

RED HAT INC
Form DEF 14A
June 25, 2018
Table of Contents

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities

Exchange Act of 1934 (Amendment No.)

Filed by the Registrant:

Filed by a Party other than the Registrant:

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to § 240.14a-12

RED HAT, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the

Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

Table of Contents

Table of Contents

Table of Contents

NOTICE OF 2018 ANNUAL MEETING OF STOCKHOLDERS

- TIME AND DATE:** 8:30 a.m. Eastern time on Thursday, August 9, 2018
- PLACE:** Red Hat's corporate headquarters located at 100 East Davie Street, Raleigh, North Carolina 27601
- ITEMS OF BUSINESS:**
1. To elect eight members to the Board of Directors, each to serve for a one-year term
 2. To approve, on an advisory basis, a resolution relating to Red Hat's executive compensation
 3. To ratify the selection of PricewaterhouseCoopers LLP as Red Hat's independent registered public accounting firm for the fiscal year ending February 28, 2019
 4. To transact such other business as may properly come before the 2018 Annual Meeting and any adjournments thereof
- ADJOURNMENTS AND POSTPONEMENTS:** Any action on the items of business described above may be considered at the 2018 Annual Meeting or at any time and date to which the 2018 Annual Meeting may be properly adjourned or postponed.
- RECORD DATE:** Stockholders of record at the close of business on June 15, 2018 are entitled to notice of, and to vote at, the 2018 Annual Meeting and at any adjournments or postponements thereof.
- INSPECTION OF LIST OF STOCKHOLDERS OF RECORD:** A list of stockholders of record will be available for inspection at our corporate headquarters located at 100 East Davie Street, Raleigh, North Carolina 27601, during ordinary business hours during the ten-day period before the 2018 Annual Meeting.
- VOTING:** Whether or not you plan to attend the 2018 Annual Meeting, we urge you to vote your shares via the toll-free telephone number or over the Internet as described in the proxy materials. If you received a copy of the proxy card by mail you may sign, date and mail the proxy card in the pre-paid envelope provided.

Raleigh, North Carolina

By Order of the Board of Directors,

June 25, 2018

Michael R. Cunningham

Secretary

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE 2018 ANNUAL MEETING TO BE HELD ON AUGUST 9, 2018:

THIS PROXY STATEMENT AND RED HAT'S 2018 ANNUAL REPORT TO STOCKHOLDERS ARE AVAILABLE AT WWW.EDOCUMENTVIEW.COM/RHT

Table of Contents**TABLE OF CONTENTS**

<u>LETTER FROM THE BOARD</u>	1
<u>PROXY SUMMARY</u>	2
<u>GOVERNANCE</u>	6
<u>Nominees for Election to the Board of Directors</u>	6
<u>Board Composition</u>	9
<u>Committees of the Board</u>	10
<u>Board Operations</u>	12
<u>Key Board Practices</u>	13
<u>Key Governance Policies</u>	14
<u>Board Compensation</u>	15
<u>Compensation Committee Interlocks and Insider Participation</u>	18
<u>Item No. 1 Election of Directors</u>	18
<u>EXECUTIVE COMPENSATION</u>	19
<u>Executive Summary of Compensation Discussion and Analysis</u>	19
<u>Compensation Discussion and Analysis</u>	22
<u>Compensation Committee Report</u>	37
<u>Summary Compensation Table</u>	38
<u>Employment and Indemnification Arrangements with Named Officers</u>	38
<u>Grants of Plan-Based Awards in Fiscal 2018</u>	39
<u>Outstanding Equity Awards at the End of Fiscal 2018</u>	40
<u>Option Exercises and Stock Vested in Fiscal 2018</u>	40
<u>Potential Payments Upon Termination or Change in Control</u>	41
<u>Item No. 2 Advisory Vote on Executive Compensation</u>	45
<u>AUDIT MATTERS</u>	46
<u>Evaluation and Selection of Independent Registered Public Accounting Firm</u>	46
<u>Independent Registered Public Accounting Firm's Fees</u>	46
<u>Pre-Approval Policies and Procedures</u>	47
<u>Audit Committee Report</u>	47
<u>Item No. 3 Ratification of Selection of Independent Registered Public Accounting Firm</u>	49
<u>BENEFICIAL OWNERSHIP OF OUR COMMON STOCK</u>	50
<u>Ownership by Our Directors and Executive Officers</u>	50
<u>Ownership of More than 5% of Our Common Stock</u>	51
<u>OTHER MATTERS</u>	52
<u>Equity Compensation Plan Information</u>	52
<u>CEO Pay Ratio</u>	53
<u>Compensation Program Risk Assessment</u>	54
<u>Stockholder Proposals and Nominations</u>	54
<u>Section 16(a) Beneficial Ownership Reporting Compliance</u>	54

GENERAL INFORMATION CONCERNING THE ANNUAL MEETING

Questions and Answers

55

55

Table of Contents

June 25, 2018

Fellow Stockholders,

Thank you for choosing to invest in Red Hat.

This year, Red Hat celebrates its 25th anniversary. From the outset, the Company saw how open source development and licensing unlocked the potential to create better software, and its culture was rooted in open source principles. Today, Red Hat is the world's leading provider of open source solutions for the enterprise.

As we look ahead to the next 25 years, Red Hat's commitment to being the open source leader means that it must attract people who will help to sustain and scale this culture and remain focused on transparency, sharing and collaboration. As the Company's directors, we remain focused on working with management to build upon this open source leadership to provide long-term, sustainable value for stockholders.

We continue to review the composition of the Board in an effort to provide a thoughtful balance of skills, tenure and experience that best serves the Company and its stockholders. Over the past four years, we have added three new directors, deepening our diversity of composition, thought and experience with fresh perspectives.

To enhance the Board's effectiveness, we look for opportunities to hear from customers about their use of Red Hat solutions and from a broad range of Company employees. During this past year, members of the Board visited Red Hat's engineering facility in Brno, Czech Republic, participated in a regional sales kick-off conference, attended Red Hat Summit, our annual customer conference, and met informally with Red Hat employees in a number of settings. These interactions deepen our understanding of the Company, its business and its culture, in addition to supporting our oversight of management's employee development and succession planning efforts.

We also believe that stockholder engagement is an important part of a robust corporate governance program. Red Hat regularly meets with stockholders at conferences and one-on-one meetings to discuss the Company's financial performance, corporate governance practices, executive compensation programs and other matters. These conversations with stockholders provide us with important perspective and we encourage you to share your viewpoints and suggestions with us. You can contact us at Investor Relations, Red Hat, Inc., 100 E. Davie Street, Raleigh, NC 27601, United States.

We appreciate your support as Red Hat continues on its journey to drive innovation with open source-based technologies.

Respectfully submitted,

Red Hat, Inc. Board of Directors

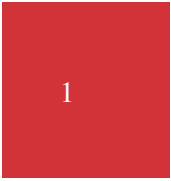


Table of Contents

This Proxy Summary provides general information about Red Hat, Inc., referred to as Red Hat, the Company, we, and our in this Proxy Statement, and highlights certain information contained elsewhere in this Proxy Statement. As it is only a summary, please refer to the entire Proxy Statement and the 2018 Annual Report to Stockholders before you vote. Our fiscal year ends on the last day of February, and we identify our fiscal years by the calendar years in which they end. For example, we refer to the fiscal year ended February 28, 2018 as Fiscal 2018. GAAP means U.S. generally accepted accounting principles.

2018 ANNUAL MEETING OF STOCKHOLDERS

WHERE?	WHEN?	WHO MAY ATTEND & VOTE?
Red Hat's Corporate HQ: 100 East Davie Street Raleigh, North Carolina 27601	Thursday August 9, 2018 8:30 a.m. Eastern	Stockholders of record at the close of business on June 15, 2018

AGENDA ITEMS AND BOARD RECOMMENDATIONS

ITEM	RECOMMENDATION
1. Elect Sohaib Abbasi, W. Steve Albrecht, Charlene T. Begley, Narendra K. Gupta, Kimberly L. Hammonds, William S. Kaiser, James M. Whitehurst and Alfred W. Zollar to the Board of Directors, each to serve for a one-year term	FOR
2. Approve, on an advisory basis, a resolution relating to Red Hat's executive compensation	FOR
3. Ratify the selection of PricewaterhouseCoopers LLP as Red Hat's independent registered public accounting firm for the fiscal year ending February 28, 2019	FOR

ELECTRONIC VERSIONS

This Proxy Statement and Red Hat's 2018 Annual Report to stockholders are available at: www.edocumentview.com/RHT.

MAILING OF NOTICE

A Notice of Internet Availability of Proxy Materials (or this Proxy Statement and the accompanying materials) are being mailed on or about June 28, 2018 to stockholders of record as of the close of business on June 15, 2018.

2

**RED HAT, INC. 2018 PROXY
STATEMENT**

Table of Contents

PROXY SUMMARY OUR BOARD

FAST FACTS

ANNUAL DIRECTOR

MAJORITY

ELECTIONS

VOTING STANDARD

INDEPENDENT

BOARD CHAIR AND COMMITTEE MEMBERS

DIRECTOR NOMINEES

NAME	AGE	PRIMARY	COMMITTEE EXPERIENCE &	
		OCCUPATION	MEMBERSHIP	EXPERTISE INDEPENDENT
Sohaib Abbasi	61	Chairman, Chief Executive Officer and President (Retired), Informatica Corporation	Compensation	(Chair), Audit
W. Steve Albrecht	71	Professor of Accounting (Retired), Brigham Young University, Marriott School of Management	Audit (Chair), Nominating and Corporate Governance	
Charlene T. Begley	51	Senior Vice President and Chief Information Officer (Retired), General Electric Company	Audit, Nominating and Corporate Governance	
Narendra K. Gupta	69	Managing Director, Nexus Venture Partners	Compensation	

(Board Chair)

			Compensation,
Kimberly L. Hammonds	51	Former Group Chief Operating Officer, Deutsche Bank AG	Nominating and Corporate Governance
William S. Kaiser	62	Partner, Greylock Partners	Nominating and Corporate Governance (Chair)
James M. Whitehurst	50	President and CEO, Red Hat, Inc.	
Alfred W. Zollar	64	Executive Partner, Siris Capital Group, LLC	

Table of Contents

OUR BOARD PROXY SUMMARY

DIRECTOR NOMINEES

GOVERNANCE HIGHLIGHTS

Separate Board Chair and CEO since 2008

Added three new directors in past four years

Regular focus on Board composition

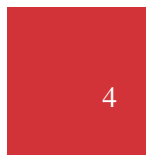
Annual Board and committee self-evaluations

Board orientation and director education programs

Stock ownership guidelines for directors and named executive officers based on target multiples of annual cash retainer for non-employee directors and annual base salary for CEO and other named executive officers

Prohibition on hedging or pledging Red Hat stock

Annual advisory say-on-pay vote



**RED HAT, INC. 2018 PROXY
STATEMENT**



Table of Contents

PROXY SUMMARY PERFORMANCE

FAST FACTS

25th Anniversary

CELEBRATED ON MARCH 26, 2018

**64 CONSECUTIVE
QUARTERS OF
REVENUE
GROWTH AS OF
THE END OF
FISCAL 2018**

\$3.4 BILLION

OF TOTAL BACKLOG

AT END OF FISCAL 2018

21%

**YEAR-OVER-YEAR
TOTAL REVENUE
GROWTH IN FISCAL
2018**

Red Hat Performance and Executive Compensation

FINANCIAL PERFORMANCE (U.S. DOLLARS IN MILLIONS, EXCEPT STOCK PRICE)

In Fiscal 2018, Red Hat achieved over \$2.9 billion in total revenue and delivered growth in revenue, operating income, operating margin, operating cash flow and stock price at fiscal year end.

*In March 2016, Red Hat elected to adopt Accounting Standards Update 2016-09 on a retrospective basis which increased operating cash flow by \$20.2 million for Fiscal 2016.

PAY AND PERFORMANCE AT A GLANCE

Red Hat's Fiscal 2018 financial and stock price performance drove over 80% of the compensation earned by our executives during Fiscal 2018, reflecting the linkage between pay and performance built into our executive compensation program design. Payouts for Fiscal 2018 performance reflect:

strong financial results that outperformed the majority of our compensation peer companies over the applicable performance periods under our operating performance share units, and yielded above target payouts earned under our annual cash bonus plan; and

stock price growth over a three-year period that outperformed the majority of our compensation peer companies under our total stockholder return (TSR) performance share units.

