

Apple (AAPL) ESG Report

Profile:

Apple is a global leader in consumer electronics with its iPhone, Mac computers, iPad, and Apple Watch products. Apple controls ~17% of the global smartphone market, Samsung is the only company ahead with 23% of the market.

Our firm believes Apple's most important ESG considerations are the treatment of employees involved in its supply chain, customer privacy, and the environmental impact from its massive manufacturing footprint.

What Apple Does Well:

Apple has been a leader in the ESG space, primarily through transparent reporting. Apple has published an environmental responsibility report annually since 2008, containing information surrounding its usage of electricity, gas, and water. The company publishes a supplier responsibility report, and has since 2007, to highlight initiatives in human rights and labor standards across its supply chain.

Privacy is another focal point, with the App Tracking Transparency (ATT) initiative announced in 2020 and rolled out in 2021. ATT empowered iPhone users to decide if they could be tracked across apps or websites by companies; previously iPhones defaulted to letting companies like Facebook track user activity. ATT diminished user profiling and targeted advertising, which was a landmark win for user privacy.

Apple has also emphasized conscious energy consumption. Apple's corporate functions, including business travel and employee commuting, have been carbon neutral since April of 2020 via renewable energy sourcing. Apple has targeted its entire supply chain to be carbon neutral by 2030, with 213 suppliers already agreeing to use renewable energy for the production of Apple products as of March 2022.

Waste is another area of focus for Apple. In 2021, [shareholders pressed Apple](#) to change its anti-repair practices. After some push back, Apple agreed and made Apple parts, tools, and manuals accessible to customers for self-service repairs to help reduce waste.

Apple is not heavily involved in politics, which our firm prefers. The company does not make any contributions to individual candidates or parties and does not have a Political Action Committee (PAC). Apple does, however, engage in lobbying efforts in Washington.

Concerns:

One of Apple's most apparent challenges is the treatment of workers in its supply chain. Foxconn, or Hon Hai Precision, has been under particular scrutiny. This Taiwanese contract manufacturer produces the majority of iPhones and has had multiple human rights violations. In 2010, the [WSJ reported](#) a slew of suicides at one of its facilities. In December of 2021, Apple put a Foxconn facility in India on probation following protests that led Apple to concluding conditions were not up to Apple's standards. More recently, a Chinese Foxconn facility running a closed-loop production system – where workers are required to live at the manufacturing facility to comply with China's zero-COVID policy – isolated sick workers in unfinished apartments. Weeks later, the [WSJ reported](#) Apple is planning to move production away from China, at least in part catalyzed by this unrest.

Although our firm believes privacy is a strength, it is an ever-evolving area that could eventually become a liability for Apple. Our firm hopes Apple continues to prioritize user privacy both from an external advertiser perspective but also internally as Apple builds out their own advertising business.

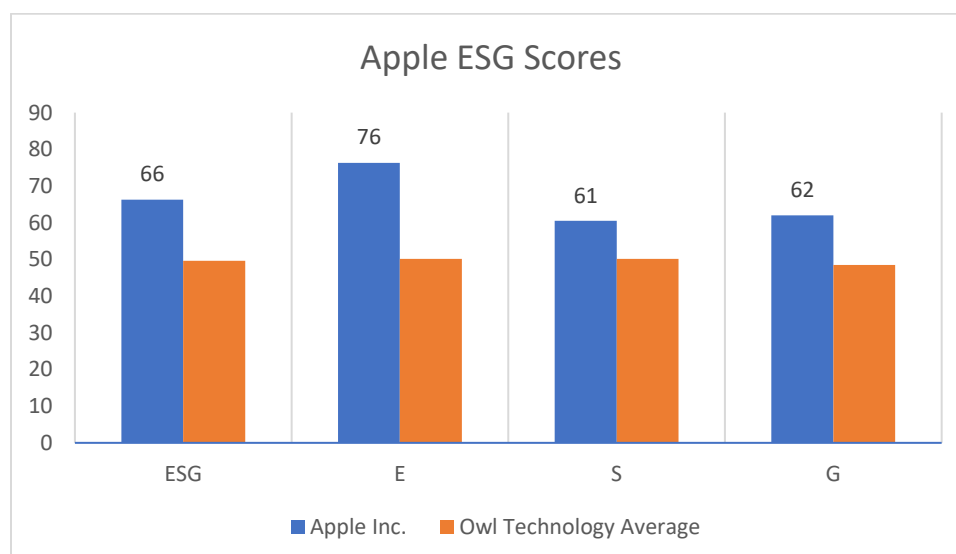
Another area of concern was CEO pay. Tim Cook, the CEO of Apple, was compensated nearly \$99 million in 2021, or a CEO-to-median employee pay ratio of 1,447. Studies have shown that CEOs paid more than 400 times the median worker frequently leads to lower returns. In 2020, the pay ratio was 259 times, but increased in 2021 due to Tim Cook receiving \$82 million in stock awards.

Shareholder Engagement:

The following ESG-related shareholder engagements were filed and voted on at the 2022 annual general meeting:

- **Report on Forced Labor:** shareholders asked Apple to publish an annual report on the company’s forced labor practices, with specifics on internal and supplier practices, violations, and Apple’s responses. Apple recommended to vote against this proposal. 33% of shareholders, including our firm, voted “For” this proposal.
- **Report on Pay Equity:** shareholders proposed that Apple publish an annual report on median pay gaps across gender and race. Apple recommended against this, as it has achieved global gender pay equity since 2017, along with race and ethnic pay equity *in the United States*. Apple has published its EEO-1 (equal employment opportunity) report annually since 2015. 33% of shareholders, including our firm, voted “For” this proposal.
- **Civil Rights Audit:** shareholders asked Apple to conduct a third-party audit to analyze adverse implications of Apple’s policies and practices with input from employees, customers, and civil rights organizations. Apple asked shareholders to vote against this proposal, citing human rights (which includes civil rights) as an existing emphasis at the company. Nearly 53% of shareholders, including our firm, voted “For” this proposal.

ESG Scores:



Conclusion:

Apple is at the forefront of ESG disclosure, supply chain accountability, and environmental awareness. Continued negative reports from Foxconn's operations are top of mind for improvement for Apple, but our firm believes Apple is an ESG-conscious investment overall.

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