

LILLY ELI & CO
Form DEF 14A
March 19, 2018

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

SCHEDULE 14A
Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934
(Amendment No.)

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ELI LILLY AND COMPANY
(Name of Registrant as Specified In Its Charter)

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Notice of 2018 Annual Meeting of Shareholders and Proxy Statement

Your vote is important

Please vote online, by telephone, or by signing, dating, and returning the enclosed proxy card by mail.

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Notice of 2018 Annual Meeting of Shareholders

To the holders of Common Stock of Eli Lilly and Company:

The 2018 Annual Meeting of Shareholders of Eli Lilly and Company will be held as shown below:

TIME AND DATE: 11:00 a.m. EDT, Monday, May 7, 2018

LOCATION: The Lilly Center Auditorium
Lilly Corporate Center
Indianapolis, Indiana 46285

ITEMS OF BUSINESS: Election of the five directors listed in the proxy statement to serve three-year terms
Approval, by non-binding vote, of the compensation paid to the company's named executive officers
Ratification of Ernst & Young LLP as the principal independent auditors for 2018
Approve amendments to the Articles of Incorporation to eliminate the classified board structure
Approve amendments to the Articles of Incorporation to eliminate supermajority voting provisions
Approve the Amended and Restated 2002 Lilly Stock Plan
Shareholder proposal seeking support for the descheduling of cannabis
Shareholder proposal requesting report regarding direct and indirect political contributions
Shareholder proposal requesting report on policies and practices regarding contract animal laboratories
Shareholder proposal requesting report on the extent to which risks related to public concern over drug pricing strategies are integrated into incentive compensation arrangements

WHO CAN VOTE: Shareholders of record at the close of business on March 12, 2018

This proxy statement is dated March 19, 2018, and is first being sent or given to our shareholders on or about that date.

See the back page of this report for information regarding how to attend the meeting. Every shareholder vote is important. If you are unable to attend the meeting in person, please sign, date, and return your proxy card or voting instructions by mail, or vote by telephone or online promptly so that a quorum may be represented at the meeting.

By order of the Board of Directors,
Bronwen L. Mantlo
Secretary
March 19, 2018
Indianapolis, Indiana

Important notice regarding the availability of proxy materials for the shareholder meeting to be held May 7, 2018: The annual report and proxy statement are available at <https://www.lilly.com/annualreport2017>.

Proxy Statement Summary

General Information

This summary highlights information contained elsewhere in this proxy statement. It does not contain all the information you should consider, and you should read the entire proxy statement carefully before voting.

Meeting:	Annual Meeting of Shareholders	Date:	May 7, 2018
Time:	11:00 a.m. EDT	Location:	The Lilly Center Auditorium Lilly Corporate Center Indianapolis, Indiana 46285
Record Date:	March 12, 2018		
Items of Business:	Item 1:	Election of the five directors listed in this proxy statement to serve three-year terms.	
	Item 2:	Approval, by non-binding vote, of the compensation paid to the company's named executive officers.	
	Item 3:	Ratification of Ernst & Young LLP as the principal independent auditor for 2018.	
	Item 4:	Approve amendments to the Articles of Incorporation to eliminate the classified board structure.	
	Item 5:	Approve amendments to the Articles of Incorporation to eliminate supermajority voting provisions.	
	Item 6:	Approve the Amended and Restated 2002 Lilly Stock Plan.	
	Item 7:	Shareholder proposal seeking support for the descheduling of cannabis.	
	Item 8:	Shareholder proposal requesting report regarding direct and indirect political contributions.	
	Item 9:	Shareholder proposal requesting report on policies and practices regarding contract animal laboratories.	
	Item 10:	Shareholder proposal requesting report on extent to which risks related to public concern over drug pricing strategies are integrated into incentive compensation arrangements.	

What Is New In This Year's Proxy Statement

In February 2017, we welcomed Carolyn R. Bertozzi to the board. Dr. Bertozzi is the Anne T. and Robert M. Bass Professor of Chemistry and Professor of Chemical and Systems Biology and Radiology at Stanford University. She is an investigator for the Howard Hughes Medical Institute. In May 2017, John Lechleiter and Franklyn Prendergast retired from the board and on June 1, 2017, Dave Ricks succeeded John Lechleiter as Chairman.

Every year the Directors and Corporate Governance Committee conducts a robust assessment of the board's performance, board committee performance, and all board processes, based on input from all directors. We also conduct a detailed review of individual director performance at least every three years, when considering whether to nominate the director to a new three-year term. In 2017, we updated our process to include an assessment of each director every year.

The board has approved, and recommends that the shareholders approve, the following management proposals at this meeting. The board recommends approval of amendments to the company's Articles of Incorporation to eliminate the

classified board structure (see Item 4 herein) and to eliminate supermajority voting provisions (see Item 5 herein). The board believes these two proposals balance shareholder interests and demonstrate its accountability and willingness to take steps that address shareholder-expressed concerns. Lastly, the board recommends approval of the company's amended and restated stock plan (see Item 6 herein). Stock incentive plans have been an integral part of the company's compensation programs

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for more than 50 years. The board believes these plans enable the company to attract and retain top talent and focus employees on creating and sustaining shareholder value through increased employee stock ownership.

Highlights of 2017 Company Performance

The following provides a brief look at our 2017 performance in three dimensions: operating performance, innovation progress, and shareholder return. See our 2017 annual report on Form 10-K for more details.

