

VERTEX PHARMACEUTICALS INC / MA

Form DEF 14A

April 29, 2016

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

Filed by the Registrant Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material under §240.14a-12

Vertex Pharmaceuticals Incorporated

(Name of Registrant as Specified In Its Charter)

Payment of Filing Fee (Check the appropriate box):

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DEAR SHAREHOLDERS:

2015 was a year of tremendous success for Vertex and more importantly, for the thousands of people across the world with cystic fibrosis (CF). Our dream has been to create a company that has the scientific wherewithal and the financial strength to consistently discover and develop transformative medicines that can treat the underlying cause of serious diseases, like CF. We are making that dream a reality one patient at a time.

Four years ago, there were no medicines to treat the underlying cause of CF. Today, we have two medicines approved for approximately 25,000 patients worldwide - about a third of all patients with this disease. Much of this progress was achieved in 2015 with the approval of ORKAMBI® in the United States and Europe and label expansions for KALYDECO®. Despite this progress, we are far from done. The people of Vertex are motivated, not by what we have accomplished, but by what we have to do to help all people with CF and other serious diseases. Looking ahead, we have a clear path to reach that goal and are committed to delivering.

In 2015, we significantly advanced our pipeline in CF, bringing two next-generation correctors into the clinic, in-licensing an investigational ENaC inhibitor from Parion Sciences, Inc., and establishing a collaboration with CRISPR Therapeutics to discover new approaches to treating a number of diseases, including CF. We also diversified our pipeline of new medicines, and now have multiple medicines in the clinic for a variety of serious diseases outside of CF; diseases in which our understanding of the underlying biology is strong.

Entering 2016, we are on a path toward sustained earnings and revenue growth, and over the last few years, have transitioned from a development-stage organization to a global commercial-stage biotech company with two approved medicines in markets across the world. We increased CF net product revenues to nearly \$1 billion in 2015 and have a strong balance sheet.

In summary, we are truly a different company today than we were four years ago - and even at the beginning of last year. We are in a position of incredible opportunity and responsibility - to patients and to you, our shareholders. What excites me most about our future is where the science is taking us - the transformative nature of the medicines we are discovering and developing to address even more serious diseases. And how our unique business model has positioned us to deliver earnings while also, continuing to invest in our pipeline to develop additional transformative medicines.

All of us at Vertex are humbled and inspired by the CF community, the patients, families and their caregivers who we hear from every day. Thank you for the support you've provided to help us get to where we are today, and for inspiring our vision of helping people around the world with serious diseases live healthy, full lives.

Jeffrey M. Leiden, M.D., Ph.D.
Chairman, Chief Executive Officer and President

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NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

Dear Shareholders:

You are invited to attend Vertex Pharmaceuticals Incorporated's 2016 Annual Meeting of Shareholders. At the meeting, shareholders will vote:

to elect the four director nominees that are set forth in the attached proxy statement to the class of directors whose term will expire in 2019;

to ratify the selection of Ernst & Young LLP as our independent registered public accounting firm for 2016;

to approve our named executive officers' compensation in an advisory vote; and

on four proposals submitted by our shareholders, if properly presented at the meeting.

Shareholders also will transact any other business that may properly come before the annual meeting or any adjournment or postponement of the annual meeting.

MEETING INFORMATION:

Date: June 15, 2016

Time: 9:30 a.m.

Location: 50 Northern Avenue
Boston, Massachusetts 02210

Record Date: You can vote if you were a shareholder of record on April 20, 2016.

Your vote matters. Whether or not you plan to attend the annual meeting, please ensure that your shares are represented by voting, signing, dating and returning your proxy in the enclosed envelope, which requires no postage if mailed in the United States.

By Order of the Board of Directors

Michael J. LaCascia

Secretary

April 29, 2016

IMPORTANT NOTICE REGARDING AVAILABILITY OF PROXY MATERIALS. This proxy statement and the enclosed proxy card are first being mailed or furnished to our shareholders on or about May 2, 2016. This proxy statement and our Annual Report on Form 10-K for the year ended December 31, 2015 are available to holders of record of our common stock at www.envisionreports.com/vrtx and to beneficial holders of our common stock at www.edocumentview.com/vrtx.

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SUMMARY
INFORMATION

To assist you in reviewing this year's proposals, we call your attention to the following proxy summary. This is only a summary; please review this proxy statement and our Annual Report on Form 10-K for the year ended December 31, 2015, or 2015 Annual Report, in full.

PROXY SUMMARY

We are dedicated to developing transformative medicines for people with serious diseases. Over the last several years, we have met or exceeded our goals, building on our leadership position in the treatment of cystic fibrosis, or CF, advancing and broadening our pipeline, increasing revenues and establishing a strong financial profile. We have two medicines that together are approved to treat approximately 25,000 patients with CF, or approximately one third of the CF population worldwide. These medicines are the first, and only, medicines that treat the underlying cause of CF, and we believe they have fundamentally changed the way eligible patients can be treated. In addition, we have a strong CF pipeline, with multiple drug candidates, that may allow us to help all patients with this rare and life-shortening disease.

Specifically, in 2015 we:

• Increased the number of CF patients who are eligible for treatment with our medicines by approximately 700%:

• Obtained U.S. and E.U. approval of ORKAMBI and successfully launched ORKAMBI in the U.S.

• Continued to increase the number of patients eligible to receive KALYDECO through label expansions.

• Advanced our CF development pipeline to help us reach our goal of developing treatments for all CF patients:

• Progressed Phase 3 development of VX-661 in combination with ivacaftor, which may enhance treatment for patients currently eligible for ORKAMBI.

• Initiated development of VX-152 and VX-440, next-generation correctors that could allow us to increase the benefits our medicines provide to CF patients and increase the number of CF patients eligible for our medicines.

• In-licensed from Parion Sciences, Inc. VX-371, an investigational ENaC inhibitor, which provides us an approach that, if successful, could be used as a treatment for all CF patients regardless of their CFTR mutation.

• Established a collaboration with CRISPR Therapeutics AG pursuant to which we are seeking to discover medicines aimed at the underlying genetic causes of human diseases, including CF, using CRISPR-Cas9 gene editing technology.

• Expanded and diversified our pipeline and research efforts beyond CF:

• We are pursuing DNA damage repair, an important emerging area for the development of cancer medicines. We are evaluating VX-970 and VX-803, our most advanced oncology drug candidates, in early-stage clinical trials.

• In pain, a Phase 2 clinical trial of VX-150 is ongoing, and we expect to begin clinical development of VX-241 in 2016.

• Grew revenues, maintained our financial strength and became cash flow positive in the fourth quarter of 2015, allowing us to continue to invest significantly in R&D and return value to shareholders:

• Increased CF net product revenues by 112% compared to 2014, with significant additional increases expected in 2016.

• Entered 2016 with approximately \$1.0 billion in cash, cash equivalents and marketable securities.

• Our accomplishments reflect the leadership and focus of our executive team in driving exceptional company performance and have led to consistently high shareholder returns and increasing CF net product revenues.

Share Price

(as of December 31, per share)

CF Net Product Revenues
(millions)

SUMMARY INFORMATION (continued)

Compensation and Shareholder Engagement

We have adopted significant changes to our executive compensation program, and in particular, to the equity compensation component, which were implemented in early 2016. The new equity compensation reflects fundamental changes in our business and financial profile and feedback we received from our shareholders. While we continually engage in dialogue with our shareholders, we increased our level of engagement in response to the decline in support for our advisory say-on-pay proposal at our 2015 annual meeting. Over the past year, we held specific discussions regarding executive compensation with shareholders representing approximately 75% of our outstanding stock. Similar to other development-stage companies and consistent with market practices, our long-term equity grants historically have been weighted toward granting equity awards at levels based on absolute numbers of shares, which we refer to as a share-based approach. Over the last several years, the value of annual compensation reported in the Summary Compensation Tables for our named executive officers has increased due primarily to our share-based approach, the strong performance of our business and increases in our share price. During this period, we also matured from a development-stage company to a commercial-stage global biotechnology company with a strong financial profile and a clear path to sustainable revenues and earnings growth. In early 2016, consistent with market practices for companies at our stage of development we transitioned from a share-based approach to a value-based approach for our long-term equity program.

Adoption of New "Value-Based" Equity Compensation Program

In response to the feedback we received during our shareholder engagement efforts, we adopted a new approach for 2016 for granting equity and equity-based compensation to our executives, including our named executive officers. Under this program (which we sometimes refer to herein as our "value-based" program), awards of equity compensation are no longer based upon a targeted number of shares. The value-based program provides that:

- Annual awards to our executives will be sized based upon a target grant-date value, which will be determined based upon a holistic analysis of market data, business needs and other considerations that the management development and compensation committee, or MDCC, deems relevant;
- The targeted values are expected to result in grants with significantly fewer shares on an annual basis than the prior, share-based approach;
- The awards themselves will be comprised of a mix of award types, and a majority of the value of each award will have performance features (e.g., performance vesting or stock option awards); and
- The size of annual equity awards also takes into consideration individual performance results as well as adherence to corporate values, including our uncompromising commitment to patients and focus on innovation.

Under the value-based program, our CEO will be eligible for annual equity awards with a value between zero and \$14 million (with the actual value depending upon his performance), as compared to a grant date fair-value of \$23.3 million in 2015 under the prior share-based approach. Our other named executive officers will be eligible for annual equity awards with values between zero and \$4.5 million, as compared to the grant date fair-values for such officers in 2015, which ranged from \$6.6 million to \$7.5 million.

In reviewing the compensation information included in this proxy statement, it is important to note that the equity compensation in these tables for 2015 reflects compensation received under the program we had in place prior to the changes implemented in early 2016.

SUMMARY INFORMATION (continued)

Shareholder Feedback and Response

The following chart summarizes what we heard from shareholders and how we responded in our revised equity compensation program.

CONCERNS WE HEARD	WHAT WE DID
Magnitude of awards resulting from our share-based equity program	Changed to a value-based equity program which should reduce grant date fair-value of our CEO's equity awards by 40% in 2016
Exclusive use of time-based equity	Implemented performance-contingent restricted stock unit awards, significantly reducing our reliance on time-based stock option awards
Rigor of vesting terms for one-time retention awards granted in 2014	Implemented balanced financial and non-financial metrics with a substantial risk of forfeiture for performance-contingent restricted stock unit awards
Dilution created by compensation program	Changed to value-based program which should significantly reduce dilution; for example, the number of shares at target subject to CEO equity awards will decrease by approximately 44% in 2016

A detailed discussion and analysis of our executive compensation begins on page 46 of this proxy statement.

Consistent with the changes we made to our executive compensation program, we also have implemented changes to our non-employee director compensation program to shift to a value-based program that will result in a more than 50% decrease in non-employee director equity compensation in 2016 as compared to 2015.

Proxy Access and Shareholder Engagement

Throughout 2015, we continued discussions with a number of our shareholders regarding, among other matters, our corporate governance practices. During these discussions we listened to our shareholders' perspectives and gained insight into how we could further align the interests of our company with the interests of our shareholders. In April 2016, we implemented a proxy access by-law. This amendment to our by-laws was in response to the approval of a proxy access shareholder proposal at our 2015 annual meeting. Our shareholder engagement regarding proxy access included discussions over the last several months with a number of our largest shareholders that together hold approximately 46% of our outstanding stock. This engagement allowed us to gain valuable feedback as to the particular proxy access parameters that our shareholders consider appropriate. Based on that feedback and after considering various proxy access provisions recently adopted by other companies, including peers such as Alexion and pharmaceutical companies such as Pfizer, our board of directors adopted a proxy access framework that it believes will provide meaningful access for shareholders while safeguarding the interest of all our shareholders and limiting the potential for abuse.

Voting Matters

Proposal	Board of Directors Recommendation
Item 1: Election of Directors for Three Year Term Expiring in 2019	FOR all Nominees
Item 2: Ratify Selection of Independent Auditor for 2016	FOR
Item 3: Approve, on an Advisory Basis, Our Named Executive Officer Compensation	FOR
Item 4: Shareholder Proposal to Elect Each Director Annually	AGAINST
Item 5: Shareholder Proposal Concerning Accelerated Vesting of Equity Awards	AGAINST
Item 6: Shareholder Proposal Regarding Executive Equity Retention	AGAINST
Item 7: Shareholder Proposal Regarding Sustainability Report	AGAINST

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PROXY STATEMENT

This proxy statement, with the enclosed proxy card, is being furnished to shareholders of Vertex Pharmaceuticals Incorporated in connection with the solicitation by our board of directors of proxies to be voted at our 2016 annual meeting of shareholders and at any postponements or adjournments thereof. The annual meeting will be held on Wednesday, June 15, 2016, at 9:30 a.m. at our headquarters, which are located at 50 Northern Avenue, Boston, Massachusetts.

This proxy statement and the enclosed proxy card are first being mailed or otherwise furnished to our shareholders on or about May 2, 2016. Our 2015 Annual Report on Form 10-K and other materials regarding our company are being mailed to the shareholders with this proxy statement, but are not part of the proxy statement.

FREQUENTLY ASKED QUESTIONS REGARDING THE ANNUAL MEETING

WHAT IS THE PURPOSE OF THE ANNUAL MEETING?

At the annual meeting, shareholders will act upon the matters outlined in the Notice of Annual Meeting of Shareholders. These include:

- The election of directors;
- The ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm;
- The approval, on an advisory basis, of the compensation program for our named executive officers;
- A shareholder proposal requesting that we take necessary steps to declassify our board of directors, if properly presented at the meeting;
- A shareholder proposal requesting that we adopt a policy limiting acceleration of equity awards to senior executives upon a change of control, if properly presented at the meeting;
- A shareholder proposal requesting that we adopt a policy requiring that senior executives retain a percentage of their equity awards, if properly presented at the meeting; and
- A shareholder proposal requesting a report assessing the feasibility of integrating sustainability into performance measures for senior executive compensation, if properly presented at the meeting.

Management, chairs of each committee of our board of directors and representatives of Ernst & Young LLP are expected to attend the annual meeting and be available to respond to questions from shareholders.

WHAT IS A PROXY?

It is your legal designation of another person to vote the stock you own in the manner you direct. That other person is called a proxy. If you designate someone as your proxy in a written document, that document also is called a proxy or a proxy card. We have designated Jeffrey M. Leiden, Ian F. Smith, Michael Parini and Michael J. LaCascia to serve as proxies at the annual meeting.

WHAT IS A PROXY STATEMENT?

It is a document that provides certain information about a company and matters to be voted upon at a meeting of shareholders. The SEC and other applicable law require us to give you, as a shareholder, the information in this proxy statement and certain other information when we are soliciting your vote.

WHAT IS THE DIFFERENCE BETWEEN A SHAREHOLDER OF RECORD AND A SHAREHOLDER WHO HOLDS STOCK IN STREET NAME?

Shareholders of Record. If your shares are registered in your name with our transfer agent, Computershare, you are a shareholder of record with respect to those shares, and these proxy materials were sent directly to you by Computershare.

