

LILLY ELI & CO
Form DEF 14A
March 05, 2012

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

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Check the appropriate box:

Preliminary Proxy Statement

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Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

ELI LILLY AND COMPANY

(Name of Registrant as Specified In Its Charter)

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2012 Annual Meeting and Proxy Statement

March 5, 2012

Dear Shareholder:

You are cordially invited to attend our annual meeting of shareholders on Monday, April 16, 2012.

The notice of meeting and proxy statement that follow describe the business we will consider at the meeting. Your vote is very important. I urge you to vote by mail, by telephone, or on the Internet to be certain your shares are represented at the meeting, even if you plan to attend.

Please note the ticket at the back of this proxy statement and our procedures for admission to the meeting described under Meeting and Voting Logistics below.

I look forward to seeing you at the meeting.

John C. Lechleiter, Ph.D.

Chairman, President, and Chief Executive Officer

Important notice regarding the availability of proxy materials for the shareholder meeting to be held April 16, 2012: The annual report and proxy statement are available at <http://www.lilly.com/pdf/lillyar2011.pdf>

Notice of Annual Meeting of Shareholders

April 16, 2012

The annual meeting of shareholders of Eli Lilly and Company will be held at the Lilly Center Auditorium, Lilly Corporate Center, Indianapolis, Indiana, on Monday, April 16, 2012, at 11:00 a.m. EDT for the following purposes:

- to elect four directors of the company to serve three-year terms
- to ratify the appointment by the audit committee of Ernst & Young LLP as principal independent auditor for the year 2012
- to approve, by non-binding vote, compensation paid to the company's named executive officers
- to approve amendments to the articles of incorporation to provide for annual election of all directors
- to approve amendments to the articles of incorporation to eliminate all supermajority voting requirements
- to consider shareholder proposals on establishing a majority vote committee and transparency in animal research.

Shareholders of record at the close of business on February 15, 2012, will be entitled to vote at the meeting and at any adjournment of the meeting.

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Attendance at the meeting will be limited to shareholders, those holding proxies from shareholders, and invited guests from the media and financial community. A page at the back of this report contains an admission ticket. If you plan to attend the meeting, please bring this ticket with you.

This combined proxy statement and annual report to shareholders is being posted online and mailed on or about March 5, 2012.

By order of the board of directors,

James B. Lootens

Secretary

March 5, 2012

Indianapolis, Indiana

Proxy Statement Overview

Annual Meeting of Shareholders

The annual meeting of shareholders will be held at 11:00 a.m. EDT on Monday, April 16, 2012 at:

The Lilly Center Auditorium

Lilly Corporate Center

Indianapolis, Indiana 46285

The board of directors of Eli Lilly and Company is soliciting proxies to be voted at the annual meeting and at any adjournment of the annual meeting. The record date for voting is February 15, 2012.

Meeting Agenda

Shareholders will vote on the following items at the annual meeting:

Agenda

Item	Management recommendation	Vote required to pass
Item 1 Elect the following nominees for director to serve a three-year term that will expire in 2015:	Vote FOR all	Majority of votes cast
Name and principal occupation	Joined the board	Age
Katherine Baicker, Ph.D.	2011	40
Professor of Health Economics, Harvard University		
J. Erik Fyrwald	2005	52
President, Ecolab Inc.		
Ellen R. Marram	2002	65
President, The Barnegat Group LLC		
Douglas R. Oberhelman	2008	59
Chairman and Chief Executive Officer, Caterpillar Inc.		
Item 2 Ratify the appointment of Ernst & Young as the company's principal independent auditor.	Vote FOR	Majority of votes cast
Item 3 Approve, by non-binding vote, compensation paid to the company's named executive officers.	Vote FOR	Majority of votes cast
Item 4 Approve amendments to the articles of incorporation to provide for annual election of all directors.	Vote FOR	80% of outstanding shares
Item 5 Approve amendments to the articles of incorporation to eliminate all supermajority voting requirements.	Vote FOR	80% of out-
Item 6 Consider a shareholder proposal on establishing a majority vote committee.	Vote AGAINST	standing shares Majority of votes cast
Item 7 Consider a shareholder proposal on transparency in animal research.	Vote AGAINST	

Additional information about these agenda items can be found under Items of Business and information on voting and attending the annual meeting can be found under Meeting and Voting Logistics below.

Board of Directors

The company's board is comprised of our chairman, president, and CEO, John Lechleiter, Ph.D. and 13 independent directors. Their biographies and qualifications can be found under Director Biographies below.

