

RED HAT INC
Form DEF 14A
June 25, 2014
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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))

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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):

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(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:

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June 25, 2014

Dear Red Hat Stockholders,

It is my pleasure to invite you to Red Hat's 2014 Annual Meeting of Stockholders. This year's meeting will be held on Thursday, August 7, 2014, at 9:00 a.m. local time, at our corporate headquarters, located at 100 East Davie Street, Raleigh, North Carolina 27601. I hope you will be able to attend.

This year we are again pleased to furnish our proxy materials via the Internet. Providing our materials to stockholders electronically allows us to conserve natural resources and reduce our printing and mailing costs for the distribution of the proxy materials. We will mail to stockholders a Notice of Internet Availability of Proxy Materials for the 2014 Annual Meeting which contains instructions on how to access those documents over the Internet. Stockholders who wish to receive paper copies of the proxy materials may do so by following the instructions on the Notice of Internet Availability of Proxy Materials.

Your vote is important to us. Whether or not you plan to attend the 2014 Annual Meeting, we hope you will vote as soon as possible. You may vote in person, by telephone, over the Internet or, if you received paper copies of the proxy materials, by mail.

Thank you for your ongoing support of Red Hat.

Sincerely,
James M. Whitehurst

President and Chief Executive Officer

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NOTICE OF 2014 ANNUAL MEETING OF STOCKHOLDERS

TIME AND DATE: 9:00 a.m. local time on Thursday, August 7, 2014

PLACE: Red Hat's corporate headquarters located at 100 East Davie Street, Raleigh, North Carolina 27601

ITEMS OF BUSINESS:

1. To elect four members to the Board of Directors, each to serve for a one-year term
2. To ratify the selection of PricewaterhouseCoopers LLP as Red Hat's independent registered public accounting firm for the fiscal year ending February 28, 2015
3. To approve, on an advisory basis, a resolution relating to Red Hat's executive compensation
4. To transact such other business as may properly come before the 2014 Annual Meeting and any adjournments thereof

ADJOURNMENTS
AND Any action on the items of business described above may be considered at the 2014 Annual Meeting or at any time and date to which the 2014 Annual Meeting may be properly adjourned or postponed.

POSTPONEMENTS:

RECORD DATE: Stockholders of record at the close of business on June 13, 2014 are entitled to notice of, and to vote at, the 2014 Annual Meeting and at any adjournments or postponements thereof.

INSPECTION OF
LIST OF 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 2014 Annual Meeting.

STOCKHOLDERS
OF RECORD:

VOTING: Whether or not you plan to attend the 2014 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.

By Order of the Board of Directors,

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Michael R. Cunningham

Secretary

Raleigh, North Carolina

June 25, 2014

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE 2014 ANNUAL MEETING TO BE HELD ON AUGUST 7, 2014: THIS PROXY STATEMENT, THE ACCOMPANYING PROXY CARD AND RED HAT'S ANNUAL REPORT TO STOCKHOLDERS ARE AVAILABLE AT WWW.EDOCUMENTVIEW.COM/RHT

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FOR THE 2014 ANNUAL MEETING OF STOCKHOLDERS
ON AUGUST 7, 2014**

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PROXY SUMMARY

We provide highlights of certain information in this Proxy Statement. As it is only a summary, please refer to the complete Proxy Statement and 2014 Annual Report before you vote.

2014 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 7, 2014 9:00 a.m.	Stockholders of record at the close of business on June 13, 2014

AGENDA ITEMS AND BOARD RECOMMENDATIONS

ITEM	RECOMMENDATION
1. Elect Sohaib Abbasi, Narendra K. Gupta, William S. Kaiser and James M. Whitehurst to the Board of Directors, each to serve for a one-year term	VOTE FOR
2. Ratify the selection of PricewaterhouseCoopers LLP as Red Hat's independent registered public accounting firm for the fiscal year ending February 28, 2015	VOTE FOR
3. Approve, on an advisory basis, a resolution relating to Red Hat's executive compensation	VOTE FOR

ELECTRONIC VERSIONS

This Proxy Statement, the accompanying proxy card and Red Hat's Annual Report to stockholders are available at:
www.edocumentview.com/RHT

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NAME	AGE	PRIMARY OCCUPATION	COMMITTEE MEMBERSHIP	EXPERIENCE & EXPERTISE	INDEPENDENT
DIRECTOR NOMINEES					
Sohaib Abbasi	57	Chairman, Chief Executive Officer and President of Informatica Corporation	Audit	IT Industry, Public Company Board, Senior Leadership	ü
Narendra K. Gupta	65	Managing Director of Nexus Venture Partners	Compensation, Nominating and Corporate Governance	Global, IT Industry, Public Company Board, Science and Technology	ü
William S. Kaiser	58	Managing Director, Greystone Management Corporation	Nominating and Corporate Governance (Chair)	Financial, IT Industry	ü
James M. Whitehurst	46	President and CEO of Red Hat, Inc.		Financial, Global, Senior Leadership	
DIRECTORS CONTINUING TO SERVE					
W. Steve Albrecht	67	Professor of Accounting, Brigham Young University, Marriott School of Management	Audit (Chair), Nominating and Corporate Governance	Financial, Public Company Board, Senior Leadership	ü
Jeffrey J. Clarke	52	Chief Executive Officer of Eastman Kodak Company	Audit, Compensation (Chair)	Global, IT Industry, Senior Leadership	ü
Marye Anne Fox	66	Chancellor Emerita of the University of California, San Diego	Compensation, Nominating and Corporate Governance	Public Company Board, Science and Technology, Senior Leadership	ü
Donald H. Livingstone	71	Teaching Professor (Retired), Brigham Young University, Marriott School of Management	Audit, Compensation	Financial, Public Company Board	ü
General H. Hugh Shelton	72	U.S. Army (Retired) and Former Chairman of the Joint Chiefs of Staff	Compensation	Global, Public Company Board, Senior Leadership	ü

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COMPANY PERFORMANCE AND EXECUTIVE COMPENSATION

In Fiscal 2014, Red hat delivered double-digit growth on revenue, operating income, operating cash flow, and stock price. The financial metrics below drive our performance compensation payouts.

Based on the performance of the Company and individual executives in Fiscal 2014, the Compensation Committee approved the following payouts under performance elements of our compensation program:

ANNUAL CASH BONUS PLAN payouts averaging 120% of target, based on financial goal achievement of 113% and average individual goal achievement of 141%;

OPERATING PERFORMANCE SHARE UNITS payouts at an average of 179% of target, based on growth in revenue and operating income relative to peer group companies; and

STOCK PERFORMANCE SHARE UNITS payouts at 100% of target, based on stock price growth over a three-year period relative to peer group companies.

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FISCAL 2014 COMPENSATION PAID TO OUR NAMED OFFICERS

NAME & PRINCIPAL POSITION	SALARY (\$)	BONUS (\$)	STOCK AWARDS (\$)	NON-EQUITY		TOTAL (\$)
				INCENTIVE PLAN COMPENSATION (\$)	ALL OTHER COMPENSATION (\$)	
James M. Whitehurst	800,000		4,678,954	1,205,630	7,968	6,692,552
President and Chief Executive Officer						
Charles E. Peters, Jr.	480,000		2,339,475	462,559	7,959	3,289,993
Executive Vice President and Chief Financial Officer						
Brian M. Stevens	438,161	1,500,000	5,637,646	356,831	7,670	7,940,308
Executive Vice President						
and Chief Technology						
Officer						
Paul J. Cormier	480,000		3,509,215	472,800	309	4,462,324
Executive Vice President and President, Products and Technology						
Arun Oberoi	465,000		2,339,475	440,355	8,412	3,253,242
Executive Vice President of Global Sales						
and Services						

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PROXY STATEMENT
FOR THE 2014 ANNUAL MEETING OF STOCKHOLDERS
ON AUGUST 7, 2014

INTRODUCTION

This Proxy Statement for Red Hat's 2014 Annual Meeting of Stockholders (Proxy Statement) is furnished in connection with a solicitation of proxies by the Board of Directors (Board) of Red Hat, Inc. to be used at our 2014 Annual Meeting of Stockholders (Annual Meeting) to be held at the corporate headquarters of Red Hat, Inc. located at 100 East Davie Street, Raleigh, North Carolina 27601 on Thursday, August 7, 2014, at 9:00 a.m. local time, and at any adjournments or postponements thereof.