Street Name Holders. If you hold your shares in an account at a bank or broker, then you are the beneficial owner of shares held in “street name.” The proxy materials were forwarded to you by your bank or broker, who is considered the shareholder of record for purposes of voting at the annual meeting. As a beneficial owner, you have the right to direct your bank or broker how to vote the shares held in your account.

HOW MANY SHARES MUST BE REPRESENTED IN ORDER TO HOLD THE ANNUAL MEETING?

In order for us to conduct the annual meeting, holders of a majority of the shares entitled to vote as of the close of business on the record date must be present in person or by proxy. This constitutes a quorum. If you are a shareholder of record, your shares are counted as present if you properly return a proxy card or voting instruction form by mail or if you attend the annual meeting and vote in person. If you are the beneficial owner of shares held in “street name,” you must follow the instructions of your bank or broker in order to direct them how to vote the shares held in your account. Abstentions and broker non-votes will be counted as present for purposes of establishing a quorum. If a quorum is not present, we will adjourn the annual meeting until a quorum is obtained.

HOW CAN I VOTE AT THE ANNUAL MEETING IF I OWN SHARES IN STREET NAME?

If you are a street name holder, you may not vote your shares at the annual meeting unless you obtain a legal proxy from your bank or broker. A legal proxy is a bank’s or broker’s authorization for you to vote the shares it holds in its name on your behalf.

WHAT IS THE RECORD DATE AND WHAT DOES IT MEAN?

The record date for the annual meeting is April 20, 2016 and was established by our board of directors. On the record date, there were 247,349,864 shares of our common stock entitled to vote. Owners of record of common stock at the close of business on the record date are entitled to:

• receive notice of the annual meeting; and

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FREQUENTLY ASKED QUESTIONS REGARDING THE ANNUAL MEETING (continued)

vote at the annual meeting and any adjournment or postponement of the annual meeting.

IF I SUBMIT A PROXY, MAY I LATER REVOKE IT AND/OR CHANGE MY VOTE?

Shareholders may revoke a proxy and/or change their vote prior to the completion of voting at the annual meeting by: signing another proxy card with a later date and delivering it to our Secretary, Michael J. LaCascia, 50 Northern Avenue, Boston, Massachusetts 02210, before the annual meeting; or voting at the annual meeting, if you are a shareholder of record or hold your shares in street name and have obtained a legal proxy from your bank or broker.

WHAT IF I DO NOT SPECIFY A CHOICE FOR A MATTER WHEN RETURNING A PROXY?

Shareholders should specify their choice for each matter following the directions described on their proxy card. If no specific instructions are given, proxies that are signed and returned will be voted:

FOR the election of all director nominees;

FOR ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for the year ended December 31, 2016;

FOR our executive compensation program;

AGAINST the shareholder proposal requesting that we take necessary steps to declassify our board of directors;

AGAINST the shareholder proposal requesting that we adopt a policy limiting acceleration of equity awards to senior executives upon a change of control;

AGAINST the shareholder proposal requesting that we adopt a policy requiring that senior executives retain a percentage of their equity awards; and

AGAINST the shareholder proposal requesting a report assessing the feasibility of integrating sustainability into performance measures for senior executive compensation.

ARE MY SHARES VOTED IF I DO NOT PROVIDE A PROXY?

If you are a shareholder of record and do not provide a proxy, you must attend the annual meeting in order to vote. If you hold shares through an account with a bank or broker, your shares may be voted by the bank or broker if you do not provide voting instructions. Banks and brokers have the authority under applicable rules to vote shares on routine matters for which their customers do not provide voting

instructions. The ratification of Ernst & Young LLP as our independent registered public accounting firm is considered a routine matter. Each of the other proposals, including the election of directors, the advisory vote with respect to our executive compensation program and the four shareholder proposals are not considered routine, and banks and brokers cannot vote shares without instruction on those matters. Shares that banks and brokers are not authorized to vote on those matters are counted as “broker non-votes” and will have no effect on the results of those votes.

WHAT VOTE IS REQUIRED TO APPROVE EACH PROPOSAL AND HOW ARE VOTES COUNTED?

Item 1: Election of Directors

The nominees for director in an uncontested election who receive a majority of the votes from shareholders present in person or represented by proxy at the annual meeting (more votes cast “FOR” such director than “WITHHELD” from such director) will be elected. Abstentions are not counted for purposes of electing directors. You may vote either FOR or WITHHOLD your vote from any one or more of the nominees.

Item 2: Ratification of the Appointment of Independent Registered Public Accounting Firm

To be approved, this proposal must receive an affirmative vote from shareholders present in person or represented by proxy at the annual meeting representing a majority of the votes cast on the proposal. Abstentions will have no effect on the results of this vote.

Item 3: Advisory Vote to Approve Named Executive Officer Compensation

To be approved, this proposal must receive an affirmative vote from shareholders present in person or represented by proxy at the annual meeting representing a majority of the votes cast on the proposal. Abstentions will have no effect on the results of this vote.

Item 4: Shareholder Proposal Requesting That We Take Necessary Steps to Declassify Our Board of Directors

To be approved, this proposal must receive an affirmative vote from shareholders present in person or represented by proxy at the annual meeting representing a majority of the votes cast on the proposal. Abstentions will have no effect on the results of this vote.

Item 5: Shareholder Proposal Requesting That We Adopt a Policy Limiting Acceleration of Equity Awards to Senior Executives Upon a Change of Control

To be approved, this proposal must receive an affirmative vote from shareholders present in person or represented by

FREQUENTLY ASKED QUESTIONS REGARDING THE ANNUAL MEETING (continued)

proxy at the annual meeting representing a majority of the votes cast on the proposal. Abstentions will have no effect on the results of this vote.

Item 6: Shareholder Proposal Requesting That We Adopt a Policy Requiring that Senior Executives Retain a Percentage of their Equity Awards

To be approved, this proposal must receive an affirmative vote from shareholders present in person or represented by proxy at the annual meeting representing a majority of the votes cast on the proposal. Abstentions will have no effect on the results of this vote.

Item 7: Shareholder Proposal Requesting a Report Assessing the Feasibility of Integrating Sustainability into Performance Measures for Senior Executive Compensation

To be approved, this proposal must receive an affirmative vote from shareholders present in person or represented by proxy at the annual meeting representing a majority of the votes cast on the proposal. Abstentions will have no effect on the results of this vote.

WHERE CAN I FIND MORE INFORMATION ABOUT MY VOTING RIGHTS AS A SHAREHOLDER?

The SEC has an informational website that provides shareholders with general information about how to cast their vote and why voting should be an important consideration for shareholders. You may access that website at sec.gov/spotlight/proxymatters.shtml.

ITEM 1 - ELECTION OF DIRECTORS

Our board of directors has nominated Joshua Boger, Terrence C. Kearney, Yuchun Lee and Elaine S. Ullian for re-election at our 2016 annual meeting of shareholders to hold office until our 2019 annual meeting of shareholders. Our board of directors is our company's ultimate decision-making body, except with respect to those matters reserved to the shareholders. Our board selects our senior management team, who in turn are responsible for the day-to-day operations of our company. Our board acts as an advisor and counselor to senior management and oversees its performance.

Our board consists of directors divided into three classes, with each class holding office for a three-year term. Joshua Boger, Terrence C. Kearney, Yuchun Lee and Elaine S. Ullian, current Class III Directors, have been nominated by our board for election at the 2016 annual meeting of shareholders for three-year terms that will expire at the 2019 annual meeting of shareholders. Each of the nominees has agreed to be named in this proxy statement and to serve if elected. We believe that all of the nominees will be able and willing to serve if elected. However, if any nominee should become unable for any reason or unwilling to serve, proxies may be voted for another person nominated as a substitute by our board, or our board may reduce the number of directors.

BOARD STRUCTURE AND COMPOSITION

The corporate governance and nominating committee of our board of directors is responsible for recommending the composition and structure of our board and for developing criteria for board membership. This committee regularly reviews director competencies, qualities and experiences, with the goal of ensuring that our board is comprised of an effective team of directors who function collegially and who are able to apply their experience toward meaningful contributions to general corporate strategy and oversight of corporate performance, risk management, organizational development and succession planning.

Our by-laws provide that the size of our board may range between three and eleven members. We currently have nine members on our board. Following our 2016 annual meeting and the election of the four directors, we expect that Dr. Boger will resign as a Class III director and will be re-appointed to our board as a Class I Director, with a term expiring in 2017, in order to ensure that the number of members of each class of our board of directors remains as nearly equal as possible. Our corporate governance and nominating committee may seek additional director candidates who meet the criteria below in order to complement the qualifications and experience of our existing board members. Our corporate governance and nominating committee may engage a search firm to recommend candidates who satisfy the criteria.

Director Criteria, Qualifications and Experience; Diversity. The corporate governance and nominating committee seeks to recommend for nomination directors of stature who have a substantive knowledge of our business and industry or who can bring to the board specific and valuable strategic or management capabilities acquired in other industries. The committee expects each of our directors to have proven leadership, sound judgment, integrity and a commitment to the success of our company. We also seek personal qualities that foster a respectful environment in which our directors listen to one another and are engaged and constructive. These goals for our board composition presuppose a diverse range of viewpoints, experiences and specific expertise. The corporate governance and nominating committee considers a nominee's personal characteristics and business experience relative to those of our existing board members, including the type of prior management experience, levels of expertise relevant to our business and its growth stage, prior board service, reputation in the business community, personal characteristics such as gender and race and other factors that the committee believes to be important. At this time, our commitment to diversity is demonstrated by the composition of our board, which includes three women and two ethnically diverse individuals.

The key experience, qualifications, attributes and skills brought by our directors to our board that are important to our business include:

Corporate leadership experience. We believe that directors who have held significant corporate leadership positions over extended periods of time provide our company with special insights. These people generally have a practical understanding of organizational processes and strategy that is valuable during periods of organizational change and growth.

Industry knowledge. We seek directors with substantive knowledge of the biotechnology, pharmaceutical or related industries. We believe that having a substantial portion of our board of directors comprised of individuals with

ITEM 1 - ELECTION OF DIRECTORS (continued)

experience as executives or directors in these industries provides our board with the background necessary to counsel our management regarding the issues facing our company.

Financial expertise. We believe that an understanding of finance is important for our board of directors, and our budgeting processes and financial and strategic transactions require our directors to be financially knowledgeable. In addition, we seek to have a number of directors qualified to serve on our audit and finance committee and at least one director with in-depth knowledge of financial statements and financial reporting processes sufficient to qualify as an audit committee financial expert under applicable regulatory standards.

Scientific experience. As a biopharmaceutical company that seeks to develop transformative medicines for patients with serious diseases, we look for directors with backgrounds in science and technology and in particular the research and development of pharmaceutical products.

Commitment to company values and goals. We seek directors who are committed to our company and its values and goals and who value the contributions that can be provided by individuals who believe in our company and its prospects for success.

SHAREHOLDER-RECOMMENDED DIRECTOR CANDIDATES

The corporate governance and nominating committee will consider director candidates recommended by shareholders using the same criteria for director selection described above under Director Criteria, Qualifications and Experience; Diversity. Shareholders recommending candidates for consideration should submit any pertinent information regarding the candidate, including biographical information and a statement by the proposed candidate that he or she is willing to serve if nominated and elected, by mail to our corporate secretary at our offices at 50 Northern Avenue, Boston, Massachusetts 02210. If a shareholder wishes to nominate a candidate to be considered for election as a director at the 2017 annual meeting of shareholders using the procedures set forth in our by-laws, the shareholder must follow the procedures described in Other Information—Shareholder Proposals for the 2017 Annual Meeting and Nominations for Director on page 88 of this proxy statement.

PROXY ACCESS BY-LAW

In April 2016, we amended our by-laws and adopted proxy access, a process that allows qualifying shareholders to nominate a director candidate for consideration at an annual meeting of shareholders and have such candidate be included in our proxy materials for the applicable shareholder meeting. This amendment was in response to the approval of a shareholder proposal at our 2015 annual meeting. Our engagement with our shareholders regarding proxy access included discussions over the last several months with a number of our largest shareholders that together hold approximately 46% of our outstanding stock. This engagement allowed us to gain valuable feedback as to the particular proxy access parameters that our shareholders consider appropriate. Based on that feedback and after considering various proxy access provisions recently adopted by other companies, including biotech peers such as Alexion and pharmaceutical companies such as Pfizer, our board of directors adopted a proxy access framework that it believes will provide meaningful access for shareholders while safeguarding the interest of all our shareholders and limiting the potential for abuse. The key elements of our proxy access by-law are as follows:

PROVISION	REQUIREMENT
Ownership Threshold and Holding Period	Available to shareholders owning 3% or more of our shares continuously for at least 3 years.
Number of Board Seats	Total number of proxy access nominees is capped at 20% of the existing board seats (or the closest whole number below 20%), with a minimum of two.
Creeping Control	A proxy access nominee elected to our board counts towards the cap on proxy access nominees for the two annual meetings following the election if such proxy access nominee's term extends beyond the upcoming annual meeting.
Aggregation Limits	20-shareholder limit on the number of shareholders who can aggregate their shares to satisfy the 3% ownership requirement.
Proxy Fights	Proxy access nominees will not be included in the proxy materials if we receive notice that a shareholder intends to nominate a candidate who is not to be included in our proxy materials.
Future Ineligibility	Proxy access nominees who fail to receive at least 10% of the votes cast "for" such nominee may not be re-nominated as a proxy access nominee for the next two annual meetings.

ITEM 1 - ELECTION OF DIRECTORS (continued)

The above table is only a summary of our proxy access by-law and is qualified in its entirety by the actual amendment to our by-laws, which is set forth in Exhibit 3.1 of a Current Report on Form 8-K, that we filed with the SEC on April 27, 2016. A shareholder who wishes to nominate a proxy access nominee to be considered for election as a director at the 2017 annual meeting of shareholders, must follow the procedures set forth in our by-laws as well as those described in Other Information—Shareholder Proposals for the 2017 Annual Meeting and Nominations for Director on page 88 of this proxy statement.

MAJORITY VOTE STANDARD

Our by-laws provide for a majority vote standard for uncontested elections of our directors. Under our by-laws, director nominees in an uncontested election who receive more votes cast “for” such director nominee than “withheld” from such director nominee are elected. Our board’s policy is that any nominee for director in an uncontested election who receives a greater number of votes “withheld” than votes “for” the nominee’s election shall promptly tender his or her resignation to the chair of our board following certification of the shareholder vote. Our corporate governance and nominating committee will promptly consider the tendered resignation. Based on all factors it deems in its discretion to be relevant, the committee will recommend that our board either accept or reject the resignation and may recommend that the board adopt measures designed to address any issues perceived to underlie the election results. Our board will then act on the corporate governance and nominating committee’s recommendation. We will promptly disclose our board’s decision, including, if applicable, the reasons for rejecting the tendered resignation. Any director whose resignation is being considered under this policy will not participate in the corporate governance and nominating committee or board considerations, recommendations or actions with respect to the tendered resignation. **OUR BOARD OF DIRECTORS RECOMMENDS THAT SHAREHOLDERS VOTE FOR EACH OF THE NOMINEES.**

ITEM 1 - DIRECTOR NOMINEES

In each of the director nominee and continuing director biographies that follow, we highlight the specific experience, qualifications, attributes and skills that led the board of directors to conclude that the director nominee or continuing director should serve on our board at this time.

