



THEREFORE BE IT RESOLVED:

That shareholders of Apple Inc. (“Apple”) urge the Compensation Committee (the “Committee”) to include in the metrics used to determine incentive compensation for Apple’s five most-highly compensated executives (“senior executives”) a metric related to the effectiveness of Apple’s policies and procedures designed to promote adherence to laws and regulations (a “Compliance Metric”).

The Committee should use its discretion in selecting and measuring the Compliance Metric and deciding whether the Compliance Metric is more appropriately incorporated into the metrics for the annual cash incentive program or the long-term equity program (or successor short- and long-term incentive programs).

This proposal should be implemented prospectively and in a manner that does not violate the terms of any contract, incentive plan or applicable law or regulation.

SUPPORTING STATEMENT:

As long-term shareholders, we believe that senior executive incentive compensation should encourage executives to focus on the drivers of Apple’s long-term success. Apple, as a global company, must navigate a complex legal and regulatory environment: In its most recent 10-K, Apple identified as a risk factor the fact that the company is subject to laws and regulations in many countries covering diverse areas such as labor, anti-corruption, consumer protection and data privacy. (10-K filed on Oct. 30, 2013, at 15, 17)

We believe compliance failures can be costly not only in financial terms, but also in damaged relationships with employees, customers and governments. In 2013, the Chinese media and consumer watchdog groups attacked Apple for using warranties that did not comply with Chinese law and a Chinese government body directed local authorities to “enhance legal supervision” over Apple’s warranties. (Bill Bishop, “Apple of Discord in China,” Dealbook (The New York Times), Apr. 1, 2013) The public outcry over reports of worker mistreatment and labor law violations in China by Apple supplier Foxconn in 2010 and 2012 showed how quickly compliance problems, even ones at a supplier, can tarnish a company’s reputation.

Apple has adopted and publicly disclosed Principles of Business Conduct, an Anti-Corruption Policy and a Policy on Reporting Questionable Accounting or Auditing Matters, all of which address compliance. (See <http://investor.apple.com/corporate-governance.cfm>) In our view, the effectiveness of such policies depends on successful implementation and oversight. Thus, we believe it is important for incentive compensation formulas to reward senior executives for ensuring that Apple maintains effective compliance policies and procedures.

Our proposal requests the Committee to choose an appropriate Compliance Metric in light of the particular challenges facing Apple to be included along with the financial metrics currently used for incentive pay programs. Possible metrics include objective measures, such as proportion of employees trained, and more subjective assessments such as review of employee surveys. Evaluations can be company-wide or focus on areas that are deemed higher risk.

We urge shareholders to vote for this proposal.