



DIVISION OF
CORPORATION FINANCE

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

June 12, 2018

Elizabeth A. Ising
Gibson, Dunn & Crutcher LLP
shareholderproposals@gibsondunn.com

Re: Red Hat, Inc.
Incoming letter dated April 3, 2018

Dear Ms. Ising:

This letter is in response to your correspondence dated April 3, 2018 concerning the shareholder proposal (the "Proposal") submitted to Red Hat, Inc. (the "Company") by The Nathan Cummings Foundation for inclusion in the Company's proxy materials for its upcoming annual meeting of security holders. Copies of all of the correspondence on which this response is based will be made available on our website at <http://www.sec.gov/divisions/corpfin/cf-noaction/14a-8.shtml>. For your reference, a brief discussion of the Division's informal procedures regarding shareholder proposals is also available at the same website address.

Sincerely,

Matt S. McNair
Senior Special Counsel

Enclosure

cc: Laura Campos
The Nathan Cummings Foundation
laura.campos@nathancummings.org

June 12, 2018

Response of the Office of Chief Counsel
Division of Corporation Finance

Re: Red Hat, Inc.
Incoming letter dated April 3, 2018

The Proposal requests that the Company produce a report assessing the feasibility, as well as the business and societal benefits, of adopting enterprise-wide, quantitative, time-bound targets for increasing the Company's renewable energy sourcing.

There appears to be some basis for your view that the Company may exclude the Proposal under rule 14a-8(i)(7). In our view, the Proposal focuses primarily on matters relating to the Company's ordinary business operations. Accordingly, we will not recommend enforcement action to the Commission if the Company omits the Proposal from its proxy materials in reliance on rule 14a-8(i)(7). In reaching this position, we have not found it necessary to address the alternative basis for omission upon which the Company relies.

Sincerely,

Evan S. Jacobson
Special Counsel

DIVISION OF CORPORATION FINANCE
INFORMAL PROCEDURES REGARDING SHAREHOLDER PROPOSALS

The Division of Corporation Finance believes that its responsibility with respect to matters arising under Rule 14a-8 [17 CFR 240.14a-8], as with other matters under the proxy rules, is to aid those who must comply with the rule by offering informal advice and suggestions and to determine, initially, whether or not it may be appropriate in a particular matter to recommend enforcement action to the Commission. In connection with a shareholder proposal under Rule 14a-8, the Division's staff considers the information furnished to it by the company in support of its intention to exclude the proposal from the company's proxy materials, as well as any information furnished by the proponent or the proponent's representative.

Although Rule 14a-8(k) does not require any communications from shareholders to the Commission's staff, the staff will always consider information concerning alleged violations of the statutes and rules administered by the Commission, including arguments as to whether or not activities proposed to be taken would violate the statute or rule involved. The receipt by the staff of such information, however, should not be construed as changing the staff's informal procedures and proxy review into a formal or adversarial procedure.

It is important to note that the staff's no-action responses to Rule 14a-8(j) submissions reflect only informal views. The determinations reached in these no-action letters do not and cannot adjudicate the merits of a company's position with respect to the proposal. Only a court such as a U.S. District Court can decide whether a company is obligated to include shareholder proposals in its proxy materials. Accordingly, a discretionary determination not to recommend or take Commission enforcement action does not preclude a proponent, or any shareholder of a company, from pursuing any rights he or she may have against the company in court, should the company's management omit the proposal from the company's proxy materials.

April 3, 2018

Elizabeth A. Ising
Direct: 202.955.8287
Fax: 202.530.9631
eising@gibsondunn.com

VIA E-MAIL

Office of Chief Counsel
Division of Corporation Finance
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Re: *Red Hat, Inc.*
Stockholder Proposal of The Nathan Cummings Foundation
Securities Exchange Act of 1934—Rule 14a-8

Ladies and Gentlemen:

This letter is to inform you that our client, Red Hat, Inc. (the “Company”), intends to omit from its proxy statement and form of proxy for its 2018 Annual Meeting of Stockholders (collectively, the “2018 Proxy Materials”) a stockholder proposal (the “Proposal”) and statement in support thereof received from The Nathan Cummings Foundation (the “Proponent”).

Pursuant to Rule 14a-8(j), we have:

- filed this letter with the U.S. Securities and Exchange Commission (the “Commission”) no later than eighty (80) calendar days before the Company intends to file its definitive 2018 Proxy Materials with the Commission; and
- concurrently sent copies of this correspondence to the Proponent.

Rule 14a-8(k) and Staff Legal Bulletin No. 14D (Nov. 7, 2008) (“SLB 14D”) provide that stockholder proponents are required to send companies a copy of any correspondence that the proponents elect to submit to the Commission or the staff of the Division of Corporation Finance (the “Staff”). Accordingly, we are taking this opportunity to inform the Proponent that if the Proponent elects to submit additional correspondence to the Commission or the Staff with respect to this Proposal, a copy of that correspondence should be furnished concurrently to the undersigned on behalf of the Company pursuant to Rule 14a-8(k) and SLB 14D.

THE PROPOSAL

The Proposal states:

Resolved: Shareholders request that Red Hat, Inc. produce a report assessing the feasibility, as well as the business and societal benefits, of adopting enterprise-wide, quantitative, time-bound targets for increasing Red Hat’s renewable energy sourcing. The report should be produced at reasonable cost and exclude proprietary information.

A copy of the Proposal, as well as related correspondence with the Proponent, is attached to this letter as Exhibit A.

BASES FOR EXCLUSION

We believe that the Proposal may be properly excluded from the 2018 Proxy Materials pursuant to:

- Rule 14a-8(i)(7) because the Proposal deals with matters related to the Company’s ordinary business operations; and
- Rule 14a-8(i)(5) because the Proposal relates to operations that are not economically significant or otherwise significantly related to the Company’s business.

ANALYSIS

I. **The Proposal May Be Excluded Pursuant to Rule 14a-8(i)(7) Because It Deals With Matters Related To The Company’s Ordinary Business Operations**

A. *Background*

Rule 14a-8(i)(7) permits the Company to omit from its proxy materials a stockholder proposal that relates to its “ordinary business operations.” According to the Commission’s release accompanying the 1998 amendments to Rule 14a-8, the term “ordinary business” refers to matters that are not necessarily “ordinary” in the common meaning of the word, but instead the term “is rooted in the corporate law concept of providing management with flexibility in directing certain core matters involving the company’s business and operations.” Exchange Act Release No. 40018 (May 21, 1998) (the “1998 Release”).

In the 1998 Release, the Commission explained that the underlying policy of the ordinary business exclusion is “to confine the resolution of ordinary business problems to

management and the board of directors, since it is impracticable for shareholders to decide how to solve such problems at an annual shareholders meeting,” and identified two central considerations that underlie this policy. As relevant here, one of these considerations is that certain tasks “are so fundamental to management’s ability to run a company on a day-to-day basis that they could not, as a practical matter, be subject to direct shareholder oversight.” Examples of the tasks cited by the Commission include “management of the workforce, such as the hiring, promotion, and termination of employees, decisions on production quality and quantity, and the retention of suppliers.” 1998 Release. The mere fact that a proposal touches upon a significant policy issue is not alone sufficient to avoid the application of Rule 14a-8(i)(7) when a proposal implicates ordinary business matters. Although the Commission has stated that “proposals relating to such [ordinary business] matters but focusing on sufficiently significant social policy issues . . . generally would not be considered to be excludable,” the Staff has expressed the view that proposals relating to both ordinary business matters and significant social policy issues may be excluded in their entirety in reliance on Rule 14a-8(i)(7). 1998 Release.

Moreover, framing a stockholder proposal in the form of a request for a report does not change the nature of the proposal. The Commission has stated that a proposal requesting the dissemination of a report may be excludable under Rule 14a-8(i)(7) if the subject matter of the report is within the ordinary business of the issuer. *See* Exchange Act Release No. 20091 (Aug. 16, 1983) (“1983 Release”); *Johnson Controls, Inc.* (avail. Oct. 26, 1999) (“[Where] the subject matter of the additional disclosure sought in a particular proposal involves a matter of ordinary business . . . it may be excluded under [R]ule 14a-8(i)(7).”). *See also Ford Motor Co.* (avail. Mar. 2, 2004) (concurring with the exclusion of a proposal requesting that the company publish a report about global warming/cooling, where the report was required to include details such as the measured temperature at certain locations and the method of measurement, the effect on temperature of increases or decreases in certain atmospheric gases, the effects of radiation from the sun on global warming/cooling, carbon dioxide production and absorption, and a discussion of certain costs and benefits).