DIRECTOR NOMINEES

CLASS III DIRECTORS— PRESENT TERMS EXPIRING IN 2016 AND PROPOSED TERMS TO EXPIRE IN 2019

Joshua Boger, Ph.D.¹

Age: 65 Chair – Science and Technology Committee

Director Since: 1989

Dr. Boger is the founder of Vertex and has been a director since our inception in 1989. He was our Chief Executive Officer from 1992 through May 2009. He was our Chairman of our board of directors from 1997 until May 2006 and our President from our inception until December 2000, and from 2005 through February 2009. He was our Chief Scientific Officer from 1989 until May 1992. Prior to founding Vertex in 1989, Dr. Boger held the position of Senior Director of Basic Chemistry at Merck Sharp & Dohme Research Laboratories in Rahway, New Jersey, where he headed both the Department of Medicinal Chemistry of Immunology & Inflammation and the Department of Biophysical Chemistry. Dr. Boger holds a B.A. in chemistry and philosophy from Wesleyan University and M.S. and Ph.D. degrees in chemistry from Harvard University.

Skills and Qualifications: Dr. Boger's qualifications for our board of directors include his extensive industry knowledge and leadership experience. Dr. Boger brings an in-depth knowledge of issues facing our company and our industry as a result of his experience founding and leading Vertex and his distinguished career as a scientist.

Terrence C. Kearney

Age: 61 Chair – Audit and Finance Committee

Director Since: 2011 Member – Management Development and Compensation Committee

Mr. Kearney served as the Chief Operating Officer of Hospira, Inc., a specialty pharmaceutical and medication delivery company, from April 2006 to January 2011. From April 2004 to April 2006, he served as Hospira's Senior Vice President, Finance, and Chief Financial Officer, and he served as Acting Chief Financial Officer through August 2006. Mr. Kearney served as Vice President and Treasurer of Abbott Laboratories from 2001 to April 2004. From 1996 to 2001, Mr. Kearney was Divisional Vice President and Controller for Abbott's International Division. Mr. Kearney serves as a member of the Board of Directors at Acceleron Pharma Inc., a biopharmaceutical company, and AveXis, Inc., a gene therapy company, and served as a member of the Board of Directors at Innoviva, Inc. (formerly known as Theravance, Inc.), a royalty management company, until April 2016. He received his B.S. in biology from the University of Illinois and his M.B.A. from the University of Denver.

Skills and Qualifications: Mr. Kearney's corporate leadership experience, industry knowledge and financial expertise make him a valuable contributor to our board of directors. He has a practical perspective on the management of global pharmaceutical operations, including commercial, manufacturing and research and development activities, and financial management strategies. He is an "audit committee financial expert" as defined in SEC regulations, with particular experience in matters faced by the audit committee of a company with pharmaceutical product revenues and related expenses.

¹Following our 2016 annual meeting and the election of the four directors, we expect that Dr. Boger will resign as a Class III director and will be re-appointed to our board as a Class I Director, with a term expiring in 2017, in order to ensure that number of members of each class of our board of directors remains as nearly equal as possible.

ITEM 1 - DIRECTOR NOMINEES (continued)

Yuchun Lee

Age: 50 Member – Audit and Finance Committee
Director Since: 2012 Member – Science and Technology Committee

Mr. Lee has served as an Executive in Residence (XIR) and Partner of General Catalyst Partners, a venture capital firm, since April of 2013. Mr. Lee also serves as the Chief Executive Officer of two software companies, Clarabridge, Inc. and Allego Inc. Mr. Lee was the Vice President of IBM's Enterprise Marketing Management Group from November 2010 through January 2013. Mr. Lee co-founded Unica Corporation, a provider of software and services used to automate marketing processes, in 1992, and was Unica's President and/or Chief Executive Officer from 1992 through November 2010, when Unica was acquired by IBM. From 1989 to 1992, Mr. Lee was a senior consultant at Digital Equipment Corporation, a supplier of general computing technology and consulting services. Mr. Lee holds a B.S. and an M.S. in electrical engineering and computer science from the Massachusetts Institute of Technology and an M.B.A. from Babson College.

Skills and Qualifications: Mr. Lee's expertise in marketing processes and customer engagement and business and financial experience make him a valuable contributor to our board of directors. Mr. Lee is an innovator who founded and managed the growth of a successful technology company and gained further leadership experience while serving as an executive at IBM. Mr. Lee's experiences outside of the biopharmaceutical sector provide the board with an important perspective on the issues facing the company.

Elaine S. Ullian Co-lead Independent Director
Age: 68 Chair – Corporate Governance and Nominating Committee
Director Since: 1997 Member – Management Development and Compensation Committee

Ms. Ullian served as President and Chief Executive Officer of Boston Medical Center, a private, not-for-profit, 626-bed, academic medical center with a community-based focus, from 1996 through January 2010. From 1994 to 1996, she served as President and Chief Executive Officer of Boston University Medical Center Hospital. From 1987 to 1994, Ms. Ullian served as President and Chief Executive Officer of Faulkner Hospital. She also serves as a director of Thermo Fisher Scientific Inc. and Hologic, Inc. Ms. Ullian holds a B.A. in political science from Tufts University and an M.P.H. from the University of Michigan.

Skills and Qualifications: Ms. Ullian brings significant leadership experience acquired as the CEO of large health care providers to our board of directors. The knowledge she obtained serving as an executive, together with her extensive experience serving on the boards of directors of multiple public companies in the healthcare field, provide her with the expertise required to serve as one of our co-lead independent directors and as the chair of our corporate governance and nominating committee. She also provides the board with the perspective of providers, payors and patients, for whom our products are intended.

ITEM 1 - CONTINUING DIRECTORS

CONTINUING DIRECTORS

CLASS I DIRECTORS —TERMS EXPIRING IN 2017

Margaret G. McGlynn

Age: 56 Member – Science and Technology Committee

Director Since: 2011

Ms. McGlynn served as the President and Chief Executive Officer of the International AIDS Vaccine Initiative, a global not-for-profit organization whose mission is to ensure the development of safe, effective and accessible HIV vaccines for use throughout the world, from July 2011 until September 2015. Ms. McGlynn served as President, Vaccines and Infectious Diseases of Merck & Co., Inc. from 2005 until 2009. Ms. McGlynn joined Merck in 1983 and served in a variety of marketing, sales and managed care roles. Ms. McGlynn serves as a member of the Board of Directors for Air Products and Chemicals, Inc., a company specializing in gases and chemicals for industrial uses, and Amicus Therapeutics, Inc., a biopharmaceutical company. She is also a member of the National Industrial Advisory Committee at the University at Buffalo School of Pharmacy and Pharmaceutical Sciences. Ms. McGlynn holds a B.S. in Pharmacy and an M.B.A. in Marketing from the State University of New York at Buffalo.

Skills and Qualifications: Ms. McGlynn's corporate leadership experience and industry knowledge make her a valuable contributor to our board of directors. Her service as an executive at Merck and her service on the board of Amicus Therapeutics and the board and audit committee of Air Products and Chemicals, Inc. give her a practical understanding of organizational practices valuable to a company at our stage of growth. Her experience in the development of treatments for infectious diseases provides her with a valuable understanding of the scientific issues we face in the drug development process.

William D. Young

Age: 71 Member – Corporate Governance and Nominating Committee

Director Since: 2014 Member – Management Development and Compensation Committee

Mr. Young is a Venture Partner at Clarus Ventures, a life sciences venture capital firm, which he joined in 2010. Prior to Clarus Ventures, Mr. Young served from 1999 until June 2009 as the Chairman and Chief Executive Officer of Monogram Biosciences, Inc., a biotechnology company acquired by Laboratory Corporation of America in June 2009. From 1980 to 1999, Mr. Young was employed at Genentech, Inc. in positions of increasing responsibility, including as Chief Operating Officer from 1997 to 1999, where he was responsible for all product development, manufacturing and commercial functions. Prior to joining Genentech, Mr. Young was with Eli Lilly & Co. for 14 years. Mr. Young currently serves as the Chairman of the Board of Directors of NanoString Technologies, Inc., and as a member of the Board of Directors of Theravance BioPharma Inc. Mr. Young retired from BioMarin Pharmaceutical Inc.'s Board of Directors in November 2015 and from Biogen's Board of Directors in June 2014. Mr. Young holds a B.S. in Chemical Engineering from Purdue University, an M.B.A. from Indiana University and an Honorary Doctorate in Engineering from Purdue University. Mr. Young was elected to the National Academy of Engineering in 1993 for his contributions to biotechnology.

Skills and Qualifications: Mr. Young is a valuable contributor to our board of directors due to the in-depth knowledge of the pharmaceuticals industry that he acquired through his extensive experience as both a CEO and board member at numerous pharmaceutical and biotechnology organizations and as a venture capitalist focused on the life sciences industry. Mr. Young's strong leadership qualities, global industry knowledge and financial expertise provide him with the background to work collaboratively with both management and fellow board members in order to address issues facing our company.

ITEM 1 - CONTINUING DIRECTORS (continued)

CLASS II DIRECTORS— TERMS TO EXPIRE IN 2018

Sangeeta N. Bhatia, M.D., Ph.D. Member - Corporate Governance and Nominating Committee

Age: 47

Member – Science and Technology Committee

Director Since: 2015

Dr. Bhatia is a professor at the Massachusetts Institute of Technology, where she currently serves as the John J. and Dorothy Wilson Professor of Health Sciences & Technology/Electrical Engineering & Computer Science. Prior to joining the Massachusetts Institute of Technology in 2005, Dr. Bhatia was a professor of bioengineering and medicine at the University of California at San Diego from 1998 through 2005. Dr. Bhatia also is an investigator for the Howard Hughes Medical Institute, a member of the Department of Medicine at Brigham and Women's Hospital, a member of the Broad Institute and a member of the Koch Institute for Integrative Cancer Research. Dr. Bhatia holds an Sc.B. in biomedical engineering from Brown University, an S.M. and Ph.D. in Mechanical Engineering from the Massachusetts Institute of Technology and an M.D. from Harvard Medical School.

Skills and Qualifications: Dr. Bhatia is a leading academic scientist and medical researcher. Her extensive experience in the field of biomedical engineering and in-depth understanding on the use of advanced technologies in medical research provides valuable insights to our board, including with respect to our key research and development initiatives.

Jeffrey M. Leiden, M.D., Ph.D. Chairman, Chief Executive Officer and President

Age: 60

Director Since: 2009

Dr. Leiden is our Chairman, Chief Executive Officer and President. He has held the positions of Chief Executive Officer and President since February 2012 after joining us as CEO Designee in December 2011. He has been a member of our Board of Directors since July 2009, the Chairman of our Board of Directors since May 2012, and served as our lead independent director from October 2010 through December 2011. Dr. Leiden was a Managing Director at Clarus Ventures, a life sciences venture capital firm, from 2006 through January 2012. Dr. Leiden was President and Chief Operating Officer of Abbott Laboratories, Pharmaceuticals Products Group, and a member of the Board of Directors of Abbott Laboratories from 2001 to 2006. From 1987 to 2000, Dr. Leiden held several academic appointments, including the Rawson Professor of Medicine and Pathology and Chief of Cardiology and Director of the Cardiovascular Research Institute at the University of Chicago, the Elkan R. Blout Professor of Biological Sciences at the Harvard School of Public Health, and Professor of Medicine at Harvard Medical School. He is an elected member of both the American Academy of Arts and Sciences, and the Institute of Medicine of the National Academy of Sciences. Dr. Leiden is a senior advisor to Clarus Ventures. Dr. Leiden serves as a director of Quest Diagnostics Inc., a medical diagnostics company, and Massachusetts Mutual Life Insurance Company, an insurance company. Dr. Leiden was a director and the non-executive Vice Chairman of the board of Shire plc, a specialty biopharmaceutical company, from 2006 to January 2012. Dr. Leiden received his M.D., Ph.D. and B.A. degrees from the University of Chicago.

Skills and Qualifications: Dr. Leiden possesses strong leadership qualities, demonstrated through his service as an executive in the pharmaceutical industry and as a life sciences venture capitalist, and has extensive knowledge of the science underlying drug discovery and development through his experiences as a distinguished physician, scientist and teacher. He also provides our board of directors with in-depth knowledge of our company through the day-to-day leadership of our executives.

ITEM 1 - CONTINUING DIRECTORS (continued)

Bruce I. Sachs Co-lead Independent Director
Age: 56 Chair – Management Development and Compensation Committee
Director Since: 1998 Member – Audit and Finance Committee

Mr. Sachs is a General Partner at Charles River Ventures, a venture capital firm he joined in 1999. From 1998 to 1999, he served as Executive Vice President and General Manager of Ascend Communications, Inc. From 1997 until 1998, Mr. Sachs served as President and Chief Executive Officer of Stratus Computer, Inc. From 1995 to 1997, he served as Executive Vice President and General Manager of the Internet Telecom Business Group at Bay Networks, Inc. From 1993 to 1995, he served as President and Chief Executive Officer of Xylogics, Inc. Mr. Sachs holds a B.S.E.E. in electrical engineering from Bucknell University, an M.E.E. in electrical engineering from Cornell University, and an M.B.A. from Northeastern University.

Skills and Qualifications: Mr. Sachs brings strong business judgment and financial analytical skills, honed through his experience developing business strategy at a senior management level and his success in building companies and in venture capital, to our board of directors. In addition, Mr. Sachs has extensive business leadership experience, including service as a CEO at a technology company, as well as financial expertise.

CORPORATE GOVERNANCE AND RISK MANAGEMENT

We are committed to good corporate governance and integrity in our business dealings. Our governance practices are documented in our Statement of Corporate Governance Principles, which addresses the role and composition of our board of directors and the functioning of the board and its committees. You can find our governance documents, including our Statement of Corporate Governance Principles, charters for each committee of the board and our Code of Conduct, on our website www.vrtx.com under “Investors—Corporate Governance—Governance Documents.”

INDEPENDENCE, CHAIR AND CO-LEAD INDEPENDENT DIRECTORS

Our board of directors has determined that eight of our nine directors qualify as “independent” under the definition of that term adopted by The Nasdaq Stock Market LLC, or Nasdaq. These directors are Dr. Bhatia, Dr. Boger, Mr. Kearney, Mr. Lee, Ms. McGlynn, Mr. Sachs, Ms. Ullian and Mr. Young. Dr. Wayne Riley was an independent director prior to his resignation from our board in June 2015. Our independent directors generally meet in executive session at each regularly scheduled board meeting.

