ABOUT THE REPORT
This report covers activities in the 2018 calendar year. Our reporting approach is to focus on material issues and activities, in line with stakeholder concerns and relevance in terms of context, completeness and balance. We strive for optimal accuracy, timeliness, clarity and reliability in the way we communicate.
This report also represents our statutory statement on social responsibility and underrepresented gender in accordance with sections 99a & b of the Danish Financial Statements Act.
The A.P. Moller - Maersk Sustainability Accounting Principles can be downloaded here: https://www.maersk.com/about/sustainability/reports
Previous years’ data and our UN Global Compact Communication on Progress table are also available online. Please visit https://www.maersk.com/about/sustainability/reports.

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Dear reader,

This is A.P. Moller - Maersk’s 10th annual report on our company’s sustainability strategy and performance. During the past decade, A.P. Moller - Maersk has changed in line with our global context. Over the last two years, A.P. Moller - Maersk has moved from being a conglomerate with activities in a broad range of industries, towards becoming one integrated company focusing on end-to-end services in container logistics, shipping and connecting our customers’ supply chains. In 2018, we reached several key milestones on our strategic journey. In line with our intent to exit the oil and oil-related businesses, in Q1 we closed the sale of Maersk Oil to Total, and in Q3 we announced our intention to pursue a separate listing of Maersk Drilling in 2019. In September, we announced the integration of the commercial organisation of Maersk Line with Damco which is going to market under the Maersk brand as of January 2019. We have successfully progressed on integrating Hamburg Süd, completing the integration of operations and realising synergies above expectations. We have also seen the appointment of a new Executive Board.

We have made progress in the move towards digitising our business and the way we serve our customers. Already, we see that 98% of our bookings and 89% of our quotes, respectively, are online. For quotes, this was achieved within just one year and the number is still growing. We continue to develop our blockchain documentation solution, TradeLens, to improve our customer experience and create access to trade, as digitising information can drive down the cost of trade, reduce the occurrence of corruption and support job creation.

Zero emissions by 2050
On the global sustainability agenda, the dominant changes over the past ten years have been the establishment of the United Nations Sustainable Development Goals and the growing urgency to tackle climate change. With the latest scientific assessments, there is no doubt that the world in general needs to embark on an all-encompassing transformation process away from the reliance on fossil fuels. This goes for shipping as well, and we have taken steps to respond to this need. In 2018, A.P. Moller - Maersk established the most ambitious goal for reducing CO2 emissions within our industry. We have begun a journey towards having net-zero CO2 emissions from our own operations by 2050. This is an important ambition and one we can only deliver on in collaboration with many other stakeholders.

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Global trade will change
We publish this report at a time where tensions over global trade are stronger than what we have seen for many years. So far, global trade has not been severely diminished by those tensions, even though we remain alert to different trends in the years to come. Our 100-year history has taught us that trade is nothing if not resilient. When the current journey towards having net-zero CO2 emissions from our own operations by 2050. This is an important ambition and one we can only deliver on in collaboration with many other stakeholders by innovating and developing the technologies needed to reach the target.

New approach to safety
In 2018 we have also taken significant steps to renew and step up our approach to safety in A.P. Moller - Maersk. While the last decade brought improvements in safety performance, we have reached a plateau at which we have not been able to eliminate the high-potential accidents, including the number of fatalities occurring as part of our operations. In 2018, we experienced seven fatalities, and my Executive Board colleagues and I are deeply distressed by this. We know that accidents are never intentional, they occur as a result of a number of factors coinciding, and there is rarely a correlation between the efforts made to prevent minor events and injuries and high-potential accidents or events. In the future, we will increase our focus on building the organisational capacity and operational controls that will act as barriers to accidents being escalated to life-changing or fatal outcomes. We have established a corporate safety function and new levels of both leadership and employee engagement in safety. I will be at the forefront of these efforts, consistently communicating on the right and obligation to stop unsafe work and the importance of being prepared for the unexpected.

Continuous commitment
In 2018, A.P. Moller - Maersk contributed to The Ocean Cleanup project which is addressing the issue of ocean plastic pollution. I am pleased to see our company being part of the efforts to solve this significant issue, and it is clear to me that our small part in this project is a source of pride for many A.P. Moller - Maersk employees.

To me, it demonstrates the importance of contributing when and where we can make a difference. We will continue to do so, by running our business with high integrity, supported by our values and policies, and our continued commitment to the UN Global Compact principles.

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Our business

A.P. Moller - Maersk employs over 84,000 people across operations in over 130 countries. The company comprises container shipping, ports and terminals, supply chain management and other businesses operating within four main segments. Examples of where some of our material sustainability issues can occur across our businesses and value chains are shown below.
Our sustainability strategy and governance

The A.P. Moller – Maersk sustainability strategy is designed to support our business strategy and contributes to the UN Sustainable Development Goals. We work in partnerships to fulfil our ambitions.

Over the past two years, A.P. Moller – Maersk has been on a journey of change, reshaping from a shipping and energy conglomerate into a focused transport and logistics company. Our ambition is to become the global integrator of container logistics, providing our customers with end-to-end services for a simplified and connected supply chain.

Our sustainability strategy was reviewed and updated in 2017 with this ambition in mind. It is made up of four shared value areas for our integrated container logistics business and is based on responsible business practices on all material issues (see graphic on next page). We see the four shared value areas as the major issues where we can use our business to develop large-scale solutions that can alleviate some of the world’s major sustainability challenges while at the same time supporting the development of our business. For example, the goal of decarbonising container logistics will support our business in living up to the demands of our customers for low-carbon transportation, as well as meeting the need for cost-efficient energy and helping us prepare for new legislative measures, such as a tax on carbon emissions. At the same time, we will be one of the companies driving progress towards carbon-neutral options in the transportation sector, which is essential for tackling climate change.

Fulfilling the new role of business

With the launch of the United Nations’ 17 Sustainable Development Goals (SDGs), the world set itself a global and shared framework with a common direction and a vocabulary to discuss and invent solutions and transformational actions towards 2030. The SDGs also defined a new and enhanced space for business to contribute to solving major global challenges. Looking across the SDGs and underlying targets, the business of A.P. Moller – Maersk touches, directly or indirectly, on all 17 goals. However, for five of the goals we have the ability to contribute to transformations at scale and we can match these goals with our sustainability strategy’s shared value programmes (see graphic below). For example, trade is central to eliminating poverty, creating decent jobs and assisting inclusive industrialisation and innovation. It is directly and indirectly referenced throughout the sub-targets defined for each SDG. Our business operates at the heart of global trade, and we can leverage our voice and our reach to support action towards achieving these targets – on the ground and in public fora.

The SDGs also comprise other areas where we can have a positive impact, but mostly locally or at a smaller scale, and areas where we have a responsibility to mitigate potential negative impact from our business. These are areas that are addressed through our corporate programmes on safety, environment, human rights, labour, diversity, responsible tax and anti-corruption etc. The need for partnerships

While businesses strive to take on their part in reaching the SDGs before 2030, the need for broader collaboration only increases. A pressing example of this is our ambition to decarbonise container logistics by 2050. This is a huge task and we believe we will find better solutions faster by building alliances with competitors, customers, suppliers, knowledge institutions, other industries and the public sector.

We will continue in the A.P. Moller – Maersk tradition of working in partnerships to affect systemic change and clear the path for transformation. An overview of some of the partnerships we are involved in can be seen in the sidebar on page six.
MATERIALITY 2018

Our materiality model assesses and groups sustainability issues in terms of whether they constitute a risk, responsibility or a shared value opportunity for A.P. Møller – Maersk. Materiality is an important contributor to our strategy development and review processes. Our overall thinking on what materiality means continues to evolve. For example, our work on sustainability risk management and investor engagement, particularly in the context of the recommendations from the Task Force on Climate-related Financial Disclosures (TCFD), (read more on page 15), has prompted us to reconsider some of the strategic and financial risks relative to our material issues.

We have not performed a full materiality update in 2018, but have made three changes compared to 2017 in the risk and responsibility categories:

- The issue of land acquisition and resettlement by linked third parties has become less material following changes in business strategy, resulting in fewer or no green field investments, and has therefore been taken out.
- The issue of physical impacts of climate change has been added as an assumed long-term financial risk following the results of research done this year in the area of climate risks.
- In a human rights impact assessment we performed internally in 2017, labour rights in indirect hiring and subcontracted workers, transport and other services to/from conflict areas and armed services were identified as lacking in governance and mitigation. We have received these management gaps, and are replacing the three issues with the broader issues of human rights and labour rights.

In 2018, a new governance approach was developed and will continue to evolve, as our business transformation progresses further. The overall governance responsibility for sustainability now resides directly with the Executive Board rather than a separate Sustainability Council, as was the case in the conglomerate structure. The company’s sustainability function brings proposals for new programmes or positions to the Executive Board for approval as and when relevant. An annual progress report is compiled for the Executive Board to support oversight on strategic priorities, trends and key issues. The Board of Directors receives sustainability strategy updates, and also reviews and approves the annual Sustainability Report.

Each of our sustainability strategy’s four shared value programmes are guided by a task force with executive level sponsorship and management-level representatives from both line of business and sustainability. Each task force is chaired and served by the sustainability department helping to drive and facilitate projects and collaborations.