COMPONENT	PERFORMANCE AGAINST INCENTIVE METRICS	PAYOUT %
Annual Cash Bonus Plan	Company financial performance on total revenue, non-GAAP operating income and non-GAAP operating cash flow: 167% of target Individual performance objectives (average of all Named Officers): 166% of target	167% of target (average for all Named Officers)
Operating Performance Share Units	Revenue and operating income growth relative to compensation peer companies for operating performance share units granted in Fiscal 2016 (over three years) and Fiscal 2017 (over two years)	200% of target (average)
TSR Performance Share Units	TSR growth relative to compensation peer companies over three years (Fiscal 2016 – Fiscal 2018)	200% of target

Table of Contents**GOVERNANCE****NOMINEES FOR ELECTION TO THE BOARD OF DIRECTORS**

Our Board of Directors (the Board) currently consists of nine directors. All of our incumbent directors except Donald H. Livingstone, who has reached the mandatory retirement age set forth in our Corporate Governance Guidelines and will not stand for re-election at the 2018 Annual Meeting of Stockholders (Annual Meeting), are nominees for re-election to the Board. Mr. Livingstone will continue to serve as a director until his term expires at the Annual Meeting. We believe that our director nominees, individually and together as a whole, possess the requisite skills, experience and qualifications necessary to maintain an effective Board to serve the best interests of the Company and its stockholders.

Set forth below is a brief biography for each nominee and a description of certain key attributes that the Board considered in recommending each nominee for re-election.

SOHAIB ABBASI

Age: 61

Director Since:

March 2011

Committees:

Audit

Compensation (Chair)

Mr. Abbasi served as the Chief Executive Officer and President of Informatica Corporation, a provider of enterprise data integration software and services, from July 2004 through August 2015 and as Chairman of its board of directors from March 2005 through August 2015. Mr. Abbasi also served as the Chairman of Informatica LLC from August 2015 through January 2016. From 2001 to 2003, Mr. Abbasi was Senior Vice President, Oracle Tools Division and Oracle Education at Oracle Corporation, which he joined in 1982. From 1994 to 2000, he was Senior Vice President, Oracle Tools Product Division. Mr. Abbasi currently serves on the board of directors of New Relic, Inc., a software analytics provider to enterprises.

Skills and Qualifications:

With his experience as President, Chief Executive Officer and Chairman of a technology-related company, Mr. Abbasi brings to our Board IT industry expertise as well as public company board and senior leadership experience.

W. STEVE ALBRECHT

Age: 71

Director Since:

Dr. Albrecht, who previously served on our Board from April 2003 through June 2009, served as the Gunnell Endowed Professor and a Wheatley Fellow at Brigham Young University's (BYU) Marriott School of Management (Marriott School) from July 2012 until August 2017. Dr. Albrecht also served as a mission president in Japan for his church from July 2009 through July 2012. Dr. Albrecht, a certified public accountant, certified internal auditor and certified fraud examiner, joined BYU in 1977 after teaching at Stanford University and the University of Illinois and served as Associate Dean of the Marriott School at BYU from 1998 until July 2008. Prior to becoming a professor, he worked as an accountant for Deloitte & Touche. Dr. Albrecht currently serves on the board of directors of Cypress Semiconductor Corporation (Cypress), a semiconductor design and manufacturing company,

March 2011

Committees:

Audit (Chair)

Nominating and
Corporate Governance

and SkyWest, Inc., the holding company of SkyWest Airlines and ExpressJet, a regional airline company. Dr. Albrecht was appointed Chairman of the board of directors of Cypress in June 2017. He is the past president of the American Accounting Association and the Association of Certified Fraud Examiners and is a former trustee of the Financial Accounting Foundation that oversees the Financial Accounting Standards Board (FASB) and the Governmental Accounting Standards Board (GASB) and a former trustee of the Committee of Sponsoring Organizations (COSO), the organization that designed the internal control framework used by nearly all public companies and other organizations.

Skills and Qualifications:

Dr. Albrecht's career in public accounting and as a professor and associate dean, as well as his service as a director of a number of public companies, brings to our Board financial expertise as well as public company board and senior leadership experience.

Table of Contents

NOMINEES FOR ELECTION TO THE BOARD OF DIRECTORS

CHARLENE T. BEGLEY

Age: 51

Director Since:

November 2014

Committees:

Audit

Nominating and
Corporate Governance

Ms. Begley served in various capacities at General Electric Company (GE) from 1988 through December 2013. Most recently, she served in a dual role as Senior Vice President and Chief Information Officer, as well as the President and Chief Executive Officer of GE s Home and Business Solutions business, from January 2010 through December 2013. Ms. Begley served as President and Chief Executive Officer of GE Enterprise Solutions from August 2007 through December 2009. During her career at GE, she served as President and Chief Executive Officer of GE Plastics and GE Transportation, led GE s Corporate Audit staff and served as the Chief Financial Officer for GE Transportation and GE Plastics Europe and India. Ms. Begley currently serves on the board of directors of Nasdaq, Inc., a global exchange group that delivers trading, clearing, exchange technology, regulatory, securities listing, and public company services, and Hilton Worldwide Holdings Inc., a provider of hospitality services through hotels, resorts and timeshare properties. Ms. Begley served on the board of directors of WPP, plc, a provider of marketing communications services globally, from December 2013 until June 2017.

Skills and Qualifications:

With her experience leading various divisions of a complex global industrial and financial services company, Ms. Begley brings to our Board financial and global expertise as well as public company board and senior leadership experience.

NARENDRA K. GUPTA

Age: 69

Director Since:

November 2005;

Board Chair since

August 2017

Dr. Gupta co-founded and has served as Managing Director of Nexus Venture Partners, a U.S./India venture capital fund, since December 2006. In 1980, Dr. Gupta co-founded Integrated Systems Inc., a provider of products for embedded software development, which went public in 1990. Dr. Gupta served as Integrated System s President and CEO from founding until 1994 and as Chairman until 2000 when Integrated Systems merged with Wind River Systems, Inc., a provider of device software optimization solutions. Dr. Gupta served as Wind River s Vice Chairman from 2000 until its acquisition by Intel Corporation in 2009. Dr. Gupta served on the board of directors of Tibco Software Inc., a provider of service-oriented architecture and business process management enterprise software, from 2002 until April 2014. Dr. Gupta has served on the board of trustees of California Institute of Technology since 2010.

Skills and Qualifications:

Committees:

Compensation

As a former executive and current and former board member of a number of technology-related public and private companies and as an investor in global companies, Dr. Gupta provides our Board with global and IT industry expertise and public company board and technology and innovation experience.

KIMBERLY L. HAMMONDS

Age: 51

Director Since:

August 2015

Committees:

Compensation

Nominating and
Corporate Governance

Ms. Hammonds served as the Group Chief Operating Officer at Deutsche Bank AG, a global financial services company, from January 2016 to May 2018 and as a member of the Deutsche Bank Management Board from August 2016 to May 2018. She joined Deutsche Bank as Chief Information Officer and Global Co-Head Technology and Operations in November 2013 from The Boeing Company, a global aerospace company. Ms. Hammonds joined Boeing in 2008 and served in a number of capacities, including most recently as Chief Information Officer/Vice President, Global Infrastructure, Global Business Systems from January 2011 to November 2013. Ms. Hammonds joined Boeing from Dell Incorporated, where she led IT systems development for manufacturing operations in the Americas, and directed global IT reliability and factory systems. Ms. Hammonds currently serves on the board of directors of Cloudera, Inc., a data management, machine learning and advance analytics platform provider.

Skills and Qualifications:

Ms. Hammonds' experience as an executive spans both technology and operations for some of the world's largest companies and brings to our Board global expertise as well as public company board, senior leadership and technology and innovation experience.

Table of Contents

NOMINEES FOR ELECTION TO THE BOARD OF DIRECTORS

WILLIAM S. KAISER

Mr. Kaiser has been employed by Greylock Management Corporation, a venture capital firm, since May 1986 and has been a general partner of several limited partnerships affiliated with Greylock Partners since January 1988. Mr. Kaiser served on the board of directors of Constant Contact, Inc., a provider of products and services that help small organizations create and grow customer relationships, from May 2006 to February 2016 in addition to serving or having served on the boards of directors of a number of public and private companies.

Age: 62

Director Since:

September 1998

Committees:

Nominating and Corporate Governance (Chair)

Skills and Qualifications:

Having a background in venture capital investment focused on technology-related entities, Mr. Kaiser brings to our Board financial and IT industry expertise and technology and innovation experience.

JAMES M. WHITEHURST

Age: 50

Director Since:

January 2008

Mr. Whitehurst has served as the President and CEO of Red Hat and as a member of the Board since January 2008. Prior to joining Red Hat, Mr. Whitehurst served at Delta Air Lines, Inc. as Chief Operating Officer from July 2005 to August 2007, as Senior Vice President and Chief Network and Planning Officer from May 2004 to July 2005 and as Senior Vice President Finance, Treasury & Business Development from January 2002 to May 2004. Prior to joining Delta, he was a partner and managing director at The Boston Consulting Group. Mr. Whitehurst was appointed to the board of directors of United Continental Holdings, Inc., the holding company of United Airlines, Inc., a global airline company, in March 2016 and to the board of directors of SecureWorks Corp., a provider of information security solutions, in April 2016. Mr. Whitehurst served on the board of directors of DigitalGlobe, Inc., a builder and operator of satellites for digital imaging, from 2009 through May 2016.

Skills and Qualifications:

Mr. Whitehurst's service as our CEO as well as his experience as a senior executive at a global corporation brings financial and global expertise as well as senior leadership and technology and innovation experience to our Board.

Mr. Zollar has been employed as an Executive Partner at Siris Capital Group, LLC, a private equity firm, since February 2014. Mr. Zollar served as General Manager-Tivoli Software division of International Business Machines

ALFRED W. ZOLLAR

Age: 64

Director Since:

May 2018

Corporation, a provider of information technology, products and services, from July 2004 to January 2011, General Manager-eServer iSeries from January 2003 to July 2004, President and Chief Executive Officer-Lotus Software division from January 2000 to December 2003, and Division General Manager-Network Computer Software division from 1996 to 2000. Mr. Zollar has served on the board of directors of Public Service Enterprise Group Incorporated, an energy company operating primarily in the Northeastern and Mid-Atlantic states, since 2012. Mr. Zollar served as a director of the Chubb Corporation, a property and casualty insurance company, from 2001 until 2016, in addition to serving or having served on the boards of directors of a number of public and private companies.

Skills and Qualifications:

With his experience as an executive at a global technology-related company, Mr. Zollar provides our Board with IT industry expertise as well as senior leadership and technology and innovation experience.

Table of Contents

BOARD COMPOSITION

BOARD COMPOSITION

CRITERIA FOR EVALUATING CANDIDATES FOR SERVICE ON OUR BOARD

The Nominating and Corporate Governance Committee of our Board is responsible for identifying and evaluating candidates for service on our Board and recommending proposed director nominees to the full Board for consideration. Our Corporate Governance Guidelines describe the criteria used to select candidates for service on our Board. These include:

DIRECTOR SELECTION CRITERIA

Reputation for integrity, honesty and adherence to high ethical standards

Demonstrated business acumen, experience and ability to exercise sound judgment in matters that relate to the current and long-term objectives of the Company and should be willing and able to contribute positively to the decision-making process of the Company

Commitment to understand the Company and its industry

Commitment to regularly attend and participate in meetings of the Board and its committees

Interest and ability to understand the sometimes conflicting interests of the various constituencies of the Company

No conflict of interest, or appearance of a conflict of interest, that would impair the nominee's ability to represent the interests of all the Company's stockholders and to fulfill the responsibilities of a director

Ability to serve for at least five years before reaching the age of 75 for new directors

In addition, the Nominating and Corporate Governance Committee believes it is important to select directors from various backgrounds and professions in an effort to ensure that the Board as a group has a broad range of experiences to enrich discussion and inform its decisions. Consistent with this philosophy, the Nominating and Corporate Governance Committee believes that each director should possess at least two of the following attributes:

DIRECTOR ATTRIBUTES

Financial Expertise. Assists us in understanding, advising on and overseeing our capital structure, financing and investing activities and our financial reporting and internal controls

Global Expertise. Brings us business and cultural perspectives that relate to many significant aspects of our global business

IT Industry Expertise. Helps us to analyze our research and development efforts, competing technologies, the various products and processes that we develop and the market segments in which we compete

Public Company Board Experience. Offers us advice and insights with regard to the dynamics and operation of a board of directors, the relations of a board with senior management, and oversight of a changing mix of strategic, operational and compliance-related matters

Senior Leadership Experience. Provides us with insight and guidance and brings us an understanding of organizations, processes, strategy, risk management and methods to drive change and growth

Technology and Innovation Experience. Supports us in our efforts to develop new ideas and products

DIVERSITY

As stated in our Corporate Governance Guidelines, the Nominating and Corporate Governance Committee's review of a nominee's qualifications includes consideration of diversity, age, skills and professional experience in the context of the needs of the Board, and nominees shall not be discriminated against on the basis of race, religion, national origin, gender, sexual orientation, disability or other basis proscribed by law. While the Company has no formal diversity

policy that applies to the consideration of director candidates, the Nominating and Corporate Governance Committee believes that diversity includes not just race and gender but differences of viewpoint, experience, education, skill and other qualities or attributes that contribute to Board heterogeneity.