B. The Proposal May Be Excluded Pursuant To Rule 14a-8(i)(7) Because It Involves The Company’s Ordinary Business Operations

The Staff has consistently concurred with the exclusion under Rule 14a-8(i)(7) of stockholder proposals seeking a report on a company’s strategy for increasing its energy efficiency or its use of renewable energy where the proposal and the supporting statement, when read together, focus primarily on a company’s management of its energy expenses. For example, in *Gilead Sciences, Inc.* (avail. Feb. 15, 2018), the Staff concurred with exclusion of a proposal requesting “a report assessing the feasibility of adopting time-bound, quantitative, company-wide goals for increasing energy efficiency and use of renewable energy” where the proposal and supporting statement focused on the company’s management

of energy expenses and detailed the perceived financial benefits of adopting goals for increased energy efficiency and use of renewable energy. Similarly, in *The TJX Companies, Inc.* (avail. Mar. 8, 2016), the Staff concurred with the exclusion under Rule 14a-8(i)(7) of a stockholder proposal requesting “company-wide quantitative targets . . . to increase renewable energy sourcing and/or production” where the proposal’s supporting statements repeatedly discussed such targets in the context of the company’s expense management. *See also CVS Health Corp.* (avail. Mar. 8, 2016) (concurring with exclusion of a proposal requesting the company to set quantitative renewable energy sourcing or production targets where the supporting statement focused on cost-savings and financial management matters); *Apple Inc.* (avail. Dec. 5, 2014) (concurring with exclusion of a proposal requesting a report “estimating the total investment in these renewable sources of electricity” as relating to “the manner in which the company manages its expenses”); *FLIR Systems, Inc.* (avail. Feb. 6, 2013) (concurring with exclusion of a proposal requesting a “report describing the company’s short- and long-term strategies on energy use management,” because it “focus[ed] primarily on FLIR’s strategies for managing its energy expenses”).

The Proposal’s Resolved clause—which is substantially similar to the resolved clause in *Gilead Sciences*—requests “a report assessing the feasibility, as well as the business and societal benefits, of adopting enterprise-wide, quantitative, time-bound targets for increasing Red Hat’s renewable energy sourcing” and thus implicates the Company’s ordinary business operations. Like the stockholder proposals in *Gilead Sciences* and the line of precedent cited above, the express text of the Proposal focuses on the Company’s management of expenses. This is evidenced by the Proposal’s supporting statement repeatedly discussing the Proposal’s relationship to the Company’s management of its expenses:

- The Proposal reasons that renewable energy has “become[] more available and affordable,” leading companies to “seek[] opportunities to reduce costs and protect against energy price volatility.”
- “The costs of generating electricity from sources such as wind and solar have declined rapidly and renewable energy is now more cost effective than fossil fuel-based energy in many regions.”
- “The average price of wind energy in 2016 was around \$0.02/kWh and the levelized cost of energy per kilowatt hour for utility-scale solar reached 6 cents in 2017.”
- “In 2015, Berkshire Hathaway’s NV Energy secured a power purchase agreement price of \$0.0387 cents per kWh for electricity generated by a 100 MW First Solar plant.”

- “[T]he 2016 average retail price of electricity nationwide was \$0.1027/kWh”
- “[P]rocurring renewable energy to power Red Hat’s operations would bring significant business and reputational advantages to the company.”
- “Much of corporate America is buying renewable energy . . . because it makes business sense, helping companies diversify their power supply, hedge against fuel risks, and support innovation in an increasingly cost-competitive way.” (attributed to Eric Schmidt of Alphabet)
- “79% of companies earn a higher return on carbon reduction investments”

The Staff also has permitted the exclusion of proposals under Rule 14a-8(i)(7) asking a company to increase its use of renewable energy where the proposal and the supporting statement, when read together, relate to the company’s choice of technologies for use in its operations. *See, e.g., Dominion Resources, Inc.* (avail. Feb. 14, 2014) (concurring with exclusion of a proposal seeking a report on the risks of the company’s solar generation plan and the “benefits of increased solar generation”); *FirstEnergy Corp.* (avail. Mar. 8, 2013) (concurring with exclusion of a proposal requesting the company to “diversify[] the company’s energy resources to include increased energy efficiency and renewable energy resources.”); *AT&T Inc.* (avail. Feb. 13, 2012) (concurring with exclusion of a proposal requesting a report on financial and reputational risks posed by continuing to use technology that inefficiently consumed electricity). Choices of technology cannot “as a practical matter, be subject to direct shareholder oversight.” 1998 Release.

Here, the Proposal seeks to dictate the type of technology the Company uses in its operations by asking the Company to increase its use of renewable energy technologies. For example, the supporting statement emphasizes the Proposal’s focus on the Company’s choice of technologies by stating that implementing the Proposal “will involve a *significant shift* to renewable energy” (emphasis added). In addition, the Proposal advocates for the use of specific sources of energy, stating that “electricity from sources such as wind and solar . . . is now more cost effective than fossil fuel-based energy in many regions.” By suggesting specific types of technology that the Company ought to use in its business operations, the Proposal makes clear that it concerns the Company’s choice of technologies for use in its operations. As a result, the Proposal concerns an ordinary business matter rather than focusing on a significant policy issue.

We recognize that the Staff has found that certain proposals requesting a feasibility report on adopting specific goals for increased renewable energy sourcing are not excludable under Rule 14a-8(i)(7) because they focused on significant policy issues. However, in those instances, the proposals focused on greenhouse gas emissions and the climate benefits of

increasing the company's renewable energy sourcing. For instance, in *Lowe's Companies, Inc.* (avail. Mar. 10, 2017), the proposal contained numerous references throughout addressing the relationship between the proposal and global climate change and greenhouse gas emissions. For example, the proposal requested "a report *assessing the climate benefits and feasibility of adopting enterprise-wide, quantitative, time-bound targets for increasing [the company's] renewable energy sourcing and/or production*" (emphasis added). Moreover, the supporting statement asserted that many of its competitors "have significantly reduced their GHG emissions." The proposal also stated that the company "can address climate change . . . [and] move closer to achieving GHG reductions." See also *CVS Health Corp.* (avail. Feb. 22, 2017) ("*CVS 2017*") (not allowing for the exclusion of a similar proposal containing repeated references to greenhouse gas emissions and with a resolved clause nearly identical to the proposal in *Lowe's*).

Unlike the stockholder proposals in *Lowe's* and *CVS 2017*, the Proposal does not call for an assessment of climate benefits. Instead, the Proposal requests a report on the feasibility of adopting goals for increasing renewable energy sources. While the Proposal refers to an assessment of the "business and societal benefits" of adopting such goals, "business and societal benefits" is an ambiguous, nebulous, and overbroad phrase that could potentially include any number of things beyond climate change. Despite passing references to climate change, the supporting statement and resolved clause—when read together in their entirety—make clear that the Proposal focuses primarily on the Company's management of its energy expenses and concerns the Company's choice of technologies for use in its operations. In fact, seven of the eight paragraphs in the supporting statement refer to energy costs, choice of technology, and/or business advantages and risks related to energy use management.

Decisions regarding how the Company manages its energy expenses and chooses technologies for use in its operations are fundamental to the Company's day-to-day operations and cannot, as a practical matter, be subject to stockholder oversight. Thus, consistent with the precedent described above, the Proposal may be properly excluded under Rule 14a-8(i)(7) because it involves the Company's ordinary business operations.

C. *The Proposal May Be Excluded Pursuant To Rule 14a-8(i)(7) Because The Policy Issue Raised By the Proposal Is Not Significantly Related To The Company's Business Operations*

Note 4 of Staff Legal Bulletin 14E (Oct. 27, 2009) states that "[i]n those cases in which a proposal's underlying subject matter transcends the day-to-day business matters of the company and raises policy issues so significant that it would be appropriate for a shareholder vote, the proposal generally will not be excludable under Rule 14a-8(i)(7) as long as a sufficient nexus exists between the nature of the proposal and the company."

Accordingly, even if a stockholder proposal touches upon a significant policy issue, the proposal may be excludable on ordinary business grounds if there is not a sufficient connection to a company's business. The Staff recently reaffirmed this position, stating that "[w]hether the significant policy exception applies depends, in part, on the connection between the significant policy issue and the company's business operations." Staff Legal Bulletin No. 14I ("SLB 14I"), part B.2 (Nov. 1, 2017). In SLB 14I, the Staff further observed that, "A board of directors, acting as steward with fiduciary duties to a company's shareholders . . . and with the knowledge of the company's business and the implications for a particular proposal on that company's business is well situated to analyze, determine and explain whether a particular issue is sufficiently significant because the matter transcends ordinary business and would be appropriate for a shareholder vote."

