

# 2017 Sustainability Report

A.P. Møller - Mærsk A/S





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## ABOUT THE REPORT

This report covers activities in the 2017 calendar year. Our approach to reporting 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. Møller - Maersk Sustainability Accounting Principles can be downloaded here: [maersk.com/business/sustainability/sustainability-reports-and-publications/reports](https://maersk.com/business/sustainability/sustainability-reports-and-publications/reports)

Previous years' data and our UN Global Compact Communication on Progress table are also available online. Please visit [maersk.com/business/sustainability/sustainability-reports-and-publications/reports](https://maersk.com/business/sustainability/sustainability-reports-and-publications/reports)

## A CHANGING WORLD

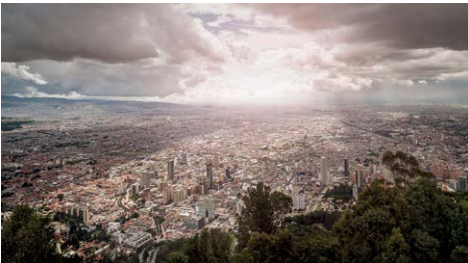
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Safety in everything we do



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## PORTFOLIO NOTE

The future A.P. Moller - Maersk will be an integrated and focused shipping, ports and logistics company. Oil and oil-related businesses are to be separated. This has resulted in portfolio changes in 2017.

The sale of Maersk Tankers to APMH Invest, a subsidiary of A.P. Moller Holding, closed in October 2017. Historical data in this Report has been adjusted to reflect this transaction.

A.P. Moller - Maersk has signed an agreement to sell Maersk Oil to Total S.A. The transaction is subject to regulatory approval from relevant authorities. Closing is expected to take place during Q1 2018. Maersk Oil has been reclassified as discontinued operations.

Maersk Drilling and Maersk Supply Service have likewise been classified as discontinued operations. Maersk Oil, Maersk Drilling and Maersk Supply Service are included in this Report with data presented on an aggregated level.

The acquisition of Hamburg Süd by Maersk Line was closed in December 2017. Hamburg Süd sustainability data will be integrated from 2018. See the A.P. Moller - Maersk Sustainability Accounting Principles: [maersk.com/business/sustainability/sustainability-reports-and-publications/reports](http://maersk.com/business/sustainability/sustainability-reports-and-publications/reports)





## Q&A with the CEO

**Søren Skou, now that nearly 18 months have passed since the new A.P. Møller - Maersk organisation and strategy were made public, how do you see the company and its future?**

We have begun executing to achieve our new vision, which is to become the integrator of container logistics, connecting and simplifying our customers' supply chains. Our size and market share enable this, and our decision to acquire Hamburg Süd is also in part motivated by this vision.

Going forward, A.P. Møller - Maersk will focus on our transport and logistics businesses, and separating out our energy businesses. In 2017, we progressed well in finding structural solutions for Maersk Tankers, which was acquired by A.P. Møller Holding A/S, and for Maersk Oil, where our agreement to sell to the oil company Total is pending regulatory and governmental approvals.

Our strategy going forward is to provide simple end-to-end offerings that serve all our customers' supply chain needs, with the largest, most reliable and most cost-competitive network, and with connected, digital and engaging ways to interact with customers.

Digitisation will be a disruptive force for our entire industry. We are working to digitise the ways we operate our assets, transactions, and interactions with customers, and to develop new digital service offerings. This will reduce the paperwork and documentation in international shipping, and provide our customers with a better service. Our partnerships with IBM and Microsoft are already well on the way towards achieving this goal. At the same time, this work will make it possible for many more people and businesses from all over the world to participate in international trade. As it is, documentation

costs and complexity are a very real barrier to trade for many, particularly small companies.

Digitisation also brings with it the availability of big data. We will tap into this potential. For example, containers can be turned into smart boxes and data generators, helping customers reduce costs and better understand their supply chains. Another example is that by getting continuous data from our assets to optimise operations, we will reduce our fuel consumption and our carbon footprint. We're also looking into how, through data sharing, we can help relevant organisations that work to protect the health of the oceans.

**What have these changes meant for your sustainability priorities?**

Some things stay the same. For example, operating our business responsibly with respect



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## Companies can no longer stay on the sidelines when it comes to global issues.

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**SØREN SKOU**

CEO, A.P. Møller - Mærsk A/S

and support for international commitments such as the UN Global Compact continues to be the foundation for how we work. This goes for all of our businesses, including the remaining energy companies.

However, in light of our new business strategy, and with a view to how we can best contribute to the Sustainable Development Goals, we reviewed our sustainability priorities. We have four top priorities: decarbonising logistics, multiplying the benefits of trade, halving food loss in the supply chain, and leading change in the ship recycling industry.

As an integrated container logistics provider, trade is the context for all our activities. We are a major part of the global trade system with its positive and negative impacts. We acknowledge the climate impacts related to trade, and we have ambitious targets for reducing CO<sub>2</sub> from our vessels. What is also clear is that the opposition to free trade is stronger than we have seen in decades. I firmly believe in the benefits of international trade, but we need to recognise that these benefits have not been shared equally. Why this is the case and how more people can be included to share in the benefits of trade is something our company, our industry and the global community, need to understand better. I'm convinced that businesses can work in a way where what we do is not only good for the economy, but for society more broadly speaking. Working at the heart of trade, I think we have a particular responsibility towards making global trade available for everybody, and free trade is a key element on that journey.

As leaders in our industry, we want to take responsibility for the world around us. A.P. Møller - Maersk carries 27% of all food transported in refrigerated containers, which creates a strong link between our business and the issue of food loss in the supply chain. We see ourselves making a real difference on this issue, as well as creating benefits for our business. We will be working with partners and using our expertise within cold chain logistics to tackle this challenge.

### Looking at the company's sustainability performance, what are you most impressed with?

We're very aware that companies can no longer stay on the sidelines when it comes to global issues, and I'm very satisfied with the level of our sustainability ambitions. What we are and will be doing is fitting for a company of our size, knowledge, reach and leverage. The issues of climate change, trade and food loss are also areas where we can make a positive impact when developing new business solutions.

More specifically, I'm impressed with what has been achieved over such a relatively short period of time in the ship recycling project. After 20 months, three yards in Alang, India, are performing at the same level or better than yards in China and Turkey, which used to be the only options for economically viable and responsible ship recycling. The door to changing an otherwise gridlocked situation has been opened, and we now need to accelerate this development. We hope other shipowners will join us in transforming the entire Alang ship recycling industry by demanding high standards for safety, human rights and the environment, and by supervising implementation on the ground on a daily basis.

It is about businesses and other partners working together to solve a complex problem.

### Who will you collaborate with to fulfil your ambitions?

Everyone who has a stake in a problem could play a part in solving it. From a level playing field perspective, we believe businesses working together to solve a shared problem makes a lot of sense. The tasks ahead of us demand many types of inputs and ideas. Just consider what it will take to decarbonise logistics. This is a task that many sectors and actors will need to work on, not just businesses.

We will be working with many different partners – from international organisations to small start-ups with great ideas. We will need disruptive innovations to get A.P. Møller - Maersk and the world at large closer to where we need to be. Innovative partnerships are key to this development.

### Are there issues where you're not happy with the current state of affairs?

To my great dismay, seven colleagues died while working for A.P. Møller - Maersk. It is deeply unsettling to me personally that any colleague should lose their life while working for the company. It is deeply unsatisfactory, and we must work even harder to ensure this number is reduced to zero.

A critical part of this will be much broader leadership involvement in safety.

It is also a fact that we have not yet cracked the code on diversity and inclusion. We have targets for women in management, but progress is just too slow. I want this to change, and in 2017 we prepared a new strategy and action plan for this area. It is about securing access to talented employees now and in the future, but it is also about fairness. Everyone working for us should be able to go as far as their talent allows. We understand that this is not only about fair processes, it is also about cultures and mindsets. It is an area where I would really like to see a big change.

### Are the company and its employees prepared to take on the ambitions you have set for the company – commercially and within sustainability?

Our people already do this work every day with strong commitment and high levels of engagement. During the cyberattack we experienced over the summer in 2017, the organisation responded remarkably to the incident, with creativity and entrepreneurship. One of my takeaways from those weeks was my colleagues' incredible diligence and great dedication to the company, our name, our values and our mission.

I believe that is true not only in a time of crisis, but also in our quest to adapt to and embrace the huge opportunities in this period of business unusual which we face.

### So what is next for sustainability at A.P. Møller - Maersk?

What has really come into focus is the need to expand the scope of our efforts in order to drive real change at a systemic level. This is why we will move from looking at our own CO<sub>2</sub> emissions to the entire logistics system, and from pilot projects to scaled-up solutions for increasing trade benefits. Our focus on reducing food loss in supply chains is driven by the same understanding. These are the areas where we will increasingly focus our energy and resources in the years to come.

# Our business

A.P. Moller - Maersk employs over 85,000 people across operations in over 120 countries. Our vision is to be the global integrator of container logistics, aiming to connect and simplify our customers' supply chains. Examples of where some of our material issues can occur across our businesses and value chains are shown below.

## KEY RESOURCES

**46,362**

Invested capital  
(USD million)

**816**

Electricity  
(1,000 MWh)

**63,227**

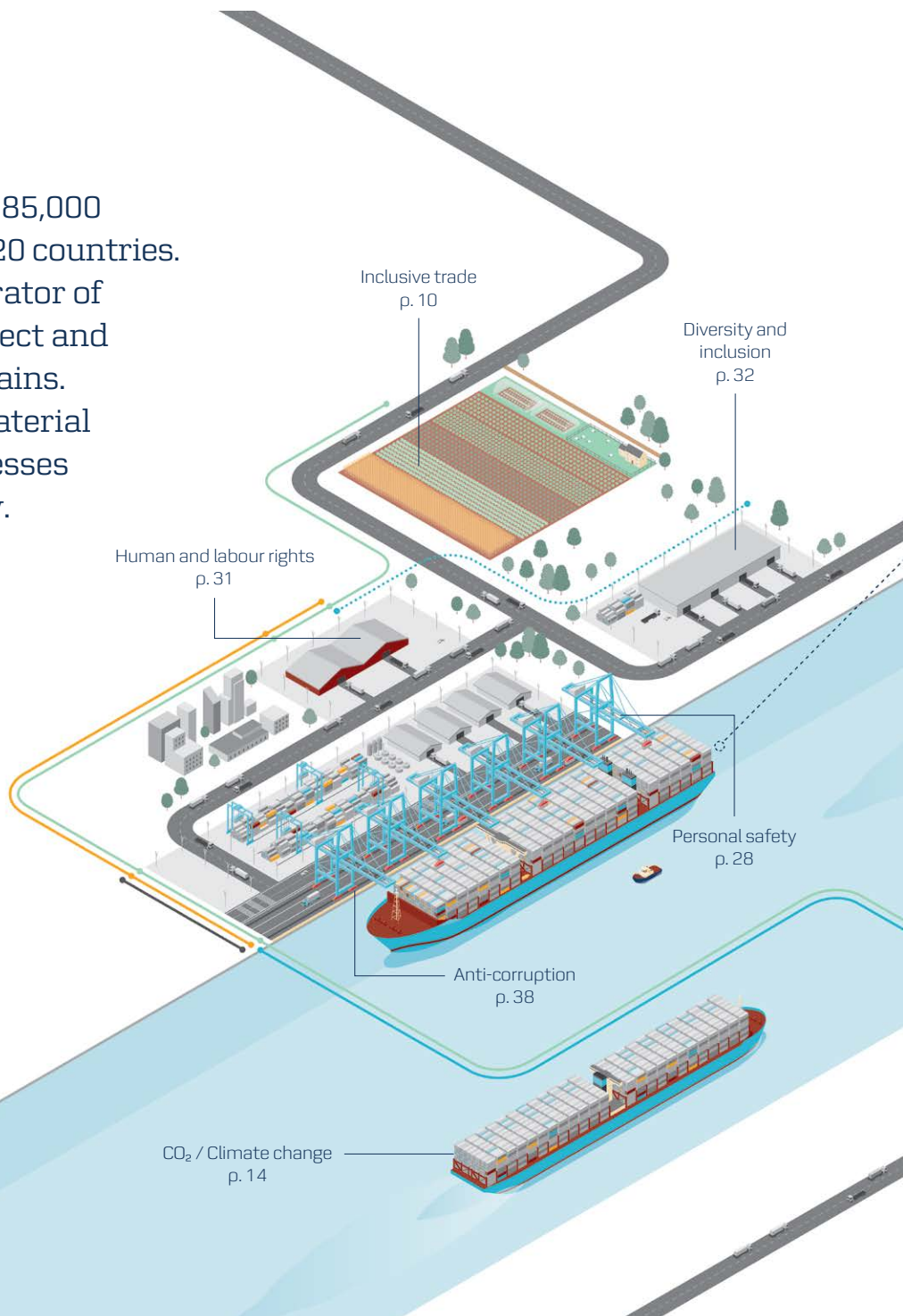
Total assets  
(USD million)

**10,369**

Fuel oil  
(1,000 tonnes)

**85,667**

Employees



### MAERSK LINE

The world's largest container shipping company



### APM TERMINALS

Provides port and inland infrastructure to drive global commerce



### DAMCO

A world-leading provider of freight forwarding and supply chain management services



### SVITZER

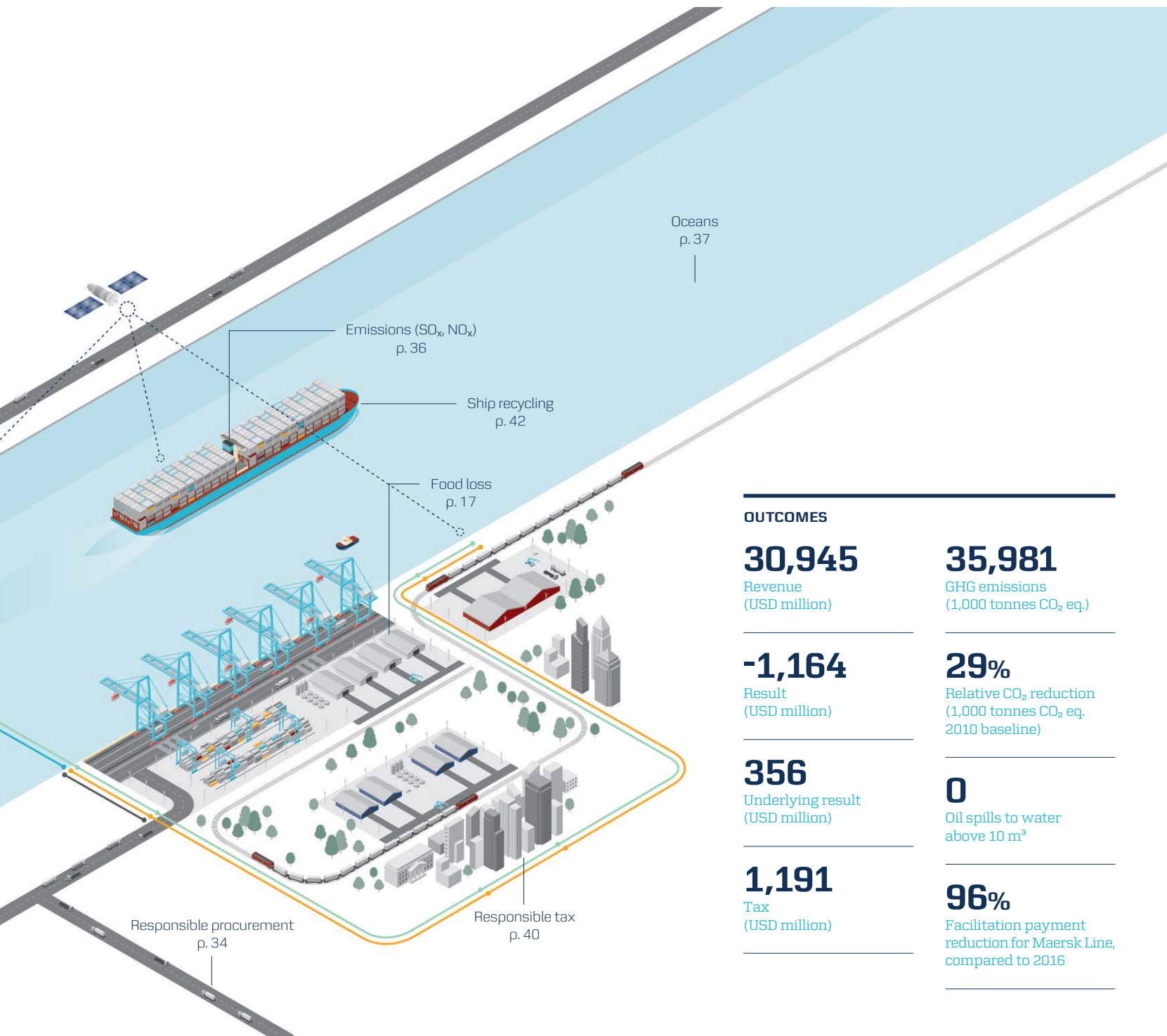
Has provided safety and support at sea since 1833



### MAERSK CONTAINER INDUSTRY

Develops and manufactures refrigerated and dry containers and Star Cool™ refrigeration machines





## ENERGY

In the efforts to create an integrated shipping, ports and logistics company, execution on the separation of the oil and oil-related businesses, Maersk Oil, Maersk Tankers, Maersk Drilling, and Maersk Supply Service, moved forward in 2017.

The objective of the separation has been to find solutions before the end of 2018, which ensures the most optimal development opportunities for the capabilities and assets built in the individual companies.

Already during 2017, two significant steps were taken, as structural and viable solutions for the future ownership of Maersk Oil and Maersk Tankers were established. See the portfolio note on the contents page.





# A changing world

A.P. Moller - Maersk has been instrumental in driving growth and opportunity through connecting economies and communities for over a century. We plan to still be doing so in another 100 years from now. However, the way we fill that role will look different in the future. →









# Transforming our business

As the world changes, A.P. Moller - Maersk is preparing our business to contribute to changing logistics, the food loss challenge, making ship recycling more responsible and multiplying the benefits of trade.

In A.P. Moller - Maersk, we produce containers that carry cargo around the globe. We operate vessels and trucks as well as ports that handle and transport cargo from producer to customer. And as long as we have businesses in the Energy division, we will be engaged in oil and gas-related activities.

But we find ourselves in changing circumstances. Global events, mega trends and broad societal change have affected the course of global development faster than most of the world imagined possible only five years ago.

We see a growing opposition to globalisation, which is ushering in a steep increase in protectionist measures by countries. There is a shift in global

power balances, with China now playing a bigger role. We are also seeing the effects of climate change impacts through adverse weather events.

This has inspired global agreements, the setting of reduction targets and innovation towards a low-carbon world.

In addition, technological advances are changing how we live, work, produce and trade. Examples include how data connectivity is creating a more solid decision-making base, which improves our ability to predict and plan for anything from major weather events to traffic patterns and consumer priorities. This trajectory will continue and increase. Intelligence and data connectivity will be incorporated

in everyday objects, leading to, for example, autonomous vehicles and blockchain technologies for payments and information sharing.

## Affecting our business

A.P. Moller - Maersk has already experienced the effect of many of these developments on our business. Global trade has not grown nearly as much as expected five years ago. Before the financial crisis, global trade, in volume terms, was growing at 8–10% a year. Current growth rates are at 4–5%, and we expect rates to be between 2–4% in the medium term.<sup>1</sup> At the same time, the fossil fuel-based energy sector is under long-term pressure.

## GLOBAL TRADE

# 4–5%

is the current growth rate for global trade in volume terms.

