Corporate Governance Guidelines

These guidelines establish the basic principles of corporate governance by which Eli Lilly and Company operates. The company believes that a strong system of corporate governance is critical to creating long-term shareholder value. In pursuit of this objective, the interests of the corporation's principal constituents are considered.

These guidelines are approved and amended by the board of directors. The Directors and Corporate Governance Committee reviews the guidelines annually and recommends to the board any amendments to these guidelines.

Role of the Board

The directors of Eli Lilly and Company are elected by the company's shareholders to oversee the actions and results of the company's management. Their responsibilities include:

- providing general oversight of the business;
- overseeing major management initiatives, corporate strategy, and capital allocation;
- selecting, compensating, evaluating, and, when necessary, replacing the chief executive officer (CEO), and compensating other senior executives;
- ensuring that an effective succession plan is in place for all key senior leadership positions and reviewing the company's broader talent management process, including human capital management strategies, overall corporate culture, and inclusion programs;
- overseeing the company's ethics and compliance program and management of significant business risks;
- selecting, compensating, and evaluating directors;
- evaluating board processes and performance;
- overseeing the company's enterprise level risks;
- overseeing the company's approach to current and emerging environmental, social, political, and governance trends and public policy issues that may affect the business operations, performance or reputation of the company; and
- overseeing the company's political expenditures and lobbying activities.

Composition of the Board

Board Size
The board believes that generally its appropriate size is 10-13 directors, however the board may determine that operating outside this range is appropriate given the circumstances.

Mix of Officer-Directors and Independent Directors
There should always be a substantial majority (75 percent or more) of independent directors. The chief executive officer should be a board member, but no officer, other than the chief executive officer, should expect to be elected to the board by virtue of his or her position in the company.

Criteria to Qualify as an Independent Director
The board annually determines and discloses the independence of directors. Based on the company's Standards for Director Independence, the Directors and Corporate Governance Committee reviews the independence of each director annually and makes recommendations to the board.

No director is considered independent unless the board, considering all relevant facts and circumstances, affirmatively determines that the director has no material relationship with the company, either directly or as a partner, shareholder, or officer of an organization that has a material relationship with the company. In assessing whether a director has no material relationship with Lilly, the board also considers persons or organizations with which the director has an affiliation.

To evaluate the materiality of any such relationship, the board has adopted categorical independence standards for directors consistent with the New York Stock Exchange listing standards.

In addition, members of the Audit, Talent and Compensation, and Directors and Corporate Governance committees must meet all applicable independence tests of the New York Stock Exchange and any additional standards imposed under U.S. securities laws and the rules and regulations of the Securities and Exchange Commission.

Selection of Director Candidates

The board is responsible for selecting candidates for board membership and for establishing the general criteria to be used in identifying potential candidates. The Directors and Corporate Governance Committee, together with the lead independent director, leads the director succession planning process. The committee makes recommendations to the board for nominations, identifies and screens potential new candidates and, with input from all other board members, assesses the contributions of incumbent directors whose terms are expiring.

The Directors and Corporate Governance Committee maintains a continuing program of director succession planning, which considers recommendations from other board members, management, and shareholders as to potential new director candidates, and may retain search firms to assist in identifying and screening candidates.

The board selects director candidates who represent a mix of backgrounds and experiences that will enhance the quality of the board's deliberations and decisions. Such candidates shall have substantial experience with one or more publicly traded national or multinational companies or shall have achieved a high level of distinction in their chosen field. The board is particularly interested in maintaining a mix that includes, but is not necessarily limited to, the following backgrounds:

- active or retired chief executive officers and senior executives, particularly those with experience in operations and strategy, finance, accounting, banking, digital and technology, and marketing and sales;
- international business;
- medicine and science;
- government and public policy; and
- health care systems (public or private).

Board members should display the personal attributes necessary to be an effective director: unquestioned integrity, sound judgment, independence in fact and mindset, ability to operate collaboratively, and commitment to the company, its shareholders and its other constituencies.

