



## Shareholder Proposal

### Apple, Inc. Report on Tax Principles

*Co-filed proposal*

*Lead filer – Domini Social Investments (U.S.)*

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Apple's tax strategies have prompted international concern and debate. Apple testified before the Senate Permanent Subcommittee on Investigations, which produced a report detailing Apple's elaborate strategy to reduce its tax payments. According to Senator Levin: "Apple has sought the Holy Grail of tax avoidance, offshore corporations that it argues are not, for tax purposes, resident in any nation."

Apple's complex tax arrangements may result in misallocations of capital, mask the sources of long-term value, and present reputational, legal and financial risks. By exploiting differences between national legal regimes and shifting profits from higher tax regions to low or no-tax regions, Apple may invite costly responses from disadvantaged governments.

Recently, regulatory efforts to close tax loopholes used by Apple have accelerated. Following controversy over Apple's tax strategies, Ireland plans to eliminate the ability to declare "stateless" income, and the European Commission is investigating whether such tax treatment breached competition rules. European Union finance ministers pledged to address profit shifting between companies' country divisions. International tax reform discussions have included a focus on the digital economy.

Corporations, investors and citizens depend upon essential government services funded by tax revenues, including law enforcement, market regulation and judicial systems, infrastructure maintenance, public education, environmental protection, national defense and scientific research. Corporate tax avoidance arguably threatens sources of future innovation and economic growth.

Apple's Business Conduct policy states Apple operates "in ways that benefit the communities in which we conduct business." Large-scale corporate tax avoidance presents risks to local and national economies and burdens working families and small businesses, costing U.S. taxpayers alone an estimated \$90 billion annually.

Governments balance financial and social interests when establishing tax policy. Proponents believe Apple should consider the impact of its tax strategies on society to anticipate changes to tax regulations and ensure continued consumer loyalty.

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Shareholders would benefit from a clear statement of Apple's tax principles, and annual disclosure on how they are being implemented.

**RESOLVED:** Shareholders request the Board of Directors publish an annual report to shareholders, at reasonable cost, omitting proprietary information, on the principles that guide Apple's tax strategies. The report should describe these principles, how they are governed and implemented, and how misalignments between Apple's tax strategies and the interests of its stakeholders, including shareholders, governments, employees and communities, are addressed. The first report should be published by September 2015.

**Supporting Statement:**

Several leading companies have reported on tax principles, such as:

- Transactions between subsidiaries should be designed to ensure that global profits are taxed where economic activities are performed and where value is created (Diageo, Tax: Global Policy)
- Avoidance of transactions that would not be fully justifiable should they become public (Vodafone Tax Code of Conduct)
- Avoidance of secrecy jurisdictions or tax havens for tax avoidance purposes (Unilever Global Tax Principles)
- Consideration of impact of tax strategies on reputation and brand value (Vodafone Code)