



FONDO PENSIONE NAZIONALE A CAPITALIZZAZIONE
PER I LAVORATORI DELLE FERROVIE DELLO STATO

EUROFER

Data : 16/07/2020

Prot. : 48090/2020



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Sp.le Apple Inc.

One Apple Park Way - MS 927-4INV
Cupertino, CA 95014 USA

c.a. Tejas Gala

Senior Analyst, Corporate Finance &
Investor Relations

Rome, July 16 th 2020

ESG engagement letter

Dear Mr Gala,

Fondo Pensione EUROFER is the pension fund for employees of the Italian State Railways, established in March 2002 as a non-profit organization with the goal of ensuring the associated workers their standard of living during retirement, thanks to an additional contribution pension plan, complementary to the public one.

As of December 31st, 2019, more than 77,000 active workers of 94 companies were members of the fund with assets under management of €1,153,779,296 a portion of which is invested in shares of your Company.

EUROFER integrates the principles of sustainability and ESG (i.e. environmental social and governance) in its investment strategies, coupled with investment principles of a typical pension fund, which require a non-speculative investment approach, a long-term time horizon, a low portfolio turnover, and a stable relationship with its members. All investments (both equity and debt) of EUROFER follow a social responsibility policy.

EUROFER aims to create a positive, long term dialogue with investee companies. With this aim in mind, we request your comments on the following ESG-related items.

Incorporation of sustainability metrics in Executive pay

EUROFER, in line with a similar request from the ICCR investors' network¹, invites the Board Compensation Committee to prepare a report assessing the feasibility of integrating sustainability metrics into performance measures, performance goals or vesting conditions that may apply to

¹ See <http://www.iccr.org/about-iccr>



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senior executives under the Company's compensation incentive plans. Sustainability is defined as how environmental and social considerations, and related financial impacts, are integrated into corporate strategy over the long term.

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

BlackRock, the largest asset manager in the world, said in 2017: "Environmental, social, and governance (ESG) factors relevant to a company's business can provide essential insights into management effectiveness and thus a company's long-term prospects."

Apple has taken steps to address ESG issues and provide public disclosure. However, the Company has not explicitly linked sustainability goals with senior executive incentives. Investors seek clarity on how Apple drives sustainability improvement and how that strategy is supported by executive accountability. Integrating sustainability into executive compensation assessments would enhance Apple's approach.

Many multi-national companies, including Intel, Alcoa, PepsiCo, and Mead Johnson, have integrated sustainability metrics into their executive pay incentive plans. Another prominent example is Royal Dutch Shell, which announced in December 2018 its plans to tie a portion of executive pay to concrete targets linked to the company's net carbon footprint.

The increasing incorporation of sustainability metrics into executive pay evaluative criteria stems from the growing recognition that sustainability strategies can drive growth, as well as enhance profitability and shareholder value.

The 2016 Glass Lewis report In-Depth: Linking Compensation to Sustainability found a "mounting body of research showing that firms that operate in a more responsible manner may perform better financially.... Moreover, these companies were also more likely to tie top executive incentives to sustainability metrics."

A Harvard Business School study of S&P 500 executives' pay packages found a positive relationship between the presence of explicit incentive compensation for corporate social responsibility (CSR) and firms' social performance (Hong, et al, 2015).

A 2012 guidance issued by the United Nations Principles for Responsible Investment and the UN Global Compact found "the inclusion of appropriate Environmental, Social and Governance (ESG) issues within executive management goals and incentive schemes can be an important factor in the creation and protection of long-term shareholder value."

EUROFER believes integrating sustainability in the strategy of the Company offers positive opportunities for companies and should be a key metric by which senior executives are judged. Linking sustainability metrics to executive compensation could reduce risks related to sustainability underperformance, incentivize employees to meet sustainability goals and achieve resultant



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benefits, and increase accountability. Metrics relevant to the Company could include indicators related to pressing issues such as: environmental impacts and waste, supply chain human rights and risk management, worker health and safety, diversity and inclusion, and data privacy and security.

We trust you would take into consideration our requests as a stimulus towards achieving greater consensus from your stakeholders.

We look forward to your reply and would be grateful to receive any further documentation you may provide us concerning the points raised.

Sincerely,



Avv. Antonella D'Andrea, President
Fondo Pensione EUROFER