Table of Contents

BOARD COMPOSITION

BOARD INDEPENDENCE

The Board affirmatively determined that all of our directors, except for Mr. Whitehurst, our President and CEO, are independent according to the criteria of the New York Stock Exchange (NYSE) and our Corporate Governance Guidelines and in the judgment of our Board. The Board makes its independence determination on an annual basis at the time it approves director nominees for inclusion in the annual proxy statement and, if a director joins the Board in the interim, at such time as the director joins the Board. For a director to be considered independent under the NYSE rules, the Board must determine that a director does not have a direct or indirect material relationship with Red Hat (other than as a director) that would interfere with the director's exercise of independent judgment in carrying out his or her responsibilities. On an annual basis, we require each member of our Board to complete a questionnaire designed to provide information to assist the Board in determining whether the director is independent. The Board makes independence determinations on a case-by-case basis in light of all relevant facts and circumstances. The Board had previously determined that General H. Hugh Shelton (U.S. Army Retired), a former director who served on our Board for a portion of Fiscal 2018, was independent.

ELECTION OF DIRECTORS

At all meetings of stockholders for the election of directors at which a quorum is present, each director nominee shall be elected to the Board by the vote of the majority of the votes cast with respect to the director nominee; provided, however, that if, as of a date that is five business days in advance of the date that the Company files its definitive proxy statement (regardless of whether or not thereafter revised or supplemented) with the U.S. Securities and Exchange Commission (SEC), the number of director nominees exceeds the number of directors to be elected, the directors (not exceeding the authorized number of directors as fixed by the Board in accordance with the Company's Certificate of Incorporation) shall be elected by a plurality of the voting power of the shares of stock entitled to vote who are present, in person or by proxy at any such meeting and entitled to vote on the election of directors. For purposes of the election of directors, a majority of the votes cast means that the number of shares voted For a director nominee must exceed the number of shares voted Against that director nominee. Abstentions and broker non-votes are not considered votes cast for this purpose and will have no effect on the election of director nominees.

PROCESS FOR NOMINATING CANDIDATES FOR SERVICE ON OUR BOARD

The Nominating and Corporate Governance Committee will consider candidates proposed or suggested by other members of the Board, members of executive management and stockholders and candidates identified by third-party search firms retained by the Nominating and Corporate Governance Committee. Mr. Zollar was identified as a potential director nominee by a third-party search firm.

Stockholders who wish to recommend individuals to the Nominating and Corporate Governance Committee for consideration as potential director candidates may do so by submitting candidate names, together with appropriate biographical information and background materials and a statement as to whether the stockholder or group of stockholders making the recommendation beneficially owned more than 5% of our common stock for at least one year as of the date the recommendation is made, to the Nominating and Corporate Governance Committee, c/o Corporate Secretary, Red Hat, Inc., 100 East Davie Street, Raleigh, North Carolina 27601. Assuming the appropriate biographical information and background materials have been provided on a timely basis, the Committee will evaluate any such stockholder-recommended candidates by following the same process, and applying the same criteria, as it

follows for candidates submitted by others.

By following the procedures set forth under Other Matters Stockholder Proposals and Nominations, stockholders also have the right under our By-Laws to nominate director candidates.

COMMITTEES OF THE BOARD

Our Board has established three standing committees Audit, Compensation and Nominating and Corporate Governance each of which operates under a written charter approved by the Board and available on our website at www.redhat.com under About Red Hat Investor Relations Corporate Governance. Our Board delegates substantial responsibilities to the committees, which then report their activities and actions back to the full Board. Each committee may form one or more subcommittees and delegate its authority to such subcommittees. The Board has determined that all of the members of the Audit, Compensation and Nominating and Corporate Governance Committees, including committee chairpersons, are independent in accordance with the standards set forth in our Corporate Governance Guidelines and applicable SEC and NYSE rules.

Table of Contents

COMMITTEES OF THE BOARD

AUDIT COMMITTEE

8

Number of
Meetings in
Fiscal 2018

The Audit Committee was established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended (the Exchange Act). The Audit Committee’s responsibilities include:

appointing, setting the compensation of, and assessing the independence of the Company’s independent registered public accounting firm;

overseeing the work of the Company’s independent registered public accounting firm, including through the receipt and consideration of certain reports from the independent registered public accounting firm;

discussing the scope of and plans for the audit with the Company’s independent registered public accounting firm, including through the receipt and consideration of certain reports from the independent registered public accounting firm;

Members:

Dr. Albrecht (Chair)

reviewing and discussing with management and the Company’s independent registered public accounting firm our annual and quarterly financial statements and related disclosures and reviewing and discussing quarterly earnings press releases;

Mr. Abbasi

Ms. Begley

Mr. Livingstone

monitoring internal controls over financial reporting, disclosure controls and procedures and the Code of Business Conduct and Ethics;

providing oversight over the Company’s risk management policies;

establishing policies regarding hiring of present or former employees of the independent registered public accounting firm and procedures for the receipt and retention of accounting related complaints and concerns;

meeting independently with the Company's internal auditing staff, independent registered public accounting firm and management; and

preparing the audit committee report required by SEC rules (which is included in the section entitled "Audit Matters - Audit Committee Report").

While our Board has designated Dr. Albrecht as the audit committee financial expert in accordance with applicable SEC rules, management believes that all of the members of the Audit Committee meet the qualifications for an audit committee financial expert.

The Audit Committee's Charter limits a director to service on the audit committees of no more than two other public companies (in addition to Red Hat's) without the approval of our Board. None of the current members of our Audit Committee serve on the audit committees of more than two other public companies.

COMPENSATION

COMMITTEE

10

Number of
Meetings in
Fiscal 2018

The Compensation Committee's responsibilities include:

annually reviewing and approving corporate goals and objectives relevant to CEO compensation;

determining the CEO's compensation;

reviewing and approving, or making recommendations to the Board with respect to, the compensation of the Company's other executive officers;

evaluating the Company's management;

Members:

Mr. Abbasi (Chair)

Dr. Gupta

Ms. Hammonds

Mr. Livingstone

overseeing an annual assessment of the material risks, if any, posed by the Company's compensation policies and practices;

reviewing and making recommendations to the Board with respect to director compensation; and

overseeing and administering the Company's equity incentive plans.

Table of Contents

COMMITTEES OF THE BOARD

<p style="text-align: center;">NOMINATING AND CORPORATE GOVERNANCE COMMITTEE</p> <p style="text-align: center;">4</p> <p style="text-align: center;">Number of Meetings in Fiscal 2018</p> <p>Members:</p> <p>Mr. Kaiser (Chair)</p> <p>Dr. Albrecht</p> <p>Ms. Begley</p> <p>Ms. Hammonds</p>	<p>The Nominating and Corporate Governance Committee’s responsibilities include:</p> <p style="padding-left: 40px;">identifying individuals qualified to become Board members;</p> <p style="padding-left: 40px;">recommending to the Board the persons to be nominated for election as directors and appointment to each of the Board’s committees;</p> <p style="padding-left: 40px;">reviewing and making recommendations to the Board with respect to management succession planning;</p> <p style="padding-left: 40px;">developing and recommending corporate governance principles to the Board; and</p> <p style="padding-left: 40px;">overseeing an annual evaluation of the Board.</p>
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During Fiscal 2018, Mr. Abbasi joined the Audit Committee in August 2017, Dr. Gupta served on the Nominating and Corporate Governance Committee until August 2017, and General Shelton served on the Compensation Committee until his term ended at the 2017 Annual Meeting of Stockholders (2017 Annual Meeting). General Shelton did not stand for re-election to the Board at the 2017 Annual Meeting.

BOARD OPERATIONS

LEADERSHIP STRUCTURE

Currently, the roles of Board Chair and Chief Executive Officer are held by two different individuals. We believe this structure represents an appropriate allocation of roles and responsibilities for the Company at this time. This arrangement allows our Board Chair, who is an independent director, to lead the Board in its fundamental role of providing independent advice to and oversight of management, and allows our CEO to focus on our day-to-day business and strategy and convey the management perspective to other directors.

Table of Contents

BOARD OPERATIONS

RISK OVERSIGHT

Management is responsible for the day-to-day management of the risks the Company faces and our Board has responsibility for the oversight of risk management, including strategic risk, risk to our brand and reputation and cybersecurity risk. The Board and its committees regularly receive information and reports from members of senior management on areas of material risk. In addition, the Board regularly discusses our strategic direction and the risks and opportunities facing the Company in light of trends and developments in the software industry and general business environment.

BOARD OF DIRECTORS

PRIMARY RISK OVERSIGHT

Financial and Legal	Compensation Plans and Arrangements	Executive Succession Planning and Board Composition
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RED HAT AND ITS STOCKHOLDERS

Our Board and management focus on creating long-term, sustainable stockholder value. Key to this goal is regular stockholder engagement through meetings with stockholders at conferences and in one-on-one meetings to discuss our financial performance, corporate governance practices, executive compensation programs and other matters. Additionally, from time to time, we invite investors to attend roadshows and visit Red Hat facilities and provide periodic e-mail communications about developments of interest, such as acquisitions. A variety of financial, investor and corporate governance information is available on our website.

Our conversations with stockholders allow us to better understand our stockholders' perspectives and provide us with useful feedback to calibrate our priorities. Stockholders and other interested parties who wish to communicate with the Board, the Board Chair, independent members of the Board as a group, or any committee chair may do so by following the process set forth on our website at www.redhat.com under [About Red Hat](#) [Investor Relations](#) [Corporate Governance](#) [Contact the Board](#).

KEY BOARD PRACTICES

BOARD MEETINGS AND ATTENDANCE

Directors are responsible for attending all meetings of the Board, the Board committees on which they serve and the annual meeting of stockholders. The Board met 11 times during Fiscal 2018, either in person or by teleconference.

During Fiscal 2018, each member of our Board attended at least 75% of the aggregate of the meetings of the Board and the committees on which he or she served. All of the then-serving members of our Board attended our 2017 Annual Meeting.

EXECUTIVE SESSIONS

Our independent directors meet in separate regularly scheduled executive sessions, without management. Our practice is for our Board Chair or the applicable committee chair to preside over any executive session.

Table of Contents

KEY BOARD PRACTICES

SUCCESSION PLANNING

On an annual basis, the Nominating and Corporate Governance Committee, the Board and our CEO review the Company's long-term plan for developing, retaining and replacing senior management and assess Board composition.

KEY GOVERNANCE POLICIES

Copies of our current corporate governance documents and policies, including our Code of Business Conduct and Ethics, Corporate Governance Guidelines, and committee charters, are available at www.redhat.com under About Red Hat Investor Relations Corporate Governance.

CODE OF BUSINESS CONDUCT AND ETHICS

The Board has adopted a written Code of Business Conduct and Ethics that applies to our directors, officers and employees. Our Code of Business Conduct and Ethics is posted on our website www.redhat.com under About Red Hat Investor Relations Corporate Governance. In addition, we intend to post on our website all disclosures that are required by law or by NYSE listing standards with respect to amendments to, or waivers from, any provision of the Code of Business Conduct and Ethics.

CORPORATE GOVERNANCE GUIDELINES

The Board has adopted written Corporate Governance Guidelines, which provide a framework for the conduct of the Board's business.

CORPORATE GOVERNANCE GUIDELINES HIGHLIGHTS

Principal responsibility of the directors is to oversee and advise the management of the Company

Majority of the members of the Board must be independent directors

Independent directors are each to meet regularly in executive session

Directors have full and free access to management and, as necessary, independent advisors

Any director who reaches the age of 75 will retire from the Board effective at the end of then current term

Orientation program for new directors and directors expected to participate in continuing director education on an ongoing basis

Board and its committees will annually conduct a self-evaluation to determine whether they are functioning effectively

POLICIES AND PROCEDURES FOR RELATED PERSON TRANSACTIONS

We have a written Related Person Transaction Policy that provides for the review of certain transactions, arrangements or relationships between Red Hat and parties including our directors, director nominees, executive officers and 5% stockholders (or their immediate family members), who we refer to as related persons, in which the amount involved exceeds \$120,000 and such related person has or will have a direct or indirect material interest. Any related person transaction proposed to be entered into by the Company must be reported to the Company's General Counsel and shall be reviewed and approved by our Audit Committee. If review and approval is not practicable prior to entry into the transaction, the Audit Committee will review, and in its discretion, may ratify the related person transaction.