## OUR SUSTAINABILITY PRIORITIES



### HELP DECARBONISE LOGISTICS

60% relative CO<sub>2</sub> reduction by 2020 (2007 baseline)

Develop low-carbon offerings to customers



### CONTRIBUTE TO HALVING FOOD LOSS

Invest in innovations reducing food loss in the transportation chain



### HELP MULTIPLY THE BENEFITS OF TRADE

Invest in digital solutions facilitating trade

Dedicated support for the full implementation of the WTO Trade Facilitation Agreement



### LEAD CHANGE IN THE SHIP RECYCLING INDUSTRY

Drive the transformation of the ship recycling industry in India

## RESPONSIBLE BUSINESS PRACTICES

Strong management approach to material issues, notably health, safety and environment, human and labour rights, anti-corruption and responsible tax practices

Ensure order in our own and our customers' end-to-end supply chains through a strong responsible procurement programme

Proactively drive diversity and inclusion in our workforce

Be a responsible citizen of the oceans

<sup>1</sup> A.P. Moller - Maersk internal calculations





We also see that resource scarcity – lack of water, food products and natural minerals for example – is no longer a far-off risk, but a reality in some parts of the world, and will affect more and more people and businesses within the next 10–15 years.<sup>2</sup> Finally, digitisation is about to disrupt our industry and significantly change the landscape in which we operate.

We are taking steps to adapt our company to this changing world. Our vision is to become a global integrator of container logistics through digital innovation, connecting and simplifying the global supply chain. This includes providing simple solutions to our customers' complex supply chain needs, elevating the customer experience and extending the industry's most effective and efficient delivery network to every market in the world. We want to make the shipping of containerised goods as easy for our customers as it is to send a package from A to B today.

Alongside this, we will be finding viable solutions for our activities in the energy sector.

### A new role for business

A changing world brings changing expectations for business, adding up to a new role for the private sector in general and large businesses in particular.

This is evident in the United Nations' Sustainable Development Goals (SDGs), which express the global community's most important priorities for the future. They also express what is increasingly expected of businesses: To work in partnerships to create solutions that contribute to developing a more sustainable and inclusive world.

Such deep engagement and collaboration also drive business value. There is growing evidence that engagement will drive both sustainable development and corporate performance, becoming a new frontier in competitive advantage.<sup>3</sup>

### How we engage for change

A.P. Moller - Maersk has pursued such engagement for some time. In 2009, we took on a leadership role in the shipping industry to reduce CO<sub>2</sub> emissions, and pushed to get the issue of climate change high on the industry's agenda. We continued this work in line with our 2014

sustainability strategy, which was based on the idea of looking for touchpoints where our business can positively impact sustainable development and at the same time create business value. This has been true for our work on trade and climate change (read more on pages 10 and 14).

We were instrumental in establishing the Maritime Anti-Corruption Network (MACN) in 2011, which set the tone for a partnership-based model for combating corruption and facilitation payments in ports. We are currently developing a blueprint for collaboration between foreign service representations and companies in the battle against facilitation payments (read more on page 38).

In 2016, we began working to change the ship recycling industry to raise standards and create safe working conditions and environmentally sound practices at shipbreaking facilities in Alang, India. Working in partnership with participating yards, the on-the-ground achievements have the potential to break the gridlock in the ship recycling industry. We are now working to accelerate change through a push for increased transparency on shipowners' policies and practices (read more on page 42). →

## SUSTAINABLE DEVELOPMENT GOALS

The United Nations' Sustainable Development Goals (SDGs) express the most important issues that the global community has identified as future priorities.

Our business touches, directly or indirectly, on all 17 SDGs. We have selected five SDGs where we can have the greatest positive impact, and where we intend to track our progress:



<sup>2</sup> reports.weforum.org/global-risks-2017/part-1-global-risks-2017/ and nature.com/articles/nature21359

<sup>3</sup> Connect: How Companies Succeed by Engaging Radically with Society, McKinsey 2015.

## Weighing in on trade

Trade is at the heart of economic development and globalisation – and A.P. Moller - Maersk is at the heart of trade.

Today, trade accounts for almost 60% of global GDP, up from 40% 25 years ago,<sup>4</sup> due to global agreements on trade liberalisation, technological advances and relative global stability. Now, the world faces the consequences of the way globalisation has played out so far.

These include positives such as a larger economic pie and benefits for most countries, regardless of their stage of economic development. Trade has been a massive driver of prosperity, and has helped lift over a billion people out of poverty.<sup>5</sup> On the other hand, this wealth has not reached and benefited everybody.

What is at stake now is ensuring that the value created by trade is accessible to all. The solution is not to restrict international trade, but to ensure that the global community, including the private sector, comes together to support more balanced policies and initiatives that will make trade and growth more inclusive for those who have yet to see significant economic and social benefits.

### Multiplying the benefits of trade

At A.P. Moller - Maersk, we believe that by working together to multiply the benefits of trade we can enable stronger, more inclusive growth, for the benefit of our customers and of society. We can play a role in helping to make it easier to participate in trade.

And with our strategic direction set for an even wider role in tomorrow's end-to-end logistics solutions, we are inviting broad collaboration to answer the question: How can we multiply the benefits of trade together?

We will work with our customers and partners to simplify supply chains, digitise procedures and accelerate trade reform. This will boost global trade, and make growth more inclusive as barriers for countries, entrepreneurs and small businesses are removed or reduced.

### Building on what we know

Over the last four years, we have invested in projects and advocacy to enable more people to become part of global trade. The majority of projects are now being scaled up (see case stories).

We will continue to focus on enhanced trade facilitation in the shape of simplified, modernised and aligned export and import processes.

It has been estimated that this can add USD 1 trillion to global GDP, reduce worldwide trade costs by an average of 14.3% and create 20 million new jobs.<sup>6</sup> The World Bank also estimates

that when trade barriers are removed and costs are reduced, lower-income countries will benefit the most.<sup>6</sup>

However, such a trading system will be sustainable only if everyone shares in the benefits. A.P. Moller - Maersk can help more countries and more people gain access to the benefits of trade. This also requires a public policy environment for inclusive growth that distributes these gains and protects those who may be suffering adverse impacts.

### Showing how better trade works

Since 2015, the WTO Global Alliance for Trade Facilitation (the Alliance) has worked to ensure trade facilitation reform and support implementation of the 2013 WTO Trade Facilitation Agreement. We are part of this work as a member of the steering committee, alongside other public and private partners.

The Alliance facilitates projects to address problems and advance reform in specific markets, and in 2017, the Alliance initiated pilot projects in five countries:

- Testing a bond system for the immediate release of goods in Vietnam, in collaboration with the local government.
- Developing a risk management approach for customs in Colombia, as well as supporting the establishment of a Center for Trade Facilitation and Good Practices.

### MORE SECURE AND SIMPLE TRADE WITH AFRICA

Inspired by the ConnectAmericas platform, we initiated the development of a digital B2B trading platform, known as Fromtu, which connects African sellers and buyers with international customers and suppliers. The purpose of the platform is to support the growth of international and regional trade on the African continent. We consider this a source of future growth for A.P. Moller - Maersk, and at the same time see a potential for African producers and traders to expand their networks and business.

Originating as a pilot project in A.P. Moller - Maersk, Fromtu now operates as a start-up owned by our company. The first version of the Fromtu platform was launched in 2017, and is being continuously updated to improve functionality. At the same time, we are working to solve challenges related to trust between sellers and buyers, which is a key barrier to trade, by supplying some of the necessary tools to trade securely, for example verification of both parties.

### WORKING TO DIGITISE GLOBAL TRADE

In one of our pilot projects on enabling trade, we tracked containers from Kenya to the Netherlands in 2014. We found 200 different, mostly paper-based exchanges of documentation between 30 individuals and organisations, doubling the shipment costs. This disproportionately affects small and medium-sized enterprises, which WTO research finds are particularly strong drivers of economic growth that benefits local communities.<sup>7</sup>

This new understanding led us to work on reducing costs, in order to open global trade. From that starting point, and after several years of research and collaboration, we have now formed a

joint venture with IBM, establishing an open digital platform that will enable easy access and sharing of data between supply chain parties as well as a space where participants can develop digital solutions for themselves and their customers.

The solution has been called a 'game changer' in the logistics industry, disrupting the normal flow and price structures. To create widespread benefits from this, the platform will be open to all with clear protection of corporate data provided by users.

Together with IBM, we have created the first two applications for this

platform, one called Paperless Trade and the other targeting the Shipping Information Pipeline. The first digitises trade documentation using blockchain technology to securely submit, stamp and approve documents for clearance and cargo movement. The second gives complete visibility of shipment events through a supply chain. The aspiration is that these two applications are just the beginning, and that other players in the supply chain develop and offer new applications based on our shared data and technologies.

4 data.worldbank.org/indicator/NE.TRD.GNFS.ZS

5 Towards a Better Globalisation, OECD, 2017

6 World Trade Report 2015, WTO

7 World Trade Report 2015, WTO



- Building pre-arrival, risk-based clearance abilities in Ghana and Kenya.
- Using data analytics to harmonise documentation and simplify procedures in ports in Morocco.

With these projects, the Alliance aims to build proof of the benefits available to all through fewer delays and easier access to participation in international trade. The projects serve as models for replication.

Alongside project activities, the Alliance is developing metrics and indicators to measure the outcomes and impact of fewer barriers to trade.

### Reducing the cost of delays

One of our contributions to the Alliance's work is studying the barriers to trade and the cost of these in specific geographies. Two such studies were completed in Kenya and Ghana in 2017.

These studies apply the concept of 'Total Transport and Logistics Costs' (TTLC), which was developed by A.P. Moller - Maersk through our socio-economic impact study programme. It combines direct transport costs, tariffs and customs fees with measures of indirect costs, which most studies of trade costs leave out. Yet, they are key to improving trade.

For example, delays have been determined as one of the three biggest factors blocking developing countries from integrating value chains.<sup>8</sup> Lengthy shipping times have been shown to impose significant costs on firms engaged in trade, as they lead to penalties, extra port fees, storage and inventory costs as well as lost orders and lost customers.

The 2017 studies of trade corridors from the port of Mombasa through Nairobi to Kampala in Kenya, and from Tema in Ghana to Ouagadougou in Burkina Faso confirm this picture:

- The indirect costs constitute 12–17% in Kenya for imports and about half of that for exports.
- In Ghana, it is estimated that up to 34% of the cost of trade is related to waiting times and delays.
- In both countries, the main barriers to trade are identified as customs and infrastructure.



### CONNECTING TO OPPORTUNITY

Many small and medium-sized enterprises may not know how to get their products out to international markets. If they did, their potential for success would increase significantly.

This is the premise of ConnectAmericas, a project that can best be described as a social media site for companies.

On ConnectAmericas, sellers set up a free profile with details of their product, and buyers can contact them directly. It is estimated that more than 20,000 companies have closed deals worth USD 232 million since its launch in 2014.

#### How we contribute

A.P. Moller - Maersk has been a partner in ConnectAmericas since 2015, bringing expertise in shipping and logistics to the project and investing in the development of specific features. In 2017, two features

developed by our company were launched: a transport cost estimator and a three-hour online training programme on international trade and transport. At the end of the year, 2,371 people had signed up for the course.

We also became partners in the project along with Google, DHL, Alibaba, Facebook and Mastercard. We carried out different activities to promote the use of ConnectAmericas, both internally to our commercial organisation and externally through webinars and speaking at a range of trade and export summits in Latin America.

As part of the scale-up and commercialisation of our enabling trade pilot projects, SeaLand, the Maersk Line brand servicing Latin America, is now responsible for our ConnectAmericas activities.

#### TOP:

Organic superfood producer Ecoinca benefits from being part of ConnectAmericas, exporting 600 tonnes of organic produce a year, and with plans to expand into Asia.

<sup>8</sup> Fourth Global Review of Aid for Trade, WTO, 2013

# Effects of reducing barriers to trade

Since 2013, A.P. Moller - Maersk has piloted various models to enable more people to participate in global trade.

## POTENTIAL BENEFITS<sup>1</sup>

### NEW JOBS

**20<sub>m</sub>**

jobs can potentially be created globally by enhanced trade facilitation.

### GDP GROWTH

**1<sup>tn</sup> USD**

is estimated to be added to global GDP by enhanced trade facilitation.

## ISSUE TO ADDRESS

### UNEQUAL DISTRIBUTION<sup>2</sup>

**62%**

increase in real income for the global top 1 percentile of income distribution.

**23%**

increase in real income for the global bottom 10 percentile of income distribution.



### CONNECTAMERICAS

An online platform helping traders in Latin America connect to each other and world markets. This potentially distributes economic growth to more people through increased participation of small and medium-sized enterprises in cross-border trade. The project is fully operational (see case story on page 11).

## IMPACT ON SUSTAINABLE DEVELOPMENT GOALS



- 8.2 Achieve higher levels of economic productivity through diversification, technological upgrading and innovation
- 8.3 Promote development-oriented policies that encourage small- and medium-sized enterprises
- 8.5 By 2030, achieve employment and decent work for all



- 9.3 Increase access of small-scale enterprises to financial services, affordable credit, and integration into value chains and markets



- 17.10 Promote a universal, rules-based, open, non-discriminatory and equitable multilateral trading system
- 17.11 Significantly increase the exports of developing countries
- 17.12 Realize timely implementation of market access for all least developed countries
- 17.16 Enhance the global partnership for sustainable development



### GLOBAL TRADE DIGITISATION SOLUTION

An online platform for exchanging shipping documentation and information is under development. It will decrease time to market and costs of trade, allowing more traders to connect to global trade (see case story on page 10).

<sup>1</sup> World Trade Report 2015, WTO

<sup>2</sup> Lakner & Milanovic, 2015. Global income distribution from the fall of the Berlin Wall to the Great Recession. Revista de Economía Institucional



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To me, the fact that what we do affects not just us, but the world, has been a guiding star. Our vision of simplifying global supply chains matters. The work we do connecting entrepreneurs, businesses, products and consumers plays a vital part in enabling trade and has a positive, very tangible impact in every corner of the world.

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**SØREN SKOU**

CEO, A.P. Møller - Maersk

**FROMTU**

Inspired by the ConnectAmericas model, we have built and are developing a connections and trading platform for the African continent, creating opportunity for integration in international trade by reducing trade barriers (see case story on page 10).

**THE BITUNG PROJECT**

Investments in Bitung port and trade facilities led to enhanced inclusion in trade lanes. While creating benefits such as growth in trade from the port, the project did not result in a scalable model that could be driven through our business.





## Climate change: pursuing solutions

We all currently live not just under the threat but the reality of the consequences of climate change. As a response, the world's sovereign states in 2015 agreed to work to maintain global warming below 2 degrees Celsius. (In 2017, the US announced its intention to withdraw from the Paris Agreement). However, the current trajectory points to a 3–4-degrees Celsius increase.<sup>9</sup>

Combatting climate change relies on reducing greenhouse gas emissions. This includes reducing the world's reliance on fossil fuel energy. While such a transition to decarbonised energy requires substantial levels of investment, it will still be less costly than not taking action. One scenario suggests that the value of investments could be

reduced by as much as 20% in 2030 compared to a scenario without global warming. This risk can be substantially lowered by reducing greenhouse gas emissions.<sup>10</sup>

### Shipping's share

The transport sector is responsible for 23% of global energy-related emissions. Shipping alone is responsible for 3–4% of global emissions.<sup>11</sup> As other sectors decarbonise, this share is expected to grow.<sup>12</sup> For example, a rapid uptake of low-carbon alternatives throughout the 2020s is expected for land-based transport, while shipping is likely to mainly focus on improved efficiency.

### Supporting regulation

A.P. Moller - Maersk supports sector-wide agreements that help ensure a level playing field. We are actively pushing for increased regulation of shipping's

greenhouse gas emissions through the International Maritime Organization (IMO).

We would have liked to see more progress made at the 2nd intersessional meeting in the IMO in October 2017. On the other hand, we recognise that more and more countries are moving in the right direction. We remain hopeful that the IMO will deliver an ambitious and relevant strategy which supports a long-term ambition compatible with the Paris Agreement by the designated deadline in April 2018.

### Our 2017 performance on CO<sub>2</sub>

More than 97% of A.P. Moller - Maersk's carbon footprint in our logistics business comes from container vessels.

In Maersk Line, we continue to pursue the target of a 60% reduction in CO<sub>2</sub> per container moved by 2020 compared to 2007. Efficiency improvements have so far reduced CO<sub>2</sub> emissions by 43%.

### TRANSPORT SECTOR EMISSIONS

**23%**

of global energy-related emissions come from the transport sector.

<sup>9</sup> [climateactiontracker.org](http://climateactiontracker.org)

<sup>10</sup> Covington, Howard and Thamotheram, Raj, The Case for Forceful Stewardship (Part 1): The Financial Risk from Global Warming (19 January, 2015).

<sup>11</sup> Third IMO Greenhouse Gas Study, 2014

<sup>12</sup> [e360.yale.edu/features/reduce\\_co2\\_emissions\\_shipping\\_aviation\\_regulation\\_paris](http://e360.yale.edu/features/reduce_co2_emissions_shipping_aviation_regulation_paris)





### ECONOMIC IMPLICATIONS OF TRANSITION TO A LOW-CARBON ECONOMY<sup>13</sup>

- The expected transition to a low-carbon economy is estimated to require around USD 1 trillion of investments a year for the foreseeable future, generating new investment opportunities.
- The Economist Intelligence Unit estimated the cost of inaction in a 2015 study. It suggested that as much as USD 43 trillion of the value of the total global stock of manageable assets could be at risk before the end of the century.
- An EY report from 2015 concluded that assets losing value are only the tip of the iceberg. To keep global warming below 2°C, a worldwide energy transition will need to take place with “vast financial implications”. However, the report states that “research suggests that investment opportunities arising from the energy transition will actually outweigh climate-related risks in the long term”.

In 2017, CO<sub>2</sub> emissions per container moved by Maersk Line decreased by 2.0% compared to 2016. Operational improvements in efficiency were made mainly through network optimisation and planning, new and more fuel-efficient vessels entering our fleet as well as our retrofitting programme of existing vessels. Some of these improvements were offset by vessels sailing at increased speeds, primarily as a result of the cyberattack against A.P. Moller - Maersk in June 2017. The ensuing breakdown in communications caused significant delays. To meet customer expectations, and enabled by the low cost of oil, vessels sailed at higher speeds than usual. Average speeds still remain lower than those of previous decades.

Since 2009, all A.P. Moller - Maersk companies have worked towards a common target of 30% CO<sub>2</sub> reduction

### LOBBYING CONSISTENTLY ON CLIMATE CHANGE

The subject of climate regulation is an example of how A.P. Moller - Maersk asserts its influence. We are committed to being part of the solution, and work pro-actively to support UN goals. Specifically, we support an ambitious decarbonisation strategy at IMO level coupled with a clear incentivisation mechanism.

In this context, we participate in multi-stakeholder discussions within organisations such as the World Shipping Council, Danish Shipping, BIMCO, and the Sustainable Shipping Initiative, and with external stakeholders at EU, IMO and UNFCCC levels. We are also in dialogue with the Danish Maritime Authority and other national and regional authorities around the world.

Our position is shared and communicated to stakeholders and industry organisations, some of which may not share our stance on climate change, our views on the pace at which we need to move forward, and the tools needed to combat its consequences.

Read more about our position on lobbying on page 21.

in 2020 compared to 2010. In 2016, we reached a 25% reduction. In 2017, the target was met because the data on emissions from this year forward – to reflect the continuing businesses – does not include Maersk Oil, Maersk Drilling, Maersk Supply Service and Maersk Tankers. We are still striving to achieve the Maersk Line target, as it emits more than 97% of the CO<sub>2</sub> emissions among the transport and logistics businesses. We will reshape our CO<sub>2</sub> targets to reflect the continuing businesses of A.P. Moller - Maersk.

### Improvements in the pipeline

In the coming years, we expect to see new performance improvements. First of all, we will receive eight new vessels in 2018, which will replace other less energy-efficient ones.

Equally important, we expect substantial improvements to be

### 2017 RESULT

# 29%

reduction in relative CO<sub>2</sub> emissions across all businesses in 2017 compared to 2010 baseline.<sup>14</sup>

# 33%

reduction across continuing container shipping, ports and logistics businesses in 2017 compared to 2010 baseline.<sup>15</sup>

# 43%

reduction in CO<sub>2</sub> per container moved by Maersk Line compared to 2007 baseline.

