

**APPLE INC.** NYSE: AAPL

Apple has been a core holding in many Trillium portfolios since the mid 2000s.

In 2006, we became concerned about the environmental profile of this fast-growing company. Unlike its competitors, HP and Dell, Apple had very little disclosure of environmental policies and goals on its web-site or other communications, such as a corporate responsibility report.

“Apple at this time really had its head in the sand on environmental issues. Despite having a reputation as an edgy, revolutionary company, the reality was that it was in the dark ages when it came to assessing and managing environmental impacts.” says Susan Baker, of Trillium’s Shareholder Advocacy & Corporate Engagement team.

A number of other environmental organizations also noticed this discrepancy and began to put pressure on Apple as well. Greenpeace launched a “Green my Apple” website in September 2006 to engage Apple consumers in putting pressure on the company.

About this time, Trillium filed a shareholder resolution asking for the company to set timelines for eliminating two types of toxics from all iPhones, iPods, and computers: brominated flame retardants (BFRs) and polyvinyl chloride (PVC) plastics. These persistent and bioaccumulative chemicals can have serious impacts on workers in the supply chain, consumers, and the environment. PVC can lead to the generation of persistent organic pollutants (e.g. dioxins) when burned and is highly polluting in its production and disposal, contains biologically available contaminants such as phthalates and heavy metals and can generate hydrogen chloride gas. BFRs, specifically Tetrabromobisphenol — A (a type of BFR), has been shown to induce neurotoxicity and immunotoxicity. The presence of TBBPA or other bromine containing chemicals in electronics products have potential to form additional toxic chemicals dispersed to the environment when smelted or burned in open air.

In January 2007, Trillium started negotiations with the company about our resolution and learned that they had a commitment to improving their overall environmental communications. The company agreed to phase out BFRs and PVCs over a one year period, making it the first company in the industry to take this step.

Steve Jobs personally responded to the growing criticism surrounding Apple’s environmental record and in May 2007 he wrote “A Greener Apple.” In this open letter to customers and other stakeholders, Jobs admitted that Apple did not openly communicate their environmental commitments and needed to do more to demonstrate this commitment. Jobs outlined a new path forward and made a number of pledges, including the phase out BFRs and PVCs. He concludes: “We apologize for leaving you in the dark for this long. Apple is already a leader in innovation and engineering, and we are applying these same talents to become an environmental leader.”

Shareholder engagement with Apple, along with pressure from outside advocacy organizations, moved the company — and industry — forward. The engagement also provided a way for Trillium to stay engaged with the company as other issues came to light, particularly with human rights issues in the supply chain.

In the summer of 2010, Trillium, our clients, and many other investors, were deeply troubled by the rash of suicides at the Foxconn Technology Group factories in China. Foxconn manufactures consumer electronics for global companies held in many of our portfolios, including Apple. Trillium and other investment firms led a group of 40 international investors in issuing a public statement condemning harmful workplace conditions in the global electronics supply chain.

CONTINUES ON REVERSE

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Corporate Engagement Spotlight: Apple Inc.

Soon after, Apple entered discussions with the Fair Labor Association (FLA) to conduct an investigation into labor rights and working conditions at Foxconn. The investigation and subsequent report — which secured commitments to limit working hours, protect pay, and address health and safety issues — was made public in early 2012.

After the report's publication, Trillium met with members of Apple's management team at the company's headquarters in Cupertino, CA, to discuss the report's findings and Apple's implementation plans. The meeting included a frank exchange of thoughts and concerns about the rigor of the FLA investigation and the company's willingness and ability to follow through. We stressed that implementation of the FLA's recommendations had to be meaningful, effective and complete and that the changes needed make a positive difference in the lives of factory workers if it was to be regarded as credible.

The remediation plan that was developed following FLA's original investigation outlined a total of 360 action items, of which 284 which were completed and verified by August 2012 — ahead of schedule.

The most significant commitments made by Foxconn following FLA's original investigation were related to union elections and worker representation, and compliance with Chinese labor law regarding hours of work. The company has reduced hours to 60 per week (including overtime) with the goal of reaching full compliance with the Chinese legal limit of 40 hours per week plus an average of 9 hours of overtime per week while protecting worker pay. Many physical changes to improve worker health and safety have also been made, including the enforcement of ergonomic breaks, changing the design of workers' equipment to guard against repetitive stress injuries, updating of maintenance policies to ensure equipment is working properly, and testing of emergency protective equipment like eyewashes

and sprinklers. Foxconn has also engaged consultants to provide health and safety training for all employees.

We continue to monitor developments closely and will be meeting with the company again in the near future.

In 2012, Trillium continued its work with the company by filing a shareholder resolution on behalf of our clients at Apple regarding privacy concerns. Apple has confronted a number of cyber-security and privacy controversies including unauthorized access to iPhone users' address books; Unique Device ID (UDID) related litigation and the release of one million UDIDs and security concerns related to iCloud. The controversies have drawn the attention of the U.S. Congress and the ACLU. Trillium's proposal asked the company to publish a report explaining how its Board of Directors is overseeing privacy and data security risks.

In response to the resolution, in December 2012 Apple agreed to update its Board's Audit and Finance Committee charter to include responsibility regarding regulatory, legislative, and reputational privacy risks that confront the company. The improvements to Apple's governance will help the company protect the privacy of its customers and the wellbeing of the company. Trillium agreed to withdraw the shareholder proposal in exchange for this action.

According to Jonas Kron, Trillium's Director of Shareholder Advocacy & Corporate Engagement, "We very much appreciated having a productive dialogue with the company which resulted in a fundamental improvement to the company's critically important governance structure. By incorporating privacy into its committee charter Apple's board of directors has acted in the best interests of the company, its shareholders and society. This kind of ongoing positive dialogue between a company and its shareholders is a great example how active investors can benefit the company and its stakeholders."

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