

ESG Report 000  
Apple

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## Organisation's Overview and Achievements:

Apple self-proclaims that they are getting 'closer than ever to the day [we] hold [our] Apple device and be confident in the knowledge that it has net-zero carbon impact' (1) and are constantly upholding high standards to keep their journey fully transparent. They believe that by reducing their 'reliance on energy-intensive mining, smelting and refining' (1), they are able to drive down emissions even further: they plan to solely use recycled commodities in their key components by 2025; stating that they are 'accelerating [their] work with new goals to use 100% recycled cobalt, tin, gold and rare earth elements...' (1)

CEO 'Tim Cook' stated in the introduction of Apple's 2022 report that the organisation is making a social impact through working with the communities that they are a part of: by working with 'teachers, advocates, and entrepreneurs from diverse backgrounds...' (2), thus suggesting that they aim for equity and fairness not only within the organisation, but also in society. Simply looking at the past fiscal year, we see that Apple have made immense progress in improving their production, by reducing the amount of plastic they have used in packaging (as many Apple fans may have noticed when unboxing their iPhones from recently), increasing the number of recycled materials and investing projects into green/nature-based projects and these are just some of many changes the organisation has made.

## ESG Frameworks:

Apple uses three universal frameworks to measure their environmental, social and governance performance and they are the following:

1. GRI (Global Reporting Initiative)
2. SASB (Sustainability Accounting Standards Board)
3. TCFD (Taskforce on Climate related Financial Disclosure)

The following link leads to Apple's ESG index. One takeaway from the overview is that Apple take hardware metrics as primary consideration, they do also include metrics from 'Software & IT Services and Internet Media & Services standards to better align with [their] business' (3), which may be something you want to consider when making further decisions. ESG index:

[https://s2.q4cdn.com/470004039/files/doc\\_downloads/gov\\_docs/Apple-ESG-Index.pdf](https://s2.q4cdn.com/470004039/files/doc_downloads/gov_docs/Apple-ESG-Index.pdf)

We have seen several positive impacts made by Apple; however, third party have discovered some slip-ups from Apple and questioned the transparency in their reports.

MSCI, a financial capital market company, has given an ‘average’ score of BBB to Apple when comparing to peers within the same industry. From their company’s rating history data, we see that their rating was downgraded in Nov. 22 (shown on fig. 1). Despite this, MSCI do concur that Apple is clear from corruptive actions such as gambling and that they are fully transparent in the environmental pillar, however, the same cannot be said with social and governance (shown on fig. 2) which presents some questionable performance. Overall, we see that they agree that Apple have aligned with sustainable targets and are above the track with the Paris Agreement (shown on fig. 3) (5).

### Significant Controversies by Indicator

<b>Environment</b>	<b>G</b>
<b>Social</b>	<b>O</b>
Customers	<b>Y</b>
Anticompetitive Practices	<b>Y</b>
Privacy & Data Security	<b>Y</b>
Product Safety & Quality	<b>Y</b>
Human Rights & Community	<b>G</b>
Labor Rights & Supply Chain	<b>O</b>
Collective Bargaining & Union	<b>Y</b>
Labor Management Relations	<b>Y</b>
Supply Chain Labor Standards	<b>O</b>
<b>Governance</b>	<b>Y</b>
Bribery & Fraud	<b>Y</b>

### Performance Flag

- R Red:** Indicates that a company is involved in one or more very severe controversies.
- O Orange:** Indicates that a company has been involved in one or more recent severe structural controversies that are ongoing.
- Y Yellow:** Indicates that the company is involved in severe-to-moderate level controversies.
- G Green:** Indicates that the company is not involved in any major controversies. However, this could indicate that the company is involved in minor or moderate controversies.

