Triodos Investment Management

RED HAT INC

MEETING DATE	Thu, 09 Aug 2018	TYPE	AGM	ISSUE DATE	Wed, 25 Jul 2018
MEETING LOCATION	100 East Davie Street, Raleigh, North Carolina 27601				
CURRENT INDICES	S&P500				
SECTOR	Computer programming services				

	PROPOSALS	ADVICE
1.1	**Elect Sohaib Abbasi** Independent Non-Executive Director. She is chair of the Remuneration committee which is not fully independent which Triodos does not support.	**Oppose**
1.2	**Elect W. Steve Albrecht** 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**
1.3	**Elect Charlene T. Begley** Independent Non-Executive Director.	**For**
1.4	**Elect Narendra K. Gupta** Non-Executive Chairman. Not considered independent owing to a tenure of over nine years. However, there is sufficient independent representation on the Board.	**For**
1.5	**Elect Kimberly L. Hammonds** Independent Non-Executive Director.	**For**
1.6	**Elect William S. Kaiser** Non-Executive Director. Not considered independent owing to a tenure of over nine years. However, there is sufficient independent representation on the Board.	**For**
1.7	**Elect James M. Whitehurst** Chief Executive.	**For**
1.8	**Elect Alfred W. Zollar** 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. For fiscal 2018, annual cash awards represented 249% of base salary for the CEO, which is considered excessive. There are concerns over certain features of the equity awards. RSAs vest 25% approximately one year following the grant date, and the remainder vest ratably on a quarterly basis over the course of the subsequent three years, which is not considered sufficiently long-term. Also, the Company uses revenue as a performance measure for the short-term and long-term incentives, allowing executives to be rewarded twice for the same performance. The compensation rating is: CDC. Based on this rating, Triodos opposes this resolution.	**Oppose**
3	**Appoint the Auditors** PwC proposed. Non-audit fees represented 18.21% of audit fees during the year under review and 29.50% on a three-year aggregate basis. 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.	**Oppose**

SUPPORTING INFORMATION FOR RESOLUTIONS

Proposal 2 - Advisory Vote on Executive Compensation

Disclosure: C- Annual cash incentives are based on revenue, non-GAAP operating margin, non-GAAP operating cash flow and individual performance goals. The Company granted long-term incentives in the form of operating Performance Share Units (PSUs), Total Stockholder Return (TSR) PSUs and Restricted Stock Awards (RSAs). Operating PSUs are based on growth relative to peer group companies for revenue and operating income, excluding the impact of items that are unusual in nature or infrequently occurring, or both, and the cumulative effect of changes in applicable tax and accounting rules. TSR PSUs are based on growth relative to peer group companies for TSR. The Company has disclosed the financial targets for its short-term incentives and long-term incentives and has provided information with respect to individual performance factors. However, the targets were set to a non-GAAP standards, which allows the Company discretion in adjusting the figure.
Balance: D- For fiscal 2018, annual cash awards represented 249% of base salary for the CEO, which is considered excessive. There are concerns over certain features of the equity awards. RSAs vest 25% approximately one year following the grant date, and the remainder vest ratably on a quarterly basis over the course of the subsequent three years, which is not considered sufficiently long-term. Also, the Company uses revenue as a performance measure for the short-term and long-term incentives, allowing executives to be rewarded twice for the same performance.
Contract: C- There is also a clawback policy in place, which is considered best practice. The Company's change-in-control arrangements incorporate a 'double trigger' approach for the benefits to become payable. However, the Company has not provided a definition for "good-reason".

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Researcher: Sika Neckles
Email: pircresearch@pirc.co.uk

PIRC

Pensions & Investment Research Consultants Limited
8th Floor, Suite 8.02, Exchange Tower
2 Harbour Exchange Square
E14 9GE

Tel: 020 7247 2323
Fax: 020 7247 2457
http://www.pirc.co.uk

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