Governance on responsible business practices resides with line management which has, in line with our change towards becoming one company, taken on greater responsibility for issues management and risk mitigation.

POLICIES GOVERNING OUR ACTIONS

Our work is guided by internal policies based on our Core Values, external standards and commitments. Key international standards and references are listed below.

<table>
<thead>
<tr>
<th>Material issue</th>
<th>Internal governance documents</th>
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<td><strong>Climate change</strong></td>
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<td><strong>Inclusive trade</strong></td>
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<tr>
<td><strong>Responsible procurement</strong></td>
<td>Rule on Responsible Procurement</td>
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<tr>
<td><strong>Green health</strong></td>
<td>Rule on HSE Management</td>
<td>OECD Guidelines for Multinational Enterprises</td>
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* Rules are comprehensive and mandatory statements of policy and responsibilities in the A.P. Møller – Mærsk central governance system.
The business world is increasingly called upon to use its powers of change and implementation to help solve major societal challenges. A.P. Møller – Maersk focuses on where we have the greatest leverage and potential impact on issues that are material to us.

Our sustainability strategy calls out four areas where A.P. Møller – Maersk through our business can pursue solutions and call for others to act. Those efforts may result in significant system changes and equip us to address the challenges faced by the global society, and at the same time create opportunities for our business.

The four areas are climate change, inclusive trade, food loss and ship recycling, and we report on awareness and developments in all of these, while also explaining how we understand and approach these issues with a view to transformation.

The issues of climate change and inclusive trade are given special attention this year’s report. They are issues that will be fundamentally transformative to how we operate. How they develop will impact business strategy, performance and market conditions globally – for us as well as our supplier and customer base.

Transformation and our business

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Towards a breakthrough in climate change

Climate change is one of the world’s most pressing challenges. An effective response will make a difference to how the next decades play out and how the next generations are able to live.

Very ambitious targets

In 2018, the Executive Board of A.P. Moller - Maersk approved a new company ambition for climate change: to have net-zero CO2 emissions from our own operations by 2050.¹ We do not set net-zero carbon targets to off-set existing CO2 emissions from fossil fuels. By committing to this target, we believe we will drive the transformation of the shipping industry towards use of carbon-neutral fuels.

Based on our experience, we know that efficiency can only keep shipping emissions stable, not reduce or eliminate them. Nevertheless, decarbonisation is achieved, decoupling business growth from emissions is a necessity, and we have set an efficiency target of 60% relative reduction in CO2 by 2030 from a 2008 baseline. With these targets, we are breaking the mould for climate targets and ambitions in the shipping industry.

A decade of learning

A.P. Moller - Maersk has for ten years pursued ways to reduce our relative CO2 emissions, and had set a target of 60% relative reductions by 2020, using a 2007 baseline. By the end of 2018, our reductions had reached 47% since 2007. This is not enough to reach 60% in two years’ time.

NEW TARGETS

60% relative reduction of CO2 emissions by 2030 (2008 baseline).

2018 RESULTS

41% relative reduction in CO2 emissions from our activities compared to 2008 baseline.

We knew our 2020 target was a stretched target, and we are convinced that aiming high has pushed us to do more than we would have without setting the bar high.² Our efficiency work to date has allowed us to decouple our emissions from trade growth. We are now changing our efficiency target to align both target year and baseline with the IMO strategy for greenhouse gas (GHG) reductions in shipping, aiming for a 60% reduction relative to cargo moved by 2030, compared to a 2008 baseline. This means that we will be able to sustain decoupled CO2 emissions from our growth, and as a company we are proud to align a 2030 target with the IMO industry target.

We have reached that mark by optimising efficiency across our fleet, with technical retrofittings including capacity boost, new bulbous bows, new propellers and engine modifications, and by improving planning and optimising networks. Over the last four years alone, we have invested USD 1 billion and engaged 50+ engineers each year in developing and deploying energy efficiency solutions. We expect this investment level to be sustained in pursuit of our new targets.

Efficiency gains do not, however, solve the climate change problem. That can only be achieved through decarbonisation.

Collaboration towards breakthrough

Decarbonisation changes the game completely. Massive innovative solutions and fuel transformation must take place in the next 5-10 years.

It is important to understand just how great a challenge this is. Transforming the shipping industry which has run on relatively cheap, heavy fuel for 100 years is not only about how ships must be designed in the future and what type of engines will power them – safely – on what type of fuel. It is also about building entire new supply chains for these new solutions.

All of this breakthrough innovation will have to take place in the 2020s and is more than any single company can do. We are committed to being a leading actor in this process, but we call on everyone to engage and invest in creating the needed innovation.

Research and development will be the cornerstone in decarbonising the shipping industry, and we urge all parties to purchased ocean services. As a consequence, out of our total emissions, more than 80% will come from the supply chains which makes it the natural place for us to focus our efforts in our new CO2 targets.

Our strategy to become an integrator of container logistics and provide customers with easy access to end-to-end services will necessarily lead to increased activity on land. As we progress, our decarbonisation strategy will also address our land transport and inland assets.

¹ Global warming of 1.5 °C, Intergovernmental Panel on Climate Change, 2018

² If the target was net-CO2 emissions, because using e.g. biofuels will add CO2, which balances out the CO2 reductions from the biofuels. In this way, the actual net CO2 reductions from biofuels are relatively small and are not included in the display of net CO2 reductions.
involved to collaborate on incentives and develop innovative solutions that help the industry to effectively tackle the transformation towards zero-carbon vessels. A.P. Moller – Maersk will dedicate resources and efforts towards research collaborations, technical development, customer engagement, and regulatory advocacy. In addition, we want to begin a dialogue with cargo owners, regulators, researchers, investors and technology developers, and together set the foundation for a sustainable industry.

GROWING CUSTOMER INTEREST IN CLIMATE CHANGE

For many of our largest customers, attention to sustainability in their supply chain is growing. We see our customers making bold company commitments to significantly reduce CO₂ emissions from their business, in many cases to zero-emissions. Currently, 35% of our top 150 customers are using science-based targets and many other customers are working on targets. By reducing emissions in our operations, we can help these customers achieve their CO₂ goals and ambitions. A 2018 customer survey showed us that 72% seriously consider sustainability partnerships when managing their company’s supply chain, pointing to emissions reductions and low-carbon logistics as their main challenges today. Alongside this dependency, we see an increasing acknowledgement among these customers that continued and significant CO₂ reductions require investments.

Zero emissions vessels on the water by 2030: The pursuit of solutions must begin now. Given the 20-25-year lifetime of a vessel, we must have the first zero-carbon and commercially viable vessel on the seas by 2030. This should be followed by an initial large ramp-up, allowing maturing of technology and supply chain in order to be able to turn around our entire fleet for net-zero carbon emissions in 2050. This leaves us and the industry only eleven years to find the right solutions for a positive business case for decarbonisation.

For the next few years, it is very important not to rule out any solutions. There are several promising technologies at various stages of development. All solutions will come with benefits and challenges to be overcome and only by actively partnering, collaborating and undertaking research and development will we know which ones will win out. There are several technologies and fuels being developed those years within the areas such as advanced biofuels and hydrogen-based fuels. We are already engaged in research and test programmes in some of these technologies, for example sustainable biofuels, where we are collaborating with customers and research institutes on development and testing of potential future solutions for low-carbon transportation. Over the coming years, we will expand the range of solutions we are investigating. This will prepare us for selecting a few candidates we will pursue for the first carbon-neutral vessels.

Delivering on efficiency: We have set a new efficiency target at 60% relative reductions by 2030 with a 2008 baseline and meeting it will require tremendous efforts. We will be working on a portfolio of solutions for reaching this target. Energy efficiency is a discipline where A.P. Moller – Maersk has excelled for decades, yet we still have potential to improve. A major contribution will come from replacing older vessels with new and more efficient ones, taking advantage of our continuous work to optimise hull dimensions, hull shapes, propulsion systems and auxiliary systems. And in recent years we have consistently demonstrated our ability to design and build vessels that perform 15% more efficiently than our average vessels. Another large contribution will come from further optimising our network in terms of both network operations and voyage execution. Over the next few years, we will also benefit from the synergies we are seeing in the benefits from our investments in connecting and digitising our vessels.

For the last part of the reductions in CO₂ emissions, we will rely on innovation. We have demonstrated that we are able to innovate and operationalise innovation, and we intend to continue these efforts. Our 2030 efficiency target is strong enough to ensure that we continue to decouple our growth from levels of CO₂ emissions. The pursuit of solutions must begin now. This will enable our business, serve global trade and support job creation.

Physical impacts of climate change

In their 2018 report, the Intergovernmental Panel on Climate Change (IPCC) clearly states that the physical effects of climate change are already here in the form of changes in, for example, weather patterns and biodiversity. This is substantiated by the fact that in 2017, the macroeconomic impact of global weather disasters was around USD 330 billion, making 2017 one of the costliest years ever.

As part of our response to climate change, A.P. Moller – Maersk seeks to manage the risks to our assets as well as the risks to the value of our business, which are caused by the physical impacts of climate change.