### IMPACT ON SUSTAINABLE DEVELOPMENT GOALS



<sup>13</sup> Final Report: Recommendations of the Task Force on Climate-related Financial Disclosures (June 2017), The Cost of Inaction: Recognising the Value at Risk from Climate Change, Economist Intelligence Unit (2015), Climate change – The investment perspective, EY (2015)

<sup>14</sup> Figure not comparable to previous years as it excludes Maersk Tankers

<sup>15</sup> Includes Maersk Line, APM Terminals, Damco, Svitser, and Maersk Container Industry

achieved through the roll-out of our Connected Vessels project, which focuses on upgrading data collection and reporting systems on our vessels. In doing so, we enhance our ability to monitor and guide planning and operational performance of our vessels. Real-time, coordinated data for the routes sailed and the amount of time spent in ports will lead to lower fuel consumption, less time wasted and fewer delays (see case story on current work below).

In total, we expect these initiatives to reduce our fuel consumption by 0.5% every year over five years, corresponding to a reduction of approximately 847,000 tonnes of CO<sub>2</sub> eq.

#### A future beyond efficiency

A.P. Moller - Maersk led the container shipping industry onto an efficiency course in 2008, when we set our first CO<sub>2</sub> reduction target. This has been raised several times since, and according to the Clean Cargo Working Group benchmark, our average weighted CO<sub>2</sub> performance is slightly lower than in previous years, but still approximately 10% ahead of the industry average.

In 2016, Danish Shipping conducted a study outlining what shipping would have to do to meet the Paris Agreement on par with other industries. The conclusion from this study is that fuel

efficiency is not sufficient, and that new low-carbon energy sources for shipping will increasingly be needed from 2030 onwards.

Through early innovation projects, A.P. Moller - Maersk has been testing different technologies that may contribute to this new paradigm in shipping. Among these projects, we have explored how the use of renewables may be used to power vessel operations. Our ventures into alternative fuels have been few so far, but it is an area where we intend to intensify our efforts in the coming years.

Based on our experience from efficiency work, innovation and advocacy, it is clear to us that the transition to low-carbon shipping is a challenge for the whole industry rather than any one company. In 2017, we expanded the scope of our climate change work, and will be working with the industry towards decarbonising logistics.

#### WHAT CARBON PARTNERS CAN DO

Maersk Line is helping Philips Lighting realise its ambition of becoming carbon-neutral by 2020. In what is called a Carbon Pact, the two companies collaborate on targets for CO<sub>2</sub> emission reductions, based on three-year projections, and for transparency and development of tools.

With more than 40% of Philips Lighting's total carbon footprint coming from its supply chain logistics, this is an obvious place to begin the road towards carbon neutrality. Shared targets have been set after Maersk Line analysed the challenges involved, analysed trading patterns and identified actions that can be taken today as well as in the future.

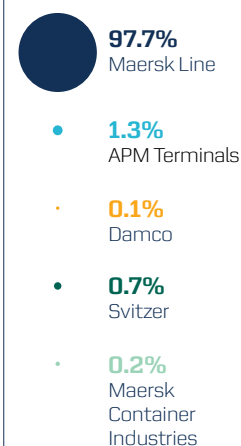
Philips Lighting receives a report detailing its precise carbon footprint performance. By shipping with Maersk Line, Philips Lighting has saved approximately 1,200 tonnes of CO<sub>2</sub>, compared to the industry average.

"The supply chain is one of the first places a company needs to look to make sure it is doing everything possible to bring down its carbon footprint," says Greg Boyle, Global Director Ocean Freight & Distribution at Philips Lighting.

Philips Lighting and Maersk Line won the Ethical Corporation Responsible Business Awards 2017 in the 'Business to Business Partnership of the Year' category with the Carbon Pact. The award is given to a partnership that demonstrates leading sustainability performance through long-term, mutually beneficial collaboration.

#### SHARE OF CO<sub>2</sub> EMISSIONS IN OUR TRANSPORT AND LOGISTICS BUSINESSES

Maersk Line's CO<sub>2</sub> emissions constitute a majority of the total emissions of our continuing businesses in container shipping, ports, and logistics.



#### COLLABORATING ON FUEL EFFICIENCY

In Mumbai, India, around 40 people – many of them seafarers – work in the Global Vessel Performance Centre, engaging with crews on the approximately 600 vessels operating in Maersk Line's fleet. The purpose of the engagement is to optimise voyages in terms of fuel efficiency.

Optimising engine performance and planning around weather events are important elements. By carefully analysing consumption and operations, the centre is able to talk to captains about the virtues of constant power versus constant speed. So, in strong headwinds, it is better to maintain power at the same level, even if that slows the vessel down, and then increase speeds – but not engine power – once the winds have died down. Or the performance centre may spot bad weather coming up, and advise vessels in the area on alternative routes. In doing so, they can ensure the safety of the crew and



cargo as well as guaranteeing the most economical voyage.

The centre has been in operation since 2012, and has saved the company at least 400,000 tonnes of fuel and

USD 250 million. With the roll-out of the Connected Vessel project, the input from vessels and the analytics available will increase enormously, and in turn the potential for savings.

#### SUPPORTING DISCLOSURE

A.P. Moller - Maersk is a signatory to and supports the Task Force on Climate-related Financial Disclosures' recommendations, and we are committed to developing our climate disclosures in accordance with the TCFD's guidelines.

**TCFD**





## GLOBAL FOOD LOSS

# 1/3

of all food waste is lost post-harvest.

## SHARE OF FOOD TRANSPORT

# 27%

of the global market for transporting food in refrigerated containers on both sea and land is held by A.P. Moller - Maersk.

## Taking on the food loss challenge

Reducing the loss of food is increasingly important. By 2050, food demand is predicted to have increased by 50%. Already, some 800 million people are suffering from food scarcity.<sup>16</sup> At the same time, one-third of all food is wasted either in the fields, through transport or with the end-consumer.

Of all food loss, one-third occurs during post-harvest, on the journey from

producer to market. Key factors causing this are inadequate infrastructure and means of transport, as well as a lack of access to adequate technologies for storing, transporting and processing perishable goods.

### Combining opportunity and responsibility

A.P. Moller - Maersk holds about 27% of the global market for transporting food in refrigerated containers both by sea and on land. Our ambition is to use our competencies and products to

expand cold chains to earlier stages in the supply chain. This will be part of our provision of end-to-end services, and we believe it holds significant business potential. It also enables potentially large reductions in food loss, making it a clear sustainability priority for A.P. Moller - Maersk.

Consequently, we will establish partnerships to support and enable our businesses to develop solutions that will protect food in the post-harvest part of its journey towards consumption. This will increase productivity for food producers, and potentially have a positive impact on local economic development.

We are taking on this issue as a combined business development and sustainability challenge, and we will invest on the scale of millions of USD in developing technical solutions over the next three years. We believe that the outcome of these investments could create scalable solutions to food loss in logistics.

//

It is critical to strengthen supply chains for the safe transport of agricultural products to combat hunger and improve food security.

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**CORINNE FLEISCHER**  
Director, Supply Chain, World Food Programme

## IMPACT ON SUSTAINABLE DEVELOPMENT GOALS



<sup>16</sup> [fao.org/state-of-food-security-nutrition/en/](http://fao.org/state-of-food-security-nutrition/en/)

# Governance and materiality

In a year of re-organisation and transition, sustainability governance adapts to new circumstances.

Since September 2016, A.P. Møller - Maersk has been transforming from a conglomerate to one company with multiple brands focused on transport and logistics, while separating out our activities in the energy sector. This change offers a new lens through which to look at our business, and sustainability governance and integration must therefore also be adapted to suit the new organisation and its priorities.

## Adapting structures and processes

With the adaptation of our sustainability priorities to our new business strategy, we will establish three project boards, each with an executive sponsor, to drive the work on shared value projects within climate change, trade and food loss. A fourth shared value project on ship recycling already has a steering committee with an executive sponsor.

Furthermore, sustainability integration plans for the brands in transport and logistics were developed, including materiality assessments. The plans align with our overall business priorities and the strategy for each of the brands.

We also designed a shared annual process for monitoring, reviewing and following up on ambitions and targets for sustainability issues. In accordance

with the expectations of the UN Guiding Principles on Business and Human Rights, this process includes ongoing due diligence activities to review our efforts against established international benchmarks. It also implies closer integration of materiality and performance assessment activities. The process will be implemented in 2018.

## Strong foundations

In 2017, the two foundational elements in governing our sustainability efforts remained the same: the Commit framework for governance and the Sustainability Council.

The Commit framework has policies and requirements against which performance is monitored, reported and audited. It continues to cover all businesses under the A.P. Møller - Maersk umbrella.

The Sustainability Council is our main governing body, ensuring a cohesive approach to managing sustainability issues across A.P. Møller - Maersk. Its four main functions are:

- To oversee compliance on A.P. Møller - Maersk sustainability standards and policies
- To endorse strategies and positions on sustainability within the businesses

- To keep track of the most prominent movements on sustainability across A.P. Møller - Maersk
- To act as a forum for resolution of dilemmas related to sustainability across A.P. Møller - Maersk.

As we finalise the planned structural changes in 2018, we will adjust our sustainability governance accordingly.

## Key Council activities in 2017

In 2017, members of the Sustainability Council were: Claus V. Hemmingsen (Chair and Vice-CEO of A.P. Møller - Maersk), Søren Toft (Maersk Line), Kevin Furniss (APM Terminals), Martin Holme (Damco), Leonardo Sonzio (Svitzer), Jørn Madsen (Maersk Drilling), Christine Healy (Maersk Oil), Steen Karstensen (Maersk Supply Services) and Annette Stube (Sustainability).

Among the items on the Council's agenda for the year were the review of the company's sustainability priorities, sustainability governance in the future A.P. Møller - Maersk, improving safety, and revisions to the responsible procurement programme.

## Solidifying materiality

2017 was the second year we applied our new materiality approach, which

## THE CORE VALUES OF A.P. MØLLER - MAERSK



### Constant care

Take care of today, actively prepare for tomorrow.



### Humbleness

Listen, learn, share and give space to others.



### Our employees

The right environment for the right people.



### Our name

The sum of our Values: passionately striving higher.



### Uprightness

Our word is our bond.

## OUR COMMITMENT TO SUSTAINABILITY

Our commitment to sustainability remains consistent across all A.P. Møller - Maersk businesses and brands.

In everything we do within sustainability, we work from these principles:

- A.P. Møller - Maersk is committed to ensuring that our business practices are safe, responsible and transparent, in accordance with our Core Values and the principles of the UN Global Compact on human rights, labour rights, environment and anti-corruption.

- We define corporate sustainability as working systematically to reduce negative and enhance positive impacts on people, society and the environment, and as seeking to leverage these efforts for risk mitigation, competitive advantage and business growth.
- We further aim to unlock growth for society and A.P. Møller - Maersk by leveraging the core strengths of our businesses to address global

challenges through innovation, investment and collaboration.

The companies in the Energy division are committed and will comply and commit as all other businesses in the company, but are not included in the sustainability priorities defined for the transport and logistics businesses.



assesses and groups issues as either risk, responsibility or shared value. This takes us beyond the materiality matrix, which we have found to be too static. With our new approach, we have a tool that enables a deeper conversation about the nature and impact of the issues, the inclusion of a wider range of sources for discussing and assessing materiality, and better guidance on how a given issue should be managed.

### Changes made in 2017

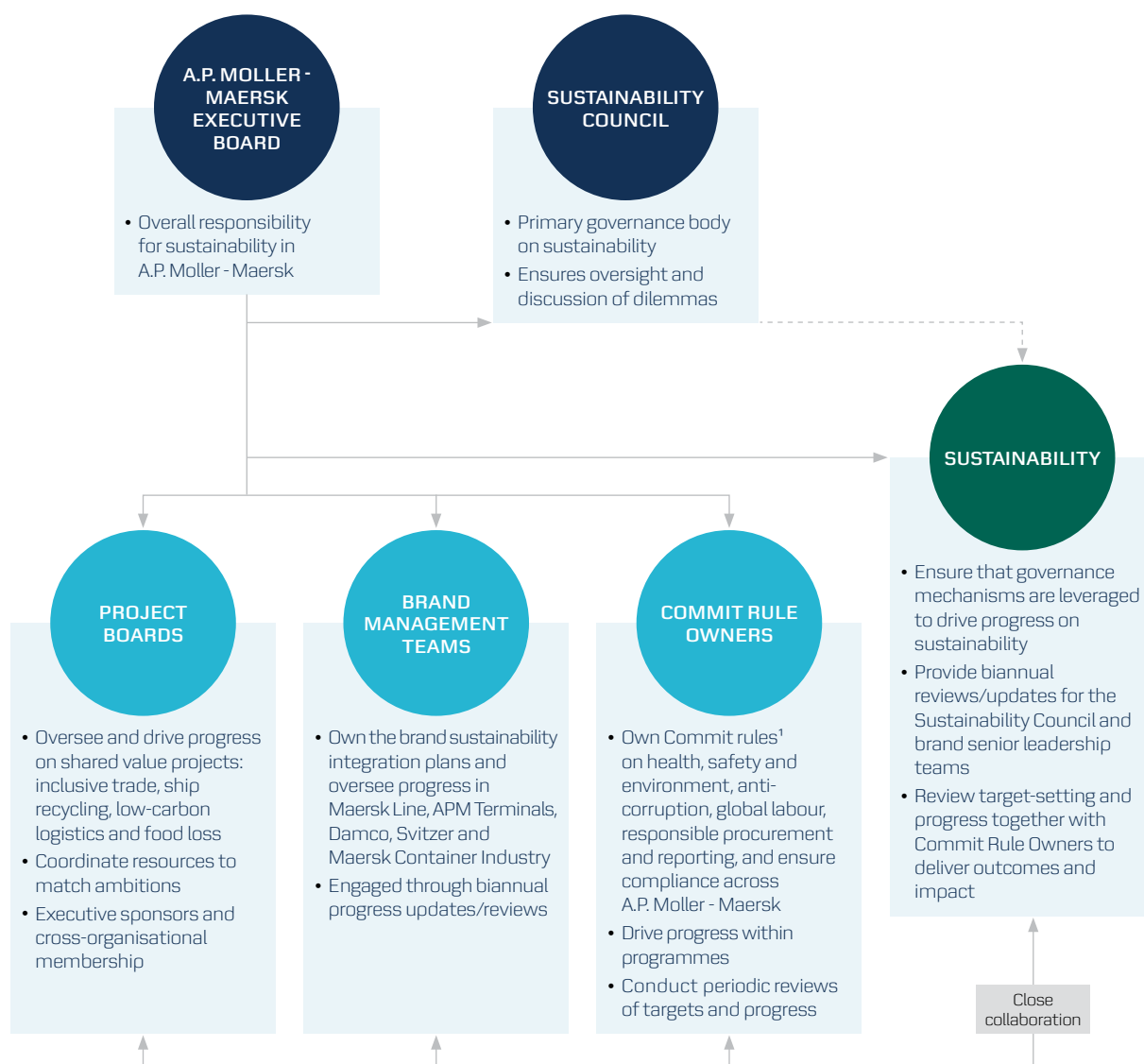
In 2017, we updated the risk register that provides the basis for assessing sustainability issues as risks to our business. Sustainability risks that meet the financial threshold are also incorporated in our enterprise risk management system. As part of this process, we identified two new potential issues related to partnerships. We found neither of these to be material at this time, but we will explore and analyse these further in 2018.

Another outcome was the downgrading of the issue of ballast water. The Ballast Water Treatment Convention entered into force in 2017, and the US Coast Guard has now approved six systems to perform the task. The risk reported in previous years relating to the installation of a non-compliant ballast water treatment system has therefore been significantly reduced. A.P. Moller - Maersk has a compliance plan, and is currently working with suppliers to implement it. We also believe that the regulation →

“ Participating in the materiality assessment for Damco was a very positive experience for me. The involvement of the entire global leadership team of Damco in the sustainability discussions and decision-making has reinforced a sense of ownership. ”

**MARTIN HOLME**  
Asia CEO, Damco

## THE 2017 A.P. MOLLER - MAERSK SUSTAINABILITY GOVERNANCE AND INTEGRATION FRAMEWORK



Effective 1 December 2017, the Board of A.P. Moller - Maersk strengthened the management of the Company by appointing the Chief Operating Officer, Chief Commercial Officer as well as the CEO of APM Terminals to the Executive Board.

<sup>1</sup> The A.P. Moller - Maersk governance framework

has mitigated the risk to the environment. Consequently, ballast water treatment is now part of normal operational compliance and not a risk that we will continue to report on.

In terms of developing a tool to improve our assessment of reputational risk, we did not progress further in 2017.

In light of the changes to our business, we also analysed our sustainability priorities vis-à-vis the United Nations' SDGs, which raised the importance of food loss and the health of oceans when determining material issues. The oceans are primarily a responsibility issue, in accordance with the criteria shown below. Food loss is deemed to be a challenge that we can take on under our shared value approach. This is applied when our business strategy and

sustainability priorities clearly intersect, and we are able to help find solutions at scale through our business.

Stakeholder engagement

Issue owners at A.P. Moller - Maersk continuously engage with relevant external stakeholders through their daily work and in dedicated fora.

We collaborate closely with the UN Global Compact, the Clean Cargo Working Group, the World Economic Forum, the Caring for Climate initiative, the Sustainable Shipping initiative, the Maritime Anti-Corruption Network, the Global Alliance for Trade Facilitation, the World Ocean Council, and the Logistics Emergency Teams organisation. As members, we contribute to industry organisations such as Danish Shipping, the Baltic

PARTNERSHIPS







Caring for Climate

THE B TEAM

MATERIALITY MODEL





and Nordic Maritime Organisation and the World Shipping Council. We communicate regularly with issue experts in the International Maritime Organisation and other UN agencies, as well as national agencies, for example the Danish Institute of Human Rights.

We are also in regular contact with non-governmental organisations such as Oxfam IBIS, Action Aid, and Transparency International, universities and think tanks, just as we respond to questionnaires and surveys from investors and ranking agencies.

### HOW WE MANAGE OUR INFLUENCE

A.P. Moller - Maersk will share our positions with and contribute our expertise to governments, authorities and organisations. For areas relevant to our business and industry, we participate in expert fora and contribute to policy development and legislative processes.

We view the pursuit of influence on framework conditions for our business and industry as a legitimate activity. This includes contributing to effective, balanced and fit-for-purpose policies and regulations. As a global provider of transport and logistics services, we are often called on for expert input and industry insights by government representatives.

Locally, our representatives are in dialogue with governments and authorities as part of the ongoing interaction between authorities and the business community.

Regionally and globally, we aim to ensure consistent presentation of positions and messages, and to interact with policy-makers and government authorities in accordance with our values and commitment to responsible business conduct. This includes explaining our positions to stakeholders.

Consistency in position and messages is a key concept in our work. We are affiliated to a number of industry associations. Our position on some issues may differ from that communicated by one or more of these organisations. This will normally not affect our membership status. We will stay vocal and consistent in our own messages, clearly communicating our position inside and outside these organisations (see example on climate change on page 15).

## 3

### ASSESSMENT

New issues in 2017 are highlighted in blue.



#### RESPONSIBILITY

Where do we have a responsibility to mitigate significant potential negative impact on people, society, or the environment?

#### Issues:

Injuries and fatalities

Labour rights in indirect hiring and of subcontracted workers

Diversity and inclusion

Tax practices and transparency

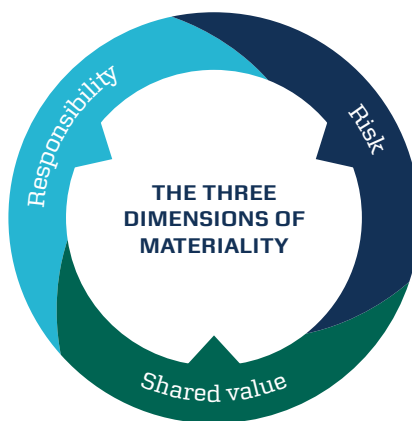
Transport and other services to/from conflict zones

Land acquisition and resettlement by linked third parties

Disaster response

Armed security services

Health of the oceans



#### SHARED VALUE

Where can we, through our business, pursue and scale solutions to meet significant systemic challenges for the benefit of society and, at the same time, create opportunities for our business?