In reviewing the proposed transactions, the Audit Committee shall review and consider, as appropriate:

the related person's interest in the related person transaction;

the approximate dollar value of the amount involved in the related person transaction;

the approximate dollar value of the amount of the related person's interest in the transaction without regard to the amount of any profit or loss;

whether the transaction was undertaken in the ordinary course of business of the Company;

whether the terms of the transaction are, in the aggregate, no less favorable to the Company than terms that could have been reached with an unrelated third party;

the purpose of, and the potential benefits to the Company of, the transaction; and

any other information regarding the related person transaction or the related person in the context of the proposed transaction that would be material to investors in light of the circumstances of the particular transaction.

14

RED HAT, INC. 2018 PROXY
STATEMENT

Table of Contents

KEY GOVERNANCE POLICIES

The Audit Committee may approve or ratify the transaction if it determines that, under all of the circumstances, the transaction is in, or is not inconsistent with, the Company's best interests. The Audit Committee may impose any conditions on the related person transaction that it deems appropriate. The Related Person Transaction Policy provides that transactions involving compensation of executive officers will be reviewed and approved by the Compensation Committee of the Board in accordance with its charter.

RELATED PERSON TRANSACTIONS FOR FISCAL 2018

Since March 1, 2017, there has not been, nor is there currently proposed, any transaction, arrangement or relationship in which Red Hat is a party, the amount involved exceeds \$120,000 and any related person had or will have a direct or indirect material interest, except for Red Hat's employment of M. W. Vincent, the brother-in-law of DeLisa K. Alexander, our Executive Vice President and Chief People Officer. In Fiscal 2018, Mr. Vincent's total compensation, including salary, commissions and stock awards, was \$233,874.

BOARD COMPENSATION

OVERVIEW

Our Non-Employee Director Compensation Plan (the "Director Compensation Plan") provides for a combination of cash and equity compensation for our non-employee directors. The Compensation Committee believes that a combination of cash and equity is the best way to attract and retain directors with the attributes, experience and skills necessary for a company such as Red Hat. Due to the unique nature of our open source development model and the constantly evolving environment in which we operate, the Company needs directors who are knowledgeable about the Company's business environment and are willing to make a significant commitment to the Company and its stockholders for the long term.

In Fiscal 2018, the Board approved a \$10,000 increase to the annual cash retainers for Board service and service as Board Chair. The cash retainer for board service had not been increased since 2008, and the cash retainer for service as board chair was last increased in 2011. Peer company benchmarking data provided by FW Cook, the Compensation Committee's independent compensation consultant (the "Consultant"), indicated that these cash retainer amounts were no longer competitive. No other elements of our non-employee director compensation program were changed.

Our current compensation program for non-employee directors includes:

a cash retainer for service on our Board;

additional cash retainers for service as Board Chair, Lead Director, committee chairs and committee members;

an initial Restricted Stock Award ("RSA") granted in connection with joining our Board; and

an annual RSA grant.

The cash retainer and annual RSA for any new director who serves only a portion of a year will be pro-rated.

CASH COMPENSATION

Each non-employee director receives cash payments, paid in equal quarterly amounts, as compensation for the time and effort spent in connection with service on the Board and its committees. We do not pay meeting fees. A director may elect to receive all or a portion of the quarterly cash payments in the form of deferred stock units (DSUs).

DSUs represent the right to receive shares of our common stock that are paid to the director only at the time the director s Board service ends.

DSUs granted in lieu of cash compensation are fully vested.

The number of DSUs granted is determined by dividing the portion of the cash compensation with respect to which the election is made by the closing stock price on the date the cash compensation is due to be paid, rounded up to the nearest share.

Table of Contents**BOARD COMPENSATION**

The following table sets out annual cash compensation amounts for Board and committee service during Fiscal 2018:

TYPE OF CASH COMPENSATION	CASH COMPENSATION PAYABLE (\$)	
	(IN EFFECT MARCH 1, 2017)	(EFFECTIVE DECEMBER 2017) JANUARY 1, 2018)
Board Member	50,000	60,000
Board Chair (1)	50,000	60,000
Lead Director (1)	30,000	30,000
Audit Committee Chair (2)	40,000	40,000
Audit Committee Member	20,000	20,000
Compensation Committee Chair (2)	30,000	30,000
Compensation Committee Member	15,000	15,000
Nominating and Corporate Governance Committee Chair (2)	15,000	15,000
Nominating and Corporate Governance Committee Member	7,500	7,500

(1) A Board Chair or Lead Director who also serves as a committee chair receives both the Board Chair or Lead Director retainer, as applicable, and the retainer payable for service on the committee rather than the applicable committee chair retainer.

(2) Committee chairs receive the applicable committee chair retainer in lieu of the retainer payable for service on the committee.

EQUITY COMPENSATION

In Fiscal 2018, our non-employee directors were entitled to receive equity compensation in order to align their interests with stockholder interests.

EQUITY COMPENSATION

Initial RSA Value of \$300,000 converted into shares by using closing stock price on grant date, rounded up to nearest share

New non-employee directors eligible upon election or appointment

Vests on anniversary of grant date in equal annual installments over a three-year period

Annual RSA Value of \$250,000 converted into shares by using closing stock price on grant date, rounded up to nearest share

Vests on first anniversary of grant date

Each director may elect to receive DSUs on a one-for-one basis in lieu of annual RSA

Vests on same basis as RSA

Paid out in shares at time Board service ends

ADDITIONAL COMPENSATION

Directors are reimbursed for reasonable out-of-pocket expenses incurred in attending meetings of the Board and meetings of any committee on which they serve, Company business meetings and approved educational seminars. The Company funds no retirement or pension plan for non-employee directors.

DIRECTOR COMPENSATION LIMIT

Limit of \$600,000 on aggregate value of cash payments and annual RSA that can be awarded to a non-employee director for service on the Board in a single year

Board agreed not to change this limit unilaterally until the next time the Company submits its long-term incentive plan to a stockholder vote

16

RED HAT, INC. 2018 PROXY
STATEMENT

Table of Contents**BOARD COMPENSATION****SUMMARY COMPENSATION TABLE FOR NON-EMPLOYEE DIRECTORS**

The following table summarizes the compensation awarded to our directors other than Mr. Whitehurst during Fiscal 2018:

NAME (1)	FEES EARNED OR PAID IN CASH (\$ (2))	STOCK AWARDS (\$ (3)(4))	ALL OTHER COMPENSATION (\$)	TOTAL (\$)
Sohaib Abbasi (5)		335,291		335,291
W. Steve Albrecht (6)	100,000	250,069		350,069
Charlene T. Begley (7)	80,000	250,069		330,069
Narendra K. Gupta (8)	99,429	250,069		349,498
Kimberly L. Hammonds (9)	75,000	250,069		325,069
William S. Kaiser (10)	67,500	250,069		317,569
Donald H. Livingstone (11)	87,500	250,069		337,569
General H. Hugh Shelton (U.S. Army Retired) (12)	55,938	250,069		306,007

(1) Compensation paid to Mr. Whitehurst, our President and CEO, is described in the section entitled Executive Compensation. Mr. Zollar was elected to our Board in May 2018 and received no compensation from Red Hat in Fiscal 2018.

(2) This column reflects the amount of cash compensation paid to each director for Board and committee service after accounting for DSU elections. As described in the section entitled Cash Compensation above, non-employee directors may elect to receive fully vested DSUs in lieu of all or a portion of their cash compensation.

(3) Amounts in this column represent the aggregate grant date fair value of equity compensation issued to directors determined in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 718. For the assumptions made in determining these values, see Notes 2 and 17 to the Consolidated Financial Statements in the Company s Annual Report on Form 10-K for Fiscal 2018. Equity compensation that our non-employee directors are eligible to receive is described in the section entitled Equity Compensation above.

(4) As of February 28, 2018, our non-employee directors had DSUs and unvested RSAs representing the right to receive the following number of shares of common stock: Mr. Abbasi 29,435, Dr. Albrecht 16,220, Ms. Begley 2,538, Dr. Gupta 44,574, Ms. Hammonds 3,827, Mr. Kaiser 9,728, Mr. Livingstone 31,210 and General Shelton 0.

(5) During Fiscal 2018, Mr. Abbasi was eligible to receive \$85,000 in cash compensation and an annual RSA valued at \$250,000. Mr. Abbasi elected to receive DSUs in lieu of his cash compensation and annual RSA. The stock awards total in the table includes \$291 of value realized as a result of issuing grants rounded up to the nearest whole share.

(6) During Fiscal 2018, Dr. Albrecht received \$100,000 in cash compensation and an annual RSA valued at \$250,000. The stock awards total in the table includes \$69 of value realized as a result of issuing a grant rounded up to the nearest whole share.

(7) During Fiscal 2018, Ms. Begley received \$80,000 in cash compensation and an annual RSA valued at \$250,000. The stock awards total in the table includes \$69 of value realized as a result of issuing a grant rounded up to the nearest whole share.

(8) During Fiscal 2018, Dr. Gupta received \$99,429 in cash compensation and an annual RSA valued at \$250,000. Dr. Gupta elected to receive DSUs in lieu of his annual RSA. The stock awards total in the table includes \$69 of value realized as a result of issuing a grant rounded up to the nearest whole share.

(9) During Fiscal 2018, Ms. Hammonds received \$75,000 in cash compensation and an annual RSA valued at \$250,000. The stock awards total in the table includes \$69 of value realized as a result of issuing a grant rounded up to the nearest whole share.

(10) During Fiscal 2018, Mr. Kaiser received \$67,500 in cash compensation and an annual RSA valued at \$250,000. The stock awards total in the table includes \$69 of value realized as a result of issuing a grant rounded up to the nearest whole share.

(11) During Fiscal 2018, Mr. Livingstone received \$87,500 in cash compensation and an annual RSA valued at \$250,000. Mr. Livingstone elected to receive DSUs in lieu of his annual RSA. The stock awards total in the table includes \$69 of value realized as a result of issuing a grant rounded up to the nearest whole share.

(12) During Fiscal 2018, General Shelton received \$55,938 in cash compensation and an annual RSA valued at \$250,000. The stock awards total in the table includes \$69 of value realized as a result of issuing a grant rounded up to the nearest whole share. General Shelton s annual RSA was forfeited when his term on the Board ended in August 2017.

PROCESS FOR SETTING DIRECTOR COMPENSATION

The Compensation Committee reviews our non-employee director compensation program annually and works with the Consultant to design and update the Director Compensation Plan to keep our compensation levels competitive so that the Company may attract and retain directors with the combination of attributes, experience and skills needed for the Board to operate effectively. In making decisions regarding non-employee director compensation, the Compensation Committee considers data provided by the Consultant about non-employee director compensation at the companies in our compensation peer group (the composition of our compensation peer group is described in

Executive Compensation-Compensation Discussion and Analysis-Process for Determining Named Officers Compensation-Compensation Peer Group).

The Compensation Committee adopted a new Director Compensation Plan in December 2017. The mix of cash and equity provided under the plan is consistent with the mix provided by our compensation peer group companies.

INDEMNIFICATION

Each director has entered into an indemnification agreement with the Company. The indemnification agreements are on substantially the same terms as the indemnification agreements that the Company has entered into with the Named Officers, as described in the section entitled Executive Compensation Employment and Indemnification Arrangements with Named Officers Indemnification.

Table of Contents

BOARD COMPENSATION

DIRECTOR STOCK OWNERSHIP REQUIREMENTS

We have a Stock Ownership Policy that applies to our non-employee directors. During Fiscal 2018 this Stock Ownership Policy set the stock ownership level for each non-employee director at 4,000 shares, an ownership level based on a multiple of the cash retainer for service as a Board member in place at the beginning of Fiscal 2018. As of the end of Fiscal 2018, each of our non-employee directors was in compliance with the Stock Ownership Policy. Our Stock Ownership Policy is described in the section entitled Executive Compensation Compensation Discussion and Analysis Compensation Policies and Practices Stock Ownership Requirements.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

The Compensation Committee is composed entirely of independent directors, as was the case at all times during Fiscal 2018. At the beginning of Fiscal 2018, Mr. Abbasi, Dr. Gupta, Ms. Hammonds, Mr. Livingstone and General Shelton were members of the Compensation Committee. General Shelton did not stand for re-election at the 2017 Annual Meeting and left the committee when his term ended in August 2017. No member of the Compensation Committee (i) was during Fiscal 2018 or is currently an employee of the Company, (ii) has ever been an officer of the Company, (iii) is or was a participant in a related person transaction as described in the section entitled Key Governance Policies Policies and Procedures for Related Person Transactions Related Person Transactions for Fiscal 2018 or (iv) is an executive officer of another entity, at which one of our executive officers serves on the compensation committee or the board of directors. None of our executive officers serves as a member of the board of directors or on the compensation committee, or other committee serving an equivalent function, of any entity that has one or more executive officers who serve as members of our Board or our Compensation Committee.