A Notice of Internet Availability of Proxy Materials (or this Proxy Statement and the accompanying materials) are being mailed on or about June 27, 2014 to stockholders of record as of the close of business on June 13, 2014.

This Proxy Statement and the 2014 Annual Report to Stockholders are available for viewing, printing and downloading at www.edocumentview.com/RHT.

You may obtain a copy of our Annual Report on Form 10-K for the year ended February 28, 2014, as filed with the U.S. Securities and Exchange Commission (SEC), except for exhibits thereto, without charge upon written request to Red Hat, Inc., 100 East Davie Street, Raleigh, North Carolina 27601, Attn: Investor Relations. Exhibits will be provided upon written request and payment of an appropriate processing fee.

When we use the terms Red Hat, the Company, we, us, and our, we mean Red Hat, Inc., a Delaware corporation, and its subsidiaries, where applicable.

GENERAL INFORMATION CONCERNING THE ANNUAL MEETING

Why am I receiving these proxy materials?

We have made these proxy materials available to you over the Internet, or have delivered paper copies of these proxy materials to you by mail, in connection with the solicitation of proxies for our Annual Meeting. These materials include information that we are required to provide to you under the rules of the SEC and are designed to assist you in voting on the matters presented at the Annual Meeting. Stockholders of record as of the close of business on June 13, 2014 may attend the Annual Meeting and are entitled and requested to vote on the proposals described in this Proxy Statement.

What is included in the proxy materials?

The proxy materials include our Proxy Statement for the Annual Meeting, our 2014 Annual Report, which includes our Annual Report on Form 10-K for the fiscal year ended February 28, 2014 (Fiscal 2014), and, if you receive a paper copy of these materials, a proxy card or voting instruction card.

Why did I receive a Notice of Internet Availability of Proxy Materials instead of a paper copy of the proxy materials?

You may receive a Notice of Internet Availability of Proxy Materials (Notice of Internet Availability) instead of a paper copy of the proxy materials. The Notice of Internet Availability describes how to access the proxy materials over the Internet and request paper copies of the proxy materials via

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mail. We will begin mailing the Notices of Internet Availability on or about June 27, 2014 to stockholders who are eligible to vote at the Annual Meeting.

Who is eligible to vote at the Annual Meeting?

If your shares of Red Hat common stock are registered in your name in the records of our transfer agent, Computershare Limited (Computershare), as of the close of business on June 13, 2014, you are a stockholder of record for purposes of the Annual Meeting and are eligible to attend and vote. If you hold shares of our common stock indirectly through a broker, bank or similar institution, you are not a stockholder of record, but instead hold your shares in street name and the record owner of your shares is your broker, bank or similar institution. Instructions on how to vote shares held in street name are described under How do I vote my shares? below.

How many votes do I have?

You will have one vote for each share of our common stock owned by you, as a stockholder of record or in street name, as of the close of business on June 13, 2014.

What am I being asked to vote on at the Annual Meeting?

You are being asked to vote on:

Item 1: the election of Sohaib Abbasi, Narendra K. Gupta, William S. Kaiser, and James M. Whitehurst to the Board, each to serve for a one-year term;

Item 2: the ratification of the selection of PricewaterhouseCoopers LLP as Red Hat's independent registered public accounting firm for the fiscal year ending February 28, 2015 (Fiscal 2015); and

Item 3: the approval, on an advisory basis, of a resolution relating to Red Hat's executive compensation.

How does the Board recommend that I vote?

The Board recommends that you vote:

FOR the election of the four nominees named in this Proxy Statement to the Board, each to serve for a one-year term;

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FOR the ratification of the selection of PricewaterhouseCoopers LLP as Red Hat's independent registered public accounting firm for Fiscal 2015; and

FOR the approval, on an advisory basis, of the resolution relating to Red Hat's executive compensation.

Other than the items listed in the Proxy Statement, what other business will be addressed at the Annual Meeting?

We currently know of no other matters to be properly presented at the Annual Meeting. However, by giving your proxy you appoint the persons named as proxy holders to be your representatives at the Annual Meeting. If other matters are properly presented at the Annual Meeting, the proxy holders are each authorized to vote your shares in their discretion.

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How do I vote my shares?

For stockholders of record: If you are eligible to vote at the Annual Meeting and are a stockholder of record, you may submit your proxy or cast your vote in any of four ways:

By Internet If you have Internet access, you may submit your proxy by following the instructions provided in the Notice of Internet Availability, or if you requested printed proxy materials, by following the instructions provided with your proxy materials and on your proxy card.

By Telephone You can also submit your proxy by telephone by following the instructions provided in the Notice of Internet Availability, or if you requested printed proxy materials, by following the instructions provided with your proxy materials and on your proxy card.

By Mail If you received your proxy materials by mail, you may submit your proxy by completing the proxy card enclosed with those materials, signing and dating it and returning it in the pre-paid envelope we have provided.

In Person at our Annual Meeting You can vote in person at our Annual Meeting. In order to gain admittance, you must present a valid government-issued photo identification such as a driver's license or passport.

For holders in street name: If you hold your shares in street name and, therefore, are not a stockholder of record, you will need to follow the specific voting instructions provided to you by your broker, bank or other similar institution. If you wish to vote your shares in person at our Annual Meeting, you must obtain a valid proxy from your broker, bank or similar institution, granting you authorization to vote your shares. In order to attend and vote your shares held in street name at our Annual Meeting, you will need to present a valid government-issued photo identification such as a driver's license or passport and hand in the valid proxy from your broker, bank or similar institution, along with a signed ballot that you can request at the Annual Meeting. You will not be able to attend and vote your shares held in street name at the Annual Meeting without a valid government-issued photo identification such as a driver's license or passport, a valid proxy from your broker, bank or similar institution and a signed ballot.

Can I change or revoke my proxy?

For stockholders of record: Yes. A proxy may be changed or revoked at any time prior to the voting at the Annual Meeting by submitting a later-dated proxy (including a proxy submitted via the Internet or by telephone) or by giving written notice to our President or Corporate Secretary at our corporate headquarters. You may also attend the Annual Meeting and vote your shares in person.

For holders in street name: Yes. You must follow the specific voting instructions provided to you by your broker, bank or other similar institution to change or revoke any instructions you have already provided to them.

If I submit a proxy by Internet, telephone or mail, how will my shares be counted?

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If you submit your proxy by one of these methods, and you do not subsequently revoke your proxy, your shares of common stock will be voted in accordance with your instructions.

If you sign, date and return your proxy card but do not provide specific voting instructions, your shares of common stock will be voted FOR the election of the nominees for director named in this Proxy Statement, FOR the ratification of the selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm for Fiscal 2015, and FOR the approval, on an advisory basis, of a resolution relating to Red Hat's executive compensation. If any other matter properly comes before our Annual Meeting, the proxy holders will vote your shares in their discretion.

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What is broker discretionary voting ?

If you hold your shares in street name, your broker, bank or other similar institution may be able to vote your shares without your instructions depending on whether the matter being voted on is discretionary or non-discretionary. The ratification of the independent registered public accounting firm is a discretionary matter and your broker is permitted to vote your shares of common stock if you have not given voting instructions. The election of directors and the advisory vote on a resolution relating to Red Hat's executive compensation are non-discretionary matters and your broker cannot vote your shares if you have not given voting instructions. A broker non-vote occurs when your broker submits a proxy for the Annual Meeting, but does not vote on non-discretionary matters because you did not provide voting instructions on these matters. Therefore, it is important that you provide specific voting instructions regarding non-discretionary matters to your broker, bank or similar institution.

I understand that a quorum is required in order to conduct business at the Annual Meeting. What constitutes a quorum?

A majority of all of our outstanding shares of common stock entitled to vote at the Annual Meeting, represented in person or by proxy, constitutes a quorum at the Annual Meeting. As of June 13, 2014, the record date for the Annual Meeting, there were 188,556,010 shares of common stock outstanding and entitled to vote. If you submit a properly executed proxy by mail, telephone or the Internet, you will be considered a part of the quorum. In addition, abstentions and broker non-votes will be counted for purposes of establishing a quorum. If a quorum is not present, the Annual Meeting will be adjourned until a quorum is obtained.

What is required to approve the proposals submitted to a vote at the Annual Meeting?