#### Issues:

Disposal of vessels and rigs for recycling

Reduction of CO<sub>2</sub> emissions

Inclusive trade

Food loss



#### RISK

Where do sustainability issues pose a significant financial or reputational risk to our business?

#### Issues:

Major accident/oil spill/chemical spill

Major non-compliance with corruption regulations

Supplier non-compliance with A.P. Moller - Maersk Third-Party Code of Conduct

Uneven playing field in the enforcement of global SO<sub>x</sub> regulations



# Responsible business practices

A.P. Moller - Maersk has set its sights on becoming the world's leading integrated container logistics provider. We will be offering solutions to our customers covering the full range of their logistics needs.

Working in accordance with our strategy, we will become an end-to-end business, and our responsible business practices must match our promise.

This means we will assess and take on responsibility to the extent that we are connected and have leverage in our value chain (see business model). It will start with our suppliers, and end with the disposal of our vessels, when they reach end of life – and all material steps and issues in between.

We are guided by the commitments we have made to operate in accordance with the 10 principles of the UN Global Compact and the UN Guiding Principles on Business and Human Rights, our internal policies and standards, expectations from stakeholders in general and as expressed in the Sustainable Development Goals, and not least our Core Values. We are also committed to managing both the risks to society and the risks to our business from sustainability issues.









# Our ambitions and progress

| ISSUES                                                                             |                                                                  | Personal safety                                                                                                                                                                                                                                                                              | Human and labour rights                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Diversity and inclusion                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|------------------------------------------------------------------------------------|------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|    | WHAT IS THE IMPACT ON SOCIETY?                                   | Safety at work is a basic human right. Furthermore, workplace conditions directly influence the well-being of not only workers but also their families and communities.                                                                                                                      | Respect for human rights contributes to an environment where people may live with freedom and dignity. This enables sustainable development and prosperity.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Discrimination bars people from living up to their full potential, creates inequality as well as less stable and prosperous societies.                                                                                                                                                                                                                                                                                                                                                                                                                          |
|    | WHAT IS THE IMPACT ON MAERSK? <sup>1</sup>                       |  Keeping our people safe is our first and primary responsibility as a company. It is a core value for us, and an unequivocal expectation from our employees, their families and communities.                |  In line with our values and commitment to the UN Global Compact and the UN Guiding Principles on Business and Human Rights, we must respect human rights, including labour rights, in our operations and business relationships.                                                                                                                                                                                                                                                                                                                                                                                                                  |  It is a basic obligation to us that, as a matter of fairness and commitment to human rights, our employees must not be discriminated against.                                                                                                                                                                                                                                                                                                                               |
|    | Responsibility                                                   |                                                                                                                                                                                                                                                                                              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|    | Shared value                                                     |                                                                                                                                                                                                                                                                                              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|    | Risk                                                             |                                                                                                                                                                                                                                                                                              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|    | GOVERNANCE                                                       | The CEOs of each business/brand are responsible for having a safety management system and living up to the requirements in the related Commit rule. Work is coordinated across businesses through the Health, Safety and Environment Committee, which reports to the Sustainability Council. | Gap assessment and action plans on human rights gap issues are mandated by the Sustainability Council.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Labour relations Commit rule outlines our expectations with regards to non-discrimination of employees.                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|    | AMBITIONS                                                        | Our overriding ambition is clearly and simply that our people always return home unharmed.                                                                                                                                                                                                   | We strive to ensure that our business activities do not impact human rights negatively.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | We aspire to build a culture that is inclusive, where we can attract from the widest talent pool, where employees can contribute to their fullest, ideas are heard and collaboration is leveraged.                                                                                                                                                                                                                                                                                                                                                              |
|  | TARGETS                                                          | Zero fatalities.<br>Continuous improvement in targets for lost-time incidents for each business going towards zero.                                                                                                                                                                          | Full integration of human rights in sustainability governance.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Targets for representation of women on the Board of Directors of three female members if the Board consists of less than 12 members, four female members if 12 or more members, and for share of women and nationalities in four leadership categories (see page 33.)                                                                                                                                                                                                                                                                                           |
|  | PROGRESS IN 2017                                                 | The number of fatalities increased compared to 2016, as seven people lost their lives working for us, compared to two in 2016.<br>Lost time injury frequency performance in 2017 varies across our businesses. See p. 29 for individual business performance.                                | Rolled out a new human rights standard for armed security in onshore operations.<br>Training of staff on labour standards for sub-contractors involved in asset construction.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Progress has been made on gender diversity, but the pace of change needs to be accelerated. New strategy for diversity and inclusion approved.<br><br>23% women in leadership<br>26% women<br>31% target nationalities in leadership<br>69% target nationalities<br>(See page 33)                                                                                                                                                                                                                                                                               |
|  | IMPACT ON SUSTAINABLE DEVELOPMENT GOALS AND TARGETS <sup>2</sup> |  <b>8.8</b> Protect labour rights and promote safe and secure working environments for all workers                                                                                                        |  <b>8.5</b> By 2030, full and productive employment and decent work for all, and equal pay for work of equal value<br><b>8.7</b> Take immediate and effective measures to eradicate forced labour, end modern slavery and human trafficking and eliminate the worst forms of child labour, by 2025 end child labour in all its forms<br><b>8.8</b> Protect labour rights and promote safe and secure working environments for all workers<br><br> <b>16.3</b> Promote the rule of law at national and international levels and ensure equal access to justice |  <b>5.1</b> End all forms of discrimination against all women and girls<br><b>5.5</b> Ensure women's full and effective participation and equal opportunities at all levels of decision-making<br><br> <b>10.2</b> By 2030, empower and promote the social, economic and political inclusion of all people<br><b>10.3</b> Ensure equal opportunity and reduce inequalities of outcome |
| PAGE                                                                               | 28–30                                                            | 31                                                                                                                                                                                                                                                                                           | 32–33                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |

<sup>1</sup> Issues can be material to A.P. Møller - Maersk as responsibility, risk or shared value. Our materiality assessment leads us to conclude which is the dominant dimension, but in many cases issues display significant aspects of other dimensions as well. Read more about materiality on page 18.

<sup>2</sup> Read more on how A.P. Møller - Maersk responds to the SDGs at [maersk.com/business/sustainability/sustainability-reports-and-publications/publications](https://maersk.com/business/sustainability/sustainability-reports-and-publications/publications). SDG targets have been abbreviated. For unabridged targets, please see [maersk.com/business/sustainability/sustainability-reports-and-publications/publications](https://maersk.com/business/sustainability/sustainability-reports-and-publications/publications)



| Responsible procurement                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Oil spills                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Air emissions (SO <sub>x</sub> and NO <sub>x</sub> )                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Ocean health                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>International companies' purchasing decisions impact environmental, social and economic conditions around the world, either furthering or holding back the development of a more sustainable world.</p> <p> The trust in our brand will be damaged if sub-par practices are used by our suppliers and brought to the public's attention.</p> <p>Our commitments and values obligate us to ensure that our suppliers' business practices do not impact negatively on environmental or social issues.</p> | <p>Large-scale oil spills may have serious and long-lasting impacts on human health and/or the environment.</p> <p> Major spills and accidents may cause fatal accidents. Our business may suffer financial damages through fines and recovery operations, as well as reputational damage.</p> <p>We control the risk of spills through focusing on safe processes for HSE management.</p>  | <p>The air emissions from ocean-going shipping has negative effects on the natural environment and human health.</p> <p> We operate in a highly competitive industry, and without a level playing field in terms of compliance and the enforcement of environmental regulation, the competitiveness and profitability of compliant companies will be hurt.</p> <p>We strive to minimise our operations' negative impact on the natural environment and are committed to full compliance with regulatory demands.</p> | <p>Ocean health is pivotal to the health of nature and people across the globe. The prevalence of, for example, higher sea temperatures and plastic waste indicates that ocean health is under threat.</p> <p> Emissions from our activities contribute to acidification and rising temperatures, which obligates us to act. As a citizen of the oceans, our stakeholders expect us to contribute to finding solutions.</p> <p>Less predictable weather conditions as a result of climate change and the subsequent acidification of oceans can damage crew, cargo and assets.</p> |
| <p>Commit Rule on Responsible Procurement with monitoring owned by the procurement department and overseen by the Sustainability Council.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                             | <p>The CEO of each business is responsible for implementing an HSE management system and living up to the requirements in the HSE Commit rule.</p>                                                                                                                                                                                                                                                                                                                           | <p>Our regulatory work is guided by positions approved by the Sustainability Council. Operationally, our efforts to minimise negative environmental impacts are governed through the Commit Rule on HSE management.</p>                                                                                                                                                                                                                                                                                                                                                                               | <p>Our work on healthy oceans is governed through the Sustainability Council. Operationally, our efforts to minimise negative environmental impacts are governed through the Commit Rule on HSE management.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| <p>Ensure compliance with Commit Rule. Determine the baseline of responsible procurement risk outside of the procurement system and capture the information in the system.</p>                                                                                                                                                                                                                                                                                                                                                                                                            | <p>Zero spills, as defined in A.P. Moller - Maersk's Sustainability Data Reporting Manual.</p>                                                                                                                                                                                                                                                                                                                                                                               | <p>To mitigate the risk, our key ambition is to drive regulatory enforcement towards a level playing field.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | <p>Support the science community in developing solutions to protect the health of oceans, and continuously reduce our own impacts on these.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| <p>Ensure compliance with Commit Rule. Perform 70 audits, including all terminal and vessel construction sites and have 430 questionnaires completed by suppliers.</p>                                                                                                                                                                                                                                                                                                                                                                                                                    | <p>Zero non-contained spills above 10 m<sup>3</sup>, as defined in A.P. Moller - Maersk's Sustainability Data Reporting Manual.</p>                                                                                                                                                                                                                                                                                                                                          | <p>Maintain or implement solutions that will enable full compliance with regulatory demands. Develop positions alone and with others that are deemed to level the playing field. Fully comply with regulatory demands.</p>                                                                                                                                                                                                                                                                                                                                                                            | <p>Mature the partnership with the World Ocean Council and the science community. Explore partnership opportunities in the marine plastic litter community.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| <p>Approval of a new priority programme for responsible procurement of trucking and warehouse services.</p> <p>68 audits performed, 569 self-assessment questionnaires filled.</p> <p>33 training workshops for 327 employees conducted across all businesses.</p> <p>Simplification of responsible procurement processes and integration into existing systems to further compliance.</p>                                                                                                                                                                                                | <p>Zero non-contained spills above 10 m<sup>3</sup>, as defined in A.P. Moller - Maersk's Sustainability Data Reporting Manual.</p>                                                                                                                                                                                                                                                                                                                                          | <p>Position established on the use of low-sulphur fuels and not scrubber technology. Measures to comply with requirements for limiting emissions of NO<sub>x</sub> being implemented. Two registered SO<sub>x</sub> non-compliances with the 0.1 cap in regional emission controlled areas.</p>                                                                                                                                                                                                                                                                                                       | <p>Collaborative project descriptions developed with the World Ocean Council. Other opportunities explored and matured in the broader science community.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <p> <b>12.6</b> Encourage companies, especially large and transnational companies, to adopt sustainable practices</p>                                                                                                                                                                                                                                                                                                                                                                                    | <p> <b>3.9</b> By 2030, substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination</p> <p> <b>14.1</b> By 2025, prevent and significantly reduce marine pollution of all kinds, in particular from land-based activities</p> | <p> <b>3.9</b> By 2030, substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination</p> <p> <b>14.1</b> By 2025, prevent and significantly reduce marine pollution of all kinds, in particular from land-based activities</p>                                                                                                                          | <p> <b>14.1</b> By 2025, prevent and significantly reduce marine pollution of all kinds</p> <p><b>14.3</b> Minimise and address the impacts of ocean acidification, including through enhanced scientific cooperation at all levels</p> <p> <b>17.16</b> Enhance the global partnership for sustainable development to support the achievement of the SDGs</p>                                                                                                                              |
| 34–35                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | 36–37                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | 36–37                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | 37                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |

## Anti-corruption

Corruption is a systemic issue in many parts of the world, undermining social and economic development and destabilising the environment for doing business.

 Non-compliance with legislation on bribery and corruption may lead to legal and reputational risks, extra costs, inefficiencies in our business and ultimately debarment from markets.

We have a responsibility to counter and not contribute to corrupt practices, and as leaders in our industry to take a frontrunner role in eliminating facilitation payments and thereby reducing the costs of international trade.

Our work to combat all forms of corruption is governed by the Commit Rule on anti-corruption, owned by the Legal department.

We want to be seen as leaders in the fight against corruption in the maritime industry through both multi-stakeholder collaboration and our own actions.

Zero bribery, fraud and facilitation payments.

Reduced Maersk Line facilitation payments by 96% compared to 2016. The scope is Maersk Line-owned vessels, incl. sub-brands.

Initiated pilot scheme with the Danish Foreign Service.

Strengthened framework for compliance across businesses.



**16.3** Promote the rule of law and ensure equal access to justice  
**16.5** Substantially reduce corruption and bribery in all forms



**17.16** Enhance the global partnership for sustainable development to support the achievement of the SDGs

## Responsible tax

Well-functioning tax systems locally and internationally help finance education, infrastructure and other public services which are prerequisites for economic development and stable framework conditions for businesses.

 We recognise the need for companies to support the local economies in which they do business and accept our responsibility to manage our tax affairs in a responsible way.

Lack of transparency on tax may lead to rigid over-regulation and have a negative impact on our brand and reputation.

Our approach to tax is directed by the A.P. Moller - Maersk Tax Principles (approved by the Board of Directors), and this is governed through our Commit Rule on Tax Compliance.

Be recognised by tax administrations as a responsible tax payer, compliant with legislation and cooperating with the tax authorities. Be recognised by investors and other stakeholders as having responsible and transparent tax practices.

Continue to engage in dialogue with stakeholders on tax matters and to ensure full compliance with tax regulations. Meet our commitment to implement the B Team Responsible Tax Principles as a founding signatory.

Tax charge was USD 1,191 million. Updated tax principles mainly address transparency, relations with the tax authorities and reflect the OECD and EU developments to restrict the scope of legitimate tax planning. Participated as a founding signatory in the development of the B Team Responsible Tax Principles.



**17.1** Strengthen domestic resource mobilisation to improve domestic capacity for tax and other revenue collection

## Climate change / CO<sub>2</sub> emissions

More severe weather events, higher death rates among humans, higher extinction rates for animals, more acidic oceans and higher sea levels are the consequences of rising temperatures due to climate change.

 To keep global warming below 2 degrees, the transport sector needs to cut its emissions significantly. Our experience and insights can create innovations that will be applicable across the logistics value chain and pave the way for decarbonising logistics as part of our revised sustainability priorities.

Ocean transport contributes significantly to global warming through greenhouse gas emissions. As a market leader, we must take action to limit these emissions.

Inadequate CO<sub>2</sub> regulation within shipping sustains an uneven playing field, and may lead to a loss of business to other modes of transport, as well as a loss of customers' trust. Climate change effects can be a threat to our assets and investments.

Our regulatory work on climate change is guided by positions governed through the Sustainability Council. A dedicated project board with an executive sponsor will be established in 2018. Operationally, our work to reduce CO<sub>2</sub> emissions is managed through the Commit rule on HSE management.

To help decarbonise logistics through innovation, low-carbon offerings to customers and efficiency measures.

Map climate change related risks to A.P. Moller - Maersk assets and supply chain.

60% relative CO<sub>2</sub> reduction by 2020.  
Develop low-carbon offerings to customers.

Reduced relative CO<sub>2</sub> emissions by 0.59% across all of our businesses compared to last year, 29% compared to 2010 baseline.

Reduced CO<sub>2</sub> emissions per container moved by Maersk Line by 2.0% last year, 43.2% compared to 2007 baseline.

Decision to expand scope of climate change work to actively pursue and advocate for low-carbon logistics.



**7.3** By 2030, double the global rate of improvement in energy efficiency



**13.1** Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries



**17.16** Enhance the global partnership for sustainable development to support the achievement of the SDGs



## Inclusive trade

Including more people and communities in international trade will create the basis for new growth and prosperity, but it requires adequate measures to distribute prosperity gains across population groups.



Lowering barriers to trade can enable new groups to become part of global trade, creating new income and new growth. As a trade and logistics business, A.P. Moller - Maersk benefits from growth in global trade.

Shipping has the potential to connect people and communities to the global economy. Our expertise should be put to use in order to include more people as beneficiaries of growth through trade.

Lack of inclusion may result in trade being curbed by protectionist measures around the world which is detrimental to our business model.

Ambition is governed by the Sustainability Council. A dedicated Project Board with an executive sponsor will be established in 2018.

Multiply the benefits of trade through digitisation of trade processes and other measures that remove barriers to trade.

We will invest on the scale of millions of USD in digital solutions that facilitate trade. We will provide dedicated support for the full implementation of the WTO Trade Facilitation Agreement.

Established joint venture company working on Global Digital Trade.  
Fromtu platform continuously improved.  
Two tools launched on Connect Americas platform.  
Carried out two studies of the total transport and logistics costs in Kenya and Ghana on behalf of the WTO Global Alliance for Trade Facilitation.

## Ship recycling

85% of ship recycling globally takes place at substandard facilities mainly in South Asia, in spite of significant environmental and social challenges.



Improving the standards at yards in Alang, India, will establish more responsible ship recycling options for shipowners, while benefiting the life, natural environment and prosperity of workers and communities.

A.P. Moller - Maersk is linked to the issue of ship recycling in many more ways than our own ships, including when we sell off ships, charter ships and have our cargo on other shipowners' vessels. As such, our responsibility to act on this problem is clear.

There will be an uneven playing field if others are not willing to pay for responsible ship recycling. Reputational damage may occur due to criticism of first-mover position in Alang.

A.P. Moller - Maersk's Responsible Ship Recycling Standard is approved by the Sustainability Council. The ship recycling project is overseen by a steering group with an executive sponsor.

We aspire to be part of transforming the global ship recycling industry to promote responsible practices and greater transparency.

Continue to invest and work on the ground with selected yards in Alang.  
In partnership with relevant stakeholders develop the wider Alang area, beginning with health capacity.  
Initiate the Ship Recycling Transparency Initiative

Received third-party confirmation that ship recycling which complies with established international standards is possible at three yards in Alang, India.  
Initiated and launched the Ship Recycling Transparency Initiative.  
Completed a capacity study and launched mobile health clinic.

## Food loss

30% of all food produced is not consumed but lost or wasted in the chain from producer to consumer. Food loss also connects to issues of malnutrition, climate change and societal development.



Curbing food loss will provide economic benefits to communities, as more of their harvest can be traded and more food will be available to feed the world. Our cold chain logistics offerings benefit from increased volumes traded.

Our market share of food transported in refrigerated containers is 27%. This strongly connects us to the issue and provides us with leverage.

Ambition is governed by the Sustainability Council. The project will from 2018 have a dedicated project board with an executive sponsor.

Halve food loss in logistics from producer to market.

Working in partnerships, we will invest in innovations reducing food loss in the supply chain, using our competencies within the establishment of cold chains for transport.

Programme initiated at the end of 2017.



**8.2** Achieve higher levels of economic productivity through diversification, technological upgrading and innovation

**8.3** Promote development-oriented policies that encourage small- and medium-sized enterprises

**8.5** By 2030, achieve employment and decent work for all



**9.3** Increase access of small-scale enterprises to financial services, affordable credit, and integration into value chains and markets



**17.10** Promote a universal, rules-based, open, non-discriminatory and equitable multilateral trading system

**17.11** Significantly increase the exports of developing countries

**17.12** Realize timely implementation of market access for all least developed countries

**17.16** Enhance the global partnership for sustainable development



**8.8** Protect labour rights and promote safe and secure working environments for all workers



**14.1** By 2025, prevent and significantly reduce marine pollution of all kinds



**17.16** Enhance the global partnership for sustainable development to support the achievement of the SDGs



**2.1** By 2030, end hunger and ensure access by all people to safe, nutritious and sufficient food all year round

**2.2** By 2030, end all forms of malnutrition



**12.3** By 2030, halve per capita global food waste at retail and consumer levels and reduce food losses along production and supply chains, including post-harvest losses



**17.16** Enhance the global partnership for sustainable development to support the achievement of the SDGs



# Safety in everything we do

Nothing is more important to A.P. Møller - Maersk than to keep the people who work for us safe. This has been a fundamental value for the more than 100 years we have been in business.