Figure 2 (MSCI Rating)

### 2°C Trajectory

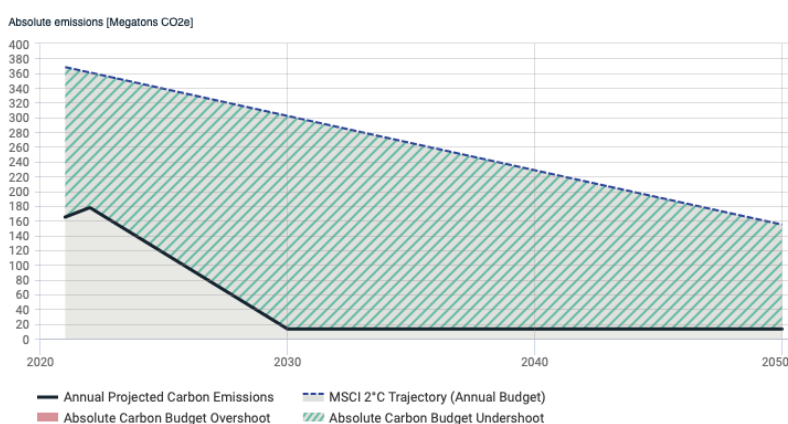


Figure 3 (Apple's Trajectory vs. Paris Agreement Trajectory)

### ESG Rating history

MSCI ESG Rating history data over the last five years or since records began.

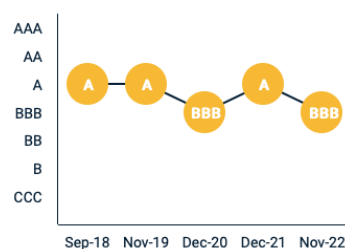


Figure 1 (Apple's MSCI Rating Across a 4-year forecast)

Permutable.ai have given Apple quite a cynical ESG performance rating, with a score of 92/100 for Environmental, but a 39/100 and 15/100 rating for Social and Governance (resp.). However, the report used in their evaluation was from 2021 (2 fiscal years ago), and so there may have been some improvements and alleviations to the social and governance pillars since then. (6)

Another read, by IMVELO, also questions Apple’s transparency in their 2022 ESG Report. Their breakdown rises some questions on the wording from the report and really fine comb the details, which may lead to you to rethink about whether Apple aligns with your objectives. (7)

## Achievements and Targets:

### Historical Targets Achieved -

- Achieved over 45% reduction in emissions since 2015
- Achieved Carbon Neutrality since 2020
- In 2021, Apple has achieved 12/17 of UN's Sustainability Goals
- Achieved over 250 suppliers to transition to 100% renewable electricity for Apple's production since March 2023

### Short Term Targets -

- By 2025, they want to use:
  - 100% recycled rare earth elements in all magnets
  - 100% recycled cobalt in every Apple-designed battery
  - 100% recycled tin solder and recycled gold plating in all of Apple's printed circuit boards

### Long Term Targets -

- By 2030, Apple makes a bold statement that every Apple product will be made with 100% clean energy
- Apple have also claimed that they aim to reduce emissions by 75% in comparison to 2015 levels and scale up carbon removal strategies to address remaining emissions

## Some of the solutions and policies they have implemented:

As of the 2023 Environmental Report, Apple has imposed 5 Climate Policies, which will be summarised in the following:

1. Setting Strong science-based targets - policymakers will set scientific-based targets to reduce emissions which are aligned with the Paris Agreement
2. Rapidly decarbonising through economy-wide and sectoral policies - every aspect of the organisation will adopt zero-carbon technology. They will promote economy-wide carbon pricing programs, advocate for policies which create more energy efficient methods whilst also being cost-effective and invest in new zero-emission technologies
3. Encouraging and enabling high-quality measurement and disclosure of emissions - governments should require companies to measure their emissions along the entire value chain and disclose those emissions publicly.
4. Ensuring high-quality solutions - governments should establish or oversee systems to track and verify renewable energy credits. Credits that are shown should be transparent and verified to increase public confidence.
5. Centring equity and justice in climate solutions - new job opportunities should be created with their main focuses on advancing clean innovation. Equity can be created by prioritising communities that have been disproportionately impacted by climate change and should benefit from economic opportunities of potential solutions.

