

Shareholder Proposal Regarding International Outsourcing of Animal Research

Gloria J. Eddie, on behalf of Susan L. Hall, People for the Ethical Treatment of Animals (PETA), 1060 Cambridge Avenue, Menlo Park, California 94025, beneficial owner of approximately 281 shares, has submitted the following proposal.

RESOLVED, that the Board report to shareholders on the rationale for increasingly exporting the Company's animal experimentation to countries which have either non-existent or substandard animal welfare regulations and little or no enforcement. Further, the shareholders request that the report include information on the extent to which Lilly requires – at a minimum – adherence to U.S. animal welfare standards at its facilities in foreign countries.

Supporting Statement:

Eli Lilly has publicly committed to an “ethical and scientific obligation to ensure the appropriate treatment of animals used in research, to minimize the number of animals involved, and to pursue the development of alternative test systems.”⁵ However, many of the countries to which the Company is re-locating its animal research and testing are known for having no or poor animal welfare standards and negligible oversight.

In January 2006, Business Week reported that “Increasingly, Lilly is moving its research and development . to China, India, and the former Soviet bloc.”⁶ The November 13, 2006, issue of *Forbes* magazine also reported that Eli Lilly had “announced plans recently to set up research units in China.” The *Forbes* article noted that the rationale for shifting animal testing to China is that “scientists are cheap, lab animals plentiful and pesky protesters held at bay” and quoted a pharmaceutical industry executive who “admits that Chinese testing companies lack quality control and high standards on treatment.”⁷

Our Company now conducts a significant portion of its research in foreign laboratories, with 20% of its scientists based in China (its largest non-U.S.-based Research & Development team).⁸ Purposely re-locating research to regions with lower animal costs, easy animal availability, and lower welfare standards is in direct conflict with Lilly's stated commitment to reducing, refining, and replacing animal use.

Shareholders deserve to know whether animal testing is being moved to foreign countries in order to circumvent American animal welfare laws and reduce oversight and other protections for animals, and whether research conducted at Lilly facilities in other countries is held to at least the same standards as animal testing conducted at its U.S. facilities.

⁵ <http://www.lilly.com/about/policies/#animal>

⁶ “Lilly's Labs Go Global”; Business Week (Jan. 30, 2006)

⁷ “Comparative Advantage”; Forbes, p. 76 Vol. 178 No. 10 (Nov. 13, 2006)

⁸ “Lilly Eyes R&D for Sales Rise”; China Daily, p.10 (Aug. 18, 2005)