

Background of Proposal

As part of its ongoing review of corporate governance matters, the board, taking into account the input of the Directors and Corporate Governance Committee, considered the advantages and disadvantages of maintaining the supermajority voting requirements. The board considered the potential adverse consequences of maintaining the supermajority voting requirements. The board believes it is important to maintain shareholder confidence by demonstrating that the board is responsive and accountable to shareholders and committed to strong corporate governance. This requires the board to carefully balance sometimes competing interests. In this regard, the board gave considerable weight to the favorable votes of a strong majority of the outstanding shares for management's proposal in the previous four years. Many shareholders believe that supermajority voting requirements impede accountability to shareholders and contribute to board and management entrenchment. The board also considered that, even without the supermajority vote (and without the classified board, which the board also recommends eliminating), the company has appropriate safeguards to protect the interests of all shareholders and to discourage a would-be acquirer from proceeding with a proposal that undervalues the company or is opportunistic and to assist the board in responding to such proposals. These include other provisions of the company's articles of incorporation and bylaws as well as certain provisions of Indiana corporation law.

The board also considered that under certain circumstances, supermajority voting requirements can provide benefits to the company and all its shareholders by making it more difficult for one or a few large shareholders to facilitate a takeover of the company or implement certain significant changes to the company without more widespread shareholder support.

After balancing these interests, the board has decided to resubmit this proposal to eliminate the supermajority voting requirements. The affirmative vote of at least 80 percent of the outstanding shares of common stock is needed to approve this proposal. Unless such vote is received, the supermajority voting requirements will continue to be in effect.

Text of Amendments

Articles 9(c), 9(d), and 13 of the company's articles of incorporation contain the provisions that will be affected if this proposal is adopted. These articles, set forth in Appendix B to this proxy statement, show the proposed changes with deletions indicated by strikeouts and additions indicated by underlining. The board has also adopted conforming amendments to the company's bylaws, to be effective immediately upon, and subject to, the effectiveness of the amendments to the articles of incorporation.



RECOMMENDATION FOR

The board recommends that you vote **FOR** amending the company's articles of incorporation to eliminate supermajority voting requirements.

Shareholder Proposals

Item 6. Proposal to Publish an Annual Report Disclosing Lobbying Activities

The Service Employees International Union Pension Plans Master Trust (SEIU), 1800 Massachusetts Ave. NW, Suite 301, Washington, D.C. 20036-1202, a beneficial owner of shares of our common stock having a market value in excess of \$2,000, has submitted the following proposal:

Resolved, the shareholders of Lilly request the preparation of a report, updated annually, disclosing:

1. Company policy and procedures governing lobbying, both direct and indirect, and grassroots lobbying communications.
2. Payments by Lilly used for (a) direct or indirect lobbying or (b) grassroots lobbying communications, in each case including the amount of the payment and the recipient.

3. Lilly's membership in and payments to any tax-exempt organization that writes and endorses model legislation.
4. Description of management's and the Board's decision-making process and oversight for making payments described in sections 2 and 3 above.

For purposes of this proposal, a "grassroots lobbying communication" is a communication directed to the general public that (a) refers to specific legislation or regulation, (b) reflects a view on the legislation or regulation and (c) encourages the recipient of the communication to take action with respect to the legislation or regulation. "Indirect lobbying" is lobbying engaged in by a trade association or other organization of which Lilly is a member.

Both "direct and indirect lobbying" and "grassroots lobbying communications" include efforts at the local, territorial, state and federal levels.

The report shall be presented to the Directors and Corporate Governance Committee and posted on Lilly's website.

Supporting Statement

Full disclosure of Lilly's lobbying activities and expenditures is needed to assess whether Lilly's lobbying is consistent with its expressed goals and shareholder interests. Lilly spent \$103,363,850 from 2010 – 2022 on federal lobbying. This figure does not include state lobbying, where Lilly lobbied in all 50 states in 2022. Lilly also lobbies abroad, spending between €900,000–999,000 on lobbying in Europe for 2022.