Reporting according to TCFD

The TCFD recommends that companies report on both transition risks, understood as risks encountered while working with CO₂ reductions, and physical risks which are risks caused by changes in weather etc., within the categories of governance, strategy, risk management and metrics.

Governance

Our climate change targets are part of our sustainability strategy which is owned by the Executive Board.

Strategy

Our transition strategy is described in the previous pages of this report. To understand and plan for protecting business value from the risks caused by the physical impacts of climate change, we conducted a hot-spot analysis in 2018, estimating the effect of five climate hazards on ports, other fixed assets and strategic commodities within a 2020–2040 timeframe. The five hazards are heat stress, floods, cyclones, water stress and sea level rise.

Based on this overview, we will prepare ourselves for selecting a few top solutions we are investigating. This has increased focus on and activity level around climate change and its impacts on businesses seen from a financial risk perspective.

The growing importance of climate change to investors is clearly demonstrated by The Task force on Climate-related Financial Disclosures (TCFD). It’s recommendations for corporate reporting on climate change were published in the second half of 2017. We are already reporting against the TCFD framework through the Climate Disclosure Project (CDP).

This work has been pushed further by the investment community. We have seen increased focus on and activity level around climate change and its impacts on businesses seen from a financial risk perspective.

Risk management

Climate-related risks and opportunities are part of the Enterprise Risk Management system reporting to the Executive Board and the Board of Directors quarterly.

Metrics and targets

Read about our strategy and targets for decarbonising logistics on the previous pages. Targets for managing the physical impacts of climate change are not available yet.
Working towards carbon-neutral shipping – a pledge and a call to action

CREATING A PULL TOWARDS ZERO CARBON

Efficiency is not enough. Decarbonisation requires massive innovation and fuel transformation, and R&D will be the cornerstone. We are calling on the shipping industry and suppliers to join the journey, and we are committed to lead and invest.

1.0° Climate change is already here
1.5° degree average global warming is the threshold for runaway climate change

Shipping is responsible for 2–3% of global emissions⁴

R&D for new technologies, fuels and supply chains.

Engaging customers to accelerate the demand for low-carbon transportation.

2030 By 2030, commercially viable zero emissions vessels must be a proven, realistic option.

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Making the case for open and inclusive trade

Open trade enables prosperity and growth for people and societies. But these benefits are not accessible to all.

In 2018, we adopted an ambitious set of commitments to help multiply the benefits of trade (see pages 20–21). We will use our capabilities to reduce complexity in global value chains, so that more countries and more companies can do business simpler, cleaner, faster and cheaper. We will also work to empower small businesses, the ‘canvasser belts’ of innovation and job creation, to have better access to the benefits of trade.

Trade is key to progress

Looking ahead to 2030, trade will be key to achieving the UN Sustainable Development Goals. On average, 137,000 people have been lifted out of extreme poverty every day for the past 25 years.¹ Many of them through the jobs and benefits generated by trade. Without cross-border trade, the real incomes of the average consumer would be half what they are today and even less for the poorest.² By keeping trade open in the 21st century, extreme poverty may become history.

Meanwhile, headlines on global trade in 2018 have been dominated by escalating trade tensions. By the end of 2018, we have not seen major effects on global trade. But in the coming years, we expect that at their current level, trade tensions may reduce growth in containerized trade by around 0.3% annually. This is potentially significant in a global market growing only 2-4%.

Rewriting the rule book on global trade

The current trade tensions go to the heart of the multilateral rules-based trading system, and include issues over dispute resolution, investment protection and fair, market-based competition. There is an acceptance that the rule book on global trade needs updating in these areas to ensure a level playing field. We are hopeful that WTO member states will agree on reforms to ensure a rules-based global trading system that keeps trade open, market-based and inclusive.

Much depends on whether the changes to the trading rules will happen through the current system or whether the system as a whole will move away from multilateral solutions. Nevertheless, the current situation presents a unique opportunity and a pressing need to modernise the trading system to make it fit for the next stage of globalisation. The mutual benefits of getting this right are too big to squander and the costs of getting it wrong are unacceptable for present and future generations.

Trade and sustainable consumption

Past industrial revolutions that lifted the majority of mankind out of extreme poverty in just two centuries,³ were powered by fossil fuels. This is no longer sustainable. An emerging subject in trade debates is sustainable consumption, often defined as consumption patterns that respect the natural environment beyond what this can accommodate.

The dilemma is that this cannot be at the expense of inclusive growth. Shifting consumption patterns, higher prices, and slower growth will affect some countries and some groups more than others. If left unaddressed, such negative impacts may threaten the acceptance of policies to address climate change. This may particularly impact countries that already struggle with mass unemployment. 600 million new jobs are needed in developing countries alone by 2030 just to keep up with growing populations.⁴

The debate and ideas for reconciling the diverging dilemmas and trade-offs are hugely important to the world and to our company. For A.P. Møller - Mærsk, the business imperative is clear: to be sustainable, the global trade and consumption patterns on which we base our business need to be compatible with nature. Shifts in mindsets and innovative solutions will be necessary to achieve sustainable consumption and growth. We are following the conversations closely and understand that we have to be ready to contribute to the solutions. Our work on climate change is a major part of this, as are the interventions and solutions being developed in our efforts to multiply the benefits of trade (see next page).

This balance differs from one country to another and requires a social contract within each. A modern rules-based trading system is one that accommodates the needs of different countries to strike a balance between opening up and leaving no one behind.

Need for inclusive policies

Allowing open access to markets for international exporters may have adverse impacts on people if jobs change or disappear. Where these impacts have not been countered by inclusive public policies, support for open trade has been undermined. To retain public support for open trade, it must be combined with inclusive and gender-sensitive policies in areas such as social protection, education, social dialogue and decent work.

This smart mix of open trade and inclusive policies involves a trade-off. Rules-based trading systems in which countries have room to decide when and how they open up to trade. This involves balancing the potential adverse impacts of open trade on specific groups with the overall benefits for workers, companies and consumers of having access to global markets, lower prices, higher wages and more economic vitality.

Growth and jobs

Reducing logistics barriers to trade could increase GDP by nearly 5% adding millions of jobs to the global economy.⁵

We will use our global reach and position to support a level playing field for global trade. Provide support for implementation of the WTO Trade Facilitation Agreement.

Support supply chain barriers by 2025.

Have small and medium-sized customers account for 15% of our total revenue and 30% of our revenue from e-commerce logistics by 2025.

Help partners build capacity of 100,000 small and medium-sized enterprises, including women-operated businesses, to engage in cross-border trade by 2025.

Contribute to trade facilitation reforms in 30 developing countries by 2025.

Our commitment to multiplying the benefits of trade is owned by the Executive Board. A task force with key leaders from relevant parts of the business is responsible for setting and achieving the targets.

Notes:

7 Steve F祉an: Enlightenment Now, 2018
8 Quarterly Journal of Economics (2016), 1113–1180
9 Steven Pinker: Enlightenment Now, 2018
12 Positive Impact: Sustainable Value Creation, 2017
2013)

References:

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HELP LEVEL THE GLOBAL TRADING FIELD

The opportunity: The WTO Trade Facilitation Agreement, which came into force last year, is a concrete example of how the world uses the multilateral system to drive progress. Companies in developing countries pay a particularly high price for informal barriers to trade. Traffic congestion and administrative barriers – popularly known as “red tape” – cause delays that result in additional costs related to storage, inventory, and penalties for exporters and importers. For many, in particular small and medium-sized enterprises, these costs can make the difference between trading and not trading. Trade facilitation reform is key as it makes trading cheaper, faster, and more inclusive.

What we are doing: As a member of the Global Alliance for Trade Facilitation, A.P. Møller - Maersk provides its expertise in support of trade facilitation projects in developing countries. In 2018, we have contributed to reform projects in India, Sri Lanka, Morocco, Ghana, and Kenya. In Ghana, for example – an important hub for regional and international business in West Africa – A.P. Møller - Maersk is working with the government and the private sector to introduce fully automated, paperless customs processing. This will significantly speed up clearance and release of goods thereby contributing to a better business environment.

LEVEL THE TRADING FIELD

We will support 30 countries in implementing the WTO Trade Facilitation Agreement in collaboration with the Global Alliance for Trade Facilitation by 2025.

REDUCE COMPLEXITY

The opportunity: Trade needs to be simple. By digitising global trade, we can help remove friction in global supply chains, enabling our customers to trade more. Reducing barriers to trade leads to new growth with the potential to add more than 20 million new jobs to the global economy every year.¹³

What we are doing: In December 2018, A.P. Møller - Maersk and IBM announced the commercial availability of Tradelens, which is an open and neutral industry solution using blockchain technology to facilitate global trade. Today’s cumbersome and slow processes for trade documentation, administration and data sharing create delays and uncertainties in global supply chains. The cost of such barriers by far exceeds the cost of formal customs tariffs. Tradelens allows all actors involved in cross-border trade to interact in a simple, secure and real-time environment. This offers significant efficiency gains and new revenue models for all actors in the logistics ecosystem. As of January 2019 the solution is actively engaged with more than 100 organisations. This includes over 60 network members including nine ocean carriers, three inland carriers, 46 worldwide ports and terminals, and nine customs authorities spanning the globe.

