

## Statement in Compliance with the Modern Slavery Act 2015

### INTRODUCTION FROM THE SENIOR FINANCE DIRECTOR, UK HUB

Section 54(1) of the Modern Slavery Act 2015 requires commercial organisations which supply goods or services in the UK and have a minimum total turnover of £36 million per year to prepare a slavery and human trafficking statement for each financial year.

Eli Lilly and Company Limited and Eli Lilly Holdings Limited (together the “**Company**”) maintains a long-standing practice of complying with local minimum age laws and requirements and does not employ child labour, or forced or compulsory labour, in any of its facilities globally. For more information on this, please visit the Company’s 2017 Corporate Responsibility Report at:

<https://www.lilly.com/2017-integrated-summary-report>

The Company is committed to ensuring that its supply chains are free from slavery or human trafficking. The Company has enacted a Supplier Code of Conduct with which both its existing and new suppliers are contractually obliged to adhere to, it has introduced new measures to effectively vet potential new suppliers for compliance with modern slavery requirements, and it is committed to providing tailored training on anti-slavery and human trafficking requirements and awareness to its key staff.

### ORGANISATION OF THE BUSINESS

The Company researches, develops, manufactures and sells pharmaceuticals and animal health products in the UK. The Company is part of the Eli Lilly Group (the “**Group**”) and the Company’s ultimate parent company is Eli Lilly and Company, which has its head office in the US. The Group has over 41,000 employees worldwide and markets products in over 120 countries.

The Group had a global annual turnover of \$22.9 billion in 2017.

### THE COMPANY’S SUPPLY CHAINS

The Company’s supply chains include the following:

- research and development activities including clinical trials;
- production inputs including raw materials, packaging materials and laboratory chemicals;
- contract manufacturing agreements;
- distribution arrangements;
- facility construction;
- Information Technology goods and services; and
- Sales, marketing, general & administration goods and services

The Company contracts with vendors in a number of countries. The Company is committed to implementing a risk assessment procedure and accompanying due diligence process in respect of suppliers in higher risk countries (according to the Human Slavery Index) and in

respect of higher risk industries (according to PSCI) to ensure that suppliers comply with the Company's code of conduct and ethical standards. Please see 'Due Diligence Processes for Slavery and Human Trafficking' below for more details.

## **THE COMPANY'S POLICIES ON SLAVERY AND HUMAN TRAFFICKING**

The Company is committed to ensuring that there is no modern slavery or human trafficking in its supply chains or in any part of the Company's business. The Company's Supplier Code of Conduct outlines its expectation that suppliers will respect and abide by the Company's human rights standards to ensure that slavery and human trafficking is not taking place anywhere in the Company's supply chains:

<https://www.lilly.com/suppliers/supplier-code-of-conduct>

The Company is also a participant in the industry group Pharmaceutical Supply Chain Initiative ("PSCI") and has adopted the PSCI principles for responsible supply chain management. The PSCI principles are designed to align with the principles of the United Nations Global Impact; they represent high-level expectations set for industry suppliers in the areas of ethics, labour, health and safety, the environment and related management systems. The Company's Supplier Code of Conduct reflects the PSCI principles. To view the PSCI principles, please visit:

<https://pscinitiative.org/principles>

## **DUE DILIGENCE PROCESSES FOR SLAVERY AND HUMAN TRAFFICKING**

As part of the Company's initiative to identify and mitigate risk it:

- carries out an annual risk analysis of its current UK supply base, focussing on segmenting current suppliers by geography and industry risk;
- risk assessed the Company's industry;
- mapped its current supply chain suppliers;
- benchmarked external best practices and published reports on preventing slavery and human trafficking in the supply chain; and
- ensured that all current suppliers above a very low materiality of spend which fall into both the overlapping higher geographical risk and higher industry risk segment were subject to site visits and accompanying audits within the last two years with repeat visits at least every two years

The Company is implementing an initial risk assessment system for potential new suppliers, with a view to identifying certain key indicators which assists the Company in determining the level of modern slavery risk associated with that supplier and the appropriate level of due diligence to be carried out. Potential new Suppliers identified in the higher risk geography and higher risk industry overlap will be subject to increased scrutiny. Such further due diligence may include site visits which may include environmental, health & safety, quality and sustainability audits. These key indicators include:

- the country in which the supplier is based and its ranking on the Global Slavery Index;
- the services or goods which the supplier provides; and
- the supplier's relationships with suppliers and others, including trade unions and other bodies representing workers.

The Company has also implemented an ongoing risk assessment system for its existing supply chains based on the key indicators outlined above. If an existing supplier presents a modern slavery risk based on those factors, the Company will review the arrangements with that supplier and conduct further due diligence to assess the extent to which that supplier complies with anti-slavery requirements.

### **SUPPLIER ADHERENCE TO THE COMPANY'S VALUES AND ETHICS**

The Company has zero tolerance to slavery and human trafficking. To ensure all those in the Company's supply chain and contractors comply with the Company's values, all agreements with suppliers require that suppliers represent and warrant to the Company that they comply with all applicable laws and regulations. For any supplier not meeting the Company's expectations under its contractual arrangements, the Company reserves the right to terminate the agreement.

In addition, the Company requires that all suppliers comply with the Company's Supplier Code of Business Conduct.

The Company has a dedicated compliance team, which consists of involvement from the following departments:

- Legal;
- Quality;
- Audit, ethics and compliance;
- Human resources; and
- Finance and Procurement.

The Company follows Ethical Procurement Practices and its Procurement and Sourcing staff are given extensive specific training in this area, including 'Ethical Interactions with External Parties' and 'Dealing With Suppliers'. All Procurement and Sourcing employees are regularly made aware of Anti-Slavery and Human Trafficking considerations when interacting with suppliers. Additionally, the Company's Financial Responsibility and Authorisation Policy requires Procurement to be engaged in transactions over a certain material spend threshold.

Company employees must also comply with all Company policies and procedures, and all laws and regulations that apply to Company business operations, and are trained annually on these considerations as a mandatory training requirement. This includes laws regarding slavery and human trafficking. Any violations of this policy are subject to disciplinary measures including dismissal as appropriate.

The Company also has in place systems to protect whistle blowers:

<http://mylilly.am.lilly.com/UK/Employee/Pages/PoliciesGEC/SpeakingUpNoRetaliationProcedure.aspx>

This policy encourages Company staff to report known or suspected issues, concerns, or behaviour that could harm the Company or those it serves and reiterates that retaliation for whistleblowing is not tolerated.

## **THE COMPANY'S EFFECTIVENESS IN COMBATING SLAVERY AND HUMAN TRAFFICKING**

The Company will use the following key performance indicators to measure how effective the Company's anti-slavery measures are in ensuring that slavery and human trafficking is not taking place in any part of the Company's business or supply chains:

- ensuring that all staff in all relevant functions within the Company have been trained in anti-slavery and human trafficking requirements, in terms of awareness of risk, appropriate decision-making and swift action;
- carrying out an annual Third Party Risk Assessment exercise; and
- ensuring all suppliers with which the Company contracts and who have been identified as presenting a modern slavery risk have been made aware of the Company's Supplier Code of Conduct, including in respect of anti-slavery and human trafficking.

## **DECLARATION**

This statement is made pursuant to section 54(1) of the Modern Slavery Act 2015 and constitutes the Company's slavery and human trafficking statement for the financial year ending 31 December 2018.

NICHOLAS B LEMEN, SENIOR FINANCE DIRECTOR UK HUB

ELI LILLY AND COMPANY LIMITED

ELI LILLY HOLDINGS LIMITED

Date: 12<sup>th</sup> December 2018