2021

A.P. Moller - Maersk

Tax Report

MAERSK

Strategy

Our strategy is to offer integrated solutions for smooth and optimized cargo flows that can span across all steps of the supply chain and create value for customers in the form of better supply chain outcomes, increased transparency and control, and ultimately lower end-to-end costs.

Our vision will be delivered by combining the broad product and service offering of Logistics & Services with the highly reliable and more differentiated Ocean transportation offering. In addition, significant financial and operational synergies are realised between Terminals and Ocean via close collaboration to drive efficiency and by utilizing own volumes to de-risk terminals.

Our transformation from a diversified conglomerate to be the global integrator of container logistics, connecting and simplifying customers' supply chains has made strong progress in 2021, and our vision has been validated by the substantial business growth experienced with customers.

We established a comprehensive set of Environment, Social and Governance (ESG) priorities which are core to the purpose of the company and an integral part of the global integrator strategy. This includes three core commitments:

- Take leadership in the decarbonisation of logistics
- Ensure that our people thrive at work by providing a safe and inspiring workplace
- Operate based on responsible business practices.

In 2021 and in early 2022, we made a series of announcements accelerating on our decarbonisation milestones, including an order for 12 large ocean-going container vessels capable of being operated on green methanol to be delivered from 2024.

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

Maersk has a comprehensive ESG strategy with commitment to ensuring responsible business practices both now and in the future. In this report we provide insights into our responsible tax principles and go beyond current statutory disclosure obligations, to increase understanding of this complex area.

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.

We recognise the need for companies to support the local economies in which they do business, particularly as the global economy seeks to recover from the COVID-19 pandemic. 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 fully support the OECD's Pillar 1 and Pillar 2 proposals, to address tax base erosion and profit shifting, and the EU public Country by Country directive.

As in 2020, we now disclose corporate income taxes paid per country, region and business for 2021. 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.

Our land-based activities, which are subject to normal corporate income tax, 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 67 terminals handle around 30,000 vessel calls and 37 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 and acquisition of entities in numerous countries.

On the ocean, we move over 26 million TEUs (Twenty Foot Equivalent Units) every year and operate 738 vessels delivering cargo to every corner of the globe, including dry cargo commodities, refrigerated cargo and dangerous cargo. This ocean activity, which represents the vast majority 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.

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.

We fully support the OECD's Pillar 1 and Pillar 2 proposals, to address tax base erosion and profit shifting to low tax jurisdictions, and have engaged constructively and transparently with tax authorities, government policy makers, industry bodies and international institutions on the subject.

Tonnage Tax
To encourage ship registration in Europe and ensure global competitiveness of the European maritime industry, the EU have approved a specific shipping regime. This is normally referred to as Tonnage Tax.

Ambiguously, Tonnage Tax is a methodology to determine taxable income, not a tax. The tax basis is calculated using the net tonnage of the entire fleet of vessels used by a liner. Normal corporate income tax is then applied to this income e.g. in Denmark at 22%. As a result, taxes due by liner entities are stable and independent of the actual commercial profit or loss.

Under the Tonnage Tax regime, no credit is given for losses and, despite massive capital investments in containers and vessels, no tax deductions are granted for depreciation or operating expenses.

Given the cyclical nature of the industry, the Tonnage Tax regime in Denmark is for a mandatory period of 10 years, with no option to withdraw until the end of the period. For Maersk, the previous regime ended on 31 December 2021 and a further 10-year period will commence from 2022.

Taxation of activities

Freight Taxes

In addition to Tonnage Tax, in many jurisdictions, liner entities also pay corporate 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".

Corporate Income Tax

Land-based activities are taxed in the country where activities are carried out and operations are conducted e.g. terminals, depots, shipping agencies and warehouses. Local legislation dictates both the computation of taxable income and taxation thereon, with corporate income taxes being paid to local tax authorities. During 2021, the tax expense on land-based activities amounted to approximately 29% of attributable profits.

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.

Tax Paid

For the second year in a row, we are disclosing the tax paid by country, in accordance with the OECD Country by Country Reporting (CBCR) principles. The world map on page 8 shows total corporate income taxes paid of $582m, by country and per region in 2021, 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 the jurisdiction of payment.

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. Further details on corporate income tax are contained in the tax notes to our Annual Report.

Associates and Joint Ventures

Under accounting standards, taxes paid by our associated companies and joint ventures are not included either in the tax charge or tax paid. For CBCR these amounts are separately disclosed by country. For simplicity, the tax paid analysis on page 8 reconciles to that in our Financial Statements and therefore deviates from our CBCR disclosures.

Effective Tax Rate

As explained above, our shipping activity is subject to various tax regimes, including Tonnage Tax, which calculate corporate income tax based on the net tonnage of the fleet. These regimes apply to the vast majority of APMM's activities and result in a stable annual Tonnage Tax liability, irrespective of financial profits or losses. Consequently, the Effective Tax Rate (ETR) metric, which normally measures tax costs against profit, can fluctuate significantly. This is demonstrated in Table 1 below, which includes data on continuing operations from our 2021 Annual Report.

