PROXY MEMO

Vertex Pharmaceuticals
Shareholder Proposal ("Proposal") Regarding a Report on Drug Pricing: Item 6 in the 2018 Proxy Statement

Executive Summary

Trinity Health has asked the Board of Directors of Vertex Pharmaceuticals ("Vertex") to disclose the company's business strategy for managing risks given the increasing price sensitivity of prescribers, payers and patients and increasing pressure from to contain pharmaceutical prices. Vertex' business is focused on developing and commercializing therapies for the treatment of cystic fibrosis. It also has R&D programs in other diseases. With the high prices of these medicines, the Company faces regulatory and legislative risks. There is no disclosure of how the Company is managing or mitigating these risks.

Resolution

Resolved: Shareholders of Vertex Pharmaceuticals ("Vertex") ask the Board of Directors to report to shareholders by December 31, 2018, at reasonable cost and omitting confidential or proprietary information, on the risks to Vertex from rising pressure to contain U.S. prescription drug prices, including the likelihood and potential impact of those risks as applied to Vertex, the steps Vertex is taking to mitigate or manage those risks and the Board's oversight role. The report should address risks created by payer cost-effectiveness analysis, patient access concerns, outcomes-based pricing, and price sensitivity of prescribers, payers and patients.

Rationale for a Vote in Favor of the Proposal

Regulation and Market Risk:

1. State governments are examining policies or have instituted laws to manage drug spending, including in Medicaid. New York State's Drug Utilization Board will review on April 26, 2018 Vertex' cystic fibrosis drug *Orkambi*, which has been identified as contributing to pharmacy expenditures exceeding the Medicaid Drug Cap in NYS Public Health Law, a cap which is intended to limit the growth of spending on prescription drugs. https://www.health.ny.gov/health_care/medicaid/program/dur/meetings/2018/04/agenda_durb.pdf

The Board will review the findings and if the cap has been triggered, according to the law, the NYS Health Commissioner must begin a process to get additional rebates from manufacturers for certain drugs by identifying which medicines are disproportionately contributing to the high spending. If the drug company and the state can't agree on supplemental rebates, the state can require the drug maker to submit proprietary information

about the drug's pricing structure, such as how much it charges various other purchasers. The state can then institute cost containment measures such as directing Medicaid managed care plans to stop covering the drug.
https://www.politico.com/prescriptionpulse/

2. In July 2016, the National Institute for Health and Care Excellence (NICE), the UK's drug watchdog, published final guidelines rejecting National Health Service funding for *Orkambi*, after concluding that while it was clinically effective its benefits were not sufficient to justify its listed cost of £104,000 per patient for every year of treatment. Vertex continues to negotiate with the NHS England and Wales, which states: "The NHS can only offer treatments which are both effective for patients and offer good value for taxpayers, so it's crucial that drug companies work with the NHS to get a positive outcome."
http://www.pharmatimes.com/news/mps_call_on_government_to_help_with_orkambi_debate_1228392
To this point *Orkambi* is only available in the UK for those participating in medical trials in England. < http://www.bbc.com/news/av/uk-politics-43459077/chantelle-millward-on-orkambi-drug-for-cystic-fibrosis-patients>

3. The Canadian Agency for Drugs and Technologies in Health (CADTH) has recommended, on two occasions, against public funding for *Orkambi*, saying there is not enough evidence of a significant clinical benefit weighed against the cost of the twice-a-day tablet regime. https://www.theglobeandmail.com/news/british-columbia/provinces-reject-price-negotiations-for-orkambi-cystic-fibrosis-drug/article37069868/

Conclusion

Vertex' 10-K notes the "challenges commercializing Orkambi outside of the United States…There is no assurance that coverage and reimbursement will be available outside of the United States and, even if it is available, the timing or the level of reimbursement may not be satisfactory. Adverse pricing limitations or a delay in obtaining coverage and reimbursement would decrease our future net product revenues and harm our business." The 10-K cites the "trend in the US health care industry is cost containment and efforts of third-party payers to contain or reduce health care costs may adversely affect our ability to establish or maintain appropriate prices for our products or any drugs that we may develop and commercialize."
https://www.sec.gov/Archives/edgar/data/875320/000087532018000009/a201710k-main.htm#sF1A347B137E55393ABD23F4D1C95BB96

The Company's response to the Proposal in the proxy makes no mention of the steps it is taking to manage or mitigate these risks, and the Board's oversight role of risk management related to pricing pressures.

Shareholders are urged to vote for this Proposal.

For questions regarding the Proposal, please contact Cathy Rowan, Director, Socially Responsible Investments, Trinity Health, (718-822-0820) **rowancm@trinity-health.org**