REDUCE COMPLEXITY IN GLOBAL VALUE CHAINS

We will connect 50% of global containerised trade to digital solutions that reduce supply chain barriers by 2025.

EMPOWER SMALL BUSINESSES

A share of 11% of our total revenue and 10% of our revenue from e-commerce logistics will come from small and medium-sized customers by 2025.

What we are doing: We will support 100,000 SMEs build capacity together with partners, including women-operated businesses, to engage in cross-border trade by 2025.

EMPOWER SMALL BUSINESSES TO BENEFIT FROM TRADE

The opportunity: Small and medium-sized enterprises (SMEs) are “conveyor belts” of innovation and job creation. 95% of all companies are SMEs and they account for two-thirds of formal sector jobs. Yet they have much less access to the benefits of trade.¹⁰ If we can empower small businesses in trade, we can help make economies more inclusive. We foresee that rapid growth in e-commerce will enable more SMEs to connect with global markets. With the right logistics, this can pave the way for a new generation of small companies integrated in global trade capable of retaining more value from trade and turning this value into decent jobs.

What we are doing: Twill, an online digital shipping platform, offers small and medium-sized companies a one-stop solution to view quotes and place bookings instantly, manage related documents, track shipments and proactively address changes to the original plan. Combined with our solutions to digitise trade, stronger customer segmentation and better e-commerce logistics, Twill will help small businesses leapfrog into global trade.

BENEFITS AND CHALLENGES OF DIGITISATION

Commerce and logistics are moving towards digitisation. A.P. Møller - Maersk is committed to being at the forefront of this transformation of our industry. We are digitising our transactions with customers, for example through Twill and Tradelens, as described in the examples above. A range of different business models are existing in our industry based on blockchain, asset connectivity and transforming data into insights and potential products.

Digitising global trade holds vast potential to remove friction, making economies more inclusive, and for consumers making smarter and more sustainable choices. But there are obvious challenges. Three areas stand out: the future of work in logistics; data privacy and surveillance; and market concentration through exponential technologies and big data.

First, the future of work in logistics will be marked by increased use of new technologies in labour-intensive functions. This includes introducing drone delivery, autonomous vehicles and semi-automated warehouses. We are gradually introducing new technology in our own operations including vessels, containers and terminals, making them more efficient, safer and using data to generate new value. We are working to find a balanced approach to these changes (read more on page 54).

Second, the rise of big data combined with artificial intelligence and increased use of sensors in global logistics will see concerns over data privacy, algorithmic discrimination and mass surveillance more closely connected to trade. Protection of data privacy and human rights varies greatly across regions, and we will need to reconcile this with our global commitment to respecting human rights and the privacy of our customers and their customers in turn.

Third is the potential of exponential technologies to result in “winner takes all or most outcomes.” E-commerce is one example. On the one hand, e-commerce can make it quicker and easier for small companies to global markets. On the other hand, there is a risk that global digital trading platforms can lead to excessive market concentration. The challenge will be to ensure that trade remains open and market-based while benefiting from new technologies.
Reducing food loss
– a business opportunity

Working to reduce food loss will create value for a wide range of stakeholders as well as the A.P. Moller - Maersk business.

The issue of food loss and waste is positioned right in the nexus between the growth and sustainability priorities of A.P. Moller - Maersk. We already transport about 27% of the world’s refrigerated containers and 25% of the world’s food commodities, and our business strategy gives priority to the development and growth of our cold chain business. From a sustainability point of view, our large market share and place in the value chain imply opportunities for leverage to reduce food loss, particularly in the stages where most food loss is generated: the production stage, where 500 million tonnes of food lost every year due to planning and handling issues, followed by the handling and storage stage, where 350 million tonnes of food is lost every year due to inadequate storage conditions and time lags in the transportation phase caused by weak organisation of food chains and poor infrastructure.17

What can we do
Our commitment to help halve food loss by 2030 is a new area in our sustainability strategy established in 2017. We are currently shaping our large market share of the world’s food commodities and refrigerated containers and 25% of the world’s refrigerated containers and 25% of the world’s food commodities, and our business strategy gives priority to the development and growth of our cold chain business. From a sustainability point of view, our large market share and place in the value chain imply opportunities for leverage to reduce food loss, particularly in the stages where most food loss is generated. The production stage, with 500 million tonnes of food lost every year due to planning and handling issues, followed by the handling and storage stage, where 350 million tonnes of food is lost every year due to inadequate storage conditions and time lags in the transportation phase caused by weak organisation of food chains and poor infrastructure.


Having in mind the significant impact of food loss on the world’s food commodities, our cold chain business is positioning itself as a key player in the global food supply chain. A.P. Moller - Maersk in 2018 worked to establish partnerships to pilot solutions to the food loss occurring in the production, handing and storage stages.

We see a great potential for help tackling the global challenge of food loss in partnership with A.P. Moller - Maersk, due to our expertise in cold chain logistics and wide-reaching network.

RAFAEL FLOR
Director, Food, The Rockefeller Foundation

Furthermore, enhanced capabilities at the production stage, adequate infrastructure and trade conditions as well as temperature-controlled transportation can enable landlocked countries to access ocean shipping with their perishable goods, as they can be transported with freshness intact to trading ports, even if these are located thousands of kilometres away. This enables producers to participate in global trade.

Building partnerships
Aspiring to create shared value, A.P. Moller - Maersk in 2018 worked to establish partnerships to pilot solutions to the food loss occurring in the production, handing and storage stages.

In 2018, we mapped relevant organisations for potential partnerships, and we signed a memorandum of understanding with the International Finance Corporation on future cooperation for business-driven food loss projects at country level. We are further pursuing a selected number of global multi-stakeholder partnership opportunities.

Together with the Rockefeller Foundation and the Agriculture Training NGO TechnoServe, we are establishing pilot projects in Kenya and Nigeria, with an aim to expand our activities in the food value chain in East Africa and get closer to the harvest and collection level.

Wide-reaching potential benefits
With the projected global population growth in the coming decades, the demand for perishable food is projected to increase by 20% annually. It is clear that with the current system’s inefficiencies, meeting this demand will put even more unsustainable pressure on resources such as land and water, and increase CO2 emissions at a time where these need to decrease. One way to address this challenge is to make the system more efficient and sustainable, and we want to contribute to this. If successful, our partnership-based efforts to halve food loss by 2030 will have multiple benefits, as farmers will have more crops to sell, and communities will benefit from job creation with ensuring local economic development.

A.P. Moller - Maersk is working on a project together with India’s National Research Centre for Banana (NRCB) and farmers in the Theni district in South India. For the first time, the banana trail will be mapped, as the fruit travels through a cold chain.

The goal is to get the export time before 45 days to allow exports to the EU market. This will open a market of at least three million tonnes of banana export, while at the same time preventing the loss of this perishable commodity.

India is the world’s largest producer of bananas with about 50% share of global production. However, nearly a quarter of production is wasted due to lack of infrastructure and transport capability. Furthermore, India exports less than 1% of its production.

A.P. Moller - Maersk

Sustainability Report 2018

A.P. Moller - Maersk
Momentum towards responsible ship recycling in Alang

The journey to transform ship recycling continues with a multi-stakeholder partnership to increase transparency. A significant number of yards in Alang, India, are now investing in responsible practices.

Despite strong and documented criticism of the environmental, health and safety conditions on the ship recycling beaches in Southeast Asia, 95% of vessels were recycled illegally there in 2018.¹⁹ This is the case in spite of several shipowners having policies for responsible ship recycling. A key factor in this is the lack of international regulations on ship recycling because the Hong Kong Convention on ship recycling, established by the IMO in 2009, still has not entered into force, as it has yet to be ratified by the required number of countries.

In 2016, A.P. Moller - Maersk embarked on a journey to radically change global ship recycling towards responsible practices and avoid the high level of negative impacts of non-regulated ship recycling on beaches. We chose Alang, India, as the location where we would work on the ground to prove the viability of more options for responsible ship recycling. As part of this process, we wanted to change the way Alang works - both inside the yards and in the wider community. We remain fully committed to investing in changing this very real and very difficult problem for the shipping industry, living up to our values and ambitions for this area.

Improving fast

A.P. Moller - Maersk has since 2016 sent a total of seven vessels for dismantling in four different yards in Alang and placed our supervision teams on the ground during working hours in the yards working on our vessels. The premise for doing this was our belief that it is possible to bring yards in Alang to comply with A.P. Moller - Maersk's responsible ship recycling standard. At all three yards we have worked with in 2018, regular audit findings against our standard were reduced to just one outstanding within three to six months. The yards did not commence the recycling operations until the audits proved responsible practices.

The one remaining finding concerns excessive working hours, a notoriously difficult challenge for global industries to work with in Asian countries. The challenge is enhanced by the fact that legal migrant workers, who often request as many paid hours of work as possible, make up more than 90% of the Alang workforce.

Two years after we sent our first two vessels to Alang under the Maersk Responsible Ship Recycling Standard, it has been proven that both responsible and commercial ship recycling is possible. When working according to our standards, the yards we work with are achieving audit results on par with yards in Turkey and China. This proves that change is possible provided that the right skills, mindset and investments are in place.