Operating Performance

Performance highlights:

• 2017 revenue increased 8 percent to approximately \$22.9 billion.

• 2017 earnings per share (EPS) were a loss of \$0.19 on a reported basis and reflect charges associated with recently enacted U.S. tax reform legislation, activities associated with reducing the company's cost structure, and acquired in-process research and development charges.

• 2017 EPS increased 22 percent on a non-GAAP basis to \$4.28.

*A reconciliation of measures prepared in accordance with generally accepted accounting principles (GAAP) and externally reported non-GAAP measures is included in Appendix A.

Innovation Progress

We made significant advances with our pipeline in 2017, including:

• U.S. approval of Verzenio™ (abemaciclib) indicated both as a single agent and in combination with another chemotherapy agent for treatment of certain types of advanced or metastatic breast cancer.

• U.S. and EU approval for Taltz® (ixekizumab) for the treatment of adults with active psoriatic arthritis.

• EU and Japan approvals for Olumiant® (baricitinib) for the treatment of moderate-to-severe active rheumatoid arthritis and rheumatoid arthritis, respectively. Olumiant is part of the company's collaboration with Incyte.

• U.S. approval of updates to the label for Trulicity® (dulaglutide) to include use in combination with basal insulin for adults with type 2 diabetes.

• Submission for regulatory approval of galcanezumab in the U.S. for migraine prevention and resubmission of baricitinib in the U.S. for rheumatoid arthritis.

• Phase 3 clinical trial initiations of ultra-rapid insulin for diabetes, empagliflozin for chronic heart failure, and baricitinib for atopic dermatitis.

Shareholder Return

We generated strong total shareholder returns (share price appreciation plus dividends, reinvested quarterly) through year-end 2017. Our returns exceeded the compensation peer group but slightly lagged the S&P 500 across the time periods presented below:

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Governance Further Information
 Item 1: Election of Directors See page 11

Name and principal occupation Public boards	Management recommendation	Vote required to pass
Katherine Baicker, Ph.D., 46 Dean, Harris School of Public Policy, University of Chicago Director since 2011	Vote FOR	Majority of votes cast
J. Erik Fyrwald, 58 President and Chief Executive Officer, Syngenta International AG Director since 2005	Vote FOR	Majority of votes cast
Jamere Jackson, 49 Chief Financial Officer, Nielsen Holdings plc Director since 2016	Vote FOR	Majority of votes cast
Ellen R. Marram, 71 President, The Ford Motor Company Barnegat Group	Vote FOR	Majority of votes cast

LLC
Director since
2002
Lead
Independent
Director since
2012

Jackson P. Tai,
67

Former Vice
Chairman and
Chief Executive
Officer, DBS
Group Holdings
Ltd. and DBS
Bank Ltd.

MasterCard Incorporated, Royal Philips NV, HSBC
Holdings plc

Vote FOR

Majority of
votes cast

Director since
2013

Our Corporate Governance Policies Reflect Best Practices

The corporate governance practices that are bolded below were new or refreshed in 2017.

- ü Our board membership is marked by leadership, experience, and diversity.
- ü 13 of our 14 directors, and the members of all board committees, are independent.
- ü We have a strong, independent, clearly defined lead director role.
- ü We are committed to board refreshment, and seek to balance continuity and fresh perspectives.
- ü We conduct director orientation and continuing education programs for directors.
- ü We have an annual cap on director compensation.

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- ü Our board conducts a robust annual assessment of board performance - in 2017, we added an annual assessment of individual directors to this process.
- ü We have a majority voting standard and resignation policy for the election of directors in uncontested elections. Our board values active shareholder engagement. As a result we have put forward for consideration at this year's annual meeting management proposals to eliminate our classified board structure and supermajority voting provisions.
- ü We have no shareholder rights plan (“poison pill”).
- ü The charters of the committees of the board clearly establish the committees’ respective roles and responsibilities.
- ü Our board holds executive sessions of the independent directors at every regular board meeting and most committee meetings.
- ü Our independent directors have direct access to management and sole discretion to hire independent advisors at the company’s expense. Our independent directors select, evaluate, and compensate our CEO. Our board compensates our other executive officers and ensures we have a strong succession plan for executive officer roles. This was particularly evident as we welcomed Dave Ricks as President, CEO, and board chair and three new executive committee members in 2017 and named four additional executive committee members effective 2018.
- ü Our board actively oversees and approves our corporate strategy.
- ü Our board has a longstanding commitment to corporate responsibility.
- ü Our board oversees compliance and enterprise risk management practices.
- ü We have a comprehensive code of ethical and legal business conduct applicable to our board and all employees worldwide. This code is reviewed and approved annually by the board.
- ü We have a supplemental code for our CEO and all members of financial management, in recognition of their unique responsibilities to ensure proper accounting, financial reporting, internal controls, and financial stewardship.
- ü We have strong governance and disclosure of corporate political spending.
- ü We have transparent public policy engagement.
- ü We have meaningful stock ownership guidelines for our directors and executive officers.