We did not live up to this value nor meet our own expectations for safety in 2017. We experienced seven fatalities related to our activities (compared to two in 2016), which occurred in APM Terminals, Maersk Line, Maersk Container Industry and Maersk Drilling.

Maersk Line and APM Terminals as well as Maersk Oil and Maersk Drilling registered more injuries per working hours than the previous year, while Maersk Supply Service, Maersk Container Industry, Svitzer and Damco improved their lost-time injury frequency performance.

Seven fatalities and a negative development in the frequency of lost-time injuries in half of our businesses is a deeply unsatisfactory development. We must and will take action to reverse the trend.

One critical factor in our plan is much broader leadership involvement to ensure that safety is an even more integrated part of all managers' mindsets.

With the objective of reducing operational risk, each of the businesses and brands is creating plans to turn

around safety performance. APM Terminals has a five-year safety strategy in place, which was launched in 2014. A new incident reporting tool was launched in late 2017, allowing for improved, data-driven decision-making on safety. At Maersk Line, a 2018 to 2021 safety plan has been launched with five sub-streams: safety onboard, shore safety management including improved follow up on incidents and interaction with vessels, vessel technology including design and engagement with key suppliers, training and workshops, and cross-brand safety projects, where A.P. Møller - Maersk can address common industry challenges in the interface between the brands.

## Five main priorities

Each of our businesses carries out the safety activities and campaigns that are most relevant to their operations. However, promoting safety is based on five key areas within which all businesses work: leadership, behaviour and culture, innovation and technology, competence and capability, and knowledge sharing.

Each business has activities within each of these areas. The next page provides examples of projects and their outcomes as implemented in our businesses in 2017.

“

Safety is not something we merely pay lip-service to. Safety is part of our heritage and is central to running a good, sound business. We're disappointed when we fail to meet our own standards. When we lose people, we are devastated. The number of fatalities we see this year is our biggest regret. Going forward, my colleagues and I will actively ensure even more management attention to safety.

”

**CLAUS HEMMINGSEN**  
Vice CEO, Chair of  
the Sustainability Council,  
A.P. Møller - Maersk

## FATALITIES 2017

| Business                  | Location             | Description                                                                                                              | Employed by               |
|---------------------------|----------------------|--------------------------------------------------------------------------------------------------------------------------|---------------------------|
| Maersk Line               | At sea               | Crew member died from burns incurred during maintenance procedures.                                                      | Maersk Line               |
| Maersk Line               | At sea               | Crew member lost at sea under unknown circumstances.                                                                     | Maersk Line               |
| Maersk Drilling           | Tambar Field, Norway | Crew member died as a result of fatal injuries from falling overboard while carrying out maintenance on a seawater pump. | Maersk Drilling           |
| Maersk Container Industry | Qingdao, China       | Worker crushed under table during maintenance.                                                                           | Maersk Container Industry |
| APM Terminals             | Salalah, Oman        | Diver died after being found unconscious during underwater hull cleaning.                                                | Contractor                |
| APM Terminals             | Salalah, Oman        | Dock worker died as a result of falling from a height.                                                                   | APM Terminals             |
| APM Terminals             | Callao, Peru         | Security guard crushed between trucks queuing for inspection outside the terminal.                                       | Contractor                |



## SAFETY ACTIVITIES – SNAPSHOTS



## MAERSK LINE

## Leadership

Maersk Line has run a leadership programme for all senior officers for almost four years. The programme is part of our safety strategy, as we believe that better leaders leads to improved safety performance. By end of 2017, 92% of the target group will have completed the week-long leadership training course.

## Innovations &amp; technology

As the first company in the industry, Maersk Line has adopted a new standard for the new vessels delivered in 2017 and 2018 to significantly increase the fire-fighting capability on these container ships. Furthermore, a project to improve fire-fighting on existing ships, both in the cargo area and in the engine room, was launched in 2017 and will continue into 2018. This includes both equipment upgrades and training.

## Competence &amp; capability

Out of Maersk Line's 8,000 seafarers, 5,684 have participated in a one-day safety awareness workshop since 2015. The focus has been on our most risk-prone group of colleagues, including 1,488 cadets (officer trainees) and junior officers.



## MAERSK SUPPLY SERVICE

## Behaviour &amp; culture

Maersk Supply Service ensures safe operations through safety collaboration in connection with the new-builds in China (see case story on p. 30.)

## Knowledge &amp; sharing

Maersk Supply Service is a member of 'Shell Partners in Safety', a network of 500 maritime partners with whom Shell does business, and has, in 2017, become a member of the Upstream core focus group that is dedicated to safety and resilience training. The network focuses on raising safety standards. In the Upstream Focus group, experiences and best practices in learning, resilience and management commitment are shared.



## APM TERMINALS

## Innovations &amp; technology

APM Terminals' inland service business in Chile has started to employ drones in its safety work (see case story on p. 30.)

## Knowledge &amp; sharing

As part of a new formalised health, safety, security and environment assurance programme for APM Terminals, eight 'cross audits' were performed on four continents in 2017. Our own employees conduct the audit and assess how well the terminals' safety priorities and framework are implemented in the operations and management approach. At the same time, the cross audits drive bilateral learning and enable good practice sharing.



## MAERSK OIL

## Behaviour &amp; culture

2017 saw further progress on Maersk Oil's Incident Free programme, which was introduced in 2011 to ensure a sustained focus on the protection of people, the environment and our assets. In Kazakhstan, we achieved a full year without lost time to injuries (LTIs), a major milestone in an operated oil and gas production business. This is built on a year-on-year improvement in the LTIF of our operations in Kazakhstan, from 1.7 in 2012 to 0 in 2017. Key drivers were the implementation of eight Life-Saving Rules, which are based on best industry standards and contribute to embedding excellent safety behaviour, driving compliance and ensuring safe and efficient operations.



## SVITZER

## Competence &amp; capability

Svitzer is focusing on proactive reporting, self-assessments, management visits and, not least, drill exercises using different scenarios. Svitzer also has in-house simulators in multiple locations that train tug masters in tug manoeuvrability and management.



## MAERSK CONTAINER INDUSTRY

## Leadership

At the Maersk Container Industry factory in Chile, high levels of safety incidents in 2015 have been reduced by 75% over two years. In the same period, production line volume and speed has increased by 160%. The key contributor has been the introduction of daily safety meetings in all teams at the factory, where lessons learned from recent incidents and near-misses are shared to enable everyone to understand and identify risk.

## Behaviour &amp; culture

Maersk Container Industry carried out a safety culture assessment in 2016, and with follow-up activities, the safety behaviour and mindset has supported continuous improvements in the last two years.



## MAERSK DRILLING

## Competence &amp; capability

Maersk Drilling has developed a Competency Assessment Programme to identify the right capabilities and training requirements that will ensure that the company has sound organisational barriers in place, when it comes to preventing major accidents.

## Behaviour &amp; culture

To further enhance behaviour and safety culture, Maersk Drilling has run campaigns with a focus on residual risk. We are actively working on safety culture programs and its human elements to maintain a high level of risk and safety awareness.



## DAMCO

## Innovations &amp; technology

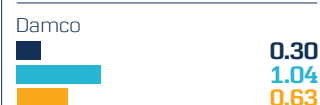
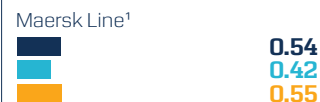
Reporting time, efficiency and transparency from Damco's more than 500 safety, security and environment audits carried out every year have been improved with the implementation of a new tool using tablets. Audit results are entered directly into a cloud based solution resulting in automated workflows and auto-generated standard reports. The result is quicker and more effective corrective actions on safety risks.

## SAFETY PERFORMANCE

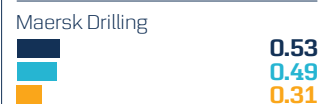
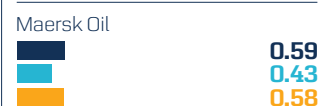
Lost-time injury frequency per business

■ 2017 ■ 2016 ■ 2015

## Transport and logistics division



## Energy



LTIF is lost-time injury frequency per one million man hours.

The figures above are based on exposure hours for employees in operational scope (see Sustainability Accounting Principles: [maersk.com/business/sustainability/sustainability-reports-and-publications/reports](https://www.maersk.com/business/sustainability/sustainability-reports-and-publications/reports)).

<sup>1</sup> Maersk Line LTIF for seafarers, where much of the operational risk lies, is 1.06 in 2017 (0.8 in 2016 and 0.98 in 2015).

## MORE THAN 7 MILLION MAN-HOURS WITHOUT AN INCIDENT

Every morning, Ames Ng puts on his hardhat, picks up his clipboard and goes to work at the COSCO Shipyard Dalian in China. He does this in spite of the fact that he does not work for the yard. Ames works for A.P. Moller - Maersk as the company's designated safety inspector who is overseeing the construction of four vessels for Maersk Supply Service.

On 16 October 2017, with the first of the vessels delivered, the yard celebrated 7.5 million man-hours without a lost-time injury, an impressive safety track record. Just as they had done after the first 500,000 incident-free hours, the achievement was celebrated and prizes were awarded to teams of shipyard workers who had displayed excellent safety behaviour and acted as role models for their colleagues.

Ames plays a big part in the safety success story. He has been driving safety since day one of the contract, engaging the yard in creating a safety culture, encouraging inspections of the working environment, running safety introduction courses for new employees and supporting day-to-day compliance with safety standards.

//

Besides promoting a strong safety culture, I provide recommendations and suggest corrective actions where safety can be improved. I give feedback on safety lapses during the construction work, and believe that maintaining constant communication with the yard is equally important for the success of the project. I can proudly say that this is my most successful project to date, and I had a great experience learning from people around me.

//

### AMES NG

HSEQ Officer, Maersk Supply Service Site Office,  
COSCO Shipyard Dalian, China



## ONE DAY, ONE COMPANY, ALL SAFETY

Across all businesses, 27 April 2017 was dedicated to the importance of constant safety vigilance, whether on board a vessel, working on an offshore platform, in an office or at home.

Under the heading '24/7 safe', A.P. Moller - Maersk's third Global Safety Day provided a wide variety of experiences. In Maersk Oil in Denmark, there was a campaign to make everyone a 'safety leader' through townhall and team sessions. In Svitzer, films, posters and quizzes were used to engage employees in discussing the question "What would you do?". And at our headquarters, a '24/7 Safe challenge' took place, with teams engaging in safety-related challenges, games and quizzes.

Offshore colleagues on rigs also spent an hour engaging in Safety Day activities – including 'tips and tricks' for long-haul flights, useful information on sleep and fatigue management, and discussion groups where crews can share their own tips for maintaining their health and wellbeing whilst on the rig 24/7.

## DRONES FOR SAFETY

Due to the nature of their business, APM Terminals' ports and inland terminals inevitably have many safety risks, with containers stacked high, cranes and trucks moving around, and truck drivers entering the premises and carrying out isolated tasks without being trained in the APM Terminals safety culture.

The inland service business in Chile has come up with a new idea for improving safety. Since late in 2016, they have used a drone to periodically film the site's operations, looking at traffic flows, monitoring container stack efficiency and unsafe behaviour, for example truck drivers leaving their cabins.

Using drones, operations can be documented and analysed from above. It provides a point of view that was not available before.

In 2017, using the drone has led to changes in the way workers perform maintenance of reach stackers, redirect the traffic flow and place container stacks. The result is a clear improvement of the safety situation.

The drone is also used to inspect hard-to-reach areas such as rooftops and cranes. This has enabled APM Terminals to almost eliminate the exposure of employees to the risks of working at heights.

The management team in Chile now has plans to systematically review all critical tasks using the drone.

## IMPACT ON SUSTAINABLE DEVELOPMENT GOALS





# Enhanced integration of human rights

**H**uman rights provide a compass for corporate conduct in a world of rapid change and disruption. For A.P. Moller - Maersk, human rights due diligence is a continuous process. We are not perfect, but we are fully committed to the journey and to being accountable for our progress.

With an 18% share of the market for containerised trade, A.P. Moller - Maersk finds itself at the heart of globalisation. Our work depends on the liberal, rules-based and multilateral world order that has brought prosperity to millions of people. Human rights are part of the fabric of that world order. As we embrace globalisation's new opportunities, we also stand up for the core values and institutions that make it possible.

## Our 2017 focus

In 2017, our human rights work focused on two key elements:

- reviewing and embedding human rights management in the new A.P. Moller - Maersk organisation. In order to do this, we carried out an internal gap analysis that compared our existing human rights due diligence to the expectations of the UN Guiding Principles on Business and Human Rights.
- follow-up actions on the five issues needing improved management as identified in our 2015 human rights impact mapping (see table below).

## Solid management with room for improvement

The gap analysis showed that after working with human rights due diligence for several years, we have a robust understanding of our potential human rights impacts. We have well-established programmes for addressing these impacts in areas such as responsible procurement and labour standards. Moreover, our work on responsible ship recycling is an example of our efforts to build leverage in relation to adverse impacts related to our industry.

However, we also found that the effectiveness of our work can be enhanced if we improve the internal follow-up on human rights actions and our external policy statements expressing our commitment to respecting human rights. We will address these improvement areas by further embedding human rights due diligence into the company's updated sustainability management framework.

## Responding to external requirements

Along with this report, we are also publishing our second annual statement under the UK Modern Slavery Act. In this, we have added more details on how we address the risk of modern slavery in our operations and in our supply chain, among other things referencing a case on use of subcontractors (read more on pages 34–35).

A.P. Moller - Maersk remains supportive of regulatory measures to promote business respect for human rights, provided they are effective, balanced and fit-for-purpose.

## IMPROVED GUIDANCE ON THE USE OF GUARDS

In 2017, A. P. Moller - Maersk launched a governance framework with minimum standards for security work related to our activities. To strengthen monitoring and assurance of this area, the framework will be integrated into the Commit programme (see page 18) during 2018.

The framework includes a human rights standard for interacting with private and public security providers onshore, which was established in 2017. We reference this standard in specific contract clauses through our responsible procurement programme.

With the introduction of this framework and standard, we have strengthened the guidance for local management teams.

## PROGRESS ON PRIORITY AREAS

The 2015 impact mapping provided us with 34 human rights priority issues of which five needed further attention to close gaps in governance and management maturity. Our progress on these five areas in 2017 can be seen below.

|                                                |                                                                                                                                                                                                                                                                                                                                                    |
|------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Assets under construction                      | We have adjusted our training and training materials, as well as our responsible procurement audits, to focus more on labour practices for both own and subcontracted/third-party workers (see page 34).<br>In 2017, we published our first statement under the UK Modern Slavery Act, explaining how we prevent modern slavery in our operations. |
| Indirect hiring and recruitment                | Training was conducted as part of our responsible procurement programme (see page 34).                                                                                                                                                                                                                                                             |
| Transport and services to/from conflict zones  | We comply stringently with government sanctions and export controls to prevent our services from being misused to contribute to human rights abuses. Investigations of our options for controlling cargo beyond this point have so far not provided us with any new routes to take.                                                                |
| Use of security services in high-risk settings | We have developed a new framework for how we manage armed security in our onshore operations. The framework is based on the Voluntary Principles for Security and Human Rights (see sidebar).                                                                                                                                                      |
| Economic displacement and resettlement         | With the divestment of Maersk Oil and the slowdown in new terminal construction by APM Terminals, it has not been relevant to pursue further steps in this area.                                                                                                                                                                                   |

## IMPACT ON SUSTAINABLE DEVELOPMENT GOALS



# Diversity: tools in place, traction needed

**T**he right not to be discriminated against on the basis of race, gender, religion and sexual orientation is a fundamental human right. Combined with a growing emphasis on access to talented employees and a future where diversity of all kinds – including diversity of thought – is necessary to adapt to a changing world, we are taking steps to up our performance on diversity and inclusion.

Some progress has been made in diversity at A.P. Møller - Maersk over the past decade (see page 33). However, not at a satisfactory pace. To meet the challenges of the future, this change needs to be both accelerated and to move from a focus on diversity in itself to building an inclusive culture.

## Towards an inclusive culture

Our vision is to build an inclusive culture where we can attract employees from the widest talent pool, and where there is diversity of thought in our leadership reflecting that of our global customers, authorities and business partners.

In the past two years, we have focused on building capabilities in our human resources organisation to help identify and challenge potential bias within our HR processes. We have also introduced the concept of unconscious bias to leaders in various parts of the organisation. In 2017, we have tested a wider programme on unconscious bias, which we hope to launch to all employees in 2018.

## Natural progression and intent

In 2017, we saw a slight acceleration in our progress in making our leadership more diverse in terms of nationality. Some of this progress can be attributed to our business operations maturing in different regions of the world. On the other hand, we see our regional talent programmes as a contributing factor to the increase in nationality diversity.

One such programme is the 'Mpower' talent programme, which is designed to accelerate the development of high-potential leaders in our Asia operations. In 2017, 21 participants worked with senior management representatives on visibility, learning and coaching.

## Moving too slowly

Gender diversity is progressing, but we are not satisfied with the pace. A number of initiatives approved in 2017 aim to change this.

In 2017, we expanded our women in leadership programme to include lower management levels where the share of women is higher. By investing at this level, we hope to support our talent pipeline.

Furthermore, we established an online platform where the alumni of leadership programmes – about 800 women in total – have access to research, blogs and monthly webinars on leadership and personal development.

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I'd like everyone committed to diversity – women and men, alike – to make themselves visible and to help and push each other. This is not just a 'female' issue, it impacts us all in different ways, and I'm convinced we will only make progress by working together. We must hold each other accountable and help each other with our biases.

//

**ULF HAHNEMANN**

Chief Human Resources Officer,  
A.P. Møller - Maersk



## IMPACT ON SUSTAINABLE DEVELOPMENT GOALS



LEFT:

'MPower' regional talent programme



## TARGETS AND PERFORMANCE ON REPRESENTATION OF WOMEN ON OUR BOARDS

■ Female ■ Male

### Gender representation on the Board of Directors<sup>1</sup>



In 2017, the A.P. Møller - Mærsk A/S Board of Directors consisted of 11 members, of which 3 are women (12 members and 3 women in 2016).

The Board set a target in 2015 to be reached by the latest in 2019: three female Board members elected by the Annual General Meeting if the Board consists of less than twelve members. Four female Board members if the Board consists of twelve or more members. The target was reached in 2017 due to the decrease in the number of total Board members from 12 to 11 with 3 female Board members.

<sup>1</sup> A.P. Møller - Mærsk A/S has a number of subsidiary companies that fall under the Danish legislative requirements on gender reporting, and which have all set targets for the underrepresented gender on the respective Boards of Directors. Of the companies, a portion have already obtained target representation on the Board, while the remaining continue to strive for their targets. See the management reports of the respective companies.

We are acutely aware that having more women in higher-management positions cannot be isolated to a question of educating women. Rather, an organisation in pursuit of diversity needs to sensitise its organisation to

unconscious biases through training and de-biasing HR processes and leadership behaviour.

With a new diversity and inclusion strategy approved in 2017, we will be devoting more of our resources to these dimensions going forward. We have defined leadership and local ownership, unconscious bias and inclusion capability building as well as communication as our three priorities through 2018.

To support the measurement of progress in achieving our gender and nationality diversity ambitions, we have revised our targets to be more ambitious and aligned to our new organisational structure.

### The maternity policy one year later

Since the launch of our global maternity and paternity leave policy in April 2016, almost 1,300 employees have made use of the minimum standard of 18 weeks leave across the world. Over 800 employees have taken paternity leave, and at least 300 employees have used the 20% reduced working hours benefit after returning from leave.

The retention rate for women returning to work and remaining with the company for 12 months or longer is now 71%, compared to 70% in our baseline year of 2014. Our goal is to increase our retention rate to 90%.

