Triodos Investment Management

ADOBE INC

MEETING DATE	Tue, 20 Apr 2021 9:00 am	TYPE	AGM	ISSUE DATE	Thu, 08 Apr 2021
MEETING LOCATION	Virtual-Only Meeting: www.virtualshareholdermeeting.com/ADBE2021				
CURRENT INDICES	S&P500				
SECTOR	Prepackaged software				
FYE	27 Nov 2020				

	PROPOSALS	ADVICE
1a	**Elect Amy L. Banse - Non-Executive Director** Non-Executive Director. Not considered independent owing to a tenure of over nine years, there is insufficient independent representation on the Board; however as this candidate increases the overall diversity profile of the board Triodos supports this resolution.	**For**
1b	**Elect Melanie Boulden - Non-Executive Director** Independent Non-Executive Director.	**For**
1c	**Elect Frank A Calderoni - Senior Independent Director** Non-Executive Director. Not considered independent owing to a tenure of over nine years. There is insufficient independent representation on the Board. Triodos opposes this resolution.	**Oppose**
1d	**Elect James E. Daley - Non-Executive Director** Non-Executive Director. Not considered independent owing to a tenure of over nine years. There is insufficient independent representation on the Board. Triodos opposes this resolution.	**Oppose**
1e	**Elect Laura Desmond - Non-Executive Director** Non-Executive Director. Not considered independent owing to a tenure of over nine years, there is insufficient independent representation on the Board; however as this candidate increases the overall diversity profile of the board Triodos supports this resolution.	**For**
1f	**Elect Shantanu Narayen - Chair & Chief Executive** 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. Triodos opposes this resolution.	**Oppose**
1g	**Elect Kathleen Oberg - Non-Executive Director** Independent Non-Executive Director. Triodos supports this resolution.	**For**
1h	**Elect Dheeraj Pandey - Non-Executive Director** Independent Non-Executive Director. Triodos supports this resolution.	**For**
1i	**Elect David Ricks - Non-Executive Director** Independent Non-Executive Director. Triodos supports this resolution.	**For**
1j	**Elect Daniel L. Rosensweig - Non-Executive Director** Non-Executive Director. Not considered independent owing to a tenure of over nine years. There is insufficient independent representation on the Board. Triodos opposes this resolution.	**Oppose**

1k Elect John E. Warnock - Non-Executive Director **Oppose**

Non-Executive Director. Not considered independent as the director is a former Executive and Co-Founder of Adobe. In addition, he has served on the Board for over nine years. There is insufficient independent representation on the Board.
Triodos opposes this resolution.

2 Amend Existing Omnibus Plan **Oppose**

It is proposed to amend the Adobe Inc. 2019 Equity Incentive Plan. The proposed amendments seeks to increase the number of shares reserved for issuance by 6 million shares of the company common stock.
There are concerns with the Plan as the it has various elements bundled together, and although parts of it can benefit the majority of employees, it can still be used as a vehicle for potentially excessive executive payments. As performance conditions may be attached to awards at the Compensation 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, and be insufficiently challenging. In addition, maximum award limits are excessive.
Triodos opposes this resolution.

3 Appoint the Auditors **Oppose**

KPMG proposed. Non-audit fees represented 10.11% of audit fees during the year under review and 11.78% 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.
Triodos opposes this resolution.

4 Advisory Vote on Executive 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 uses adjusted performance metrics for most elements of compensation. The use of non-GAAP metrics prevents shareholders from being able to assess fully whether the performance targets are sufficiently challenging. 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 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 limited to 200% of base salary, which is considered as acceptable practice.
The compensation rating is: DCC
Triodos opposes this resolution.

SUPPORTING INFORMATION FOR RESOLUTIONS

Proposal 4 - Advisory Vote on Executive 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 grant of performance awards was based on the achievement of set levels of specific performance targets: 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 Performance Share Awards and Time-Based RSUs.
Balance: C- The company uses adjusted performance metrics for most elements of compensation. The use of non-GAAP metrics prevents shareholders from being able to assess fully whether the performance targets are sufficiently

challenging. 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 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 limited to 200% of base salary, which is considered as acceptable practice. 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 aligned with peer group averages.
Contract: 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.

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