**IT3666 Governance, Risk, and Compliance Assignment**

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**Topic/Company Selected:** Apple

***Governance***

In the context of Apple, there are several elements of governance that were identified. They are: Corporate and IT, Information Security, Enterprise, Environmental, Societal, and Global Governance.

As Apple is a public company that trades in the stock market, it is necessary that Corporate Governance is present as it sets out rules, practices, and procedures used to direct and manage a company. It consists of the Board of Directors who influence the practice of Corporate Governance. In the report, it is seen that the Board of Directors is involved in directing the business, and one such way was whether to declare an increase of the dividends given by Apple, who at the time gave dividends at $0.24 per share. Corporate Governance helps an organization is through accountability. Using the entirety of the report as an example, all activities have been documented out with clear explanation, including timelines and laws that the activity abides by.

Evidence of this being upheld is seen by the documentation of Apple being authorized by the Board of Directors to repurchase company stock while complying under the Exchange Act. This strategic move, known as a Stock Buyback, can benefit stakeholders as it preserves stock prices and consolidate their ownership. As mentioned above, Apple is considering increasing the dividends, and by buying back shares and possibly returning stock prices to a better value, such a move would be beneficial to stakeholders as their shares in Apple not only increase, but when the dividends do increase, they earn more revenue passively.

The move also is a display from Apple that it believes its current shares are undervalued, and by reducing the number of available shares in the market, its value increases, making it an attractive stock to potential investors while benefiting current investors who kept it before the Stock Buyback.

Being a technology company, Information Security Governance is key to direct and implementing IT security. With popular products like the iPhone and Macbook, it has become important to secure those devices in the interests of investors and consumers, who are stakeholders because of their vested interest in the company. As a result, the company has ‘devoted significant resources to network and data security’, protecting their systems and data from malicious actors.

An example of being mandated by regulations to uphold Information Security Governance is in the context of Singapore and its Personal Data Protection Act (PDPA). Personal data that can be used to identify an individual falls under the Act, and as a result, companies are required to comply with this regulation by increasing security and privacy of the data they hold. Failure to comply can result in heavy fines of SGD$1 million, or 10% of their annual revenue. Apple’s efforts to comply have involved using a technology called Data Protection, as a layered method to secure their devices like iPhones where sensitive data like contacts and health information could reside.

***Risk***

Apple recognizes that there are risks that can affect its reputation, operations, or even stock price. As part of risk management, they documented and identified several risks, like Business Risks, Legal and Regulatory Compliance Risks, and Financial Risks, to name a few.

Looking into Business Risks, the report acknowledges that Apple’s success depends on numerous factors, namely two factors, its ability to manage risks, and the risk that new products and services may have defects. An example in the report claims that as Apple outsources its manufacturing to partners, whether components or the whole product itself, this has diminished direct control over the quality of their products, which can affect the company when sold to the customer. A real-world case of this comes from the iPhone 15 that has overheating issues (which results in shorter battery life) in its early release, resulting in the negative response by consumers that became widespread news.

As a result to the defects, the risk had to be reactively managed by working on a software update that aims to solve the problem. However, this form of risk mitigation, risk reduction, didn’t work in Apple’s favor as the issue persisted with a lackluster reason as ‘expected behavior’. Sales, therefore, dropped, and Apple had to accept that not all products would sell well.

Another risk Apple faces is Financial Risk. One of the ways for the company to be affected financially is the fluctuation of interest rates on the assets or securities they own. Being a global company, Apple has many assets. From technological, to financial, even derivatives, which is a form of asset of an asset. And these assets are in many countries, with different currencies, and interest rates. The fluctuation of those rates results in varying revenue. Consequently, Apple has opted to implement risk transference. To mitigate credit risk, Apple uses a form of financial arrangement that provides collateral should the value of certain derivatives fluctuate from pre-established limits.

To further reduce the risk of not getting paid, Apple usually makes deals with its trading partners that let them combine multiple transactions into one final payment. This way, instead of making multiple small payments, they just pay or receive one final amount, which helps make sure everyone gets what they are owed.

***Compliance***

Apple, as a global company, is subject to the various legal and regulatory requirements in the place of their operation. These include privacy, data security, consumer protection, sales, billing, technology, advertising, and the internet among many of ever-changing regulations that Apple must comply to continue operation at the respective country.

As stated in the report, compliance with these laws and regulations is both difficult and expensive, and its implementation can negatively affect the company by increasing its operational costs. Consequently, this also becomes a risk as mentioned in the Risks section. However, should Apple be capable of complying with the laws and regulations, there is no assurance that employees, contractors, or agents will comply, therefore being a point of failure that could result in legal consequences.

An example of a possible scenario detailed in the report was Apple being subjected to changing regulations involving its imports and exports. And although they have rules and systems in places to meet the regulatory requirements, there is no guarantee that the policies put in place will be effective in preventing a violation of the regulatory requirement. This could consequently result in products being delayed, prohibited, or outright banned from importation. This financial loss would affect Apple’s business, reputation, and financial state.

Another compliance issue Apple faces is in the collection of sensitive data. The report claims that relating to the collection, use, retention, security, and transfer of such information, they are subject to laws where applicable. This can be further complicated if the data transferred is health data, in which case, Apple is subject to audit by the government of the country regarding Apple’s compliance.

A real-world example of the regulations Apple is required to comply with is the General Data Protection Regulation (GDPR) of the European Union (EU). The GDPR is a law that imposes its rules onto organizations anywhere that deals with people (clients or customers) in the EU. The law dictates that data processed must be kept confidential, and only use as much data as required for the task.

With the issue of Apple being a global company, is it difficult to guarantee that the data of a particular individual, now a data point in a database, will still be protected by the law should Apple process that data for target marketing. And because of oversight, breaches this law without the individual being aware that their data has been used.