At the Annual Meeting each director will be elected by the vote of the majority of the votes cast with respect to the director nominee. This means to elect the director nominee, the number of shares voted For the director nominee must exceed the number of shares voted Against the director nominee. Abstentions and broker non-votes will not be considered votes cast.

The affirmative vote of the holders of a majority of the shares of common stock present or represented and voting is required to approve ratification of the selection of the independent registered public accounting firm, to approve (on an advisory basis) the resolution relating to the Company's executive compensation and any other matters that properly come before the Annual Meeting. Abstentions and broker non-votes will not be considered to have been voted.

How can I obtain a proxy card or voting instruction form?

If you lose, misplace or otherwise need to obtain a proxy card or a voting instruction form, please follow the applicable procedure below.

For stockholders of record: Please contact Computershare at 1-888-542-4427.

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For holders in street name: Please contact your account representative at your broker, bank or other similar institution.

Who counts the votes?

Votes are counted by Computershare, our transfer agent and registrar, and are then certified by a representative of Computershare appointed by the Board to serve as the Inspector of Election at the Annual Meeting.

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How can I obtain directions to the Annual Meeting?

You may contact Red Hat Investor Relations at 919-754-3700.

Who pays for the expenses of this proxy solicitation?

Red Hat will bear the entire cost of this proxy solicitation, including the preparation, printing and mailing of our Notice of Internet Availability, proxy materials and the proxy card. We may also reimburse brokerage firms and other persons representing stockholders who hold their shares in street name for reasonable expenses incurred by them in forwarding proxy materials to such stockholders. In addition, certain directors, officers and other employees, without additional remuneration, may solicit proxies in person, or by telephone, facsimile, email and other methods of electronic communication.

Where can I find vote results after the Annual Meeting?

We are required to publish final vote results in a Current Report on Form 8-K to be filed with the SEC within four business days after our Annual Meeting.

How can I obtain more information about Red Hat?

Copies of this Proxy Statement and our Annual Report on Form 10-K are available online at www.edocumentview.com/RHT or at www.redhat.com under About Red Hat Investor Relations SEC Filings & Financial Information.

What is householding ?

Some banks, brokers and similar institutions may be participating in the practice of householding Notices of Internet Availability or other proxy materials. This means that only one copy of our Notice of Internet Availability or other proxy materials may have been sent to multiple stockholders in your household. We will promptly deliver a separate copy of the Notice of Internet Availability or other proxy materials to you if you write to us at the following address or call us at the following phone number:

Red Hat, Inc.

Attention: Investor Relations

100 East Davie Street

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Raleigh, North Carolina 27601

Phone: Call 919-754-3700 and ask to speak to Investor Relations.

If you want to receive separate copies of the Notice of Internet Availability or other proxy materials in the future, or if you are receiving multiple copies and would like to receive only one copy for your household, you should contact your bank, broker or similar institution.

RED HAT, INC. 2014 PROXY STATEMENT 9

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Our Board currently consists of nine directors. Our directors are currently divided into three classes, with each class serving for a term of three years. The term of the Class III directors will expire at this Annual Meeting. The class makeup of the Board is as follows:

Class	Directors	Term Expires
I	Marye Anne Fox and Donald H. Livingstone	2015
II	W. Steve Albrecht, Jeffrey J. Clarke, and General H. Hugh Shelton (U.S. Army Retired)	2016
III	Sohaib Abbasi, Narendra K. Gupta, William S. Kaiser, and James M. Whitehurst	2014

At our 2013 Annual Meeting of Stockholders, our stockholders voted to amend our Certificate of Incorporation and By-Laws to phase out the present three-year staggered terms of our directors and instead provide for the annual election of all directors. As a result, starting with this Annual Meeting, each director who is elected to our Board will serve for a one-year term. After our Annual Meeting of Stockholders held in 2016, the Board will no longer be divided into classes and all members of the Board will be elected each year for a one-year term.

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:

Nominees should have a reputation for integrity, honesty and adherence to high ethical standards.

Nominees should have 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.

Nominees should have a commitment to understand the Company and its industry and to regularly attend and participate in meetings of the Board and its committees.

Nominees should have the interest and ability to understand the sometimes conflicting interests of the various constituencies of the Company, which include stockholders, employees, customers, governmental units, creditors and the general public, and to act in the interests of all stockholders.

Nominees should not have, nor appear to have, 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.

Nominees shall not be discriminated against on the basis of race, religion, national origin, sex, sexual orientation, disability or any other basis proscribed by law. The value of diversity on the Board should be considered.

Nominees should normally be able to serve for at least five years before reaching the age of 75.

The Corporate Governance Guidelines state that the Nominating and Corporate Governance Committee's review of a nominee's qualifications will include consideration of diversity, age, skills and professional experience in the context of the needs of the Board. 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.

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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:

Financial Expertise. Nominees who have knowledge of financial markets, financing and funding operations, and accounting and financial reporting processes assist us in understanding, advising and overseeing our capital structure, financing and investing activities, and our financial reporting and internal controls.

Global Expertise. As a global organization with offices in over 35 countries, nominees with global expertise bring useful business and cultural perspectives that relate to many significant aspects of our business.

IT Industry Expertise. Nominees with experience in the information technology industry help 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. Nominees who have served on other public company boards offer 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.

Science and Technology Expertise. Nominees with backgrounds in science and technology support our efforts to spur innovation and develop new ideas and products.

Senior Leadership Experience. Nominees who have served in senior leadership positions enhance the Board's ability to identify and develop those qualities in management. They also bring a practical understanding of organizations, processes, strategy, risk management and methods to drive change and growth.

Nominees for Election to the Board of Directors

The Board has nominated four directors, Sohaib Abbasi, Narendra K. Gupta, William S. Kaiser and James M. Whitehurst, for one-year terms. Each nominee has indicated an intention to serve if elected and will hold office for his term and until a successor has been elected and qualified or until his 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.

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, 57

Chairman, Chief Executive Officer and President of Informatika Corporation

Director since March 2011

Mr. Abbasi has served as the Chief Executive Officer and President of Informatica Corporation (NASDAQ:INFA) since July 2004 and as Chairman of its board of directors since March 2005. Until 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. 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.

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Narendra K. Gupta, 65

Managing Director of Nexus Venture Partners

Director since November 2005

Dr. Gupta co-founded and has served as Managing Director of Nexus Venture Partners, an India-focused 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, and was on the board of Wind River from 2000 until 2009. As a former executive and current and former board member of a number of technology-related public companies and as an investor in global companies, Dr. Gupta provides our Board with global and IT industry expertise, public company board experience, as well as science and technology expertise.

William S. Kaiser, 58

Managing Director, Greylock Management Corporation

Director since September 1998

Mr. Kaiser has been employed by Greylock Management Corporation, a venture capital firm, since May 1986 and has been one of the general partners of the Greylock Limited Partnerships since January 1988. Mr. Kaiser currently serves on the board of directors of Constant Contact, Inc. (NASDAQ:CTCT), a provider of products and services that help small organizations create and grow customer relationships, in addition to serving on the boards of directors of a number of private organizations. Having a background in venture capital investment focusing on technology-related entities, Mr. Kaiser brings to our Board financial and IT industry expertise.

James M. Whitehurst, 46

President and CEO, Red Hat, Inc.

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 as the Chief Operating Officer of Delta Air Lines, Inc. 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. Delta filed for bankruptcy in September 2005. Prior to joining Delta, he was a partner and managing director at The Boston Consulting Group. Mr. Whitehurst also serves on the board of directors of DigitalGlobe, Inc. (NYSE:DGI), a builder and operator of satellites for digital imaging. 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 experience to our Board.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE

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FOR

THE ELECTION OF

SOHAIB ABBASI, NARENDRA K . GUPTA, WILLIAM S. KAISER, AND JAMES M. WHITEHURST

TO THE COMPANY S BOARD OF DIRECTORS

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Members of the Board Continuing to Serve

The following directors will continue to serve on our Board. Set forth below is a brief biography for each such director and a description of the key attributes that each brings to our Board.

W. Steve Albrecht, 67

Professor of Accounting, Brigham Young University, Marriott School of Management

Director since March 2011

Dr. Albrecht, who previously served on our Board from April 2003 through June 2009, is the Andersen Alumni Professor of Accounting and Wheatley Fellow at Brigham Young University's (BYU) Marriott School of Management (Marriott School). Dr. Albrecht also served as a mission president in Japan for his church from June 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 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 (NASDAQ:CY), a semiconductor design and manufacturing company, and SkyWest, Inc., the holding company of SkyWest Airlines (NASDAQ:SKYW), a regional airline company. He previously served on the board of directors of SunPower Corporation, a solar panel design and manufacturing company, from 2005 to 2012. 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. 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.

