THE CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
SCOTT M. STRINGER

April 7, 2014

Mr. Tim Cook
Chief Executive Officer
Apple, Inc.
1 Infinite Loop
Cupertino, CA 95014

Dear Mr. Cook:

I write on behalf of the New York City Pension Funds (the "NYC Funds") to request that Apple, Inc. annually report to shareowners on the performance of its supplier diversity program using quantitative metrics. While the company currently discloses qualitative information on its supplier diversity program, we are unable to locate quantitative program performance data on either the company's website or in its sustainability report.

Absent comprehensive quantitative information that is comparable to what many other large companies provide, shareowners have no way to evaluate and benchmark the performance of Apple's supplier diversity program. At minimum, I ask that the company:

1. disclose its annual spend with diverse suppliers in both real terms and as a percentage of its total supplier spend, preferably by category (e.g. women-owned, etc.);
2. establish and disclose quantitative performance goals for its supplier diversity program and annual progress toward achieving those goals; and
3. describe the ways in which supplier diversity goals are reinforced throughout the organization, including for example, through (a) oversight by senior management and the board of directors and (b) specific compensation incentives for employees, managers and senior executives.

As Comptroller of the City of New York, I am the investment adviser to, and custodian and a trustee of, the NYC Funds. The NYC Funds have $150 billion in assets and are substantial long-term Apple shareowners, with 2,243,308 shares of common stock. The NYC Funds are committed to promoting diversity within our investment portfolio and among our external service providers. Investment management commitments with Minority and Women Business Enterprises (MWBE), for example, have increased from $5.5 billion to $9.5 billion since 2010.

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These MWBE commitments enable the funds to both manage risk and produce attractive returns. Similarly, we believe a more diverse supply base helps our portfolio companies create sustainable competitive advantage and long-term shareowner value. In addition to tangible benefits in terms of price and quality, a broader pool of diverse suppliers builds brand value, reputation and goodwill. As the Director of Supplier Diversity at Microsoft — which spent $1.9 billion with diverse suppliers in 2012 — states on the company's web site: "we are convinced that our supplier diversity initiatives are a key competitive advantage, helping us win new business, retain customers, and reinforce the Microsoft brand."

A 2013 report by Calvert Investments found that 90 percent of S&P 100 companies have supplier diversity programs. However, our analysis of these companies found that slightly less than half disclose quantitative performance data on their use of diverse suppliers. Shareowners need quantitative data that is both comprehensive and comparable in order to evaluate and benchmark program effectiveness over time and relative to established goals and company peers. Measurement and transparency are also necessary to ensure accountability to senior management, the board and ultimately to shareowners.

While some companies initiate supplier diversity programs to satisfy government contractual obligations, others seek to generate broader competitive advantage. Measuring and monitoring, therefore, should go beyond simply reporting dollars and percent spent. Shareowners need to understand the scope of the company's supplier diversity program (e.g. does it include finance, professional services, subcontractors or foreign suppliers), program goals, how the organization supports these goals, and how the program ties into the company's overall approach to diversity, its strategy and the community. The company should also seek to assess the impact of, and therefore validate the business case for, its supplier diversity program. The company could, for example, estimate the impact on costs, revenue, market share or other relevant metrics.

The need for meaningful quantitative disclosure takes on added urgency in light of Section 342 of the Dodd-Frank Act, which requires six federal regulators, including the Securities and Exchange Commission, to assess the diversity policies and practices of regulated entities. To implement Section 342, in 2013 the regulators released a *Proposed Interagency Policy Statement Establishing Joint Standards for Assessing the Diversity Policies and Practices of Entities Regulated by the Agencies*. The proposed Standards encourage, but do not require, regulated entities to disclose supplier diversity performance metrics, a provision I have encouraged the SEC to strengthen in the final Standards. According to the proposed Standards,

> *Making public an entity's commitment to diversity and inclusion, its plans for achieving diversity and inclusion, and its metrics used to measure success in both workplace and supplier diversity, informs a broad constituency – its investors, employees, potential employees and suppliers, customers, and the general community.*

Many S&P 100 companies across industries currently provide quantitative reporting that goes well beyond total spend to also address program goals and performance against goals, Tier II and global supplier diversity performance, and executive compensation incentives tied to supplier diversity, among other disclosures. For example,

- AT&T, which discloses performance against separate goals for businesses owned by minorities, women and disabled veterans, spent $12.8 billion in total with diverse suppliers in 2012, accounting for 24 percent of total spend.
- Exelon's total purchases with certified diverse suppliers increased 19 percent in 2012 to $751 million, surpassing a corporate goal of $650 million, and equaling about 5 percent of total spend, with subcontractors accounting for 21 percent of the total.
- Hewlett-Packard, which achieved its 2012 goal of increasing the number of suppliers reporting Tier II diverse spending and the total amount of spend ($498 million, up 56 percent from 2011), set a 2013 goal to increase the total amount of strategic supplier diverse spend reported up to 10 percent.
- IBM conducted $3.3 billion of global business with first- and second-tier diverse suppliers in 2012, including a 7 percent increase (to $939 million) in business with non-US first-tier diverse suppliers.
- Johnson & Johnson's spend with minority- and women-owned business suppliers totaled $1.234 billion in 2012, short of its goal of $1.3 billion, but representing 8.4 percent of total spend, up from 8.2 percent in 2011.
- Target, which spends more than $1 billion with diverse suppliers annually, established a 2013 goal to increase annual diverse spend by 3 percent.
- Verizon, which spent $5.3 billion with diverse suppliers in 2012, includes in its short-term incentive plan for all corporate executives, including named executives, a weighted (5%) annual performance measure tied to a diversity target for employees and suppliers.

Given the above, and in light of mounting shareowner and regulatory interest in the performance of its supplier diversity program, it is incumbent upon Apple to publicly report meaningful quantitative performance data, either on its web site or as part of its sustainability report. We would appreciate disclosure of 2013 performance data by September 30, 2014, with annual reporting thereafter. We are making a similar request to other major portfolio companies that, like Apple, do not currently disclose meaningful performance data.

I look forward to your timely response. If you have any questions or would like to discuss further, please contact Millicent Budhai on my Corporate Governance staff at 212-669-2536.

Sincerely,

Scott M. Stringer