Committees of the board of directors

The board has six committees, all of which are staffed by independent directors. Additional information on the functioning of the board and its committees, including director independence, can be found beginning in the section titled Highlights of the Company's Corporate Governance Guidelines below.

Director compensation

Our independent directors receive cash compensation in the form of an annual retainer (\$100,000), with additional annual amounts for the lead director (\$30,000), committee chairs (\$12,000 to \$18,000, depending on the committee), and directors who serve on the audit committee or the science and technology committee (\$3,000). In addition, each independent director receives \$145,000 in shares of company stock each year, payable after service on the board has ended. Additional information about director compensation can be found under Director Compensation below.

Contacting the board of directors

You may send written communications to one or more members of the board, addressed to:

Board of Directors

Eli Lilly and Company

c/o Corporate Secretary

Lilly Corporate Center

Indianapolis, Indiana 46285

All such communications (from shareholders or other interested parties) will be forwarded to the relevant director(s), except for solicitations or other matters unrelated to the company.

Executive Compensation

Our compensation philosophy is designed to attract and retain highly-talented individuals and motivate them to create long-term shareholder value by achieving top-tier corporate performance while embracing the company's values of integrity, excellence, and respect for people. Our programs seek to:

- closely link compensation with company performance and individual performance
- foster a long-term focus
- reflect the market for pharmaceutical talent
- be efficient and egalitarian
- appropriately mitigate risk.

For a detailed discussion of our executive compensation programs and how they reflect our philosophy and are linked to company performance, please read the Compensation Discussion and Analysis section of this proxy statement.

Board of Directors

Katherine Baicker, Ph.D.	Michael L. Eskew	Sir Winfried Bischoff	Alfred G. Gilman, M.D., Ph.D.	Karen N. Horn, Ph.D.	Franklyn G. Prendergast, M.D., Ph.D.	J. Erik Fyrwald
<i>Professor of Health Economics, Department of Health Policy and Management, Harvard University School of Public Health; and Research Associate, National Bureau of Economic Research</i>	<i>Former Chairman and Chief Executive Officer, United Parcel Service, Inc.</i>	<i>Chairman, Lloyds Banking Group plc</i>	<i>Chief Scientific Officer, Cancer Prevention and Research Institute of Texas</i>	<i>Retired President, Private Client Services, and Managing Director, Marsh, Inc.</i>	<i>Edmond and Marion Guggenheim Professor of Biochemistry and Molecular Biology and Professor of Molecular Pharmacology and Experimental Therapeutics, Mayo Medical School; and Director, Mayo Clinic Center for Individualized Medicine</i>	<i>President, Ecolab Inc.</i>
Director since 2011	Director since 2008	Director since 2000	Director since 1995	Director since 1987	Director since 1995	Director since 2005
Board	Board	Board	Board	Board	Board	Board
committee: public policy and compliance	committees: audit [chair]; compensation	committees: directors and corporate governance; finance [chair]	committees: public policy and compliance; science and technology [chair]	committees: compensation [chair]; directors and corporate governance	committees: public policy and compliance; science and technology	committees: public policy and compliance; science and technology

R. David Hoover	John C. Lechleiter,	Douglas R. Oberhelman	Ellen R. Marram	Martin S. Feldstein,	Kathi P. Seifert	Ralph Alvarez
<i>Chairman, Ball Corporation</i>	<i>Ph.D. Chairman, President, and Chief Executive Officer</i>	<i>Chairman and Chief Executive Officer, Caterpillar Inc.</i>	<i>President, The Barnegat Group LLC</i>	<i>Ph.D. George F. Baker Professor of Economics, Harvard University</i>	<i>Retired Executive Vice President, Kimberly-Clark Corporation</i>	<i>Retired President and Chief Operating Officer, McDonald's Corporation</i>
Director since 2009 Board committees: audit; compensation	Director since 2005 Board committees: none	Director since 2008 Board committees: audit; finance	Director since 2002 Board committees: compensation; directors and corporate governance [chair]	Director since 2002 Board committees: audit; finance; public policy and compliance [chair]	Director since 1995 Board committees: audit; compensation	Director since 2009 Board committees: finance; public policy and compliance; science and technology

Director Biographies

Class of 2012

The following five directors' terms will expire at this year's annual meeting. Dr. Feldstein will retire from the board at the end of his current term. Each of the other directors in this class has been nominated and is standing for election to serve a term that will expire in 2015. See [Item 1. Election of Directors](#) below for more information.

