANNING

Board refreshment through the addition of three new members and three retirements, 2016-17

Evaluation of best leadership structure to promote long-term shareholder value

Successful CEO succession management and transition process

ENTERPRISE RISK MANAGEMENT

Enhanced the ERM process to add a full board review to better assess complex and evolving risks and better align with strategic planning, while maintaining committee-level reviews of certain risks

SHAREHOLDER ENGAGEMENT

Management met with shareholders and institutional investors to gain feedback on Lilly corporate governance practices

FRANKLYN G. PRENDERGAST, M.D., PH.D.
Emeritus Edmond and Marion Guggenheim Professor
Mayo Medical School

MICHAEL L. ESKEW
Former Chairman and Chief Executive Officer
United Parcel Service, Inc.

KATHERINE BAICKER, PH.D.
Professor of Health Economics
Harvard T.H. Chan School of Public Health

JUAN R. LUCIANO
Chairman, Chief Executive Officer, and President
Archer Daniels Midland Company

JAMERE JACKSON
Chief Financial Officer
Nielsen Holdings plc

CAROLYN R. BERTOZZI, PH.D.
Anne T. and Robert M. Bass Professor of Chemistry
Stanford University

R.aDAVID HOOVERa
Retired Chairman and Chief Executive Officer
Ball Corporation

DAVID A. RICKS
President and Chief Executive Officer
Eli Lilly and Company

JOHN C. LECHLEITER, PH.D.
Chairman
Eli Lilly and Company

RALPH ALVAREZ
Chairman of the Board
Skylark Co., Ltd.

ELLEN R. MARRAM
President
The Barnegat Group LLC

J.aERIK FYRWALDa
Chief Executive Officera
Syngenta International AG

MARSCHALL S. RUNGE, M.D., PH.D.
Executive Vice President for Medical Affairs
University of Michigan

WILLIAM G. KAELIN, JR., M.D.
Professor
Dana-Farber Cancer Institute

KATHI P. SEIFERT
Retired Executive Vice President
Kimberly-Clark Corporation

JACKSON P. TAI
Former Vice Chairman and Chief Executive Officer
DBS Group Holdings and DBS Bank

BOARD OF DIRECTORS

BOARD EXPERIENCE AND TENURE

EXPERIENCE

The Board is well-rounded, with a balance of relevant perspectives and professional experience.

TENURE

Membership also reflects a mix of tenure on the Board, which balances historical perspective and fresh perspectives and insights.

FOR MORE INFORMATION ON THE BOARD OF DIRECTORS, PLEASE SEE PAGES P9-P33 OF THE PROXY STATEMENT.

COMMITTEES OF THE BOARD OF DIRECTORS

AUDIT COMMITTEE

Reviews the company's financial reports, systems of internal control, and internal and external audit processes. It has sole authority to appoint and replace the company's independent auditor and assists the board's oversight of compliance and risk assessment and management.

MEMBERS: Mike Eskew (Chair), Kate Baicker, Jamere Jackson, Kathi Seifert, Jack Tai

COMPENSATION COMMITTEE

Oversees compensation policies; establishes compensation and administers benefits programs for executive officers; and administers the deferred compensation plans, management stock plans, and incentive bonus plan. It also oversees succession management for the CEO and senior executives.

MEMBERS: Ralph Alvarez (Chair), Ellen Marram, Kathi Seifert

DIRECTORS AND CORPORATE GOVERNANCE COMMITTEE

Identifies and recommends to the board candidates for membership on the board and board committees and oversees matters of corporate governance, director independence, director compensation, and board performance.

MEMBERS: Ellen Marram (Chair), Mike Eskew, Dave Hoover

FINANCE COMMITTEE

Reviews capital structure and strategies, including dividends, share repurchases, capital expenditures, investments, and borrowings. It makes recommendations to the board on major business development and M&A transactions. It also oversees financial risk management policies and practices.

MEMBERS: Dave Hoover (Chair), Mike Eskew, Jamere Jackson, Bill Kaelin, Juan Luciano, Jack Tai

PUBLIC POLICY AND COMPLIANCE COMMITTEE

Oversees the company's non-financial compliance and ethics policies and programs. It also reviews and makes recommendations on company policies and practices that relate to public policy and social, political, and economic issues.