Jeffrey J. Clarke, 52

Chief Executive Officer, Eastman Kodak Company

Director since November 2008

Mr. Clarke has served as the Chief Executive Officer and on the board of directors of Eastman Kodak Company (NYSE:KODK), a technology company focused on imaging for business, since March 2014. Mr. Clarke served as a Managing Partner of Augusta Columbia Capital Group LLC, an investment firm, from February 2012 through January 2014. Mr. Clarke served as the President and CEO of Travelport Limited, a provider of transaction processing for the global travel industry, from April 2006 through May 2011. From April 2004 until April 2006, Mr. Clarke was the Chief Operating Officer of CA, Inc. (formerly Computer Associates), an information technology company, where he was responsible for sales, services, business development, partnership alliances, finance and information technology. From May 2002 through November 2003, Mr. Clarke was the Executive Vice President of Global Operations of Hewlett-Packard Company, an information technology company. Mr. Clarke serves on the board of directors of Compuware Corporation (NASDAQ:CPWR), an enterprise software company. Mr. Clarke served on the board of directors of Orbitz Worldwide Ltd., a global online travel company, from 2007 through 2014, and as a director of UTStarcom, Inc., a provider of IP-based networking and telecommunications solutions, from 2005 through 2010. Mr. Clarke's experience as an executive at large global technology companies brings to our Board global and IT industry expertise as well as senior leadership experience.

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Marye Anne Fox, 66

Chancellor Emerita of the University of California, San Diego

Director since January 2002

Dr. Fox has served as the Chancellor Emerita of the University of California, San Diego (U.C. San Diego) since June 2012, and as the Chancellor of U.C. San Diego between August 2004 and June 2012. Dr. Fox has also served as a Distinguished Professor of Chemistry at U.C. San Diego since August 2004. Prior to that, Dr. Fox served as the Chancellor of North Carolina State University and as Distinguished University Professor of Chemistry from August 1998 until July 2004. Dr. Fox is an elected member of the National Academy of Sciences and serves on the board of directors of W.R. Grace & Co. (NYSE:GRA), a specialty chemicals and materials company, and Bridgepoint Education, Inc. (NYSE:BPI), a provider of educational services. Dr. Fox served on the board of directors of Boston Scientific Corporation, a developer, marketer and manufacturer of medical devices, from June 2002 until May 2011. With her experience leading large educational institutions, her technical background and service as director of large public companies, Dr. Fox brings to our Board public company board experience, science and technology expertise and senior leadership experience.

Donald H. Livingstone, 71

Teaching Professor (Retired), Brigham Young University, Marriott School of Management

Director since September 2009

Mr. Livingstone retired in August 2011 from BYU's Marriott School where he had served as a teaching professor since 1994. In addition to his teaching duties, Mr. Livingstone served as director of the Rollins Center for Entrepreneurship and Technology at the Marriott School from 1995 until 2007. During the period from 2002 to 2007, Mr. Livingstone served on the board of directors of a number of public and private companies. Mr. Livingstone took a leave of absence from the Marriott School from June 2007 until June 2009 to serve as a mission president in Africa for his church. Prior to joining BYU, Mr. Livingstone had a 29-year career with Arthur Andersen LLP that included service as an audit and consulting services partner in the San Francisco and Los Angeles offices. Mr. Livingstone's career in public accounting and as a teaching professor, as well as his service as a director of a number of public companies, brings to our Board financial expertise and public company board experience.

General H. Hugh Shelton, 72

U.S. Army (Retired) and Former Chairman of the Joint Chiefs of Staff

Director since April 2003, Lead Director from March 2008 through August 2010, and Board Chair since August 2010

General Shelton has served as the Executive Director of the General H. Hugh Shelton Leadership Center at North Carolina State University since January 2002 in addition to serving as a board member, consultant and advisor to a number of entities. From January 2002 until April 2006, General Shelton served as the President, International Operations, for M.I.C. Industries, an international manufacturing company. General Shelton served as the 14th Chairman of the Joint Chiefs of Staff from October 1997 until his retirement in September 2001. General Shelton serves on the board of directors of L-3 Communications Corporation (NYSE:LLL), a supplier of products and services used in the aerospace and defense industries. He has also served as a member of the boards of directors of several other public companies including vice chairman of the board of directors of Protective Products of America, Inc., a manufacturer of protective armor products, from 2006 until 2010, and Anheuser-Busch Companies, Inc., an operator of beer, packaging and entertainment companies, from 2001 until 2009. General Shelton's

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leadership experience in the U.S. military and his service on the boards of other public companies brings to our Board global expertise as well as public company board and senior leadership experience.

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Table of Contents**ITEM NO. 2 RATIFICATION OF SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Audit Committee of the Board has selected PricewaterhouseCoopers LLP to serve as our independent registered public accounting firm for Fiscal 2015. During Fiscal 2014, PricewaterhouseCoopers LLP served as our independent registered public accounting firm and also provided certain tax and other services as described below.

Although stockholder ratification of our independent registered public accounting firm is not required under Delaware law, our Certificate of Incorporation or our By-laws, the Company believes it is advisable to provide our stockholders with the opportunity to ratify this selection. If our stockholders do not ratify the selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm for Fiscal 2015, the Audit Committee of our Board will consider whether to select a new independent registered public accounting firm for Fiscal 2015 or to wait until the completion of the audit for Fiscal 2015 before considering a change in our independent registered public accounting firm.

Representatives of PricewaterhouseCoopers LLP are expected to attend our Annual Meeting, will have the opportunity to make a statement if so desired and will be available to respond to appropriate questions.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE**FOR**

**THE RATIFICATION OF THE SELECTION OF PRICEWATERHOUSECOOPERS LLP
AS THE COMPANY'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR
FISCAL 2015**

Independent Registered Public Accounting Firm's Fees

The following table summarizes the fees PricewaterhouseCoopers LLP billed to the Company for each of the last two fiscal years.

Fee Category	Fiscal Year Ended February 28, 2014	Fiscal Year Ended February 28, 2013
Audit Fees (1)	\$ 1,377,550	\$ 1,466,141
Audit-Related Fees (2)	\$	\$ 63,000
Tax Fees (3)	\$ 265,935	\$ 248,755
All Other Fees (4)	\$ 169,941	\$ 118,056
Total Fees	\$ 1,813,426	\$ 1,895,952

- (1) **Audit Fees** consist of fees for the audit of the Company's annual financial statements, the review of the interim financial statements included in the Company's Quarterly Reports on Form 10-Q and other professional services provided in connection with statutory and regulatory filings or engagements for those fiscal years.
- (2) **Audit-Related Fees** consist of fees for assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements and which are not reported under **Audit Fees**. For the fiscal year ended February 28, 2013 (**Fiscal 2013**), fees for assistance with merger and acquisition activities comprise substantially all of the amounts described.
- (3) **Tax Fees** consist of fees for tax compliance, tax advice and tax planning services. For **Fiscal 2014** and **Fiscal 2013**, fees for advice relating to transfer pricing matters and non-U.S. subsidiary taxes and tax planning comprise substantially all of the amounts described.

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- (4) All Other Fees consist of fees for products and services provided by the independent registered public accounting firm other than for the services reported above in Audit Fees, Audit-Related Fees or Tax Fees. For Fiscal 2014, fees for use of a research tool and for conducting customer compliance audits comprise substantially all of the amount described. For Fiscal 2013, fees for conducting customer compliance audits comprise substantially all of the amount described.

Pre-Approval Policies and Procedures

The Audit Committee has adopted policies and procedures relating to the approval of all audit and non-audit services that are to be performed by our independent registered public accounting firm. This policy generally provides that we will not engage our independent registered public accounting firm to render audit or non-audit services unless the service is specifically approved in advance by the Audit Committee or the engagement is entered into pursuant to one of the pre-approval procedures described below.

From time to time, the Audit Committee may pre-approve specified types of services that are expected to be provided by our independent registered public accounting firm during the next 12 months. Any such pre-approval is detailed as to the particular service or type of services to be provided and is also generally subject to a maximum dollar amount.