Katherine Baicker, Ph.D.

Age 40

Director since 2011

Professor of Health Economics at the Harvard University School of Public Health, Department of Health Policy and Management; and Research Associate at the National Bureau of Economic Research

Dr. Baicker has been a professor of health economics at the Department of Health Policy and Management, School of Public Health, since 2007. From 2005 to 2007, she served as a Senate-confirmed member of the Council of Economic Advisers. From 1998 to 2005, Dr. Baicker was assistant professor and associate professor of economics at Dartmouth College. In 2001 and 2002 she also served as an economist to the Council of Economic Advisers, Executive Office of the President, and in 2003 was a visiting assistant professor at the University of Chicago Harris School of Public Policy. Dr. Baicker is a commissioner of the Medicare Payment Advisory Board and serves on the Panel of Health Advisers to the Congressional Budget Office. She is a member of the editorial boards of *Health Affairs* and the *Journal of Health Economics*, chair of the board of directors of AcademyHealth, editor of the *Forum for Health Economics and Policy*, and associate editor of the *Journal of Economic Perspectives*. She is an elected member of the Institute of Medicine. Dr. Baicker has been serving under interim election since December 2011.

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

Board committee: public policy and compliance

Martin S. Feldstein, Ph.D.

Age 72

Director since 2002

George F. Baker Professor of Economics, Harvard University

Dr. Feldstein is the George F. Baker Professor of Economics at Harvard University and president emeritus of the National Bureau of Economic Research. From 1982 through 1984, he served as chairman of the Council of Economic Advisers and President Ronald Reagan's chief economic adviser. Dr. Feldstein served as president and chief executive officer of the National Bureau of Economic Research from 1977 to 1982 and 1984 to 2008. In 2009, President Obama appointed him to the President's Economic Recovery Advisory Board. He is a member of the American Philosophical Society, a corresponding fellow of the British Academy, a fellow of the Econometric Society, and a fellow of the National Association for Business Economics. Dr. Feldstein is a trustee of the Council on Foreign Relations and a member of the Trilateral Commission, the Group of 30, the American Academy of Arts and Sciences, and the Council of Academic Advisors of the American Enterprise Institute, as well as past president of the American Economic Association. He previously served on the boards of American International Group, Inc., TRW, Phoenix Life Insurance, and HCA Inc.

Qualifications: Dr. Feldstein is a renowned economist, academic, and adviser to U.S. presidents of both political parties. He has deep economic and public policy expertise, financial acumen, and a global perspective. His background as an academic brings a diversity of experience and perspective to the board's deliberations. He has also served on the boards of several major public companies.

Board committees: audit; finance; public policy and compliance (chair)

J. Erik Fyrwald
President of Ecolab Inc.

Age 52

Director since 2005

J. Erik Fyrwald is president of Ecolab Inc. Prior to the merger of Ecolab and Nalco Company in December 2011, Mr. Fyrwald was chairman and chief executive officer of Nalco from 2008 to 2011. He joined Nalco following a 27-year career at DuPont. From 2003 to 2008, Mr. Fyrwald served as group vice president of the agriculture and nutrition division at DuPont. From 2000 until 2003, he was vice president and general manager of DuPont's nutrition and health business. At DuPont, he held a broad variety of assignments in a number of divisions covering many industries. He has worked in several locations throughout North America and Asia. Mr. Fyrwald serves as a director of the Society of Chemical Industry, the American Chemistry Council, and the Chicago Public Education Fund, and is a trustee of the Field Museum of Chicago.

Qualifications: Mr. Fyrwald has a strong record of operational and strategy leadership in two complex worldwide businesses with a focus on technology and innovation. An engineer by training, he has extensive senior executive experience at DuPont, a multinational chemical company, where he led the agriculture and nutrition division, which used chemical and biotechnology solutions to enhance plant health. He served for three years as chairman of the board and CEO of Nalco, a global technology-based water products and services company.

