

# The Business Value of Environmental Social Governance (ESG)

*Greg Spratt – Advisor for Environmental Sustainability*

*Eli Lilly and Company*

Company Confidential

© 2012 Eli Lilly and Company

# Objectives, agenda

## Objectives

- Discuss the value of ESG, the Triple Bottom Line and Shared Value to business
- Learn about what's worked, what hasn't and what we have yet to do
- Look for opportunities to share learning



## Agenda

- Eli Lilly and Company overview, environmental performance
- The Triple Bottom Line, Shared Value and Environmental Social Governance
- A case study (our evolution)
- What we've learned and where we're going

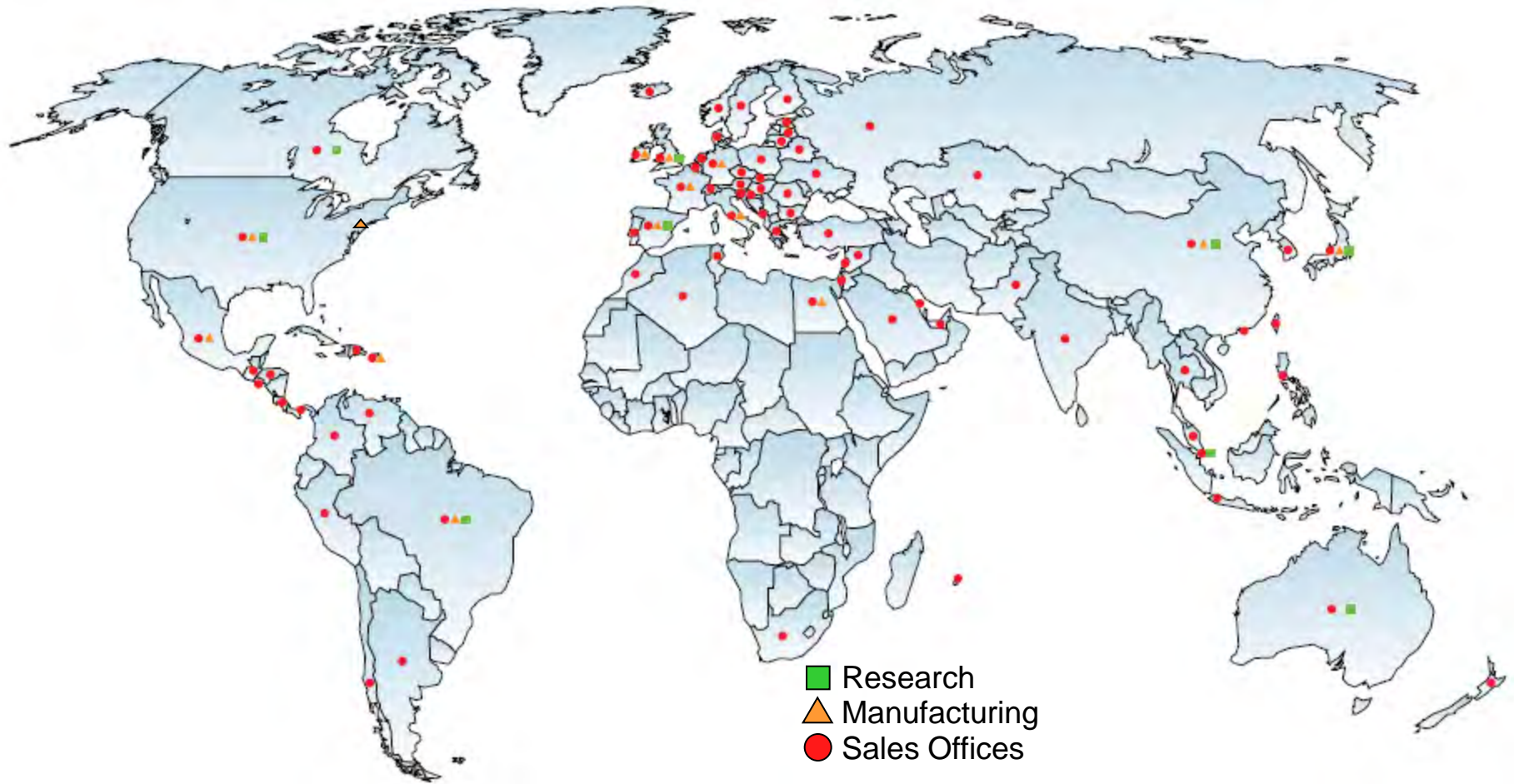
# Eli Lilly and Company

- A leading innovation-driven pharmaceutical corporation
- Applying the latest research from its own worldwide laboratories
- Collaborating with eminent scientific organizations and making use of the most up-to-date technological tools
- Providing answers to meet some of the world's most urgent and unmet medical needs

# Global Fast Facts

- A heritage more than 135 years strong, founded on May 10, 1876
- Headquarters located in Indianapolis, Indiana, U.S.A.
- Approximately 38,000 employees worldwide
- Approximately 7,700 employees engaged in research and development
- Clinical research conducted in more than 55 countries
- Research and development facilities located in 8 countries
- Manufacturing plants located in 13 countries
- Products marketed in 125 countries

# Lilly's Global Presence



# Our Vision

## **Improved Outcomes for Individual Patients**

We will make a significant contribution to humanity by improving global health in the 21<sup>st</sup> century. Starting with the work of our scientists, we will place improved outcomes for individual patients at the center of what we do. We will listen carefully to understand patient needs and work with health care partners to provide meaningful benefits for the people who depend on us.

# Transparency

- Lilly works with various individuals and organizations to improve patient outcomes and the healthcare system.
- We are proud of the support we provide in collaboration with others to help advance the treatment and care of those battling illnesses.
- We disclose information about our interactions in the spirit of transparency. We believe this is critical to rebuilding trust in our industry.
- Disclosures include clinical trial data and financial disclosures including payments to physicians, educational grants, charitable donations, and political support.

# Our Responsibility

For more than 135 years, Lilly has demonstrated a commitment to be a responsible global citizen—in large part through a long history of philanthropic contributions. Our greatest contribution to society, however, is to continue to discover and develop innovative medicines.