Process for Extending the Invitation to a Potential New Director

After the Directors and Corporate Governance Committee selects a new candidate for board membership, the committee presents its recommendation to the board for approval. Upon approval by the board, the invitation to join the board is extended to the candidate by the board chair.

Director Tenure and Retirement Policy

The board comprises three classes of directors, with approximately one-third of the directors assigned to each class. The members of each class are elected for a term of three years. There is no limit on the number of terms for which a director may be elected.

Subject to the company's charter documents, the following are the board's expectations for director tenure:

- A company officer-director, including the chief executive officer, will resign from the board at the time such officer-director retires or otherwise ceases to be an active employee of the company;
- Non-employee directors will retire from the board not later than the annual meeting of shareholders that follows their seventy-second birthday. The board may make exceptions to this policy on the recommendation of the Directors and Corporate Governance Committee;
- Directors may stand for reelection even though the board's retirement policy would prevent them from completing a full three-year term; and
- A non-employee director who retires or changes principal job responsibilities will offer to resign from the board. The Directors and Corporate Governance Committee will assess the situation and recommend to the board whether to accept the resignation.

Other Board Service
In general, no director may serve on more than three other public company boards. No director that is an executive officer of a public company may serve on more than two public company boards (inclusive of Lilly). The Directors and Corporate Governance Committee or the chair of that committee may approve exceptions to these limits upon a determination that such additional service will not impair the director's effectiveness on the Lilly board. No director serving on the audit committee shall serve simultaneously on the audit committee of more than two other public companies without the prior approval of the board.

Board Confidentiality Policy
The board has adopted a Board of Directors Confidentiality Policy, which requires directors to agree to hold in confidence all information obtained in their roles as directors, except under certain limited circumstances set forth within the policy.

Voting for Directors
In an uncontested election, directors are elected by a majority of the votes cast. Under the Bylaws, any incumbent nominee for director who does not receive the favorable vote of a majority of the votes cast in his or her election shall promptly tender a resignation following certification of the shareholder vote.

The Directors and Corporate Governance Committee will consider the resignation offer and recommend to the board whether to accept it. The board will act on the recommendation within 90 days following the certification of the results of the shareholder meeting. Board action on the matter will require the approval of a majority of the independent directors.

The company will disclose the board's decision on a Form 8-K furnished or filed with the Securities and Exchange Commission within four business days after the decision, including an explanation of the process by which the decision was reached and, if applicable, the reasons why the board rejected the directors' resignation. If the resignation is accepted, the Directors and Corporate Governance Committee will recommend to the board whether to fill the vacancy or reduce the size of the board.

Any director who tenders his or her resignation pursuant to this provision shall not participate in the committee or board deliberations regarding whether to accept the resignation offer.

If all members of the Directors and Corporate Governance Committee received a majority of "against" votes at the same election, then the independent directors who did not receive a majority of "against" votes shall appoint a committee amongst themselves to consider the resignation offers and recommend to the board whether to accept them.

Compensation of Board Members

Director Compensation Philosophy

The company targets the overall value of its non-employee director pay to the median of comparable U.S. companies, with consideration of both the pharmaceutical industry and selected U.S. companies in other industries. The form and amount of director compensation should give due regard to the interests of the directors, the company, and the shareholders, and the board has approved a cap to director compensation.

Director Equity Ownership

Directors should hold meaningful equity ownership positions in the company. Accordingly, a significant portion of director compensation is made in the form of company equity. Annual stock awards are made in the form of deferred share units that may not be sold by the director until his or her service as a director ends. As a result, directors build a substantial long-term ownership interest in the company over time. Non-employee directors are expected to hold Lilly stock, either directly or through company plans, valued at not less than five times their annual cash board retainer. New directors are given five years to reach this ownership level. Directors are prohibited from hedging their Lilly stock and from pledging, or using as collateral, their Lilly stock.