Board committees: public policy and compliance; science and technology

Ellen R. Marram
President, The Barnegat Group LLC

Age 65

Director since 2002

Ms. Marram will serve as the board's lead director beginning April 2012. Ms. Marram is the president of The Barnegat Group LLC, a firm that provides business advisory services. She was a managing director at North Castle Partners, LLC from 2000 to 2005 and served as an advisor to the firm from 2006 to 2010. From 1993 to 1998, Ms. Marram was president and chief executive officer of Tropicana and the Tropicana Beverage Group. From 1988 to 1993, she was president and chief executive officer of the Nabisco Biscuit Company, the largest operating unit of Nabisco, Inc.; from 1987 to 1988, she was president of Nabisco's grocery division; and from 1970 to 1986, she held a series of marketing positions at Nabisco/Standard Brands, Johnson & Johnson, and Lever Brothers. Ms. Marram is a member of the board of directors of Ford Motor Company and The New York Times Company, as well as several private companies. She previously served on the board of Cadbury plc. She also serves on the boards of Wellesley College, Institute for the Future, New York-Presbyterian Hospital, Lincoln Center Theater, and Families and Work Institute.

Qualifications: Ms. Marram is a former CEO with a strong marketing and consumer-brand background. Through her nonprofit 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.

Board committees: compensation; directors and corporate governance (chair)

Douglas R. Oberhelman
Chairman and Chief Executive Officer, Caterpillar Inc.

Age 59

Director since 2008

Mr. Oberhelman has been chairman of the board of Caterpillar Inc. since November 2010 and chief executive officer since July 2010. He previously served as vice chairman and chief executive officer-elect of Caterpillar. He joined Caterpillar in 1975 and has held a variety of positions, including senior finance representative based in South America for Caterpillar Americas Co., region finance manager and district manager for the company's North American commercial division, and managing director and vice general manager for strategic planning at Caterpillar Japan Ltd. Mr. Oberhelman was elected a vice president in 1995, serving as Caterpillar's chief financial officer from 1995 to November 1998. In 1998, he became vice president with responsibility for the engine products division and he was elected a group president and member of Caterpillar's executive office in 2002. Mr. Oberhelman serves on the boards of Caterpillar, the National Association of Manufacturers, and the Wetlands America Trust. He previously served on the board of Ameren Corporation. He is a member of the Executive Committee of the Business Roundtable and a member of the Business Council.

Qualifications: Mr. Oberhelman has a strong strategic and operational background as a senior executive (and currently as chairman and CEO) of Caterpillar, a leading manufacturing company with worldwide operations and a special focus on emerging markets. He is an audit committee financial expert as a result of his prior experience as CFO of Caterpillar and as a member and chairman of the audit committee of another U.S.

public company.

Board committees: audit; finance

Class of 2013

The following five directors will continue in office until 2013.

Ralph Alvarez Age 56 Director since 2009
Retired President and Chief Operating Officer, McDonald's Corporation

Mr. Alvarez served as president and chief operating officer of McDonald's Corporation from August 2006 until December 2009. Previously, he served as president of McDonald's North America, with responsibility for all the McDonald's restaurants in the U.S. and Canada. Prior to that, he was president of McDonald's USA. Mr. Alvarez joined McDonald's in 1994 and held a variety of leadership roles throughout his career, including chief operations officer and president of the central division, both with McDonald's USA, and president of McDonald's Mexico. Prior to joining McDonald's, he held leadership positions at Burger King Corporation and Wendy's International, Inc. Mr. Alvarez serves on the board of directors of Lowe's Companies, Inc. He also serves on the President's Council, the School of Business Administration Board of Overseers, and the International Advisory Board of the University of Miami. He was previously a member of the boards of McDonald's Corporation and KeyCorp.

Qualifications: Through his senior executive positions at McDonald's Corporation and 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 emerging markets.

Board committees: finance; public policy and compliance; science and technology

Sir Winfried Bischoff Age 70 Director since 2000
Chairman, Lloyds Banking Group plc

Sir Winfried Bischoff has been chairman of the board of Lloyds Banking Group plc since September 2009. He served as chairman of Citigroup Inc. from December 2007 until February 2009 and as interim chief executive officer for a portion of 2007. He served as chairman of Citigroup Europe from 2000 to 2009. From 1995 to 2000, he was chairman of Schroders plc. He joined the Schroder Group in 1966 and held a number of positions there, including chairman of J. Henry Schroder & Co. and group chief executive of Schroders plc. He is also a director of The McGraw-Hill Companies, Inc. He previously served on the boards of Citigroup Inc., Prudential plc, Land Securities plc, and Akbank T.A.S.

Qualifications: Sir Winfried Bischoff has a distinguished career in banking and finance, including commercial banking, corporate finance, and investment banking. He has CEO experience both in Europe and the U.S. He is a globalist, with particular expertise in European matters but with extensive experience overseeing worldwide operations. He has broad corporate governance experience from his service on public company boards in the U.S., UK, and other European and Asian countries.