Table 1	**2021**	**2020**	**2019**	**2018**	**2017**
Continuting Operations					USD Million
Profit/ (loss) before tax	18,730	3,307	967	(357)	(214)
Tax	(697)	(407)	(458)	(398)	(232)
Profit/ (loss)	18,033	2,900	509	(755)	(446)
Effective Tax Rate	3.7%	12.3%	47.3%	-111.5%	-108.4%

The 2021 tax charge amounts to US$697m and mainly consists of corporate income tax (US$471m) on land-based activities, in addition to tonnage and freight taxes (US$138m) on International Shipping income. The exceptional shipping result in 2021 has altered our business mix, such that it now represents approximately 90% of group profit. Consequently, despite incurring 29% normal corporate income tax on Land-based activities, our overall ETR is unusually low at 3.7% .

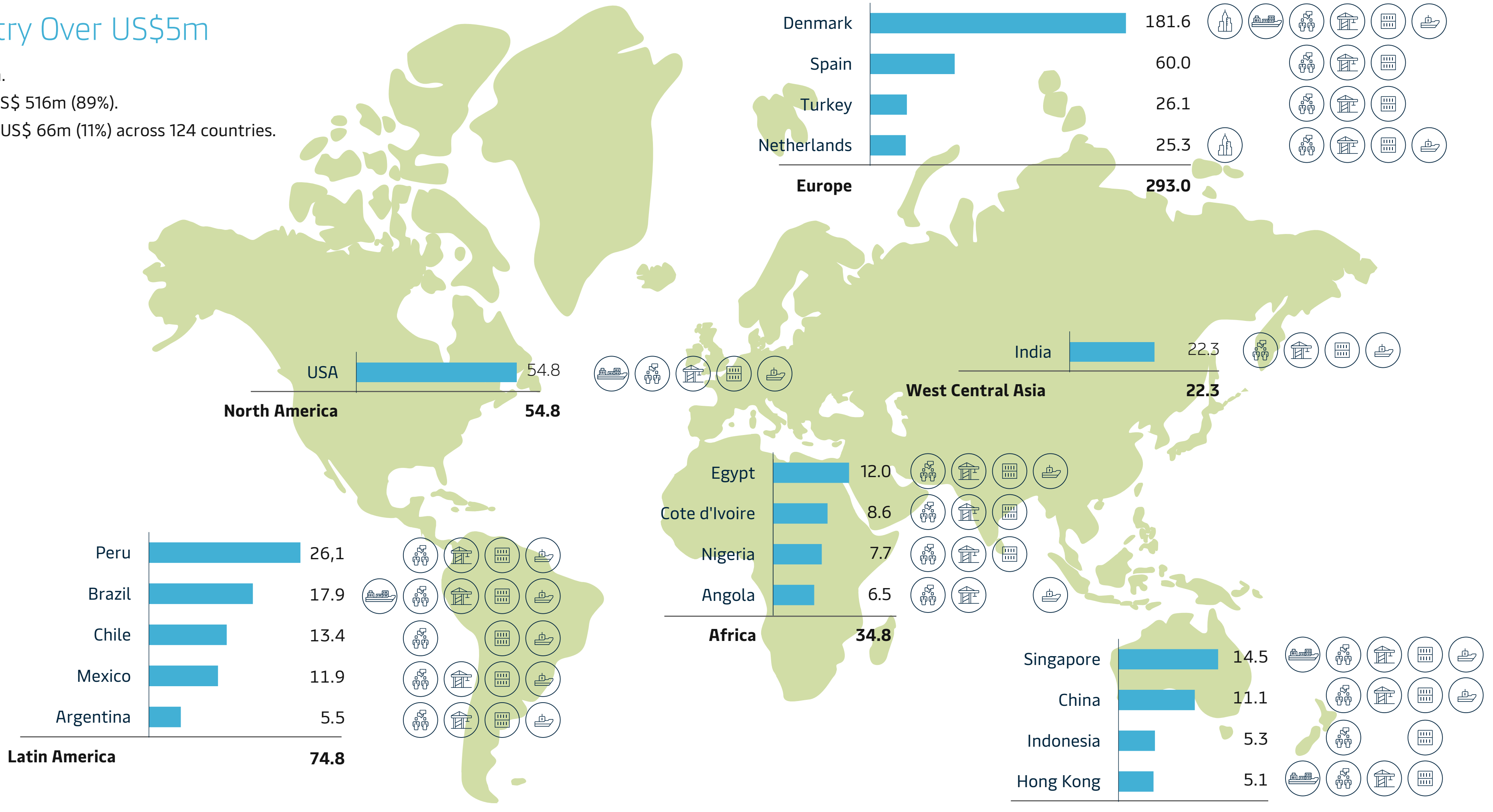
Taxation of activities

Amounts in USD Million

2021 Tax Paid Per Country Over US$5m

2021 Total Tax Paid amounts to US$ 582m.
Tax Paid over US$ 5m per country totals US$ 516m (89%).
Tax Paid under US$ 5m per country totals US$ 66m (11%) across 124 countries.

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



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 35,000 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 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 130 countries through more than 790 legal 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. In 2021, we have activities in two of these jurisdictions: 1) in Panama we paid US$ 1.6m withholding taxes and incurred a loss of US$ 3.7m and 2) In Trinidad & Tobago we paid US$ 8k taxes on a profit of US$ 41k.

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/a3b62df7-9737-40d9-9dea-0d8eb7cf38e4
- Sustainability Report https://investor.maersk.com/static-files/05733bf1-e1db-407c-b6d6-c4b7188f2123
- Annual report 2021 https://investor.maersk.com/static-files/b4df47ef-3977-412b-8e3c-bc2f02bb4a5f

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