Accordingly, the Company's Board of Directors (the "Board") evaluated at a recent meeting whether the Proposal raises an issue that transcends the Company's ordinary business such that it would be appropriate for a stockholder vote. The Board considered that the Company's operations are not energy-intensive and thus the Company does not need significant "energy to power Red Hat's operations," as phrased in the Proposal. Specifically, the Company is a global provider of open source software solutions that uses a community approach to develop and offer operating system, virtualization, management, middleware, cloud, mobile, and storage software technologies. Moreover, the Board considered that the Company does not engage in manufacturing or other energy-intensive activities and does not operate any server farms to host data from other companies as part of its business model. The Company operates out of more than 95 leased office locations and only houses servers for its own internal use. The Company also co-locates some of its servers, which means it contracts with third-party vendors for server space at multi-tenant data centers. With co-location, the vendors manage the centers, including providing power and cooling to tenants like the Company. Finally, the Board considered that the Company's use of energy is further reduced by (1) having approximately 3,400 of the Company's approximately 11,800 employees working remotely, and (2) an open source development model, which means that the Company's business operations are influenced by a global community of contributors, most of whom are not paid by the Company, are not employees, and are not operating out of Company facilities.

In considering the significance of the Proposal to the Company, the Board also considered the costs associated with its operations related to the Proposal during its fiscal year ended February 28, 2017 ("Fiscal Year 2017"). In doing so, the Board considered that expenditures for utility costs (including both power and water) at the Company's locations accounted for less than five percent of the Company's total assets at the end of Fiscal Year

2017, and for less than five percent of its net earnings and gross sales for Fiscal Year 2017.¹ The Board also considered that the Company does not expect the percentages (including when combined with the Company's total co-location expenses for the same period) to exceed these thresholds in its fiscal year ended February 28, 2018 ("Fiscal Year 2018"). Finally, the Board considered that the Company's utility costs at the Company's locations in Fiscal Year 2017 represented less than 0.3% of the Company's total operating expenses.

The Board also considered that the Company has limited control over energy sourcing at Company locations since all are leased and the Company only purchases power directly at four of these locations. Specifically, the Board first considered that at the locations where the Company does not purchase power directly, the Company generally cannot control whether the energy used by the Company is sourced from renewable energy. The Board also considered that of the four locations where the Company does purchase its power, two are regulated such that the Company is required to contract with a specific supplier for the Company's energy needs: Duke Energy Corporation at the Company's Raleigh, North Carolina offices and Maharashtra State Electricity Distribution Company Limited at the Company's Pune, India offices. While some of the providers at the locations where the Company purchases its power may offer the option to install renewable energy sources, such as solar panels, on its buildings, the Board considered that the Company's ability to do so is constrained by the fact that it only leases these facilities. It is also notable that each of these providers already procures energy from renewable energy sources.² Finally, the Board considered that the Company cannot control the energy sourcing decisions

¹ With respect to the Company's co-located data centers, the Company's co-location vendors typically do not break out energy costs as a line-item expense. However, as discussed in Section II.B. below, even if the Company's total co-location expenses (which are over-inclusive as they include expenses for the space occupied by the Company's servers, utility costs, telephone lines, bandwidth, and security) were combined with the utility costs at Company locations, the aggregate amount accounted for less than five percent of the Company's total assets at the end of Fiscal Year 2017, and for less than five percent of its net earnings and gross sales for Fiscal Year 2017.

² Duke Energy (Raleigh, NC) has invested over \$4 billion in wind and solar power projects and owns and operates 2,900 MW of renewable energy. See <https://www.duke-energy.com/our-company/about-us/businesses/renewable-energy>. Maharashtra State Electricity (Pune, India) has recently won approval on its petition to contract power from renewable sources on a short-, medium-, and long-term basis in order to meet its renewable purchase obligations. See <https://mercomindia.com/merc-msedcl-renewable-bidding/>. The provider for the Company's Brno, Czech Republic location, E.ON, is the world's third-largest operator of offshore wind farms and currently operates over 5.3 GW of renewable energy generation capacity. See <https://www.eon.com/en/business-customers/renewables.html>; and <https://www.eon.com/en/about-us/business-units/eon-climate-and-renewables-gmbh.html>. One of the providers for the Company's Westford, Massachusetts location, National Grid, operates 5 MW of solar generation and is planning an additional 19 solar generation projects. See <https://www.nationalgridus.com/Our-Company/Environmental-Policy-and-Program>.

at its co-located data centers as the co-location vendors manage them, including providing power and cooling.

Finally, the Company regularly meets with stockholders to discuss the Company's financial performance, corporate governance practices, executive compensation programs and other matters. The Board considered that during this proactive and on-going engagement with stockholders, the Company's stockholders have not raised with the Company comments or concerns about its activities related to the Proposal, including renewable energy sourcing. Moreover, the Board considered that, before the Proposal, the Company had never received a stockholder proposal addressing the Company's activities related to the Proposal, including renewable energy sourcing.

After considering these matters and engaging in discussion, the Board concluded that the Proposal does not raise significant policy issues that transcend the Company's ordinary business to make it appropriate for a stockholder vote. Therefore, based on the precedents discussed above and the Board's analysis and conclusion, we believe the Proposal may properly be excluded pursuant to Rule 14a-8(i)(7).

II. The Proposal May Be Excluded Under Rule 14a-8(i)(5) Because It Is Not Relevant To The Company's Business

A. Background

Rule 14a-8(i)(5) provides that a stockholder proposal may be excluded "[i]f the proposal relates to operations which account for less than five percent of the company's total assets at the end of its most recent fiscal year, and for less than five percent of its net earnings and gross sales for its most recent fiscal year, and is not otherwise significantly related to the company's business." Prior to adoption of this version of Rule 14a-8(i)(5), the rule permitted companies to omit any proposal that "deals with a matter that is not significantly related to the issuer's business." In proposing changes to that version of the rule in 1982, the Commission noted that the Staff's practice had been to agree with exclusion of proposals that bore no economic relationship to a company's business, but that "where the proposal has reflected social or ethical issues, rather than economic concerns, raised by the issuer's business, and the issuer conducts any such business, no matter how small, the staff has not issued a no-action letter with respect to the omission of the proposal." Exchange Act Release No. 19135 (Oct. 14, 1982). The Commission stated that this interpretation of the rule may have "unduly limit[ed] the exclusion," and proposed adopting the economic tests that appear in the rule today. *Id.* In adopting the rule, the Commission characterized it as relating "to proposals concerning the functioning of the economic business of an issuer and not to such matters as shareholders' rights, e.g., cumulative voting." 1983 Release.

In the years following the decision in *Lovenheim v. Iroquois Brands, Ltd.*, 618 F. Supp. 554 (D.D.C. 1985), the Staff did not agree with exclusion under Rule 14a-8(i)(5), even where a proposal related to operations that accounted for less than five percent of total assets, net earnings and gross sales, when the company conducted business, no matter how small, related to the issue raised in the proposal. In SLB 14I, the Staff reexamined its historic approach to interpreting Rule 14a-8(i)(5) and determined that the Staff's "application of Rule 14a-8(i)(5) has unduly limited the exclusion's availability because it has not fully considered the second prong of the rule as amended in 1982—the question of whether the proposal 'deals with a matter that is not significantly related to the issuer's business' and is therefore excludable." *Id.* Accordingly, the Staff noted that, going forward, it "will focus, as the rule directs, on a proposal's significance to the company's business when it otherwise relates to operations that account for less than 5 percent of total assets, net earnings and gross sales." *Id.* Under this framework, the analysis is "dependent upon the particular circumstances of the company to which the proposal is submitted." *Id.* A proponent can continue to raise social or ethical issues in its arguments, but it would need to tie those to a significant effect on the company's business. In this regard, "[w]here a proposal's significance to a company's business is not apparent on its face, a proposal may be excludable unless the proponent demonstrates that it is 'otherwise significantly related to the company's business' The mere possibility of reputational or economic harm will not preclude no-action relief. In evaluating significance, the staff will consider the proposal in light of the 'total mix' of information about the issuer." As discussed below, the Proposal relates to economic costs below the thresholds in Rule 14a-8(i)(5) and the Board has concluded that the Proposal is not otherwise significantly related to the Company's business.