Board committees: directors and corporate governance; finance (chair)

R. David Hoover Age 66 Director since 2009
Chairman, Ball Corporation

Mr. Hoover is chairman of Ball Corporation. Mr. Hoover joined Ball Corporation in 1970 and has held a variety of leadership roles throughout his career, including vice president and treasurer; executive vice president and chief financial officer; vice chairman, president, and chief operating officer; and chairman, president, and chief executive officer. He is a member of the boards of Ball Corporation and Energizer Holdings, Inc. Mr. Hoover previously served on the board of Irwin Financial Corporation. He is a member and past chair of the board of trustees of DePauw University and on the Indiana University Kelley School of Business Dean's Council. He is also a director of Boulder Community Hospital and a member of the Colorado Forum.

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Qualifications: Mr. Hoover has extensive CEO experience at Ball Corporation, with a strong record of leadership in operations and strategy. He is an audit committee financial expert 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.

Board committees: audit; compensation

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Franklyn G. Prendergast, M.D., Ph.D.

Age 66

Director since 1995

Edmond and Marion Guggenheim Professor of Biochemistry and Molecular Biology and Professor of Molecular Pharmacology and Experimental Therapeutics, Mayo Medical School; and Director, Mayo Clinic Center for Individualized Medicine

Dr. Prendergast is the Edmond and Marion Guggenheim Professor of Biochemistry and Molecular Biology and Professor of Molecular Pharmacology and Experimental Therapeutics at Mayo Medical School and the director of the Mayo Clinic Center for Individualized Medicine. He has held several other teaching positions at the Mayo Medical School since 1975.

Qualifications: Dr. Prendergast is a prominent medical clinician, researcher, and academician. He has extensive experience in senior-most administration at Mayo Clinic, a major medical institution, and as director of its renowned cancer center. He has special expertise in two critical areas for Lilly oncology and personalized medicine. As a medical doctor, he brings an important practicing-physician perspective to the board's deliberations.

Board committees: public policy and compliance; science and technology

Kathi P. Seifert

Age 62

Director since 1995

Retired Executive Vice President, Kimberly-Clark Corporation

Ms. Seifert served as executive vice president for Kimberly-Clark Corporation until June 2004. She joined Kimberly-Clark in 1978 and served in several capacities in connection with both the domestic and international consumer-products businesses. Prior to joining Kimberly-Clark, Ms. Seifert held management positions at Procter & Gamble, Beatrice Foods, and Fort Howard Paper Company. She is chairman of Katapult, LLC. Ms. Seifert serves on the boards of Supervalu Inc.; Revlon Consumer Products Corporation; Lexmark International, Inc.; Appleton Papers Inc.; the U.S. Fund for UNICEF; and the Fox Cities Performing Arts Center.

Qualifications: Ms. Seifert is a retired senior executive of Kimberly-Clark, a global consumer products company. 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.

Board committees: audit; compensation

Class of 2014

The following four directors will continue in office until 2014.

Michael L. Eskew

Age 62

Director since 2008

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

Mr. Eskew served as chairman and chief executive officer of United Parcel Service, Inc., from January 2002 until December 2007. He continues to serve on the UPS board of directors. Mr. Eskew began his UPS career in 1972 as an industrial engineering manager and held various positions of increasing responsibility, including time with UPS's operations in Germany and with UPS Airlines. In 1993, Mr. Eskew was named corporate vice president for industrial engineering. Two years later he became group vice president for engineering. In 1998, he was elected to the UPS board of directors. In 1999, Mr. Eskew was named executive vice president and a year later was given the additional title of vice chairman. He serves as chairman of the board of trustees of The Annie E. Casey Foundation. Mr. Eskew also serves on the boards of 3M Corporation and IBM Corporation.

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.

Board committees: audit (chair); compensation

Alfred G. Gilman, M.D., Ph.D.

Age 70

Director since 1995

Chief Scientific Officer, Cancer Prevention and Research Institute of Texas

Dr. Gilman is the chief scientific officer of the Cancer Prevention and Research Institute of Texas and regental professor of pharmacology emeritus at the University of Texas Southwestern Medical Center at Dallas. Dr. Gilman was on the faculty of the University of Virginia School of Medicine from 1971 to 1981 and was named a professor of pharmacology there in 1977. He previously served as executive vice president for academic affairs and provost of the University of Texas Southwestern Medical Center at Dallas, dean of the University of Texas Southwestern Medical School, and professor of pharmacology at the University of Texas Southwestern Medical Center. He held the Raymond and Ellen Willie Distinguished Chair of Molecular Neuropharmacology; the Nadine and Tom Craddick Distinguished Chair in Medical Science; and the Atticus James Gill, M.D., Chair in Medical Science at the university and was named a regental professor in 1995. He is a director of Regeneron Pharmaceuticals, Inc. Dr. Gilman was a recipient of the Nobel Prize in Physiology or Medicine in 1994.

