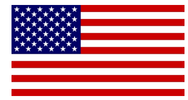
Triodos Investment Management

ADOBE INC

MEETING DATE	Thu, 11 Apr 2019 9:00 am	TYPE	AGM	ISSUE DATE	Thu, 28 Mar 2019
MEETING LOCATION	Almaden Tower building located at 151 Almaden Boulevard, San Jose, California 95110.				
CURRENT INDICES	S&P500				
SECTOR	Prepackaged software				



	PROPOSALS	ADVICE
1a	**Elect Amy Banse** Independent Non-Executive Director.	For
1b	**Elect Frank Calderoni** Independent Non-Executive Director. 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
1c	**Elect James Daley** Non-Executive Director. Not considered independent owing to a tenure of over nine years. However, there is sufficient independent representation on the Board.	For
1d	**Elect Laura Desmond** Independent Non-Executive Director.	For
1e	**Elect Charles Geschke** Non-Executive Director. Not considered independent owing to a tenure of over nine years. However, there is sufficient independent representation on the Board.	For
1f	**Elect 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. Triodos opposes this resolution.	Oppose
1g	**Elect Kathleen Oberg** Independent Non-Executive Director.	For
1h	**Elect Dheeraj Pandey** Independent Non-Executive Director.	For
1i	**Elect David Ricks** Independent Non-Executive Director. PIRC Issue: there are concerns over the director's potential aggregate time commitments.	For
1j	**Elect Daniel Rosensweig** Non-Executive Director. Not considered independent owing to a tenure of over nine years. There is sufficient independent representation on the Board.	For
1k	**Elect John Warnock** Non-Executive Director. Not considered independent owing to a tenure of over nine years. However, there is sufficient independent representation on the Board.	For

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

The company has put forward a resolution requesting shareholders to approve the new Adobe Inc. 2019 Equity Incentive Plan (the "2019 Plan"). The 2019 Plan is intended to update and replace the 2003 Equity Incentive Plan (the "2003 Plan") in order to modernize the plan in light of recent tax law changes. The 2019 Plan has approximately the same number of shares available for awards under the 2003 Plan at the time of the annual meeting. If the 2019 Plan is approved by shareholders, no further awards will be granted under the 2003 Plan. The proposed changes suggest share reserve under the 2019 Plan of 46,000,000 shares of common stock. As of January 25, 2019, awards covering 9,694,583 shares were outstanding under the 2003 Plan, and 45,791,080 shares remained available for future grants under the 2003 Plan, which equates to 25,870,666 full value shares of common stock when applying the fungible ratio of 1.77. If shareholders approve the 2019 Plan, then no new awards will be made under the 2003 Plan. The 2019 Plan would be administered by the Board and the Committee (the "Plan Administrator"), as was the 2003 Plan. The Board authorizes grants of awards to its directors. The Committee, which consists entirely of "non-employee directors" within the meaning of Rule 16b-3 under the Exchange Act, will be authorized to grant all types of awards to employees, executive officers and consultants as it was with the 2003 Plan. Subject to the provisions of the 2019 Plan and the authority delegated to it by the Board, the Committee will determine as it did pursuant to the 2003 Plan, in its discretion, 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 Appoint the 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 ten years. There are concerns that failure to regularly rotate the audit firm can compromise the independence of the auditor.

Triodos opposes this resolution.

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.

The Company included non-financial metrics into the annual bonus structure, which is considered best practice. For the year under review, annual bonus payouts are considered to be excessive as they represent more than 200% of base salary. The Company uses only one performance metrics to determine the payout of performance awards. Instead of the use of a sole performance metric, it would be preferred that payout be linked to at least two or more performance metrics, with the inclusion of an non-financial performance critertia. Performance measures attached to long-term incentives do not duplicate those attached to other awards, which is considered acceptable practice. Maximum long-term award opportunities are not limited to 200% of base salary, which raises concerns over the potential excessiveness of the remuneration structure. Retention awards make up a significant portion of the long-term incentives and therefore the scheme does not link pay to performance. The minimum performance period prior to vesting is less than three years, which is considered to be short term. Five-year vesting would be preferred. In addition, executive compensation is not aligned with companies of a similar market cap. Executive compensation is not aligned with peer group averages. Potential severance entitlements in a change of control scenario are considered excessive as they exceed three times the base salary. The Company does not appear to have double-trigger provisions in place, which is a concern as single-trigger vesting allows for awards to automatically vest in the event of a change-of-control. 'Good reason' is not defined appropriately, such that the Remuneration Committee is able to apply discretion when determining the status of a departing executive. The Compensation Committee has full discretion to accelerate the vesting of awards upon a change of control, which is a concern. The claw-back policy is considered appropriate as it applies to short- and long-term incentives, and is not limited to cases of financial misstatement.

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

5 Shareholder Resolution: Regarding median gender pay report **For**

Proposed by: The name, address and beneficial holdings of the proponent will be provided promptly upon request.

The proposal seeks the the Board of Directors disclose information regarding a median gender pay report.