Dr. Leiden, our president and chief executive officer, serves as the chairman of our board. Our employment agreement with Dr. Leiden provides that he will serve as the chairman of our board through December 31, 2017. In addition, we have two co-lead independent directors who are elected by the independent directors. Each of the board committees is chaired by one of our independent directors.

Our board believes that strong, independent board leadership is a critical aspect of effective corporate governance, and our corporate governance principles require that if the chair is not an independent director, that the independent directors elect a lead independent director. Since December 2011, Mr. Sachs and Ms. Ullian have served as our co-lead independent directors. We believe this structure provides our board independent leadership, while providing the benefit of having our chief executive officer, the individual with primary responsibility for managing our day-to-day operations, chair regular board meetings as we discuss key business and strategic issues. Combined with the co-lead independent directors and experienced and independent committee chairs, this structure provides strong independent oversight of management.

Our co-lead independent directors’ responsibilities include:

- calling and leading regular and special meetings of the independent directors;
- serving as a liaison between our executive officers and the independent directors;
- reviewing the planned dates for regularly scheduled board meetings and the primary agenda items for each meeting; and
- reviewing with the chair of each board committee agenda items that fall within the scope of the responsibilities of that committee.

BOARD COMMITTEES

Our board of directors has established various committees to assist in discharging its duties: the audit and finance committee, the corporate governance and nominating committee, the MDCC and the science and technology committee. Each member of the audit and finance committee, corporate governance and nominating committee and MDCC is an independent director as that term is defined by the SEC and Nasdaq. The primary responsibilities of each of the committees are set forth below, and the committee memberships are provided in the table appearing on page 20 of this proxy statement.

Each of the committees has the authority, as its members deem appropriate, to engage legal counsel or other experts or consultants in order to assist the committee in carrying out its responsibilities.

CORPORATE GOVERNANCE AND RISK MANAGEMENT (continued)

RISK MANAGEMENT

Our board of directors discharges its overall responsibility to oversee risk management with a focus on our most significant risks. We face considerable risk related to the commercialization of our approved products, including regulatory risk with respect to our promotional activities and competition from approved drugs and investigational drug candidates that may have product profiles superior to our approved products. We continue to invest significant resources in research programs and clinical development programs as part of our strategy to develop transformative medicines for patients with serious diseases. With respect to each of our drug development and commercialization programs, we face considerable risk that the program will not ultimately result in a commercially successful pharmaceutical product. Our board and its committees monitor and manage the strategic, compliance and operational risks related to KALYDECO, ORKAMBI and our research and development programs through regular board and committee discussions that include presentations to the board and its committees by our executive officers as well as during in-depth short- and long-term strategic reviews held at least annually.

For certain specific risk types, our board has delegated oversight responsibility to board committees as follows:

Our audit and finance committee oversees our enterprise risk management programs and policies, including those related to our financial and accounting systems, accounting policies and investment strategies, intellectual property strategy, information technology systems and steps our management has taken to monitor, mitigate and report on those exposures. The audit and finance committee also is responsible for addressing risks arising from related party transactions.

Our MDCC oversees risks associated with our compensation policies, management resources and structure, succession planning, and management development and selection processes.

Our corporate governance and nominating committee oversees risks related to the company's governance structure.

Our science and technology committee oversees risks related to our research and development investments.

CODE OF CONDUCT

We have adopted a Code of Conduct that applies to all of our directors and employees, including our chief executive officer and chief financial and accounting officers. Our Code of Conduct is available on our website www.vrtx.com under "Investors—Corporate Governance—Governance Documents." Disclosure regarding any amendments to, or waivers from, provisions of the Code of Conduct that apply to our directors or principal executive, financial or accounting officers will be posted on our website or included in a Current Report on Form 8-K within four business days following the date of the amendment or waiver.

CORPORATE GOVERNANCE AND RISK MANAGEMENT (continued)

BOARD ATTENDANCE, COMMITTEE MEETINGS AND COMMITTEE MEMBERSHIP

Director (1)	Independence	Board	Audit and Finance	Corporate Governance and Nominating	Management and Development and Compensation	Science and Technology	2015 Attendance at Meetings (2)
Sangeeta N. Bhatia	X						88%
Joshua Boger	X					Chair	100%
Terrence C. Kearney	X		Chair				100%
Yuchun Lee	X						100%
Jeffrey M. Leiden		Chair					100%
Margaret G. McGlynn	X						100%
Bruce I. Sachs	X		Co-lead		Chair		100%
Elaine S. Ullian	X		Co-lead	Chair			95%
William D. Young	X						100%
2015 Meetings		7	8	5	7	5	

(1) Each of our directors is invited to attend each meeting of shareholders. Joshua Boger, Terrence Kearney, Yuchun Lee and Margaret McGlynn attended our 2015 annual meeting of shareholders.

(2) Includes meetings of the board of directors and meetings of each committee of the board while the director served on such committee.

Audit and Finance Committee

The primary purposes of the audit and finance committee are to:

- appoint, oversee and replace, if necessary, our independent registered public accounting firm;
- assist our board of directors in fulfilling its responsibility for oversight of our accounting and financial reporting processes; and
- review and make recommendations to our board concerning our financial structure and financing strategy.

Our independent registered public accounting firm reports directly to, and is held accountable by, our audit and finance committee in connection with the audit of our annual financial statements and related services.

Mr. Kearney, the chair of our audit and finance committee, is our “audit committee financial expert” as that term is defined in applicable regulations of the SEC. In addition, each of the other members of the audit and finance committee are qualified to serve as an audit committee financial expert under the SEC’s rules.

The report of the audit and finance committee appears on page 27 of this proxy statement.

Our audit and finance committee reviews and, if appropriate, recommends for approval or ratification by our board, all transactions with related persons that are required to be disclosed by us pursuant to Item 404(a) of Regulation S-K, except for transactions, if any, related to the employment of executive officers, which would be

recommended for approval by the MDCC. Our policies and procedures with respect to transactions with related persons are governed by our written Related Party Transaction Policy. Pursuant to this policy, related party transactions include transactions, arrangements or relationships in which our company is a participant, the amount involved exceeds \$120,000, and one of our executive officers, directors, director nominees or 5% shareholders or their immediate family members, whom we refer to as related persons, has a direct or indirect material interest, except where disclosure of such transaction would not be required pursuant to Item 404(a) of Regulation S-K. As appropriate for the circumstances, our audit and finance committee will review and consider the related person’s interest in the related party transaction and such other factors as it deems appropriate. Since January 1, 2015, we have not entered into any transactions disclosable pursuant to Item 404(a) of Regulation S-K.

Corporate Governance and Nominating Committee

The corporate governance and nominating committee:

- assists our board of directors in developing and implementing our corporate governance principles;
- recommends the size and composition of our board and its committees;

develops and recommends to our board an annual self-evaluation process to assess the effectiveness of our board and oversees this process;
• reviews and recommends director compensation;

CORPORATE GOVERNANCE AND RISK MANAGEMENT (continued)

- identifies qualified individuals to become members of our board;
- recommends director nominations to the full board; and
- assists the board in external recruiting and evaluating potential candidates for the CEO position.

Management Development and Compensation Committee

The primary purposes of the MDCC are to oversee the discharge of our board's responsibilities relating to:

- compensation and development of our executives; and
- review and approval of our benefit and equity compensation plans.

The MDCC has the authority to delegate any of its responsibilities to individual members of the MDCC to the extent deemed appropriate by the MDCC in its sole discretion, but subject always to the general oversight of the board of directors.

See Compensation Discussion and Analysis—Detailed Discussion below for a discussion of the MDCC's role in overseeing executive compensation.

The report of the MDCC appears on page 66 of this proxy statement.

Compensation Committee Interlocks and Insider Participation.

Mr. Kearney, Mr. Sachs, Ms. Ullian and Mr. Young served on the MDCC during all or a portion of 2015. Each member of the MDCC was an independent director while serving on the MDCC. No member of our board of directors who was a member of our MDCC at any time during 2015 has ever been one of our employees or officers. No member of our board of directors who was a member of our MDCC at any time during 2015 has ever been a party to a transaction required to be disclosed pursuant to Item 404(a) of Regulation S-K prior to becoming a member of our MDCC. During 2015, none of our executive officers served as a member of the board of directors or compensation committee of the board of directors, or performed the equivalent functions, of any entity that has one or more executive officers serving as a member of our board or the MDCC.

Science and Technology Committee

Our science and technology committee discharges our board's responsibilities relating to the oversight of our investment in pharmaceutical research and development. In furtherance of that oversight function, the science and technology committee:

- reviews and assesses our current and planned research and development programs and technology initiatives from a scientific perspective;
- assesses the capabilities of our key scientific personnel and the depth and breadth of our scientific resources;
- provides strategic advice to our board regarding emerging science and technology issues and trends; and
- periodically reviews our patent portfolio and strategy.

DIRECTOR COMPENSATION

We have designed and implemented our compensation program for our non-employee directors to attract, motivate and retain individuals who are committed to our values and goals and who have the expertise and experience that we need to achieve those goals.

Compensation Program

During the course of 2015, we reviewed the compensation program for our non-employee directors and consistent with changes made to our executive compensation program, we modified the compensation program for our non-employee directors to reflect the fundamental changes in our business and financial profile. The changes include a transition from a share-based approach to a value-based approach in the granting of equity awards to our non-employee directors, reducing our reliance on stock options and increasing our cash fees. Under our revised program, the value of the equity awards to non-employee directors, as reported in the Director Compensation Table, will be reduced by more than 50% in 2016 as compared to 2015.

Beginning in 2016, the compensation program for our non-employee directors is:

Revised Compensation Elements - New 2016 Program

Cash

Annual Cash Retainer		\$85,000
Annual Committee Chair Retainer	Audit and Finance Committee	\$30,000
	Management Development and Compensation Committee	\$25,000
	Corporate Governance and Nominating Committee	\$20,000
	Science and Technology Committee	\$20,000

Committee Membership Retainer

	Audit and Finance Committee	\$15,000
	Management Development and Compensation Committee	\$10,000
	Corporate Governance and Nominating Committee	\$10,000
	Science and Technology Committee	\$10,000

Annual Lead Independent Director Retainer

\$40,000

Equity

Value-based awards, with a 50/50 mix of restricted stock units and options

- \$275,000 in options vesting quarterly over four years from the date of grant
- \$275,000 in restricted stock units vesting annually over four years from the date of grant

Initial Equity Grant

On June 1 of each year, value-based awards with a 50/50 mix of restricted stock units and options

Annual Equity Retainer

- \$275,000 in options that are fully-vested upon grant
- \$275,000 in restricted stock units that vests on the first anniversary of the date of grant

Each of our non-employee directors is eligible to defer the cash and restricted stock portion of his/her compensation set forth above and elect to receive deferred stock units that are paid out in common stock upon the earliest to occur of (i) termination of the non-employee director's service on our board of directors, (ii) a change of control and (iii) the non-employee directors disability or death.

DIRECTOR COMPENSATION (continued)

In 2015, our non-employee directors were paid in accordance with our then-existing compensation program for non-employee directors as follows:

Compensation Elements - Previous Non-Employee Director Compensation Program

Cash			
Annual Cash Retainer			\$50,000
Annual Committee Chair Retainer	Audit and Finance Committee		\$25,000
	Corporate Governance and Nominating Committee		\$20,000
	Management Development and Compensation Committee		\$20,000
	Science and Technology Committee		\$12,500
Annual Committee Retainer (non-Chair)			\$5,000
Annual Lead Independent Director Retainer			\$25,000
Equity			
Initial Equity Grant	Option to purchase 30,000 shares of common stock. These options vests quarterly over a four-year period from the date of grant.		
Annual Equity Retainer	Option to purchase 20,000 shares of common stock granted on June 1 of each year. These options are fully-vested upon the date of grant.		
Co-lead Independent Director Annual Grant	Option to purchase 2,500 shares of common stock granted on June 1 of each year. These options are fully-vested upon the date of grant.		

Our non-employee directors are also reimbursed for their business-related expenses incurred in connection with attendance at board and committee meetings and related activities. Our only employee director, Dr. Leiden, receives no separate compensation for his service in such capacity.

Non-Employee Director Stock Ownership Guidelines

We have stock ownership guidelines for our non-employee directors pursuant to which our non-employee directors should, within five years of becoming subject to the guidelines, achieve ownership of shares of our common stock with a value equal to at least three times the annual cash retainer.

Non-Employee Director Compensation and Equity Information

The following tables provide summary information regarding compensation to our non-employee directors. Our modified compensation program for non-employee directors became effective for 2016 and as a result, the tables below reflect compensation paid under our prior compensation program for non-employee directors. Compensation paid in 2016 under our modified program will be reflected in next year's proxy statement and will reflect a significant decrease in total compensation, and specifically a more than 50% decrease in the value of annual equity awards in 2016 as compared to 2015.

Summary 2015 Compensation

Director	Fees		Total
	Earned or Paid in Cash	Option Awards (1)	
Sangeeta N. Bhatia	\$27,818	\$1,691,118	\$1,718,936
Joshua Boger	\$62,500	\$1,168,916	\$1,231,416
Terrence C. Kearney	\$80,000	\$1,168,916	\$1,248,916
Yuchun Lee	\$60,000	\$1,168,916	\$1,228,916
Margaret G. McGlynn	\$55,000	\$1,168,916	\$1,223,916
Wayne J. Riley (until June 30, 2015)	\$35,000	\$1,168,916	\$1,203,916
Bruce I. Sachs	\$100,000	\$1,315,031	\$1,415,031
Elaine S. Ullian	\$100,000	\$1,315,031	\$1,415,031
William D. Young	\$60,000	\$1,168,916	\$1,228,916

(1)

The amounts set forth under the caption “Option Awards” in the table above represent the grant-date fair value for financial statement reporting purposes of the equity awards granted during 2015. Our methodology, including underlying estimates and assumptions, for calculating these values is set forth in Note N to our consolidated financial statements included in our 2015 Annual Report on Form 10-K, filed with the SEC on February 16, 2016.

DIRECTOR COMPENSATION (continued)

2015 Equity Grants

Option Grant	Date	Shares	Exercise Price	Grant-Date Fair Value
Annual Non-Employee Director Grants	June 1, 2015	20,000	\$ 127.54	\$ 1,168,916
Annual Grants to Co-lead Independent Directors	June 1, 2015	2,500	\$ 127.54	\$ 146,115
Initial Grant - Sangeeta N. Bhatia	June 4, 2015	30,000	\$ 126.68	\$ 1,691,118

Outstanding Equity

As of December 31, 2015, our non-employee directors had outstanding stock options to purchase our common stock as follows:

Director	Exercisable Options	Total Outstanding Options
Sangeeta N. Bhatia	3,750	30,000
Joshua Boger	1,067,400	1,067,400
Terrence C. Kearney	60,375	60,375
Yuchun Lee	79,042	84,667
Margaret G. McGlynn	80,000	80,000
Bruce I. Sachs	120,000	120,000
Elaine S. Ullian	67,500	67,500
William D. Young	51,250	70,000

ITEM 2 - RATIFICATION OF THE APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

ENGAGEMENT OF ERNST & YOUNG LLP

Our audit and finance committee is responsible for the appointment, compensation and oversight of our independent registered public accounting firm. Ernst & Young LLP has been our independent registered public accounting firm since 2005, and we believe that the selection of Ernst & Young LLP as our independent registered accounting firm for the year ending December 31, 2016 is in the best interest of our company and our shareholders.