The Audit Committee may delegate, and has delegated to the Chair of the Audit Committee, the authority to approve any audit or non-audit services to be provided by our independent registered public accounting firm. The Audit Committee also may delegate this pre-approval authority to other individual members of the Audit Committee from time to time. Any approval of services by any member of the Audit Committee pursuant to this delegated authority, whether the Chair or another member, is reported at the next meeting of the Audit Committee.

For Fiscal 2013 and Fiscal 2014, all audit and non-audit services provided by the independent registered public accounting firm were pre-approved by the Audit Committee directly or pursuant to this delegated authority.

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ITEM NO. 3 ADVISORY VOTE ON EXECUTIVE COMPENSATION

We are asking stockholders to approve, on an advisory basis, a resolution relating to the Company's executive compensation as reported in this Proxy Statement. Consistent with the preference expressed by our stockholders at the Company's 2011 Annual Meeting, the Board has approved holding an advisory vote on executive compensation every year.

We urge stockholders to read the Compensation Discussion and Analysis section of this Proxy Statement, which describes how our executive compensation program is designed and operates, as well as the Summary Compensation Table and other related compensation tables, which provide additional information on the compensation of our named executive officers. The Board and the Compensation Committee believe that our executive compensation program as described in the Compensation Discussion and Analysis section has supported and contributed to the Company's recent and long-term success and the creation of long-term stockholder value and is effective in helping the Company attract and retain the high caliber of executive talent necessary to drive our business forward and build sustainable value for our stockholders.

In accordance with regulations issued under Section 14A of the Securities Exchange Act of 1934, as amended (the Exchange Act), we are asking stockholders to approve the following non-binding advisory resolution at the Annual Meeting:

RESOLVED, that the compensation paid to the Company's Named Officers, as disclosed in the Compensation Discussion and Analysis section, compensation tables and narrative discussion of the Proxy Statement for the 2014 Annual Meeting of Stockholders, is hereby APPROVED.

While this advisory resolution, commonly referred to as a say on pay resolution, is non-binding, the Compensation Committee will carefully review and consider the voting results when making future decisions regarding our executive compensation program.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE

FOR THE RESOLUTION RELATING TO RED HAT'S EXECUTIVE COMPENSATION

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Table of Contents**BENEFICIAL OWNERSHIP OF OUR COMMON STOCK**

The tables below set forth, as of May 30, 2014 (unless otherwise indicated), certain information regarding beneficial ownership of our common stock. We determine beneficial ownership of our common stock in accordance with the rules of the SEC. Under these rules, beneficial ownership includes any shares as to which the individual or entity has sole or shared voting power or investment power and includes any shares of common stock which the individual has the right to acquire on or before July 29, 2014 through payout of deferred stock units (DSUs). DSUs are described in more detail below in the section entitled Corporate Governance and Board of Directors Information Compensation of Directors. Any reference in the footnotes to this table to shares subject to DSUs refers only to shares of common stock underlying DSUs that are payable in shares of common stock on or before July 29, 2014. As of May 30, 2014, we had 188,556,010 shares of common stock outstanding. For purposes of computing the percentage and amount of outstanding shares of common stock held by each individual or entity, any shares which that individual or entity has the right to acquire on or before July 29, 2014 are deemed to be outstanding for the individual or entity but such shares are not deemed to be outstanding for the purpose of computing the percentage ownership of any other individual, entity or group.

Ownership by Our Directors and Executive Officers

As of the end of Fiscal 2014, our Chief Executive Officer, Chief Financial Officer and other three most highly compensated executive officers who were serving as of February 28, 2014 were James M. Whitehurst, Charles E. Peters, Jr., Brian M. Stevens, Paul J. Cormier, and Arun Oberoi (Named Officers). The following table includes information regarding the number of shares of our common stock beneficially owned by each of our directors, director nominees and Named Officers, as well as all of our directors and executive officers as a group, as of May 30, 2014.

Name and Address of Beneficial Owner (1)	Title(s)	Amount and Nature of Beneficial Ownership (2)	Percent of Common Stock Outstanding
James M. Whitehurst (3)	Class III Director and President and Chief Executive Officer	388,599	*
William S. Kaiser (4)	Class III Director	279,335	*
Brian M. Stevens (5)	Executive Vice President and Chief Technology Officer	195,315	*
Paul J. Cormier (6)	Executive Vice President and President, Products and Technologies	186,252	*
Charles E. Peters, Jr. (7)	Executive Vice President and Chief Financial Officer	113,596	*
Arun Oberoi (8)	Executive Vice President of Global Sales and Services	57,612	*
Marye Anne Fox (9)	Class I Director	47,218	*
Narendra K. Gupta (10)	Class III Director	38,284	*
Jeffrey J. Clarke (11)	Class II Director	32,498	*
H. Hugh Shelton (12)	Board Chair and Class II Director	31,039	*
Sohaib Abbasi (13)	Class III Director	20,553	*

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Name and Address of Beneficial Owner (1)	Title(s)	Amount and Nature of Beneficial Ownership (2)	Percent of Common Stock Outstanding
Donald H. Livingstone (14)	Class I Director	20,053	*
W. Steve Albrecht (15)	Class II Director	16,876	*
All executive officers and directors as a group (15 persons) (16)		1,577,256	*

* Less than one percent of the outstanding common stock.

- (1) The address for each beneficial owner is c/o Red Hat, Inc., 100 East Davie Street, Raleigh, North Carolina 27601.
- (2) Each person named in the table reported that he or she has sole voting and investment power (or shares such power with his or her spouse) with respect to all shares shown as beneficially owned by him or her, except as noted in the footnotes below and subject to community property laws, if applicable. The inclusion herein of any shares of common stock does not constitute an admission of direct or indirect beneficial ownership of those shares.
- (3) Consists of (i) 267,578 shares of common stock and (ii) 121,021 shares of restricted stock vesting over four years from the date of grant.
- (4) Consists of (i) 196,991 shares of common stock, (ii) 5,042 shares of restricted stock vesting one year from the date of grant, (iii) 7,190 shares of common stock issuable upon payout of DSUs and (iv) 70,112 shares of common stock held of record by Greylock X GP Limited Partnership and Greylock X-A Limited Partnership (the Greylock Partnerships). Mr. Kaiser, a general partner of the Greylock Partnerships, disclaims beneficial ownership of shares held by the Greylock Partnerships except as to his proportionate partnership interest in these partnerships.
- (5) Consists of (i) 57,747 shares of common stock and (ii) 137,568 shares of restricted stock vesting over four years from the date of grant.
- (6) Consists of (i) 113,273 shares of common stock and (ii) 72,979 shares of restricted stock vesting over four years from the date of grant.
- (7) Consists of (i) 59,631 shares of common stock and (ii) 53,965 shares of restricted stock vesting over four years from the date of grant.
- (8) Consists of (i) 12,400 shares of common stock and (ii) 45,212 shares of restricted stock vesting over four years from the date of grant.
- (9) Consists of (i) 31,509 shares of common stock, (ii) 5,042 shares of restricted stock vesting one year from the date of grant and (iii) 10,667 shares of common stock issuable upon payout of DSUs.
- (10) Consists of (i) 7,345 shares of common stock and (ii) 30,939 shares of common stock issuable upon payout of DSUs.
- (11) Consists of (i) 20 shares of common stock, (ii) 5,042 shares of restricted stock vesting one year from the date of grant and (iii) 27,436 shares of common stock issuable upon payout of DSUs.
- (12) Consists of (i) 18,811 shares of common stock, (ii) 2,521 shares of restricted stock vesting one year from the date of grant and (iii) 9,707 shares of common stock issuable upon payout of DSUs.
- (13) Consists of (i) 7,985 shares of common stock, (ii) 12,508 shares of common stock issuable upon payout of DSUs and (iii) 60 shares of common stock held of record by the Abbasi Family 2003 Charitable Remainder Unitrust for which Mr. Abbasi is the trustee.
- (14) Consists of (i) 2,478 shares of common stock and (ii) 17,575 shares of common stock issuable upon payout of DSUs.
- (15) Consists of (i) 6,629 shares of common stock and (ii) 10,247 shares of common stock issuable upon payout of DSUs.
- (16) Consists of (i) 927,719 shares of common stock, (ii) 523,268 shares of restricted stock vesting over either one year or four years from the date of grant and (iii) 126,269 shares of common stock issuable upon payout of DSUs.