Compensation

Further Information

Item 2: Advisory Vote on Compensation Paid to Named Executive Officers See page 34

Vote required

Management recommendation to pass

Item 2 approved, by non-binding vote, compensation paid to the company's named executive officers	Vote FOR	Majority of votes cast
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Our Executive Compensation Programs Reflect Best Practices

- ü We have had strong shareholder support of compensation practices: in 2017, over 97 percent of shares cast voted in favor of our executive compensation.
- ü Our compensation programs are designed to align with shareholder interests and link pay to performance through a blend of short- and long-term performance measures.

- ü Our Compensation Committee annually reviews compensation programs to ensure they provide incentives to deliver long-term, sustainable business results while discouraging excessive risk-taking or other adverse behaviors.
- ü We have a broad compensation recovery policy that applies to all executives and covers a wide range of misconduct.
- ü Our executive officers are subject to robust stock ownership guidelines and are prohibited from hedging or pledging their company stock.
- ü We do not have "top hat" retirement plans—supplemental plans are open to all employees and are limited to restoring benefits lost due to IRS limits on qualified plans.

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- ü We do not provide tax gross-ups to executive officers (except for limited gross-ups related to international assignments).
- ü We have a very restrictive policy on perquisites.
- ü Our severance plans related to change-in-control generally require a double trigger.
- ü We do not have employment agreements with any of our executive officers.

Executive Compensation Summary for 2017

At the time the total target compensation was established at the end of 2016, target compensation for our named executive officers (the five officers whose compensation is disclosed in this proxy statement) was in the middle range of the company's peer group. Incentive compensation programs paid at or above target, consistent with the company's strong performance in 2017.

Pay for Performance

As described in the Compensation Disclosures and Analysis (CD&A), we link our incentive pay programs to a balanced mix of measures on three dimensions of company performance: operating performance; progress with our innovation pipeline; and shareholder return (both absolute and relative).

The summary below highlights how our incentive pay programs align with company performance. Please also see Appendix A for adjustments that were made to revenue and EPS for incentive compensation programs.

2017 Annual Cash Bonus Multiple

The company exceeded its annual cash bonus targets for revenue, EPS, and pipeline progress.

*Performance goal multiples are capped at 2.0.

2017 Performance Award Multiple

We met the EPS growth targets under our Performance Award program, which has targets based on expected EPS growth of peer companies over a two-year period. This performance resulted in a Performance Award payout at target.

2017 Shareholder Value Award Multiple

Our stock price growth was in the target range (16.2% to 26.6%) under our Shareholder Value Award program, which is based on expected large-cap company returns over a three-year period. This performance resulted in a Shareholder Value Award payout at target.

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Audit Matters

Further Information

Item 3: Ratification of Appointment of Principal Independent Auditor See page 62

Vote required

Management recommendation to pass

Ratify the appointment of Ernst & Young LLP as the

Item 3 company's principal independent auditor for 2018

Vote FOR

Majority of votes cast

Management Proposals

Further Information

Item 4: Approve Amendments to the Articles of Incorporation to Eliminate the Classified Board Structure See page 65

Vote required

Management recommendation to pass

Approve amendments to the articles of

Item 4 incorporation to eliminate the classified board structure

Vote FOR

80% of outstanding shares

Further Information

Item 5: Approve Amendments to the Articles of Incorporation to Eliminate Supermajority Voting Provisions See page 66

Vote required

Management recommendation to pass

Item 5 Approve amendments to the articles of incorporation to eliminate supermajority voting

Vote FOR

80% of outstanding shares

provisions

Further Information

Item 6: Approve the Amended and Restated 2002 Lilly Stock Plan See page 68
Vote required
Management recommendation to pass

Approve
the
amended
and
Item 6 restated Vote FOR Majority of
2002 votes cast
Lilly
stock
plan

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Shareholder Proposals

Further Information

Item 7: Shareholder Proposal Seeking Support for the Descheduling of Cannabis

See page 77

Vote required

Management recommendation to pass

Item 7 Proposal seeking support for the descheduling of cannabis

Vote AGAINST

Majority of votes cast

Item 8: Shareholder Proposal Requesting Report Regarding Direct and Indirect Political Contributions

Further Information

See page 78

Vote required

Management recommendation to pass

Item 8 Proposal requesting report regarding direct and indirect political contributions

Vote AGAINST

Majority of votes cast

Item 9: Shareholder Proposal Requesting Report on Policies and Practices Regarding Contract Animal Laboratories

Further Information

See page 80

Vote required

Management recommendation to pass

Item 9 Proposal requesting report on policies and practices regarding contract animal laboratories

Vote AGAINST

Majority of votes cast

Further
Information

Item 10: Shareholder Proposal Requesting Report on the Extent to Which Risks Related to Public Concern Over Drug Pricing Strategies are Integrated into Incentive Compensation Arrangements

See page 82

Vote required

Management recommendation to pass

Item 10	Proposal requesting report on the extent to which risks related to public concern over drug pricing strategies are integrated into incentive compensation arrangements	Vote AGAINST	Majority of votes cast
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Further Information

Other Information See page 83

How to Vote in Advance of the Meeting

Even if you plan to attend the 2018 Annual Meeting in person, we encourage you to vote prior to the meeting via one of the methods described below.

- 8 Visit the website listed on your proxy card or voting instruction form to vote ONLINE
-) Call the telephone number on your proxy card or voting instruction form to vote BY TELEPHONE
- * Sign, date, and return your proxy card or voting instruction form to vote BY MAIL

Further information on how to vote is provided at the end of the proxy statement under "Meeting and Voting Logistics."

