Compensation Committee Charter

Purpose
The compensation committee shall act on behalf of the board of directors to establish the compensation of executive officers of the company and to provide oversight of the company's global compensation philosophy. The committee shall also act as the oversight committee with respect to the company's deferred compensation plans, management stock plans, and the company's bonus plans covering executive officers and other senior management.

Composition and Term
The committee shall consist of no fewer than three directors, all of whom must be independent as determined by the board in accordance with its guidelines and applicable New York Stock Exchange listing requirements. Committee members shall also be "non-employee directors" under Rule 16b-3 of the Securities Exchange Act of 1934 and "outside directors" under Section 162(m) of the Internal Revenue Code. No committee member shall be a former officer or employee of the company.

The committee members shall be appointed by the board for one-year terms. The chairperson shall be designated by the board.

Administrative Matters
The committee shall meet at such times as it determines to be necessary or appropriate. The committee shall meet in executive session at least once each year in connection with the assessment of the performance and compensation of the chief executive officer and in connection with oversight of succession management, and may meet in executive session at any other time it deems appropriate.

The committee shall report to the board at the next board meeting following each committee meeting.

The committee may request any officer or employee of the company, the company's outside counsel, or representatives of the company's independent auditor to attend a meeting of the committee or to meet with any members of, or advisors to, the committee.

Supporting Corporate Staff
Senior vice president responsible for human resources
Global compensation and benefits
Office of the corporate secretary

Duties and Responsibilities
The committee shall have the following duties and responsibilities:

1. Together with the other independent directors, review and approve corporate and individual goals and objectives relevant to the compensation of the chief executive officer and evaluate the CEO's performance in light of those goals and objectives; then, based on that evaluation, exercise sole responsibility to determine the CEO's compensation.

2. Review and approve the compensation of each other executive officer of the company. The committee's responsibilities in connection with establishing the compensation of the CEO and other executive officers shall include:

    - Approving the company's statement of total compensation philosophy and strategy
    - Approving the selection of peer companies to monitor the company's compensation competitiveness
    - Approving any special benefits or perquisites provided to executive officers

Lilly
Answers That Matter.

- Approving any special employment, termination or retirement contracts, agreements or terms applicable to executive officers
- Approving any change-in-control compensation and benefit arrangements applicable to executive officers and other employees.

3. Act as the oversight committee with respect to the company's annual incentive plans covering senior management, the deferred compensation plans available to senior management, and the company's management stock plans (including approving employees eligible to participate and the level of participation of each such employee and establishing the performance metrics for incentive plans). The committee may delegate authority with respect to these plans to members of senior management, except that no authority may be delegated with respect to (i) any element of the compensation of executive officers, (ii) the equity compensation of officers subject to Section 16(b) of the Securities Exchange Act of 1934, or (iii) matters as to which delegation is prohibited under Section 162(m) of the Internal Revenue Code.

4. In accordance with applicable rules and regulations, submit a committee report on executive compensation for the proxy statement, and review and discuss with management the annual Compensation Discussion and Analysis and recommend to the board its inclusion in the proxy statement.

5. Periodically review Lilly stock ownership of executive officers and, if appropriate, establish and oversee stock ownership and/or retention guidelines for executive officers.

6. Establish and oversee the company's executive compensation recovery policy.

7. Make recommendations to the board with respect to incentive compensation plans, equity-based plans and other executive compensation matters coming before the board, including periodic assessments of whether compensation programs are appropriately aligned with the company's management of enterprise risks.

8. Review and make recommendations to the board regarding the company's proposals to shareholders, as well as proposals of shareholders, that relate to the matters overseen by the committee.

9. Oversee the company's engagement with shareholders regarding executive compensation matters, including reviewing and evaluating the results of advisory votes on executive compensation.

10. Advise management on other employee compensation and benefits matters as requested by the chief executive officer or the senior vice president responsible for human resources.

11. Exercise sole authority to retain and terminate consulting firms and other advisors (at the company's expense) to assist the committee in carrying out its duties, including sole authority to establish the relationship and roles and responsibilities and to approve the advisors' fees and other retention terms.

12. Annually review and report to the Board on the succession plans and leadership development for the CEO position and other executive officer positions, including a broad review of the company's succession management and diversity efforts.

13. Annually review and assess this charter and the performance of the committee.

The committee shall also undertake such additional activities within the scope of its primary functions as the board or the committee may from time to time determine.