

2020

A.P. Moller - Maersk

Tax Report



MAERSK

Business Strategy

A.P. Moller - Maersk (Maersk) is the Global Integrator of Container Logistics, simplifying trade to help customers grow and thrive.

With a dedicated team of over 80.000 people, operating in over 140 countries, we go all the way to enable global trade for a growing world. As the Global Integrator, we have a unique opportunity to truly simplify global logistics for our customers. By connecting the world seamlessly, transparently and dependably, we're making the benefits of trade more accessible to everybody. We're empowering people and businesses everywhere to source, manufacture and sell their products anywhere – whether they have logistics expertise or not.

We've brought technology into the heart of A.P. Moller - Maersk, spearheading our industry's digital transition to support our customers' evolving needs and future growth, turning complex, paper-based processes into seamless digital services that deliver end-to-end value and transparency. Our customers benefit from more agility, predictability and reliability in their supply chains. Our digital transformation makes supply chains more secure and sustainable, whilst ensuring uninterrupted chains of custody, and greater visibility, from farm to table and from factory to shelf.



Core Values

Our company builds on an impressive heritage of pioneering success and growth. Our long legacy and our Values guide our business every day and ensure that we can do business tomorrow. Our Maersk Core Values are embedded in the way we work and form the foundation for our Tax Principles.



Constant care

Take care of today,
actively prepare
for tomorrow.

Forward thinking, planning and execution. Being informed, innovative and seeking out new ideas. Looking for changes in the environment.



Humbleness

Listen, learn, share,
and give space
to others.

Showing trust and giving empowerment. Having an attitude of continuous learning. Never underestimating our competitors or other stakeholders.



Uprightness

Our word is
our bond.

Honesty and accountability. Openness about the good and the bad. Trustworthy and high ethical standards



Our employees

The right environment
for the right people.

Creating a motivating, diverse and inclusive environment where our people enjoy working and having fun together.



Our name

The sum of
our Values: passionately
striving higher.

Professional and dedicated. The embodiment of our values. Passion and pride for what we do and how we do it. Our image in the eyes of our customers and the external world.



Message from the CFO

Well-functioning tax systems, both locally and internationally, help finance education, healthcare, transport, infrastructure and other public services that support sustainable development, local societies, businesses and trade. We recognise the need for companies to support the local economies in which they do business.

Maersk acts responsibly and with integrity in all tax matters, ensuring full compliance in every jurisdiction across the world. We work closely with tax authorities to ensure that we fully disclose relevant information and pay the correct amount of taxes whilst balancing our obligations towards our shareholders.

Our approach to tax has not changed but we have expanded our tax principles, adding supplementary information and useful explanations. Consequently, this report is an important step towards providing insight into the taxation of our business activities, tax compliance, governance and, for the first time, provides data on where 2020 Corporate Income Taxes, amounting to \$424m are paid. We will continue to explore how Maersk can provide further meaningful and relevant information to increase tax transparency without compromising competition considerations.

As a founding member, we endorsed the Responsible Tax Principles of the B Team and aim to offer greater transparency into our approach to tax.

Patrick Jany

Chief Financial Officer



Taxation of activities

Taxation of activities

Overview

As a global Integrator of container logistics, we generate profits from ocean, air or land-based activities.

On the ocean, we move over 25 million TEUs (Twenty Foot Equivalent Units) every year and operate more than 700 vessels delivering cargo to every corner of the globe, including dry cargo commodities, refrigerated cargo and dangerous cargo. This ocean activity, which represents approximately 70% of our current revenues, may be subject to special shipping tax rules, including tonnage and freight taxes. Accordingly, taxation of our ocean-based business activities is further described in this document.

Our land-based activities include terminals, logistics, services and shipping agencies, through which we operate one of the world's most comprehensive port and integrated logistics service networks.

Our portfolio of 75 terminals handle around 32,000 vessel calls and 35 million TEUs per year.

Our logistics products now include transportation, warehousing and distribution – including cold storage, customs services and supply chain management services.

This expanding land-based activity has prompted the establishment of entities in numerous countries.

International Shipping Activities

Normally income is taxed in the country where activities are carried out and operations are conducted. By contrast, shipping income is generated by vessels providing services on the high seas, calling at multiple ports across the globe. Consequently, the application of normal country-based taxing rights is difficult and allocation to many jurisdictions is highly complex.

A pragmatic solution has long been established through international consensus whereby the taxation of international income is outlined in Article 8 of the OECD Model Tax Convention ("Shipping Article"). Under the Shipping Article, activities are taxable in the jurisdiction where the ship owning and operating (liner) entity is resident. Within Maersk, this is predominantly in Denmark, but also in Singapore, Hong Kong, Brazil and the United States of America. Many countries have adopted this approach, enabling a longstanding and a well-functioning multilateral shipping taxation system.