Voting at our 2018 Annual Meeting

You may also opt to vote in person at the 2018 Annual Meeting, which will be held on Monday, May 7, 2018, at the Lilly Corporate Center, Indianapolis, IN 46285, at 11:00 a.m., EDT. See the section titled "Meeting and Voting Logistics" for more information.

Governance

Item 1. Election of Directors

Under the company's articles of incorporation, the board is divided into three classes with approximately one-third of the directors standing for election each year. The term for directors to be elected this year will expire at the annual meeting of shareholders held in 2021. Each of the director nominees listed below has agreed to serve that term. The following sections provide information about our directors, including their qualifications, the director nomination process, and director compensation.

Board Recommendation on Item 1

The Board of Directors recommends that you vote FOR each of the following nominees:

- ☑ Katherine Baicker, Ph.D.
- ☑ Erik Fyrwald
- ☑ Jamere Jackson
- ☑ Ellen R. Marram
- ☑ Jackson P. Tai

Board Operations and Governance

Board of Directors

Each of our directors is elected to serve until his or her successor is duly elected and qualified. If a nominee is unavailable for election, proxy holders may vote for another nominee proposed by the Board of Directors or, as an alternative, the Board of Directors may reduce the number of directors to be elected at the annual meeting.

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Director Biographies

Set forth below is information as of March 8, 2018, regarding the nominees for election, which has been confirmed by each of them for inclusion in this proxy statement. We have provided the most significant experiences, qualifications, attributes, or skills that led to the conclusion that each director or director nominee should serve as one of our directors in light of our business and structure. Full biographies for each of our directors are available on our website at <http://www.lilly.com/about/board-of-directors/Pages/board-of-directors.aspx>.

No family relationship exists among any of our directors, director nominees, or executive officers. To the best of our knowledge, there are no pending material legal proceedings in which any of our directors or nominees for director, or any of their associates, is a party adverse to us or any of our affiliates, or has a material interest adverse to us or any of our affiliates. Additionally, to the best of our knowledge, there have been no events under any bankruptcy act, no criminal proceedings and no judgments, sanctions, or injunctions during the past 10 years that are material to the evaluation of the ability or integrity of any of our directors or nominees for director. There is no arrangement between any director or director nominee and any other person pursuant to which he or she was or is to be selected as a director or director nominee.

Class of 2018

The following five directors will seek election at this year's annual meeting. Four of these directors are standing for reelection; Jamere Jackson is seeking election for the first time. See "Item 1. Election of Directors" above for more information.

Katherine
Baicker, Ph.D.
Age: 46,
Director since
2011
Board
Committees:
Audit; Public
Policy and
Compliance

Industry
Memberships:
Panel of
Health
Advisers to the
Congressional
Budget Office;
Editorial
boards of
Health Affairs
and the
Journal of

Health
Economics;
Research
Associate of
the National
Bureau of
Economic
Research; and
Member of the
National
Academy of
Medicine

Career Highlights

Harris School
of Public
Policy,
University of
Chicago
• Dean and the
Emmett
Dedmon
Professor
(2017 -
present)
Harvard T.H.
Chan School
of Public
Health,
Department of
Health Policy
and
Management

• Professor of
health
economics
(2007 - 2017)
• C. Boyden
Gray Professor
(2014 - 2017)
and Acting
Chair,
Department of
Health Policy
and
Management
(2014 - 2016)

Council of
Economic
Advisers,
Executive
Office of the
President

- Member
(2005 - 2007)
- Senior
Economist
(2001 - 2002)

Qualifications: Dr. Baicker is a leading researcher in the fields of health economics, public economics, and labor economics. As a valued adviser to numerous health care-related commissions and committees, her expertise in health policy and health care delivery is recognized in both academia and government.

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J. Erik
Fyrwald
Age: 58,
Director since
2005
Board
Committees:
Public Policy
and
Compliance
(chair); Science
and
Technology

Non-profit
Boards: UN
World Food
Program Farm
to Market
Initiative;
Crop Life
International;
and Swiss
American
Chamber of
Commerce

Career Highlights

Syngenta
International
AG, a global
Swiss-based
agriculture
technology
company that
produces
agrochemicals
and seeds
• President and
Chief
Executive
Officer (2016 -
present)
Univar, Inc., a
leading
distributor of

chemicals and
provider of
related
services

- President and
Chief
Executive
Officer (2011 -
2016)

Nalco
Company, a
leading
provider of
water
treatment
products and
services

- Chairman and
Chief
Executive
Officer (2008 -
2011)

Ecolab, a
leading
provider of
cleaning,
sanitization,
and water
treatment
products and
services

- President
(2012)
E.I. duPont de
Nemours and
Company, a
global
chemical
company

- Group Vice
President,
agriculture and
nutrition (2003
- 2008)

Qualifications: Mr. Fyrwald has a strong record of operational and strategic leadership in complex worldwide businesses with a focus on technology and

innovation. He is an engineer by training and has significant CEO experience with Syngenta, Univar, and Nalco.