Supporting Argument: The proponents state that the World Economic Forum estimates the gender pay gap costs the economy 1.2 trillion dollars annually. The median income for women working full time in the United States is 80 percent of that of their male counterparts. This disparity can equal nearly half a million dollars over a career. Furthemore the proponents state the gap for African American and Latina women is 60 percent and 55 percent. Furthemore the proposal states at the current rate, women will not reach pay parity until 2059. Furthemore the proposal notes that Adobe reports female employees will reach pay parity by the end of the 2018 fiscal year on a statistically adjusted equal pay basis. The proposal staes that that statistically adjusted number alone fails to consider how discrimination affects differences in opportunity. In contrast, median pay gap disclosures address the structural bias that affects the jobs women hold, particularly when men hold most higher paying jobs. Shareholders request Adobe report on the risks to the company associated with emerging public policies addressing the gender pay gap, including associated reputational, competitive, and operational risks, and risks related to recruiting and retaining female talent. The report should be prepared at reasonable cost, omitting proprietary information, litigation strategy and legal compliance information. The gender pay gap is defined as the difference between male and female median earnings expressed as a percentage of male earnings (Organization for Economic Cooperation and Development).

Opposing Argument: The Board recommends that shareholders vote AGAINST the proposal. The board states that they do not believe this is the right point of emphasis to drive diversity and inclusion throughout the organization. The board further states that the median does not demonstrate whether women and men are being paid fairly for the role they are doing, but rather illustrates at a high level of abstraction the distribution of men and women in different roles within an organization. The board states thar this is different from pay parity, which we define as ensuring that employees in the same job and location are paid fairly relative to one another, regardless of their gender or ethnicity. The board believes our focus on pay parity, along with our recently announced initiative to examine "opportunity parity" which are definined as fairness in internal movement and advancement across demographic groups, are the right focus areas to ensure our commitment to a diverse and inclusive workforce rather than a median-based approach that is driven by macroeconomic trends that may not be immediately actionable. The board states Adobe has made major investments in gender diversity and pay parity. Starting in 2017, we undertook a review of our job structure and analyzed out compensation practices. We then made small adjustments based on this review. After announcing we had achieved gender pay parity in the U.S. in December 2017 and India in January 2018, Adobe announced we achieved global gender pay parity in October 2018. Adobe is committed to maintaining pay parity over time. The board further states that given Adobe’s ongoing compensation practices and diversity and inclusion efforts, the preparation of the report contemplated by this proposal is unnecessary and not beneficial to our stockholders. Therefore, the Adobe Board of Directors recommends that our stockholders vote against this proposal

Analysis: The Company has released detailed statistics surrounding its gender pay parity (http://www.adobe.com/diversity/data.html) and it is committed to introduce what it terms ’opportunity parity’. However the Proponents request for a report considering the risks associated with a gender pay gap on the company’s human capital and business is considered to be in the best interests of shareholders. Disclosure of goals and policies related to the gender pay gap would also be beneficial. The requested report is reasonable and would underpin the Company’s efforts in fostering diversity and thereby enhance its reputation.

Triodos supports this resolution.

SUPPORTING INFORMATION FOR RESOLUTIONS

Proposal 4 - Advisory Vote to Ratify Named Executive Officers Compensation

Disclosure: D-

The Company has failed to provide the fees it paid the Compensation Consultants. The disclosure of these fees is encouraged in the interests of greater transparency. The peer groups used for the purpose of pay comparison have been fully disclosed by the Company. The performance metrics used to award the Annual bonus have not been disclosed.

Balance: E-

The Company included non-financial metrics into the annual bonus structure, which is considered best practice. For the year under review, annual bonus payouts are considered to be excessive as they represent more than 200% of base salary. The Company uses only one performance metrics to determine the payout of performance awards. Instead of the use of a sole performance metric, it would be preferred that payout be linked to at least two or more performance metrics, with the inclusion of an non-financial performance critertia. Performance measures attached to long-term incentives do not duplicate those attached to other awards, which is considered acceptable practice. Maximum long-term award opportunities are not limited to 200% of base salary, which raises concerns over the potential excessiveness of the remuneration structure. Retention awards make up a significant portion of the long-term incentives and therefore the scheme does not link pay to performance. The minimum performance period prior to vesting is less than three years, which is considered to be short term. Five-year vesting would be preferred. In addition, executive compensation is not aligned with companies of a similar market cap. Executive compensation is not aligned with peer group averages.

Contract: D-Potential severance entitlements in a change of control scenario are considered excessive as they exceed three times the base salary. The Company does not appear to have double-trigger provisions in place, which is a concern as single-trigger vesting allows for awards to automatically vest in the event of a change-of-control. 'Good reason' is not defined appropriately, such that the Remuneration Committee is able to apply discretion when determining the status of a departing executive. The Compensation Committee has full discretion to accelerate the vesting of awards upon a change of control, which is a concern. The claw-back policy is considered appropriate as it applies to short- and long-term incentives, and is not limited to cases of financial misstatement.

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Researcher: Aaminah Vaid
Email: pircresearch@pirc.co.uk

Pensions & Investment Research Consultants Limited
8th Floor, Suite 8.02, Exchange Tower
2 Harbour Exchange Square
E14 9GE

Tel: 020 7247 2323
Fax: 020 7247 2457
http://www.pirc.co.uk

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