



## Adobe Inc (ADBE)

### Vote Yes: Item 8 – Report on Assessing Systemic Climate Risk from Retirement Plan Options

Annual Meeting: April 15, 2026

CONTACT: Grant Bradski | [gbradski@asyousow.org](mailto:gbradski@asyousow.org)

#### THE RESOLUTION

**Resolved:** Shareholders request Adobe publish a report disclosing how the Company is protecting plan beneficiaries — especially those with a longer investment time horizon — from increased future portfolio risk created by present-day investments in high-carbon companies.

#### SUMMARY

The economic consequences of climate change, both those already occurring and those that have yet to take place, threaten the savings of retirement plan beneficiaries, particularly those with retirement dates more than a decade out. There is general consensus that climate change will reduce GDP by mid-century if substantial action is not taken due to extreme weather events, food shocks, disruption to infrastructure and supply chains, lower labor productivity, lower investment, and higher financing costs, among others.

The Adobe Inc. 401(k) Retirement Savings Plan has investments that both create, and are subject to, growing systemic climate risk. A recent analysis found that Adobe 401(k) participants could have earned an estimated \$129 million in additional returns over the past decade had the Plan divested from the Energy Sector.

If effective action is not taken to address risk associated with investments in high carbon companies, younger plan beneficiaries with longer investment time horizons will face higher climate-related risks to their portfolios than beneficiaries closer to retirement. Younger employees cannot reduce this risk by investing their own retirement assets into a low carbon fund, since climate risk generated by the Plan's high-carbon investments will impact the entire economy.

This Proposal requests that Adobe assess and report on what actions it is taking to address climate risk in the Company's retirement options. The largest share of Adobe workers' retirement savings is invested in the Plan's target date funds, a series of age-based funds which have significant exposure to high-carbon industries and industries that contribute to climate change and deforestation. A failure to adequately manage climate risk in the Plan has the potential to harm beneficiaries, especially younger beneficiaries. This, in turn, may make it more difficult for Adobe to attract and retain top talent,



undermine the reputational benefits associated with the Company's efforts to address its operational and supply-chain climate impacts, and subject the Company to litigation risk.

## RATIONALE FOR A YES VOTE

1. **Adobe's 401(k) Plan's investments in high-carbon industries create climate risk, which threatens workers' life savings, particularly those with retirement dates more than a decade out.**
2. **Adobe's contribution to climate risk through its retirement plan investments creates reputational risk which may make it difficult to attract and retain top talent.**
3. **Reducing exposure to high-carbon investments can protect and improve long-term returns for plan beneficiaries.**

## DISCUSSION

According to recent analysis by *As You Sow*, the Adobe Inc. 401(k) Retirement Savings Plan invests as much as \$253 million in high-carbon industries.<sup>1</sup> This constitutes over 7% of total assets in Plan fund options. The Plan, in the aggregate, also invests more than \$13 million in deforestation-risk agricultural commodities.<sup>2</sup>

4. **Adobe's 401(k) Plan's investments in high-carbon industries create climate risk, which threatens workers' life savings, particularly those with retirement dates more than a decade out.**

Adobe's most popular retirement Plan options are the Vanguard Target Retirement Funds series, which collectively hold 49% of Plan assets.<sup>3</sup> Target Date Funds (TDFs) like the Vanguard Target Retirement Funds series, are an attractive option for Plan administrators because they shift responsibility for reallocating the portfolio over time to the fund's manager. However, according to one report, **TDFs have a 16% higher weighted average carbon intensity compared to all sampled retirement plans.**<sup>4</sup> The Vanguard Target Retirement Funds series funds invest significantly in carbon polluters.<sup>5</sup>

Such investments introduce climate risk into the Plan's portfolio in mutually reinforcing ways. As the nonpartisan Government Accountability Office (GAO) explains, "Retirement plan investments are

<sup>1</sup> <https://investyourvalues.org/retirement-plans/adobe>

<sup>2</sup> <https://investyourvalues.org/retirement-plans/adobe>

<sup>3</sup> <https://investyourvalues.org/retirement-plans/adobe>

<sup>4</sup> <https://iyv-charts.s3.us-west-2.amazonaws.com/files/U.S.+Retirement+Carbon+Footprint+Report.pdf>