Jamere
Jackson
Age: 49,
Director since
2016
Board
Committees:
Audit;
Finance

Non-profit
Board: Future
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Career Highlights

Nielsen
Holdings plc,
a global
information,
data, and
measurement
company
• Chief
Financial
Officer (2014
- present)
GE
• Vice
President and
CFO, GE Oil
& Gas,
drilling and
surface
division
(2013 - 2014)
• Senior
Executive,
Finance, GE
Aviation
(2007 - 2013)
• Finance
Executive,
GE Corporate

(2004 - 2007)

Qualifications: Through his senior financial roles at Nielsen and GE, Mr. Jackson brings to the board significant global financial expertise and a strong background in strategic planning. He has spent his professional career in a broad range of financial and strategic planning roles. He is an audit committee financial expert, based on his CFO experience and his training as a certified public accountant.

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Ellen R. Marram
Age: 71, Director
since 2002, Lead
Independent
Director since
2012
Board
Committees:
Compensation;
Directors and
Corporate
Governance
(chair)

Public Board: Ford
Motor Company
Prior Public
Boards: Cadbury
plc; The New
York Times
Company
Private
Board: Newman's
Own, Inc.
Non-profit
Boards: Wellesley
College; New
York-Presbyterian
Hospital; Lincoln
Center Theater;
and Newman's
Own Foundation

Career Highlights The Barnegat
Group LLC,
provider of
business advisory
services
• President (2006 -
present)
North Castle
Partners, LLC,
private equity firm
• Managing
Director (2000 -

2006)
Tropicana
Beverage Group
• President and
Chief Executive
Officer (1993 -
1998)
Nabisco Biscuit
Company, a unit of
Nabisco, Inc.
• President and
Chief Executive
Officer (1988 -
1993)

Qualifications: Ms. Marram is a former CEO with a strong marketing and consumer-brand background. Through her non-profit and private company activities, she has a special focus and expertise in wellness and consumer health. Ms. Marram has extensive corporate governance experience through service on other public company boards in a variety of industries.

Jackson P. Tai
Age: 67,
Director since
2013
Board
Committees:
Audit; Finance

Public
Boards: MasterCard
Incorporated;
Royal Philips
NV; and HSBC
Holdings plc
Prior Public
Boards: The
Bank of China
Limited;
Singapore
Airlines; NYSE
Euronext; ING
Groep NV;
CapitaLand

(Singapore);
DBS Group
Holdings and
DBS Bank
Private Board:
Canada
Pension Plan
Investment
Board
Non-profit
Boards:
Metropolitan
Opera;
Rensselaer
Polytechnic
Institute

Career Highlights

DBS Group
Holdings and
DBS Bank
(formerly the
Development
Bank of
Singapore), one
of the largest
financial
services groups
in Asia

- Vice Chairman
and Chief
Executive
Officer (2002 -
2007)
- President and
Chief
Operating
Officer (2001 -
2002)
J.P. Morgan &
Co.
Incorporated, a
leading global
financial
institution
- 25-year career
in investment

banking,
including
senior
management
responsibilities
in New York,
Tokyo, and San
Francisco

Qualifications: Mr. Tai is a former CEO with extensive experience in international business and finance, and is an audit committee financial expert. He has deep expertise in the Asia-Pacific region, a key growth market for Lilly. He also has broad corporate governance experience from his service on public company boards in the U.S., Europe, and Asia.

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Class of 2019

The following five directors are serving terms that will expire in May 2019. Mr. Hoover will retire from the board on May 7, 2018. At that time, the board expects to reduce its size.

Ralph Alvarez

Age: 62,

Director since

2009

Board

Committees:

Compensation

(chair); Science

and

Technology

Public

Boards: Skylark

Co., Ltd. (Mr.

Alvarez is

retiring from

the Skylark

board effective

March 29,

2018); Lowe's

Companies,

Inc.; Dunkin'

Brands Group,

Inc.; and

Realogy

Holdings Corp.

Prior Public

Boards: McDonald's

Corporation;

KeyCorp

Memberships

and Other

Organizations: University

of Miami:

President's

Council;

School of

Business

Administration

Board of

Overseers

Career Highlights Advent International Corporation, a leading global private equity firm

- Operating Partner (2017 - present) Skylark Co., Ltd., a leading restaurant operator in Japan

- Chairman of the Board (2013 - present) McDonald's Corporation
- President and Chief Operating Officer (2006 - 2009)

Qualifications: Through his senior executive and board positions at Skylark Co., Ltd. and McDonald's Corporation, as well as with other global restaurant businesses, Mr. Alvarez has extensive experience in consumer marketing, global operations, international business, and strategic planning. His international experience includes a special focus on Japan and emerging markets. He also has extensive corporate governance experience through his service on other public company boards.

Carolyn R.
Bertozzi, Ph.D.
Age: 51,
Director since
2017
Board
Committees:
Public Policy
and
Compliance;
Science and
Technology

Public Board:
Catalent
Non-profit
Boards: Broad
Institute; Grace
Science
Foundation

Industry
Memberships
and Other
Organizations: American
Chemical
Society;
American
Society for
Biochemistry
and Molecular
Biology;
American
Chemical
Society
Publications,
Editor-in-Chief
of ACS Central
Science;
Institute of
Medicine;
National
Academy of
Sciences; and
American
Academy of
Arts and
Sciences

Honors:
MacArthur
Genius Award;
Lemelson MIT
Prize; Heinrich
Wieland Prize,
and National
Academy of
Sciences Award
in the Chemical
Sciences

Career Highlights

Stanford
University

- Anne T. and
Robert M. Bass
Professor of
Chemistry,
Professor of
Chemical and
Systems
Biology and
Radiology by
courtesy (2015
- present)

Howard
Hughes
Medical
Institute

- Investigator
(2000 - present)

University of
California,
Berkeley

- T.Z. and
Irmgard Chu
Professor of
Chemistry and
Professor of
Molecular and
Cell Biology
(1996 - 2015)

Qualifications: Dr. Bertozzi is a prominent researcher and academician. She has extensive experience at Stanford University and the University of Berkeley, California, two major research institutions. Her deep expertise

spans the disciplines of chemistry and biology, with an emphasis on studies of cell surface glycosylation associated with cancer, inflammation and bacterial infection, and exploiting this knowledge for development of diagnostic and therapeutic approaches.