Several more yards are now approved for bidding on A.P. Moller - Maersk-owned vessels destined for ship recycling, and a large number of other yards are today either compliant with IMO's Hong Kong Convention or on a journey towards compliance (see table on next page). We find that we have witnessed and helped propel this great progress in Alang. It does not, however, change the fact that international legislation will be necessary to create a level playing field in ship recycling.

The EU List

The European Union (EU) is set to introduce its own ship recycling safety and environmental standards from the start of 2019. Under these rules, vessels carrying EU flags at the end of their life cannot be recycled in yards not approved by the EU. Yards approved by the EU will be included in what is known as the EU List.

The incentive to get on the EU List is currently encouraging the transformation of Alang seen in the many yards investing in change (see table below). We believe the EU can be a real tool to set a standard for investment and upgrading in the whole area by including Indian yards that comply with EU regulations in the EU List.

The current version of the list comprises 23 facilities from within the EU and an additional non-EU facility (one in the US and two in Turkey).¹⁹ The list does not yet include Indian yards, however, it will be updated on an ongoing basis. In 2018, 11 yards in Alang have officially asked to be added to the EU List. Out of these, two were inspected and conclusions were not available by the end of 2018. We strongly believe that transparency in the assessment process is crucial to keep improving conditions in Alang.

The EU List

The transformation required transparency and engagement from the beginning. We understood that only by engaging other stakeholders could we achieve the industry transformation we are aiming for. For this reason, we welcomed the launch in 2018 of the Ship Recycling Transparency Initiative (SRTI), in which we participate together with five other shipowners and six financial institutions. Two of our large-brand customers are active on the advisory panel.

Through an annual survey, the SRTI collects data on ship recycling practices and establishes a comprehensive set of disclosure criteria. The information collected will form a public database providing transparency and in turn accountability for choices made in the dismantling of void of life-vessels. The SRTI’s online platform was launched in December 2018.

Introducing health services to the Alang community

Another stated vision for engaging with ship recycling yards in Alang was to contribute to improving conditions for the wider Alang community.

In late 2017, a survey was carried out to establish gaps in existing health care services if the needs of the workers and their families were to be met. It concluded that both general and emergency health care services were sorely lacking.

A.P. Moller - Maersk and partners Indian Red Cross and the Ship Recycling Industry Association (SRIA) established a mobile health van with a team of professionals that provides general health care to all ship recycling workers in Alang as well as to the local community of the wider Alang area.

Since May 2018, nearly 10,000 people from the wider Alang area received free, general health care from the health van, improving access to health services significantly.

For 2019, developing emergency care services will be in focus. We will work with local health sector partners to be able to offer basic emergency care services in Alang, and to offer first aid training of the yard workers.
A.P. Moller - Maersk is committed to ensuring that our business practices are safe, responsible and transparent.

In this section, we provide a brief and concise overview of progress, actions and ambitions on responsible business practices on 11 issues. We work on these issues by managing risk as well as by living up to the responsibility defined by our Core Values and the principles of the UN Global Compact on human rights, labour rights, environment and anti-corruption.

The issue of personal safety for our employees merits particular attention because our approach to safety has undergone a thorough review and renewal in 2018.

On all other responsibility and risk issues in this section, we report across selected key categories of disclosure including ambitions; why the issue is important and how it is material; targets for 2018 (as reported in our 2017 Sustainability Report); targets for 2019 or ahead, if revised; progress for this year; and governance. We also connect our work with the relevant UN SDG targets and indicators.

Progress, actions and ambitions

A.P. Moller - Maersk
The loss of five colleagues due to a fire on the Maersk Honam in March 2019 only underlines the need for change in our safety approach to make sure all employees can go to work not only feeling safe, but being safe.

SRLEN SIKU
CEO at Maersk

Building capacity for safety
Through consultation with global safety experts and best practice organisations within safety, we learned that a focus on zero accidents alone is not a sufficient motivator. A far better motivator and guide post is the core belief that safety is not the absence of accidents, but the presence of capacity and effective controls to eliminate as many of the factors contributing to the occurrence of accidents and managing the outcome of an accident.

We have previously targeted zero accidents. Going forward, the target we communicate and use as motivator is to make A.P. Moller - Maersk a safe place to work. To achieve this, we target the elimination of the risk of accidents through designing a safe work place where as many safety control factors are controlled, and focusing not on who failed, but on what failed.

We will set this course to ensure that if and when we do have accidents, the organisation is able to ‘fail safely’ so that high-potential events do not result in permanent and life-changing injuries or fatalities.

A real-life example of this approach is the safety features in ordinary cars. Our new approach is similar to instructing people not to get hurt will not be more effective. However, more procedures and rules with respect to the existence of seat belts, air bags, reversing alarms, non-skid brake systems etc. In comparison, our previous approach to safety also had some level of control, but relied mostly on instructions to ‘drivers’ focused on non-skid brake objects or not to brake too hard on slippery surfaces.

The change in our approach to safety does not mean that we discard our management systems and procedures. They are the backbone of a safe working environment and are based on years of experience and learning. However, more procedures and rules instructing people not to get hurt will not be more effective.

Instead, what we believe will take us further on our safety journey is a non-waiver focusing on being a safe place to work, where we see and engage every one of the people working for A.P. Moller - Maersk – from deck hands to executives – as continuous learners, sharing and leading the responsibility for all of us to return home safely after work.

1.29 0.89

We have previously targeted zero accidents, but the presence of capacity and focus on building resilience, capacity and controls. This still entails the ambition of no colleagues losing their lives working for A.P. Moller - Maersk in 2019.

WHY IS IT IMPORTANT?
Safety at work is a basic human right, and workplace conditions directly influence workers as well as their families and communities. Keeping our people safe is our first and primary responsibility as a company, a core value for us and an unspoken expectation from our employees, their families and communities. A.P. Moller - Maersk, however, still sees fatal accidents occurring as part of our operations.

AMBITIONS
Our overriding ambition is to ensure that A.P. Moller – Maersk is a safe place to work.

2018 OVERVIEW OF FATALITIES
The need for a re-orientation of A.P. Moller - Maersk’s approach to safety was, as mentioned above, sadly reinforced by a fire on the Maersk Honam. In addition to the high-level task force’s work, new guidelines on the storage of dangerous goods were developed and implemented to improve safety across our container vessels, building on a review of over 3,000 United Nations categories of hazardous materials.

Business segment Location Description Employed by
Ocean Ait sea Five crew members died as a consequence of a fire in the forward cargo hold of the vessel. 4 Maersk
Ocean Ait sea Employee at the port’s tyre workshop was struck by debris from exploding tyre and died shortly after. Contractor
Non-ocean Port of Phipparwad, India Employee at the port’s tyre workshop was struck by debris from exploding tyre and died shortly after. 4 Maersk/ 3rd party
Non-ocean Quingdao, China Container assembly facility worker caught and squeezed between trolley and container box plates. Maersk

A ship’s accident can have a ripple effect across the company, affecting up to 1,000 employees in the weeks and months following.

The safety approach also has a cultural dimension. Making changes to the way we work is important to our employees and our customers, and is a significant part of our shared value and brand.

In 2018, our overall LTIF has increased to 1.29 from 0.89 (see side bar). This is primarily due to a positive change in safety maturity across our terminals where improvements in employee engagement have led to increased transparency in the reporting of lost time injuries. There has also been an increase in the number of terminal facilities fully in scope for reporting on safety.

IMPACTS OF CHANGE COME LATER
The new safety approach will be rolled out from leadership level, starting January 2019. To guide the process of change, a new corporate safety function was established in late 2018, to formulate the overall safety strategy and to facilitate best practice sharing and governance across the company. In 2018, our overall LTIF has increased to 1.29 from 0.89 (see side bar). This is primarily due to a positive change in safety maturity across our terminals where improvements in employee engagement have led to increased transparency in the reporting of lost time injuries. There has also been an increase in the number of terminal facilities fully in scope for reporting on safety.

Clear authority, roles, tasks, and objectives for safety at all levels in the company will remain important parts of the safety transformation journey.

Three main elements
Moving forward, addressing three priorities becomes critical:
• Leadership accountability – all leaders must be fully and emotionally engaged in and committed to safety;
• Capacity for safe operations – stronger focus on ensuring effective controls for high-potential events, in addition to ongoing efforts to reduce minor accidents;
• Building the right culture for safety – move away from a culture focused almost exclusively on individual actions and responsibility and more towards becoming a learning organisation, with organisational capacity and operational controls in place and with high levels of employee engagement.

The conclusions and recommendations were approved by the Executive Board and forwarded to Directors in the autumn of 2018, leading to a significant change in our approach going forward, rebuilding our safety efforts to ensure safety is embedded in all aspects of the organisation, and involving every part of the business, every employee and all business processes.

IN BRIEF
Sustainability Accounting and Reporting
We are committed to maintaining high standards for reporting on our sustainability performance, including our efforts in the area of safety.

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It is our first and primary responsibility as a company, a core value for us and an unspoken expectation from our employees, their families and communities. A.P. Moller - Maersk, however, still sees fatal accidents occurring as part of our operations.

Accidents should never be allowed to have a fatal or permanent injury as an outcome for anyone working for A.P. Moller - Maersk. We need to create a working environment and a culture enabling us to manage, react and recover from accidents without persons suffering fatal or life-changing consequences.