One way of reaching this target is to ensure consistent and effective application of the parental leave policies and practices across the company's many locations. An internal survey conducted in 2017 pointed to this area as one with room for improvement. We have made plans to support this area throughout 2018.

## NETWORKS FOR A MORE INCLUSIVE WORKPLACE

Three years ago, Luiza Bublitz, Head of Safmarine for East Coast South America, took action and helped to establish MIX (Maersk Inclusion Excellence Network), to promote diversity and inclusion at A.P. Møller - Maersk. From its origins in Panama, the network has grown to include employees from other Latin American countries including Chile, Mexico and Argentina, and is now expanding further afield with branches launched in Nigeria.

As well as organising seminars and events, MIX was instrumental in pushing for a better work-life balance in our Latin American offices, encouraging employees to work from home at least one day a month and introducing maternity rooms. Eleven such rooms now exist in Latin America, which women returning to work can use.

"We're not just about gender, but that is still where the biggest gap in our company is, so this is our priority," explains Bublitz. "It's all part of the drive for equal opportunities, and to keep up the needed support for women."

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We are not just about gender, but that is still where the biggest gap in our company is, so this is our priority.

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**LUIZA BUBLITZ**

Head of Safmarine for East Coast South America



## TARGETS AND PERFORMANCE ON DIVERSITY AND INCLUSION

■ Target 2020 ■ 2017 ■ 2016

### Representation of women in continuing transport and logistics businesses<sup>2</sup>



### Representation of non-high income OECD nationalities in continuing transport and logistics businesses<sup>2</sup>



<sup>2</sup> Performance for continuing businesses includes Maersk Line, APM Terminals, Damco, Svitser, Maersk Container Industry and 'Other businesses and unallocated'. See table on pages 46-47.

# Supply chain: stronger focus and broader scope

A.P. Moller - Maersk continues to manage our direct suppliers through our programme for responsible procurement, which is focused on suppliers in high-risk categories. The list of categories was changed in 2017 to reflect the new company structure and strategy (see page 35).

As part of this approach, we engage with approximately 1,500 suppliers out of the 20,000 suppliers with whom we have a contract and a total population of 100,000 suppliers. We engage through audits, self-assessments and documentation reviews, and establish improvement plans if the review findings indicate a need for these.

### Progress in 2017

Our activities in 2017 are illustrated below, showing an increase in the number of self-assessments performed by suppliers and more audits performed by us than in the previous year. This is a result of the changes made to our responsible procurement policy in 2016, where supplier assessments are integrated into the overall supplier due diligence, and for some categories an audit is now mandatory prior to signing of a contract. Our main

takeaway from these audits is that the majority of issues found are linked to the area of labour and human rights, for example overtime and the use of subcontracted labour.

We have global supplier contract management repository and sourcing systems. However, some purchases are made by the individual companies in more than 120 countries in which we are present. This presents a challenge in terms of tracking compliance with the responsible procurement due diligence process. In 2018, to better identify and manage social and environmental risks in our supply chain, we will be adding a country dimension to the high-risk categories already in use. This will ensure that progress on compliance will be actively targeted and measured in the regions and countries with the highest risk.

### Building capacity on labour rights

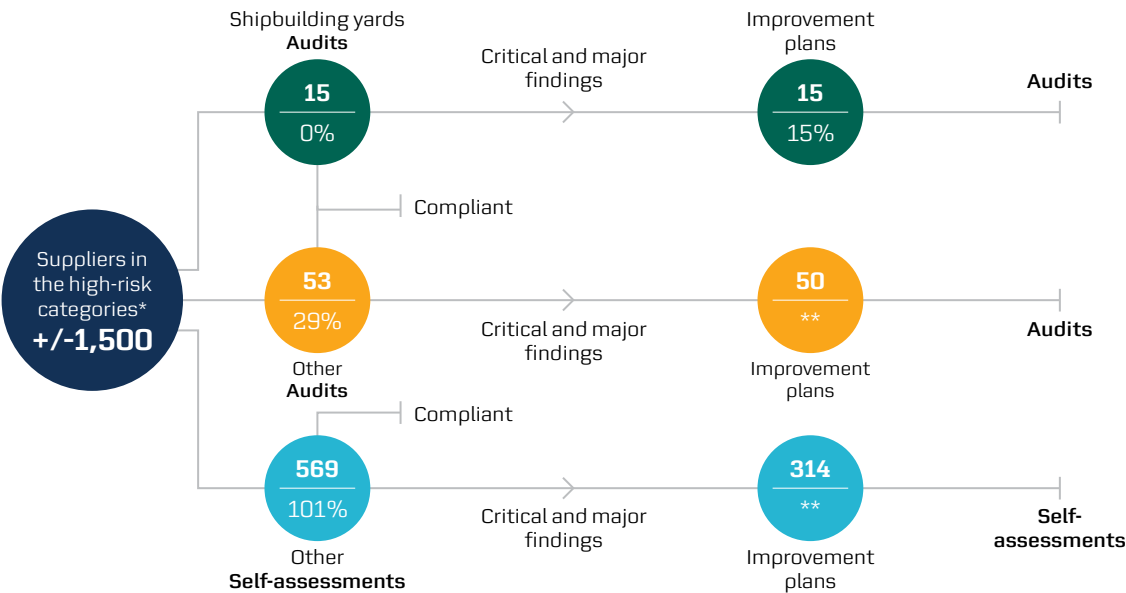
Following our human rights impact mapping in 2015, we conducted an in-depth assessment of labour rights. We found that the biggest challenges were related to the use of subcontractors and hiring through third parties.

“To support our company’s vision of becoming the leading integrator of container logistics and to meet our customers’ needs for end-to-end services, we owe it to ourselves and our customers to deliver services built on, among other things, a responsible supply chain. We must accelerate progress on known and perceived risks in the supply chain, and I stand fully behind efforts to do so.

”  
**SØREN TOFT**  
 Chief Operating Officer,  
 A.P. Moller - Maersk

## PROCESS AND PERFORMANCE 2017

Percentages indicate change from 2016.



\* This number will vary as the number of categories change. For 2017, trucking companies are not included.  
 \*\* The number of improvement plans are not comparable year on year as the companies assessed/audited are not the same.

## IMPACT ON SUSTAINABLE DEVELOPMENT GOALS







Subsequently, we have adjusted our responsible procurement audits to reflect the findings of the labour and human rights assessments. The same applies for our training materials for internal courses in responsible procurement. While the training still touches on safety, the environment and anti-corruption risks, the content now gravitates towards labour and human rights issues.

We carried out 33 training workshops for a total of 327 employees across the A.P. Moller - Maersk businesses in 2017, both as face-to-face sessions and as webinars focusing on practices and rights related to labour.

The roll-out of these new materials and priorities will continue in the coming years.

#### Increased focus on trucking

Our container shipping, ports and logistics businesses are working to integrate global container logistics. This implies increased focus on transport needs beyond containerised shipping, leading to an even stronger connection between

the trucking industry and A.P. Moller - Maersk. From our internal analysis we know that trucking has a widespread presence of issues related to safety and security, labour conditions and rights, emissions to air and corruption. It is also a highly fragmented industry, with a very large number of suppliers.

In 2017, we developed an approach allowing us to include more of the 8,000 suppliers of trucking used by our businesses in our responsible procurement programme. The providers of trucking services that are contracted by Maersk Line, Damco or APM Terminals through the A.P. Moller - Maersk procurement system now sign off on ten requirements related to HSE issues and employment practices. The requirements are available in ten languages so far. We are well aware that this in itself does not guarantee responsible practices. We are following up by including the items covered by the ten statements in the approximately 600 health, safety, security and environment audits of suppliers we perform every year.

#### SUPPLIER CATEGORIES WITH HIGHEST POTENTIAL IMPACT

1. Trucking / Intermodal
2. Warehousing services
3. Facility management
4. Outsourced labour
5. Terminals
6. Shipbuilding yards / Drydocks
7. Security offshore
8. Promotional items
9. Custom agents
10. Security onshore
11. Construction
12. Chemicals / Paints
13. Equipment / Maintenance / Repair (EMR)
14. Container manufacturers
15. Manning – Seafarers

#### A SUBCONTRACTOR CHALLENGE

One of the key challenges in a global supply chain is how to ensure compliance with human rights and labour principles beyond the first tier of suppliers. We insist that our suppliers implement the standards of or similar to the Maersk Third-Party Code of Conduct in their own supply chains.

During 2016, we became aware that a ship yard supplying vessels to Maersk was using a sub-supplier, who was in turn using sub-contracted workers from North Korea.

We have engaged the supplier in a dialogue specifically focused on the implications of engaging the North Korean workers, and since put in place additional due diligence processes to be performed by all of the yards that we use, when hiring workforce via a third party, to prevent similar occurrences going forward. Training of Maersk's manning agencies has been taking place regularly since 2012.



# Managing environmental impacts at sea and on shore

**A**.P. Moller - Maersk operates fossil fuel-powered vessels, either to transport the cargo we carry or related to our own operations, resulting in the release of CO<sub>2</sub>, SO<sub>x</sub> and NO<sub>x</sub> into the air. Our operations also come with the risk of accidental spills of potentially harmful substances.

In each of our businesses, management systems and responsible practices are in place to mitigate both the potential and actual impacts of our operations.

In 2017, knowledge sharing gained new prominence as environmental networks were established. For example, APM Terminals now hosts quarterly meetings for more than 60 people that share experience and ideas, developing new environmental management controls and driving capacity building on sustainable operations.

## Keeping harmful substances in check

Oil spills constitute a risk which could potentially have very high negative impact on both people and the environment, and is a risk shared across our transport and logistics as well as our energy businesses.

The risk of spills is managed in each of our businesses, all of which have spill response plans prepared in accordance with national requirements as well as International Maritime Organization conventions. Training is carried out for both

prevention and response. No non-contained spills above 10 m<sup>3</sup> were registered in 2017.

## SO<sub>x</sub>: finding solutions on the high seas

From 1 January 2020, a global cap of 0.5% on the content of sulphur in fuel will enter into force. This brings a lot of enforcement challenges. It is unclear how non-compliance on the high seas will be detected, or how such instances will be pursued legally. At the same time, the OECD estimates that cleaner fuels will cost the container shipping industry up to USD 30 billion annually. The need for a cap on sulphur in fuels exists because it has been documented that emissions from fuels have serious impacts on human health, leading to premature deaths.<sup>1</sup>

We participate in discussions of possible solutions in our own right and as a board member of the Trident Alliance, an association of shipowners committed to strong enforcement of the sulphur legislation. Suggestions currently on the table include making it illegal to carry fuel with a sulphur content higher than the 0.5% limit if vessels are not fitted with a technology approved for exhaust gas cleaning such as scrubbers.

In 2017, A.P. Moller - Maersk decided not to pursue scrubbers, a technology designed to wash the sulphur out of exhaust fumes and discharge it into the sea. We will

“

As we integrate our businesses in container shipping, ports and logistics, there is a lot we can learn from each other. Going forward, I see us changing from being compliance-driven to being more proactive, driving value through core operations and focusing on design and resilience.

”

**KEVIN FURNISS**  
VP of HSSE, APM Terminals,  
and Chair of the Health, Safety  
and Environment Committee,  
A.P. Moller - Maersk

<sup>1</sup> Mitigating the Health Impacts of Pollution from Oceangoing Shipping: An Assessment of Low-Sulfur Fuel Mandates, J.J. Winebrake et. al, Environ. Sci. Technol., 2009



instead opt for replacing the cheaper bunker oil with fuels with a lower sulphur content.

A 0.1% cap on sulphur content in fuel is already being enforced in what is called emission control areas.<sup>2</sup> Maersk Line registered two non-compliances in 2017. Maersk Line makes over 50,000 port calls annually, and has had no financial benefits from the two incidents.

In March 2017, a non-compliance was determined on a Maersk Line vessel calling at Long Beach in California, with the sulphur content at nearly 0.2% in an area where the sulphur cap is 0.1%. The internal investigation confirmed that the vessel carried compliant fuel, and that the contamination was due to a human error in the switchover procedure.

In July 2017, a Maersk Line vessel in the port of Antwerp, Belgium, was in breach of the area's fuel sulphur limit of 0.1%. Our internal investigation found that the vessel's low sulphur fuel tank had been contaminated due to human error in operating two butterfly valves between the ship's high sulphur and low sulphur fuel tanks. The contamination raised the sulphur level in the low sulphur fuel tank to around 0.2%. We carried out a complete cleaning of the low-sulphur tanks and the onboard systems, have implemented specific procedures to avoid this kind of contamination on all relevant vessels.

#### NO<sub>x</sub>: rules and compliance on track

Exhaust gases from vessels and port equipment also contain NO<sub>x</sub> which, like SO<sub>x</sub>, reduces air quality and can impact human health, particularly for people living in port cities and coastal communities.

The latest development in the NO<sub>x</sub> area is the establishment of the North and Baltic Seas as emission control areas for NO<sub>x</sub>. The recently adopted rules at IMO level ensure that, for all vessels where construction is initiated after 1 January 2021, NO<sub>x</sub> emissions will be cut by 75% as compared to ships built earlier. In practice, this means new-builds have to be equipped with catalysts or use alternative means in order to comply with the regulation. A.P. Moller - Maersk fully supports this process and will, of course, comply with the rules.

#### Addressing compliance challenges

During 2017, the Danish Environmental Protection Agency (DEPA) asked the Police to investigate Maersk Oil in

respect of occurrences of discharge of red chemicals. Maersk Oil is cooperating fully with the investigation.

Chemicals are used throughout the oil production process to ensure safe and efficient operations. This includes improved cleaning of produced water, protection of offshore facilities against chemical corrosion and removal of bacterial growth, which can cause production upsets as well as corrosion.

All chemicals undergo an environmental risk assessment to be approved for a specific use and are classified into four groups: Green (environmentally acceptable in most circumstances); Yellow (can normally be discharged without specific restrictions, but with use monitored); Red (can only be used in specific circumstances); and Black (use prohibited in most circumstances). The risk assessment process also includes a substitution assessment to ensure that less hazardous substances are used where possible.

Maersk Oil is complying with regulatory orders received in 2016 relating to its temporary storage of NORM (Naturally Occurring Radioactive Materials) in Esbjerg, Denmark. In doing so, Maersk Oil has implemented a number of improvement actions.

NORM consists of minerals found in the subsoil that naturally contain radioactive elements. Handling NORM is a routine part of oil and gas production operations, especially in mature fields. The NORM handled by Maersk Oil has low level radioactivity levels and the handling and storage procedures ensure that it does not pose a risk to the surrounding environment, employees or the public.

Maersk Supply Service has been working closely with the French and Danish authorities on the loss of Maersk Shipper and Maersk Searcher, which capsized and sank during towage in the Bay of Biscay in December 2016. The investigation carried out by the Danish Maritime Accident Investigation Board showed that this serious incident was the result of a unique conjunction of events in both the planning and operational stages. In 2017, we worked diligently to learn from what went wrong, and implemented preventative measures to ensure that a similar incident will not happen again. This included upgrading the risk management system, marine procedures, training programmes and third-party validation processes.

#### TESTING AND SEARCHING FOR SOLUTIONS

At A.P. Moller - Maersk, we have carried out several projects to test and tease out ideas for enforcement of the new SO<sub>x</sub> regulations.

In the spring of 2017, we made a decision not to install scrubbers on our vessels. Following tests, we concluded that the installation, operation and maintenance costs related to this complex machinery would not be offset by the level of cleanliness of emissions that can be achieved through using it. Furthermore, scrubbers reduce fuel efficiency by as much as 2%.

In addition to our other SO<sub>x</sub>-related enforcement activities, we sponsored and provided mentors for the 'SO<sub>x</sub> challenges', a student innovation competition hosted by DTU, Technical University of Denmark. Alternative suggestions include a tamper-resistant black box to be mounted on ships to collect emission data, as well as the installation of sensors to collect crowd-source data as ships pass each other.

#### OIL SPILLS

**O**

spills above 10 m<sup>3</sup> to water in 2017.

#### ENGAGING IN OCEAN PROTECTION

Vessels carrying our proprietary blue colour and seven-pointed star travel the oceans every day and every hour of the year, connecting traders and customers across the globe.

We not only use the oceans, we also impact their health. Our vessels emit CO<sub>2</sub>, which contributes to acidification of the oceans, damaging coral reefs and changing marine animal living conditions. The long-term solution to this situation is the decarbonisation of ocean transport.

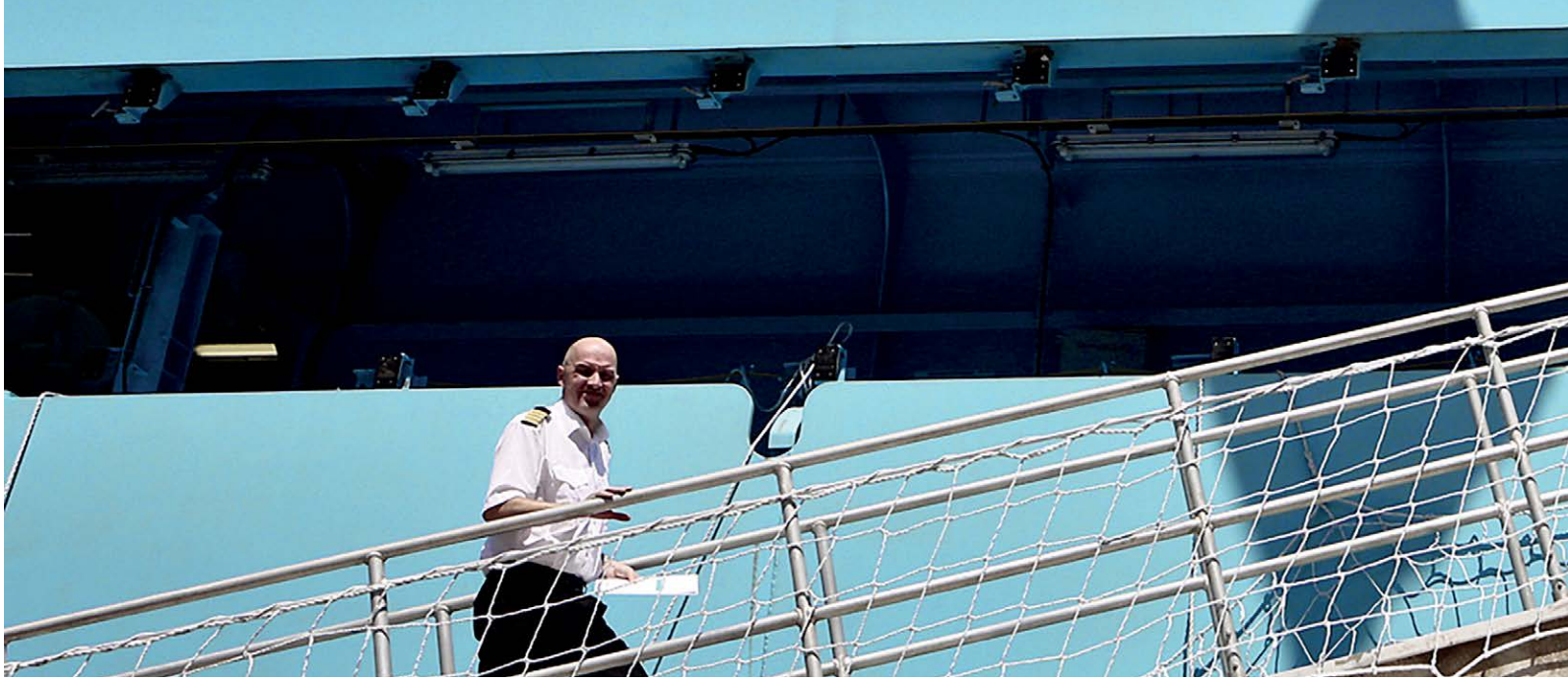
Alongside working on this challenge, A.P. Moller - Maersk will explore ways to aid in the protection of life under water.

We anticipate that the core of our efforts will involve lending out our vessels to building scientific knowledge. By working through partnerships, we will be able to collect data that we believe will improve the understanding of climate change's effect on the oceans. Gathering data is also likely to contribute to better understanding of potential solutions to the challenge of plastic litter in the oceans.