<sup>5</sup> [https://fossilfreefunds.org/fund/vanguard-target-retirement-2050-fund---vanguard/VFIFX/fossil-fuel-investments/F\\_JRe18P4Y/SH\\_gO1NSdwb](https://fossilfreefunds.org/fund/vanguard-target-retirement-2050-fund---vanguard/VFIFX/fossil-fuel-investments/F_JRe18P4Y/SH_gO1NSdwb)



subject to both physical and transition risks from climate change.”<sup>6</sup> The physical risks that climate change poses to both Adobe and the global economy are well established, with climate-related damages **already costing the global economy an estimated \$16 million per hour.**<sup>7</sup> Physical risks include losses from the increased occurrence of catastrophic storms, floods, droughts, and wildfires, whether from direct impacts on physical infrastructure or from disruptions to supply chains and losses from the deleterious effect of intensifying climate impacts on a company’s operations over time. Transition risk, meanwhile, includes costs associated with a company’s failure to appropriately anticipate and plan for “the policy, legal, technology, and market changes needed to transition to a lower-carbon economy.”<sup>8</sup>

The present and future impacts of climate change threaten retirement savings of plan beneficiaries. Unmitigated climate change could result in a 50% decline in returns for U.S. pensions by 2040, with the greatest impacts being felt by today’s younger workers.<sup>9</sup> Investments in high-carbon companies *contribute to and lock in future climate impacts*, disproportionately affecting younger employees who will not access retirement funds for decades. For example, a 30-year-old worker contributing to her employer offered, defined contribution plan can expect that her savings will be invested for at least 30 years. Meanwhile, the GAO notes that investments in oil, coal, and gas not only contribute to climate change, but could experience a **decrease in annual returns of 9% through 2050**; fossil fuel energy has already delivered the lowest returns of any sector in the S&P 500 over the last decade.<sup>10</sup>

##### **5. Adobe’s contribution to climate risk through its retirement plan investments creates reputational risk which may make it difficult to attract and retain top talent.**

Adobe has publicly committed to achieving net zero emissions across its value chain by 2050, with interim Science Based Targets to reduce absolute Scope 1 and 2 emissions by 42% and Scope 3 emissions by 52% by FY2030 — goals the Company describes as central to its corporate identity and aligned with the Paris Agreement’s 1.5°C scenario.<sup>11</sup> The Plan’s carbon-intense investments, however, directly undermine these commitments and risk the Company’s climate reputation.

In a competitive employee retention and recruitment landscape, companies are identifying new ways to engage and retain top talent by appealing to the interests of the workforce. A 2024 Morgan Stanley Institute for Sustainable Investing report found that 77% of individual investors are interested in sustainable investing.<sup>12</sup> For companies attempting to retain top talent, 40% of respondents in a 2022 Schroders study said that when an ESG investment option is added to a defined contribution plan it

<sup>6</sup> <https://www.gao.gov/assets/gao-21-327.pdf>, p.9-10

<sup>7</sup> <https://www.weforum.org/agenda/2023/10/climate-loss-and-damage-cost-16-million-per-hour/>

<sup>8</sup> <https://www.gao.gov/assets/gao-21-327.pdf>, p.10

<sup>9</sup> <https://www.theactuary.com/2024/12/11/north-american-pension-schemes-are-highly-vulnerable-climate-change-and-their-investment>

<sup>10</sup> [https://ieefa.org/sites/default/files/2025-01/REVIEWED-15818-Briefing%20Note\\_2024%20Recap%20oil%20stocks%20%281%29.pdf](https://ieefa.org/sites/default/files/2025-01/REVIEWED-15818-Briefing%20Note_2024%20Recap%20oil%20stocks%20%281%29.pdf)

<sup>11</sup> <https://www.adobe.com/corporate-responsibility/sustainability-at-scale.html>

<sup>12</sup> <https://www.morganstanley.com/atwork/articles/esg-retirement-plan-considerations>



improves how they view their employer.<sup>13</sup> The study also found that nearly three-in-four plan participants (74%) said they would or might increase their overall contribution rate if offered ESG options.

Adobe must begin addressing its 401(k) Plan's contribution to climate change risk or negatively impact its reputation, its Plan returns, its employees' future financial security, and employee recruitment and retention.