Lilly also demonstrates corporate responsibility through:

- Improving global health – with a focus on people in need
- Patient programs
- Supporting communities
- Giving
- Volunteering
- Operating responsibly
- Environmental stewardship

# Strengthening our Communities

- We invest in our communities in a variety of additional ways, including through cash donations, employee volunteerism and giving, and disaster relief.
- In Indiana, we continue to be the leader in supporting the United Way. Lilly employees and the company match account for about 25% of the annual campaign for the United Way of Central Indiana.
- Lilly once again responded to major natural disasters in 2011, including Hurricane Sandy.

# Employee Volunteerism

## Lilly Global Day of Service

- In October 2012, over 20,000 Lilly employees in 40 countries volunteered in their communities as part of our annual Global Day of service.
- In four years, we've totaled more than 475,000 volunteer hours at a value of nearly \$10 million.



## Connecting Hearts Abroad

- 200 Lilly employees each year sent – on company time and expense – to volunteer in areas of great need around the world.



# Awards and Recognition

- 2020 Women on Boards Winning Company
- Diversity Inc. “Top 50 Companies for Diversity” and the “Top Company for Working Families”
- Forbes.com “Most Generous U.S. Companies”
- Fortune Magazine “Global Top Companies for Leaders”
- Human Rights Campaign Foundation “Corporate Equity Index–Perfect Score”
- Institutional Investor “Top Shareholder-Friendly Companies”
- International Chamber of Commerce “World Business and Development Award”
- LATINO 100 “Top Companies Providing the Most Opportunities for Latinos”
- Med Ad News “Most Admired Global Companies”
- National Association for Female Executives “Top Companies for Executive Women”
- Project HOPE “Global Health Partner Award”
- Science Journal “Top 20 Biopharmaceutical Employers”
- Science Magazine “Best Companies for Scientists”
- The Scientist Magazine “Top 30 Best Places to Work in Industry”
- U.S. Department of the Interior “Take Pride in America”
- U.S. Small Business Administration “Outstanding Rating for Supplier Diversity Initiatives”
- United Way of America “Summit Award for Corporate Philanthropy, Community Investment and Community Impact” and “Spirit of America®”
- Working Mother Magazine “100 Best Companies for Working Mothers”



# Values and beliefs forge a commitment to excellence

Our health, safety, and environmental performance is directly related to our commitment as leaders and our ability to maximize employee involvement.