ITEM NO. 1 ELECTION OF DIRECTORS

The Board has nominated eight directors for one-year terms expiring at the 2019 Annual Meeting of Stockholders. Each nominee has indicated an intention to serve if elected and will hold office for his or her term and until a successor has been elected and qualified or until his or her earlier resignation or removal. In the event that any of the nominees should be unable or unwilling to serve, proxies may be voted for the election of some other person or for fixing the number of directors at a lesser number. Proxies cannot be voted for a greater number of persons than the number of nominees named.

THE BOARD OF DIRECTORS

RECOMMENDS A VOTE FOR THE ELECTION OF:

SOHAIB ABBASI

KIMBERLY L. HAMMONDS

W. STEVE ALBRECHT

WILLIAM S. KAISER

CHARLENE T. BEGLEY

JAMES M. WHITEHURST

NARENDRA K. GUPTA

ALFRED W. ZOLLAR

TO THE COMPANY'S BOARD OF DIRECTORS

18

**RED HAT, INC. 2018 PROXY
STATEMENT**

Table of Contents

EXECUTIVE COMPENSATION

EXECUTIVE SUMMARY OF COMPENSATION DISCUSSION AND ANALYSIS

This executive summary is only a summary. You should refer to the more detailed information about our compensation program in the section of this Proxy Statement entitled "Compensation Discussion and Analysis" and in the Summary Compensation Table and other related compensation tables before you vote.

The Compensation Discussion and Analysis focuses on the Named Officers listed below.

DAVID M. WHITEHURST	ERIC R. SHANDER	PAUL J. CORMIER	ARUN OBEROI	MICHAEL R. CUNNINGHAM
President and Chief	Executive Vice President	Executive Vice President	Executive Vice President,	Executive Vice President and
Operative Officer	and Chief Financial Officer	and President, Products	Global Sales and	General Counsel
		and Technologies	Services	

In Fiscal 2018, the Compensation Committee approved an executive compensation program designed to focus our executive team on growing our business and building long-term stockholder value. Our program provided compensation opportunities based on achievement against revenue, non-GAAP operating margin, non-GAAP cash flow from operations and TSR metrics, which the Compensation Committee believes are key contributors to our long-term profitability and growth, and the executive team's ability to develop and implement strategies to drive Red Hat's evolution beyond our traditional core infrastructure products.

Consistent with our long-standing practice, our executive compensation program was weighted heavily toward equity compensation (which represented approximately 75% of target compensation opportunities) because the committee believes performance-based, long-term equity compensation aligns the interests of our executives with stockholder interests, rewards executives for delivering long-term value and performance, serves as an important retention tool and provides a meaningful way to align executives' contributions with the Company's future success. Additionally, approximately 90% of target compensation opportunities included one or more performance elements in order to maintain a clear link between executive and Company performance and compensation received.

Payouts earned in Fiscal 2018 under the incentive compensation elements of our program reflected this pay and performance link. Our Named Officers' contribution to the Company's strong operating performance led to above-target payouts under our annual cash bonus plan and operating performance share units (Operating PSUs), while strong stock price growth over the past three fiscal years relative to our compensation peer companies yielded an above-target payout under the TSR performance share units (TSR PSUs). After evaluating the performance of the Company and the individual executives under our standard executive compensation program, the Compensation Committee approved:

payouts earned under our annual cash bonus plan averaging 167% of target, based on corporate financial goal achievement of 167% and average individual goal achievement of 166%;

payouts earned based on growth in revenue and operating income relative to compensation peer group companies for each of the Operating PSUs granted in Fiscal 2016 and Fiscal 2017 at 200% of target; and

payouts earned based on TSR growth over a three-year period relative to compensation peer group companies under the TSR PSUs granted in Fiscal 2016 at 200% of target.

Table of Contents**EXECUTIVE SUMMARY OF COMPENSATION DISCUSSION AND ANALYSIS**

Performance-based compensation payouts earned by our Named Officers in respect of performance in Fiscal 2018, as approved by the Compensation Committee, and the percentage change from payouts earned in Fiscal 2017, are presented below. Shares delivered are based on target award amounts granted in Fiscal 2016 and Fiscal 2017 (Operating PSUs) and Fiscal 2016 (TSR PSUs).

NAMED OFFICER	ANNUAL CASH BONUS PAYOUT		OPERATING PSUs		TSR PSUs	
	EARNED FOR	% CHANGE	# OF SHARES	% CHANGE	# OF SHARES	% CHANGE
	FISCAL	FROM FISCAL	EARNED FROM FISCAL	EARNED FROM FISCAL	EARNED FROM FISCAL	EARNED FROM FISCAL
	2018	2017	FISCAL 2018	2017	FISCAL 2018	2017
James M. Whitehurst	\$2,487,500	149%	76,099	(16)%	72,196	44%
Eric R. Shander (1)	\$602,850	153%				
Paul J. Cormier	\$1,169,292	144%	40,288	(19)%	38,222	36%
Arun Oberoi	\$890,179	149%	45,034	27%	29,728	58%
Michael R. Cunningham	\$646,800	144%	20,592	(12)%	19,536	56%

(1) Mr. Shander began participating in our standard executive compensation program in Fiscal 2018, and as a result he will be eligible to receive a PSU payout for the first time in Fiscal 2019.

The Compensation Committee made no changes to our executive compensation program design or compensation mix for Fiscal 2019 because the committee believes that the current program continues to pay for performance, align management interests with our stockholders' interests and motivate, attract and retain the key executive talent needed to succeed in the technology industry. More detail about the Fiscal 2019 executive compensation program is provided in the section entitled "Executive Compensation Compensation Discussion and Analysis Fiscal 2019 Key Compensation Decisions."

We have adopted a number of practices that we believe benefit our stockholders by helping to align the interests of our management team with the interests of our stockholders, mitigate potential risks and promote effective oversight of our compensation program. These practices include:

Stock ownership policy for Named Officers and directors; all Named Officers and directors in compliance at end of Fiscal 2018

Clawback policy covering Named Officers incentive compensation

Prohibition on the following transactions with respect to Company securities: short sales, buying or selling options (puts and calls), hedging or monetization transactions (such as collars and forward sales contracts), purchases on margin and pledging

Prohibition on new excise tax gross-up payments to our executives; no new or modified provisions since December 2007

Termination of employment required following change in control event (double trigger) before benefits payable

Named Officers receive the same benefits provided to all full-time employees.

Regular stockholder engagement on various aspects of Company performance, including executive compensation program

Table of Contents**EXECUTIVE SUMMARY OF COMPENSATION DISCUSSION AND ANALYSIS**

The following table summarizes the principal components of our standard executive compensation program in Fiscal 2018.

	PRINCIPLE OBJECTIVE				
	COMPENSATION	AND LINK TO	PERFORMANCE	MORE	
	ELEMENT	BUSINESS STRATEGY	METRICS	KEY FEATURES	DETAILS
FIXED	Base Salary	To attract and retain key executive talent	Not applicable	No automatic or guaranteed increases	P. 26
FIXED WITH AT RISK COMPONENT	Restricted Stock Awards	To attract and retain key executive talent	Service-based vesting over four-year period subject to achievement of revenue target	Reviewed annually 25% of shares vest after first year; remainder vest ratably on a quarterly basis over subsequent three years	P. 30
ALL AT RISK	Annual Cash Bonus	Align executives' interests with those of stockholders To encourage and reward performance that contributes to creating stockholder value	Revenue, non-GAAP operating margin, non-GAAP operating cash flow and individual performance goals over one-year performance period	Payout based on absolute performance against financial targets and achievement of individual goals with payout capped at 200% of target	P. 26
	Operating PSUs	To focus executives on growing key metrics that contribute to overall profitability and ability to grow our business To encourage and reward financial performance that contributes to creating long-term stockholder value	Revenue and operating income growth relative to peer group over three-year performance period	2 payouts based on performance relative to peer group, capped at 200% of target, after two and three years	P. 29

	TSR PSUs	Align executives' interests with those of stockholders To encourage and reward financial performance that contributes to creating long-term stockholder value	Growth in stock price plus dividends relative to peer group over three-year performance period	Single payout based on performance relative to peer group, capped at 200% of target	
SEVERANCE	Change in Control (CIC)	Align executives' interests with those of stockholders To focus management on acting in the best interests of our stockholders in a CIC context	Not applicable	Double trigger-benefits paid only upon occurrence of CIC and termination without good cause or with good reason	P. 41
	Non-Change in Control	To attract and retain key executive talent	Not applicable	Paid upon termination without good cause or with good reason	
BENEFITS	Benefits	To provide competitive benefits package to attract and retain talent	Not applicable	Requires execution of non-compete/non-solicit Same benefits as are provided to all of Company's full-time employees	
				401(k) Plan with company match	
				Medical, dental and vision plan	
				Life insurance benefit	
				Company charitable match	



Table of Contents

COMPENSATION DISCUSSION AND ANALYSIS

COMPENSATION DISCUSSION AND ANALYSIS

OUR COMPENSATION PHILOSOPHY

Our executive compensation program is designed to:

pay for performance by linking the majority of compensation to measures of Company performance and to Company and individual goals that contribute to the growth of our business and build long-term stockholder value;

align executive interests with those of our stockholders; and

attract and retain the talent needed to lead our Company in the evolving and highly competitive technology industry in which we operate.

Our program emphasizes long-term equity awards and annual performance-based cash bonuses so that a substantial portion of the value of each executive's total compensation opportunity is derived from Company business and stock price performance and the achievement of Company and individual performance goals established by the Compensation Committee. The selected performance metrics emphasize overall Company performance, reflecting the Compensation Committee's belief that the Named Officers, led by our CEO, are a team, sharing responsibility for Company performance and for execution of Company strategies. The relatively uniform compensation mix for each Named Officer reinforces this view, and in the committee's view also promotes team cohesion and internal equity. However, the Compensation Committee considers it appropriate for the CEO, who is responsible for developing the overall strategy and direction for the Company, to receive a greater portion of his compensation (in comparison to the other Named Officers) in performance-based compensation. Goals are derived from the Company's operating plan and business strategy. Performance levels are intended to be challenging and require effective execution in order to obtain a target level payout. The program is designed to have the flexibility to reward superior performance by providing for total earned compensation substantially above the target level and to provide compensation below the target level if performance goals are not met. In making its compensation decisions for individual executives, the Compensation Committee seeks to provide a competitive level of compensation for a position.

PROCESS FOR DETERMINING NAMED OFFICERS' COMPENSATION

The process for determining the Named Officers' compensation is outlined below along with a description of the role in the process of each of the Compensation Committee, our annual stockholder say-on-pay vote, the Consultant, our management and our compensation peer group.

ROLE OF THE COMPENSATION COMMITTEE

The Compensation Committee oversees and approves all compensation arrangements for the Named Officers. Each year, the Compensation Committee:

makes compensation decisions for Named Officers, both to certify achievement of performance goals and determine the payouts for the previous fiscal year, and to set compensation levels and goals for the performance-based elements of our program for the current fiscal year;

reviews our executive compensation program design and effectiveness and adjusts as needed to support our business, taking into consideration compensation peer group company data, recommendations by the CEO and the Consultant, market trends, retention and succession considerations, legal and regulatory developments and the needs of our business;

Table of Contents

COMPENSATION DISCUSSION AND ANALYSIS

addresses executive compensation matters that arise during the fiscal year due to a change in status, retention and succession considerations or personnel changes;

assesses the performance of our CEO (together with the independent members of the Board) and senior management team; and

evaluates the effectiveness of our executive compensation program, including whether the program encourages excessive risk-taking.

In determining the appropriate level and compensation mix for each Named Officer, the Compensation Committee takes into account:

Named Officer's experience and scope of responsibility, individual performance and retention prospects;

the Consultant's annual review of publicly available compensation data from our compensation peer group companies and market information for certain positions from industry compensation surveys such as the Equilar Top 25 survey;

management input;

data prepared by the Consultant reflecting (i) cash payments, (ii) equity compensation grant values, (iii) internal equity and (iv) potential severance payments; and

other information as it deems necessary and appropriate.