CLAUS V. HEMMINGSEN
CEO A.P. Moller - Maersk

SDG TARGETS
In 2018, our LTIF has increased to 1.29 from 0.89 (see side bar).

GOVERNANCE
A new, central safety function was established, reporting to the Executive Board. Operational safety management continues to be the responsibility of line management directed by the requirements in the central governance system.

IN BRIEF
TARGETS
2018: Zero fatalities
2019: Zero fatalities
Continuous improvement in targets for last-time accidents going towards zero.

New targets for safety will be developed in 2019, aligned with the new approach to focus on building resilience, capacity and controls. This still entails the ambition of no colleagues losing their lives working for A.P. Moller - Maersk in 2019.

WHY IS IT IMPORTANT?
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**Air emissions: SO\textsubscript{x} and NO\textsubscript{x}**

**AMBJI5ONS**

Our key ambition is to comply with air emissions regulations and drive regulatory enforcement towards a level playing field.

**TARGETS**

2018:

- Maintain or implement solutions that will enable full compliance with regulatory demands.
- Develop positions alone and with others to level the playing field.
- Fully comply with regulatory demands.

2019:

- Fully comply with regulatory demands and continue investing in maintaining and implementing solutions that will enable the
- Actively engage at international and regional level to secure a level playing field across the industry.

**WHY IS IT IMPORTANT?**

Air emissions from ocean-going shipping have negative effects on human health and the natural environment. We support regulation which will significantly reduce these effects.

**GOVERNANCE**

Our work is guided by a steering committee on SO\textsubscript{x} and compliance and readiness.

**SDG TARGETS**

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<th>SDG Targets</th>
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**PROGRESS IN 2018**

To prepare for the 2020 global cap, we:

- Invested in sufficient supply of compliant 2020 fuels through a long-term agreement with an independent tank storage operator, making Rotterdam one of our global hubs for low-sulphur bunker fuel.
- Here, we will store some 20% of our total annual fuel requirements. We are exploring more such options, as evidenced by a 2019 survey showing that areas in Europe with regulation-limited sulphur content in fuel saw a drop in sulphur concentrations in the air by up to 50%. But, without a level playing field.

In terms of compliance companies will be hurt. The International Maritime Organisation’s 0.5% global cap on sulphur dioxide (SO\textsubscript{x}) content in fuels for shipping will enter into force from 1 January 2020. To enable enforcement of the global cap, the IMO in 2018 decided on a carriage ban for non-compliant fuels on board vessels. Vessels with scrubbers clearing the exhaust gases installed are exempted from this ban. OECD estimates the cost of switching to new, compliant fuels at up to USD 15 billion per year for the container shipping industry. Our own estimation is around USD 2 billion annually for A.P. Moller - Maersk alone.

**TARGETS**

2018 and 2019:

- Zero non-compliant fuels above 10 m\textsuperscript{3}.
- No oil spills over the 10 m\textsuperscript{3} limit were reported in 2018.
- A new global operating standard for Spill Prevention, Control and Response was rolled out across our terminals and inland service depots, with all locations completing spill risk assessments at their facilities, and implementing improvement plans over the short to medium-term to reduce spill risks by strengthening prevention controls, and better preparing, resourcing and testing response plans. As part of the implementation of the new standard, an environmental performance objective was included in our terminals’ performance scorecard for the first time.

**Spills**

**AMBJI5ONS**

Zero oil spills.

**TARGETS**

2018 and 2019:

- Zero non-contained oil spills above 10 m\textsuperscript{3}.
- No oil spills over the 10 m\textsuperscript{3} limit were reported in 2018.
- A new global operating standard for Spill Prevention, Control and Response was rolled out across our terminals and inland service depots, with all locations completing spill risk assessments at their facilities, and implementing improvement plans over the short to medium-term to reduce spill risks by strengthening prevention controls, and better preparing, resourcing and testing response plans. As part of the implementation of the new standard, an environmental performance objective was included in our terminals’ performance scorecard for the first time.

**WHY IS IT IMPORTANT?**

Large-scale oil spills may have documented, long-lasting impacts on human health and/or the environment. Spill incidents also have the potential to cause severe injuries and fatalities. Our business may suffer financial damages through fines and recovery operations, as well as reputational damage. The risk of oil spills is highest in terms of likelihood in relation to fuel transfers. In terms of environmental impact, vessel collisions carry the highest risk profile along with land-side bulk hydropneumatic and chemical handling.

**GOVERNANCE**

Our efforts to avoid spills are governed through the rules and guidance on HSE management stated in the central A.P. Moller - Maersk governance system.

**ANTI-CORRUPTION**

**AMBJI5ONS**

We aim to eliminate corruption in the maritime industry through both multi-stakeholder collaboration and our own operations.

**TARGETS**

2018 and 2019:

- Comply with legislation on anti-corrupt practices, which ultimately translates to zero bribery and facilitation payments.
- Zero non-compliance with legislation on bribery and facilitation payments.
- Corruption undermines social and economic development. It destabilises the business environment, adds to the cost of participating in global trade and has significant negative impact on the markets and countries we operate in. Furthermore, it affects external confidence (public trust) as well as company morale. For A.P. Moller - Maersk, non-compliance with legislation on bribery and facilitation may lead to legal and reputational risks, extra costs, inefficiencies in our business and ultimately debarment from markets.

**WHY IS IT IMPORTANT?**

Risk of corruption is found primarily in our interactions with authorities over contracts and approval as ports and border controls, mostly in the shape of facilitation payments. In some cases, consumption in our supply chain is managed through our Responsible Procurement programme (see page 32).

**PROGRESS IN 2018**

- On our own ships we have managed, in close collaboration between crew and shore, to decrease facilitation payments over the last three years by 99.97%.
- In 2018, 98% of chartered vessels reported monthly, and approximately 88% are in compliance with the A.P. Moller - Maersk Anti-Corruption Policy. These results are achieved through clear communication and collaboration between the vessels, the shipowners and Maersk, making it very clear that we support the crew in avoiding any payments.

- Began work to consolidate existing anti-corruption programmes into one common A.P. Moller - Maersk programme in line with the company’s strategy, including an upgraded Responsible Procurement programme. The programme is based on current compliance standards, including, but not limited to, risk assessment, training and communication.

- Continued membership of the Maritime Anti-Corruption Network.

- Four cases related to corruption were reported through the whistleblower hotline. Three cases have been investigated and closed as unsubstantiated. One case is currently being investigated and dealt with according to the procedure in the whistleblower system.

**GOVERNANCE**

Our work to combat all forms of corruption is governed through the central A.P. Moller - Maersk governance system.
Responsible procurement

WHY IS IT IMPORTANT?

International companies’ purchasing decisions impact environmental, social and economic conditions around the world. For A.P. Moller – Maersk, the trust in our brand and leadership will be damaged, if we are unable to monitor and address our supply chain sustainability risks.

TARGETS

2018:

• Ensure compliance with Third-Party Code of Conduct.
• Introduce ‘country risk’ as additional criterion for engagement.
• Introduce assessment approach to the high-risk category ‘terminals’.

The last two targets replace a previous target. This change was made as part of a re-evaluation of the Responsible Procurement programme in 2018.

2019:

• Ensure compliance with Third-Party Code of Conduct.
• Sharpen the focus on risk management through ‘score card’ methodology.
• Align supplier due diligence processes across segments in a consistent manner.

PROGRESS IN 2018

We focus on suppliers in high-risk categories and countries in our transportation and logistics activities. We engage with approximately 3,000 suppliers through due diligence activities such as audits, self-assessments, documentation reviews, and improvement plans. This number has doubled since 2017, due to the inclusion of the trucking category. It is an output of population of 24,000 suppliers with whom we have a contract and a population of 72,000 suppliers.

• Performed 40 audits and 1,097 self-assessments of suppliers. Added high-risk countries to the high-risk categories as an additional criterion for engagement.

As a member of the UN Global Compact Action Platform on Decent Work in Global Supply Chains, we have signed six broad commitments on decent work in global supply chains.

GOVERNANCE

Governed through requirements set out in the central A.P. Moller – Maersk governance system.

Continued work on subcontractor conditions, particularly in shipping yards and terminal construction sites with due diligence through audits and improvement plans.
• Conducted focused training on labour relations through a joint programme with Global Employees Relations team.
• Pilot an assessment approach for the supplier category ‘terminals’ at 10 terminals in high-risk countries.

AUDITS AND ASSESSMENTS IN 2018

We engage with suppliers through audits and assessments and establish improvements plans in case of critical and major findings. 2017 numbers in brackets.

<table>
<thead>
<tr>
<th>Category</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shipbuilding yard audits</td>
<td>14</td>
<td>12</td>
</tr>
<tr>
<td>Other audits¹</td>
<td>26</td>
<td>23</td>
</tr>
<tr>
<td>Other self-assessments</td>
<td>1,029</td>
<td>1,423</td>
</tr>
<tr>
<td>Shipbuilding yard audits, of which</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pre-qualification assessments</td>
<td>823</td>
<td>812</td>
</tr>
<tr>
<td>Improvement plans established to address critical and major findings</td>
<td>142</td>
<td>124</td>
</tr>
<tr>
<td>Qualified suppliers</td>
<td>812</td>
<td>727</td>
</tr>
</tbody>
</table>

¹ Other audits include audits of suppliers in other business segments.