Lilly values pave the way for three fundamental HSE beliefs:

- No one should be hurt doing their job at Lilly...Ever
- The Earth is ours to protect and pass on to future generations
- World Class HSE performance is a reflection of Lilly's integrity.



# Case study - our sustainability journey



# Global Environmental Goal Performance

From 2007-2012



Almost an **18%** energy intensity efficiency  
nearly **17%** greenhouse gas (GHG)  
emission reduction



Achieved over a **37%** reduction in  
water intake



Reduced our waste to landfill by about  
**62%** and 11 sites report being zero-  
landfill

Goals are relative to a 2013 target.  
Includes accounting for mergers, divestitures and acquisitions.

Go to [lilly.com/responsibility](http://lilly.com/responsibility) to learn more

# Global Environmental Goal Impact



- With lower energy consumption through greater energy efficiency at Lilly sites, we **avoided ~\$137M** in energy costs 2007-2012
- The difference in greenhouse gas emissions reduction due to lower energy consumption from 2007-2012 is equivalent to the annual emissions of about **48,000 passenger vehicles**.



- Estimated **\$8M savings** from 2007-2012\*
- The decrease in water intake from 2007 through 2012 is equivalent to the water required to fill about **2,900 Olympic-sized swimming pools**.



- Estimated **\$40M savings** from 2007-2012\*\*
- The reduction in total waste generated between 2007 and 2012 is equivalent to the amount to fill nearly **10,000 garbage trucks**.

**Estimated ~\$185M savings from 2007-2012**

\* Based upon company (Lilly) derived cost factor

\*\* Based upon industry derived cost factor

# Continuance of our Environmental Goals

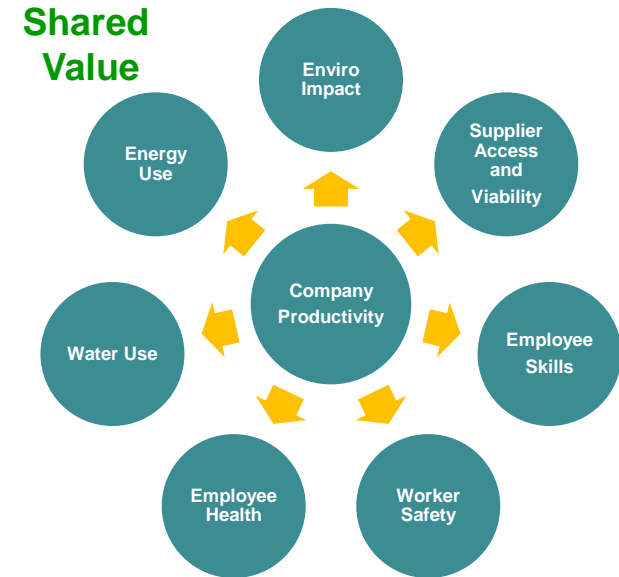
## Why is this important for our business?

### Our goals:

- Set clear direction & focus the organization
- Change behavior
- Drive culture
- Demonstrate transparency & commitment

### We Value:

- Continued cost savings
  - **~\$185M** savings from '07-'12 from progress toward current goals / **~\$176M** in forecasted savings for new goal period
  - Energy, Waste, Water Reduction Capital Fund (EWRF) has average 1.8-yr simple payback
- Reduced environmental impact
- Improved social impact (branding, stakeholder engagement, community impact)



### We are committed to:

- **Leverage efficiencies via goals** to achieve value (i.e. Every Dollar Counts).
- **Stay in step with pharma the sector.**

# Lilly Waste (101)

Recycle  
**70%**

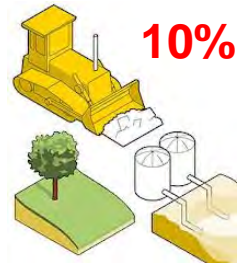


Includes waste  
to Energy

**20%** Offsite Waste  
Treatment



Waste to  
Landfill  
**10%**



Evaluate  
disposition  
based on  
economics,  
logistics,  
schedule, and  
availability of  
capable waste  
facility.