No pre-determined weighting is assigned to any factor, and the emphasis placed on a specific factor may vary among Named Officers, reflecting market conditions, business needs and retention and succession considerations at the time compensation decisions are made.

ROLE OF STOCKHOLDER SAY-ON-PAY VOTE

The Compensation Committee considers the results of our annual say-on-pay advisory vote and other feedback received from stockholders on executive compensation matters in determining executive compensation decisions and policies. These forms of stockholder feedback provide useful input to the committee in its work to design and oversee an executive compensation program that serves the long-term interests of our stockholders. At our 2017 Annual Meeting, approximately 98% of the votes cast were voted FOR approval of our executive compensation program as

described and disclosed in the Compensation Discussion and Analysis section, compensation tables and narrative discussion in our 2017 Proxy Statement, and over the past five years, at least 97% of the votes cast each year were voted FOR our annual say-on-pay vote. The Compensation Committee believes such results affirm stockholders support of the Company's approach to, and structure of, executive compensation. At our 2017 Annual Meeting, our stockholders also reaffirmed their preference for an annual say-on-pay vote.

ROLE OF THE COMPENSATION CONSULTANT

The Consultant provides services at the direction and under the supervision of the Compensation Committee, which has the sole authority to hire or fire the Consultant. From time to time at the request of the Compensation Committee, the Consultant:

provides recommendations on the design of, and amounts awarded under, our executive compensation program;

provides studies and other analyses regarding competitive pay practices for key employees, including the Named Officers;

proactively advises on trends and developments related to executive and board compensation practices;

attends various Compensation Committee meetings; and

communicates with members of the Compensation Committee outside of scheduled meetings.

The Consultant provided executive compensation-related data used in preparing the Company's Annual Report on Form 10-K for Fiscal 2018 and this Proxy Statement. The Consultant provided no other services in Fiscal 2018 and is not otherwise retained by, and does not otherwise advise, the Company on compensation matters.

After considering information provided by the Consultant and any other factors the Compensation Committee considered relevant to the Consultant's independence or felt were relevant to a conflict of interest between the Consultant and the Compensation Committee or the Company, the Compensation Committee assessed the independence of the Consultant pursuant to SEC and NYSE rules in the first quarter of Fiscal 2018 and concluded that the Consultant's work for the Compensation Committee did not present a conflict of interest.

Table of Contents

COMPENSATION DISCUSSION AND ANALYSIS

ROLE OF MANAGEMENT

Management helps the Compensation Committee fulfill its responsibilities by:

providing information and day-to-day support;

providing background information to complete studies and projects requested by the Compensation Committee; and

working with the Consultant at the request and in support of the Compensation Committee.

From time to time, members of management are invited to attend Compensation Committee meetings. No executive officer participates in deliberations by the Compensation Committee or the Board regarding his or her compensation. In addition, at the request of the Compensation Committee, the CEO provides input regarding the performance and compensation recommendations for his direct reports, including the other Named Officers. The Compensation Committee believes this process is both orderly and fair and preserves the CEO's ability to have an appropriate impact on compensation for his direct reports. Management did not retain a separate compensation consultant for the compensation of our Named Officers.

COMPENSATION PEER GROUP

The Compensation Committee annually reviews and approves a peer group composed of companies in our industry considered to be our peers. This peer group data is used:

as an input in developing base salary ranges, annual cash bonus targets and annual equity award targets;

to assess the extent to which our individual compensation elements, compensation mix and our total direct compensation awarded to executives are competitive with our peers;

as an input in evaluating executive compensation policies, such as share ownership guidelines; and

to measure performance for our PSU awards.

The Consultant recommends peer companies for the Compensation Committee's consideration. In developing its recommendation, the Consultant identifies companies with similar Global Industrial Classification System (GICS) industry codes and with comparable levels of market capitalization, revenues, operating income, number of employees and revenue and operating income growth rates, in an effort to populate the group with companies that have attributes appropriate to compare to Red Hat. The Fiscal 2018 compensation peer group consisted of 18 peer companies from

the Software, Internet Software and Services, Computers & Peripherals and IT Services GICS industry codes and includes several companies with which we compete for talent.

For Fiscal 2019, after review and discussion with the Consultant, the Compensation Committee decided to remove Nuance Communications, Inc. and Verint Systems, Inc. from our peer group because it believed that these companies no longer met the Company's identification criteria, including market capitalization. The committee added CA, Inc., a provider of enterprise and mainframe software solutions services, ServiceNow, Inc., a provider of cloud-based solutions to automate workflow, and Workday, Inc., a provider of enterprise cloud applications for finance and human resources, in order to provide a peer group composed of size-relevant companies within our industry.

Table of Contents**COMPENSATION DISCUSSION AND ANALYSIS**

The table below lists selected financial data (in millions) and other relevant information derived from public sources for each Fiscal 2018 peer group company. This table is intended to illustrate the types of information used by the Compensation Committee to evaluate whether selected peers are reasonably comparable with Red Hat and should not be relied upon for any other purpose.

MOST RECENT FOUR QUARTERS AS OF**FEBRUARY 28, 2018**

PEER GROUP MEMBER	OPERATING		EMPLOYEES (1)	MARKET REVENUE		3-YR. 3-YEAR OP. INCOME	
	REVENUES	INCOME		CAP (2)	GROWTH (3)	GROWTH (3)	
Adobe Systems Incorporated	\$ 7,699	\$ 2,402	17,973	\$ 102,804	81%	355%	
Akamai Technologies, Inc.	\$ 2,571	\$ 372	7,650	\$ 11,411	26%	(24%)	
ANSYS, Inc.	\$ 1,125	\$ 391	2,900	\$ 13,414	20%	12%	
Autodesk, Inc.	\$ 2,057	(\$ 394)	8,800	\$ 25,875	(18%)	(418%)	
Cadence Design Systems, Inc.	\$ 1,983	\$ 339	7,214	\$ 10,967	23%	49%	
Citrix Systems, Inc.	\$ 2,859	\$ 703	7,500	\$ 12,526	(9%)	72%	
Intuit Inc.	\$ 5,818	\$ 1,568	8,200	\$ 42,735	47%	72%	
Jack Henry & Associates, Inc.	\$ 1,503	\$ 383	5,972	\$ 9,063	21%	24%	
NetApp, Inc.	\$ 5,751	\$ 867	10,100	\$ 16,223	(8%)	6%	

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Nuance Communications, Inc.	\$ 1,968	\$ 68	11,600	\$ 4,717	2%	52%
Open Text Corporation	\$ 2,725	\$ 503	10,900	\$ 9,325	46%	31%
PTC Inc.	\$ 1,212	\$ 72	6,041	\$ 8,577	(10%)	(66%)
salesforce.com, inc.	\$ 10,480	\$ 236	29,401	\$ 83,967	95%	262%
Symantec Corporation	\$ 4,846	\$ 466	13,214	\$ 16,340	22%	47%
Synopsys, Inc.	\$ 2,842	\$ 391	11,686	\$ 12,593	34%	41%
Verint Systems Inc.	\$ 1,135	\$ 50	5,200	\$ 2,481	1%	(47%)
Verisign, Inc.	\$ 1,176	\$ 718	952	\$ 11,268	15%	26%
VMware, Inc.	\$ 7,922	\$ 1,779	21,700	\$ 53,113	47%	48%

Summary Data vs. Red Hat

75th percentile	\$ 5,525	\$ 714	11,665	\$ 23,491	43%	52%
Median	\$ 2,648	\$ 391	8,500	\$ 12,559	22%	36%
25th percentile	\$ 1,619	\$ 262	6,334	\$ 9,735	1%	7%
Red Hat	\$ 2,920	\$ 474	11,870	\$ 26,090	63%	87%

Data presented in above table was compiled by the Consultant. Operating income may include adjustments made by the Consultant to publicly disclosed results in an effort to increase consistency in the method of calculating peer companies' operating income.

(1) As of the end of the most recently completed fiscal year.

(2) As of February 28, 2018.

(3) Represents point-to-point growth, not annualized.

Table of Contents

COMPENSATION DISCUSSION AND ANALYSIS

EXECUTIVE COMPENSATION PROGRAM STRUCTURE

The principal components of our Fiscal 2018 executive compensation program Base Salary, Annual Cash Bonus and Equity Compensation are described in more detail below.

CASH COMPENSATION



What is it? Base salary provides a fixed level of cash compensation designed to be commensurate with an executive's role and level of responsibility.

How is it set? The Compensation Committee reviews base salaries at least annually with the aim of paying market-competitive base salaries to attract and retain key executive talent. Periodically, the committee has approved increases to reflect changes in the competitive market for talent in the technology industry, improvements in the Company's operating results, to maintain appropriate internal equity and, for certain executives, increases in scope of responsibilities. Annual salary increases are not automatic or guaranteed.

Why is it important? Base salary serves as the basis for annual bonus opportunities, certain employee benefits and potential severance benefits.



What is it? Cash earned based on fiscal year Company financial performance (75% of payout) and performance against individual goals (25% of payout). Threshold levels of performance required to earn a payout.

How is it set? The Compensation Committee determines the eligibility of the Named Officers to participate in the annual cash bonus plan when it approves the performance goals and target payout levels, which are set in the first quarter of the fiscal year as a percentage of annual base salary at the end of the fiscal year. The Company does not guarantee payment of cash bonuses to any executive.

The Compensation Committee certifies the level of performance achieved and the payouts earned in the following fiscal year.

Why is it important? The annual cash bonus is designed to drive the achievement of key business results that ultimately create long-term stockholder value and to recognize individuals based on their individual contributions to those results.

The Compensation Committee believes that a cash bonus based on an assessment of individual performance against pre-determined goals within the context of the Company's overall performance enhances long-term stockholder value and serves to link annual performance and annual incentive payments.

CEO TARGET BONUS PERCENTAGE

Our CEO's target bonus opportunity is 150% of his base salary and is higher than the targets for the other Named Officers. The Compensation Committee sets a higher target bonus opportunity for the CEO to reflect his greater responsibility for developing and directing Company strategy to remain competitive in the rapidly changing technology industry. The higher target bonus opportunity also serves to place a greater portion of the CEO's total annual cash compensation at risk, which the committee intends to further support his greater accountability to stockholders.

PERFORMANCE GOALS AND PAYOUTS

All goals set and communicated in the first quarter of the fiscal year

Set at a level intended to be challenging, but achievable at a target level, with superior performance required for above target payouts

Over our previous five fiscal years, payout levels earned below target twice and above target, but below the maximum possible payout, three times (Fiscal 2013 - Fiscal 2017)

No payout unless employed on payment date, which generally occurs in the first quarter following the fiscal year, except for participants hired during the fiscal year and participants whose employment ends prior to payout date due to retirement or a reduction in force, who receive a pro-rated payment based on number of days employed during fiscal year

RED HAT, INC. 2018 PROXY
STATEMENT

Table of Contents**COMPENSATION DISCUSSION AND ANALYSIS**

Payouts are earned based on Company performance against financial goals and each Named Officer's performance against individual goals, in each case approved by the Compensation Committee. The maximum possible cash bonus payment for a Named Officer is 200% of that officer's annual target amount. The final payout is calculated according to the formula below.

CALCULATION OF PAYOUT AMOUNT**COMPANY FINANCIAL GOALS**

For Fiscal 2018, the Compensation Committee selected Company performance metrics of total revenue, non-GAAP cash flow from operations, and non-GAAP operating margin because management uses these metrics as a component of its internal reporting to evaluate performance of the business, to make operating decisions, including internal budgeting and the calculation of incentive compensation for all employees, and to forecast future performance. Additionally, the Compensation Committee, taking into account the Consultant's recommendations, believes these performance metrics drive long-term stockholder value. The total revenue metric reflects management's effectiveness at selling our products and services and is a critical measurement of the growth of our business used by management and market analysts. Non-GAAP cash flow from operations reflects management's effectiveness in generating cash and providing the capital resources necessary for the business to grow. Non-GAAP operating margin demonstrates how efficiently management runs the business and controls costs. We use non-GAAP performance metrics for cash flow from operations and operating margin because we seek to compensate our executive team based on how effectively they build stockholder value through operating the Company business and the Compensation Committee believes that both of these non-GAAP metrics eliminate the impact of items that are unrelated to business operations and outside of management's control, such as tax rates.