Qualifications: Dr. Gilman is a Nobel Prize-winning pharmacologist, researcher, and professor. He has deep expertise in basic science, including mechanisms of drug action, and experience with pharmaceutical discovery research. As the former dean of a major medical school, he brings to the board important perspectives of both the academic and practicing medical communities.

Board committees: public policy and compliance; science and technology (chair)

Karen N. Horn, Ph.D.

Age 68

Director since 1987

Retired President, Private Client Services, and Managing Director, Marsh, Inc.

Ms. Horn will serve as the board's lead director until April 2012. She served as president of private client services and managing director of Marsh, Inc. from 1999 until her retirement in 2003. Prior to joining Marsh, she was senior managing director and head of international private banking at Bankers Trust Company; chairman and chief executive officer of Bank One, Cleveland, N.A.; president of the Federal Reserve Bank of Cleveland; treasurer of Bell Telephone Company of Pennsylvania; and vice president of First National Bank of Boston. Ms. Horn serves as director of T. Rowe Price Mutual Funds; Simon Property Group, Inc.; and Norfolk Southern Corporation and vice chairman of the U.S. Russia Foundation. She previously served on the board of Fannie Mae and Georgia-Pacific Corporation. Ms. Horn has been senior managing director of Brock Capital Group since 2004.

Qualifications: Ms. Horn is a former CEO with extensive experience in various segments of the financial industry, including banking and financial services. Through her for-profit and her public-private partnership work, she has significant experience in international economics and finance. Ms. Horn has extensive corporate governance experience through service on other public company boards in a variety of industries.

Board committees: compensation (chair); directors and corporate governance

John C. Lechleiter, Ph.D.

Age 58

Director since 2005

Chairman, President, and Chief Executive Officer

Dr. Lechleiter is chairman, president, and chief executive officer of Eli Lilly and Company. He served as president and chief operating officer from 2005 to 2008. He joined Lilly in 1979 as a senior organic chemist and has held management positions in England and the U.S. He was named vice president of pharmaceutical product development in 1993 and vice president of regulatory affairs in 1994. In 1996, he was named vice president for development and regulatory affairs. Dr. Lechleiter became senior vice president of pharmaceutical products in 1998 and executive vice president for pharmaceutical products and corporate development in 2001. He was named executive vice president for pharmaceutical operations in 2004. He is a member of the American Chemical Society and the Business Roundtable. Dr. Lechleiter serves as chairman-elect of Pharmaceutical Research and Manufacturers of America (PhRMA), and on the boards of United Way Worldwide, Xavier University (Cincinnati, Ohio), Life Sciences Foundation, and the Central Indiana Corporate Partnership. He also serves on the board of Nike, Inc.

Qualifications: Dr. Lechleiter is our chairman, president, and chief executive officer. Under our corporate governance guidelines, the CEO is expected to serve on the board of directors. Dr. Lechleiter, a Ph.D. chemist, has over 30 years of experience with the company in a variety of roles of increasing responsibility in research and development, sales and marketing, and corporate administration. As a result, he has a deep understanding of pharmaceutical research and development, sales and marketing, strategy, and operations. He also has significant corporate

governance experience through service on other public company boards.

Board committees: none

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Highlights of the Company's Corporate Governance Guidelines

The following summary provides highlights of the company's guidelines established by the board of directors. A complete copy of the guidelines is available online at <http://investor.lilly.com/governance.cfm> or in paper form upon request to the company's corporate secretary.

I. Role of the Board

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

- providing general oversight of the business
- approving corporate strategy
- approving major management initiatives
- providing oversight of legal and ethical conduct
- overseeing the company's management of significant business risks
- selecting, compensating, and evaluating directors
- evaluating board processes and performance
- selecting, compensating, evaluating, and, when necessary, replacing the chief executive officer, and compensating other senior executives
- ensuring that a succession plan is in place for all senior executives.

II. Composition of the Board

Mix of Independent Directors and Officer-Directors