#### IMPACT ON SUSTAINABLE DEVELOPMENT GOALS



<sup>2</sup> The Baltic Sea, the North Sea and English Channel, the North American area and the United States Caribbean Sea area



# Aiming for an end to facilitation payments

Vessels carrying cargo for our customers make more than 30,000 port calls annually. In each port, the vessel itself and its papers and documentation are subject to inspection by various authorities. Other parts of the logistics chain have numerous interactions with public officials for clearance and release of goods. Unfortunately, this means we operate in an environment where facilitation payments and extortion are common occurrences.

In 2017, A.P. Moller - Maersk continued its fight against facilitation payments. Maersk Line owns roughly half of the vessels in our operated fleet. Compared to 2016, we reduced facilitation payments by 96% on Maersk Line-owned vessels. This is the result of our facilitation payment elimination strategy, launched in 2015, which led to major reductions during 2016, and allowed us to address remaining issues in 2017.

We worked in collaboration with shipowners to extend our practices to the chartered portion of the fleet. This year, we received reports on facilitation payments from the vast majority of these vessels.

Our efforts to reach our zero payments target continue with ongoing communication and support for the vessels owned by Maersk Line using our closed-loop financial reporting system. We are also collaborating with chartered vessel owners to extend our practices and to share our knowledge with these vessels.

Damco reduced facilitation payments by over 50% in 2017, by establishing compliance positions across the company and by moving ahead with initiatives related to third parties, for example vendor training days, Code of Conduct re-certification, pre-screening and audit activities.

## Three determining features

For eight years, A.P. Moller - Maersk has worked both alone and in partnerships to eliminate facilitation payments. We have learned that three features determine whether the efforts have a successful outcome:

1. Capability building among our employees on how to navigate extortions most effectively.
2. Mapping of risk in processes and collaboration with local authorities to clarify local rules and regulations. We make this knowledge available to our people, to strengthen them in situations where entitlements are withheld and they are faced with extortion.
3. Making escalation channels available to ensure locally competent support in the event of complications.

## Sharing our learnings

Because of the level and severity of corruption in the maritime sector, a traditional internal compliance programme is not enough to protect the company and

## IMPACT ON SUSTAINABLE DEVELOPMENT GOALS







our employees. We must work with others in both our industry and governments.

In the past few years, discussions with other industry players made it clear that many companies lack the global organisation necessary to implement the type of on-site support A.P. Moller - Maersk has in place for its vessels. In order to address this, we are currently engaged in a collaborative project between the Ministry of Foreign Affairs of Denmark and a group of Danish shipping companies to test a blueprint for a public-private collaboration model. This model will feature the three characteristics of our model, and will allow companies to utilise the presence and knowledge of Danish embassies to proactively manage corruption risks.

#### Mitigating risks and fostering a compliance culture

While facilitation payments are a significant risk in the daily operations of A.P. Moller - Maersk, our efforts aim at combating forms of corruption such as bribery, fraud, kickbacks and preferential treatment.

We carry out due diligence of new agents, joint venture partners, key suppliers, as well as mergers and acquisitions targets prior to signing a contract. We assess the corruption risks before acquiring a company or entering a new country. We enforce rules on travel, meals, lodging and entertainment.

All of this is based on continued communication on compliance issues and progress as well as mandatory training for all employees – whether at sea or on shore.

In 2017, APM Terminals established a network of business compliance ambassadors with the company's CEO as sponsor, one of the initiatives to create awareness of the anti-corruption journey. The appointed members of the network are seen as future leaders and will help

to strengthen the integration of compliance measures into areas of operations that have a high risk exposure to corruption. The ambassadors take on an advisory role and work with management and the compliance department on compliance initiatives. To better integrate compliance in the business, they are a first point of contact and help to overcome language barriers.

#### BLOWING THE WHISTLE

The A.P. Moller - Maersk whistleblower hotline provides internal and external stakeholders with a channel to report suspicions of behaviour or practices that violate laws or key company policies. The hotline has been in operation for seven years and is available in 75 languages.

For a whistleblower hotline to serve its purpose, it must be known and used widely. In 2017, reporting activity increased, and a total of 406 reports were received, of which 132 were within the system's scope and purpose and unrelated to fraud. Within the hotline's scope is corruption, foreign trade controls, retaliation, insider trading, competition law, IT security, data privacy, threats to health, safety and environment, and sexual harassment or discrimination. The number of reports grew since 2016, which we believe reflects the continued effects of promotional efforts related to the global roll-out of the upgraded system in 2016. In addition, the individual brands continue to promote the system.

Eighteen reports alleged corruption, of which 11 were unsubstantiated, six are still under investigation while one was substantiated. Reports were investigated following established procedures, and if substantiated, appropriate remedial actions taken. These included dismissal, reprimands, warnings and additional training, and changes in operations, procedures and systems.

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Eliminating corrupt practices in the maritime sector is necessary to create a safe working environment for seafarers and contribute to the Sustainable Development Goals. We will only succeed in achieving this vision through long-term commitment and collaboration. A.P. Moller - Maersk's leadership and contributions to this field provide inspiration to other members and replicable models.

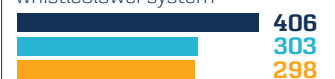
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**CECILIA MÜLLER TORBRAND**  
Programme Director,  
Maritime Anti-Corruption  
Network, BSR

#### WHISTLEBLOWER REPORTS

■ 2017 ■ 2016 ■ 2015

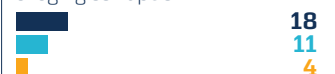
Total reports in the whistleblower system



Genuine whistleblower reports (excluding fraud)<sup>1</sup>



Whistleblower reports alleging corruption



<sup>1</sup> Non-genuine whistleblower reports are reports regarding issues that are not within the legal scope and purpose of the whistleblower system.

# Staying committed to responsible tax

In 2017, A.P. Moller - Maersk's total tax payments amounted to USD 1,191 million (1,054 in 2016), of which USD 1,020 million was related to the companies in our Energy division. Due to the separation of the Energy division and especially the pending divestment of Maersk Oil to Total S.A., tax payments will decrease in the years ahead.

## Country-by-country reporting

As required by Danish legislation, we have submitted country-by-country reporting on our revenues, profits, staff numbers, assets and tax payments to the Danish tax authorities. The reporting will be exchanged automatically and in some cases upon request with the 65 countries that have signed the OECD Multilateral Competent Authority Agreement. We also publish detailed country-by-country information for Maersk Oil in line with separate legal requirements.

Further, we publish a full list of all our companies on our website and, for the continuing operations, the taxes paid by region in the Annual Report. For more information on tax challenges and our approach, see the tax feature in our 2016 Sustainability Report at [maersk.com/business/sustainability/sustainability-reports-and-publications/reports](http://maersk.com/business/sustainability/sustainability-reports-and-publications/reports)

## Updated tax principles

In response to developments in stakeholder interest and changes in the international tax legislative framework, we have reviewed and updated our 2010 tax principles. The principles are grounded in the A.P. Moller - Maersk values:

- **Constant Care:** Monitor developments in legislation and guidelines and manage our tax affairs in accordance with developments
- **Humbleness:** We listen to and have a dialogue with stakeholders and investors when they ask about tax
- **Uprightness:** We are honest and transparent about our tax affairs towards authorities and stakeholders
- **Our employees:** Employ the right people with the right qualifications and values. We ensure that all employees are familiar with the A.P. Moller - Maersk tax principles

- **Our name:** We acknowledge that tax management that does not follow the intent of the law will reflect negatively on our company and its name. We wish to be associated with trustworthiness and be considered by tax authorities and governments as a responsible and reliable corporate citizen.

The updated tax principles, which apply to all our global operations, are publicly available at [maersk.com/front-page-requirements/tax-principles](http://maersk.com/front-page-requirements/tax-principles) (see also page 41).

## Involvement in the B Team working group on tax

During 2017, A.P. Moller - Maersk participated in a working group convened by the B Team, an international not-for-profit initiative to develop a set of principles for responsible tax management. See more about the B Team at [bteam.org/responsibletax](http://bteam.org/responsibletax)

The working group, consisting of tax professionals from leading multinational companies, has developed a set of ambitious yet practical principles that define what we mean by responsible tax. They cover a company's basic approach to tax, its engagement with authorities and others regarding tax affairs, and its reporting to stakeholders. The principles were developed in consultation with representatives from international civil society organisations that work on responsible tax issues. We appreciate the leadership and support by the B Team in this process.

The B Team Responsible Tax Practice Framework was launched early in 2018, and as a founding signatory, A.P. Moller - Maersk is pleased to endorse this framework. We are committed to following the principles and to sharing our experiences with other companies and stakeholders.

The B Team Responsible Tax Practice Framework is available on our website.

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A.P. Moller - Maersk has a long-standing commitment to responsibility and transparency, and the B Team commend A.P. Moller - Maersk's efforts to explain its approach to tax in a way that is meaningful to a broad range of stakeholders. A.P. Moller - Maersk's engagement with civil society in tax dialogues has helped raise the importance of tax as a corporate governance issue, and grow a common understanding of leadership approaches to tax, transparency and responsibility. We are delighted to be collaborating with A.P. Moller - Maersk and other leading companies to develop and launch a new leadership standard for responsible tax practice in February 2018.

//

**MADELEINE MCCARROLL**  
Manager, Governance & Transparency, The B Team

## TOTAL TAX CHARGE

|                   | Continued activities | Discontinued activities | Total |       |       |
|-------------------|----------------------|-------------------------|-------|-------|-------|
| (USD million)     |                      |                         | 2017  | 2016  | 2015  |
| Result before tax | 25                   | 2                       | 27    | -843  | 1,447 |
| Total tax charge  | 219                  | 972                     | 1,191 | 1,054 | 522   |

The tax charge is the total profit and loss tax. See our Annual Report for more on tax.





### Dialogue with stakeholders

In addition to the B Team, we continue to engage in dialogue activities with various stakeholders to increase our mutual understanding of the complex technical and ethical issues related to corporate tax for international companies.

During 2017, we engaged with, among others, the IBIS/Oxfam-led Tax Dialogue-project in Denmark, which brings together a multi-stakeholder group of business, investors and NGOs. The dialogue meetings began in 2014, and will continue in 2018, focusing in particular on tax issues in developing countries.

We were also part of the International Chamber of Commerce's Tax Commission that issued a set of guidelines on tax principles for companies in 2017.

### A.P. MOLLER - MAERSK 2017 TAX PRINCIPLES

The A.P. Moller - Maersk Tax Principles have been approved by the A.P. Moller - Maersk Board of Directors and apply to A.P. Moller - Mærsk A/S and all controlled entities.

#### 1. Good Corporate Citizenship

We shall observe the A.P. Moller - Maersk values, act with integrity and maintain good corporate citizenship in handling the tax affairs of A.P. Moller - Maersk by complying with applicable regulations, acting in an upright manner towards public authorities and paying taxes as required by law.

#### 2. Transparency and Relationships with Governments

We recognise that our various stakeholders have an interest in receiving appropriate insight into A.P. Moller - Maersk's management of its tax affairs. We shall comply with all our disclosure requirements and will as appropriate contribute to increasing public understanding of the tax system.

- We shall disclose all required information to enable the tax authorities to make an informed assessment of our tax liability.
- We shall disclose information to the public and press upon request, where reasonable and practicable, subject to business confidentiality.
- A.P. Moller - Maersk will explain its policies and economic contribution via taxes paid in selected jurisdictions in which it operates through statutory and voluntary disclosures.

#### 3. Value Creation for Shareholders

Within the boundaries set by legislation and practice, we shall support value creation for shareholders by improving profits and cash flow through the effective management of tax risks, costs and payments and the tax-efficient implementation of major transactions and corporate structure.

#### 4. Responsibility for Tax Governance

The Board of Directors of A.P. Moller - Maersk approves general tax principles and exercises governance over corporate tax affairs through regular updates on our tax positions.

The Management Board approves the A.P. Moller - Maersk Tax Principles based on the recommendation of the A.P. Moller - Maersk CFO. The A.P. Moller - Maersk CFO is responsible for the formulation and implementation of the Maersk Tax Principles.

See our tax principles: [maersk.com/front-page-requirements/tax-principles](http://maersk.com/front-page-requirements/tax-principles)

### BEING PRESENT IN LOW-TAX COUNTRIES

A.P. Moller - Maersk is actively present in over 120 countries. It is our unalterable policy to comply with the tax regulation in the countries in which we operate. If we have business activities in a country with low taxation, we pay low taxes in that country, but we do not seek to artificially shift other profits to that country.

Furthermore, the Danish tax rules require that financial income from so-called Controlled Foreign Companies is taxed in Denmark, and we report on these companies to Danish tax authorities every year.

The European Union has published a list of 9 non-cooperative jurisdictions in taxation matters.

A.P. Moller - Maersk has activities in four of these: Bahrain, Macau, Namibia and Trinidad and Tobago.

One example from the list is Namibia where our container shipping, ports and logistics businesses have operations. In 2017, we had 30 employees in these companies, revenues of 2.2 million USD and paid 58,000 USD in taxes.

### ✓ WE DO

... pay tax where value is created

... benefit from tax incentives as a way to share risk when investing in, for example, trade and logistics infrastructure

... have operating activities and companies in countries that are considered tax havens

... disclose all relevant information to tax authorities

### ✗ WE DON'T

... set up artificial structures for profit shifting

... claim benefits without ensuring we are fully qualified

... establish new corporate structures to artificially renew tax holidays

... pay more tax than required by the law

### IMPACT ON SUSTAINABLE DEVELOPMENT GOALS





# The new truth about ship recycling

**N**o less than 85% of all ships are dismantled at sub-standard facilities in South Asia. This happens despite many large shipowners having a policy on responsible ship recycling.

Since 2009, A.P. Moller - Maersk has had a responsible ship recycling standard based on a strict interpretation of the Hong Kong Convention regarding health, safety and environmental issues. As a result, we have previously sent our vessels for dismantling at yards only in Europe, China or Turkey, ruling out options in South Asia as the yards there did not live up to the voluntary requirements above legal compliance level that are in our standard. We remain fully committed to this standard. Upholding it comes at a considerable cost compared to operating at a legal compliance level.

## Past approach: high cost and low impact

In 2016, we began sending ships to selected yards in Alang, India, based on two considerations. Foremost was the fact that a handful of leading yards in Alang had

begun upgrading their facilities and practices in a way that meant they were close to being able to comply with our standard regarding both safety, human rights and the environment. Secondly, while we had been applying our own voluntary standard since 2009, which implies leaving money on the table every time we send a ship for recycling, this had not proven effective in driving a solution to this industry problem any closer.

The result was that we found ourselves in a situation where we were spending money on exceeding compliance requirements, but without this effort resulting in a spread of responsible practices benefiting the environment or the workers. Furthermore, it did not help narrow the competitive disadvantage our approach was giving us.

Working in accordance with our own standard did not create real change, and this is of particular concern to us. Because although we take responsibility for our own vessels, this is an industry-wide problem which we are linked to far beyond the vessels we own up to the time of recycling. We are also linked to the problems in ship

## THE A.P. MOLLER - MAERSK RESPONSIBLE SHIP RECYCLING STANDARD

- Builds on a strict interpretation of the Hong Kong Convention in relation to health, safety and environmental issues
- Makes additional demands regarding practices within anti-corruption, subcontractor conditions, labour and human rights as well as waste management
- Requires on-site presence by A.P. Moller - Maersk representatives, demands skills and equipment upgrades and establishes the right to stop work for all employees.



recycling when we sell off vessels before end-of-life, when we charter vessels or when we place cargo on vessels belonging to other shipowners. The number of such vessels far exceeds the number of vessels that we send for recycling.

### Going to Alang

Following improvements to a few ship recycling yards in Alang, and interest amongst a larger group of yards in possibly implementing upgrades, we saw the opportunity to create new momentum and race to the top through the use of market forces. The purpose of working with yards in Alang is to use our commercial power to change conditions on the ground in order to build the leverage to transform the industry. Our approach is to sign commercial deals with the best yards, where we accept a lower price for the ships than what is normally paid in Alang. At the same time, we commit to helping the yards upgrade their practices while contractually requiring full implementation of our standard controlled by onsite

supervision throughout the process as well as quarterly audits by third parties.

The six vessels we have sent to three yards in Alang over the past 20 months represent the very tip of the ship recycling iceberg. The purpose they fulfil, however, is to build a case for responsible ship recycling in Alang, where collaboration and investments made by yards drive performance above legal compliance. Our vision is to be part of transforming the entire ship recycling industry in Alang.

We have been heavily criticised by some stakeholder groups for this. The claim is that we are sending ships to Alang to save money, and that it is irresponsible to work with the yards before they are fully compliant. For A.P. Moller - Maersk, it would have been less costly to continue to recycle a few vessels in China every year, and sell off other ships before end of life, or chartering tonnage rather than owning vessels. This approach does not drive change in those places where 85% of ships are recycled, most often under unacceptable standards. We believe that being on the ground could help solve this industry-wide problem. →

### WHAT HAS BEEN ACHIEVED IN ALANG

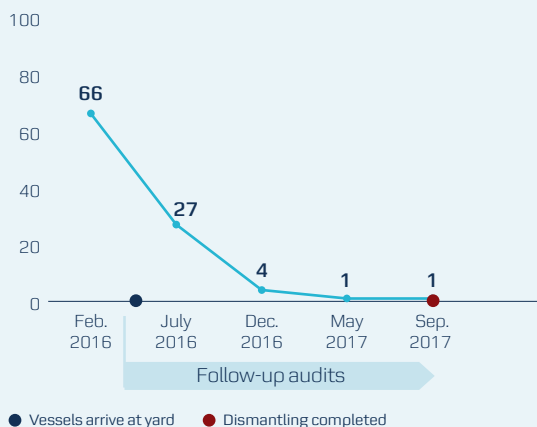
- The number of findings in external audits fell from 66 in February 2016 to just one in May 2017. The remaining finding is related to excessive monthly overtime, which is an issue we face in all places with migrant workers, including China, and which we continue to address.
- Using 22 indicators for health, safety and environmental performance, we registered one lost-time injury (a twisted ankle) and one minor gas leakage in the intertidal zone.
- The interface between the ship's parts and the intertidal zone has been close to eliminated (clean blocks from bow and stern still fell into the intertidal zone using the gravity method for the first two vessels recycled).
- Impermeable floors have been extended and all cutting takes place only on these surfaces.
- All workers received relevant safety training and were provided with the appropriate personal protective equipment and required to use it. They are also paid the minimum wage plus 200% overtime payment and have a contract.

- ILO-compliant housing facilities with access to potable drinking water has been provided to all workers at no additional cost.

At year-end 2017, we have other vessels being recycled at Shree Ram (plot V7) and YS (plot 59). As a result of the momentum created, all issues found were resolved before the vessels arrived at the yards. Prior to signing contracts, the yards invested in heavy-duty cranes to lift steel blocks directly from the vessels onto an impermeable surface, also from the bow and stern. Therefore, steel blocks are no longer coming into contact with the intertidal zone, and nor is tidal water entering hull of the vessel. These are two impacts of the beaching method which are most often criticised.

Based on these results, we feel confident in stating that our activities in Alang are expanding the range of options available for the responsible recycling of ships.

Shree Ram plot 78 audit status (No. of findings)



Shree Ram plot V7 audit status (No. of findings)

Y.S. Investments plot 59 audit status (No. of findings)



### 2017 PERFORMANCE HIGHLIGHTS

1

finding in external audits for all three yards. (Related to excessive monthly overtime).

1

lost-time injury registered during the dismantling of our two vessels.

100%

of housing facilities compliant with International Labour Organization requirements.

100%

of workers have contracts, are paid minimum wage and receive overtime payment.

0

accidental oil spills at the three yards we work with in Alang.

### Proving the case for engagement

After almost two years in Alang, we are encouraged by and truly excited about the progress made so far. The completion report for the first two vessels we sent to Alang – Maersk Georgia and Maersk Wyoming – shows that commercially viable and responsible ship recycling in Alang is possible. We delivered these first two vessels to Shree Ram Yard (plot 78) in spring 2016, and the dismantling was completed in late summer 2017. During this period, the yard's performance has improved significantly (see page 43).