R. David
Hoover
Age: 72,
Director since
2009
Board
Committees:
Finance
(chair);
Directors and
Corporate
Governance

Public
Boards: Ball
Corporation;
Edgewell
Personal Care
Co.
Prior Public
Boards: Qwest
International,
Inc.;
Steelcase, Inc.
Non-profit
Boards: Children's
Hospital
Colorado;
DePauw
University

Memberships
and Other
Organizations: Indiana
University
Kelley School
of Business,

Dean's
Council

Career Highlights Ball Corporation, a provider of packaging products, aerospace and other technologies and services to commercial and governmental customers

- Chairman (2002 - 2013)
- Chairman and CEO (2010 - 2011)
- President and Chief Executive Officer (2001 - 2010)
- Chief Operating Officer (2000 - 2001)
- Chief Financial Officer (1998 - 2000)

Qualifications: Mr. Hoover has extensive CEO experience at Ball Corporation, with a strong record of leadership in operations and strategy. He has deep financial expertise as a result of his experience as CEO and CFO of Ball. He also has extensive corporate governance experience through his service on other public company boards.

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Juan R. Luciano
Age: 56, Director
since 2016
Board Committees:
Finance; Public
Policy and
Compliance

Public
Boards: Archer
Daniels Midland
Company; Wilmar
Non-profit
Boards: Boys and
Girls Clubs of
America; Economic
Club of Chicago;
Commercial Club of
Chicago; and The
Business Council

Career Highlights Archer Daniels
Midland Company, a
global
food-processing and
commodities-trading
company

- Chairman (January
2016 - present)
- Chief Executive
Officer and President
(2015 - present)
- President (2014 -
2015)
- Executive Vice
President and Chief
Operating Officer
(2011 - 2014)
The Dow Chemical
Company, a
multinational
chemical company

- Executive Vice President and President, Performance Division (2010 - 2011)

Qualifications: Mr. Luciano has CEO and global business experience with Archer Daniels Midland Company, where he has established a reputation for strong result-oriented and strategic leadership, as well as many years of global leadership experience at The Dow Chemical Company. He brings to the board a strong technology and operations background, along with expertise in the food and agriculture sectors, an expanding area of focus for Lilly and its Elanco business.

Kathi P. Seifert
Age: 68,
Director since
1995
Board
Committees:
Audit;
Compensation

Public
Board: Investors
Community
Bank
Private
Board: Appvion,
Inc.
Prior Public
Boards: Albertsons;
Revlon
Consumer
Products Co.;
Supervalu
Inc.; and
Lexmark
International,
Inc.

Non-profit
Boards: Community

Foundation for
the Fox Valley
Region; Fox
Cities Building
for the Arts;
Fox Cities
Chamber of
Commerce;
New North;
Greater Fox
Cities Area
Habitat for
Humanity; and
Riverview
Gardens

Career Highlights

Kimberly-Clark
Corporation, a
global
consumer
products
company

- Executive Vice
President (1999
- 2004)
Katapult, LLC,
a provider of
pro bono
mentoring and
consulting
services to
non-profit
organizations
- Chairman
(2004 - present)

Qualifications: Ms. Seifert is a retired senior executive of Kimberly-Clark. She has strong expertise in consumer marketing and brand management, having led sales and marketing for several worldwide brands, with a special focus on consumer health. She has extensive corporate governance experience through her other board positions.

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Class of 2020

The following four directors are serving terms that will expire in May 2020.

Michael L.
Eskew
Age: 68,
Director since
2008
Board
Committees:
Audit (chair);
Compensation;
Directors and
Corporate
Governance

Public
Boards: 3M
Corporation;
IBM
Corporation;
and Allstate
Insurance
Company
Non-profit
Boards: Chairman
of the board of
trustees of The
Annie E. Casey
Foundation

Career Highlights United Parcel
Service, Inc., a
global shipping
and logistics
company
• Chairman and
Chief
Executive
Officer (2002 -
2007)
• Vice Chairman
(2000 - 2002)
• UPS Board of
Directors (1998
- 2014)

Qualifications: Mr. Eskew has CEO experience with UPS, where he established a record of success in managing complex worldwide operations, strategic planning, and building a strong consumer-brand focus. He is an audit committee financial expert, based on his CEO experience and his service on other U.S. company audit committees. He has extensive corporate governance experience through his service on the boards of other companies.