Tonnage Tax

Within their resident jurisdictions, liner entities may participate in specific shipping tax regimes. One example is the tonnage tax regime, which is a methodology, using vessel tonnage, to determine the taxable income on which corporate income tax is paid. As a result, liner entities are not taxed on their actual commercial profit or loss. Under the tonnage tax regime, despite massive capital investments in containers and vessels, no tax deductions are granted for depreciation or operating expenses. European tonnage tax regimes are well-known and accepted as approved state aid by the European Commission.

Taxation of activities

Freight Taxes

In addition to Tonnage Tax, in many jurisdictions, liner entities also pay corporate income taxes based on various metrics e.g. a deemed profit margin on turnover linked to export volumes. These are collectively referred to as "Freight Taxes".

Effective Tax Rate

As a result of Tonnage and Freight Taxes, the Effective Tax Rate metric, which normally measures tax costs against profit, is an erratic and inappropriate analytical tool for assessing our international shipping activities.

Normal corporate tax regime

Land-based activities are taxed in the country where the activities are conducted e.g. terminals, depots, and warehouses. Local legislation dictates both the computation of taxable income and taxation thereon with corporate taxes being paid to local tax authorities. Distribution of profit, i.e. dividends, are often subject to local withholding taxes.

Tax Charge v Tax Paid

In accordance with normal accounting principles, the tax charge in our Annual Report is the amount of corporate income tax the Group expects will be due on current year profits. In addition, the tax charge includes prior year tax adjustments, arising when returns are finalized, typically the following year. Corporate income taxes paid in any year may relate to corporate tax liabilities for prior, current or future periods and will therefore be different to the reported annual tax charge. Results for our associated companies and joint ventures are recognised net of tax and therefore not included in either the tax charge or tax paid. More details on the Corporate Income Tax Charge, reflected in the annual accounts, can be found in the tax note to our Annual Report. Both the tax charge and taxes paid relate to corporate income, withholding tax, tonnage tax and freight taxes. Other taxes e.g. VAT, GST and employee taxes are not included.

Tax Paid

For the first time, we are disclosing the tax we pay in countries, in accordance with the OECD Country by Country Reporting (CBCR) principles. The world map on page 8 shows total corporate income taxes paid of \$424m, by country and per region in 2020, where greater than \$5m.







Where entities pay taxes in multiple overseas countries, CBCR dictates that these should be attributed to the resident jurisdiction of the entity. Consequently, some overseas taxes e.g. Freight Taxes are attributed to the jurisdiction of liner residence, not jurisdiction of payment.

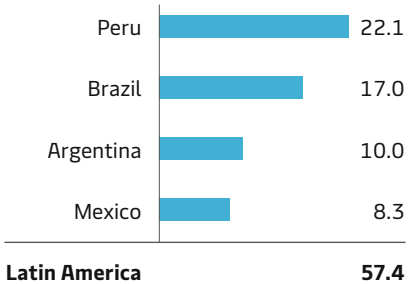
Taxation of activities

2020 Tax Paid Per Country Over US\$5m

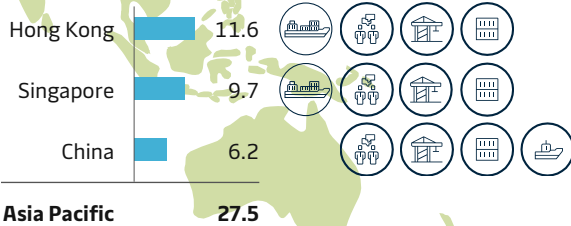
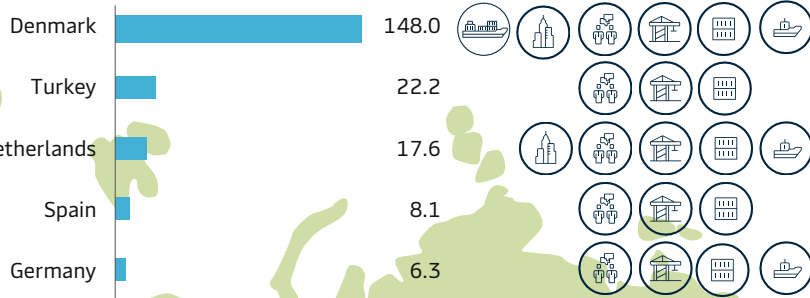
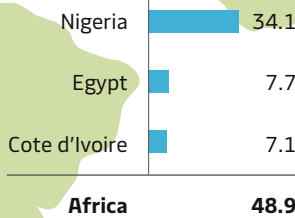
2020 Total Tax Paid amounts to US\$ 424m.
Tax Paid over US\$ 5m per country totals US\$ 351m (83%).
Tax Paid under US\$ 5m per country totals US\$ 73m (17%) across 124 countries.

Numbers in US\$m

-  Headquarter
-  Liner
-  Agency
-  Terminal
-  Logistics & Services
-  Svitzer



North America
Due to the loss carry back provisions, included in the CARES Act, net cash tax paid in the USA was reduced to below US\$ 5m for 2020.



Tax approach

We recognize that well-functioning and reliable tax systems finance education, healthcare infrastructure and other public services that support sustainable development, local societies, business and trade.