In determining whether to reappoint our independent registered public accounting firm, our audit and finance committee undertakes an annual formal evaluation of the independent registered public accounting firm, during which it considers the quality of its discussions with and the performance of the lead audit partner, the audit team assigned to our account, the potential impact of changing our independent registered public accounting firm, the overall strength and reputation of the firm and issues pertaining to auditor independence, including fees that our independent registered public accounting firm receives for non-audit services.

Each year, our audit and finance committee, together with Ian F. Smith, our executive vice president and chief financial officer, and Paul Silva, our senior vice president and controller, review the selection of our lead audit partner from Ernst & Young LLP. The review considers several factors, including sound judgment, industry knowledge and experience managing audits of complex companies with substantial international operations. After undertaking such review, we decided to retain the same lead audit partner from Ernst & Young LLP for the 2016 audit. In accordance with applicable requirements, we are required to change our lead audit partner ever five years.

Representatives of Ernst & Young LLP are expected to attend the annual meeting, will have the opportunity to make a statement if they desire to do so and will be available to respond to appropriate questions from shareholders.

EFFECT OF VOTE

We are not required to have shareholders ratify the selection of Ernst & Young LLP. If our shareholders do not ratify the selection, our audit and finance committee will reconsider the selection of Ernst & Young LLP for the ensuing year, but may determine that continued retention of Ernst & Young LLP is in our company's and our shareholders' best interests. Even if the appointment is ratified, the audit and finance committee, in its discretion, may direct the appointment of a different independent registered public accounting firm at any time during the year if it determines

that such a change would be in our company's and our shareholders' best interests.

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FEES

The audit and finance committee works with our management in order to negotiate appropriate fees with Ernst & Young LLP and is ultimately responsible for approving those fees. The following is a summary and description of fees for services provided by Ernst & Young LLP in 2015 and 2014.

Service	2015	2014
Audit fees	\$1,750,000	\$1,384,000
Audit-related fees	342,000	156,000
Tax fees	1,645,000	1,030,000
All other fees	1,995	1,995
Total	\$3,738,995	\$2,571,995

“Audit fees” represented the aggregate fees for professional services rendered for the audit of our annual consolidated financial statements, and our internal controls over financial reporting, for the reviews of the consolidated financial statements included in our Form 10-Q filings for each fiscal quarter, for statutory audits of our international operations and providing consents with respect to registration statements.

“Audit-related fees” consisted principally of fees for accounting consultations.

“Tax fees” consisted of fees related to tax compliance, worldwide tax planning and tax advice. The tax fees for 2015 and 2014 consisted of:

- tax compliance and preparation fees, including the preparation of original and amended tax returns and refund claims, and tax payment planning of \$1,113,000 and \$750,000, respectively; and
- tax advice and planning fees of \$532,000 and \$280,000, respectively.

“All other fees” consisted of licensing fees paid to Ernst & Young LLP for access to its proprietary accounting research database.

AUDIT AND FINANCE COMMITTEE PRE-APPROVAL POLICIES AND PROCEDURES

Our audit and finance committee has established a policy to pre-approve all audit and permissible non-audit services provided by our independent registered public accounting firm. Prior to the engagement of the firm for each year’s audit, management submits to our audit and finance

ITEM 2 - RATIFICATION OF THE APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM (continued)

committee for approval a description of services expected to be rendered during that year for each of the following four categories of services and a budget for those services in the aggregate.

Audit services include audit work performed in the preparation of financial statements, as well as work that generally only our independent registered public accounting firm can reasonably be expected to provide, including comfort letters, statutory audits, consents and attestation services.

Audit-related services are for assurance and related services that traditionally are performed by the independent registered public accounting firm, including due diligence related to mergers and acquisitions, employee benefit plan audits, special procedures required to meet certain regulatory requirements and consultation regarding financial accounting and/or reporting standards.

Tax services include all services performed by the independent registered public accounting firm's tax personnel except those services specifically related to the audit of our financial statements, and include fees in the areas of tax compliance, tax planning and tax advice.

All other fees are those associated with services not captured in the three preceding categories.

Prior to the engagement of our independent registered public accounting firm, our audit and finance committee pre-approves these services by category of service. The fees are budgeted and our audit and finance committee requires the independent registered public accounting firm and management to report actual fees versus the budget periodically throughout the year by category of service. During the year, circumstances may arise when it may become necessary to engage the independent registered public accounting firm for additional services not contemplated in the original pre-approval. In those instances, our audit and finance committee requires that we obtain its specific pre-approval for these services.

The audit and finance committee may delegate pre-approval authority to one or more of its members. The member to whom such authority is delegated must report any pre-approval decisions to our audit and finance committee at its next scheduled meeting.

All of the services set forth above in the categories "audit-related fees," "tax fees" and "all other fees" were pre-approved and none were approved by our audit and finance committee pursuant to Rule 2-01(c)(7)(i)(C), which relates to the approval of a de minimis amount of non-audit services after the fact but before completion of the audit.

OUR BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR RATIFICATION OF THE APPOINTMENT OF ERNST & YOUNG LLP AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE YEAR ENDING DECEMBER 31, 2016. THE AFFIRMATIVE VOTE BY THE HOLDERS OF A MAJORITY OF THE VOTES CAST IN PERSON OR BY PROXY ON THIS MATTER IS REQUIRED FOR THE APPROVAL OF THIS PROPOSAL.

AUDIT AND FINANCE COMMITTEE REPORT

The Audit and Finance Committee of the Board of Directors (the “Audit Committee”) of Vertex Pharmaceuticals Incorporated (the “Company”), which consists entirely of directors who meet the independence and experience requirements of the Securities and Exchange Commission and The Nasdaq Stock Market LLC, has furnished the following report:

The Audit Committee assists the Company’s Board of Directors in overseeing and monitoring the integrity of the Company’s financial reporting process, compliance with legal and regulatory requirements related to financial reporting and the quality of internal controls and external audit processes. The Audit Committee’s roles and responsibilities are set forth in a written charter, which is available on the Company’s website www.vrtx.com under “Investors—Corporate Governance—Governance Documents.” Among its duties, the Audit Committee is responsible for recommending to the Company’s Board of Directors that the Company’s financial statements be included in the Company’s Annual Report on Form 10-K. As a basis for that recommendation, the Audit Committee engaged in the following activities. First, the Audit Committee discussed with Ernst & Young LLP (“Ernst & Young”), the Company’s independent registered public accounting firm for 2015, those matters that Ernst & Young is required to communicate to and discuss with the Audit Committee by the Public Company Accounting Oversight Board (United States) Auditing Standard No. 16, Communications with Audit Committees, which included information regarding the scope and results of the audit. These communications and discussions are intended to assist the Audit Committee in overseeing the financial reporting and disclosure process. Second, the Audit Committee discussed with Ernst & Young the firm’s independence, and received from Ernst & Young the written disclosures and the letter concerning independence as required by Public Company Accounting Oversight Board Ethics and Independence Rule 3526 (Communication with Audit Committees Concerning Independence). This discussion and disclosure informed the Audit Committee of Ernst & Young’s relationships with the Company and was designed to assist the Audit Committee in considering Ernst & Young’s independence. Finally, the Audit Committee reviewed and discussed, with Ernst & Young and with the Company’s management, the Company’s audited consolidated balance sheet as of December 31, 2015, and the Company’s consolidated statements of operations, comprehensive income (loss), shareholders’ equity and noncontrolling interest, and cash flows for the year ended December 31, 2015, including the notes thereto. Management of the Company is responsible for the consolidated financial statements and reporting process, including establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e)); establishing and maintaining internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f)); evaluating the effectiveness of disclosure controls and procedures; evaluating the effectiveness of internal control over financial reporting; and evaluating any change in internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, internal control over financial reporting. The independent registered public accounting firm is responsible for expressing an opinion on the conformity of these consolidated financial statements with accounting principles generally accepted in the United States, as well as expressing an opinion on the effectiveness of internal control over financial reporting.

During 2015, management tested and evaluated the Company’s system of internal control over financial reporting in response to the requirements set forth in Section 404 of the Sarbanes-Oxley Act of 2002 and related regulations. At the conclusion of the process, management provided the Audit Committee with a report on the effectiveness of the Company’s internal control over financial reporting, which the Audit Committee reviewed. The Audit Committee also reviewed the report of management contained in the Company’s Annual Report on Form 10-K for the year ended December 31, 2015 filed with the Securities and Exchange Commission, as well as Ernst & Young’s Reports of Independent Registered Public Accounting Firm included in the Company’s Annual Report on Form 10-K. The latter reports relate to Ernst & Young’s audit of (i) the consolidated financial statements and (ii) the effectiveness of internal control over financial reporting.

Based on (i) discussions with Ernst & Young concerning the audit and the consolidated financial statements, (ii) the independence discussions, (iii) discussions with the Company’s management concerning the consolidated financial statements, and (iv) such other matters deemed relevant and appropriate by the Audit Committee, the Audit Committee recommended to the Company’s Board of Directors that the consolidated financial statements be included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2015. This report is provided by the following independent directors, who comprise the Audit Committee:

Terrence C. Kearney (Chair)

Yuchun Lee

Bruce I. Sachs

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ITEM 3 - ADVISORY VOTE TO APPROVE NAMED EXECUTIVE OFFICER COMPENSATION

Our compensation program is structured to attract, retain and motivate talented, experienced leaders and reward our executive officers for the achievement of short- and long-term strategic and operational goals while avoiding inappropriate or excessive risk-taking. In 2015, our board of directors and the MDCC decided, based on fundamental changes in our business and financial profile and feedback we received from our shareholders, to adopt significant changes to our executive compensation program, and in particular, our equity compensation program that were implemented in early 2016.

As described in the Summary Information beginning on page 3 of this proxy statement and Compensation Discussion and Analysis section beginning on page 38 of this proxy statement, based on fundamental changes in our business and financial profile and feedback we received from our shareholders, we adopted significant changes to our executive compensation program, and in particular, our equity compensation program that were implemented in early 2016.

Our compensation for our named executive officers was supported by 45% of the "Say-on-Pay" advisory votes cast by our shareholders in 2015. In 2015, we continued discussions with our shareholders regarding, among other matters, our executive compensation program and dilution caused by our broad-based equity compensation program. During these discussions, which included discussions with shareholders representing approximately 75% of our common stock, we listened to their perspectives and gained insight into how we could further align the interests of our company with the interests of our shareholders. Based in part on this feedback, we made significant changes to our equity compensation program, which we believe will allow us to (i) continue to attract, retain and motivate our named executive officers and (ii) address the concerns raised by our shareholders. As a result of these changes, our named executive officer's total equity compensation as provided in the summary compensation tables is expected to decrease by 40% to 45% in 2016 under the new program as compared to our NEO's total equity compensation in 2015 under the prior program.

Our board of directors and MDCC reviewed our compensation programs and made the following key decisions:

• In early 2016, we implemented significant changes to our equity compensation program (i.e., the adoption of the value-based program).

• For 2015, adjusted base salaries to align our named executive officers' salaries closer to median levels.

• As a result of our exceptional performance in 2015, our board approved annual cash bonuses at the high-end of the range for each of our named executive officers.

Our executive compensation program, including our performance and the compensation earned by our named executive officers, is discussed in greater detail in the Compensation Discussion and Analysis section beginning on page 38 of this proxy statement. In that section, we discuss our executive compensation program and policies and explain the compensation decisions relating to our named executive officers for 2015. In addition, the compensation tables and related narratives, which begin on page 67 of this proxy statement, provide additional information regarding the compensation received by our named executive officers in 2015. In reviewing the compensation information included in this proxy statement, it is important to note that the equity compensation in these tables for 2015 reflects compensation received under the program we had in place prior to the changes implemented in early 2016.

Based upon a vote of shareholders at the 2011 annual meeting of shareholders, following our Board's recommendation for an annual advisory vote to approve executive compensation, we are presenting the following proposal, which gives you as a shareholder the opportunity to endorse or not endorse our 2015 executive compensation program by voting for or against the following resolution:

RESOLVED, that the shareholders approve, on an advisory basis, the compensation of our named executive officers, as disclosed in the Compensation Discussion and Analysis section, the Compensation and Equity Tables and the related narrative executive compensation disclosures contained in this proxy statement.

ITEM 3 -
ADVISORY VOTE
TO APPROVE
NAMED
EXECUTIVE
OFFICER
COMPENSATION
(continued)

While the vote on this resolution is advisory in nature, and therefore will not bind us to take any particular action, our MDCC and board intend to consider carefully the shareholder vote resulting from the proposal in making future decisions regarding our executive compensation program.

OUR BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR THE APPROVAL OF THE RESOLUTION SET FORTH ABOVE. THE AFFIRMATIVE VOTE BY THE HOLDERS OF A MAJORITY OF THE VOTES CAST IN PERSON OR BY PROXY ON THIS MATTER IS REQUIRED FOR THE APPROVAL OF THIS PROPOSAL.

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ITEM 4 -
SHAREHOLDER
PROPOSAL NO.

1

We expect the following shareholder proposal will be presented for consideration at the 2016 annual meeting of shareholders. Our board of directors recommends a vote AGAINST the shareholder proposal for the reasons set forth following the proposal.

SHAREHOLDER PROPOSAL AND SUPPORTING STATEMENT

Proposal

The Comptroller of the State of New York, Division of Corporate Governance, 59 Maiden Lane - 30th Floor, New York, New York 10038, as the trustee of the New York State Common Retirement Fund, and as the administrative head of the New York State and Local Retirement System, who collectively are the owners 629,800 shares of our common stock as of December 17, 2015, has given notice that they, or one or more of them, intend to present for action at the 2016 annual meeting of shareholders the following resolution:

RESOLVED, that shareholders of Vertex Pharmaceuticals urge the Board of Directors to take all necessary steps (other than any steps that must be taken by shareholders) to eliminate the classification of the Board of Directors and to require that all directors elected at or after the annual meeting held in 2016 be elected on an annual basis.

Implementation of this proposal should not prevent any director elected prior to the annual meeting held in 2016 from completing the term for which such director was elected.

SUPPORTING STATEMENT

The resolution urges the board of directors to facilitate a declassification of the board. Such a change would enable shareholders to register their views on the performance of all directors at each annual meeting. Having directors stand for elections annually makes directors more accountable to shareholders, and could thereby contribute to improving performance and increasing firm value.

Director accountability is of particular importance at Vertex Pharmaceuticals where the Company's advisory vote on executive compensation received the support of only 45% of votes cast at the 2015 annual shareholder meeting.