William G. Kaelin,
Jr., M.D.
Age: 60, Director
since 2012
Board Committees:
Finance; Science and
Technology (chair)

Industry
Memberships:
National Academy
of Medicine;
National Academy
of Sciences;
Association of
American
Physicians; and
American Society of
Clinical
Investigation

Honors: Canada
Gairdner
International Award;
Lefoulon-Delalande
Prize - Institute of
France; and Albert
B. Lasker Prize

Career Highlights Dana-Farber/Harvard
Cancer Center

- Professor of
Medicine (2002 -

present)
Brigham and
Women's Hospital
• Professor (2002 -
present)
Howard Hughes
Medical Institute
• Investigator (2002 -
present)
• Assistant
Investigator (1998 -
2002)

Qualifications: Dr. Kaelin is a prominent medical researcher and academician. He has extensive experience at Harvard Medical School, a major medical institution, as well as special expertise in oncology—a key component of Lilly's business. He also has deep expertise in basic science, including mechanisms of drug action, and experience with pharmaceutical discovery research.

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David A. Ricks
Age: 50,
Director since
2017
Board
Committees:
none

Industry
Memberships:
Pharmaceutical
Research and
Manufacturers
of America
(PhRMA)

Non-profit
Boards: Board
of Governors
for Riley
Children's
Foundation;
Central Indiana
Community
Partnership

Career Highlights Eli Lilly and
Company
• Chairman of
the Board,
President and
CEO (2017 -
present)
• Senior Vice
President and
President, Lilly
Bio-Medicines
(2012 - 2016)

Qualifications: Mr. Ricks was
named President and CEO on
January 1, 2017, and joined the
board at that time. He became
Chairman of the Board on June 1,
2017. Mr. Ricks joined Lilly in
1996 and most recently served as
president of Lilly Bio-Medicines.
He has deep expertise in product

development, global sales and marketing, as well as public policy. He has significant global experience in the company's commercial operations.

Marschall S.
Runge, M.D.,
Ph.D.
Age: 63,
Director since
2013
Board
Committees:
Public Policy
and
Compliance;
Science and
Technology

Industry
Membership:
Experimental
Cardiovascular
Sciences Study
Section of the
National
Institutes of
Health

Non-profit
Board: UMHS

Career Highlights University of
Michigan
• CEO,
Michigan
Medicine (2015
- present)
• Executive Vice
President for
Medical Affairs
(2015 - present)
• Dean, Medical
School (2015 -
present)
University of
North Carolina,

School of
Medicine
• Executive
Dean (2010 -
2015); Chair of
the Department
of Medicine
(2000 - 2015)
• Principal
Investigator
and Director of
the North
Carolina
Translational
and Clinical
Sciences
Institute

Qualifications: Dr. Runge brings the unique perspective of a practicing physician who has a broad background in health care, clinical research, and academia. He has extensive experience as a practicing cardiologist, a strong understanding of health care facility systems, and deep expertise in biomedical research and clinical trial design.

Director Qualifications and Nomination Process

Director Qualifications

The board assesses board candidates by considering the following:

Experience: Our directors are responsible for overseeing the company's business consistent with their fiduciary duties. This significant responsibility requires highly skilled individuals with various qualities, attributes, and professional experience. The board is well-rounded, with a balance of relevant perspectives and experience, as illustrated in the following charts:

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CEO Experience:	7
Financial Expertise:	7
Relevant Scientific/Academic Expertise:	4
Healthcare Experience:	5
Operational/Strategic Expertise:	9
International Experience:	7
Marketing and Sales Expertise:	6

Board Tenure: In 2016 and 2017, the board added three new independent members: Mr. Juan R. Luciano, Mr. Jamere Jackson, and Dr. Carolyn R. Bertozzi, as well as Mr. David A. Ricks. Also in 2016 and 2017, three members retired from the board: Ms. Karen Horn, Dr. John Lechleiter, and Dr. Frank Prendergast. Mr. David Hoover will retire in May 2018.

As the following chart demonstrates, our director composition also reflects a mix of tenure on the board, which provides an effective balance of historical perspective and an understanding of the evolution of our business with fresh perspectives and insights.

2 Years or Less:	4
3-5 Years:	3
6-10 Years:	3
More than 10 Years:	4

Diversity: The board strives to achieve diversity in the broadest sense, including persons diverse in geography, gender, ethnicity, and experiences. Although the board does not establish specific diversity goals or have a standalone diversity policy, the board's overall diversity is an important consideration in the director selection and nomination process. The Directors and Corporate Governance Committee assesses the effectiveness of board diversity efforts in connection with the annual nomination process as well as in new director searches. The company's 14 directors range in age from 46 to 72 and include four women and four ethnically diverse members.

Character: Board members should possess the personal attributes necessary to be an effective director, including unquestioned integrity, sound judgment, a collaborative spirit, and commitment to the company, our shareholders, and other constituencies.

Director Refreshment

The committee performs periodic assessments of the overall composition and skills of the board in order to ensure that the board and management are actively engaged in succession planning for directors, and that our board reflects the viewpoints, diversity, and expertise necessary to support our complex and evolving business. The committee, with input from all board members, also considers the contributions of the individual directors.

The results of these assessments inform the board's recommendations on nominations for directors at the annual meeting each year and help provide us with insight on the types of experiences, skills, and other characteristics we should be seeking for future director candidates. Based on this assessment, the committee has recommended that the directors in the 2018 class be elected at the 2018 annual meeting.

The board delegates the director screening process to the Directors and Corporate Governance Committee, which receives input from other board members. Potential directors are identified from several sources, including executive search firms retained by the committee, incumbent directors, management, and shareholders.