Table of Contents**Ownership of More than 5% of Our Common Stock**

The following table sets forth information on each person or entity who we believe, based on our review of public filings by such persons or entities, beneficially owns more than 5% of our common stock as of May 30, 2014.

Name and Address of Beneficial Owner	Number of Shares Beneficially Owned	Percent of Common Stock Outstanding (1)
T. Rowe Price Associates, Inc. (2) 100 East Pratt Street Baltimore, MD 21202	30,000,196	15.91%
Prudential Financial, Inc. (3) 751 Broad Street Newark, NJ 07102	17,157,360	9.10%
FMR LLC (4) 245 Summer Street Boston, MA 02210	13,342,768	7.08%
The Vanguard Group, Inc. (5) 100 Vanguard Boulevard Malvern, PA 19355	12,705,060	6.74%
BlackRock, Inc. (6) 40 East 52nd Street New York, NY 10022	12,500,236	6.63%
Ameriprise Financial, Inc. (7) 145 Ameriprise Financial Center Minneapolis, MN 55474	11,304,239	6.00%

(1) Percentages are calculated based on our common stock outstanding as of May 30, 2014.

(2) Based on a Schedule 13G/A filed with the SEC on February 13, 2014 by T. Rowe Price Associates, Inc. (Price Associates). As of December 31, 2013, Price Associates reported sole power to vote or direct the vote over 10,384,384 shares and sole power to dispose or direct the disposition of 30,000,196 shares. In connection with the filing of such Schedule 13G/A, Price Associates declared and affirmed that the filing of such Schedule should not be construed as an admission that Price Associates is the beneficial owner of the securities referred to, which beneficial ownership it expressly denied.

(3)

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Based on a Schedule 13G/A filed with the SEC on January 29, 2014 by Prudential Financial, Inc. (Prudential) and includes shares held by certain of its subsidiaries. As of December 31, 2013, Prudential reported sole power to vote or direct the vote over 935,978 shares, shared power to vote or direct the vote over 9,687,692 shares, sole power to dispose or direct the disposition of 935,978 shares and shared power to dispose or direct the disposition of 16,221,382 shares. Jennison Associates LLC (Jennison) filed a separate Schedule 13G/A with the SEC on February 10, 2014 reporting beneficial ownership of 16,821,347 shares. However, these shares have not been listed separately because they are included in the shares reported by Prudential, which indirectly owns 100% of the equity interests in Jennison. Jennison furnishes investment advice to several investment companies, insurance separate accounts and institutional clients (Managed Portfolios). As a result of its role as investment adviser of the Managed Portfolios, Jennison may be deemed to be the beneficial owner of the shares held by such Managed Portfolios.

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- (4) Based on a Schedule 13G/A filed with the SEC on February 14, 2014 by FMR LLC. As of December 31, 2013, FMR LLC reported sole power to vote or direct the vote over 280,452 shares and sole power to dispose or direct the disposition of 13,342,768 shares. Includes (i) 13,022,919 shares beneficially owned by Fidelity Management & Research Company (Fidelity) as a result of acting as an investment advisor to various investment companies, (ii) 39,482 shares beneficially owned by Fidelity SelectCo, LLC (SelectCo) as a result of acting as an investment advisor to various investment companies, (iii) 59,831 shares beneficially owned by Fidelity Management Trust Company (FMTC) as a result of its serving as investment manager of institutional accounts, (iv) 26,609 shares beneficially owned by Strategic Advisers, Inc. (SAI), (v) 30,432 shares beneficially owned by Pyramis Global Advisors, LLC (PGA) as a result of its serving as an investment advisor to institutional accounts, non-U.S. mutual funds, or investment companies, (vi) 155,927 shares beneficially owned by Pyramis Global Advisors Trust Company (PGATC) as a result of its serving as investment manager of institutional accounts and (vii) 7,568 shares beneficially owned by Crosby Advisors LLC (Crosby) as a result of providing investment advisory services to individuals, trusts and limited liability entities. Fidelity, SelectCo, FMTC, SAI, PGA, PGATC are direct or indirect wholly owned subsidiaries of FMR LLC. Members of the family of Edward C. Johnson 3d, Chairman of FMR LLC, indirectly own Crosby. Members of the family of Edward C. Johnson 3d, Chairman of FMR LLC, directly or through trusts, own approximately 49% of the voting power of FMR LLC, and through their ownership of voting common shares and the execution of a shareholders' voting agreement may be deemed to form a controlling group with respect to FMR LLC.
- (5) Based on a Schedule 13G/A filed with the SEC on February 12, 2014 by The Vanguard Group, Inc. As of December 31, 2013, The Vanguard Group, Inc. reported sole power to vote or direct the vote over 313,484 shares, sole power to dispose or direct the disposition of 12,416,376 shares and shared power to dispose or direct the disposition of 288,684 shares. Includes 242,484 shares beneficially owned by Vanguard Fiduciary Trust Company (VFTC) as a result of its serving as an investment manager of collective trust accounts. Also includes 117,200 shares beneficially owned by Vanguard Investments Australia, Ltd. (VIA) as a result of its serving as an investment manager of Australian investment offerings. VFTC and VIA are wholly owned subsidiaries of The Vanguard Group, Inc.
- (6) Based on a Schedule 13G/A filed with the SEC on January 30, 2014 by BlackRock, Inc. and includes shares held by certain of its subsidiaries. As of December 31, 2013, BlackRock, Inc. reported sole power to vote or direct the vote over 10,830,400 shares and sole power to dispose or direct the disposition of 12,500,236 shares.
- (7) Based on a Schedule 13G filed with the SEC on February 13, 2014 by Ameriprise Financial, Inc. As of December 31, 2013, Ameriprise Financial, Inc. reported shared power to vote or direct the vote over 9,270,221 shares and shared power to dispose or direct the disposition of 11,304,239 shares. Includes 11,304,239 shares beneficially owned by Columbia Management Investment Advisers, LLC as an investment advisor. Ameriprise Financial, Inc. is the parent company of Columbia Management Investment Advisers, LLC.

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CORPORATE GOVERNANCE AND BOARD OF DIRECTORS INFORMATION

Our Board believes that good corporate governance is an important element in managing Red Hat for the longer-term benefit of stockholders. Regular review and assessment of existing governance practices is an ongoing process for our Board. This section describes a number of our key corporate governance policies and practices. Copies of our current corporate governance documents and policies, including our Corporate Governance Guidelines, Code of Business Conduct and Ethics and committee charters, are available at www.redhat.com.

Key Governance Policies

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. We have posted our Code of Business Conduct and Ethics on our website, www.redhat.com. In addition, we intend to post on our website all disclosures that are required by law or by New York Stock Exchange (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. Highlights of our Corporate Governance Guidelines include, among other things, that:

the principal responsibility of the directors is to oversee the management of the Company;

a majority of the members of the Board must be independent directors;

the independent directors and the non-management directors are each to meet regularly in executive session;

directors have full and free access to management and, as necessary and appropriate, independent advisors;

a director who reaches the age of 75 will retire from the Board effective at the end of his or her then current term;

new directors participate in an orientation program and all directors are expected to participate in continuing director education on an ongoing basis; and

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

Related Person Transactions

We have a written Related Person Transaction Policy that provides for the review of certain transactions, arrangements or relationships between related persons and Red Hat. A related person is defined under SEC regulations to include our directors, director nominees, executive officers and 5% stockholders (or their immediate family members). Related person transactions are transactions, arrangements or relationships in which Red Hat is a participant, the amount involved exceeds \$120,000, and a related person (as defined above) has 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. The General Counsel will then refer the proposed related person transaction to our Audit Committee for review and approval prior to entry into the transaction, whenever practicable. If advance review and approval is not practicable, the Audit Committee will

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review, and in its discretion, may ratify the related person transaction at its next regularly scheduled meeting. The Chair of the Audit Committee may also review and approve transactions between meetings subject to ratification by the Audit Committee at its next regularly scheduled meeting. Transactions which are ongoing will be reviewed annually.

In reviewing the proposed transactions, the Committee will take into account those factors it considers appropriate, which may include the following:

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.

The Audit Committee may approve or ratify the transaction only if it determines that, in light of 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.

In Fiscal 2014, the Audit Committee reviewed and ratified the following transactions:

Prudential Financial, Inc. beneficially owned 17,157,360 shares (approximately 9.10%) of our outstanding common stock as of December 31, 2013 based on its holdings reported in a Schedule 13G/A filed with the SEC on January 29, 2014. During Fiscal 2014, Prudential Financial, Inc. purchased approximately \$608,000 in goods and services from us. We believe that the transactions described above were carried out on terms that were in the aggregate no less favorable to us than those that would have been obtained by an unrelated third party in transactions of similar size.