Furthermore, audits show that all the yards we work with are operating in full compliance with our standard, and are even exceeding our standard by fully eliminating contact with the intertidal zone during primary cutting, which means they are operating to at least the same level as when we recycle vessels in China and Turkey.

Finally, we are seeing increased investments in upgrades in many other yards, and when we sold our second batch of vessels, we saw yards competing on higher standards and not just on price. We believe these results indicate that with this approach, all the ship recycling operations in the entire Alang area could become responsible.

### A new initiative for transparency

To accelerate developments, more shipowners need to become involved to create an even stronger market drive towards upgrades, and to create change on a scale where more than just a handful of yards are providing safe, fair and environmentally sound conditions. This requires far larger volumes than what we can establish on our own.

As a first step, in 2017 we were instrumental in establishing the Ship Recycling Transparency Initiative. A group of founding partners, including other shipowners, financial institutions and shipping industry customers, will strive to create an overview of practices and options through disclosure, as well as ensuring that the ship recycling debate takes place on an informed basis.



### Improving health facilities in Alang

Another stated vision for engaging with ship recycling yards in Alang was to contribute to improving conditions for the wider Alang community. On behalf of A.P. Moller - Maersk, the Public Health Institute Foundation of India carried out a survey in the autumn of 2017. The purpose was to assess the prevailing health hazards in the ship breaking yards in Wider Alang and risks faced by the workers, to assess gaps in existing health care services to address the health care needs of the workers and their families, and to provide recommendations for future efforts. Stakeholders such as the Red Cross, local hospitals and blood bank, workers, local authorities and the local ship recycling industry association were consulted for this survey.

Access to health care – in general and in emergencies – was confirmed as the most urgent unmet need. As a first intervention in this area, we began a project to establish a mobile health van, which will be able to provide emergency care in case of accidents. Following on from this initiative, we will be engaging more deeply in the area of health promotion and the handling of accidents in wider Alang, in partnership with the Indian Red Cross.

#### TOP:

Local Partner, Indian Red Cross in Alang

### ASSESSING ENVIRONMENTAL IMPACTS

In November 2017, we received the results of an environmental analysis performed at the Shree Ram Yard in Alang. Conducted by an independent research company, we tested for the presence of 18 substances in the water. Sixteen of these substances are referenced in the Hong Kong convention and EU regulations. The remaining two were included in the analysis based on stakeholder opinions.

The results are based on water samples, which were benchmarked against PNEC levels. PNEC is a scientific term for the concentration of a chemical which marks the limit below which no adverse effect on an ecosystem will occur. For the vast majority of substances, the prevalence was below PNEC levels, with the exception of traces in oil, TBT and metals. (TBT is a substance widely used in anti-fouling paints in the past).

The analysis concludes that the oil does not stem from the beaching and cutting process itself – it would be spilled or dumped in the intertidal zone when moving blocks or engines. The yards we use are all in the process

of eliminating contact with the intertidal zone, and oil discharges would only occur as a result of an accidental spill. In 2017, there were zero spills at these yards.

Regarding TBT, our vessels are verified as fully compliant with the International Convention on the Control of Harmful Anti-Fouling Systems on Ships. An analysis of the anti-fouling paint used further confirmed that our tested vessel was TBT free and the traces present in the environment were from other sources.

The analysis also determined that, based on the sampling method used, it is not possible to conclude if and to what extent our activities contribute to the levels of metals measured. However, both discharge issues and problems with isolating potential pollution stemming from current cutting procedures and from historical pollution will be similar in yards in China and Turkey. We will continue work to understand this impact better in all three locations.

### IMPACT ON SUSTAINABLE DEVELOPMENT GOALS





# 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 2017.

## 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 2017 are without any material misstatements and have been prepared, in all material respects, in accordance with the accounting principles as stated on [maersk.com/business/sustainability/sustainability-reports-and-publications/reports](http://maersk.com/business/sustainability/sustainability-reports-and-publications/reports). This conclusion is to be read in the context of what is stated in the remainder of this assurance 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 2017.

## Professional standards applied and level of assurance

We performed a limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 (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 complied 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 professional behaviour. 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.

Copenhagen, 9 February 2018

PricewaterhouseCoopers  
Statsautoriseret Revisionspartnerselskab  
CVR no. 3377 1231



Mogens Nørgaard Mogensen  
State Authorised Public Accountant  
mne21404

## Understanding reporting and measurement methodologies

Data and information need to be read and understood together with the accounting principles ([maersk.com/business/sustainability/sustainability-reports-and-publications/reports](http://maersk.com/business/sustainability/sustainability-reports-and-publications/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 Group and Brand level responsible for the sustainability strategy, management and reporting;
- Performed an assessment of materiality and the selection of topics for the 2017 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 Group level and in three major Brands regarding the data to be consolidated in the 2017 Sustainability Report;
- Conducted analytical review of the data and trend explanations submitted by all Brands and Business Units to the Group;
- Evaluated internal and external documentation to determine whether information in the 2017 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 2017 A.P. Møller - Mærsk A/S Sustainability Report.

## Our responsibility

We are responsible for:

- Planning and performing the engagement to obtain limited assurance about whether data and information in the 2017 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.



Gert Fisker Tomczyk  
State Authorised Public Accountant  
mne9777

# Performance on social, environmental and economic indicators



MAERSK LINE



APM TERMINALS



DAMCO



SVITZER

|                                                                        | 2017    | 2016    | 2015    | 2017   | 2016   | 2015   | 2017   | 2016   | 2015   | 2017  | 2016  | 2015  |
|------------------------------------------------------------------------|---------|---------|---------|--------|--------|--------|--------|--------|--------|-------|-------|-------|
| <b>Social performance</b>                                              |         |         |         |        |        |        |        |        |        |       |       |       |
| <b>Our employees</b>                                                   |         |         |         |        |        |        |        |        |        |       |       |       |
| Number of employees (FTEs)                                             | 32,240  | 31,858  | 32,750  | 22,192 | 22,615 | 21,171 | 10,993 | 11,292 | 11,087 | 2,760 | 2,870 | 2,847 |
| Women in leadership (% based on headcount)                             | 28%     |         |         | 18%    |        |        | 29%    |        |        | 22%   |       |       |
| Gender – female/total (% based on headcount)                           | 32%     |         |         | 11%    |        |        | 44%    |        |        | 8%    |       |       |
| Target nationalities in leadership (% based on headcount)              | 61%     |         |         | 46%    |        |        | 41%    |        |        | 16%   |       |       |
| Target nationalities/total (% based on headcount)                      | 84%     |         |         | 79%    |        |        | 60%    |        |        | 13%   |       |       |
| Fatalities (headcount)                                                 | 2       | 0       | 0       | 3      | 2      | 4      | 0      | 0      | 1      | 0     | 0     | 1     |
| Lost-time injury frequency (based on exposure hours)                   | 0.54    | 0.42    | 0.55    | 1.66   | 1.53   | 1.94   | 0.30   | 1.04   | 0.63   | 0.28  | 0.63  | 0.53  |
| <b>Environmental performance</b>                                       |         |         |         |        |        |        |        |        |        |       |       |       |
| <b>Energy consumption</b>                                              |         |         |         |        |        |        |        |        |        |       |       |       |
| Fuel oil (1,000 tonnes)                                                | 10,227  | 9,477   | 8,858   | 6      | 4      | 5      | 0      | 0      | 0      | 62    | 57    | 55    |
| Gas fuels (1,000 tonnes)                                               | 2       | 1       | 2       | 10     | 1      | 3      | 1      | 1      | 1      | 0     | 0     | 0     |
| Other fuels (1,000 tonnes)                                             | 11      | 8       | 8       | 93     | 200    | 114    | 3      | 3      | 3      | 0     | 0     | 0     |
| Electricity (1,000 MWh)                                                | 55      | 54      | 60      | 473    | 231    | 481    | 37     | 37     | 38     | 25    | 10    | 9     |
| Energy consumption (total, TJ)                                         | 417,914 | 387,290 | 362,405 | 5,765  | 8,249  | 6,189  | 306    | 300    | 319    | 2,714 | 2,473 | 2,373 |
| <b>Greenhouse gas (GHG) emissions (1,000 tonnes CO<sub>2</sub> eq)</b> |         |         |         |        |        |        |        |        |        |       |       |       |
| GHG emissions                                                          | 32,802  | 30,461  | 27,973  | 634    | 662    | 576    | 31     | 32     | 35     | 226   | 200   | 193   |
| Direct GHG emissions (scope 1 GHG Protocol)                            | 32,771  | 30,429  | 27,935  | 425    | 573    | 358    | 11     | 11     | 11     | 211   | 196   | 189   |
| Indirect GHG emissions (scope 2 GHG Protocol)                          | 31      | 32      | 38      | 209    | 89     | 218    | 20     | 21     | 23     | 15    | 4     | 5     |
| <b>Other air emissions</b>                                             |         |         |         |        |        |        |        |        |        |       |       |       |
| SO <sub>x</sub> (1,000 tonnes)                                         | 530     | 489     | 458     | 0      | 0      | 0      | 0      | 0      | 0      | 0     | 0     | 1     |
| NO <sub>x</sub> (1,000 tonnes)                                         | 811     | 751     | 702     | 2      | 4      | 2      | 0      | 0      | 0      | 5     | 4     | 4     |
| <b>Other resource consumption</b>                                      |         |         |         |        |        |        |        |        |        |       |       |       |
| Waste (1,000 tonnes)                                                   | 172     | 155     | 153     | 42     | 24     | 70     | 5      | 5      | 5      | 2     | 1     | 3     |
| Water (1,000 m <sup>3</sup> )                                          | 287     | 308     | 321     | 1,641  | 739    | 2,249  | 231    | 237    | 250    | 58    | 36    | 40    |
| <b>Spills (hydrocarbon)</b>                                            |         |         |         |        |        |        |        |        |        |       |       |       |
| >10 m <sup>3</sup> (number of spills)                                  | 0       | 1       | 1       | 0      | 0      | 0      | 0      | 0      | 0      | 0     | 0     | 1     |
| <b>Economic performance (USD million)</b>                              |         |         |         |        |        |        |        |        |        |       |       |       |
| Revenue                                                                | 24,299  | 20,715  | 23,729  | 4,138  | 4,176  | 4,240  | 2,668  | 2,507  | 2,740  | 659   | 642   | 669   |
| Result                                                                 | 541     | -376    | 1,303   | -168   | 438    | 654    | -35    | 31     | 19     | 102   | 91    | 120   |
| Underlying result                                                      | 511     | -384    | 1,287   | 414    | 433    | 626    | -36    | 31     | 15     | 114   | 89    | 116   |
| Tax for the year                                                       | 159     | +20     | 128     | 53     | 149    | 106    | 24     | 24     | 21     | 8     | 6     | 6     |

■ Financial scope. Covered by the A.P. Moller - Maersk Generally Accepted Accounting Policies and controlling guideline.

■ Operational scope. Covered by the Generally Accepted Accounting Policies.

■ Described in the Generally Accepted Accounting Principles – data from other sources than the financial and operational scoped data.

From 2017 gender and nationality data will be reported by headcount, previously by FTE. Historic data has not been included, as it would not be comparable.

See our Sustainability Accounting Principles at [maersk.com/business/sustainability/sustainability-reports-and-publications/reports](https://www.maersk.com/business/sustainability/sustainability-reports-and-publications/reports)




**MAERSK  
CONTAINER  
INDUSTRY**
**OTHER BUSINESSES,  
UNALLOCATED &  
ELIMINATIONS**
**CONTINUING  
OPERATIONS**
**DISCONTINUED  
OPERATIONS<sup>1</sup>**
**A.P. MOLLER - MAERSK**

| 2017  | 2016  | 2015  | 2017   | 2016   | 2015   | 2017             | 2016             | 2015             | 2017             | 2016             | 2015             | 2017    | 2016             | 2015             |
|-------|-------|-------|--------|--------|--------|------------------|------------------|------------------|------------------|------------------|------------------|---------|------------------|------------------|
|       |       |       |        |        |        |                  |                  |                  |                  |                  |                  |         |                  |                  |
| 5,393 | 5,381 | 4,750 | 2,236  | 2,249  | 2,927  | 75,814           | 76,265           | 75,532           | 9,853            | 11,471           | 12,823           | 85,667  | 87,736           | 88,355           |
| 18%   |       |       | 22%    |        |        | 26%              |                  |                  | 16%              |                  |                  | 23%     |                  |                  |
| 32%   |       |       | 24%    |        |        | 28%              |                  |                  | 10%              |                  |                  | 26%     |                  |                  |
| 42%   |       |       | 13%    |        |        | 40%              |                  |                  | 9%               |                  |                  | 31%     |                  |                  |
| 55%   |       |       | 48%    |        |        | 74%              |                  |                  | 40%              |                  |                  | 69%     |                  |                  |
| 1     | 0     | 0     | 0      | 0      | 1      | 6                | 2                | 7                | 1                | 0                | 0                | 7       | 2                | 7                |
| 1.31  | 1.90  | 2.87  | N/A    | N/A    | N/A    | N/A <sup>2</sup> | N/A <sup>2</sup> | N/A <sup>2</sup> | N/A <sup>2</sup> | N/A <sup>2</sup> | N/A <sup>2</sup> | N/A     | N/A <sup>2</sup> | N/A <sup>2</sup> |
|       |       |       |        |        |        |                  |                  |                  |                  |                  |                  |         |                  |                  |
| 0     | 0     | 0     | 1      | 8      | 9      | 10,296           | 9,546            | 8,927            | 73               | 569              | 528              | 10,369  | 10,115           | 9,455            |
| 4     | 3     | 3     | 0      | 1      | 0      | 17               | 7                | 9                | 352              | 610              | 674              | 369     | 617              | 683              |
| 1     | 1     | 1     | 1      | 1      | 1      | 109              | 213              | 127              | 51               | 76               | 65               | 160     | 289              | 192              |
| 105   | 62    | 100   | 5      | 5      | 4      | 700              | 399              | 692              | 116              | 125              | 116              | 816     | 524              | 808              |
| 603   | 370   | 534   | 126    | 391    | 427    | 427,428          | 399,073          | 372,247          | 22,150           | 55,780           | 56,627           | 449,578 | 454,853          | 428,874          |
|       |       |       |        |        |        |                  |                  |                  |                  |                  |                  |         |                  |                  |
| 82    | 49    | 81    | 12     | 32     | 33     | 33,787           | 31,436           | 28,891           | 2,194            | 4,733            | 4,568            | 35,981  | 36,169           | 33,459           |
| 14    | 9     | 11    | 10     | 30     | 31     | 33,442           | 31,248           | 28,535           | 2,137            | 4,669            | 4,509            | 35,579  | 35,917           | 33,044           |
| 68    | 39    | 69    | 2      | 3      | 3      | 345              | 188              | 356              | 57               | 64               | 59               | 402     | 252              | 415              |
|       |       |       |        |        |        |                  |                  |                  |                  |                  |                  |         |                  |                  |
| 0     | 0     | 0     | 0      | 0      | 1      | 530              | 489              | 460              | 1                | 24               | 22               | 531     | 513              | 482              |
| 0     | 0     | 0     | 0      | 2      | 2      | 818              | 761              | 710              | 8                | 48               | 45               | 826     | 809              | 755              |
|       |       |       |        |        |        |                  |                  |                  |                  |                  |                  |         |                  |                  |
| 31    | 33    | 43    | 2      | 1      | 1      | 254              | 219              | 275              | 18               | 37               | 39               | 272     | 256              | 314              |
| 379   | 320   | 395   | 20     | 23     | 18     | 2,616            | 1,663            | 3,273            | 355              | 721              | 752              | 2,971   | 2,384            | 4,025            |
|       |       |       |        |        |        |                  |                  |                  |                  |                  |                  |         |                  |                  |
| 0     | 0     | 0     | 0      | 0      | 0      | 0                | 1                | 2                | 0                | 2                | 1                | 0       | 3                | 3                |
|       |       |       |        |        |        |                  |                  |                  |                  |                  |                  |         |                  |                  |
| 1,016 | 564   | 691   | -1,835 | -1,338 | -1,908 | 30,945           | 27,266           | 30,161           | N/A              | N/A              | N/A              | 30,945  | 27,266           | 30,161           |
| 38    | -55   | -54   | -672   | -598   | -108   | -194             | -469             | 1,934            | -970             | -1,428           | -1,009           | -1,164  | -1,897           | 925              |
| 38    | -53   | -52   | -685   | -612   | -439   | 356              | -496             | 1,553            | N/A              | N/A              | N/A              | 356     | -496             | 1,553            |
| 13    | +8    | +24   | +38    | 20     | +12    | 219              | 171              | 225              | 972              | 883              | 297              | 1,191   | 1,054            | 522              |

<sup>1</sup> Discontinued operations is comprised of Maersk Drilling, Maersk Oil, Maersk Supply Service, and Maersk Tankers. Maersk Tankers was sold during the year, and was thus excluded from 2017, with the exception of financial profit/loss. Figures relating to 2015 and 2016 have been restated accordingly

<sup>2</sup> See p. 29 for LTIF per business

Financial data is taken from the audited Annual Report of A.P. Moller - Maersk. The annual accounts and independent auditors' report can be found at [investor.maersk.com/financials.cfm](http://investor.maersk.com/financials.cfm)

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## 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:

A.P. Møller - Maersk  
Esplanaden 50  
1098 Copenhagen K  
Denmark  
Att: Sustainability

You can also send an email to:  
sustainability@maersk.com

maersk.com/business/sustainability

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Additional COP content can be found on our website: [maersk.com/business/sustainability](http://maersk.com/business/sustainability)

## REPORTING

A.P. Møller - Maersk has tailored the external financial reporting towards the needs of our different stakeholders with two annual publications.



The **Annual Report** focuses on the detailed legally required information, whereas the Annual Magazine focuses on providing an overview of key developments during the year. The publications can be read individually or combined depending on our stakeholders' interests.

The Annual Report is available electronically in English at [investor.maersk.com](http://investor.maersk.com).



The **Annual Magazine** provides an overview of the operations and performance of A.P. Møller - Maersk in a concise and easy-to-read format. The publication is not a substitute for the Annual Report and does not contain all the information needed to give as full an understanding of A.P. Møller - Maersk's performance, financial position and future prospects as provided in the Annual Report. The Annual Magazine is available in hard copy

and electronically in English and Danish at [maersk.com/yearinreview](http://maersk.com/yearinreview).



A.P. Møller - Maersk also produces **Interim Reports** for each of the first three quarters of the year.

**Presentations** tailor-made for investors and the financial markets are also uploaded every quarter at [maersk.com](http://maersk.com).



A.P. Møller - Maersk also hosts a **Capital Markets Day** on a regular basis.

The Interim Reports, presentations and webcasts can be found on our Investor Relations website [investor.maersk.com](http://investor.maersk.com)

The Board of Directors of A.P. Møller - Mærsk A/S continues to consider the "Recommendations for Good Corporate Governance" put forward by NASDAQ OMX Copenhagen.

Further annual good corporate governance information is available in the statutory annual corporate governance statement; cf. section 107, item b, of the Danish Financial Statements Act covering the financial period 1 January to 31 December.



An independently assured **Sustainability Report** is published by A.P. Møller - Maersk and covers all its material sustainability issues.

The Sustainability website [maersk.com/business/sustainability](http://maersk.com/business/sustainability) provides additional information on the UN Global Compact requirements and describes how A.P. Møller - Maersk fulfils these (Maersk COP), as well as A.P. Møller - 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. Møller - Maersk. Such statements are subject to risks and uncertainties, as various factors, many of which are beyond the control of A.P. Møller - Maersk, may cause actual results and development to differ materially from the expectations contained therein.

## NEWS

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## Photographs

Page 2, 42: Ture Andersen

Page 17, 36: Tom Lindboe

Page 32: Peter Elmholt

## Print

Printed in Denmark in 2018 by Rosendahls,  
an environmentally certified printing agency,  
on Arctic Matt





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