B. The Proposal May Be Excluded Pursuant to Rule 14a-8(i)(5) Because The Proposal Is Not Significantly Related to the Company's Business

While the Proposal relates to the Company's energy expenditures, due to the nature of the Company's operations (as described above), the Company's energy expenditures often are not line-item expenses. Thus, in order to determine satisfaction of the economic thresholds in Rule 14a-8(i)(5), the Company aggregated its utility costs (which are over-inclusive as they include power and water) for all Company locations with the Company's total co-location expenses (which are over-inclusive as they include expenses for the space occupied by the Company's servers, utility costs, telephone lines, bandwidth, and security). The aggregate of this amount accounted for, based on the audited financial data reported in the Company's Annual Report on Form 10-K for Fiscal Year 2017, less than five percent of the Company's total assets at the end of Fiscal Year 2017, and for less than five percent of its net earnings and gross sales for Fiscal Year 2017. In addition, the Company does not expect the percentages to exceed these thresholds in Fiscal Year 2018.

Next, consistent with SLB 14I regarding the second part of Rule 14a-8(i)(5), the Board considered whether the Proposal is otherwise significantly related to the Company's business. The Proposal, on its face, does not address the Company's primary business operation, as the Company is a global provider of open source software solutions that uses a community approach to develop and offer operating system, virtualization, management, middleware, cloud, mobile, and storage software technologies. Moreover, the Proposal does not include any factual or other support sufficient to satisfy the Proponent's burden of demonstrating that the Proposal is significantly related to the Company's business. For example, the generic references to "significant business . . . advantages" associated with "renewable energy sourcing," including "reduce[d] costs and protect[ion] against energy price volatility" cited in the Proposal are inapplicable to the Company given that its utility costs for the Company's locations and total co-location expenses (1) do not satisfy the economic tests in Rule 14a-8(i)(5), as discussed above, and (2) represented less than 0.6% of the Company's total operating expenses in Fiscal Year 2017.

Moreover, as discussed above, the Board considered the various factors demonstrating that the Company's operations are not energy-intensive and thus, concluded that the Company does not need significant "energy to power Red Hat's operations," as phrased in the Proposal. As discussed in further detail above, the Board also considered that the Company has limited control over energy sourcing at Company locations since all are leased, the Company only purchases power directly at four locations, and the Company generally cannot control whether energy used by the Company is sourced from renewable energy.

Finally, the Board considered that during the Company's proactive and on-going engagement with stockholders, the Company's stockholders have not raised with the Company comments or concerns about its activities related to the Proposal, including renewable energy sourcing. Moreover, the Board considered that, before the Proposal, the Company had never received a stockholder proposal addressing the Company's activities related to the Proposal, including renewable energy sourcing. After considering these matters and engaging in discussion, the Board concluded that the Proposal is not otherwise significantly related to the Company's business.

For these reasons, the Proposal is similar to the stockholder proposal considered in *Dunkin' Brands Group, Inc.* (avail. Feb. 22, 2018). There the Staff concurred with the exclusion under Rule 14a-8(i)(5) of a proposal regarding the environmental impacts of K-Cup Pods brand packaging, noting that the proposal's "significance to the [c]ompany's business is not apparent on its face" and the proponent had "not demonstrated that it is otherwise significantly related to the [c]ompany's business." While the Proposal contains repeated references to potential impacts on the Company's competitiveness and reputation given actions by other companies, these assertions are speculative in nature as the Proposal

Office of Chief Counsel
Division of Corporation Finance
April 3, 2018
Page 12

fails to cite any concrete evidence that such impacts are likely to occur. Thus, the Proposal fails squarely within the discussion in SLB 14I that “[t]he mere possibility of reputational or economic harm will not preclude no-action relief.” Accordingly, the Proposal is excludable under Rule 14a-8(i)(5).

CONCLUSION

Based upon the foregoing analysis, we respectfully request that the Staff concur that it will take no action if the Company excludes the Proposal from its 2018 Proxy Materials.

We would be happy to provide you with any additional information and answer any questions that you may have regarding this subject. Correspondence regarding this letter should be sent to shareholderproposals@gibsondunn.com. If we can be of any further assistance in this matter, please do not hesitate to call me at (202) 955-8287 or Michael R. Cunningham, Executive Vice President and General Counsel at the Company, at (919) 754-4184.

Sincerely,



Elizabeth A. Ising

Enclosures

cc: Michael R. Cunningham, Red Hat, Inc.
Laura Campos, The Nathan Cummings Foundation

EXHIBIT A

THE · NATHAN · CUMMINGS · FOUNDATION

February 8, 2018

Attn: Corporate Secretary
Red Hat, Inc.
100 East Davie Street
Raleigh, North Carolina 27601

Dear Mr. Cunningham,

The Nathan Cummings Foundation is an endowed institution with approximately \$450 million of investments and an overarching focus on addressing climate change and inequality. As an institutional investor, the Foundation believes that the way in which a company approaches environmental, social and governance issues has important implications for long-term shareholder value.

It is with these considerations in mind that we submit this resolution for inclusion in Red Hat, Inc.'s proxy statement under Rule 14a-8 of the general rules and regulations of the Securities Exchange Act of 1934. The Nathan Cummings Foundation is the primary sponsor of this proposal.

The Nathan Cummings Foundation is the beneficial owner of over \$2,000 worth of shares of Red Hat, Inc., stock. Verification of this ownership, provided by our custodian, Amalgamated Bank, will follow under separate cover. We have continuously held over \$2,000 worth of these shares of Red Hat, Inc., stock for more than one year and will continue to hold these shares through the shareholder meeting.

If you have any questions or concerns about the Foundation's submission of this resolution, please contact me at (212) 787-7300. The Foundation would be pleased to speak with you about any plans you might have to address the issues outlined in our proposal. Thank you for your time.

Sincerely,



Laura Campos

Director, Corporate & Political Accountability

Resolved: Shareholders request that Red Hat, Inc. produce a report assessing the feasibility, as well as the business and societal benefits, of adopting enterprise-wide, quantitative, time-bound targets for increasing Red Hat's renewable energy sourcing. The report should be produced at reasonable cost and exclude proprietary information.

Supporting statement: As renewable energy becomes more available and affordable, leading companies are seeking opportunities to reduce costs and protect against energy price volatility, while contributing to cleaner air and addressing climate change concerns.

The costs of generating electricity from sources such as wind and solar have declined rapidly and renewable energy is now more cost effective than fossil fuel-based energy in many regions. The average price of wind energy in 2016 was around \$0.02/kWh and the levelized cost of energy per kilowatt hour for utility-scale solar reached 6 cents in 2017. (<http://newscenter.lbl.gov/2017/08/08/annual-wind-power-report-confirms-technology-advancements-improved-project-performance-low-wind-energy-prices/>), (<https://energy.gov/eere/solar/articles/2020-utility-scale-solar-goal-achieved>)

In 2015, Berkshire Hathaway's NV Energy secured a power purchase agreement price of \$0.0387 cents per kWh for electricity generated by a 100 MW First Solar plant. (www.eenews.net/stories/1060023749) Meanwhile, the 2016 average retail price of electricity nationwide was \$0.1027/kWh according to the U.S. Energy Information Administration. (https://www.eia.gov/electricity/sales_revenue_price/pdf/table4.pdf)

We believe that procuring renewable energy to power Red Hat's operations would bring significant business and reputational advantages to the company. Conversely, as Red Hat's peers make commitments to renewable energy, a delay in adopting renewable energy targets could expose Red Hat to competitive and reputational risk.

Eric Schmidt of Alphabet has stated: "Much of corporate America is buying renewable energy in some form or another, not just to be sustainable, but because it makes business sense, helping companies diversify their power supply, hedge against fuel risks, and support innovation in an increasingly cost-competitive way." (www.googblogs.com/author/green-blog/page/3/)

As of December 2017, the US Environmental Protection Agency listed 80 Fortune 500 companies as purchasing renewable energy (or certificates) and more than 115 companies had joined the RE100, a coalition of companies committed to powering their businesses with 100% clean, renewable energy. These companies include many of Red Hat's competitors and industry peers such as Apple, Microsoft, SAP, VMware, Salesforce, Autodesk, Rackspace, Workday, and others.

In 2013, the CDP, formerly known as the Carbon Disclosure Project, an organization that focuses on disclosures of environmental impacts, found that 79% of companies earn a higher return on carbon reduction investments than on their overall corporate capital investments. (tinyurl.com/yc4468ar)

In order to limit the average global temperature increase to below 2 degrees Centigrade, the Intergovernmental Panel on Climate Change (IPCC) estimates that the United States needs to reduce annual GHG emissions by approximately 80 percent. This will involve a significant shift to renewable energy. As investors, we believe it is in the best interests of Red Hat's shareholders for the company to stand alongside other corporate leaders in this shift.