FMR LLC beneficially owned 13,342,768 shares (approximately 7.08%) of our outstanding common stock as of December 31, 2013 based on its holdings reported in a Schedule 13G/A filed with the SEC on February 14, 2014. During Fiscal 2014, we paid an affiliate

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of FMR LLC approximately \$96,000 to provide 401(k) plan administration and other services to us. Affiliates of FMR LLC purchased approximately \$327,000 in goods and services from us during Fiscal 2014. We believe that the transactions described above were carried out on terms that were in the aggregate no less favorable to us than those that would have been obtained by an unrelated third party in transactions of similar size. In addition to the payments described above, fees were paid to one or more affiliates of FMR LLC by participants in our equity compensation and 401(k) plans in the form of commissions and brokerage fees generated on various transactions.

The Vanguard Group, Inc. beneficially owned 12,705,060 shares (approximately 6.74%) of our outstanding common stock as of December 31, 2013 based on its holdings reported in a Schedule 13G/A filed with the SEC on February 12, 2014. During Fiscal 2014, The Vanguard Group, Inc. purchased approximately \$355,000 in goods and services from us. We believe

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that the transactions described above were carried out on terms that were in the aggregate no less favorable to us than those that would have been obtained by an unrelated third party in transactions of similar size.

BlackRock, Inc. beneficially owned 12,500,236 shares (approximately 6.63%) of our outstanding common stock as of December 31, 2013 based on its holdings reported in a Schedule 13G/A filed with the SEC on January 30, 2014. During Fiscal 2014, Blackrock, Inc. purchased approximately \$878,000 in goods and services from us. We believe that the transactions described above were carried out on terms that were in the aggregate no less favorable to us than those that would have been obtained by an unrelated third party in transactions of similar size.

Ameriprise Financial, Inc. beneficially owned 11,304,239 shares (approximately 6.00%) of our outstanding common stock as of December 31, 2013 based on its holdings reported in a Schedule 13G filed with the SEC on February 13, 2014. During Fiscal 2014, Ameriprise Financial, Inc. purchased approximately \$254,000 in goods and services from us. We believe that the transactions described above were carried out on terms that were in the aggregate no less favorable to us than those that would have been obtained by an unrelated third party in transactions of similar size.

We employ M. W. Vincent, the brother-in-law of DeLisa K. Alexander, our Executive Vice President and Chief People Officer. In Fiscal 2014, Mr. Vincent's total compensation, including salary, commissions, bonus and the amount of share-based compensation expense that we recognized for financial statement reporting purposes for equity compensation previously granted to him, was \$185,032.

Board Independence

Our Board is composed of a majority of directors who are considered independent. As described below, the Board has determined that eight of our nine current directors, including the Board Chair, are independent directors. 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. Material relationships can include commercial, industrial, banking, consulting, legal, accounting, charitable and familial relationships, among others. The Board makes independence determinations on a case-by-case basis in light of all relevant facts and circumstances.

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. 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 under NYSE rules and our Corporate Governance Guidelines.

After considering relationships between the directors and Red Hat, the Board affirmatively determined that all of our directors, except for Mr. Whitehurst, our President and CEO, meet the criteria as outlined by the NYSE and our Corporate Governance Guidelines and in the judgment of our Board are independent.

Key Board Practices

Board Meetings and Attendance

The Board met nine times during Fiscal 2014, either in person or by teleconference. As stated in our Corporate Governance Guidelines, directors are responsible for attending all meetings of the Board, the Board committees on which they sit and the Annual Meeting. During Fiscal 2014 each member of our

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Board attended at least 75% of the aggregate of the meetings of the Board and the committees on which he or she served. Each member of our Board attended our 2013 Annual Meeting of Stockholders.

Executive Sessions

Our independent directors meet in separate regularly scheduled executive sessions, without management. During Fiscal 2014, General Shelton chaired these sessions.

Director Stock Ownership Policy

Our Stock Ownership Policy as it relates to our directors is described below in the section entitled Compensation of Directors Director Stock Ownership Requirements.

Election of Directors

At all meetings of stockholders for the election of directors at which a quorum is present, each director nominee is elected by the vote of the majority of the votes cast; 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 with the SEC (regardless of whether or not thereafter revised or supplemented), 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 and By-laws) 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.

Risk Oversight

Management is responsible for the day-to-day management of the risks we face and our Board has responsibility for the oversight of risk management. The Board and its committees regularly receive information and reports from members of senior management on areas of material risk, including financial, legal, reputational and strategic risks. 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.

The committees of our Board have responsibility for the oversight of certain risks. The Audit Committee oversees the management of financial and legal risks. The Compensation Committee oversees the management of risks relating to our compensation plans and arrangements. The Nominating and Corporate Governance Committee oversees the management of risks relating to executive succession planning and the composition of our Board.

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 Chairman, who is an independent director, to lead the Board in its fundamental role of providing independent advice to and oversight of management and our CEO to focus on our day-to-day business and strategy and convey the management perspective to other directors.

Our Board also has three standing committees that currently consist of, and are chaired by, independent directors. Our Board delegates substantial responsibilities to the committees, which then

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report their activities and actions back to the full Board. We believe that the independent committees of our Board and their chairpersons promote a diversity of ideas and more effective governance.

Process for Nominating Candidates for Service on Our Board

The Nominating and Corporate Governance Committee is responsible for identifying and evaluating candidates and recommending proposed director nominees to the Board. The Nominating and Corporate Governance Committee will consider candidates proposed or suggested by other members of the Board, members of executive management, third-party search firms retained by the Nominating and Corporate Governance Committee and stockholders.

Our standards for evaluating candidates as director nominees are described above in the section entitled [Item No. 1 Election of Directors](#).

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 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 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.

Communicating with Directors

Stockholders and other interested parties who wish to communicate with the Board Chair or non-management members of the Board as a group, or any Board committee may do so by writing to the following address: Red Hat, Inc., 100 East Davie Street, Raleigh, North Carolina 27601, Attn: Board Chair or Non-Management Directors or Committee Chairperson. For further information, please refer to our website at www.redhat.com under [About Red Hat](#) [Investor Relations](#) [Corporate Governance](#) [Contact the Board](#).

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](#).

The tables below illustrate membership for each of our Board committees during Fiscal 2014. At the beginning of Fiscal 2014, the membership of our Board committees was as follows:

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Name	Audit	Compensation	Nominating and Corporate Governance
Mr. Abbasi	X		X
Dr. Albrecht	X		X
Mr. Clarke	X	X	
Dr. Fox			Chair
Dr. Gupta		Chair	
Mr. Kaiser			X
Mr. Livingstone	Chair		
General Shelton (Board Chair)		X	

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The Board approved committee assignment changes effective August 15, 2013. The table below reflects those changes and the current membership of each of our Board Committees:

Name	Audit	Compensation	Nominating and Corporate Governance
Mr. Abbasi	X		
Dr. Albrecht	Chair		X
Mr. Clarke	X	Chair	
Dr. Fox		X	X
Dr. Gupta		X	X
Mr. Kaiser			Chair
Mr. Livingstone	X	X	
General Shelton (Board Chair)		X	

The Board has determined that all of the members of the Audit, Compensation and the Nominating and Corporate Governance Committees are independent in accordance with the standards set forth in our Corporate Governance Guidelines and applicable SEC and NYSE rules.

Audit Committee

The Audit Committee met eight times during Fiscal 2014. The Audit Committee currently consists of four members. The Audit Committee was established in accordance with Section 3(a)(58)(A) of the Exchange Act. The Board has determined that all of the members of our Audit Committee are independent. The Board also determined that Mr. Livingstone is an audit committee financial expert in accordance with applicable SEC rules. Mr. Livingstone served in that role through May 21, 2014. As of May 21, 2014, the Board designated Dr. Albrecht as the audit committee financial expert in accordance with applicable SEC rules.

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;

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

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

discussing the Company's risk management policies;

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establishing policies regarding hiring of present or former partners, stockholders, principals or 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 below in the section entitled "Audit Committee Report").

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.