The significant shareholder support for declassification proposals is consistent with empirical studies reporting that: Classified boards are associated with lower firm valuation (Bebchuk and Cohen, 2005; confirmed by Faleye (2007) and Frakes (2007));

Takeover targets with classified boards are associated with lower gains to shareholders (Bebchuk, Coates, and Subramanian, 2002);

Firms with classified boards are more likely to be associated with value-decreasing acquisition decisions (Masulis, Wang, and Xie, 2007); and

Classified boards are associated with lower sensitivity of compensation to performance and lower sensitivity of CEO turnover to firm performance (Faleye, 2007).

Although one study (Bates, Becher and Lemmon, 2008) reports that classified boards are associated with higher takeover premiums, this study also reports that classified boards are associated with a lower likelihood of an acquisition and that classified boards are associated with lower firm valuation.

Please vote for this proposal to make directors more accountable to shareholders.

VERTEX'S STATEMENT IN OPPOSITION TO SHAREHOLDER PROPOSAL NO. 1

Our board of directors recommends a vote AGAINST the shareholder proposal requesting that we take necessary steps to declassify our board.

Our board does not believe that declassifying our board is in the best interest of our company and our shareholders for the following reasons:

Independence, Stability, Continuity and Experience

Our board of directors is divided into three classes, with each class serving a staggered three-year term. The longer term enhances the independence of our board and encourages the directors to make decisions in the long-term interest of our company and our shareholders, reducing the potential influence of certain investors and special interest groups with short-term agendas that may be harmful to our company and shareholders in the long-term. The classified board structure also

ITEM 4 -
SHAREHOLDER
PROPOSAL NO.
1 (continued)

creates stability and continuity on our board and ensures that, at any given time, our board is comprised of experienced directors who are intimately familiar with our business, strategic goals, history and culture.

Protects Shareholder Value

The classified board structure protects our company and our shareholders against a hostile purchaser replacing a majority of our directors with its own nominees at a single annual meeting of shareholders, thereby gaining control of our company without paying fair market value to our shareholders. A classified board does not preclude a takeover, but rather provides our board with the time and flexibility necessary to evaluate the adequacy and fairness of a proposed offer, consider alternative methods of maximizing shareholder value, protect shareholders against abusive tactics during a takeover process, and, as appropriate, negotiate the best possible return for all shareholders.

Accountability

All directors, regardless of the length of their term, have a fiduciary duty under the law to act in a manner that they believe to be in the best interests of our company and all of our shareholders. As a result, the classified board structure maintains the same level of accountability as with annual elections of directors. In addition, we have adopted a majority vote standard for the election of directors and require that any nominee for director in an uncontested election who receives a greater number of votes “withheld” than votes “for” the nominee’s election shall promptly tender his or her resignation to the chair of our board following certification of the shareholder vote for consideration by our corporate governance and nominating committee.

After careful consideration, our board of directors has determined that continuation of our classified board structure is appropriate and in the best long-term interests of our company and our shareholders.

FOR ALL OF THE ABOVE REASONS OUR BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE AGAINST THE APPROVAL OF SHAREHOLDER PROPOSAL NO. 1. THE AFFIRMATIVE VOTE BY THE HOLDERS OF A MAJORITY OF THE VOTES CAST IN PERSON OR BY PROXY ON THIS MATTER IS REQUIRED FOR THE APPROVAL OF THIS PROPOSAL.

ITEM 5 - SHAREHOLDER PROPOSAL NO. 2

We expect the following shareholder proposal will be presented for consideration at the 2016 annual meeting of shareholders. Our board of directors recommends a vote AGAINST the shareholder proposal for the reasons set forth following the proposal.

SHAREHOLDER PROPOSAL AND SUPPORTING STATEMENT

Proposal

The City of Philadelphia Public Employees Retirement System, Sixteenth Floor, Two Penn Center Plaza, Philadelphia, Pennsylvania 19102-1712, an owner of 9,215 shares of our common stock as of December 22, 2015, has given notice that it intends to present for action at the 2016 annual meeting of shareholders the following resolution: RESOLVED: The shareholders ask the board of directors of Vertex Pharmaceuticals Incorporated to adopt a policy that in the event of a change in control (as defined under any applicable employment agreement, equity incentive plan or other plan), there shall be no acceleration of vesting of any equity award granted to any senior executive officer, provided, however, that the board's Compensation Committee may provide in an applicable grant or purchase agreement that any unvested award will vest on a partial, pro rata basis up to the time of the senior executive officer's termination, with such qualifications for an award as the Committee may determine.

For purposes of this Policy, "equity award" means an award granted under an equity incentive plan as defined in item 402 of the SEC's Regulation S-K, which addresses elements of executive compensation to be disclosed to shareholders. This resolution shall be implemented so as not affect any contractual rights in existence on the date this proposal is adopted, and it shall apply only to equity awards made under equity incentive plans or plan amendments that shareholders approve after the date of the 2016 annual meeting.

SUPPORTING STATEMENT

Vertex Pharmaceuticals Incorporated ("Company") allows senior executives to receive an accelerated award of unearned equity under certain conditions after a change of control of the Company. We do not question that some form of severance payments may be appropriate in that situation. We are concerned, however, that current practices at the Company may permit windfall awards that have nothing to do with an executive's performance.

According to last year's proxy statement, a change of control and an involuntary termination other than for cause or a termination by the executive for good reason could have accelerated the vesting of more than \$133 million worth of long-term equity to Company's five senior executives, with the Chairman, President and CEO Jeffrey M. Leiden entitled to more than \$57 million.

We are unpersuaded by the argument that executives somehow "deserve" to receive unvested awards. To accelerate the vesting of unearned equity on the theory that an executive was denied the opportunity to earn those shares seems inconsistent with a "pay for performance" philosophy worthy of the name.

We do believe, however, that an affected executive should be eligible to receive an accelerated vesting of equity awards on a pro rata basis as of his or her termination date, with the details of any pro rata award to be determined by the Compensation Committee.

Other major corporations, including Apple, Chevron, ExxonMobil, IBM, Intel, Microsoft, and Occidental Petroleum, have limitations on accelerated vesting of unearned equity, such as providing pro rata awards or simply forfeiting unearned awards. Research from James Reda & Associates found that over one third of the largest 200 companies now pro rate, forfeit, or only partially vest performance shares upon a change of control.

We urge you to vote FOR this proposal.

VERTEX'S STATEMENT IN OPPOSITION TO SHAREHOLDER PROPOSAL NO. 2

Our board of directors recommends a vote AGAINST the shareholder proposal requesting that we adopt a policy limiting acceleration of equity awards to senior executives upon a change of control.

We believe that it is in the best interest of our shareholders to retain the current provisions regarding acceleration of equity awards in the event of a change of control as set forth in employment agreements with our senior executive officers and the terms of the individual equity awards. These provisions do not provide for automatic acceleration in the event of a change of

ITEM 5 - SHAREHOLDER PROPOSAL NO. 2 (continued)

control, but instead require a "double trigger" consisting of both a change of control and the involuntary termination of a senior executive officer within a specified time following such change in control.

We believe that our management development and compensation committee, or MDCC, which is composed entirely of independent directors, is in the best position to design and implement executive compensation arrangements that are appropriate for our company, including the treatment of equity awards in connection with a change in control. The proposal would preemptively tie the hands of the MDCC with respect to a significant element of our executive compensation program and would place our company at a competitive disadvantage in attracting and retaining highly qualified and talented executives relative to competing companies, many of whom have acceleration provisions that are similar to our existing provisions.

We also believe the current policy appropriately aligns the interests of senior executives and our shareholders. In the event of a potential change of control, the retentive power of our existing compensation program would be diminished if senior executives were to forfeit a portion of their equity awards, and the potential loss of key executives could mitigate the ability of the company to deliver an intact management team and achieve critical performance goals. Such an outcome could reduce the value of the company to an acquirer and thereby negatively affect the amount shareholders would realize in the change of control transaction. In addition, our existing compensation program helps mitigate against the potential misalignment of interests between our senior executives and our shareholders in the event of a change of control transaction by ensuring that our senior executives, who would otherwise forfeit a significant portion of their equity compensation if they are terminated in connection with a change of control, remain objective, avoid conflicts of interest and stay focused on executing a transaction that maximizes shareholder value. The current treatment of equity grants following a change in control is consistent with our overarching goals of providing pay for performance and attracting and retaining highly talented executives in a competitive marketplace where similar provisions are common. Our board does not believe the proposal would be in the best interest of shareholders.

FOR ALL OF
THE ABOVE
REASONS OUR
BOARD OF
DIRECTORS
RECOMMENDS
THAT YOU
VOTE AGAINST
THE APPROVAL
OF
SHAREHOLDER
PROPOSAL NO.
2. THE
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THE VOTES
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PROXY ON THIS
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REQUIRED FOR
THE APPROVAL
OF THIS
PROPOSAL.

ITEM 6 -
SHAREHOLDER
PROPOSAL NO.

3

We expect the following shareholder proposal will be presented for consideration at the 2016 annual meeting of shareholders. Our board of directors recommends a vote AGAINST the shareholder proposal for the reasons set forth following the proposal.

SHAREHOLDER PROPOSAL AND SUPPORTING STATEMENT

Proposal

The Comerica Bank & Trust, National Association, Institutional Services Group, MC 3464, PO Box 75000, Detroit, Michigan 48275, as trustee of the Trowel Trades S&P 500 Index Fund, an owner of 3,990 shares of our common stock as of December 23, 2015 and the International Brotherhood of Electrical Workers Pension Benefit Fund, 900 Seventh Street, NW, Washington, DC 20001, an owner of 3,441 shares of our common stock as of December 24, 2015, have given notice that they, or one of them, intend to present for action at the 2016 annual meeting of shareholders the following resolution:

RESOLVED: Shareholders of Vertex Pharmaceuticals Incorporated (the "Company") urge the Compensation Committee of the Board of Directors (the "Committee") to adopt a policy requiring that senior executives retain a significant percentage of shares acquired through equity compensation programs until reaching normal retirement age or terminating employment with the Company. For the purpose of this policy, normal retirement age shall be defined by the Company's qualified retirement plan that has the largest number of plan participants. The shareholders recommend that the Committee adopt a share retention percentage requirement of at least 50 percent of net after-tax shares. The policy should prohibit hedging transactions for shares subject to this policy which are not sales but reduce the risk of loss to the executive. This policy shall supplement any other share ownership requirements that have been established for senior executives, and should be implemented so as not to violate the Company's existing contractual obligations or the terms of any compensation or benefit plan currently in effect.

SUPPORTING STATEMENT

Equity-based compensation is an important component of senior executive compensation at our Company. While we encourage the use of equity-based compensation for senior executives, we are concerned that our Company's senior executives are generally free to sell shares received from our Company's equity compensation plans. In our opinion, the Company's current share ownership guidelines for its senior executives do not go far enough to ensure that the Company's equity compensation plans continue to build stock ownership by senior executives over the long-term. For example, our Company's share ownership guidelines require the CEO to hold an amount of shares equivalent to six times his base salary or 150,000 shares. In comparison, the CEO currently owns 778,728 shares. Additionally, in 2015, our Company granted the CEO 509,000 stock and option awards. In other words, one year's worth of equity awards exceeds by three times the Company's long-term share ownership guidelines for the CEO.

We believe that requiring senior executives to only hold shares equal to a set target loses effectiveness over time. After satisfying these target holding requirements, senior executives are free to sell all the additional shares they receive in equity compensation.

Our proposal seeks to better link executive compensation with long-term performance by requiring a meaningful share retention ratio for shares received by senior executives from the Company's equity compensation plans. Requiring senior executives to hold a significant percentage of shares obtained through equity compensation plans until they reach retirement age will better align the interests of executives with the interests of shareholders and the Company. A 2009 report by the Conference Board Task Force on Executive Compensation observed that such hold-through-retirement requirements give executives "an ever growing incentive to focus on long-term stock price performance as the equity subject to the policy increase" (available at http://www.conference-board.org/pdf_free/ExecCompensation2009.pdf).

We urge shareholders to vote FOR this proposal.

VERTEX'S STATEMENT IN OPPOSITION TO SHAREHOLDER PROPOSAL NO. 3

Our board of directors recommends a vote AGAINST the shareholder proposal requesting that we adopt a policy requiring that senior executives retain a percentage of their equity awards.

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ITEM 6 -
SHAREHOLDER
PROPOSAL NO.
3 (continued)

Our board has already taken steps to align the interests of our senior executives with those of shareholders and to encourage a focus on the long-term performance of our company. These steps, which render the proponents proposal unnecessary, include the following:

Executive Stock Ownership Guidelines: We already have stock ownership guidelines for our senior executive officers. These guidelines provide that our chief executive officer should, within five years of becoming subject to the guidelines, satisfy at least one of the following two criteria: (i) ownership of shares of our common stock with a value at least six times his then-current base salary or (ii) ownership of at least 150,000 shares of our common stock. Our executive vice presidents should, within five years of becoming subject to these guidelines, achieve ownership of shares of our common stock with a value at least four times such executive vice president's then-current base salary.

Clawback Policy: We have a clawback policy providing that, if our board determines that an executive officer engaged in fraud or intentional misconduct that resulted in an incorrect determination that an incentive compensation performance goal had been achieved, the board may take appropriate action to recover from such executive officer any compensation that resulted from such determination. The board may require reimbursement for any bonus, equity or incentive compensation awarded to an executive officer who engaged in the fraud or intentional misconduct to the extent it was based on such incorrect determination.

Anti-Hedging Policy: We prohibit all of our directors and employees worldwide, including our executive officers, from (i) short selling or hedging our securities, (ii) purchasing or selling derivative securities based on our securities and (iii) pledging our securities.

These policies and practices have been carefully designed to align the interests of executive officers with those of our shareholders and encourage a focus on the long-term performance of our company, while enabling us to attract and retain talented executives. We believe that the approach set forth in the proposal fails to strike a reasonable balance between incenting desired management behaviors and permitting executives to manage their own financial affairs. The proposal would place unnecessary constraints on executives' legitimate needs to diversify their holdings and could hinder our ability to attract and retain executive talent.

FOR ALL OF THE ABOVE REASONS OUR BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE AGAINST THE APPROVAL OF SHAREHOLDER PROPOSAL NO. 3. THE AFFIRMATIVE VOTE BY THE HOLDERS OF A MAJORITY OF THE VOTES CAST IN PERSON OR BY PROXY ON THIS MATTER IS REQUIRED FOR THE APPROVAL OF THIS PROPOSAL.

ITEM 7 - SHAREHOLDER PROPOSAL NO. 4

We expect the following shareholder proposal will be presented for consideration at the 2016 annual meeting of shareholders. Our board of directors recommends a vote AGAINST the shareholder proposal for the reasons set forth following the proposal.

