Triodos Investment Management

ADOBE INC

MEETING DATE	Thu, 09 Apr 2020 9:00 am	TYPE	AGM	ISSUE DATE	Thu, 02 Apr 2020
MEETING LOCATION	Almaden Tower, Adobe San Jose, 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. Individual attendance has not been disclosed however all directors have attended over 75% of all board and committee meetings during the year. Triodos supports this resolution.	**For**
1b	**Elect Director Frank A. Calderoni** Senior Independent Non-Executive Director.	**For**
1c	**Elect Director James E. Daley** Non-Executive Director. Not considered independent owing to a tenure of over nine years. There is sufficient independent representation on the Board.	**For**
1d	**Elect Director Laura B. Desmond** Independent Non-Executive Director.	**For**
1e	**Elect Director Charles M. Geschke** Non-Executive Director. Not considered independent as the director is a founder of Adobe and has previously served as an executive, the director also has a tenure on the board of over nine years. There is sufficient independent representation on the Board.	**For**
1f	**Elect Director Shantanu Narayen** Chair and CEO. 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. There is no Sustainability Committee and therefore the Chair & CEO of the Board is considered accountable for the Company's Sustainability programme and the company's sustainability policy and practice are considered inadequate to minimise the material risks posed by sustainability issues. Triodos opposes this resolution.	**Oppose**
1g	**Elect Director Kathleen Oberg** Independent Non-Executive Director.	**For**
1h	**Elect Director Dheeraj Pandey** Independent Non-Executive Director.	**For**
1i	**Elect Director David A. Ricks** Independent Non-Executive Director.	**For**
1j	**Elect Director Daniel L. 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 Director John E. Warnock** Non-Executive Director. Not considered independent as they are a founder of Adobe and a former executive, also not independent owing to a tenure of over nine years. There is sufficient independent representation on the Board.	**For**

2 Amend All Employee Option/Share Scheme **For**

It is proposed to amend the 1997 Employee Stock Purchase Plan and restate it as the Adobe Inc. 2020 Employee Stock Purchase Plan. The amendment proposed is to increase the maximum number of shares of common stock that may be issued under tha plan by ten million shares. The proposed plan is open to all employees on an equal basis, and it is considered corporate governance best practice to allow employees a chance to participate in and benefit from share ownership.
Triodos supports this resolution.

3 Ratify KPMG LLP as Auditors **Oppose**

KPMG proposed. Non-audit fees represented 14.65% of audit fees during the year under review and 12.97% 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 and there are concerns that failure to regularly rotate the audit firm can compromise the independence of the auditor.

4 Advisory Vote on Executive Compensation **Abstain**

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 performance metrics used to award the Annual bonus have been disclosed but not the targets for them. The annual incentive award made during the year under review is not considered to be overly excessive as it amounts to less than 200% of base salary. The Company uses only one performance metrics to determine the payout of the long term performance award. 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. Performance shares have a three-year performance period, which is a market standard. 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 compensation rating is: CCC.
Triodos abstains this resolution.

5 Shareholder Resolution: Gender Pay Ratio **For**

PIRC Analysis: The Proponent's request for a report considering the risks associated with a gender pay gap on the company's human capital and business is considered in the best interest of shareholders. Disclosure of goals and policies related to the gender pay gap would also be beneficial. The requested report is considered reasonable and would underpin the Company's efforts in fostering diversity and thereby enhance its reputation. While the Company has released statistics surrounding its gender pay parity and it appears to be committed to equal opportunities, it is considered nevertheless beneficial for the company to report on such issues, as the median gender pay gap will show how many or how few women there are in senior positions at the company. A vote for the resolution is recommended.

SUPPORTING INFORMATION FOR RESOLUTIONS

Proposal 4 - Advisory Vote on Executive Compensation

Disclosure: C 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 been disclosed but not the targets for them, it is Corporate Performance Result * Individual Performance Result * Individual Target Cash Incentive = Individual EAIP award. The performance-based long term incentive is subject to quantified performance targets for relative TSR over a three year performance period.

Balance: C The Company included non-financial metrics into the annual bonus structure, which is considered best practice. The annual incentive award made during the year under review is not considered to be overly excessive as it amounts to less than 200% of base salary. The Company uses only one performance metrics to determine the payout of the long term performance award. 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. Performance shares have a three-year performance period, which is a market standard. However, a five-year performance period is considered best practice. Executive compensation is not aligned with peer group averages.
Contracts: C 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. Equity awards are subject to pro-rata vesting, which is line with best practice. 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.

Proposal 5 - Shareholder Resolution: Gender Pay Ratio

Proponent's Argument

Whereas: 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 men. This disparity can equal nearly half a million dollars over a career. Intersecting race, the gap for African American and Latina women is 60 percent and 55 percent. At the current rate, women will not reach pay parity until 2059, Africa American women until 2224, and Latina women until 2224. Regulation in the United Kingdom now mandates disclosure of median gender pay gaps. Adobe reported a 19 percent median base pay gap and a 44.7 percent bonus pay gap for its United Kingdom operations, but has not published median information for its global operations. The objective of this proposal – median pay gap disclosure – addresses the structural bias that affects the jobs women and minorities hold, particularly when white men hold higher paying jobs. Adobe has announced a goal of "opportunity parity," but fails to publish median pay data to track that parity. Women account for 24 percent of Adobe's leadership. Mercer finds actively managing pay equity "is associated with higher current female representation at the professional through executive levels and a faster trajectory to improved representation.Resolved: Shareholders request Adobe report on the company's global median gender/racial pay gap, including associated policy, reputational, competitive, and operational risks, and risks related to recruiting and retaining diverse talent. The report should be prepared at reasonable cost, omitting proprietary information, litigation strategy and legal compliance information. Supporting Statement: A report adequate for investors to assess company strategy and performance would include the percentage global median pay gap at Adobe between male and female employees across race and ethnicity, including base, bonus and equity compensation.

Company's Argument

We do not believe a median gender pay gap is the right point of emphasis to drive diversity and inclusion throughout the organization. We believe our focus on pay parity, along with our new initiative to examine "opportunity parity", a term we have created to describe fairness in promotions and horizontal movement 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. We believe that disclosures drive behaviour, and that focusing on median metrics that are driven by large population centres could drive behaviours we do not believe our investors would find beneficial to the company. Based on stockholder feedback, we believe our investors want us to continue to focus on pay and opportunity parity, ensuring equal opportunities for all employees regardless of gender or race, and continuing to drive representation among our leaders, managers, in technical roles and across the company.Adobe has been a torch-bearer in the mission for diversity and gender equality in the workplace and has made major investments in gender and racial/ethnic diversity and pay parity. In 2016, we announced pay parity between white and non-white employees in the United States and disclosed our U.S. pay data for the first time. We announced achievement of gender pay parity in the U.S. in December 2017, in India in January 2018, and globally in October 2018. Adobe reaffirmed global gender pay parity in September 2019 and is committed to maintaining pay parity over time. In September 2019, we also disclosed our first quantitative "opportunity parity" findings after evaluating global promotion rates by gender and U.S. promotion rates for white and non-white employees. We have since updated the findings for the full fiscal 2019 year and found our global promotion rate for women (15%) was 0.2% higher than for men (14.8%).

The US promotion rates for white (13.8%) and non-white employees (13%) showed a difference of 0.8%. This provides a solid foundation as we examine our practices in more depth going forward.

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