Human rights

AMBIIONS

Ensure that we prevent and address adverse human rights impacts associated with our business activities.

TARGETS

2018:

• Full integration of human rights in sustainability governance.

2019:

• Anchor human rights due diligence in the company’s overall governance framework.
• Continue to close identified gaps in relation to standards for employees in our company and in the supply chain.
• Conduct further analysis of human rights risks related to the digitization of our business.

PROGRESS IN 2018

• Initiated efforts to integrate human rights in sustainability governance with completion in 2019 in alignment with expected changes to our governance system.
• Performed forward-looking analysis to understand how our impact on human rights will be affected by external and internal transformations. Key areas include upholding labour standards in an increasingly fragmented supply chain; the impact of new technologies on the future of work in logistics; and the potential consequences for human rights of big data analytics, sensors and artificial intelligence in global trade digitisation.
• Responded to a joint communication from two United Nations Special Rapporteurs on Human Rights regarding potential adverse human rights impacts of ship recycling. Our statement, which applies the UN Guiding Principles on Business and Human Rights, is available on our website. The Rapporteur on Human Rights and Toxic included a statement on the subject in his report to the UN Human Rights Council in September 2018.

• Under the Safety of Life at Sea (SOLAS) convention, commercial vessels are obligated to assist persons in distress at sea, and governments are obligated to facilitate the disembarkation of rescued persons at a safe port. We take pride in meeting our SOLAS responsibility in a manner which respects human rights standards.

In 2018, our vessels participated in two search and rescue missions at sea rescuing a total of 127 persons. An incident involving the Maersk Alexander in June 2018 received international attention, as our vessel waited four days for permission to disembark the rescued persons.

• Published our third annual statement under the UK Modern Slavery Act.

HUMAN RIGHTS IN THIS REPORT

There are many aspects of our business that touch on human rights. Our work to enhance our human rights due diligence is described on the following pages of this report.

Material issue Human rights at stake Page

Safety

The right to life and the right to the highest attainable standard of health. 28–29

Employee relations

Human rights principles and standards related to labour, for example freedom of association and collective bargaining, equal treatment, child labour, forced labour, working hours, compensation, privacy, rest and leisure. 54

Diversity and inclusion

The right to freedom from discrimination and the right to family life. 35

Responsible procurement

Human rights principles and standards related to labour, see examples above. 32

Ship recycling

Human rights principles and standards related to labour, in particular the right to life and the right to the highest attainable standard of health. 24–25

Air emissions

The right to the highest attainable standard of health. 30

DATA AND DISCLOSURES

Human rights

Sustainability Report 2018
Employee relations

**AMBITIONS**

All our employees will be treated fairly in a safe and healthy working environment. We will continuously develop and produce working relationships between managers, employees and employee representatives.

**TARGETS**

2018 and 2019: Ensure compliance with the A.P. Møller - Mærsk governance document on Global Employee Relations, which is based on internationally recognised labour standards.

**WHY IS IT IMPORTANT?**

A positive relationship with our employees and nurturing diversity is fundamental to our success as a business. This begins with ensuring respect for internationally recognised human rights and labour standards in all our workplaces.

**PROGRESS IN 2018**

As due diligence, we carried out a company-wide self-assessment in compliance with our Rule on Global Employee Relations. In 160 entities and subsidiaries, we took the findings of the due diligence assessment and identified areas for improvement.

**NEW TECHNOLOGIES IN THE WORKPLACE**

The increase in technological innovation in our industry generates uncertainty among our employees and trade unions. In 2018, we established a set of guiding principles to support our approach. We believe that by addressing these changes in a proactive manner, technology will enable us to create better and more productive jobs for the benefit of the company and our employees. We are committed to:

- Timely identification of upcoming technological changes, so that we can support our employees in building the skills required.
- Proactive and open dialogue with employees and their representatives.
- Ensuring that we have support in place for employees whose jobs disappear due to the adoption of new technologies.

**CLOSING TWO FACTORIES**

Following thorough evaluation of market prospects, A.P. Møller - Mærsk Container Industry (CIM) in June 2018, and its container factory in San Antonio, Chula; Further, in January 2019, we decided to exit the dry container manufacturing business, which meant closing the factory in Dongguan, China. The closures sadly affected the jobs of 1,400 employees. We are committed to taking care of the people that are impacted by these difficult decisions, and we thank them for their dedication and hard work over the years.

Following the announcement of the closures of the plant in Chula, the trade union organising 50% of the employees directed a complaint to the OECD National Contact Point (NCP) in China. The complaint stated that the closure and the company’s handling of the closure of the factory violates the OECD Guidelines for Multinational Enterprises. The allegations concerned equal pay, as well as consultation processes during the closure. We conducted a review of the allegations and found that our running of the closure of the factory complied with the legal requirements as well as international standards for responsible business conduct. We presented the outcome of this review to the NCP, and on that basis respectfully declined the NCP’s offer of a further mediation.

**TARGETS AND PERFORMANCE ON DIVERSITY AND INCLUSION**

**2018 and 2019**

We set global targets that help us monitor progress on representation of gender and nationality in management (see graphic below). We are not satisfied with the 2018 progress, and expect our investments in the agenda will positively impact the results in the future.

**WHY IS IT IMPORTANT?**

It is a basic obligation and core element of our values not to discriminate against our employees. Discrimination bars people from living up to their full potential, creates inequality as well as less stable and prosperous societies. We also want to leverage the competitive advantage that diverse teams and inclusive cultures can bring to our business.

**GOVERNANCE**

Employee relations at A.P. Møller - Mærsk are governed according to our policy on Global Employee Relations based on international labour standards. The Global Employee Relations Council, reporting to the Human Resources Officer, oversees compliance.

**PROGRESS OVERVIEW**

**DATA AND ASSURANCE**

**1. Inclusive leadership capabilities**

- Continued roll-out of workshops focusing on understanding and mitigating unconscious bias across leadership levels.

**2. Local and leader-led agendas**

- Continued proactivity on diversity and inclusion agenda.

**Sustainability Report 2018**
**Introduction**

2018 and 2019:

- Participate, as part of the Logistics Emergency Team (LET), in filling operational gaps in case of complex emergencies and large-scale natural disasters.
- Contribute in LET preparedness activities such as training and knowledge sharing on transport and logistics capacity as well as site access at selected locations.

**Why is it important?**

When natural or human-incurred disaster strikes, emergency logistics services are a key factor. Having aid reach the impacted areas more quickly and efficiently saves lives. Our deep knowledge of logistics and global presence allows us to deliver on this need, and we see it as a clear responsibility to do so.

**Progress in 2018**

Our disaster response efforts are mainly carried out through the Logistics Emergency Team (LET) which comprises four global logistics and transportation companies: UPS, A.P. Moller – Maersk, Agility and DP World. The LET supports the Global Logistics Cluster, led by the United Nations World Food Programme (WFP), which provides emergency responses to complex humanitarian crises and natural disasters.

In 2018, A.P. Moller – Maersk:

- Increased our allocation of time and resources to also respond to human-incurred disasters in addition to natural disasters.

**Ambitions**

To act in accordance with our values by using our leverage and logistics capabilities to support response efforts to large natural disasters and in complex emergencies.

**Targets**

2018 and 2019:

- Participate, as part of the Logistics Emergency Team (LET), in filling operational gaps in case of complex emergencies and large-scale natural disasters.
- Contribute in LET preparedness activities such as training and knowledge sharing on transport and logistics capacity as well as site access at selected locations.

**GOVERNANCE**

The Executive Board decides on activation of support to large-scale natural disasters upon request from the Global Logistics Cluster. A dedicated contact point coordinates requests from the LET to A.P. Moller – Maersk representatives in relevant locations.

**Ocean health**

**Ambitions**

As a citizen of the oceans, we will contribute to protecting the health of oceans and continuously reduce our own impacts.

**Targets**

2018:

- Mature the partnership with the World Ocean Council and the science community.
- Explore partnership opportunities in the marine plastic litter community.
- All vessels are compliant with the IMO Ballast Water Management Convention.
- All vessels are compliant with the Ocean Cleanup Project, contributing around USD 2.0 million in vessel services and equipment for the installation of the first full-scale ocean plastic clean-up system, as well as providing open-top containers for the collected plastic.

2019:

- Increased our allocation of time and resources to also respond to human-incurred disasters in addition to natural disasters.
- Contributed to the response plan following the earthquakes in Indonesia in September, with information on the country’s infrastructure and operational gaps, and coordinating containers to support disaster relief if needed.
- After a cholera outbreak in Yemen in 2017, we collaborated with LET partners in donating four refrigerated containers to store medical supplies.
- Continued to map freight and logistics options to secure the Global Logistics Cluster’s preparedness in risk-prone areas.