Companies can give unlimited amounts to third party groups that spend millions on lobbying and undisclosed grassroots activity.¹ Unlike many of its peers, Lilly fails to disclose its third-party payments to trade associations and social welfare groups (SWGs), or the amounts used for lobbying, to shareholders. Lilly belongs to the Chamber of Commerce, Business Roundtable, National Association of Manufacturers and Pharmaceutical Research and Manufacturers of America (PhRMA), which together have spent over \$2.9 billion on federal lobbying since 1998, and supports SWGs that lobby, like the Alliance for Patient Access (AfPA).²

Lilly's lack of disclosure presents reputational risk when its lobbying contradicts company public positions. For example, Lilly states it supports more affordable medicines, yet funds PhRMA and AfPA's opposition to lower prescription drug prices.³ Lilly believes in addressing climate change, yet the BRT lobbied against the Inflation Reduction Act⁴ and the Chamber reportedly has been a "central actor" in dissuading climate legislation over a two-decade period.⁵ Lilly opposed Indiana voter restrictions, yet groups have asked Lilly to cut ties with the American Legislative Exchange Council (ALEC) "because of its voter restriction efforts."⁶ Lilly is also represented at ALEC by its trade associations, as the Chamber and PhRMA each sit on its Private Enterprise Advisory Council.⁷

Lilly should expand its lobbying disclosure.

¹ <https://theintercept.com/2019/08/06/business-group-spending-on-lobbying-in-washington-is-at-least-double-whats-publicly-reported/>.

² <https://prospect.org/power/astroturf-campaign-attacks-discount-drug-program-for-poor/>.

³ <https://www.opensecrets.org/news/2021/09/pharmaceutical-industry-backs-democratic-holdouts-on-drug-pricing-plan/>;
<https://nonprofitquarterly.org/alliance-for-patient-access-not-even-trying-subtlety/>.

⁴ <https://www.theguardian.com/environment/2022/aug/19/top-us-business-lobby-group-climate-action-business-roundtable>.

⁵ <https://www.washingtonpost.com/politics/2023/08/02/climate-group-pushes-big-tech-exit-nations-largest-business-lobby/>.

⁶ <https://www.thenation.com/article/politics/alec-corporations-democracy/>.

⁷ <https://ohiocapitaljournal.com/2023/09/06/coming-soon-in-ohio-alec-releases-new-raft-of-model-legislation/>.

Lilly's Opposing Statement

The board, after review by its Directors and Corporate Governance Committee, recommends a vote **AGAINST** this proposal.

As discussed in more detail below, the report requested by the proposal is unnecessary because:

- ✓ Lilly already publicly discloses information regarding the company's policies and procedures governing direct and indirect lobbying activities;
- ✓ Lilly already publicly discloses information regarding our direct and indirect lobbying expenditures;
- ✓ Lilly already publicly discloses information regarding our membership in, and payments to, tax-exempt organizations that write and endorse model legislation;
- ✓ Lilly already publicly discloses information regarding its decision-making process and the board's oversight over direct and indirect lobbying activities; and
- ✓ Requiring Lilly to prepare a separate report with this information would place an undue administrative burden on the company and would not provide meaningful additional information to shareholders.

Contrary to the proposal's assertions, Lilly does not fund opposition to lowering prescription drug prices. Lilly does, however, oppose legislative policies that would hinder medical discovery for patients. For example, while Lilly actively supported portions of the Inflation Reduction Act of 2022 (the IRA) that we believe will benefit patients and innovation, such as the \$35 out of pocket cap on insulin costs for Medicare beneficiaries and the elimination of the coverage gap in Medicare Part D plans, we opposed the aspects of the IRA that we believe have negative consequences to drug discovery without directly helping patients—such as Medicare price setting under the guise of negotiation.

Our political expenditures, in fact, cover the political spectrum and reflect our approach to engaging stakeholders on various complex issues to help preserve incentives and ensure an environment conducive to finding new treatments. As explained in further detail below, the company already publicly discloses this information, which provides shareholders with the information necessary to assess the consistency of the company's lobbying activities with its expressed goals.

Lilly already publicly discloses the information requested by the proposal regarding the company's policies and procedures governing direct and indirect lobbying activities.

