Triodos Investment Management

ADOBE SYSTEMS INCORPORATED

MEETING DATE	Thu, 12 Apr 2018 0:00:09 am	TYPE	AGM	ISSUE DATE	Fri, 23 Mar 2018
MEETING LOCATION	Almaden Tower building, 151 Almaden Boulevard, San Jose, California 95110				
CURRENT INDICES	S&P500				
SECTOR	Prepackaged software				

	PROPOSALS	ADVICE
1a	**Elect Director Amy L. Banse** Independent Non-Executive Director.	**For**
1b	**Elect Director Edward W. Barnholt** Non-Executive Director. Not considered independent as he has served for more than nine years on the Board. There is insufficient independent representation on the Board.	**Oppose**
1c	**Elect Director Robert K. Burgess** Non-Executive Director. Not considered independent as he has served for more than nine years on the Board. There is insufficient independent representation on the Board.	**Oppose**
1d	**Elect Director Frank A. Calderoni** Independent Non-Executive Director. However, there are concerns over the director's potential aggregate time commitments. He is chair of the Audit committee which is not fully independent which Triodos does not support.	**Oppose**
1e	**Elect Director James E. Daley** Non-Executive Director. Not considered independent owing to a tenure of over nine years. There is insufficient independent representation on the Board.	**Oppose**
1f	**Elect Director Laura B. Desmond** Independent Non-Executive Director.	**For**
1g	**Elect Director Charles M. Geschke** Non-Executive Director. Not considered independent as he is a former Executive and Co-Founder of Adobe. There is insufficient independent representation on the Board.	**Oppose**
1h	**Elect Director Shantanu Narayen** Chairman, President and Chief Executive Officer. Combined roles at the head of the Company. There should be a clear division of responsibilities at the head of the Company between the running of the board and the executive responsibility for the running of the Company's business. No one individual should have unfettered powers of decision. Combining the two roles in one person represents a concentration of power that is potentially detrimental to board balance, effective debate, and board appraisal.	**Oppose**
1i	**Elect Director Daniel L. Rosensweig** Non-Executive Director. Not considered independent owing to a tenure of over nine years. There is insufficient independent representation on the Board. He is chair of the Remuneration committee which is not fully independent which Triodos does not support.	**Oppose**
1j	**Elect Director John E. Warnock** Non-Executive Director. Not considered independent as he is the Co-Founder and former Executive of Adobe. There is insufficient independent representation on the Board.	**Oppose**

2 Approve the Adobe Systems Incorporated 2003 Equity Incentive Plan **Oppose**

The Company has put forward a resolution requesting shareholders to approve the Company's 2003 Equity Incentive Plan, as amended (2003 Plan) to increase the number of shares reserved for issuance by 7.5m shares of common stock. If shareholders approve the 2003 Plan, the maximum aggregate number of shares that may be issued under the 2003 Plan will be increased from 285,999,620 to 293,499,620. The 2003 Plan permits the Company to grant stock options, stock appreciation rights, stock bonuses, stock purchase rights, restricted stock units (RSUs), performance shares and performance units, as well as for services as a director, cash-based amounts. The 2003 Plan is open to employees (including executive officers) and consultants of the Company, its subsidiary corporations or other affiliated entities and members of the Board. The 2003 Plan is administered by the Board and the Committee which has the power to determine the persons to whom and the times at which awards are granted, the types and sizes of such awards, and all of their terms and conditions.

As performance conditions may be attached to awards at the Committee's discretion, there are concerns that the Committee will have considerable flexibility in the payout of discretionary awards and as a result awards may not be subject to robust enough performance targets.

Triodos opposes this resolution.

3 Ratify KPMG LLP as Auditors **Oppose**

KPMG proposed. Non-audit fees represented 13.81% of audit fees during the year under review and 16.13% on a three-year aggregate basis. This level of non-audit fees does not raise serious concerns about the independence of the statutory auditor. The current auditor has been in place for more than seven years. There are concerns that failure to regularly rotate the audit firm can compromise the independence of the auditor.

4 Advisory Vote to Ratify Named Executive Officers' Compensation **Oppose**

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.

Rewarded executive compensation is above peer group averages. In addition, awarded pay for the CEO is not aligned with companies of a similar market capitalization. There is a concern over the Company not disclosing specific performance targets for the annual cash incentive schemes. Also, there is a concern over the Committee's authority to pay additional discretionary bonuses outside the Executive Incentive Plan. Half of the long-term incentives have no performance conditions. With respect to performance share awards, the TSR vesting scale is insufficiently broad to ensure superior awards reflect superior performance as executives may receive payouts for below median performance. Essentially rewarding the executives for performing below average. Also, the use of a sole performance criterion is not considered appropriate in evaluating performance. Time-based RSUs vest in equal annual instalments over a period of three years starting with the first anniversary of the date of grant which is not considered sufficiently long-term.

The Company's change of control plan provides for severance payments and fully accelerated vesting of outstanding equity awards upon an involuntary termination of employment upon or following a qualifying change of control. However, Mr. Narayen's, Chairman, President and CEO, Retention Agreement provides that all outstanding equity awards accelerate upon a change of control. Also, good reason is not defined.

The compensation rating is: DED. Based on this rating,Triodos opposes this resolution.

SUPPORTING INFORMATION FOR RESOLUTIONS

Proposal 4 - Advisory Vote to Ratify Named Executive Officers' Compensation

Disclosure: D-

Annual cash incentives are based on corporate performance (financial performance and strategic objectives) (50%) and on individual performance (50%). Performance measures consisted of: NetNnew Digital Media Annualized Recurring

Revenue (ARR); and bookings for the Adobe Experience Cloud. In addition, the corporate performance result may be adjusted downward based on the outcome of company strategic objectives. The Company granted long-term incentives in the form of performance share awards (50%) and time-based Restricted Stock Units (RSUs) (50%). Performance share awards are based on relative total stockholder return (TSR) over a three-year performance period. There is no disclosure of the financial targets and strategic objectives for the annual incentive plan.

Balance: E-

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