SHAREHOLDER PROPOSAL AND SUPPORTING STATEMENT

Proposal

The Gun Denhart Living Trust, an owner of our common stock with a market value of at least \$2,000, has given notice that it intends to present for action at the 2016 annual meeting of the shareholders the following resolution: WHEREAS: A large and diverse group of companies has integrated sustainability metrics into executive pay incentive plans, among them Walt Disney, Unilever, Pepsi, Walmart, Group Danone and Mead Johnson.

Numerous studies suggest companies that integrate environmental, social and governance factors into their business strategy reduce reputational, legal and regulatory risks and improve long-term performance.

According to the largest study of CEOs on sustainability to date (CEO Study on Sustainability 2013, UN Global Compact and Accenture):

76 percent believe embedding sustainability into core business will drive revenue growth and new opportunities.

93 percent regard sustainability as key to success.

86 percent believe sustainability should be integrated into compensation discussions, and 67 percent report they already do.

A 2012 Harvard Business School study concluded that firms that adopted social and environmental policies significantly outperformed counterparts over the long-term, in terms of stock market and accounting performance.

The Glass Lewis report Greening the Green 2014: Linking Executive Pay to Sustainability, finds a "mounting body of research showing that firms that operate in a more responsible manner may perform better financially.... Moreover, these companies were also more likely to tie top executive incentives to sustainability metrics."

A 2012 report by the United Nations Principles for Responsible Investment and the UN Global Compact found "the inclusion of appropriate Environmental, Social and Governance (ESG) issues within executive management goals and incentive schemes can be an important factor in the creation and protection of long-term shareholder value."

In 2013, CH2MHill found that firms that set tangible sustainability goals are more likely to tie executive compensation to the achievement of sustainability goals.

Vertex shareholders have expressed their dissatisfaction with pay practices at the company. At the company's last annual meeting, only 45% of shareholders approved the advisory vote on compensation. This was the third lowest vote of all S&P 500 companies. A focus on sustainability will be an improvement.

SUPPORTING STATEMENT

Effectively managing for sustainability creates opportunities for long-term value creation, we therefore believe sustainability should be a key area in which executives are evaluated.

Linking sustainability metrics to executive compensation could reduce risks related to sustainability underperformance and incent executives to meet sustainability goals and achieve resultant benefits. Examples of such metrics might include: greenhouse gas emissions monitoring and reduction goals, green procurement programs, energy consumption (including renewable energy sourcing and efficiency), and progress toward workforce diversity goals.

RESOLVED: Shareholders request the Board Compensation Committee prepare a report assessing the feasibility of integrating sustainability metrics into the performance measures of senior executives under Vertex Pharmaceuticals' compensation incentive plans. Sustainability is defined as how environmental and social considerations, and related financial impacts, are integrated into corporate strategy over the long term.

SHAREHOLDER
PROPOSAL NO.
4 (continued)

VERTEX'S STATEMENT IN OPPOSITION TO SHAREHOLDER PROPOSAL NO. 4

Our board of directors recommends a vote AGAINST the shareholder proposal requesting a report assessing the feasibility of integrating sustainability into performance measures for senior executive compensation.

We believe that our MDCC, which is composed entirely of independent directors, is in the best position to design and implement executive compensation arrangements that are appropriate for our company, including the performance metrics for senior executives under our equity compensation plans. To that end, the MDCC needs flexibility to develop effective and competitive compensation programs and to establish short- and long-term performance metrics for individual equity awards. While it may be appropriate from time to time to incorporate new performance measures into our executive compensation program, the MDCC is in the best position to evaluate whether such additions will promote our goals and create long-term shareholder value.

Although our board agrees that sustainability is important, we believe that our existing executive compensation program, as modified for 2016, has a strong pay-for-performance philosophy that results in awards to executives that are responsive to the long-term value they produce for shareholders and our underlying mission of discovering, developing, manufacturing and commercializing medicines for serious diseases.

Nonetheless, we are committed to conserving natural resources and minimizing or eliminating any adverse health, safety and environmental impacts that may be associated with our facilities and operations and to promoting waste minimization, recycling and energy efficiency in our business activities. For example, and as a direct result of our commitment to sustainability, we recently achieved LEED Gold certifications for high performance in sustainable site development, water savings, energy efficiency, materials selection and indoor environmental quality.

FOR ALL OF THE ABOVE REASONS OUR BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE AGAINST THE APPROVAL OF SHAREHOLDER PROPOSAL NO. 4. THE AFFIRMATIVE VOTE BY THE HOLDERS OF A MAJORITY OF THE VOTES CAST IN PERSON OR BY PROXY ON THIS MATTER IS REQUIRED FOR THE APPROVAL OF THIS PROPOSAL.

COMPENSATION DISCUSSION AND ANALYSIS - OVERVIEW

Letter from
Management
Development and
Compensation
Committee to Our
Shareholders
Dear Fellow
Shareholder,

The Management
Development and
Compensation
Committee's
stewardship of
Vertex's
compensation
programs is guided
by Vertex's mission
of developing
transformative
medicines for
people with serious
diseases. Toward
that end, we have
designed the
company's
compensation
programs to closely
align management's
incentives with
Vertex's strategic
long- and
short-term goals
and with the
interests of Vertex's
shareholders. This
alignment has
contributed to
Vertex's
exceptional
performance over
the last several
years as Vertex
built its leadership
position in the
treatment of cystic
fibrosis (CF),
advanced its
pipeline and

increased its CF net product revenues. This performance has helped the company build outstanding financial strength and deliver total shareholder returns of 200% for the three years ended December 31, 2015.

We take seriously our role in the governance of compensation programs, including how these programs should evolve as the company transforms from a development-stage organization to a profitable commercial enterprise. We also carefully consider and incorporate the views expressed by the company's shareholders into our thinking. Based on the progression of the company and input from shareholders, we transitioned Vertex's equity program from a share-based program (that provided for annual equity grants based on specific numbers of shares) to a value-based approach (that

provides for annual equity grants based on specific dollar values). As part of this transition, we made modifications to the equity program consistent with market practices for companies at Vertex's stage of development, including decreasing our reliance on options and implementing performance stock units (which utilize a balance of financial and non-financial goals tied to the execution of the company's strategic objectives) to further strengthen the link between pay and performance. We believe that many of the enhancements to the company's equity program, which we implemented in February 2016, are consistent with the feedback from the company's shareholders, and we plan to continue to engage in an active dialogue with these important constituents.

Looking ahead, we will continue to

focus on
maintaining the
strong link between
Vertex's
compensation
programs and its
long- and
short-term strategic
objectives. Central
to these objectives
is our ability to
continue to develop
transformative
medicines while
delivering
sustained revenues
and earnings
growth.

Sincerely,
Bruce I. Sachs
(Chair)
Terrence C.
Kearney
Elaine S. Ullian
William D. Young

COMPENSATION
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(continued)

This section discusses the principles underlying our policies and decisions with respect to the compensation of our "named executive officers" and all material factors we believe are relevant to an analysis of these policies and decisions. Our named executive officers, or NEOs, for 2015 were:

- Dr. Jeffrey M. Leiden, our Chairman, Chief Executive Officer and President
- Ian F. Smith, our Executive Vice President and Chief Financial Officer
- Stuart A. Arbuckle, our Executive Vice President and Chief Commercial Officer
- Dr. Jeffrey Chodakewitz, our Executive Vice President, Global Medicines Development and Medical Affairs and Chief Medical Officer

- Dr. David M. Altshuler, our Executive Vice President, Global Research and Chief Scientific Officer
- Performance-based Executive Compensation Program

Our compensation program is designed to attract, retain and motivate talented and experienced individuals across all areas of our business and to align the interests of our executive officers with the interests of our shareholders as we seek to create value through the discovery, development and commercialization of transformative medicines. Our MDCC seeks to achieve this objective through a program consisting of the following principal components:

Salary	Annual Bonus	Equity Compensation
<p>Evaluated and adjusted, as appropriate, each year based upon a detailed market assessment as well as each executive's contributions and individual performance.</p>	<p>Determined each year based on individual and company performance based on achievement against operating and financial goals approved by the committee at the beginning of each year, as well as performance-based and values-based evaluations of individual performance.</p>	<p>Aligns the incentives of our executive officers with shareholder interests and rewards the creation of shareholder value:</p> <p>(1) In 2015, granted options and performance-accelerated restricted stock based on 2014 individual and company performance pursuant to a share-based program.</p> <p>(2) In 2016, adopted a new "value-based" program, reducing reliance on stock options and introducing performance restricted stock units to increase linkage between pay and performance.</p>

Executive Summary

We have adopted significant changes to our executive compensation program, and in particular, to the equity compensation component, which were implemented in early 2016. The new equity compensation program reflects fundamental changes in our business and financial profile and feedback we received from our shareholders. While we continually engage in dialogue with our shareholders, we increased our level of engagement in response to the decline in support we received for our advisory say-on-pay proposal at our 2015 annual meeting. Over the past year, we held specific discussions regarding executive compensation with shareholders representing approximately 75% of our outstanding stock.

Similar to other development-stage companies and consistent with market practices, our long-term equity grants historically have been weighted toward granting a consistent number of stock options, which we refer to as a share-based program. Over the last several years, the value of annual compensation reported in the Summary Compensation Tables for our named executive officers has increased due to our share-based approach, the strong performance of our business and increases in our share price. During this period we also matured from a development-stage company to a commercial-stage global biotechnology company with a strong financial profile and a clear path to sustained revenues and earnings growth. In early 2016, consistent with market practices for companies at our stage of development we transitioned from a share-based approach to a value-based approach for our long-term equity program.

Adoption of New "Value-based" Equity Compensation Program

As discussed in more detail below, in response to the feedback we received during our shareholder engagement efforts, we adopted for 2016 a new approach for granting equity and equity-based compensation to our executives, including our named executive officers. Under this program awards of equity compensation are no longer based upon a targeted number of shares. The value-based program provides that:

• Annual awards to our executives will be sized based upon a target grant-date value, which will be determined based upon a holistic analysis of market data, business needs and other considerations that the MDCC deems relevant;

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The targeted values are expected to result in grants with significantly fewer shares than the prior, share-based approach;

The awards themselves will be comprised of a mix of award types, and a majority of the value of each award will have performance features (e.g., performance vesting or stock option awards); and

The size of annual equity awards also takes into consideration individual performance results as well as adherence to corporate values, including our uncompromising commitment to patients and focus on innovation.

Under the value-based program, our CEO will be eligible for annual equity awards with a value between zero and \$14 million (with the actual value depending upon his performance), as compared to the 2015 grant value of \$23.3 million under the prior share-based approach. Our other named executive officers will be eligible for annual equity awards with values between zero and \$4.5 million, as compared to the 2015 grant values for such officers, which ranged from \$6.6 million to \$7.5 million.

Shareholder Feedback and Response

The following chart summarizes what we heard from our shareholders and how we responded in our revised equity compensation program.

CONCERNS WE HEARD	WHAT WE DID
Magnitude of awards resulting from our share-based equity program	Changed to a value-based equity program which should reduce grant date fair-value of our CEO's equity awards by 40% in 2016
Exclusive use of time-based equity	Implemented performance-contingent restricted stock unit awards, significantly reducing our reliance on time-based stock option awards
Rigor of vesting terms for one-time retention awards granted in 2014	Implemented balanced financial and non-financial metrics with a substantial risk of forfeiture for performance-contingent restricted stock unit awards
Dilution created by compensation program	Changed to value-based program which should significantly reduce dilution; for example, the number of shares at target subject to CEO equity awards will decrease by approximately 44% in 2016

In order to ensure that our compensation program is aligned with the achievement of strategic objectives and company performance, we continue to have approximately 90% of the compensation for our CEO and our other named executive officers performance-linked through annual cash bonuses, restricted unit awards and stock-option awards. In reviewing the compensation information included in this proxy statement, it is important to note that the equity compensation in these tables for 2015 reflects compensation received under the program we had in place prior to the changes implemented in early 2016.

Performance and Operational Results

We are dedicated to developing transformative medicines for people with serious diseases. Over the last several years, we have met or exceeded our goals, building on our leadership position in the treatment of CF, advancing and broadening our

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pipeline, increasing revenues and establishing a strong financial profile. We have two medicines that together are approved to treat approximately 25,000 patients with CF, or approximately one third of the CF population worldwide. These medicines are the first, and only, medicines that treat the underlying cause of CF, and we believe they have fundamentally changed the way eligible patients can be treated. In addition, we have a strong CF pipeline, with multiple drug candidates, that may allow us to help all patients with this rare and life-shortening disease.

Specifically, in 2015 we:

• Increased the number of CF patients who are eligible for treatment with our medicines by approximately 700%:

Obtained U.S. and E.U. approval of ORKAMBI and successfully launched ORKAMBI in the U.S.

Continued to increase the number of patients eligible to receive KALYDECO through label expansions.

• Advanced our CF development pipeline to help us reach our goal of developing treatments for all CF patients:

Progressed Phase 3 development of VX-661 in combination with ivacaftor, which may enhance treatment for patients currently eligible for ORKAMBI.

Initiated development of VX-152 and VX-440, next-generation correctors that could allow us to increase the benefits our medicines provide to CF patients and increase the number of CF patients eligible for our medicines.

In-licensed from Parion Sciences, Inc. VX-371, an investigational ENaC inhibitor, which provides us an approach that, if successful, could be used as a treatment for all CF patients regardless of their CFTR mutation.

Established a collaboration with CRISPR Therapeutics AG pursuant to which we are seeking to discover medicines aimed at the underlying genetic causes of human diseases, including CF, using CRISPR-Cas9 gene editing technology.

• Expanded and diversified our pipeline and research efforts beyond CF:

We are pursuing DNA damage repair, an important emerging area for the development of cancer medicines. We are evaluating VX-970 and VX-803, our most advanced oncology drug candidates, in early-stage clinical trials.

In pain, a Phase 2 clinical trial of VX-150 is ongoing, and we expect to begin clinical development of VX-241 in 2016.

• Grew revenues, maintained our financial strength and became cash flow positive in the fourth quarter of 2015, allowing us to continue to invest significantly in R&D and return value to shareholders:

Increased CF net product revenues by 112% compared to 2014, with significant additional increases expected in 2016.

Entered 2016 with approximately \$1.0 billion in cash, cash equivalents and marketable securities.

Our accomplishments reflect the leadership and focus of our executive team in driving exceptional company performance and have led to consistently high shareholder returns and increasing CF net product revenues.

Share Price

(as of December 31, per share)

CF Net Product Revenues
(millions)

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From 2013 through 2015 as a result of our business performance, we had a three-year TSR of 44% on an annualized basis. On this basis, we outperformed (i) our Peer Group, (ii) the S&P 500 Healthcare Sector Index and (iii) the S&P 500 overall.

The top and bottom dotted lines in the preceding charts indicate the 3-year total shareholder return for the 25th and 75th percentiles, respectively, for each of these groups.