February 9, 2017

Attn: Corporate Secretary
Red Hat, Inc.
100 East Davie Street
Raleigh, North Carolina, 27601

Dear Mr. Cunningham,

This letter will verify that as of February 8, 2018 the Nathan Cummings Foundation held 369 shares of Red Hat, Inc., common stock. It has continuously held more than \$2,000 worth of these shares for at least one year and intends to continue to hold at least \$2,000 worth of these shares at the time of your next annual meeting.

The Amalgamated Bank serves as custodian and record holder for the Nathan Cummings Foundation. The above-mentioned shares are registered in a nominee name of the Amalgamated Bank. The shares are held by the Bank through DTC Account #2352.

Sincerely,

A handwritten signature in blue ink that reads "K. Mc Garvey".

Kyle Mc Garvey
First Vice President
Investment Management Division, Client Service

From: "Winston Vaughan" <vaughan@ceres.org>
To: "Amanda Newby" <anewby@redhat.com>
Cc: "Laura S. Campos" <laura.campos@nathancummings.org>
Sent: Tuesday, March 6, 2018 5:01:58 PM
Subject: Thank you, and follow up documents

Hi Amanda,

Thank you for taking the time to discuss Red Hat's climate impact and energy plans. I appreciate you taking the time to engage and look forward to this conversation continuing. I don't have the email of your colleague(s) who joined us on the call. Can you forward this message to them please?

I was very heartened to read on Red Hat's corporate website that the company recognizes its environmental impacts and is committed to being a "responsible member of our global community by building sustainable facilities and reducing our CO2 emissions, landfill waste, and water and energy consumption."

The software and computing industries have been leaders as industry sectors in advancing clean energy and climate solutions, with many leading industry players committing to 100% renewable energy including Adobe, Alphabet (Google), Apple, Equinix, Microsoft, SAP, VMware, Salesforce, Autodesk, Rackspace, Switch, Workday, and others. Amazon has also set a goal of powering their Web Services (AWS) with 100% renewable energy and is already at 50%. <<https://aws.amazon.com/about-aws/sustainability/>>

By studying the feasibility of procuring renewable energy to power Red Hat's direct energy needs, as well as energy intensive services such as the outsourced server capacity Red Hat can join that growing chorus of technology companies who are helping build a sustainable world powered by affordable renewable energy sources.

As I mentioned on the call, there are many great resources to help Red Hat advance your clean energy plans, and a great community of corporate leaders who are actively helping each other attain their goals.

I've attached two resources that I hope will be helpful, the first is Ceres' Guide to Corporate Renewable Energy Leadership, which serves as a primer to the topic- why companies are setting goals, how they are approaching renewable energy procurement, and links to additional resources including those organizations we mentioned on the call. The second resource is a white paper that GM put together as part of that company's commitment to 100% renewable energy which lays out their approach and summaries best practices for businesses of all sizes.

Part of my role here at Ceres is to support companies such as yours who are looking to make the transition to clean energy so if you have questions or want to connect to any of these organizations please don't hesitate to reach out, that's what I'm here for! I also have colleagues on my team who focus on energy efficiency and vehicle electrification (two areas that many companies are addressing as part of their broader climate strategies). I'd be happy to introduce you and your team to them as well.

I hope you find these resources helpful, and look forward to continuing this conversation,

Winston Vaughan
Senior Manager, Renewable Energy
99 Chauncy St. 6th Floor
Boston, MA 02111
w. (617) 247-0700 ext. 217
m. (617) 980-2429
vaughan@ceres.org

[<https://www.ceres.org/>](https://www.ceres.org/)

[<http://www.ceres.org/>](http://www.ceres.org/)Follow us on Facebook [<https://www.facebook.com/ceres.org/>](https://www.facebook.com/ceres.org/), LinkedIn

[<http://www.linkedin.com/company-beta/236658/>](http://www.linkedin.com/company-beta/236658/) and Twitter

[<http://www.twitter.com/ceresnews>](http://www.twitter.com/ceresnews)!

Ceres' [Roadmap to Sustainability](#) lays out a path for 21st century corporations to use their market power to lead the renewable energy transition. The "Roadmap" lays out a corporate procurement goal of 30% renewable energy by 2020 as a benchmark on the road to 100% renewables. As of April, 2017, nearly half of the companies in the 2016 Fortune 500 have set targets to reduce greenhouse gases (GHG), improve energy efficiency, and/or increase renewable energy sourcing. Companies are publicly committing to renewable energy targets, often paired with energy efficiency targets, fleet electrification, and comprehensive GHG reduction strategies. In doing so, companies are sending a powerful message to utilities and policy makers that embracing the transition to clean energy is not just a question of satisfying environmental regulations, it is requirement to meet the demands of their largest and most important customers.

Why Companies are Embracing Renewable Energy

Companies are increasingly seeing business and reputational advantages to powering their company with renewable energy. More and more business leaders are seeing, and seizing, the opportunity for their companies to lead the way. Their motivations include:

- **Reduced energy costs:** while the price of traditional fossil fuel power continues to increase, the cost of wind and solar have dropped significantly and are projected to continue to decline as technology evolves. The average commercial price of grid power in the US is over 10 cents/kWh while utility scale wind and solar are less than half that, and continue to fall as technologies improve and the industry grows to scale.
- **Lower risk:** while the cost of fossil fuel based power can fluctuate significantly based on the price of fuel, renewable energy can provide companies with long term price stability, reducing risk and improving long term financial planning.
- **Corporate Social Responsibility:** in order to meet the goals of the Paris Climate Agreement and limit global temperature change to less than 2°C, global electric power generation will need to quickly transition from fossil fuels to renewable sources. Companies seeking to demonstrate good corporate citizenship are making the decision to lead that transition by setting ambitious goals for renewable energy procurement. Those who do are seeing significant financial and reputational benefits, and as a result, investors are increasingly expecting companies to clearly indicate that they are committed to a clean energy roadmap.

Many Pathways to a Clean Energy Future

While the business and societal benefits of renewable energy is clear, acting on those opportunities can be complicated. Access to, and prices for renewable energy can vary significantly between states and utility territories. Powering a company which has widespread operations with 100% renewable energy takes a creative and flexible approach. Yet as more and more companies pursue the path to 100% clean power it is becoming easier for others to follow. Because every company has different needs there is no one-size-fits all approach. Here are a few of the most common approaches companies are taking to procure renewable energy, ranked roughly from most to least desirable.

Onsite Generation: Where practical, companies often look first to onsite renewables such as rooftop solar or onsite wind turbines to meet their energy needs. Onsite renewables typically offer the best financial savings and, being highly visible, maximize reputational benefits (especially to employees working on site). Innovations in clean energy finance such as leases and green bonds can reduce or eliminate capital requirements for such on-site projects, and companies are seeing increasing success working with their utilities as well as the owners of their leased facilities to eliminate additional obstacles. Onsite generation can be paired with storage and is often coupled with other strategies where it is not sufficient to fully meet a company's energy needs.

Power Purchase Agreement (PPA): Procuring off-site renewable energy through PPAs has become the dominant mechanism for corporate renewable energy procurement, and are often used as a supplement to onsite generation,

allowing a facility to meet 100% of its demand with renewables. A PPA is an agreement between a corporate energy customer and a third-party owner or operator of a renewable energy (usually large-scale wind or solar) project. The company enters into a long-term contract to purchase renewable energy from one or more facilities and the power is delivered through the existing grid. As these facilities can often be much larger than on site facilities, there can be economies of scale that reduce generation costs. However, they can require the involvement of the utility company, which can pose challenges in some areas, especially those served by a traditionally-regulated utility. For larger scale contracts, project developers often develop new facilities specifically for the customer which has clear and tangible reputational advantages for companies. PPAs can also be used to finance on-site renewable energy systems.

Virtual Power Purchase Agreement (VPPA): Similar to traditional PPAs, VPPAs are long term contracts to procure renewable energy from projects such as wind and solar farms. The distinction is that with VPPAs, the project can be located in a different market from the facility consuming the power. As such, they can be used by consumers to access renewables in other markets that can be produced at a lower cost, or in markets where physical or regulatory barriers exist to direct procurement of renewable energy (often regulated markets that lack customer choice). With a VPPA, the customer enters into a contract to purchase renewable energy and accompanying renewable energy certificates (RECs) produced in a different market. That power is then sold into the energy market where that project is located. The company then purchases electricity from their local utility using the proceeds from their energy sales to offset the price and retires the RECs. VPPAs are an innovative, if complex, solution to renewable energy procurement in markets where other options are not available. However, financial savings are not a guarantee and the continued reliance on power purchased from the local utility means companies are still subject to risk of price variability.