MEMBERS: Erik Fyrwald (Chair), Kate Baicker, Carolyn Bertozzi, Juan Luciano, Frank Prendergast, Marschall Runge

SCIENCE AND TECHNOLOGY COMMITTEE

Reviews and makes recommendations regarding the company's strategic research goals and objectives and pipeline of potential new medicines. It also reviews new developments, technologies, and trends in pharmaceutical research and development and oversees matters of scientific and medical integrity and risk management.

MEMBERS: Bill Kaelin (Chair), Ralph Alvarez, Carolyn Bertozzi, Erik Fyrwald, Frank Prendergast, Marschall Runge

EXECUTIVE COMMITTEE

DAVID A. RICKS
President and CEO

MELISSA S. BARNES
SVP, Enterprise Risk Management
Chief Ethics and Compliance Officer

ENRIQUE A. CONTERNO
SVP and President, Lilly Diabetes, and President, Lilly USA

MARIA CROWE
President, Manufacturing Operations

STEPHEN F. FRY
SVP, Human Resources and Diversity

SUSAN MAHONY, PH.D.
SVP and President, Lilly Oncology

BART R. PETERSON
SVP, Corporate Affairs and Communications

DERICA W. RICE
EVP, Global Services
Chief Financial Officer

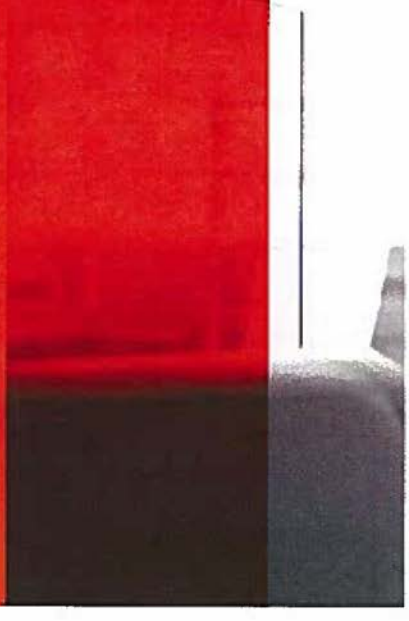
JEFFREY N. SIMMONS
SVP and President, Elanco Animal Health

FIONNUALA M. WALSH, PH.D.
SVP, Global Quality

Christi Shaw will join Lilly as SVP and President, Lilly Bio-Medicines, beginning April 3, 2017.

RECOGNITION: JOHN C. LECHLEITER

John C. Lechleiter, Ph.D., retired as Lilly's president and chief executive officer on December 31, 2016, having served as CEO since April 2008. John began his 37-year career with the company in 1979 as a senior organic chemist in process research and development. As CEO, John led Lilly through one of the most difficult periods in its history, and thanks to his unshakable commitment to innovation we have entered a new period of growth as a stronger company with a robust pipeline of potential new medicines. We are grateful for John's leadership, his dedication to the proud legacy of our company, and his love for his Lilly colleagues.



MICHAEL J. HARRINGTON
SVP and General Counsel

JAN M. LUNDBERG, PH.D.
EVP, Science and Technology
President, Lilly Research Laboratories

ALFONSO ZULUETA
SVP and President,
Lilly International

HELPFUL LINKS

Lilly's commitment to corporate responsibility:
www.lilly.com/responsibility

Lilly's commitment to transparency in our relationships with health care professionals:
https://www.lilly.com/caring/operating-responsibly/transparency
information on clinical trials:
https://www.lilly.com/discovery/clinical-trials/clinical-trials-transparency
and the Lilly Grant Registry:
https://www.lilly.com/who-we-are/lilly-grant-office

Follow Eli Lilly and Company on Facebook, visit LillyPad—our blog focusing on public policy issues—at lillypad.lilly.com, or follow @LillyPad on Twitter.

Pharmaceutical patient-assistance programs:

Partnership for Prescription Assistance (sponsored by America's pharmaceutical research companies): www.pparx.org

Lilly Cares (a nonprofit organization):
www.lillycares.com or call toll-free 1.800.545.6962

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