### **3. Reducing exposure to high-carbon investments can protect and improve long-term returns for plan beneficiaries.**

Carbon-intense investments create risk and are increasingly likely to sacrifice value. As New York Comptroller Thomas DiNapoli explained when announcing the state's plan to enforce a carbon-neutrality mandate, "[I]nvesting for the low-carbon future is essential to protect the fund's long-term value."<sup>14</sup>

According to a September 2020 report from an advisory committee to the U.S. Commodity Futures Trading Commission, an independent federal agency: "Fiduciary duty requires the assessment of material risks and the management of these risks on behalf of stakeholders in keeping with their stated long-term goals, and *climate risk is increasingly being recognized as one such risk.*"<sup>15</sup>

Federal law supports addressing material climate risk in retirement plans. The Department of Labor's regulations under the Employee Retirement Income Security Act (ERISA) empower plan fiduciaries to safeguard the savings of America's workers. The rule makes clear that "a fiduciary's duty of prudence must be based on factors that the fiduciary reasonably determines are relevant to a risk and return analysis and that such factors may include the economic effects of climate change."<sup>16</sup> In short, this rule confirms the authority of plan administrators to consider climate change as a risk factor when selecting plan investment options, since climate change will impact Plan financial returns. By failing to address climate risk to the Plan's full range of beneficiaries, the Company exposes itself to potential legal liability. Regardless of the current Administrations announcements to revise this rule, the rule remains in effect. In short, this rule confirms the authority of plan administrators to consider climate change as a risk factor when selecting plan investment options, including default options, since climate change will impact Plan financial returns.

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<sup>13</sup> <https://www.schroders.com/en-us/us/institutional/clients/defined-contribution/schroders-us-retirement-survey/sustainability/>

<sup>14</sup> <https://content.govdelivery.com/accounts/NYOSC/bulletins/2b0442d>

<sup>15</sup> <https://www.cftc.gov/sites/default/files/2020-09/9-9-20%20Report%20of%20the%20Subcommittee%20on%20Climate-Related%20Market%20Risk%20-%20Managing%20Climate%20Risk%20in%20the%20U.S.%20Financial%20System%20for%20posting.pdf> (*emphasis added*)

<sup>16</sup> <https://www.dol.gov/agencies/ebsa/about-ebsa/our-activities/resource-center/fact-sheets/final-rule-on-prudence-and-loyalty-in-selecting-plan-investments-and-exercising-shareholder-rights>



Adobe employees are already experiencing the financial costs of holding oil & gas companies in their portfolios: a report from the University of Waterloo and *As You Sow*, released in April 2024, analyzed the 10-year time period ending December 31, 2023, and found that Adobe 401(k) participants could have earned an estimated \$129 million in additional returns, if Adobe “had divested from the Energy Sector ten years ago.”<sup>17</sup>

The majority of Adobe 401(k) Plan assets are in index funds or index-based target date funds that are not integrating climate risk as a metric in managing portfolio investments, meaning this exposure remains unaddressed today. These findings follow an earlier analysis from researchers at the University of Waterloo looking at the cumulative returns of six major U.S. pension funds, estimating that plan participants would have been **\$21 billion richer** with returns on their investments 13% higher on average over 10 years (from 2013–2022), had they excluded fossil fuels.<sup>18</sup> Other researchers have found similar impacts on passively invested index funds.<sup>19</sup>

Retirement plans do not need to choose between maximizing returns and managing climate risk.<sup>20</sup> The evidence is clear: sustainable funds generated median returns of 12.5% in the first half of 2025, compared to 9.2% for traditional funds — the strongest period of outperformance for sustainable funds since Morgan Stanley began tracking data in 2019.<sup>21</sup>

A growing number of major institutional investors have reached the same conclusion. A recent Bloomberg report notes that, as of September 2022, 1,500 institutions, representing more than \$40 trillion in assets, had committed to reducing exposure to investments in high-carbon industries.<sup>22</sup> These include commitments to sell billions of dollars of high carbon holdings from prominent employee retirement funds in New York City, Maine, and New York state.<sup>23</sup> The University of California Retirement Savings Program, which holds \$168 billion in assets under management for more than 300,000 participants, has also stated an intent to sell existing holdings and make no future investments in high-carbon industries, citing “long term financial risk” and the expectation that this decision will “have a positive financial and risk-reducing impact on fund performance in the long run.”<sup>24</sup> As of September 2022, 1,500 institutions, representing more than \$40 trillion in assets, had committed to reducing exposure to investments in high-carbon industries.<sup>25</sup> Their decisions to actively manage and mitigate