Process Wastes



Office Waste



Construction



Treatment Residue

**WASTE**



Reuse

Byproducts (mycelia, urea, coal ash),  
Some surplus raws  
Returned supplier packaging

Piped to WWTP

Waste-water  
Treatment Plant



Raw  
Materials

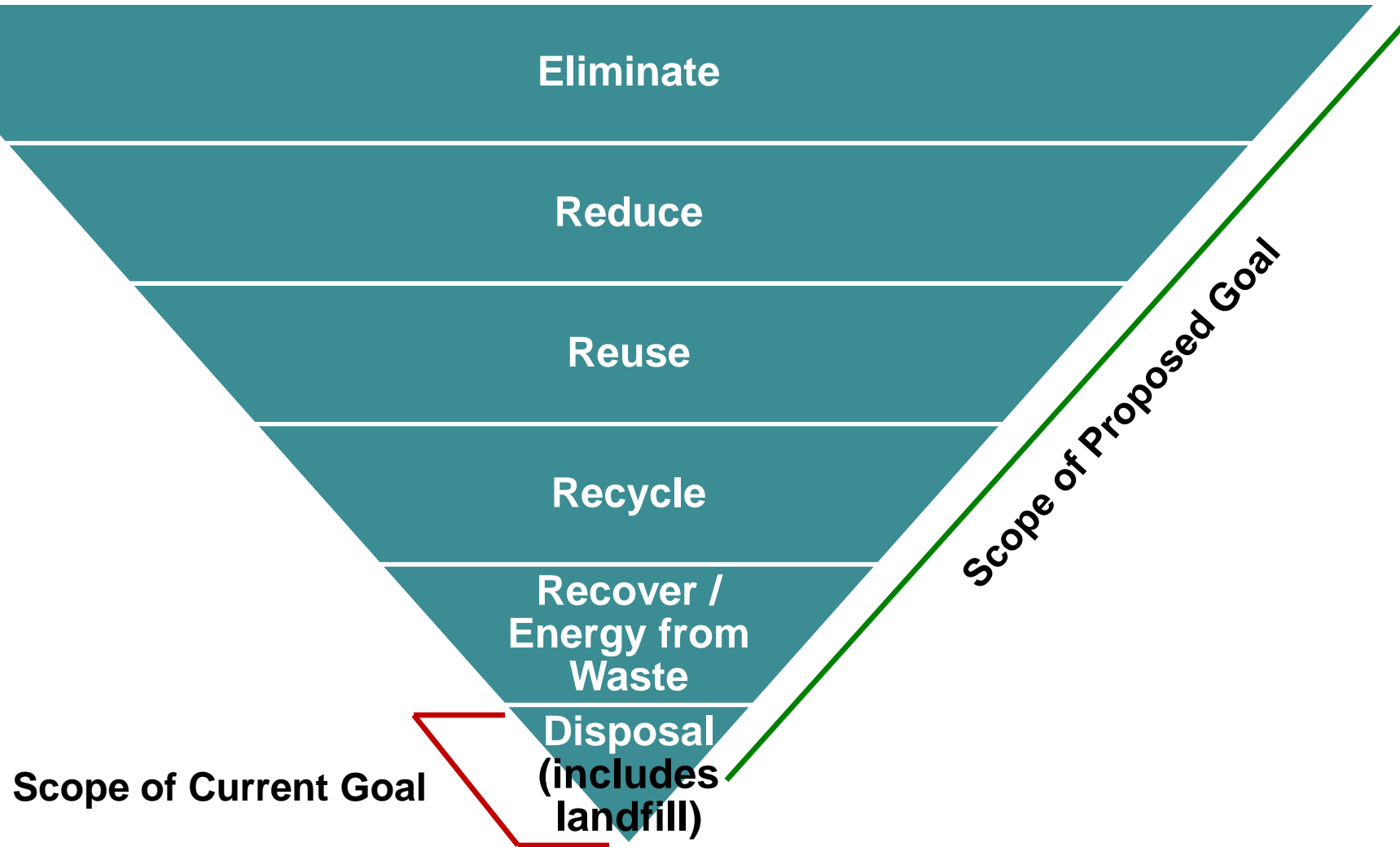


Lilly Site

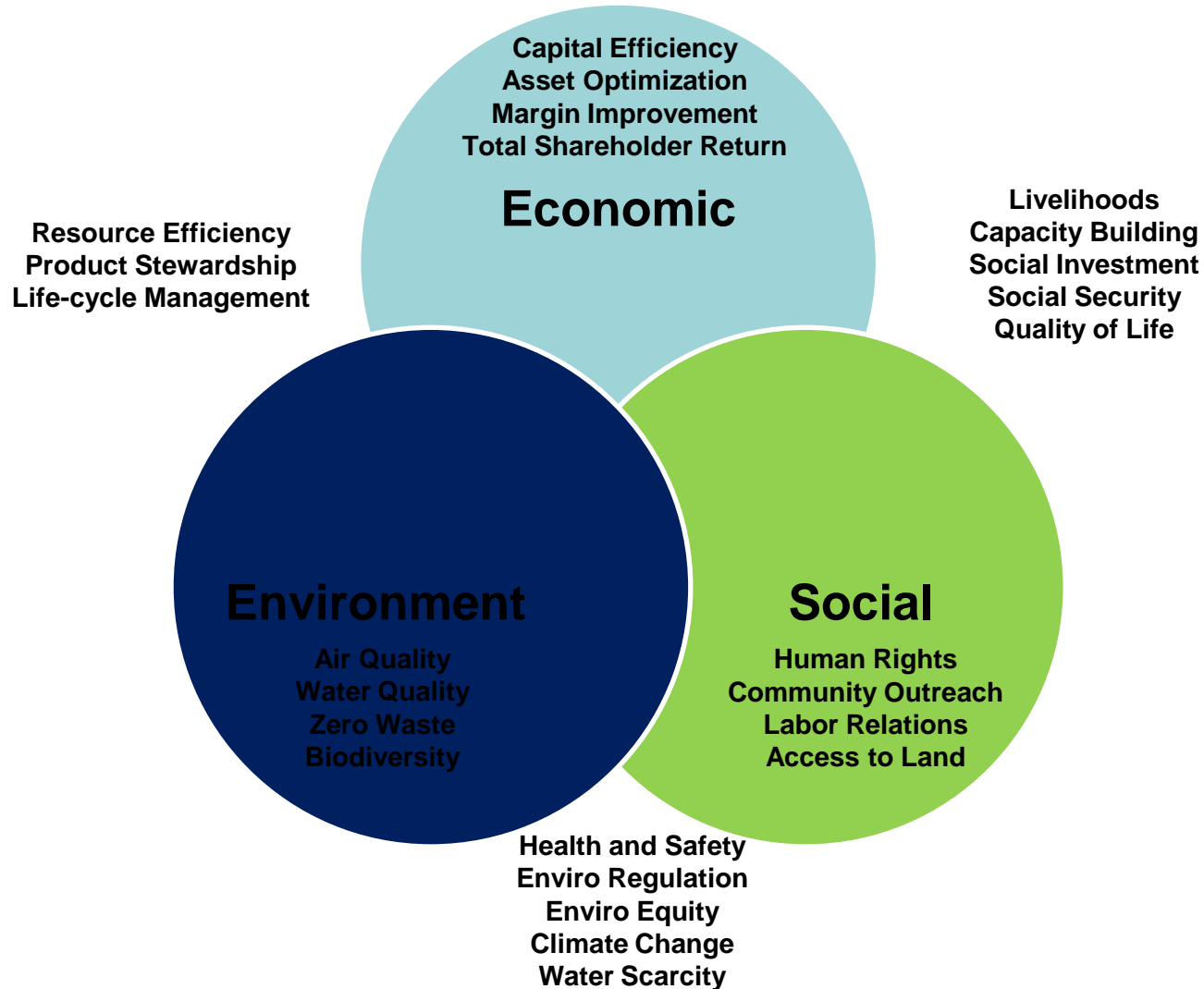


Product

# The Waste Hierarchy



# The Triple Bottom Line (or – Environmental Social Governance)



# Storm water Management



<http://link.backlight.tv/videos/review/?videoCode=NSsQcRF807SLS2345AHKarrfh94efu07SLS2345AHg6239EQ90L6239EQ90L&externaluser=gspratt@lilly.com>

# Teacher's Day



[http://s3.backlightcdn.com/player13/backlight\\_player.swf?video\\_code=owpUO3TAthJtVbpkrX87PL93GUS8Lw6239EQ90L6239EQ90L&autostart=](http://s3.backlightcdn.com/player13/backlight_player.swf?video_code=owpUO3TAthJtVbpkrX87PL93GUS8Lw6239EQ90L6239EQ90L&autostart=)

# O is for Outrage



<http://www.youtube.com/watch?v=nhQefMOqw1A>

# NCD Partnership



[http://www.youtube.com/watch?feature=player\\_embedded&v=mn7NoJDbWlo](http://www.youtube.com/watch?feature=player_embedded&v=mn7NoJDbWlo)

# Random acts of kindness? Nope....

	Traditional Positioning	New Positioning
<b>Nike</b>	Shoes, Apparel	Health and Wellness
<b>Nestle</b>	Food	Nutrition
<b>IBM</b>	Computing / Tech	Smarter Planet / Smarter Cities
