



## **Vertex Pharmaceuticals Incorporated**

### ***Statement of Corporate Governance Principles***

#### **I. Role and Composition of the Board of Directors**

- ◆ The Board of Directors, which is elected by the stockholders, is the ultimate decision-making body of the Company except with respect to those matters reserved to the stockholders. The Board of Directors selects the senior management team, which is charged with the conduct of the Company's business. Having selected the senior management team, the Board acts as an advisor and counselor to senior management and monitors its performance.
- ◆ The Company's policy is that the Board consist of a substantial majority of independent Directors as defined under the Nasdaq National Market rules, and as further determined under director qualification standards recommended by the Corporate Governance and Nominating Committee. It is the policy of the Company that the number of Directors not exceed a number that can function efficiently as a body, which the Board has initially determined to be no more than 11 and no fewer than seven. The Corporate Governance and Nominating Committee considers and makes recommendations to the Board concerning the appropriate size and needs of the Board. The Corporate Governance and Nominating Committee also recommends candidates for nomination by the Board to fill new positions created by expansion and by vacancies that occur by resignation, by retirement or for any other reason. Candidates nominated to serve on the Board are approved by both the majority of all Board members, and by the majority of independent Directors.
- ◆ The Corporate Governance and Nominating Committee is responsible for recommending the composition, role, structure and procedures of the Board and developing criteria for Board membership.
- ◆ The Board of Directors' policy with respect to the election of directors by stockholders is that any nominee for director who receives a greater number of votes "withheld" from his or her election than votes "for" his or her election in an uncontested election at a stockholder's meeting shall promptly tender his or her resignation to the Chair of the Board following certification of the stockholder vote. The Corporate Governance and Nominating Committee will promptly consider the tendered resignation and recommend to the Board either that it accept or reject any such resignation or take some other action. In considering whether to recommend to the Board acceptance or rejection of the tendered resignation, the Corporate Governance and Nominating Committee shall consider all factors it deems in its discretion to be relevant to its determination. The Board will act on the Corporate Governance and Nominating Committee's recommendation no later than the 90<sup>th</sup> day after certification of the stockholders' vote in the election of directors, which action shall include either acceptance or rejection of the tendered resignation and may include adoption of measures designed to address perceived

- issues underlying the election results. Following the Board's decision on the Committee's recommendation, the Company promptly will disclose the Board's decision, including, if applicable, the reasons for rejecting the tendered resignation, in any manner that complies with applicable disclosure requirements under Federal law. Any director whose resignation is being considered under this policy will not participate in the Committee or Board considerations, recommendations or actions with respect to the tendered resignation.
- ◆ It is the Board of Directors' policy that any director whose employer, employment status, principal occupation or job responsibilities change (other than for a promotion or change to a similar position at the director's then-current employer) during his or her tenure as a director shall tender his or her resignation for consideration by the Corporate Governance and Nominating Committee. The Corporate Governance and Nominating Committee will recommend to the Board the action, if any, to be taken with respect to the resignation. Any director whose resignation is being considered under this policy will not participate in the Committee or Board considerations, recommendations or actions with respect to the tendered resignation.
  - ◆ The Corporate Governance and Nominating Committee reviews director compensation annually and makes recommendations to the Board for action. Stock-based compensation is an important part of the director compensation program. Board members who are also employees of the Company are not compensated separately for their service on the Board.
  - ◆ It is the Company's policy that all major decisions be considered by the Board as a whole. As a consequence, the committee structure of the Board is limited to those committees considered to be basic to, or required for, the operation of a publicly owned company. Currently these committees are the Audit and Finance Committee, Management Development and Compensation Committee, Corporate Governance and Nominating Committee and Science and Technology Committee. The members and chairs of these committees are appointed by the Board. Each of the three committees other than the Science and Technology Committee is made up only of independent Directors. The membership of each committee may change from time to time.
  - ◆ The Board of Directors is responsible for overseeing the development, review and implementation of the Company's Code of Conduct and ensuring that the Code of Conduct is effective in fostering an ethical corporate culture. The Board establishes procedures to ensure compliance with the Company's Code of Conduct and to encourage employees to report misconduct without fear of reprisal. Employee reports of Code of Conduct violations or other misconduct may be made to an outside independent agent who communicates those reports directly to both the appropriate Board committee and the management representatives tasked with enforcing the Code of Conduct.
  - ◆ Newly appointed Board members will receive orientation and education about the Company, its business and its financial operations and about the functioning of the Board of Directors. Opportunities for continuing education are provided to all members of the Board and include opportunities to explore critical issues affecting the Company and its industry overall, and directors' roles and responsibilities.