Green Tariffs: Green Tariffs are special rates set by a utility for customers who wish to procure renewable energy to power their operations directly from their utility through the existing grid and using existing billing systems. These programs help support the development of renewable resources by the utility and in some cases, lead to new renewable energy development. These mechanisms are currently only available in a limited number of markets. Their terms can vary significantly and along with them potential for savings and environmental impact. Where green tariffs are not yet available, companies are leveraging their market power, often in concert with other local companies, to negotiate such arrangements with their utility. This approach requires active engagement and leadership but also creates an opportunity to shape the offerings to meet their needs. Once negotiated, green tariffs have the potential to increase availability of renewables for all customers, multiplying the impact of a company's actions.

Purchasing Renewable Energy Certificates (RECs): Companies can claim to power their operations with renewable energy by purchasing RECs equivalent to their energy consumption. When implemented well, the purchase and retirement of these RECs provide financial support for the development of renewable energy projects. However, RECs are always an additional marginal cost and thus provide neither a pathway to financial savings nor a hedge against price variability. To ensure REC purchases are impactful, companies should pay close attention to both their source (the definition of renewable varies by jurisdiction which means some low-cost RECs may not meet your definition of renewable) and age. Purchasing RECs as a mechanism for procuring renewable energy is simple and available everywhere, and as a result, has long been the most common path for companies. However, they are falling out of favor as the cost of direct procurement of renewables through other channels declines and availability increases. Given the availability of lower cost, higher impact options RECs should be treated as the path of last resort.

Additional Resources

[Power Forward 3.0 Report](#)

[The Business Renewables Center \(BRC\)](#)

[Renewable Energy Buyer's Alliance \(REBA\)](#)

[WRI Green Tariff Map](#)

[Corporate Clean Energy Procurement: State Leadership and Rankings RE100](#)

[2017 State of Corporate Renewable Energy Procurement](#)

[WRI Emerging Green Tariffs in US regulated Electricity Markets](#)

Tuesday, Nov. 14, 2017

Accelerating and Scaling Corporate Renewable Energy

GM blueprint summaries clean-energy strategies for companies of all sizes

DETROIT — More companies are realizing the economic opportunity in addressing climate change, such as new revenue streams, cost savings and reduced risk. For General Motors, this action also aligns with its values – one of which is to create sustainable solutions that improve communities. The company believes the future is electric and its teams are thinking holistically about product and energy strategies so that cleaner cars drive on a cleaner grid, providing benefits to its customers.

GM pledged to meet its electricity needs at all of its global operations with renewable energy – such as wind, sun and landfill gas – by 2050. By the end of 2018, it will surpass the 20 percent mark. The commitment represents all the facilities where the company pays utility bills, which includes both manufacturing and non-manufacturing buildings leased or owned by GM.

The following summarizes GM’s blueprint for accelerating and scaling a renewable energy plan. It is intended to help companies of all sizes and industries create efficiencies, gain internal support and drive progress. Topics detailed include:

- Practical tactics to help gain companywide support
- Tips to determine the best renewable energy mix
- Best practices to scale efforts and reach goals faster
- Resources for further learning and engagement
- Trends and future outlook for corporate renewable energy use

The Business Case

Renewable energy use at GM makes business sense. A decades-long approach to sourcing renewable energy has produced lessons learned that helped the company further reduce its environmental footprint and save \$80 million along the way.

Today, GM saves \$3 million annually from using renewable energy, a number the company expects to increase as more projects come online. Some benefits of using renewable energy include:

- *Price stability:* Renewable energy translates into lower and more stable energy prices for the long term, reducing the price volatility caused by external threats like geopolitical risks and natural disasters. Uncertainties in the market and temperature changes can greatly impact the cost of traditional energy. Wind energy is currently price competitive with traditional forms of energy and GM expects the price of solar power to continue to decrease as demand grows.
- *Cost savings:* Companies can save money through onsite investments in renewable energy, such as building solar arrays at facilities. Although GM cannot predict the future price of energy, based on a decades-long use of renewable energy, the company believes it will achieve a good return on new projects globally.
- *Societal benefit:* Using renewable energy helps a company better serve society by reducing environmental impact. This clean-energy pursuit benefits customers and communities through cleaner air **while strengthening the business. GM’s strategy to invest in renewable energy** projects in relative proximity of its footprint drives jobs and economic investment in those regions, further supporting communities where the company designs, builds and sells products.

GM's Renewable Energy Journey

More than Two Decades Using Landfill Gas

Contracting the use of thermal energy from the gas of nearby landfills served as GM's first renewable energy project back in 1993. Once the company saw the value at its Toledo Transmission plant, it started evaluating other sites in close proximity to landfills. GM expanded to two more sites – Fort Wayne Assembly that builds the Chevrolet Silverado and GMC Sierra, and Orion Assembly, home of the Chevrolet Bolt EV and Sonic. The company saves money as it can lock into a long-term price for clean energy as natural gas prices fluctuate. These landfill gas projects now deliver about \$3 million a year in savings.



In 2014, GM took it a step further at Orion and Fort Wayne by investing in electrical generation equipment to convert landfill gas into electricity onsite, essentially allowing the company to act as its own utility. It saves on energy costs while reducing greenhouse gases. Gas that would have been flared at the landfill is now redirected into the facility to create electricity for building vehicles.

Although GM's renewable energy commitment encompasses its electricity needs, the company is looking into renewable thermal energy opportunities in boilers at several of its facilities building off experiences using landfill gas. GM recently joined the [Renewable Thermal Collaborative](#).

A Decade Using Solar Energy

More than a decade ago, GM moved into solar energy. The company's distribution center in Rancho Cucamonga, California was the first solar project over 1 megawatt in the U.S. when it began operating in 2006. A year later, GM leveraged government Feed-in-Tariff programs in Europe promoting rooftop installations, installing 12 megawatts of solar arrays at an assembly plant in Spain.



Today those efforts have scaled and GM is now host to solar arrays at 24 facilities, including over 10 megawatts installed in the U.S. and over **30 megawatts installed in China**. The arrays are a visible proof point of the company's clean-energy commitment. GM also uses solar charging at about 200 parking spaces for its employees' electric vehicles.

The company's global solar footprint is equivalent to 145 football fields and GM has the second-highest percentage of solar use among all commercial users in the U.S. While the company will continue to leverage renewable installations where it financially pencils out, off-site wind energy also comes into play.

Investing in Wind through Power Purchase Agreements

GM made its [first Mexico wind deal](#) in February of 2015, followed by one in the U.S. [10 months later](#) enabling its assembly plant in Texas to build up to 125,000 trucks a year using renewable energy.

Another 10 months after that, GM executed its [then-largest](#) deal in November of 2016, purchasing enough wind power to equal the electricity needs of 16 of its U.S. facilities, including business offices in Fort Worth and Austin, Texas, a major assembly and stamping complex in Arlington, Texas, and 13 parts warehouses east of the Mississippi River.



In 2017, GM inked a deal to power the electricity of all of its [Ohio and Indiana](#) manufacturing facilities – including those that build the Chevrolet Cruze and Silverado and GMC Sierra light-duty pickup trucks – with wind energy.

These wind power purchase agreements make a good dent in GM's 100 percent renewable energy goal. For example, the 200-megawatt virtual power purchase agreement in Indiana and Ohio doubles GM's current 199.8 megawatt of sourced renewable energy capacity.

GM's Path to 100 Percent

GM uses roughly 8.5 terawatts hours of electricity to build its vehicles and power offices, technical centers and warehouses around the world. The company developed a four-pillar strategy to ensure that volume of electricity comes from 100 percent renewable energy sources by 2050, while benefiting the business through top-line growth, bottom-line improvements, and reduced risks.



1. Focus first on energy efficiency

The first step is continuing to maximize energy efficiency through investments in new technology and daily efforts to conserve electricity in facilities. By reducing energy use overall, there will be less electricity needs to be covered by renewable sources.

Using an energy management system to conduct real-time monitoring helps reveal opportunities to further conserve. **GM's two-pronged** approach includes an internal system for tracking utility consumption **and the company's own** Energy OnStar program that monitors real-time usage.