Approval Process

Director compensation is reviewed annually by the board on the recommendation of the Directors and Corporate Governance Committee. Assisted by an independent consultant, company management reports annually to the committee concerning the status of the board compensation program relative to those of other comparable U.S. corporations.

Key Board Responsibilities

Leadership Structure

The board currently combines the role of board chair with the role of chief executive officer, and designates a strong, independent, and clearly defined lead independent director to further strengthen the governance structure. The board believes this provides an efficient and effective leadership model for the company. Combining the chair and CEO roles fosters clear accountability, effective decision-making, and alignment on corporate strategy. To assure effective independent oversight, the board has adopted a number of governance practices, including:

- executive sessions of the independent directors after every regular board meeting and presided over by the lead independent director;
- annual performance evaluation of the CEO by the independent directors;
- a strong, independent, clearly defined lead independent director role; and
- director access to management and independent advisors.

However, no single leadership model is right for all companies and at all times. Depending on the circumstances, other leadership models, such as a separate independent board chair, might be appropriate. Accordingly, the board periodically reviews its leadership structure.

The lead independent director recommends to the board an appropriate process by which a new chair and CEO will be selected. The board has no required procedure for executing this responsibility because it believes that the most appropriate process will depend on the circumstances surrounding each such decision.

Evaluation of the CEO
The lead independent director is responsible for leading the independent directors in executive session to assess the performance of the chief executive officer at least annually. The results of this assessment are reviewed with the CEO and considered by the Talent and Compensation Committee and independent directors in establishing the CEO's compensation.

Succession Management
A key responsibility of the CEO, Talent and Compensation Committee, and the board is ensuring that an effective process is in place to provide continuity of leadership over the long term. Each year, succession planning reviews culminate in a detailed review of top leadership talent by the Talent and Compensation Committee and a summary review by the independent directors as a whole. During this review, the CEO and independent directors discuss future candidates for senior leadership positions, succession timing, and development plans for the strongest candidates. The independent directors also meet without the CEO to discuss CEO succession planning.

Consistent with the succession management plan, the CEO recommends to the board candidates for the company's principal corporate offices.

In addition, the CEO maintains at all times and reviews with the independent directors a confidential plan for the timely and efficient transfer of his or her responsibilities in the event of an emergency or his or her sudden departure, incapacity, or death.

Corporate Strategy
Each year, the board and executive management closely examine the company's strategy, including key risks and decisions facing the company. Decisions reached in this session are updated throughout the year, including as the board discusses the company's financial performance, the performance of its business, and progress in the product pipeline. These strategy sessions also provide the board an opportunity to interact extensively with the company's senior leadership team. This assists the board in its succession management responsibilities.

Throughout the year, significant corporate strategy decisions are brought to the board in a timely way for its oversight.

Code of Business Conduct and Ethics
The board has approved documents that comprise the company's code of business conduct and ethics, which is set out in:

- *The Red Book,* a code of business conduct applicable to all employees worldwide and to the board; and
- *Code of Ethical Conduct for Lilly Financial Management,* a supplemental code for the CEO and all members of financial management, in recognition of the unique responsibilities of those individuals to ensure proper accounting, financial reporting, internal controls, and financial stewardship.

The board reviews the company's overall state of compliance at least annually. The Audit Committee and the Ethics and Compliance Committee assist in the board's oversight of compliance programs.

Enterprise Level Risks
Once each year, the board reviews a summary of the company's assessment of and approach to enterprise level risks. Throughout the year, significant areas of risk are brought to the board, or the appropriate committee, for consideration. The Audit Committee oversees the process by which the company identifies and creates mitigation plans for enterprise level risks.

Sustainability
The board oversees sustainability matters, supported by its committees. The Directors and Corporate Governance Committee is responsible for identifying current and emerging social, environmental, political and governance trends and public policy issues that may affect the business operations, performance or reputation of the company. The Talent and Compensation Committee is responsible for oversight of human capital management matters, including inclusion efforts. The board receives regular updates on these topics, as well as directly oversees the company's sustainability efforts and political expenditures and lobbying activities.