Our Tax Strategy is to conduct and manage our tax affairs in accordance with our Tax Principles. These are approved by the Board of Directors annually and are closely aligned with the Group's core values, code of conduct and business strategy.

We strive to be a compliant and accountable taxpayer with responsible and transparent tax practices to:

- Ensure full compliance with tax regulations in all countries where we operate.
- Manage our tax risk and reputation.
- Continuously engage with our stakeholders on tax matters.



Tax Principles



Tax Principles

Accountability & Governance

The Maersk Board of Directors approves our Tax Principles, and exercises governance over our tax affairs, based on the recommendation of our Group CFO. Brand CFO's ensure compliance with our Tax Principles in all entities. Our Tax affairs are managed by the Global Head of Tax, along with a suitably qualified team of tax professionals and supported by external tax advisers.

Our approach to tax risk management aligns with Maersk's enterprise risk management and internal control framework, which includes tax controls. We constantly identify and manage tax risks to ensure adherence to our tax principles. Our tax governance framework is overseen by the Audit Committee of the Maersk Group Board of Directors, with key issues reviewed continuously.

Compliance

We aim to comply with relevant tax laws and regulations, including the OECD's arm's length principle, in all jurisdictions in which we operate.

Using tax technology to improve efficiency and accuracy, we seek to provide full and timely disclosures in over 30,000 tax filings and pay the right amount of tax at the right time, whilst ensuring staff keep updated on changing local requirements.

Where the tax regulations, governing business transactions, allow for different interpretations or choices, we will adopt a tax position which is supported by a reasonable legal basis. If a legal interpretation is unclear, we may seek applicable guidance and practice from either external advisors or engage in transparent dialogue with the tax authorities. Only tax positions that we are prepared to defend in the appropriate tribunals or courts are adopted.

Given our classification as a large multinational enterprise, we have fully disclosed Country by Country information, as required by the OECD, to the Danish tax authorities. To comply with the new EU Cross Border Disclosure rules, known as DAC6, we have implemented procedures to identify and file reportable transactions with the authorities.

Business structure

We operate in over 140 countries through more than 900 entities, structuring our business in accordance with our commercial and economic needs. We pay tax where value is created, within the boundaries set by legislation and in accordance with relevant authority guidelines. In making commercial decisions, we seek to be tax efficient including the prevention of double taxation, interest charges, tax penalties and pay only tax which is due.

Our legacy as a conglomerate, with multiple business units, actively acquiring and divesting commercial groups, has resulted in structures including entities or operations in low tax countries and/or on the EU non-cooperative tax jurisdictions list. If there is no business reason to keep these entities our policy is to eliminate them. Effective Danish CFC (Controlled Financial Companies) rules prevent abusive use of such low tax jurisdictions.

Tax Principles

Relationships with Tax Authorities

We maintain trustworthy, transparent and professional working relationships with tax authorities around the world using established procedures and channels for all dealings. In addition to the preparation and filing of required tax returns, we seek early and proactive engagement on transactions, making accurate and timely disclosures in response to appropriate tax authority enquiries. To reduce uncertainty, where feasible, we obtain Advance Pricing Agreements from the relevant tax authorities. Main APA countries in Maersk include China and India. We are also open to co-operative compliance arrangements with tax authorities where this is available.

Where questions or assessments from tax authorities appear not to be legitimate or are based on misunderstandings of fact or the law, we cooperatively work with tax authorities to identify the issues and constructively explore options to resolve misunderstandings. We will only pay tax upon receipt of a lawful demand.

Seeking & Accepting Tax Incentives

We acknowledge our fiduciary obligations to our shareholders to minimize cost and maximize company earnings. We therefore do not pay more tax than required by law. Incentives are carefully considered where they support investment, employment or economic development and fit within our investment or business strategy.

Supporting Effective Tax Systems

We engage constructively at national and international level, through public consultation, on both responsibly conducted tax practices and sustainable, effective and efficient tax systems. To this end, we actively engage with tax authorities, government policy makers, industry bodies, civil society and international institutions (e.g. OECD & EU). In doing so, we comply with all disclosure requirements in local legislation and seek transparency in all dialogues.

Transparency

In compliance with local tax transparency requirements, we provide regular information to our stakeholders considering business confidentiality and other legislation e.g. competition law, GDPR, stock exchange provisions etc. Additional information requests from third parties on our tax affairs are appropriately managed and evaluated by our Communications Department.

As part of providing regular information to our stakeholders, including investors, policy makers, employees, civil society and the general public about our approach to tax and taxes paid, we publish the following:

- Company overview (<https://investor.maersk.com/static-files/67a25bc7-a341-4a12-949c-d51f7aee79e>)
- Sustainability Report (<https://investor.maersk.com/static-files/7159c0ac-f547-465b-bc64-1dc05c6a7fd5>)
- Annual report 2020 (<https://investor.maersk.com/static-files/97a03c29-46a2-4e84-9b7e-12d4ee451361>)

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