In this proxy statement, the political participation page of Lilly's website (Political Participation Website), and Lilly's corporate governance guidelines, the company discloses its extensive policies and procedures governing direct and indirect lobbying activities. For example, the Political Participation Website discloses:

- Lilly's commitment, through public policy engagement, to provide a way for all our locations globally to offer Lilly's perspective on the political environment in a manner that supports access to innovative medicines, as well as to look for ways to engage on issues specific to local business environments;
- that Lilly employees must comply with our global policies, core values and legal obligations, which are outlined in our written code of business conduct;
- that when engaging in lobbying activities, Lilly complies with the laws that govern such activities, and that Lilly's senior vice president, global government affairs is responsible for overseeing these activities and the company's general counsel and chief financial officer, or their designees, also approve all corporate political contributions before they are made; and
- that, where permitted, Lilly makes lawful political contributions in the United States to political candidate committees, political parties, political action committees, ballot measure committees, associations and other political organizations operating under section 527 of the Internal Revenue Code.

Lilly already publicly discloses the information requested by the proposal regarding our direct and indirect lobbying expenditures.

Lilly makes extensive disclosures regarding its direct and indirect lobbying expenditures in its Political Participation Website, environmental, social and governance report, and other public disclosures regarding its political activities. The trade associations through which Lilly conducts its indirect lobbying activities (which are

evaluated annually by the company's U.S. government affairs leaders) also publicly disclose their lobbying expenditures. In recent years, following feedback from shareholders, Lilly substantially enhanced its disclosures related to its direct and indirect lobbying activities, including lobbying expenditures. Lilly voluntarily discloses its corporate political contributions and expenditures on an annual basis on the Political Participation Website. The proposal also requests we disclose our grassroots lobbying communications, however, Lilly does not engage in grassroots lobbying communications to the general public. Additional details regarding the company's corporate contributions, LillyPAC's contributions (which are also voluntarily disclosed on a bi-annual basis), contribution data, and the company's direct lobbying expenses are also already made available to the public from numerous public sources.

Lilly already publicly discloses the information requested by the proposal regarding our membership in, and payments to, any tax-exempt organization that writes and endorses model legislation.

As noted above, Lilly's Political Participation Website also contains information regarding the company's U.S. trade association memberships for which the company pays annual dues of \$50,000 or more and information regarding the percentage of dues collected by such trade associations utilized for federal and state lobbying and political expenditures. In the Political Participation Website, Lilly already discloses Lilly's memberships in organizations that report lobbying activity to the U.S. federal government, including the Pharmaceutical Research and Manufacturers of America, the National Association of Manufacturers, the Biotechnology Innovation Organization, the U.S. Chamber of Commerce, and the Business Roundtable.

Lilly already publicly discloses the information requested by the proposal regarding its decision-making process and the board's oversight over direct and indirect lobbying activities.

In this proxy statement and the Political Participation Website, Lilly already discloses its decision-making process and the board's oversight over the company's political expenditures and direct and indirect lobbying activities to ensure the company fulfills its commitment to stewardship of corporate funds and minimizes risk with respect to such activities.

For example, the board receives regular updates from management, and communications regarding public policy issues and the company's direct and indirect lobbying activities and receives semi-annual updates on direct and indirect lobbying activities and trade association memberships. See "[Governance—How We Operate an Effective Board—Key Areas of Oversight by the Board and Its Committees— Political Activities](#)" for additional information.

Requiring Lilly to prepare a separate report with this information would place an undue administrative burden on the company and would not provide meaningful additional information to shareholders.

We do not believe that publishing the standalone report requested by the proposal would provide meaningful additional information to shareholders to merit the resources required to provide the requested report. For these reasons, we believe the proposal is not in the best interests of the company and its shareholders.

X RECOMMENDATION AGAINST

The board recommends that you vote **AGAINST** this proposal.

Item 7. Proposal to Report on Effectiveness of the Company's Diversity, Equity, and Inclusion Efforts

As You Sow, on behalf of Marguerite Casey Foundation, each a beneficial owner of shares of our common stock having a market value in excess of \$2,000, has submitted the following proposal:

RESOLVED: Shareholders request that Eli Lilly & Co. (Eli Lilly) report to shareholders on the effectiveness of the Company's diversity, equity, and inclusion efforts. The report should be done at reasonable expense, exclude proprietary information, and provide transparency on outcomes, using quantitative metrics for workforce diversity, hiring, promotion, and retention of employees, including data by gender, race, and ethnicity.

SUPPORTING STATEMENT: Quantitative data is sought so that investors can assess and compare the effectiveness of companies' diversity, equity, and inclusion programs.