



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.

BE IT 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.

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.