It is very impressive for a corporation like Apple to not only consider policies which may positively impact their organisation internally, but they also think about society as a whole and create suggestions where other

economic agents can also benefit, which emphasises how much they prioritise mitigating and eliminating climate change.

## Environmental

Apple have created a cyclical chain for its materials which allows for sustainability, whilst also keeping the highest quality (fig. 4). Figure 4 shows how they source their materials from recycled content and renewable resources. Although, it is still reliant on some unused resources, they claim that their goal in the future is to ‘achieve independence from mined resources’ (9). With further research, the same cycle is presented in the 2023 Environmental Progress Report (by Apple) as they continue to progress with the same process. They have also prioritised on 14 materials based off of environmental, social and supply chain impacts. We couldn’t find direct quantitative evidence from the reports, however, data surrounding energy and carbon footprint are in their Appendixes. The cycle is linked in with Apple’s trade-in program, where consumers trade-in their old devices for liquid, and in turn they are used to produce newer devices made by Apple.

The organisation has imposed a water strategy which not only alleviates issues within operations, but also impacting the communities around them, they stated that they ‘must go beyond [their] corporate footprint, across [their] supply chain and into communities and watersheds where they [operate].’ The following figure (fig. 5) shows their water strategy (1).

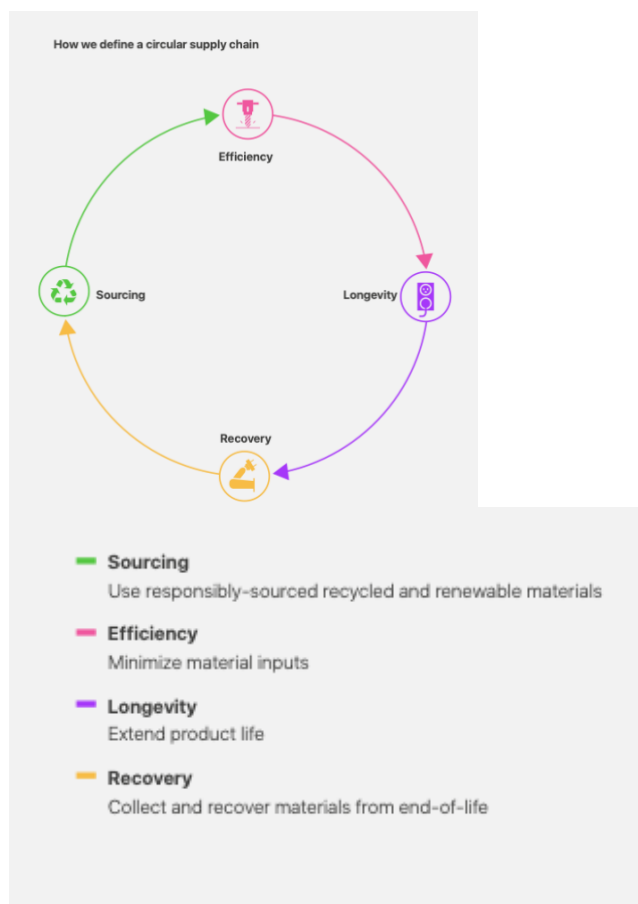


Figure 4 (Supply Chain)



Figure 5 – Apple’s Water Strategy

Apple are currently reducing the amount of waste generated in operations and directing them to recycling programs: they have been trying to do this since 2018. Initially, they focussed domestically (on US Campuses and some retail stores), however it has now become a worldwide scheme. It was recorded that in 2022, recycling and composting efforts allowed them to achieve a waste diversion rate of 71%, which increased from 68% in 2021.

