WHEREAS: Numerous studies suggest that companies that integrate environmental, social, and governance (ESG) factors into business strategy reduce reputational, legal, and regulatory risks and improve long-term performance.

A large, diverse group of companies has integrated sustainability metrics into executive pay incentive plans, among them Unilever, Walmart, and Mead Johnson. Guidance issued by the United Nations Principles for Responsible Investment (2012) stated that including ESG factors in executive incentive schemes can help protect long-term shareholder value.

Diversity and inclusion are key components of long-term business sustainability and success:

- McKinsey & Company research shows that companies in the top quartiles for gender and racial/ethnic diversity were more likely to have above average financial returns ("Diversity Matters," McKinsey, 2015).
- In a 2013 Catalyst report, diversity was positively associated with more customers, increased sales revenue, and greater relative profits.
- A 2016 study by Intel and Dalberg estimates the technology sector could generate $300–$370 billion in additional annual revenue if tech companies reflected the racial diversity of the talent pool.

Yet technology companies have not seized this opportunity. Underrepresented people of color hold just 9 percent of technical roles in the sector (Intel/Dalberg, 2016). Women hold 36 percent of entry level tech jobs and just 19 percent of C-Suite positions ("Women in the Workplace," McKinsey, 2016).

The tech diversity crisis creates challenges for talent acquisition and retention, product development, and customer service. In 2016, widely-reported leaked emails detailed women employees' experiences of sexism at Apple (*Mic*, September 2016). Apple has also faced claims of racial discrimination in retail.

Our Company has taken steps to address diversity. However, current disclosures reveal that Apple remains predominantly white and male, especially in technical and leadership roles. As of the 2016 Equal Employment Opportunity report, only five of Apple's top 107 executives were underrepresented people of color.

Apple says it strives to "better represent the communities we're part of" and "break down historical barriers in tech." Tim Cook has said that diversity is economically essential (*Auburn Plainsman*, April 2017) and "there is a definite diversity issue in tech, in particular in coding and computer scientists" (*New York Times*, August 2017).

Investors seek clarity regarding how Apple is driving improvement on diversity and how that strategy is supported by C-Suite accountability. Integrating diversity metrics into executive compensation assessments would enhance Apple's approach to a challenge that it has declared mission-critical.

Peers (e.g. Microsoft, Intel, IBM) have set diversity goals and begun tying parts of executive pay to such goals.

RESOLVED: Shareholders request the Board Compensation Committee prepare a report assessing the feasibility of integrating sustainability metrics, including metrics regarding diversity among senior executives, into the performance measures of the CEO under the Company's compensation incentive plans. For the purposes of this proposal, "sustainability" is defined as how environmental and social considerations, and related financial impacts, are integrated into long-term corporate strategy, and "diversity" refers to gender, racial, and ethnic diversity.