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Compensation Committee

The Compensation Committee met five times during Fiscal 2014. The Compensation Committee currently consists of five members. The Compensation Committee may form one or more subcommittees and delegate authority to its subcommittees as it deems appropriate under the circumstances.

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;

overseeing an evaluation of the Company's management;

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

overseeing and administering the Company's cash and equity incentive plans; and

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

Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee met four times during Fiscal 2014. The Nominating and Corporate Governance Committee currently consists of four members.

The Nominating and Corporate Governance Committee's responsibilities include:

identifying individuals qualified to become Board members;

recommending to the Board the persons to be nominated for election as directors and to each of the Board's committees;

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reviewing and making recommendations to the Board with respect to management succession planning;

developing and recommending corporate governance principles to the Board; and

overseeing an annual evaluation of the Board.

Audit Committee Report

The following is the report of the Audit Committee with respect to the Company's audited financial statements for Fiscal 2014 that are included in the Company's Annual Report on Form 10-K for Fiscal 2014.

The Audit Committee operates under a written charter adopted by the Board on March 25, 2014. A copy of the Audit Committee Charter is available at the Company's website at www.redhat.com.

The membership of the Audit Committee and its responsibilities are further described above in the section entitled "Committees of the Board - Audit Committee."

Conduct of Audit Committee Meetings

The Audit Committee's agenda is established by its chairperson with input from the committee members and the Company's CFO. Audit Committee meetings are designed to facilitate and encourage communication among members of the Audit Committee and the Company's management, its Director of Internal Audit and its independent registered public accounting firm, PricewaterhouseCoopers LLP.

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During its Fiscal 2014 meetings, the Audit Committee reviewed and discussed various financial and regulatory issues, as well as reports of the Company's internal auditors, its independent registered public accounting firm and management. As a part of these meetings, the Audit Committee regularly held separate executive sessions with representatives of the Company's independent registered public accounting firm, the Company's management and its Director of Internal Audit, at which candid discussions of financial management, accounting, internal controls, legal and compliance issues took place. Additionally, the Audit Committee's chairperson held separate discussions from time to time with representatives of PricewaterhouseCoopers LLP and the Company's CFO, Director of Internal Audit and General Counsel.

Audit Committee Review of Periodic Reports

The Audit Committee reviews each of the Company's quarterly and annual reports, including Management's Discussion and Analysis of Financial Condition and Results of Operations. As part of this review, the Audit Committee discusses the reports with the Company's management and considers the reports prepared by the independent registered public accounting firm about the Company's annual reports and communications from the firm related to quarterly reviews, as well as related matters such as the quality of the Company's accounting principles, alternative methods of accounting under U.S. generally accepted accounting principles and the preferences of the independent registered public accounting firm in this regard, the Company's critical accounting policies and the clarity and completeness of the Company's financial and other disclosures.

Audit Committee's Role in Connection with the Company's Report on Internal Controls

The Audit Committee reviewed management's report on internal control over financial reporting, as required under Section 404 of the Sarbanes-Oxley Act of 2002 and related rules. As part of this review, the Audit Committee reviewed the bases for management's conclusions in that report and the report of the independent registered public accounting firm on internal control over financial reporting. Periodically during Fiscal 2014, the Audit Committee reviewed plans for documenting and testing controls, the results of such documentation and testing, any deficiencies discovered and the status of remediation of deficiencies.

Audit Committee's Role in Connection with the Financial Statements and Controls of the Company

Management of the Company has primary responsibility for the Company's financial statements and internal control over financial reporting. The independent registered public accounting firm has responsibility for the integrated audit of the Company's financial statements and internal control over financial reporting. The responsibility of the Audit Committee is to oversee financial and control matters, among other responsibilities fulfilled by the Audit Committee under its charter. The Audit Committee meets regularly with the independent registered public accounting firm, without the presence of management, to help ensure candid and constructive discussions about the Company's compliance with accounting standards and best practices among public companies comparable in size and scope to the Company. The Audit Committee also reviews with its outside advisors material developments in accounting that may be pertinent to the Company's financial reporting practices.

Review and Discussions with Independent Registered Public Accounting Firm

In its meetings with representatives of PricewaterhouseCoopers LLP, the Audit Committee asked the independent registered public accounting firm to address and discuss its responses to several questions that the Audit Committee believed were particularly relevant to its oversight. These questions included:

Are there any significant judgments made by management in preparing the financial statements that would have been made differently had the independent registered public accounting firm prepared and been responsible for the financial statements?

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Based on the independent registered public accounting firm's experience, and its knowledge of the Company, do the Company's financial statements fairly present, in all material respects, to investors, the Company's financial position and performance for the reporting period in accordance with U.S. generally accepted accounting principles and SEC disclosure requirements?

Based on the independent registered public accounting firm's experience, and its knowledge of the Company, has the Company implemented internal controls over financial reporting that are appropriate for the Company and have such controls operated effectively as of the end of the Company's fiscal year?

During the course of the fiscal year, has the independent registered public accounting firm received any communication or discovered any information indicating any improprieties with respect to the Company's accounting and reporting procedures or reports?

The Audit Committee has also discussed with the independent registered public accounting firm that it is retained by the Audit Committee and that the independent registered public accounting firm must raise any concerns about the Company's financial reporting and procedures directly with the Audit Committee. Based on these discussions and its discussions with management, the Audit Committee believes it has a basis for its oversight judgments and for recommending that the Company's audited financial statements be included in the Company's Annual Report on Form 10-K for Fiscal 2014.

Audit Committee Activity with Regard to the Company's Audited Financial Statements for Fiscal 2014

The Audit Committee has, among other actions:

reviewed and discussed the audited financial statements with the Company's management; and

discussed with PricewaterhouseCoopers LLP, the matters required by the Public Company Accounting Oversight Board Auditing Standard No. 16, Communicating with Audit Committees.

Independence of the Company's Independent Registered Public Accounting Firm

The Audit Committee has received the written disclosures and the letter from PricewaterhouseCoopers LLP required by the applicable requirements of the Public Company Accounting Oversight Board regarding PricewaterhouseCoopers LLP's communications with the Audit Committee concerning independence, and has discussed with PricewaterhouseCoopers LLP its independence. The Audit Committee has concluded that PricewaterhouseCoopers LLP is independent from the Company and its management.

Conclusion

Based on its review and discussion with management and the Company's independent registered public accounting firm, the Audit Committee recommended to the Board that the Company's audited financial statements be included in the Company's Annual Report on Form 10-K for Fiscal 2014. The Audit Committee and Board also have recommended the stockholder ratification of the selection of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for Fiscal 2015.

Respectfully submitted,

THE AUDIT COMMITTEE

W. Steve Albrecht (Chair)

Sohaib Abbasi

Jeffrey J. Clarke

Donald H. Livingstone

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Our Non-Employee Director Compensation Plan (the Director Compensation Plan), which is further described below, provides for a combination of cash and equity compensation for our non-employee directors. The Company does not fund any type of retirement or pension plan for non-employee directors.

Summary Compensation Table for Non-Employee Directors

The following table summarizes the compensation paid to our directors other than Mr. Whitehurst during Fiscal 2014:

Name (1)	Fees Earned or Paid in Cash (\$ (2))	Stock Awards (\$ (3) (4))	All Other Compensation (\$)	Total (\$)
Sohaib Abbasi (5)		323,868		323,868
W. Steve Albrecht (6)	87,935	250,033		337,968
Jeffrey J. Clarke (7)		342,980		342,980
Marye Anne Fox (8)	50,482	268,212		318,694
Narendra K. Gupta (9)	75,924	250,033		325,957
William S. Kaiser (10)	61,393	250,033		311,426
Donald H. Livingstone (11)	87,065	250,033		337,098
H. Hugh Shelton (12)	115,000	250,033		365,033

- (1) Compensation paid to Mr. Whitehurst, our President and CEO, is described below in the section entitled Compensation and Other Information Concerning Executive Officers.
- (2) This column reflects the amount of cash compensation paid to each director for his or her Board and committee service after accounting for DSU elections. As further described below in the subsection entitled Cash Compensation, 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 FASB ASC Topic 718. Equity compensation that our non-employee directors are eligible to receive is further described below in the subsection entitled Equity Compensation.
- (4) We no longer issue stock options to our non-employee directors. As of February 28, 2014, none of our non-employee directors had outstanding options. Our non-employee directors had outstanding restricted stock awards (RSAs) and DSUs representing the right to receive the following number of shares of common stock: Mr. Abbasi