<b>Zip Car</b>	Car Rental	Rethinking Urban Mobility

# Corporate Social Responsibility vs. Corporate Shared Value

CSR	CSV
Value: doing good	Value: economic and societal benefits relative to cost
Citizenship, philanthropy, sustainability	Joint company and community value creation
Discretionary or in response to external pressure	Integral to competing
Separate from profit maximization	Integral to profit maximization
Agenda is determined by external reporting and personal preferences	Agenda is company specific and internally generated
Impact limited by corporate footprint and CSR budget	Realigns the entire company budget
<b>Example:</b> Fair trade purchasing	<b>Example:</b> Transforming procurement to increase quality and yield

In both cases, compliance with laws and ethical standards and reducing harm from corporate activities are assumed.

# Elanco Animal Health

- Elanco develops and markets products to improve animal health and protein production in more than 75 countries.
- Elanco employs more than 2,500 people worldwide, with offices in more than 40 countries
- Elanco is committed to improving animal health and well being, increasing animal productivity, improving food safety and helping pets live longer, healthier lives.
- Elanco products help the food industry produce an abundant supply of safe, nutritious and affordable food. Additionally, they enhance animal health, wellness and the human-pet bond.





# The wave of global hunger



In the year **2050**,  
world **population**  
will require



▶ **100%**  
more **food**,<sup>1,2</sup> and




▶ **70%** of this  
food must come from  
efficiency-improving  
**technology**<sup>3</sup>

# Elanco – Fighting Global Hunger



[http://www.youtube.com/watch?feature=player\\_embedded&v=s2Hcf0VLzE4](http://www.youtube.com/watch?feature=player_embedded&v=s2Hcf0VLzE4)

# What didn't work, what worked, what we still have yet to do

- Let's go  green!
- Let's do the right thing (just for the sake of doing the right thing)
- Is it the economic, environment or social benefit (or combinations thereof)?
- Meet your partner on THEIR ground (which aspect of the TBL is most meaningful for them?)
- Assessing and communicating material impacts
- Striving toward shared value, but it's an evolution

# Key takeaways. ...

- Ideally, shared value is what we all should strive for, but. ...
- Initiatives that leverage one or two legs of the TBL are still good (and a necessary step in your company's evolution)
- You don't have to be a global corporation to make an impact (i.e. think global, act local)

# Let's talk. ...