- ◆ The Board also plans for succession to the position of Chief Executive Officer as well as certain other senior management positions. To assist the Board, the Chief Executive Officer annually provides the Management Development and Compensation Committee with an assessment of senior managers and of their potential to succeed him or her, in connection with that committee's responsibility to assist the Board in developing and evaluating potential candidates for executive positions and overseeing the development of executive succession plans.
- ◆ The function of the Board in monitoring the performance of the Company's senior management is fulfilled through regular meetings of the Management Development and Compensation Committee where the performance of senior management is discussed and by the presence of independent Directors of stature who have a substantive knowledge of the business.
- ◆ The Management Development and Compensation Committee is responsible for overseeing the discharge of the Board's responsibilities relating both to compensation of the Company's executives, including recommending to the Board the corporate goals and objectives relating to the Company's compensation programs for the CEO and other executive officers, and to planning for executive officer succession.

## **II. Functioning of the Board**

- ◆ The Chair of the Board is elected from time to time by majority vote of the directors then in office. Any member of the Board, including executives of the Company, may serve as the Chair of the Board. If the Chair of the Board is not an independent Director, the independent Directors of the Company shall elect one or more Lead Independent Director(s). In addition to his or her other responsibilities, the Chair (or the Lead Independent Director(s)) serves as a liaison between the Company's management and its independent Directors.
- ◆ The Chair sets the agenda for Board meetings with the understanding that certain items pertinent to the advisory and monitoring functions of the Board will be brought to the Board periodically on a regular basis for review and/or decision. For example, the annual corporate budget is reviewed and approved by the Board. If a Lead Independent Director(s) have been elected, the Lead Independent Director(s) shall review the planned dates for regularly scheduled Board meetings and the primary agenda items for each meeting. Agenda items that fall within the scope of responsibilities of a Board committee are reviewed with the chair of that committee. Any member of the Board may request that an item be included on the agenda.
- ◆ Board materials related to agenda items are provided to Board members sufficiently in advance of Board meetings to allow the Directors to prepare for discussion of the items at the meeting.
- ◆ At the invitation of the Board, members of senior management attend Board meetings or portions thereof for the purpose of participating in discussions. Generally, presentations of matters to be considered by the Board are made by the officer responsible for that area of the Company's operations. In addition, Board members have free access to all members of management and employees of the

Company. The Board shall have the authority to retain outside counsel, financial advisors, accountants and other advisors, as the Board may deem appropriate.

- ◆ Executive sessions or meetings of independent directors are held regularly (generally after each regularly scheduled meeting of the Board, but at least three times per year) to review any matters that the independent Directors deem appropriate for executive session. The Chair of the Board (or if Lead Independent Director(s) have been appointed, the Lead Independent Director(s)) presides at meetings or executive sessions of independent Directors and may, at his or her discretion, call for a meeting of the independent Directors.
- ◆ The Chair (or the Lead Independent Director(s)) with the assistance of the Corporate Governance and Nominating Committee, shall coordinate periodic self-evaluations of the Board.

### **III. Functioning of the Committees**

- ◆ The Corporate Governance and Nominating Committee, the Audit and Finance Committee and the Management Development and Compensation Committee shall each consist only of independent Directors.
- ◆ The frequency, length and agenda of meetings of each of the committees are determined by the chair of the committee, or in the absence of a chair by any process approved by the committee. Materials related to the agenda items are provided to the committee members sufficiently in advance of the meeting where necessary to allow the members to prepare for discussion of the items at the meeting.
- ◆ The responsibilities of each of the committees are set forth in the committee charters, which are adopted by the Board upon the recommendations of the Corporate Governance and Nominating Committee with input from the relevant committee.