

Apple

Attn: Jeff Williams

(Senior Vice President of Operations)

1 Infinite Loop – MS 301-41R

Cupertino, CA 95014

USA

Rome, 17 November 2015

Prot. 20/11/2015

Subject: supply chain monitoring

Dear Sirs,

EUROFER Pension Fund is the national pension fund for workers of the Italian railway Company (Ferrovie dello Stato), it was established in March 12, 2002, in the form of a non-profit association in order to help its members to maintain their standard of living after retirement, thanks to an additional contribution pension plan, complementary to the public one.

As of December 31, 2013, almost 40,000 individuals from 116 companies joined the Fund. As of December 31, 2014, the Active Global Equity Balanced line (*Comparto Bilanciato Azionario Globale Attivo*) of the Fund had quite Euros 100 million of assets under management and it is a Apple's shareholder.

In line with the principles of investment of a pension fund, that imply a non-speculative approach, with a long-term horizon, a low portfolio turnover and a constant relationship with its members, EUROFER Pension Fund decided to undertake a process of integration in its investment strategy of sustainability principles referable to environmental, social and governance (ESG) issues. In fact, all investments (both equity and debt) of EUROFER Pension Fund are following a "social responsibility" approach.

With this letter we would like to bring to your attention some aspects of the ESG profile of your Company with the aim of creating a positive, constructive and long-term dialogue that can act as a stimulus for an improvement of the overall management of your business risks, or even those connected with non-financial issues, to which EUROFER pays special attention in the interests and on behalf of its beneficiary.

Your Company has achieved enviable success worldwide and has become the benchmark of the new generation technological world. Your products and brands are a symbol of successful innovation and progress in the information technology field.

Acting on a global scale, Apple has to take into account the consequences of its activities (either direct ones or through subsidiaries or suppliers) on local communities and on the environment where they are

10

carried out. Therefore, both in the United States and abroad, a careful selection, effective management and a constant monitoring of your supply chain must constitute the central theme of Apple's Corporate Social Responsibility.

In fact, the sourcing of raw materials and the production of finished products in Countries where the regulation of labor market is less tight than the one of the developed world, is an important factor of potential reputational risk, mainly related to the possibility of breaches of International Conventions on labor rights in terms of health and safety, working hours, discrimination in the workplace, minimum wage, child labor, forced labor and collective bargaining.

We have learned that, in recent years, several non-governmental organizations have accused Chinese companies, suppliers of many International Companies, including Apple, of violations of workers' rights regarding their working-week policy. In particular, the most serious charges came from China Labor Watch, a New York-based NGO that is committed to the promotion of workers' rights in China. Just this year, in addition, the representative of a local union has criticized the excessive number of hours worked by employees of Hon Hai Precision, one of Apple major trading partners.

China is one of the Countries most at risk with regard to potential violations of workers' rights along the supply chain, given the relative lack of standards regarding their protection, which combines with the growing pressure on suppliers in this Country because of costs containment and the simultaneous high level of profitability that is requested.

Even the procurement of raw materials from suppliers in South East Asia has been the subject of numerous allegations of violations of workers' rights.

We are aware of the difficulties that can be encountered in monitoring a supply chain as large as Apple's one and we appreciate your commitment in the implementation of specific audits with on-site staff, the design of educational programs for workers on their rights and the creation of a team dedicated to social responsibility in your staff. The ninth report of Apple on its "Supplier responsibility", released in January 2015, proves this commitment, as well as your membership in the Electronic Industry Citizenship Coalition (EICC), a coalition of leading electronics companies founded in order to improve social responsibility along the supply chain.

However, as declared by Apple, the number of suppliers is growing every year and, therefore, an effective supervision needs further investments, a greater dedication to monitoring and the dissemination of a culture on the respect of workforce and on the knowledge of their rights.

So, given the significant reputational risks that Apple faces because of the very own nature of its business and its supply chain, we hope you are going to introduce in your supplier management policy:

1. A limit of 48 working hours per week in countries such as China, as requested by the international best practices,¹
2. In-depth and extensive auditing procedures, involving NGOs, independent organizations and workers' representatives,

¹ <http://www.ilo.org/global/topics/working-time/lang--en/index.htm>

3. Publication of detailed reports regarding non-compliances found.

~~We would be pleased to receive evidences of your engagement activities undertaken with local communities and with major NGOs operating in the most critical areas.~~

In addition, the most influential International coalitions of socially responsible investors are focusing their action on the practices of "responsible recruitment" along the supply chain of multinational companies, operating, in particular, in South East Asia. They often have observed shady recruitment practices, lack of clear indication of protection measures for workers and, for example, the paying of a sum of money in order to get a job. We are aware that the last version of the Code of Conduct published by the EICC² (that took effect on April 1st) states that *"workers shall not be required to pay employers' or agents' recruitment fees or other related fees for their employment"*, recognizing the importance of this problem. Therefore, we would like to know if and how Apple is going to change and strengthen its policies to ensure its compliance with the Code.

In particular, regarding this issue, we communicate to you that we are following with interest the "No Fees" initiative, launched by ICCR – Interfaith Center on Corporate Responsibility (an international network of socially responsible investors, mainly faith-based, active in engagement activities with American Companies), directed to the Companies of your sector, as well as the textile industry and food one.³

We hope that the considerations and requirements set forth herein could represent an incentive for Apple to strengthen its activities aimed at achieving the satisfaction of all your stakeholders.

We look forward to analyze carefully any further documentation that you will kindly provide with us concerning the highlighted issues.

Please feel free to contact us if you have any questions.

Sincerely,

Stefano Pierini

President

EUROFER Pension Fund



² "EICC Code of Conduct 5.0": <http://www.eiccoalition.org/standards/code-of-conduct/>

³ <http://www.iccr.org/no-fees-initiative>

http://www.iccr.org/sites/default/files/2014_no_fees_talking_points_final_2.pdf

NP