Functioning of the Board

Executive Sessions of Directors
At every regular board meeting, the independent directors meet in executive session without any members of management present and also meet in executive session with the CEO.

Lead Independent Director
The board annually appoints a lead independent director from among the independent directors. The board has no set policy for rotation of the lead independent director role but believes that periodic rotation is appropriate. The lead independent director's responsibilities include:

- leading the board's processes for selecting the CEO;
- overseeing the independent director's annual performance evaluation of the chair and CEO;
- serving as a liaison between the chair and the independent directors;
- presiding at all meetings of the board at which the chair is not present;
- presiding at executive sessions of the independent directors;
- calling meetings of the independent directors, as appropriate;
- approving meeting agendas and schedules and reviewing information to be provided to the board;
- being available for consultation and direct communication with shareholders, as appropriate;
- together with the board chair and the chair of the Directors and Corporate Governance Committee, conducting the annual board assessment process;
- together with the Directors and Corporate Governance Committee, leading the director succession planning process; and
- retaining advisors for the independent directors, as appropriate.

Conflicts of Interest
Occasionally a director's business or personal relationships may give rise to an interest that conflicts, or appears to conflict, with the interests of the company. A director must promptly disclose to the company all relationships that create a conflict or appearance of a conflict. The board or one of its committees, after consultation with counsel, takes appropriate steps to identify actual or apparent conflicts and to ensure that all directors voting on an issue are disinterested with respect to that issue. A director will be excused from discussions on the issue, as appropriate.

In addition, a director's relationship with Lilly may give rise to an interest that conflicts, or appears to conflict, with the interests of another company, institution, or other stakeholder. A director must disclose his or her relationship with Lilly in connection with any scientific publication, using the International Committee of Medical Journal Editors (ICMJE) conflict of interest form for this purpose when possible. Each director must disclose his or her service on the board to his or her employer and any other organization with which the director has a relationship of trust and where the relationship with Lilly is relevant. In addition, directors must follow the internal conflict of interest policies and procedures of each such organization.

Conflicts of Interest Unique to Officer-Directors
Board decisions on certain matters of corporate governance are made solely by the independent directors. These include executive compensation, selection of independent lead director and the selection, evaluation, and removal of the chief executive officer.

Orientation of New Directors; Director Education
An orientation process is in place for all new directors and includes comprehensive background briefings by the chair and CEO, other company leaders, and the corporate secretary. The orientation process is managed by the company, with oversight from the Directors and Corporate Governance Committee. The orientation includes reviews of the pharmaceutical industry and business environment, the company's strategy and operations, compliance and risk management, and corporate governance.

The company provides ongoing education to directors in a number of ways, including:

- financial and operational updates at each regular board meeting;
- an extensive strategic review at the annual corporate strategy meeting as noted above under "Key Board Responsibilities";
- periodic news articles regarding the company, the pharmaceutical industry, the political environment, and corporate governance;
- financial education sessions for the Audit Committee, to which all directors are invited;
- opportunities for independent visits and sessions to learn more about a particular aspect of Lilly; and
- regular board education on topics relevant to the board, including periodic presentations to the board by internal and external experts on governance and board fiduciary duties.

The company also affords directors the opportunity to attend external director education programs as well as Lilly specific events.

Assessment of Board Processes and Performance
The Directors and Corporate Governance Committee, in partnership with the lead independent director, is responsible for annually conducting an assessment of the performance of the board, board committees, and board processes, as well as for reviewing with the board the results of these assessments.

Frequency of Board Meetings
The board holds regularly scheduled meetings five times annually, however the board may determine that fewer or additional meetings may be appropriate given the circumstances.