## Social

From Apple's 2022 ESG Report, we have found that the organisation has done several things in response to the negative impacts created by COVID-19. Here are some to list a few:

- Protecting each other's health - they have protected employees' health through up to date COVID-19 information and provided them with support & guidance in gradually encouraging employees to return back to their posts.
- Innovating to support customers - despite the challenges brought by the pandemic, they allowed customers to stay informed and connected through a dedicated section on Apple News and created new content to enhance the quality of virtual education. They fostered learning by connecting with mobile carriers and schools to deliver iPads for students in need.
- Giving back to [their] communities - Apple donated over \$10 million to WHOCSRF (World Health Organisation's COVID-19 Solidarity Response Fund) and gave out \$10 million to COPAN diagnostics, which in turn accelerated the supply distribution of COVID-19 test kits.

The company takes care of its suppliers through holding the highest standards within themselves and the suppliers and this can be backed up through their Human Rights policy. We see Apple's consideration of employability through the Apple Supply Chain Model (which they define to be 'a global network of people and businesses working together to build the best products in the world' (shown on fig. 4).

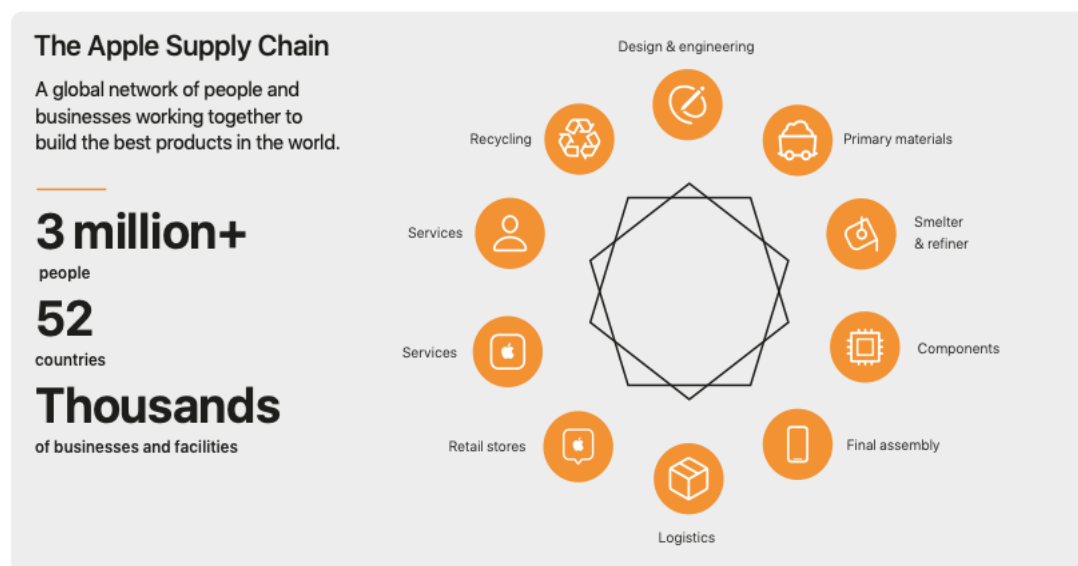


Figure 4 (Apple's Supply Chain Model)

They also use several assessments in order to keep their suppliers' performance up to date with constantly updating requirements - it was statistically recorded that in the 2021 reporting period, 1177 assessments were conducted in 52 countries. The following model shows how Apple stays engaged with suppliers (shown on fig. 5).



Figure 5 (Apple's Supplier Engagement Model)

Apple have also reported labour and human rights within their supply chain: they believe in listening to workers through rights awareness, feedback channels and workplace satisfaction. They have many policies to prevent forced labour in their supply chain (on page 42 of Apple's 2022 ESG Report). Education and professional development is a key labour value for Apple as they have many schemes to help with self-improvement, such as: Supplier employee developed fund and Apple University, Internal leadership, and technical programs & coding workshops.