**Responsibility**

Shared value

**Risk**

In full

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**SDG Targets**

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</thead>
<tbody>
<tr>
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</tbody>
</table>
Overview of targets and progress

**Ambitions**

- **Climate change**
  - Net-zero CO₂ emissions from our own operations by 2040 and industry-wide by 2050.
  - Mapped opportunities and partnerships to increase our understanding of ESG issues and solutions to fixed cost and operating costs, and enhanced supply chain risk mitigation.
  - Launched the Shipping Transparency Initiative.
  - 100% of vessels in our fleet are compliant with the IMO Ballast Water Convention.
  - Conducted focused pre-bid and ongoing oversight and engagement.
  - 100% of our vessels have been assessed for adherence to the IMO Anti-Piracy Code.

- **Global trade**
  - One case is still under investigation and closed. Three cases have been investigated and closed, where corruption were facilitated by internal or external parties, which will enable this.
  - We continue our efforts to block long-term capacity and competitive. We will contribute to improving access to essential services.
  - We continue to increase our leadership capabilities and engage our employees. We have implemented initiatives to support employees in making their work better, and we will continue to invest in training and development.

- **Human rights**
  - We continue our efforts to block long-term capacity and competitive for meetings.
  - We continue our efforts to block long-term capacity and competitive for meetings.
  - We continue our efforts to block long-term capacity and competitive for meetings.

- **Sustainability**
  - We continue our efforts to block long-term capacity and competitive for meetings.
  - We continue our efforts to block long-term capacity and competitive for meetings.

**Progress 2018**

- Net zero CO₂ emissions from our own operations by 2040 and industry-wide by 2050.
- Mapped opportunities that are deemed to be positive impacts.
- We continue our efforts to block long-term capacity and competitive for meetings.
- We continue our efforts to block long-term capacity and competitive for meetings.

**Targets 2019**

- Net zero CO₂ emissions from our own operations by 2040 and industry-wide by 2050.
- Mapped opportunities that are deemed to be positive impacts.
- We continue our efforts to block long-term capacity and competitive for meetings.
- We continue our efforts to block long-term capacity and competitive for meetings.
### Performance data

**A.P. Moller - Maersk**

#### Economic performance

<table>
<thead>
<tr>
<th></th>
<th>A.P. Moller - Maersk</th>
<th>CONTINUING OPERATIONS</th>
<th>DISCONTINUED OPERATIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2018</strong></td>
<td><strong>2017</strong></td>
<td><strong>2018</strong></td>
<td><strong>2017</strong></td>
</tr>
<tr>
<td>Revenue (USD million)</td>
<td>39,019</td>
<td>50,945</td>
<td>39,019</td>
</tr>
<tr>
<td>Profit/loss before depreciation, etc. (EBITDA) (USD million)</td>
<td>3,806</td>
<td>5,532</td>
<td>3,806</td>
</tr>
<tr>
<td>Caps</td>
<td>2,876</td>
<td>3,599</td>
<td>2,876</td>
</tr>
<tr>
<td>Tax for the year (USD million)</td>
<td>645</td>
<td>1,191</td>
<td>586</td>
</tr>
</tbody>
</table>

**Social performance**

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of employees (FTEs)</td>
<td>84,804</td>
<td>85,667</td>
<td>80,210</td>
<td>75,014</td>
</tr>
<tr>
<td>(USD million)</td>
<td>4,184</td>
<td>8,853</td>
<td>4,184</td>
<td>8,853</td>
</tr>
<tr>
<td>Women in leadership (% based on headcount)</td>
<td>25%</td>
<td>25%</td>
<td>25%</td>
<td>25%</td>
</tr>
<tr>
<td>Gender – female/total (% based on headcount)</td>
<td>25%</td>
<td>25%</td>
<td>25%</td>
<td>25%</td>
</tr>
<tr>
<td>Target nationalities in leadership (% based on headcount)</td>
<td>34%</td>
<td>34%</td>
<td>34%</td>
<td>34%</td>
</tr>
<tr>
<td>Target nationalities/total (% based on headcount)</td>
<td>7%</td>
<td>7%</td>
<td>7%</td>
<td>7%</td>
</tr>
<tr>
<td>Women in leadership (% based on headcount)</td>
<td>38%</td>
<td>38%</td>
<td>38%</td>
<td>38%</td>
</tr>
<tr>
<td>Gender – female/total (% based on headcount)</td>
<td>38%</td>
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</tr>
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<td>Target nationalities/total (% based on headcount)</td>
<td>7%</td>
<td>7%</td>
<td>7%</td>
<td>7%</td>
</tr>
</tbody>
</table>

**Environmental performance**

- **Energy consumption**
  - Fuel oil (1,000 tonnes)
  - Gas fuels (1,000 tonnes)
  - Other fuels (1,000 tonnes)
  - Electricity (1,000 MWh)
  - Energy consumption (total, T J)

- **GHG emissions**
  - Direct GHG emissions (scope 1 GHG Protocol)
  - Indirect GHG emissions (scope 2 GHG Protocol)

- **Other air emissions**
  - SOx (1,000 tonnes)
  - NOx (1,000 tonnes)

- **Other resource consumption**
  - Waste (1,000 tonnes)
  - Water (1,000 m³)
  - Spills (Hydrocarbons)

**Financial data**

Independent assurance report

To the Stakeholders of A.P. Møller - Mærsk A/S

A.P. Møller - Mærsk A/S engaged us to provide limited assurance on the data and information described below and set out in the Sustainability Report of A.P. Møller - Mærsk A/S for the year ended 31 December 2018.

Our conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us not to believe that data and information in the A.P. Møller - Mærsk A/S Sustainability Report for the year ended 31 December 2018 are without any material misstatements and have been prepared, in all material respects, in accordance with the accounting policies as stated on https://www.maersk.com/about/sustainability/reports.

This conclusion is to be read in the context of what we say in the remainder of our report.

What we are assuring

The scope of our work was limited to assurance over data and information in the A.P. Møller - Mærsk A/S Sustainability Report for the year ended 31 December 2018.

Professional standards applied and level of assurance

We performed a limited assurance engagement in accordance with International Standard on Assurance Engagements 1000 (Revised) ‘Assurance Engagements other than Audits and Reviews of Historical Financial Information’. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks; consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Our independence and quality control

We have compiled with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which includes independence and other ethical requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and compliance with laws and regulations. The firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. Our work was carried out by an independent multidisciplinary team with experience in sustainability reporting and assurance.

Understanding reporting and measurement methodologies

Data and information need to be read and understood together with the accounting principles described at https://www.maersk.com/about/sustainability/reports, which Management are solely responsible for selecting and applying. The absence of a significant body of established practice on which to draw to evaluate and measure non-financial information allows for different, but acceptable, measurement techniques and can affect comparability between entities and over time.

Work performed

We are required to plan and perform our work in order to consider the risk of material misstatement of the data and information. In doing so and based on our professional judgement, we:

• Conducted interviews with management at corporate and Brand level responsible for the sustainability strategy, management and reporting;
• Performed an assessment of materiality and the selection of topics for the 2018 A.P. Møller - Mærsk A/S Sustainability Report and comparison to the results of a media search;
• Read and evaluated reporting guidelines and internal control procedures at corporate level and in two major Brands regarding the data to be consolidated in the 2018 Sustainability Report;
• Conducted analytical review of the data and trend explanations submitted by all Brands and Business Units to A.P. Møller - Mærsk Accounting & Controlling for consolidation;
• Evaluated internal and external documentation to determine whether information in the 2018 Sustainability Report is supported by sufficient evidence.

Management’s responsibilities

Management of A.P. Møller - Mærsk A/S is responsible for:

• Designing, implementing and maintaining internal control over information relevant to the preparation of data and information in the Sustainability Report that are free from material misstatement, whether due to fraud or error;
• Establishing objective accounting principles for preparing data and information;
• Measuring and reporting data and information in the Sustainability Report based on the accounting principles; and
• The content of 2018 A.P. Møller - Mærsk A/S Sustainability Report.

Our responsibility

We are responsible for:

• Planning and performing the engagement to obtain limited assurance on whether data and information in the 2018 A.P. Møller - Mærsk A/S Sustainability Report are free from material misstatement, whether due to fraud or error;
• Forming an independent conclusion, based on the procedures we have performed and the evidence we have obtained; and
• Reporting our conclusion to the Stakeholders of A.P. Møller - Mærsk A/S.

Copenhagen, 21 February 2019

Gert Fisker Tomczyk
State Authorized Public Accountant
mne21404
A.P. Møller - Mærsk

An independently assured Sustainability Report is published by A.P. Moller - Maersk and covers all its material sustainability issues. The Sustainability website https://www.maersk.com/about/sustainability provides additional information on the UN Global Compact requirements and describes how A.P. Moller - Maersk fulfills these (Maersk COP), as well as A.P. Moller - Maersk’s accounting principles regarding sustainability. The Annual Report and the Annual Magazine contain forward-looking statements on expectations regarding the achievements and performance of A.P. Moller - Maersk. Such statements are subject to risks and uncertainties, as various factors, many of which are beyond the control of A.P. Moller - Maersk, may cause actual results and development to differ materially from the expectations contained therein.

WE VALUE YOUR FEEDBACK

We welcome any questions, comments or suggestions you might have to this report and our performance. Please send your feedback to sustainability@maersk.com.

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Editor
Lene Bjørn Serpa
Project Lead
Malene Hjelm Nyegaard
Writer
Eva Harpeth Skjoldborg
Design and layout
Extrasmallagency

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https://www.maersk.com/about/sustainability