The range of performance levels for each metric is determined following a review of internal projections, analyst expectations and our annual business plan. The annual cash bonus plan provides that financial results be adjusted for specified items that may occur during the performance period, but that were not contemplated at the time the Company performance goals were set, including, but not limited to, volatility in foreign exchange and interest rates, unanticipated acquisitions, litigation settlements, the cumulative effect of changes in tax laws or accounting procedures, and substantial changes in general macroeconomic conditions. The calculation of the financial performance metrics is described in the following table.

FINANCIAL PERFORMANCE METRIC	METRIC DEFINITION	WEIGHTING
Total Revenue	GAAP total revenue	25%

Non-GAAP Cash Flow from Operations	Company GAAP cash flow from operations + excess tax benefits from share-based payment arrangements	25%
Non-GAAP Operating Margin	Company GAAP operating margin impact of expense related to share-based payment arrangements amortization of intangible assets	25%

INDIVIDUAL PERFORMANCE GOALS

The Compensation Committee establishes individual performance goals for our CEO and, in consultation with the CEO, establishes individual performance goals for each of the other Named Officers. These individual performance goals focus on qualitative strategic and operational considerations and the businesses or functions that the Named Officer leads. At the end of the fiscal year, each Named Officer provides the CEO with an individual self-assessment with respect to performance on individual performance goals. The CEO reviews each self-assessment and evaluates for each Named Officer’s individual goals, the relative impact of each performance goal to the Company’s success and the effort required to achieve each goal. Then the CEO provides the Compensation Committee with an assessment of the performance of, and recommendation for individual

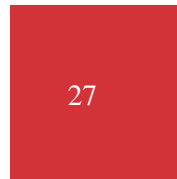


Table of Contents

COMPENSATION DISCUSSION AND ANALYSIS

bonus amounts for, the other Named Officers. The Compensation Committee discusses the CEO's performance on the individual performance goals and then assesses his performance, which the committee provides to the Board. The independent directors then evaluate the CEO's overall performance during the fiscal year, certify his performance against his individual goals and approve his payout.

EQUITY COMPENSATION



What is it?	Equity compensation provides an opportunity for each Named Officer to earn shares of Red Hat stock based on achievement of performance goals approved by the Compensation Committee. Equity awards vest over periods ranging from two to four years. In Fiscal 2018, Named Officers were granted Operating PSUs, TSR PSUs and RSAs, subject to achievement of a performance goal.
How is it set?	The Compensation Committee determines the eligibility of each Named Officer for equity awards annually in the first quarter of the fiscal year when it approves the performance goals, the performance periods, the compensation peer group and target share amounts that can be earned. The Company does not guarantee equity award grants to any executive.
Why is it important?	The Compensation Committee certifies the level of performance achieved and the number of shares earned for the applicable performance period in the following fiscal year. Performance-based, long-term equity compensation helps align the interests of our Named Officers with the interests of our stockholders, reward executives for delivering long-term performance, serve as an important retention tool and provide a meaningful way to align the Named Officers' contributions and efforts with the Company's future success.

GRANT VALUES

In determining target equity grant values for each Named Officer, including the CEO, the committee considers performance, current amount of unvested equity, relative ability to impact the Company's future success, and retention and succession considerations, taking into account the Consultant's peer company data for that individual's position and the CEO's recommendations. The Compensation Committee sets a target equity value to deliver to each Named Officer, and that value is converted into a target number of shares (based on the closing stock price on the approval

date) which the committee approves when making the equity awards.

TIMING OF EQUITY AWARDS

Under the stockholder-approved 2004 Long-Term Incentive Plan, awards to employees are authorized by the Compensation Committee before or on the grant date. It is the Company's general practice to make recurring equity award grants (other than grants of PSUs and RSAs) during the Company's open trading window after a quarterly earnings announcement, although the Company has the authority to make grants at other times of the year under certain circumstances. The committee's general practice has been to approve grants of PSUs and RSAs within the earlier of the first 90 days or the first 25% of the applicable performance period in an effort to maximize deductibility of the related share-based compensation expense under Section 162(m) of the Internal Revenue Code of 1986, as amended (the Code). While this deduction will no longer be available with the passage of the Tax Cuts and Jobs Act, the committee intends to continue to follow this practice in order to establish performance metrics for executives at the beginning of the performance period as a matter of good compensation governance. Other than as described above, the Company has no program, plan or practice to coordinate its award grants with the release of material non-public information.

In addition to achievement of performance goals, our equity awards require that a Named Officer maintain a relationship with the Company as an employee, officer, director and/or consultant (a Business Relationship) until the end of the performance period (Operating and TSR PSUs) or vesting date (TSR Hurdle PSUs and RSAs) in order to earn a payout.

Table of Contents**COMPENSATION DISCUSSION AND ANALYSIS***PERFORMANCE SHARE UNITS*

The Compensation Committee believes that PSUs provide significant incentives for senior management to focus on specific growth metrics that contribute to long-term stockholder value and help align management and stockholder interests. Since the awards are denominated and distributed in shares of common stock, a strong linkage to stockholder return is maintained. The committee grants a target number of PSUs. Executives may earn up to 200% of the target number of PSUs (the **Maximum**) for superior performance over the performance period, or may earn nothing if the Company does not out-perform at least 30% of the peer companies (as shown in the table below). Payouts for PSUs are based upon how well the Company performs for specified metrics (discussed below) relative to the other companies in the relevant compensation peer group.

	PERCENT OF PEER	
	COMPANIES RED HAT	PAYOUT %
	OUT-PERFORMS	OF TARGET
Maximum Payout	75% or higher	200%
	70%	175%
	65%	150%
	60%	125%
	55%	110%
Target Payout	50%	100%
	45%	90%
	40%	75%
	35%	50%
Minimum Performance Level Required for Payout	30%	25%
No Payout	Under 30%	0%



Performance Period Two segments: Shares are earned based on performance at the end of the second fiscal year (capped at 50% of the Maximum) and the end of the third fiscal year (100% of the Maximum,

less amounts earned in the first performance segment).

Performance Goals Growth relative to compensation 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. Exclusions are made only if the item is separately disclosed on the applicable income statement. The Compensation Committee selected these performance metrics because these are metrics which management uses to assess our performance and which the Compensation Committee, taking into account the Consultant's recommendations, believes reflect the overall health and competitive positioning of the Company and create long-term stockholder value.

In Fiscal 2019, the Compensation Committee modified our form of Operating PSU to exclude peer group companies that report an operating loss from the calculation of operating income growth because the committee believes that such companies' operating loss position is too inconsistent with the operating income results of the other compensation peer group companies to be meaningfully comparable.



Performance Period Three years. Shares are earned based on performance at the end of the third fiscal year.

Performance Goals Growth relative to compensation peer group companies for TSR (stock price plus any cash dividends payable with respect to a record date set, and not rescinded). TSR performance is measured over a period of 90 trading days at each of the beginning and the end of the performance period. The use of relative TSR creates inherent alignment with stockholders interests, using a generally simple and objective measurement process for calculating relative TSR.

RESTRICTED STOCK AWARDS

The Compensation Committee believes that RSAs help to align the interests of management with those of stockholders by rewarding stock price performance without encouraging excessive risk-taking and are an important component of compensation used to attract and retain the Company's executives. RSAs also serve to balance the riskier nature of the PSUs. RSA amounts were set after considering amounts that would promote retention, reward long-term stock value creation and performance and be competitive with compensation peer group practices and industry trends.

Table of Contents

COMPENSATION DISCUSSION AND ANALYSIS

RSAs

Performance Period	One year. If performance goal is met, 25% of the RSAs vest approximately one year following the grant date, and the remainder vest ratably on a quarterly basis over the course of the subsequent three years. The Named Officer must have a Business Relationship on each vesting date in order to earn the RSAs. If the performance goal is not met, all RSAs are forfeited.
Performance Goals	Achievement of a revenue threshold approved by the Compensation Committee. The performance condition focuses executives on growing revenue and was designed to enable the Company to maximize the tax deductibility of the expense associated with the RSAs under Section 162(m) of the Code.

TSR HURDLE PSUs

In August 2014, Mr. Whitehurst and Mr. Cormier were granted PSUs requiring achievement by August 6, 2017 of an average TSR of \$80.18 (the TSR Hurdle PSUs) for a 90-calendar day period. The performance goal was achieved in January 2016, and Mr. Whitehurst and Mr. Cormier earned 50% of the PSUs. They will earn the remaining 50% of the TSR Hurdle PSUs if they maintain a Business Relationship with the Company until August 6, 2018. The Compensation Committee granted the TSR Hurdle PSUs to provide an incentive to deliver a sustained level of exceptional corporate performance and considers the use of a special award, such as the TSR Hurdle PSUs, to be a tool for use only in exceptional circumstances.

FISCAL 2018 COMPENSATION DECISIONS

TARGET COMPENSATION AMOUNTS

In the first quarter of Fiscal 2018, the Compensation Committee took the following actions for the Fiscal 2018 executive compensation program:

PROGRAM ELEMENT	ACTION TAKEN	RATIONALE
Base Salary	No change except for Mr. Cunningham	Base salary levels generally competitive with those provided by compensation peer companies and commensurate with each Named Officer's scope of responsibilities. Mr. Cunningham's base salary was increased to better align it with the base salaries of the other Named Officers.

Annual Cash Bonus

No change in target opportunities, except for Mr. Shander, or performance metrics

Target annual cash bonus opportunities as a percentage of base salary generally competitive with those provided by peer companies and sufficient to incent executive team to deliver strong financial and operational performance. Mr. Shander's target was set at 80% of his base salary to reflect his assumption of the responsibilities of the CFO role.

Performance metrics of total revenue, non-GAAP cash flow from operations and non-GAAP operating margin determined to be most relevant for company operating performance and consistent with how executive team manages the business. Company finance goal ranges and individual performance goals are discussed in the section entitled "Compensation Earned" below.

Equity Awards

No change in mix of award types. Lower target share value approved, but target share levels generally consistent with Fiscal 2017 levels

The target opportunity mix of equal amounts of Operating PSUs, TSR PSUs and RSAs generally competitive with those provided by compensation peer companies. Target equity values used to derive the target share levels generally were comparable to those set in Fiscal 2017 except as noted below, but the Compensation Committee determined, based on peer group and Equilar Top 25 survey data prepared by the Consultant, that these levels would provide meaningful retentive value and incent the executive team to deliver strong financial and operational performance.

Fiscal 2018 target equity award levels set for Mr. Shander reflected the fact that Fiscal 2018 represented his first year in the CFO role. Fiscal 2018 target equity award levels set for Mr. Oberoi represented a return to the historical target award levels for Mr. Oberoi's role after a larger target number of shares was granted to Mr. Oberoi in Fiscal 2017 for his critical work in supporting revenue growth and increasing adoption of our emerging technology offerings and for continued stability of our sales leadership team.

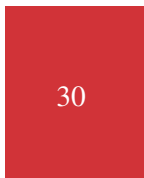


Table of Contents**COMPENSATION DISCUSSION AND ANALYSIS**

The charts below show target compensation opportunities approved in Fiscal 2018 for our CEO and the other Named Officers as a group based on our standard executive compensation program. The majority of target compensation for our CEO and our other Named Officers was in the form of performance-based equity and cash awards. Our executive compensation program is designed to provide target total cash and equity compensation opportunities relative to our compensation peer companies that allow us to compete for and retain top talent without providing excessive compensation or encouraging excessive risk taking. Target amounts for equity awards will be paid in future fiscal years if performance goals are achieved. Actual values earned and paid for incentive compensation may be below or above target levels.

NAMED OFFICER	ANNUAL		EQUITY AWARDS			TOTAL TARGET COMPENSATION OPPORTUNITIES	
	ANNUAL	CASH	ESTIMATED	OPERATING	TSR		
	BASE SALARY	BONUS TARGET	VALUE¹	PSUs	PSUs		RSAs
James M. Whitehurst	\$ 1,000,000	\$ 1,500,000	\$ 10,095,937	36,994	36,994	36,993	\$ 12,595,937
Eric R. Shander	\$ 450,000	\$ 360,000	\$ 2,338,018	8,567	8,567	8,567	\$ 3,148,018
Paul J. Cormier	\$ 700,000	\$ 700,000	\$ 4,782,286	17,523	17,523	17,524	\$ 6,182,286
Arun Oberoi	\$ 530,000	\$ 530,000	\$ 3,188,220	11,682	11,682	11,683	\$ 4,248,220
Michael R. Cunningham	\$ 490,000	\$ 392,000	\$ 2,338,018	8,567	8,567	8,567	\$ 3,220,018

¹ Estimated target value is determined in accordance with FASB ASC Topic 718, in all material respects, and is consistent with the equity values shown in the Summary Compensation Table.