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<sup>17</sup> <https://www.asyousow.org/reports/the-impact-of-energy-sector-investments-on-the-financial-value-of-tech-401ks>

<sup>18</sup> <https://stand.earth/press-releases/waterloo-pensions-report-2023/>

<sup>19</sup> <https://ieefa.org/resources/passive-investing-warming-world>

<sup>20</sup> [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2699610](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2699610)

<sup>21</sup> <https://www.morganstanley.com/insights/articles/sustainable-funds-outperform-traditional-first-half-2025>

<sup>22</sup> <https://www.bloomberg.com/news/features/2022-10-20/how-to-purge-fossil-fuel-investments-from-your-401-k-or-ira#xj4y7vzkg>

<sup>23</sup> <https://comptroller.nyc.gov/newsroom/comptroller-stringer-and-trustees-announce-successful-3-billion-divestment-from-fossil-fuels/>; <https://www.reuters.com/business/sustainable-business/new-maine-law-marks-us-first-fossil-fuel-divestment-2021-06-17/>; <https://www.nytimes.com/2020/12/09/nyregion/new-york-pension-fossil-fuels.html>

<sup>24</sup> <https://ucnet.universityofcalifornia.edu/employee-news/uc-retirement-savings-program-fund-menu-to-remove-companies-that-own-fossil-fuel-reserves/>

<sup>25</sup> <https://www.bloomberg.com/news/features/2022-10-20/how-to-purge-fossil-fuel-investments-from-your-401-k-or-ira#xj4y7vzkg>



climate risk demonstrate that doing so does not run counter to, but rather promotes, the Plan's financial goals.

## RESPONSE TO ADOBE'S BOARD OF DIRECTORS' STATEMENT IN OPPOSITION

The Board's statement in opposition to the Proposal is unpersuasive.

**“Adobe provides a comprehensive set of benefits with significant disclosure, which are tailored to meet the needs of our expansive employee base, including the Adobe Inc. 401(k) Retirement Savings Plan, which allows participants to choose the investment option(s) they believe best suit them.”**

The existence of a diverse array of investment options is irrelevant to the Proposal, which seeks to understand how the Company is protecting plan beneficiaries from increased future portfolio risk from the Plan's investments in high-carbon companies. Present-day investments in high-carbon companies occur across all Adobe's Plan options, including the target date funds that account for 49% of Plan assets.

More fundamentally, individual participants cannot avoid systemic climate risk by tailoring their own investment choices. Climate risk generated by the Plan's aggregate investments in high-carbon companies affects the broader economy and cannot be avoided by any individual participant, regardless of how they personally invest. The question before Adobe is not whether participants have investment choices, but whether Adobe is ensuring those choices do not unnecessarily expose beneficiaries to systemic, unmitigable risk.

**“We do not believe that a report or additional disclosures on this matter would be a valuable use of Adobe's time and resources, provide significant additional information to employees or enhance long-term stockholder value.”**

The Board's claim that this report would not enhance long-term stockholder value is directly contradicted by Adobe's own fiduciary exposure. The costs of producing a report are negligible compared to the \$129 million in foregone returns Adobe employees have already experienced.

## CONCLUSION

The wide-ranging impacts of climate change will have portfolio-wide consequences to employees saving for retirement. Adobe's failure to adequately manage climate risk in its retirement plan has the potential to harm beneficiaries, especially younger beneficiaries. This, in turn, may make it more difficult for Adobe to attract and retain top talent, while also undermining the reputational benefits associated with the Company's efforts to address its operational and supply-chain climate impacts. The cost of inaction is not hypothetical — it is measurable, it is growing, and it is being borne by Adobe employees.



**Shareholders Should Vote “Yes” on this Shareholder Proposal 8.**

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*For questions, please contact Grant Bradski, As You Sow, [gbradski@asyousow.org](mailto:gbradski@asyousow.org)*

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