NXSTAGE MEDICAL INC

MEETING DATE	Thu, 25 May 2017 10:00 am	TYPE	AGM	ISSUE DATE	Fri, 12 May 2017
MEETING LOCATION	Lanam Club at 260 North Main Street, Andover, Massachusetts 01810				
CURRENT INDICES	PIRC Global				
SECTOR	Electromedical and electrotherapeutic apparatus				

	PROPOSALS	ADVICE
1.01	**Elect Jeffrey H. Burbank** Chief Executive Officer.	**For**
1.02	**Elect Heyward R. Donigan** Independent Non-Executive Director.	**For**
1.03	**Elect Robert G. Funari** Independent Non-Executive Director.	**For**
1.04	**Elect Daniel A. Giannini** Non-Executive Director. Not considered independent owing to a tenure of over nine years. However, there is sufficient independent representation on the Board. He is chair of the Audit committee which is not fully independent which Triodos does not support.	**Oppose**
1.05	**Elect Earl R. Lewis** Independent Non-Executive Director.	**For**
1.06	**Elect Jean K. Mixer** Independent Non-Executive Director.	**For**
1.07	**Elect Craig W. Moore** Non-Executive Director. Not considered independent owing to a tenure of over nine years. However, there is sufficient independent representation on the Board. He is chair of the Remuneration committee which is not fully independent which Triodos does not support.	**Oppose**
1.08	**Elect Reid S. Perper** Non-Executive Director. Not considered independent owing to a tenure of over nine years. However, there is sufficient independent representation on the Board.	**For**
1.09	**Elect James J. Peters** Independent Non-Executive Director.	**For**
2	**Advisory Vote on Executive Compensation** The Company has submitted a proposal for shareholder ratification of its executive compensation policy and practices. The voting outcome for this resolution reflects the balance of opinion on the adequacy of disclosure, the balance of performance and reward and the terms of executive employment. The compensation rating is: CCB. Executive compensation was aligned with peer group averages and with companies of a similar market capitalisation. While annual awards were acceptable, long-term incentives are considered excessive as they exceeded 200% of base salary. Stock options have no performance conditions and vest over four years. Performance awards vest over a three-year period which is not considered sufficiently long-term. Based on these concerns, Triodos abstains on this resolution.	**Abstain**

3 **Approve the Frequency of Future Advisory Votes on Executive Compensation** **1**

The Company is providing shareholders with an advisory vote on whether the advisory vote on executive compensation should be held every one, two or three years. The Board is required by Section 951 of The Dodd-Frank Wall Street Reform and Consumer Protection Act to offer this vote on the frequency of a say-on-pay proposal not less than every six years, although they have the option to offer this proposal more often.

The Board of Directors recommends an annual vote. It is considered that an annual vote on executive compensation is best practice for companies. Executive compensation comprises both fixed and variable pay elements, with the variable including share based incentive awards and cash bonuses over which the compensation committee have discretion. Decisions affecting the quantum and design of variable pay are made annually by the committee and it is therefore appropriate that shareholder approval is sought at the maximum frequency permitted by the new legislation. Contentious compensation payments and issues could occur in the intervening years between votes, if the frequency is less than annually. Triodos supports an annual vote.

4 **Appoint the Auditors** **Oppose**

EY proposed. Non-audit fees represented 4.20% of audit fees during the year under review and 7.36% on a three-year aggregate basis. This level of non-audit fees does not raise serious concerns about the independence of the statutory auditor. The current auditor has been in place for more than seven years. There are concerns that failure to regularly rotate the audit firm can compromise the independence of the auditor.

5 **Board Proposal to Introduce Majority Voting for Director Election** **For**

The Board is seeking shareholder approval to amend the Company’s Bylaws to change the voting standard for the election of directors in uncontested elections from a plurality standard to a majority standard. Under the proposed majority voting standard, a nominee for director in an uncontested election will be elected to the Board if the votes cast for such nominee’s election exceed the votes cast against such nominee’s election. Under Delaware law, an incumbent director who fails to receive the vote required for re-election "holds over," or continues to serve as a director until his or her successor is elected and qualified, or until his or her earlier resignation or removal. To address the "hold over" issue, the proposed By-law amendment provides that an incumbent director who does not receive the number of votes required for re-election must promptly tender his or her resignation. The Board would then need to determine whether to accept or reject the resignation within 90 days after certification of the election results and publicly disclose its decision in a filing with the SEC. In contested elections, where the number of nominees exceeds the number of directors to be elected, the plurality standard would continue to apply and the nominees receiving the most votes would be elected.

Majority voting is supported as it is considered that the will of shareholders expressed as a majority voting against re-election should automatically lead to that director’s removal from the board. True accountability will only take place when director resignations are irrevocable by the board and all the directors are put for shareholder approval every year. It is considered that the resolution will promote shareholder democracy and good governance.

Triodos supports this resolution.

6 Approve 2014 Omnibus Incentive Plan **Oppose**

The Board is seeking shareholder approval of the amended 2014 Omnibus Plan. The Board is seeking to increase the number of shares reserved for issuance under the Plan by 6.30m shares. With the proposed increase of 6.30m, the Plan represents and overhang of 20.1%, which is excessive. The Plan is presented as an omnibus plan, which means that bundled within the same official plan there are various incentive plan elements aimed at rewarding different groups of employees, officers and executives. These plans permit the granting of options, stock appreciation rights, restricted stock, restricted stock units, performance grants and dividend equivalents. However, it is noted that the Compensation Committee retains the power to select employees to receive awards and determine the terms and conditions of awards (and also note that 'management employees' appear most likely to be the principal beneficiaries of the Plan). There are concerns with the Plan as the it has various elements bundled together, and although parts of it can benefit the majority of employees, it can still be used as a vehicle for potentially excessive executive payments. As performance conditions may be attached to awards at the Compensation Committee's discretion, there are concerns that the Committee will have considerable flexibility in the payout of discretionary awards and as a result awards may not be subject to robust enough performance targets, and be insufficiently challenging. In addition, maximum award limits are excessive.
Triodos opposes this resolution.

SUPPORTING INFORMATION FOR RESOLUTIONS

Proposal 2 - Advisory Vote on Executive Compensation

Disclosure: C- Annual Incentives are awarded based on Products Business Objectives (20% operating income, 20% critical care + in-centre revenue, 20% cash generation and 40% home revenue) and Kidney Care Objectives (20% patient census, 40% operating income (loss)), 40% patient census (clinic)). Long-term awards are granted in the form of performance shares and stock options. Performance shares are based on revenue growth. The Company failed to provide adequate disclosure of targets surrounding long-term incentives.
Balance: C- Executive compensation was aligned with peer group averages and with companies of a similar market capitalisation. While annual awards were acceptable, long-term incentives are considered excessive as they exceeded 200% of base salary. Stock options have no performance conditions and vest over four years. Performance awards vest over a three-year period which is not considered sufficiently long-term.
Contract: B- Cash severance is considered excessive. However, the Company has a claw-back policy and double trigger provisions in place.

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