RED HAT INC

MEETING DATE	Thu, 11 Aug 2016 8:30 am	TYPE	AGM	ISSUE DATE	Wed, 20 Jul 2016
MEETING LOCATION	Red Hat's corporate headquarters, 100 East Davie Street, Raleigh, North Carolina 27601				
CURRENT INDICES	S&P500				
SECTOR	Computer programming services				

	PROPOSALS	ADVICE
1.01	**Elect Sohaib Abbasi** Independent Non-Executive Director.	**For**
1.02	**Elect W. Steve Albrecht** Non-Executive Director. Not considered independent owing to a tenure of over nine years (aggregate). Mr. Albrecht previously served on the Board between April 2003 through June 2009. However, there is sufficient independent representation on the Board. He is chair of a committee which is not fully independent. Triodos opposes this resolution.	**Oppose**
1.03	**Elect Charlene T. Begley** Independent Non-Executive Director.	**For**
1.04	**Elect Jeffrey J. Clarke** Independent Non-Executive Director. He is chair of a committee which is not fully independent which Triodos does not support.	**Oppose**
1.05	**Elect Narendra K. Gupta** Non-Executive Director. Not considered independent owing to a tenure of more than nine years. In addition, he had a material interest in an acquisition made by the Company in 2011. However, there is sufficient independent representation on the Board.	**For**
1.06	**Elect Kimberly L. Hammonds** Independent Non-Executive Director.	**For**
1.07	**Elect William S. Kaiser** Non-Executive Director. Not considered independent owing to a tenure of more than nine years. However, there is sufficient independent representation on the Board.	**For**
1.08	**Elect Donald H. Livingstone** Independent Non-Executive Director.	**For**
1.09	**Elect H. Hugh Shelton** Non-Executive Chairman. Not considered independent owing to a tenure of more than nine years. However, there is sufficient independent representation on the Board.	**For**
1.10	**Elect James M. Whitehurst** President & Chief Executive Officer. He currently has aggregate time commitment issues. On this basis, Triodos abstains on this resolution.	**Abstain**
2	**Appoint the Auditors** PwC LLP proposed. Non-audit fees represented 33.04% of audit fees during the year under review and 30.17% on a three-year aggregate basis. This level of non-audit fees raises some concerns about the independence of the statutory auditor. The current auditor has been in place for more than ten years. There are concerns that failure to regularly rotate the audit firm can compromise the independence of the auditor. Triodos opposes this resolution.	**Oppose**

3 **Advisory Vote on Executive Compensation** **Oppose**

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: CEB.

Annual bonus payouts were excessive and for the CEO represented 223.38% of base salary. In addition, the individual performance element was wholly discretionary, for which the Committee awarded payouts of 150% of target for all the executives. There are concerns that the vesting scale of PSUs are insufficiently broad to ensure superior awards reflect superior performance as executives may receive payouts for below median performance. Based on these concerns, Triodos opposes this resolution.

4 **Approve the 2016 Performance Compensation Plan** **Oppose**

The Company is seeking shareholder approval of the 2016 Performance Compensation Plan (the Plan), which is intended to replace the 2011 Plan. The 2016 Performance Plan updates the 2011 Performance Plan to, among other changes, include additional metrics that the Compensation Committee may select as performance goals and to provide greater detail about the adjustments that the Compensation Committee may make in evaluating performance, but otherwise is substantially similar to the 2011 Performance Plan.

The Plan is open to all executive officers and is administered by the Compensation Committee. Under the 2016 Performance Plan, Participants will be eligible to earn payouts based upon the attainment and certification of certain performance goals established by the Compensation Committee for the applicable performance period. The Company presents a list of generic metrics, which it has the discretion of using to determine awards.

All awards will be paid in cash, with the maximum dollar value of any grant during any fiscal year being $10.0m per executive. This is considered excessive.

The Plan allows the Compensation Committee wide-ranging discretion in selecting and applying performance measures and targets. Since shareholders do not know what performance measures and targets will be used under the Plan, they are unable to assess their appropriateness and robustness. On this basis, Triodos opposes this resolution.

5 **Approve Red Hat's 2016 Employee Stock Purchase Plan** **For**

The Company is seeking shareholder approval of the 2016 Employee Stock Purchase Plan (ESPP). The ESPP provides for 5,000,000 shares of common stock to be available for purchase by eligible employees. The Company states that the ESPP is intended to benefit shareholders by attracting, retaining and motivating talented employees.

The ESPP is administered by the Board and is open to all employees who work more than twenty hours per week for more than five months. No employee can be granted an option under the ESPP that would, immediately after the option is granted, result in the employee owning common stock and/or options to purchase common stock representing five percent or more of the total combined voting power or value of all classes of stock.

It is considered that it is in the best interests of the Company and its shareholders to provide employees with an opportunity to benefit from business success and increase their share ownership through payroll deductions. The plan is open to the majority of employees and is capped at $25,000 per annum, at purchase price of no less than 85% of fair market value. Acceptable proposal.

SUPPORTING INFORMATION FOR RESOLUTIONS

Proposal 3 - Advisory Vote on Executive Compensation

Disclosure: C- Annual cash incentives were based on the Company's achievement of financial goals and on the achievement of individual performance goals. Performance measures consisted of non-GAAP: total revenue, operating cash flow, and operating margin. In addition, individual performance goals focused on qualitative strategic and operational considerations. However, the Company does not state how the individual performance element modifies the payout achieved by the financial goals or if it has a cap. The Company awarded long term incentives in the form of Operating Performance Share Units (PSUs), Stock Performance Share Units (PSUs), Total Shareholder Return Share Units (TSRSUs), and Restricted Stock Awards (RSAs). Operating PSUs were based on the Company's financial performance (revenue growth and operating income growth) relative to members of the applicable compensation peer group over a three-year performance period. Stock performance share unit awards are earned upon a relative total shareholder return (TSR) during a three year performance period.

Balance: E- Annual bonus payouts were excessive and for the CEO represented 223.38% of base salary. In addition, the individual performance element was wholly discretionary, for which the Committee awarded payouts of 150% of target for all the executives. There are concerns that the vesting scale of PSUs are insufficiently broad to ensure superior awards reflect superior performance as executives may receive payouts for below median performance. In addition, TSRSU awards vest after one year, which is not sufficiently long-term. RSAs are subject to achievement of a revenue threshold and vest 25% one year from the grant date, and the remainder vest ratably on a quarterly basis over the subsequent three years.

Contract: B- The Company has a compensation ’claw back’ policy and ’double trigger’ change in control agreements.

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