GM spends about \$20 million annually on these energy efficiency and power demand projects, while also leveraging performance contracts as another tactic to achieve energy reduction goals with financial benefits. This is where a company does not use its own capital to pay for projects, such as a large-scale LED installation; rather a supplier or utility handles the financing while the company reaps the energy savings.

2. Procure renewable energy

A portion of the renewable energy mix will come from physical and virtual power purchase agreements, which offer significant amounts of power to help scale use. GM will also install onsite renewable energy projects in the form of solar arrays and landfill gas projects. As it builds or renovates buildings, the company will integrate renewable energy where feasible.

GM continues to look at new opportunities, such as community solar. In this case, a developer builds a large-scale solar installation for a group of residents that may not have means to host an array on their own properties. In this case, GM would serve as a user of that clean energy.

3. Pursue energy storage

The sun does not always shine and the wind does not always blow, so energy storage is a reliable way to tackle the intermittency challenge. GM has rich expertise in battery and fuel cells. The company operates the largest battery systems lab of any automaker in North America and leverages its global capabilities and resources to better understand these technologies in a variety of deployments, including, for example, the potential to reuse **batteries after their first life in a vehicle. This enables holistic thinking of how GM's energy and product strategy interconnect, and advances a more circular economy.**

GM is doing this at its Milford Proving Ground data center office, where [used Chevrolet Volt batteries](#) power the building. GM collected five batteries from out-of-service vehicles and re-certified them for continued use. Even after a Chevrolet Volt vehicle has been retired, up to 80 percent of its battery storage capacity remains. A solar array works in parallel with the batteries to achieve an expected net-zero emissions result annually, feeding more energy back to the grid than is consumed.



GM is looking into how it can possibly monetize energy storage and provide ancillary services to the grid, like reactive power, demand management, peak shaving and frequency regulation. This helps the grid operate in a more efficient manner through distributed energy.

There is also potential in vehicle-grid integration strategies, where customers have the opportunity to charge their electric vehicles when renewable energy is available. This maximizes the efficiency of an intermittent resource, creating demand and using excess electricity that may otherwise be curtailed.

4. *Supporting policy decisions*

Working with utility stakeholders is a key pillar for GM's energy and transportation strategies and a way to create positive multiplier effects across the business. GM sees green tariffs – working with electric utilities to allow companies and customers greater access to source electricity from renewable sources through a fixed rate – as a significant part of its renewable energy plan. As utilities replace aging generation technology and invest in next-generation energy solutions, they can sell that renewable energy to companies with sustainability targets to help power their electricity needs. Through this process, the utility transfers the renewable energy credits to them. This is an effective route for both utilities and companies to scale renewable energy resources and ultimately provide price stability for all with the potential to reduce costs in the future. Adoption of non-fuel-dependent wind and solar effectively removes the price volatility equation.

In parallel, vehicle-grid integration and services associated with transportation electrification provide complementary strategies to reimagining local distribution grids. Consider challenges like the **"Duck Curve" seen in California**, where the grid experiences a drop in load by midday given the amount of solar on the grid, followed by a surge late afternoon and evening as solar becomes less available. In this case, both stationary and transportation uses, coupled with energy storage, can systematically solve for renewable energy integration. GM customers could use their vehicles' **embedded connectivity** to receive signals from their utility to charge when these renewable sources are available. The company participates in such conversations, ensuring dialogue on policy decisions with California stakeholders.

This strategic look at how GM and its customers use - and can use - renewable energy helps address broader considerations. Where renewable energy options are still developing or scarce, GM may look at any portion of the four-pillar strategy to support efforts, and in the end, may purchase renewable energy credits. The company will work to ensure emerging economies develop renewable energy solutions and establish a mechanism to track consumption and credits. There must be tracking mechanisms that go along with the renewable energy generation to certify the trail and avoid double counting. Not all markets offer renewable energy sources. For this reason, it is key to work with local policymakers and regulators to help enable more clean energy options.

More than half of the states in the U.S. have a Renewable Portfolio Standard that requires utilities to increase the amount of renewable energy they send to the grid. In these areas, companies can enjoy greater access and demonstrate demand beyond business as usual.

Partnerships and collaborations, such as the Business Renewables Center, also help to influence policy that helps grow corporate renewable energy use.

Best Practices to Scale Efforts

1. *Ready, set, goal:* Start with a corporate renewable energy goal and identify a champion to help drive it and see it through. If it is a public commitment that the company reports progress against, there will likely be motivation to allocate resources and make it a priority.
2. *Look inside:* Leverage internal expertise at facilities; odds are there are electrical and mechanical engineers onsite or employees that have a passion to see renewable energy succeed. Use these resources to build a project to continue driving out cost.
3. *Consider the communications value:* When building internal consensus, look at other business benefits beyond a long-term, stable energy supply. Think about the education and visibility opportunities an acre of arrays would provide. That becomes a noticeable proof point for environmental commitment and can be more powerful than an ad on a billboard. On any given day, **over 100,000 drivers see GM's solar arrays when they pass its Lordstown Ohio or Bowling Green Kentucky assembly plants.**
4. *Seek legal, treasury and accounting advice:* Get good internal legal, treasury and accounting counsel. These professionals can support the language, track tax implications (especially if capital is involved), and properly account the nature of long-term power agreements. They can also help engage the right leadership needed to approve such arrangements. Establishing a monthly review process that includes members of these teams is key for continuity and collaboration between groups, and provides a forum to answer questions. The process becomes shorter after every negotiation, leading to deals turned around faster.
5. *Build new financial models:* Keep a close watch on the fuel and gas industry and use it as a benchmark when reviewing electricity costs. Many deals come with sizeable investments and long-term contracts that spread incentives and payments over many years, so it can help to develop new or modify existing financial models and forecasts for each deal.
6. *Phone a friend:* Talk to companies who have done this before. GM shares often with counterparts at technology companies to discuss challenges and get advice. Engage with the [Business Renewables Center](#) to connect with others doing similar buys. GM was one of the founders of this organization where members benefit from the shared knowledge of the industries involved.
7. *Collaborate with energy suppliers:* This is a driving principle of the [Corporate Renewable Energy Buyers' Principles](#), which are six criteria to help advance renewable energy procurement, such as longer- and variable-term contracts, streamlined third-party financing and access to new projects that significantly reduce emissions. The central ask is a collaborative process among all parties to make using renewable energy obtainable.
8. *Don't discount the discounts:* Maximize state and federal renewable energy incentives. Seek out what rebates and incentives are available in a given region, and use it to strengthen the business case. Overlay where the incentives are and where to get the biggest bang for the buck, and build the financial model around that. If a company has empty parking spaces or a big rooftop in that area, it could be a match.



Creating a Culture that Gets Deals Done: Tips to Gain Companywide Support

Sustainability circles often talk about the “three Ps” of the triple bottom line: people, planet and profit.

GM uses this as a framework to evaluate company performance, leveraging it to develop solutions to a variety of societal and environmental challenges. However, it can take time to embed a **sustainability culture into company DNA, requiring a “three P” method of its own: a pragmatic approach fulfilled through perseverance and supported by passion for sustainable solutions.**

- *Be pragmatic:* Start by looking at the basics. How much electricity is needed, who needs to be engaged, which people can help get there, and which facilities, employees and communities can these deals support? A practical approach enables companies to gain further support from departments outside of the sustainability space, including finance and treasury, legal, policy, facilities and local utility partners. Getting the ear of all these corporate functions is a matter of consistently demonstrating the sound business approach – one that locks a company into stable energy prices and reduces risk through a diverse energy portfolio.
- *Be perseverant:* It takes perseverance to bring together teams within the company that may not traditionally work together. State the case for green power to each, running – and proving – the numbers. This leads to broken-down silos across the company and an acceleration of the use of renewable energy sources.
- *Be passionate:* Progress would not be possible without the dedication of a team that values sustainability and the benefits it brings to customers, business and communities. Leverage these and other external stakeholders and tap into their passion and growing expectations for improved corporate performance in the areas of environment, social and governance. External engagement is an effective way to help fuel and sustain the passion.

Resources

It is increasingly important to collaborate with local utilities, policymakers, government officials, renewable energy developers, technology manufacturers, and other companies and organizations who will help make renewable energy procurement more attainable. This is why GM is a founding member of the Renewable Energy Buyers Alliance, which helps grow corporate demand for renewable power and demonstrate that market demand to utilities.