Director Attendance
Directors are expected to regularly attend all board and applicable committee meetings (including the annual shareholders' meeting), make themselves available for special meetings as needed, and devote the time necessary to prepare for meetings and discharge their duties. The board recognizes that occasional meetings may need to be scheduled on short notice when the participation of a director is not possible and that conflicts may arise from time to time that will prevent a director from attending or participating in a regularly scheduled meeting. However, the board expects that each director will make every possible effort to keep such absences to a minimum. Directors should inform the board chair and the Corporate Secretary's Office as far in advance as possible if they are unable to attend a meeting.

Selection of Agenda Items for Board Meetings
The board chair establishes the agenda for each board meeting, subject to the approval of the lead independent director. All directors are encouraged to discuss with the chair, lead independent director, or corporate secretary any additional items they believe should be considered for the agenda. Each director may raise at any regular

board meeting subjects for discussion that are not on the meeting's formal agenda.

Information that is important to the board's understanding of the business of the company is distributed to the board prior to each board meeting and periodically, as appropriate, between board meetings.

Regular Attendance of Nondirectors at Board Meetings
The chair, at his or her discretion, may invite executive officers of the company to attend all or part of the nonexecutive sessions of board meetings. The chair, at his or her discretion, may also invite other members of management to attend all or part of specific board meetings.

Director Access to Management and Independent Advisors
Independent directors have direct access to members of management whenever they deem it necessary. Independent directors and board committees are also free to retain and terminate their own independent advisors, at company expense, whenever they feel it would be desirable to do so. All committees have sole authority to retain, establish compensation and oversee the work of independent advisors to their respective committees.

Board's Interaction with Institutional Investors, the Press, Customers, and Other Constituencies of the Corporation
The board believes that management should speak for the company. Directors should refer investors, market professionals and the media to the CEO or another individual designated by the company. If comments from the board are appropriate, they should ordinarily come from the chair or from the board's designated spokesperson.

However, shareholders or other interested parties may communicate directly with members of the board, including independent directors. Such communications should be directed in writing to the board of directors in care of the company's general counsel and secretary.

Board Committees

Number, Structure, and Independence of Committees
The board has established the following committees:

- Audit Committee;
- Talent and Compensation Committee;
- Directors and Corporate Governance Committee;
- Ethics and Compliance Committee; and
- Science and Technology Committee.

Only independent directors may serve on the committees.

The charter of each committee is reviewed annually, and changes are approved as appropriate, by the respective committee and by the Directors and Corporate Governance Committee. The charters and these guidelines are publicly available on the company's website. The board has the flexibility to form a new committee or to disband an existing committee (except the Audit, Talent and Compensation, and Directors and Corporate Governance committees) as it deems appropriate. The chair of each committee provides a report to the full board, following each committee meeting, with respect to those matters addressed by the committee. Each committee shall have the authority to delegate any of its responsibilities, along with the authority to take action in relation to such responsibilities, to the chair or one of its subcommittee, as it deems appropriate in its sole discretion.

Committee Meetings
Each committee chair, in consultation with committee members, determines the frequency of the meetings of the committee, subject to any minimums that may be specified in the committee charter. Each committee prepares minutes of its meetings.

The chair of each committee, in consultation with the appropriate members of management, develops the committee's agenda.

Each committee member may suggest the inclusion of additional items on the agenda. Each committee member may raise at any regular committee meeting subjects for discussion that are not on the meeting's formal agenda.

Management assigns an officer to provide and coordinate staff support for each committee. Each committee chair may invite members of management, as appropriate, to attend sessions of committee meetings.

Assignment and Rotation of Committee Members
Each year the Directors and Corporate Governance Committee recommends to the board assignments to committees and the appointment of committee chairs, after consultation with the board chair and after giving due consideration to the backgrounds, skills, and desires of individual directors. The board has no set policy for the regular rotation of committee members or committee chairs but annually reviews and approves committee memberships and chair positions, seeking the best blend of continuity and fresh perspectives on the committees.