Apple has several policies to prioritise the care of customers, such as personal protection/privacy, accessibility, health, and education through endless options that are built into their devices for simple and easy access, allowing anyone from any age to utilise their devices (more information can be found in their 'Customers' section from the 2022 ESG Report).

## Governance

Although there have been some backlashes at Apple's governance, through the low ratings it has received from third party, they still document some commendable statistics in 2021, with there being: 98% of employees completing business conduct training, 902,000 Apple training courses were completed, and 432,000 hours spent on Apple-recommended and required trainings.

**Corporate Governance** - they state that their corporate governance structure is designed to foster principled actions, informed and effective decision-making and appropriate monitoring of compliance and performance'. Thought-out and careful decision making could be something you, as an investor, may look for in a company's qualities, and it seems that Apple is aligned with this.

**Ethics and Compliance** - the firm has many resources and anti-corruption policies which workers must follow, and they have structured solutions to prevent any mole activity, such as: '...regularly reporting to the Audit and Finance Committee of the Board on matters including the Antitrust Compliance Program's alignment...' (2) (more can be read on page 72 on Apple's 2022 ESG Report)

**Tax Payments** - Apple has personally recorded that over the past decade, it has paid >\$120 billion in corporate income taxes and that the 'Audit and Finance Committee of the Board of directors regularly reviews and discusses Apple's reports on tax matter from Apple's CFO, General Counsel...' (2) (again, more can be read on page 72 on Apple's 2022 ESG Report).

## Conclusion and Recommendation:

To conclude, we have seen Apple perform and still perform various policies which achieve environmental, social and governance goals which strive for the longevity of the company and our world - with measurable considerations towards the environment, the care for its consumers & employees and strive for transparency.

Although there can be many questions in terms of the reliability of Apple's reports, we believe that Apple is a reliable investment as it maintains stable market power and is considered a 'pioneer in sustainability' (says Impact Investor). With strong goals and timed targets which align with other environmental goals, such as the Paris Agreement and Kyoto Treaty and organisations like the UN, Apple will certainly achieve financial and environment-friendly returns.

Therefore, from my perspective and research, I believe that Apple has a considerably lower social and governance ratings in comparison to its social is because organisation has reinvested the majority of its funds and time into creating more sustainable products and improving operations at current time in order to develop a better and more cost effective future. Thus, taking into consideration Apple's traditional financial performance and their acknowledgement on dynamic goals, we can say that they are an investment-worthy organisation.



## Sources:

(1) - Environmental Progress Report (2023):

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(2) - Apple's ESG Report (2022):

[https://s2.q4cdn.com/470004039/files/doc\\_downloads/2022/08/2022\\_Apple\\_ESG\\_Report.pdf](https://s2.q4cdn.com/470004039/files/doc_downloads/2022/08/2022_Apple_ESG_Report.pdf)

(3) - Apple's ESG Index: [https://s2.q4cdn.com/470004039/files/doc\\_downloads/gov\\_docs/Apple-ESG-Index.pdf](https://s2.q4cdn.com/470004039/files/doc_downloads/gov_docs/Apple-ESG-Index.pdf)

(4) - Questionable claims by Apple: <https://imveloltd.co.uk/apple-esg-report-2022-is-apple-manipulating-or-hiding-something/>

(5) - MSCI Apple ESG Rating: <https://www.msci.com/our-solutions/esg-investing/esg-ratings-climate-search-tool/issuer/apple-inc/IID000000002157615>

(6) - Permutable ESG Rating: <https://esg.permutable.ai/AAPL%20US>

(7) - IMEVO: <https://imveloltd.co.uk/apple-esg-report-2022-is-apple-manipulating-or-hiding-something/>

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[https://www.apple.com/environment/pdf/Apple\\_Environmental\\_Progress\\_Report\\_2021.pdf](https://www.apple.com/environment/pdf/Apple_Environmental_Progress_Report_2021.pdf)

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