ADOBE SYSTEMS INCORPORATED

MEETING DATE: Thu, 09 Apr 2015 9:00 am
TYPE: AGM
ISSUE DATE: Thu, 26 Mar 2015
MEETING LOCATION: 321 Park Avenue, San Jose, California 95110
CURRENT INDICES: S&P500
SECTOR: Prepackaged software

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PROPOSALS

1a  Elect Amy L. Banse
   Independent Non-Executive Director.  
   For

1b  Elect Kelly J Barlow.
   Non-Executive Director. Not considered independent as he is an affiliate of a major shareholder. 
   There is insufficient independent representation on the board. Triodos opposes this resolution. 
   Oppose

1c  Elect Edward W. Barnholt
   Non-Executive Director. Not considered independent as he has served for longer than nine years 
   on the Board. There is insufficient independent representation on the board. Triodos opposes this 
   resolution. 
   Oppose

1d  Elect Robert K. Burgess
   Non-Executive Director. Not considered independent as he has served for longer than nine years 
   on the Board. There is insufficient independent representation on the board. Triodos opposes this 
   resolution. 
   Oppose

1e  Elect Frank A. Calderoni
   Independent Non-Executive Director.  
   For

1f  Elect Michael R. Cannon
   Non-Executive Director. Not considered independent as he has served for longer than nine years 
   on the Board. There is insufficient independent representation on the board. Triodos opposes this 
   resolution. 
   Oppose

1g  Elect James E. Daley
   Non-Executive Director. Not considered independent as he has served for longer than nine years 
   on the Board. There is insufficient independent representation on the board. Triodos opposes this 
   resolution. 
   Oppose

1h  Elect Laura B Desmond
   Independent Non-Executive Director.  
   For

1i  Elect Charles M Geschke
   Chairman (Non-Executive). Not considered independent as he is a Co-founder and a former 
   Executive of the Company. There is insufficient independence on the Board. Triodos opposes this 
   resolution. 
   Oppose

1j  Elect Shantanu Narayen
   President and CEO.  
   For

1k  Elect Daniel L. Rosensweig
   Independent Non-Executive Director.  
   For

1l  Elect Robert Sedgewick
   Non-executive Director. Not considered independent as he has served for longer than nine years on 
   the Board. There is insufficient independence on the Board. Triodos opposes this resolution. 
   Oppose

1m  Elect John E. Warnock
   Co-Chairman (Non-Executive). Not considered independent as he is a Co-founder and a former 
   Executive of the Company. There is insufficient independence on the Board. Triodos opposes this 
   resolution. 
   Oppose
2 Amend existing long term incentive plan  
The Company seeks to amend the 2003 Equity Incentive Plan to increase the available share reserve by 10 million shares. The Company has said this change is required to order to attract new staff and that the current number of shares of common stock available for future grants, 38,762,689, is insufficient to meet future incentive pay needs. If this resolution were passed it would mean that 9.73% of shares were available for future grants and this is regarded as too high. The Company discloses it has a a median burn-rate compared to peers but does not provide any raw data for analysis. Based on the excessive potential dilution from this Plan, Triodos opposes this resolution.

3 Appoint the auditors  
KPMG proposed. Non-audit fees were approximately 25.6% of audit and audit related fees during the year under review, and approximately 32.49% over a three-year basis. There are concerns that this level of non-audit fees creates a potential for conflict of interest on the part of the independent auditor. Triodos opposes this resolution.

4 Advisory vote on executive compensation  
The company has submitted a proposal for shareholder ratification of its executive compensation policy and practices. The voting outcome for this resolution reflects the balance of opinion on the adequacy of disclosure, the balance of performance and reward and the terms of executive employment. The compensation rating is BDD . Performance targets for incentive pay are not regarded as challenging and no raw data is disclosed which would enable a comparison of targets over several years. There are no non-financial performance criteria included in the incentive pay which means remuneration is not influenced by issues such as employee or customer satisfaction or energy efficiency, which is a crucial issue for technology companies. Compensation for the CEO is not adequately explained. Based on these concerns, Triodos opposes this resolution.

SUPPORTING INFORMATION FOR RESOLUTIONS

Proposal 4 - Advisory vote on executive compensation  
The Company performs worse that its peers in terms of compensation arrangements. The Compensation Committee has members which are not considered to be independent, which goes against best practice. Performance targets for incentive pay are not regarded as challenging and no raw data is disclosed which would enable a comparison of targets over several years. There are no non-financial performance criteria included in the incentive pay which means remuneration is not influenced by issues such as employee or customer satisfaction or energy efficiency, which is a crucial issue for technology companies. Compensation for the CEO is not adequately explained; Shantanu Narayen received a 5.3% salary increase from fiscal 2013 to fiscal 2014 but there was no adequate explanation for this. Also, only 6% of the CEO salary is from salary. There are no long-term incentive payments and equity incentive bonuses are based on Total Shareholder Return over a three year period, which is not considered an appropriate performance measure. The few positives include the fact that the Company has a claw-back system for bonuses and that performance criteria are not duplicated across the different incentive pay schemes. The Company has a poor compensation rating overall.