Table of Contents**COMPENSATION DISCUSSION AND ANALYSIS*****COMPENSATION EARNED***

In the first quarter of Fiscal 2019, the Compensation Committee certified Fiscal 2018 performance and approved payouts for the compensation elements below.

PROGRAM ELEMENT	COMMITTEE ACTION TAKEN	RATIONALE
Annual Cash Bonus for Fiscal 2018 performance	<p>Certified financial goal achievement of 167%</p> <p>Approved achievement against individual performance goals at a level of 166% (average)</p> <p>Approved individual payouts at an average level of 167% of target</p>	Performance against goals is described in greater detail below.
Operating PSUs granted in Fiscal 2016	<p>Certified Fiscal 2016 Operating PSU performance and payouts for three-year performance period ending on February 28, 2018</p> <p>Red Hat ranked 3rd on revenue growth and 5th on operating income growth among the 18 compensation peer companies, resulting in a payout of 200% of target</p>	Payout determined according to formula comparing Red Hat performance to performance of compensation peer companies.
Operating PSUs granted in Fiscal 2017	<p>Certified Fiscal 2017 Operating PSU performance and payouts for two-year performance period ending on February 28, 2018</p>	Payout determined according to formula comparing Red Hat performance to performance of compensation peer companies.

Red Hat ranked 3rd on revenue growth and 3rd on operating income growth among the 18 compensation peer companies, resulting in a payout of 200% of target

TSR PSUs granted in Fiscal 2016

Certified TSR PSU performance and payouts for three-year performance period ending on February 28, 2018

Payout determined according to formula comparing Red Hat performance to performance of compensation peer companies.

Red Hat ranked 4th on TSR growth among the 18 compensation peer companies, resulting in a payout of 200% of target

RSAs granted in Fiscal 2018

Certified achievement of revenue threshold of \$2.6 billion

Based on Red Hat's financial statements filed in its Annual Report on Form 10-K for Fiscal 2018. No RSAs were forfeited since the performance threshold was met. RSAs will vest over the next three years subject to maintaining a continuing Business Relationship.

Table of Contents**COMPENSATION DISCUSSION AND ANALYSIS**

The charts below show compensation earned in Fiscal 2018 for our CEO and the other Named Officers as a group based on performance measured at the end of Fiscal 2018 and are intended to illustrate how performance by the Company and our Named Officers impacted the compensation received. These charts reflect annual base salary earned during Fiscal 2018, payouts approved by the Compensation Committee for performance periods that ended in Fiscal 2018 for our annual cash bonus plan, Operating PSUs granted in Fiscal 2016 and Fiscal 2017 and TSR PSUs granted in Fiscal 2016, and all RSAs awarded in Fiscal 2018 for which the performance threshold was met, even though Named Officers will receive the shares over the next three years, subject to maintaining a Business Relationship.

Operating PSU value is based on closing stock price of \$163.11 on April 26, 2018 vesting date, TSR PSU value is based on closing stock price of \$161.67 on April 18, 2018 vesting date and RSA value is based on grant date fair market value reported in the Summary Compensation Table.

NAMED OFFICER	ANNUAL CASH BONUS²		EQUITY AWARDS (OPERATING PSUs, TSR PSUs, RSAs)³		TOTAL COMPENSATION EARNED IN FISCAL 2018		
	BASE SALARY	PAYOUT (\$)	FROM FISCAL 2017 (%)	PAYOUT (\$)	FROM FISCAL 2017 (%)	\$	2017 (%)
James M. Whitehurst	\$1,000,000	\$2,487,500	149%	\$27,339,449	79%	\$30,826,949	78%
Eric R. Shander ¹	\$450,000	\$602,850		\$753,810		\$1,806,660	
Paul J. Cormier	\$700,000	\$1,169,292	144%	\$14,292,663	70%	\$16,161,955	69%

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Arun Oberoi	\$530,000	\$890,179	149%	\$13,179,609	88%	\$14,599,788	85%
Michael R. Cunningham	\$490,000	\$646,800	144%	\$7,270,957	84%	\$8,407,757	79%

¹ Mr. Shander first participated in our standard executive compensation program in Fiscal 2018 when he was named as our chief financial officer, and as a result, his earned equity award total reflects only the value of RSAs granted to him in Fiscal 2018. His Fiscal 2017 compensation was awarded under our standard employee compensation program which is structured differently than our executive program. As a result, a year-over-year comparison of performance-based compensation is not meaningful and has been omitted.

² The significant year-over-year change in annual cash bonus payouts earned reflects the better performance achieved in Fiscal 2018 relative to Fiscal 2017 against the Company financial performance goals established by the Compensation Committee.

³ Year-over-year change in equity award payouts earned primarily reflects the Company's improved stock price growth achieved for Fiscal 2018 relative to compensation peer companies for the TSR PSUs relative to Fiscal 2017 when the TSR PSUs paid out below target.

Table of Contents**COMPENSATION DISCUSSION AND ANALYSIS***ANNUAL CASH BONUS PLAN GOALS FOR FISCAL 2018***COMPANY FINANCIAL PERFORMANCE**

For Fiscal 2018, 75% of the final payout for each Named Officer was based on aggregate achievement of Company financial performance goals at an achievement level of 167%, as set forth in the table below (U.S. Dollars, in millions). Each metric is weighted equally in determining the level of achievement.

	PAYOUT RANGE		ACTUAL RESULTS	ADJUSTED RESULTS	ACHIEVEMENT (%)
Adjusted Total Revenue	\$2,695	\$2,870	\$2,920	\$2,864	191%
Non-GAAP Adjusted Cash Flow from Operations	\$832	\$885	\$923	\$941	200%
Non-GAAP Adjusted Operating Margin	22.4%	24.6%	16.2%	23.8%	110%
<i>Average</i>					167%

For Fiscal 2018, the financial results were adjusted in accordance with the provisions of the annual cash bonus plan to adjust for the impact of the acquisitions of Codenvy, CoreOS and Permabit and the effect of a lower Euro rate than the original rate used to set the financial goals. The net effect of these non-GAAP adjustments was (U.S. Dollars, in millions):

ADJUSTMENT	NET CHANGE TO TOTAL REVENUE	NET CHANGE TO OPERATING CASH FLOW	NET CHANGE TO OPERATING INCOME
Non-cash share-based compensation expense			\$192

Amortization of intangible assets				\$ 5
Acquisitions of Codenvy, CoreOS and Permabit	(\$56)	\$	18	\$ 31
Euro exchange rate				(\$ 19)

INDIVIDUAL PERFORMANCE

For Fiscal 2018, the Compensation Committee established individual performance goals for each Named Officer that include a set of common goals to reinforce the need for each executive to contribute as a member of the management team to the Company's overall success and qualitative strategic and operational goals for each Named Officer based on areas of responsibility. The Named Officers performed at an achievement level of 166% (average) on individual performance goals. Individual performance goals are based on our strategic corporate framework which aims for Red Hat to become the default choice for the next generation of IT by optimizing traditional workloads, creating and managing hybrid cloud infrastructure and building next-generation architectures, and the need to develop the tools, processes and talent to scale our company as it grows.

COMMON STRATEGIC GOALS

Execute Company's ethics program

Enhance Red Hat leadership in OpenStack technologies

Focus on application development-related and other emerging technology subscriptions, including OpenShift

Focus on customer engagement through decision-making, advocacy and incorporation into Company culture

Promote awareness of Red Hat's brand

Increase leadership capability and capacity to effectively lead a multi-billion dollar company

Support and enhance our diverse, inclusive meritocratic culture

34

RED HAT, INC. 2018 PROXY
STATEMENT

Table of Contents

COMPENSATION DISCUSSION AND ANALYSIS

NAME	INDIVIDUAL GOALS
<p>Mr. Whitehurst</p> <p>President and CEO</p>	<p>Oversee execution and monitor progress for all common strategic goals</p> <p>Lead direction and responses for strategic patent positioning</p>
<p>Mr. Shander</p> <p>Executive Vice President and Chief Financial Officer</p>	<p>Build organizational and leadership capabilities in finance, accounting and facilities organization</p> <p>Coordinate and drive improvements to support sales productivity and efficiency</p> <p>Communicate effectively with investors and other financial constituents</p> <p>Drive corporate performance cadence process</p> <p>Drive long-term strategic planning process</p>
<p>Mr. Cormier</p> <p>Executive Vice President and President, Products and Technologies</p>	<p>Drive customer engagement services to deliver a world class customer experience</p> <p>Deliver a common integrated management and automation functionality across products</p> <p>Add native attach storage to OpenShift</p> <p>Promote Openshift.io and OpenShift Online to developers</p> <p>Expose new technology(ies) in core platforms</p> <p>Announce one common service to start the integration of OpenShift and OpenStack</p>
<p>Mr. Oberoi</p> <p>Executive Vice President, Global Sales and Services</p>	<p>Drive execution of our specialist sales model program</p> <p>Execute on new elements of services strategy to drive new product adoption</p> <p>Work with deal desk team to improve customer experience and field productivity</p> <p>Support sales organization development with enablement and training initiatives</p> <p>Evolve strategy to leverage partners to promote new products</p>
<p>Mr. Cunningham</p> <p>Executive Vice President and General Counsel</p>	<p>Lead direction and responses for strategic patent positioning</p> <p>Lead defenses (both strategic and tactical) against IP assertions</p> <p>Champion and drive with CEO execution of our corporate ethics and citizenship programs</p> <p>Enhance data privacy and security law compliance program, including preparations for implementation of EU General Data Protection Regulation</p> <p>Grow capacity and scalability of department</p> <p>Bolster proud patent portfolio and other defenses in light of changing competition</p> <p>Establish reference-able repository of Red Hat positions to legal open source questions</p> <p>Promote legal thought leadership for open source</p>

In assessing the Named Officers' performance against individual performance goals, the committee considered a number of subjective factors including the following achievements:

the Company's acquisition of CoreOS to further Red Hat's goals to support customer application development and adoption and development of our hybrid cloud platform for modern application workloads;

enhancements to the Company's diversity and inclusion initiatives, such as our diversity and inclusion communities for associates and a series of associate resources focused on inclusion;

delivery of container-native storage for OpenShift Container Platform 3.6;

launch of common cure rights commitment for certain open source software licenses in collaboration with Facebook, Google and IBM;

launch of Open Innovation Labs, Red Hat's residency program for small groups of customer developers to help them use open source technologies for application development, in Boston, London and Singapore; and

broader participation in investor events globally.

FISCAL 2019 KEY COMPENSATION DECISIONS

In May 2018, the Compensation Committee met to determine the executive compensation package for our executives for Fiscal 2019, including our Named Officers. The committee reviewed the Company's Fiscal 2018 financial performance and benchmarking data prepared by the Consultant based on compensation peer company data and a Radford compensation database before approving the following compensation levels:

Base salary: increases for Mr. Whitehurst, Mr. Shander, Mr. Oberoi and Mr. Cunningham to maintain salaries at levels competitive with our compensation peer group companies;

Annual cash bonus target: raised target percentage for Mr. Shander to 100% from 80%; and

Equity awards: maintained equal weighting of Operating PSUs, TSR PSUs and RSAs and increased Mr. Shander's target equity award opportunities.

The changes in Mr. Shander's incentive compensation opportunities were intended to better align his opportunities with CFO roles at our compensation peer group companies.



Table of Contents**COMPENSATION DISCUSSION AND ANALYSIS**

The benchmarking data indicated that the Named Officers' target incentive compensation opportunities are generally competitive, except as previously noted, with those provided at our peer companies. The committee believes that these compensation levels generally are sufficient in the current environment to retain our executive team and incent them to continue to deliver strong financial and operational performance for our stockholders.

Set forth below are the Fiscal 2019 compensation opportunities for the Named Officers.

	BASE SALARY	CASH BONUS	OPERATING PSUs	TSR	RSAs
	(\$)	TARGET (\$)	(TARGET #)	PSUs (TARGET #)	(#)
James M. Whitehurst	\$ 1,100,000	\$ 1,650,000	22,075	22,075	22,075
Eric R. Shander	\$ 550,000	\$ 550,000	7,024	7,024	7,024
Paul J. Cormier	\$ 700,000	\$ 700,000	10,034	10,034	10,034
Arun Oberoi	\$ 575,000	\$ 575,000	7,024	7,024	7,024
Michael R. Cunningham	\$ 500,000	\$ 400,000	5,218	5,218	5,218
% of Total Compensation (Based on Average of Target Compensation)	12%	13%	25%	25%	25%