Key Compensation Decisions

The primary elements of our annual executive compensation program are base salary, annual cash bonus and equity awards. The key recent decisions that our MDCC and board made are as follows:

Base Salary: As discussed in our proxy statement for our 2015 annual meeting, in December 2014 our board approved a change in our CEO's base salary from \$1,100,000 to \$1,300,000. This change was related to the extension of the term of our CEO's contract and is aligned with the median CEO pay of our Peer Group. During 2015, our board also approved adjustments to the base salaries for our other NEOs to align their salaries closer to the median levels for our Peer Group.

Annual Cash Bonus: As a result of our exceptional performance in 2015, our board approved annual cash bonuses at the high-end of the range for each of our NEOs.

Long-Term Equity Program:

In 2015, we granted options and performance-accelerated restricted stock under the share-based approach that we utilized until early 2016. Dr. Leiden, Mr. Smith, Mr. Arbuckle and Dr. Chodakewitz received options and restricted stock in February 2015 reflecting their individual performance in 2014 and a mid-year option grant. Dr. Altshuler received a sign-on restricted stock award in January 2015 and a mid-year option grant.

In early 2016, we implemented significant changes to our equity compensation program (i.e., the adoption of the value-based equity program, which is summarized above and described in more detail below and will be reflected in our Summary Compensation Table for 2016 in next year's proxy statement).

As a result of the changes to our equity compensation program, we are decreasing substantially the value of compensation provided in the form of stock options, reducing the value of compensation delivered in the form of time-vested restricted stock, and in order to increase the link between performance and compensation introducing performance stock units, or PSUs. As a result of these changes, the grant date fair-value of our NEOs' total equity compensation under the annual program will decrease by 40% to 45% as set forth in the following chart. Dr. Altshuler's equity grants in 2015 included the sign-on equity grant he received when he became an employee in January 2015.

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Estimates for value of 2016 equity-based awards are based on our methodology for determining the grant-date fair value, including underlying assumptions for calculating these values as set forth in Note N to our consolidated financial statements included in our 2015 Annual Report on Form 10-K and are subject to adjustment.

Pay-for-Performance Alignment

We considered pay and performance alignment based on “realized” and “realizable” perspectives. The MDCC’s independent consultant, Pearl Meyer & Partners, or Pearl Meyer, conducted both the realized and realizable pay and performance analyses set forth below, comparing our executive pay and performance as well as our Peer Group companies’ pay and performance. Our three-year TSR approximated the 72nd percentile of our Peer Group. Our CEO and NEOs average three-year realized compensation approximated the 53rd and 67th percentiles of our Peer Group’s CEOs and NEOs. Our CEO and NEOs’ average three-year realizable compensation approximated the 78th and 84th percentiles of our Peer Group’s CEOs and NEOs. Based on these results, we believe that our pay programs are effective at ensuring that pay levels for our executives are aligned with performance.

Realized compensation is compensation actually received during the year based on the executive’s total compensation as calculated under SEC rules, excluding the grant-date fair value of equity awards and substituting the actual value realized on the exercise of options and the vesting of restricted stock as set forth in our “Total Realized Compensation Table” on page 69 of this proxy statement. Accordingly, it excludes unvested grants and other amounts that will not actually be received, if at all, until a future date.

Realizable compensation is actual salary received, payouts from non-equity incentive plan compensation, the value of time-based shares granted during the period, the in-the-money value of stock options granted during the period, and the value of performance stock or units granted during the period, assessed at payout value, if applicable, and based upon the target value of underlying shares if the performance period has not yet concluded. All equity grants are valued as of December 31, 2015, the last day of the three-year performance period. With respect to options, the value is based on the difference between the exercise price and the fair market value of the company’s stock on December 31, 2015. It excludes grants of cash or equity awards outside the three-year performance period.

As discussed above, our business has performed exceptionally over the last several years, and the compensation paid to our NEOs during 2013-2015 shows a strong connection to our TSR relative to our Peer Group, as shown in the graphs below. Data points that are within the shaded area designate Peer Group companies that exhibit pay-for-performance alignment.

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CEO 3-year Realized Comp. vs. TSR Other NEO 3-year Realized Comp. vs. TSR

In the preceding graphs regarding realized compensation:

Realized compensation was determined using (i) Vertex's realized compensation for 2013-2015 and comparing it to (ii) our Peer Group's realized compensation for 2012-2014, which is the most recent period for which data was available as of December 31, 2015, in each case as reported by the applicable company in their proxy statement. TSR was determined using the actual TSR for Vertex and each of the companies in our Peer Group for the period from 2013-2015.

CEO 3-year Realizable Comp. vs. TSR Other NEO 3-year Realizable Comp. vs. TSR

In the preceding graphs regarding realizable compensation:

Realizable compensation was determined using our realizable compensation for 2013-2015 and comparing it to our Peer Group's realizable compensation for 2013-2015, in each case valuing all equity grants as of December 31, 2015. For 2015, realizable compensation values for companies in our Peer Group were estimated based on Form 4 filings for equity awards and the assumption that compensation amounts were the same in 2015 as in 2014 for other forms of compensation.

TSR was determined using the actual TSR for Vertex and each of the companies in our Peer Group for the period from 2013-2015.

Dilution

Since our inception, we have compensated all eligible employees using a mix of cash and equity. The broad-based nature of our equity compensation program is an important element of our overall employee compensation program and reflects our philosophy that it is important for all of our employees to approach their jobs with a long-term commitment and perspective. Over the last several years, we have modified our equity compensation programs. These modifications are consistent with modifications other biotechnology companies have made as they matured from development-stage companies to commercial-stage companies with a strong financial profile. As a result of these changes, we granted on an absolute basis equity awards representing 33% fewer shares of common stock in 2015 as compared to 2012 and reduced our "burn rate" from 3.6% in 2012 to 2.1% in 2015.

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	2012 Equity Awards	2013 Equity Awards	2014 Equity Awards	2015 Equity Awards	% Change 2012 v 2015
Total Shares Subject to Equity Awards	7,525,000	6,276,000	5,629,000	5,035,000	(33)%
Burn Rate (1)	3.6%	2.8%	2.4%	2.1%	

(1) "Burn rate" is defined as the number of equity awards granted in a specific year divided by the basic weighted average number of shares outstanding during that year.

We currently expect that we will grant fewer options in 2016 than 2015. As a result, although the MDCC and board retains discretion with respect to equity grants, we expect consistent with the last several years, that there will be a further decline in the dilution to our shareholders from our equity compensation program in 2016 as compared to 2015.

Compensation Governance Practices

We continue to implement and maintain leading practices in our compensation program, shareholder outreach and related areas.

- √ Risk Mitigation
- √ Compensation Recoupment (Clawback) Policy
- √ No Hedging or Pledging
- √ Policy Against Gross-ups
- √ No executive perquisites
- √ Independent Compensation Consultant
- √ Director and Officer Stock Ownership Guidelines
- √ No Option Repricing
- √ Robust Shareholder Outreach
- √ Double-trigger severance provisions

Total Compensation and Total Realized Compensation

The information set forth below for 2015 NEO compensation reflects compensation received under our prior executive compensation program, which we revised in early 2016. Total compensation for our NEOs in 2015 is set forth under the caption "Total Compensation" in the table below. To supplement this information, we have included a column entitled "Total Realized Compensation," which subtracts the grant-date fair value of equity awards granted in 2015 and substitutes the actual value realized on the exercise of stock options and the vesting of restricted stock awards during 2015.

Named Executive Officer	Salary	Annual Cash Bonus	Grant-Date	Total Compensation	Total Realized Compensation
			Fair Equity Awards		
Jeffrey M. Leiden	\$1,297,692	\$3,463,200	\$23,325,824	\$28,099,826	\$12,513,357
Ian F. Smith	\$701,796	\$832,500	\$7,458,577	\$9,005,983	\$4,837,625
David Altshuler	\$528,846	\$552,628	\$11,043,284	\$12,387,868	\$2,574,284
Stuart A. Arbuckle	\$629,262	\$721,500	\$7,458,577	\$8,822,449	\$11,961,471
Jeffrey Chodakewitz	\$615,231	\$617,382	\$6,582,549	\$7,830,416	\$2,355,296

For more information regarding our NEOs' compensation as calculated under SEC rules, see the narrative and notes accompanying the Summary Compensation Table set forth beginning on page 67 of this proxy statement. For more information regarding the calculation of "Total Realized Compensation" see the narrative accompanying the Total Realized Compensation Table on page 69 of this proxy statement.

COMPENSATION DISCUSSION AND ANALYSIS - DETAILED DISCUSSION AND ANALYSIS

Compensation

Philosophy and

Compensation

Decision-Making

Process

Compensation Philosophy

Our compensation program is designed to attract, retain and motivate talented and experienced individuals across all areas of our business and to align the interests of our executive officers with the interests of our shareholders as we seek to create value through the discovery, development and commercialization of transformative medicines. Our NEOs have had long and varied careers, and possess experiences and skills that make them extremely valuable members of our executive team and to our company as a whole. They have been instrumental in building Vertex into the company it is today, with a leadership position in the treatment of CF, an advancing pipeline that has been significantly broadened over the last several years, increasing revenues and an established strong financial profile. Our MDCC and our board of directors seeks to connect the achievement of our strategic objectives with our compensation program in a number of ways, including through company goals that underlie our annual cash bonuses and the performance goals which are now included in our equity awards. Our company goals involve a mix of goals relating to revenues from our current products, achievement of research and development objectives, our organizational capability and maintenance of our financial strength. These objectives are selected specifically because they are considered by our board to be objective milestones that our company must achieve if it is to maintain its movement towards significant revenue growth and sustainable profitability. Our MDCC and board of directors expects to continue to seek to balance the use of financial metrics and research and development goals in order to motivate our executive team to increase revenues and manage operating expenses, while providing appropriate incentives for our management to continue to make appropriate investments in our business.

In determining compensation, we consider compensation paid to similar companies as reference points, but do not strictly benchmark or target compensation at any particular level. Rather, the MDCC retains flexibility to structure compensation based on good governance practices and our objectives of building our company and creating shareholder value.

Compensation Decision-Making Process

Role of MDCC and Chief Executive Officer in Setting Executive Compensation

The MDCC has responsibility for overseeing the design, development and implementation of the compensation program for our chief executive officer and other NEOs. The MDCC evaluates the performance of our chief executive officer and the performance of the other executive officers. Our chief executive officer and our senior vice president, human resources, assist the MDCC in evaluating the performance of our other executive officers, including the named executive officers other than the chief executive officer. Our chief executive officer does not participate in board discussions relating to his compensation, and the other NEOs do not play a role in their own compensation determination.

The members of the MDCC, each of whom is an independent director, together with the other independent directors, make final compensation decisions for the CEO's and other executive officers' compensation levels based on these assessments.

Role of Compensation Consultant

The MDCC (i) is directly responsible for the appointment and oversight of its compensation consultants, (ii) has the authority to determine the fees that we pay for services provided by such compensation consultants and (iii) prior to engaging any compensation consultant, considers applicable factors potentially affecting the independence of the compensation consultant, including the factors set forth in Nasdaq Marketplace Rule 5605(d)(3).

Annually, the MDCC has engaged a compensation consultant to conduct an analysis of all elements of compensation paid to our executive officers, including our NEOs, compared to similar elements paid to similarly situated executives at companies in our peer group and to provide a written report and presentation of findings at the meeting of the MDCC that occurs in July each year. In 2015, the MDCC selected Pearl Meyer to conduct and present this analysis to the MDCC. In addition, our MDCC also engaged Pearl Meyer in order to assist us in making significant

modifications and improvements to our compensation program that were implemented in early 2016. Pearl Meyer only provides, and is compensated for, advice provided to us at the direction of the MDCC. The MDCC considered the following information provided to it by Pearl Meyer:

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COMPENSATION DISCUSSION AND ANALYSIS - DETAILED DISCUSSION AND ANALYSIS (continued)

Pearl Meyer's policies and procedures designed to prevent conflicts of interest; that fees paid by us to Pearl Meyer represent less than 1% of Pearl Meyer's total annual revenues; the absence of business and personal relationships between the compensation consultant and the MDCC or any of our executive officers; and that Pearl Meyer's partners, consultants and employees who provide services to the MDCC, and their immediate family members, do not own shares of our common stock. Based on these, and other factors considered by the MDCC, the MDCC determined that Pearl Meyer's work did not raise a conflict of interest.

Use of Peer Group Companies

In order to make judgments about elements of executive compensation on a competitive basis, the MDCC and our board of directors considers information about the compensation practices of a representative group of companies with whom we compete for executive talent, or Peer Group. We select companies for this Peer Group on the basis of similarity and complexity of business model. In order to assess business model similarity, we consider a number of factors including the following:

Factor Considered	What we look for
Similar industry	Biotechnology or pharmaceutical industry
Importance of medicines to patients and society	Transformative medicines for serious diseases; therapeutics for unmet needs
Recognized focus on innovation	Breakthrough Therapy designations, priority review and/or other markers indicating unmet need
Global operations	Significant operations outside the U.S.
Commercial operations	Marketing and selling approved medicines
Significant R&D investment	Greater than \$700M or 50% of revenue
Number of employees	Greater than 750 employees
Market capitalization and significance to broader economy	Market cap at least ¼ our size and/or inclusion on S&P 500 or NASDAQ 100
Labor market competitor	Companies we compete with for executive talent
Companies that use Vertex as a peer	Inclusion of Vertex in proxy reported peer group

We also consider revenue but it is not a factor we emphasize because we do not believe revenue adequately reflects business model similarity or complexity in the biotechnology industry. A company with similar revenues may not have global or commercial operations like we have nor may it focus on innovative therapies, but rather on generic medicines, which we believe results in a different business model requiring less research and development investment. Moreover, a company with similar revenues may not focus on innovative therapies such as those designated as a Breakthrough Therapy by the Food and Drug Administration, which expedites the development and review of medicines that are intended to treat a serious condition and preliminary clinical evidence indicates that the medicine may demonstrate substantial improvement over available therapy on clinically significant endpoints. As a result, we believe the factors listed above provide a better way to assess similarity versus a reliance on the combination of revenue and industry. We also note that it is unlikely for companies to align on all the factors listed above, so we look for companies meeting a majority of the criteria although we place greater weight on companies focused on innovation and importance of medicines to patients and society as we believe these are the key drivers of our business model. We also focus on market capitalization because we believe it is an indicator of the complexity of a company's business model. On a regular basis, we review and revise the list of companies with the goal of maintaining a group of comparators comprised of at least twelve companies. As a result of this analysis, and on the basis of the criteria listed above, the MDCC selected the following comparator companies for 2015.

COMPENSATION DISCUSSION AND ANALYSIS - DETAILED DISCUSSION AND ANALYSIS (continued)

2014 Peer Company	2015 Peer Company	Reason for Change
AbbVie Inc.	AbbVie Inc.	
Alexion Pharmaceuticals, Inc.	Alexion Pharmaceuticals, Inc.	
Allergan, Inc.		Acquired
	Alkermes plc	Additional company that met criteria
Amgen Inc.	Amgen Inc.	
Biogen Inc.	Biogen Inc.	