Companies can also do the following to learn more and advance their clean-energy commitments:

- Pledge to go 100 percent through [RE100](#), a global group of businesses convened through The Climate Group and a partnership with CDP. Companies make a public commitment to match all of the electricity used across their operations with electricity produced from renewable sources, either sourced from the market or self-produced.
- Join the [Renewable Energy Buyers Alliance](#) and the Rocky Mountain Institute’s [Business Renewables Center](#) to interact with a likeminded community and find resources to help scale adoption of renewable energy.
- Join the [Renewable Thermal Collaborative](#) to learn from other companies about renewable heating and cooling, understand the problems in the market and overcome barriers. This collaborative is facilitated by the Center for Climate and Energy Solutions, David Gardiner and Associates and World Wildlife Fund, and is an initiative of REBA.
- Sign on to the [Corporate Renewable Energy Buyers' Principles](#) to help expand and streamline the opportunities for renewable energy procurement.
- Apply to be a corporate member of the [American Wind Energy Association](#) to engage with thousands of wind industry members and policy advocates, and receive access to relevant data.
- Become a member of the [Solar Energy Industry of America](#) for networking, educational webinars and market research access related to the solar industry.
- Participate in forums on topics such as California proceedings on [zero-emission vehicles](#), EV charging and energy storage, and join working groups on vehicle-grid integration.
- Take part in **New York’s** [Reforming the Energy Vision](#) to contribute thoughts on the grid of the future and the necessary distributed energy resources associated with it.

Summary & Future Outlook on Corporate Renewable Energy

Best Practices

A few elements were key to making GM's renewable energy deals successful:

- Establishing a public-facing commitment
- Tying renewable energy to business strength, lower costs and mitigated risk
- Gaining internal support from finance, treasury, accounting departments
- Leveraging facilities management and **energy engineers'** expertise
- **Sharing GM's renewable energy progress with new recruits** and employees to grow excitement
- Developing relationships with stakeholders in the clean-energy community, from resource groups to developers and agents

Trends

Advancements in technology, such as improved weather forecasting, increased use of artificial intelligence, blockchain, and the widespread use of drones to monitor transmission, distribution and generation resources, will greatly impact clean technology adoption.

As costs continue to decline and adoption of renewable energy use increases:

- Renewable energy will be key to helping more companies meet their science-based targets.
- Growth of green tariffs will continue, enabling deeper company engagement with utilities.
- Companies will further engage their supply chains in renewable energy goals.
- Companies and policymakers will help develop renewable energy structures in emerging economies.
- Technology advancements will continue, driving greater affordability of solar, storage and wind.
- Market reform will allow for better monetization of ancillary services, such as peak shaving, demand management, frequency regulation and reactive power.

About General Motors

General Motors Co. (NYSE: GM, TSX: GMM) and its partners produce vehicles in 30 countries, and the company has leadership positions in the world's largest and fastest-growing automotive markets. GM, its subsidiaries and joint venture entities sell vehicles under the Chevrolet, Cadillac, Baojun, Buick, GMC, Holden, Jiefang and Wuling brands. More information on the company and its subsidiaries, including OnStar, a global leader in vehicle safety, security and information services, can be found at <http://www.gm.com>.

###

From: "Laura S. Campos" <Laura.Campos@nathancummings.org>
To: "Amanda Newby" <anewby@redhat.com>
Sent: Wednesday, March 7, 2018 7:54:12 AM
Subject: Re: Thank you, and follow up documents

Amanda,

I want to echo Winston's appreciation for the time you took to discuss our proposal with us. Please let Winston and I know if we can be helpful as you think through your approach to our proposal and renewable energy more broadly.

Best,
Laura

From: Amanda Newby <anewby@redhat.com>
Date: Tuesday, March 6, 2018 at 7:00 45 PM EST
To: Winston Vaughan <vaughan@ceres.org>
Cc: "Laura S. Campos" <Laura.Campos@nathancummings.org>
Subject: Re: Thank you, and follow up documents

Thank you for the quick follow up Winston. It was a very useful call for us.

Regards,
Amanda Newby

From: "Amanda Newby" <anewby@redhat.com>
To: "Laura S. Campos" <Laura.Campos@nathancummings.org>
Sent: Monday, March 12, 2018 2:33:42 PM
Subject: Re: Wednesday Webinar on Renewable Energy Purchasing

Thank you Laura. I will try to attend.

Amanda Newby
Red Hat
(919) 754-4217

> On Mar 12, 2018, at 2:29 PM, Laura S. Campos <Laura.Campos@nathancummings.org> wrote:
>
> Dear Amanda,
> Given our recent conversations, I wanted to pass along some information on this upcoming webinar
> on the renewable energy landscape.
> Best,
> Laura
>
>
> Laura Campos
> Director, Corporate & Political Accountability The Nathan Cummings
> Foundation
> 475 10th Avenue ~ 14th Floor ~ New York, NY 10018
> 212 787 7300 ext. 3615

From: "Laura S. Campos" <Laura.Campos@nathancummings.org>
To: "Amanda Newby" <anewby@redhat.com>
Cc: "Winston Vaughan" <vaughan@ceres.org>
Sent: Wednesday, March 28, 2018 2:36:28 PM
Subject: Exciting updates on renewable energy

Dear Amanda,

Thank you again for engaging us in a conversation about Red Hat's future plans regarding renewable energy. This year has already been a very exciting one for corporate procurement of renewable energy, and Winston and I wanted to circle back with you to share a few updates that we thought would be of interest to your team as it develops its own plans.

Earlier this month Lowe's made public their plans for renewable energy feasibility study as part of a broader announcement aligning their GHG emissions commitments to the Paris Agreement. We thought this might be of interest to your team as the content of this announcement is very much in line with what we discussed in our recent conversation. Please see here: <https://newsroom.lowes.com/inside-lowes/lowes-continues-to-explore-new-ways-to-reduce-environmental-footprint/>

In addition to the study announced by Lowe's, there have been a number of other recent announcements from companies that have made big clean energy commitments. For instance, Facebook and Adobe recently released signed a significant wind power purchase agreement. Other companies making announcements in this space include T-Mobile and AT&T. See below for more information on these and other commitments.

Facebook & Adobe: <https://www.smartenergydecisions.com/blog/2018/03/19/facebook-and-adobe-sign-wind-ppa-in-nebraska>

contact_id=96292&inf_contact_key=2464c596780d275d7ad8e2b14e14ace855611a410173f9bf20b0f73c2237b9ff<https://www.smartenergydecisions.com/blog/2018/03/19/facebook-and-adobe-sign-wind-ppa-in-nebraska?contact_id=96292&inf_contact_key=2464c596780d275d7ad8e2b14e14ace855611a410173f9bf20b0f73c2237b9ff>

T-Mobile: http://www.masslive.com/business-news/index.ssf/2018/02/att_and_verizon_pressured_by_t-mobile_to.html

AT&T: http://about.att.com/story/att_corporate_renewable_energy_purchase.html

Brown-Forman: <https://www.brown-forman.com/brown-forman-invests-in-renewable-energy-first-major-u-s-spirits-and-wine-producer-to-enter-power-purchase-agreement/>

Kohler: <https://www.prnewswire.com/news-releases/kohler-co-announces-wind-power-investment-300608992.html>

If you have any questions about these announcements or would like to connect with the teams at those companies who were involved please don't hesitate to reach out.

Best,

Laura Campos & Winston Vaughan

From: "Winston Vaughan" <vaughan@ceres.org>
To: "Laura S. Campos" <Laura.Campos@nathancummings.org>
Cc: "Amanda Newby" <anewby@redhat.com>
Sent: Wednesday, March 28, 2018 2:44:47 PM
Subject: Re: Exciting updates on renewable energy

Dear Amanda,

Echoing Laura here, these examples (and there are many more) show that 2018 has already been a remarkable year for private sector renewable energy commitments and we're just getting started.

I also wanted to pass along the invite (below) to a series of webinars on renewable energy, energy efficiency, and EVs that Ceres is organizing in concert with We Mean Business. These webinars might prove helpful for folks on your team as you explore the possibility of setting clean energy targets, I hope you will be able to join us.

Best,

Winston Vaughan

Senior Manager, Renewable Energy

99 Chauncy St. 6th Floor

Boston, MA 02111

w. (617) 247-0700 ext. 217 <(617)20247-0700> m. (617) 980-2429 vaughan@ceres.org

<<http://www.ceres.org/>> Follow us on Facebook <<https://www.facebook.com/ceres.org/>>, LinkedIn
<<http://www.linkedin.com/company-beta/236658/>>, and Twitter
<<http://www.twitter.com/ceresnews>>!