The committee employs the same process for evaluating all candidates, including those submitted by shareholders. The committee initially evaluates a candidate based on publicly available information and any additional information supplied by the party recommending the candidate. If the candidate appears to satisfy the selection criteria and the committee's initial evaluation is favorable, the committee, assisted by management or a search firm, gathers additional data on the candidate's qualifications, availability, probable level of interest, and any potential conflicts of interest. If the committee's subsequent evaluation continues to be favorable, the candidate is contacted by the Chairman of the Board and one or more of the independent directors, including the lead independent director, for direct discussions to determine the mutual level of interest in pursuing the candidacy. If these discussions are favorable, the committee recommends that the board nominate the candidate for election by the shareholders (or to select the candidate to fill a vacancy, as applicable).

Director Compensation

Director compensation is reviewed and approved annually by the board, on the recommendation of the Directors and Corporate Governance Committee. Directors who are employees receive no additional compensation for serving on the board.

Cash Compensation

The following table shows the retainers and meeting fees for all non-employee directors in effect in 2017.

Board Retainers (annual, paid in monthly installments)		Committee Retainers (annual, paid in monthly installments)
Annual Board Retainer	\$110,000	Audit Committee; Science and Technology Committee members (including the chairs)
Annual Retainers (in addition to annual board retainer):		\$3,000 Compensation
Lead Independent Director	\$30,000	Committee; Directors and Corporate Governance Committee; Finance Committee; Public Policy and

	Compliance Committee members (including the chairs)
Audit Committee Chair	\$18,000
Science and Technology Committee Chair	\$15,000
Compensation Committee Chair; Directors and Corporate Governance Committee Chair; Finance Committee Chair; Public Policy and Compliance Committee Chair	\$12,000

Directors are reimbursed for customary and usual travel expenses in connection with their travel to and from board meetings and other company events. Directors may also receive additional cash compensation for serving on ad hoc committees that may be assembled from time to time.

Stock Compensation

Directors are required to hold meaningful equity ownership positions in the company, and may not sell the equity compensation they earn as a director until after leaving the board. A significant portion of director compensation is in the form of deferred Lilly stock payable after they leave the board. Directors are required to hold Lilly stock, directly or through company plans, valued at not less than five times their annual board retainer; new directors are allowed five years to reach this ownership level. All directors serving at least five years have satisfied these guidelines, and all other directors are making progress toward these requirements.

In 2017, non-employee directors received \$160,000 of equity compensation (but no more than 7,500 shares), deposited annually in a deferred stock account in the Lilly Directors' Deferral Plan (as described below). This award is prorated for time served and payable beginning the second January following the director's departure from board service.

Annual Compensation Cap for Directors

In 2017, the board approved a cap to the total annual compensation (retainers, fees, and stock allocation) for non-employee directors of \$800,000. The cap is intended to avoid excessive director compensation and is

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included in both our Directors' Deferral Plan and in the Amended and Restated 2002 Lilly Stock Plan being considered by shareholders at this year's annual shareholders meeting.

Lilly Directors' Deferral Plan: The Lilly Directors' Deferral Plan allows non-employee directors to defer receipt of all or part of their cash compensation until after their service on the board has ended. Each director can choose to invest the amounts deferred in one or both of the following two accounts:

Deferred Stock Account. This account allows the director, in effect, to invest his or her deferred cash compensation in company stock. Funds in this account are credited as hypothetical shares of company stock based on the closing stock price on pre-set monthly dates. In addition, the annual stock compensation award as described above is also credited to this account. The number of shares credited is calculated by dividing the \$160,000 annual compensation figure by the closing stock price on a pre-set annual date. Hypothetical dividends are "reinvested" in additional shares based on the market price of the stock on the date dividends are paid. Actual shares are issued on the second January following the director's departure from board service.

Deferred Compensation Account. Funds in this account earn interest each year at a rate of 120 percent of the applicable federal long-term rate, compounded monthly, as established the preceding December by the U.S. Treasury Department under Section 1274(d) of the Internal Revenue Code of 1986 (the Internal Revenue Code). The aggregate amount of interest that accrued in 2017 for the participating directors was \$140,541, at a rate of 2.7 percent. The rate for 2018 is 3.1 percent.

Both accounts may generally only be paid in a lump sum or in annual installments for up to 10 years, beginning the second January following the director's departure from board service. Amounts in the deferred stock account are paid in shares of company stock.

2017 Compensation for Non-Employee Directors

Name	Fees Earned or Paid in Cash (\$)	Stock Awards (\$) ¹	All Other Compensation and Payments (\$) ²	Total (\$) ³
Mr. Alvarez	\$131,000	\$160,000	\$0	\$291,000
Dr. Baicker	\$119,000	\$160,000	\$0	\$279,000
Dr. Bertozzi	\$109,083	\$146,667	\$0	\$255,750
Mr. Eskew	\$140,000	\$160,000	\$0	\$300,000
Mr. Fyrwald	\$131,000	\$160,000	\$17,000	\$308,000
Mr. Hoover	\$128,000	\$160,000	\$0	\$288,000
Mr. Jackson	\$119,000	\$160,000	\$0	\$279,000
Dr. Kaelin	\$134,000	\$160,000	\$13,500	\$307,500
Mr. Luciano	\$116,000			