2018 Sustainability Report

A.P. Møller - Mærsk A/S
ABOVE THE REPORT

This report covers activities in the 2018 calendar year. Our reporting approach is to focus on material issues and activities, in line with stakeholder concerns and relevance in terms of context, completeness and balance. We strive for optimal accuracy, timeliness, clarity and reliability in the way we communicate.

This report also represents our statutory statement on social responsibility and underrepresented gender in accordance with sections 99a & 99b of the Danish Financial Statements Act.

The A.P. Møller - Maersk Sustainability Accounting Principles can be downloaded here: https://www.maersk.com/about/sustainability/reports

Previous years’ data and our UN Global Compact Communication on Progress table are also available online. Please visit https://www.maersk.com/about/sustainability/reports.
Foreword by the CEO

"We have begun a journey towards having net-zero CO₂ emissions from our own operations by 2050. This is an important ambition and one we can only deliver on in collaboration with many other stakeholders."

Dear reader,

This is A.P. Moller - Maersk’s 10th annual report on our company’s sustainability strategy and performance. During the past decade, A.P. Moller - Maersk has changed in line with our global context. Over the last two years, A.P. Moller - Maersk has moved from being a conglomerate with activities in a broad range of industries, towards becoming one integrated company focusing on end-to-end services in container logistics, simplifying and connecting our customers’ supply chains.

In 2018, we reached several key milestones on our strategic journey. In line with our intent to exit the oil and oil-related businesses, in Q1 we closed the sale of Maersk Oil to Total, and in Q3 we announced our intention to pursue a separate listing of Maersk Drilling in 2019. In September, we announced the integration of the commercial organisation of Maersk Line with Damco which is going to market under the Maersk brand as of January 2019. We have successfully progressed on integrating Hamburg Süd, completing the integration of operations and realizing synergies above expectations. We have also seen the appointment of a new Executive Board.

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

Zero emissions by 2050

On the global sustainability agenda, the dominant changes over the past ten years have been the establishment of the United Nations Sustainable Development Goals and the growing urgency to tackle climate change. With the latest scientific assessments, there is no doubt that the world in general needs to embark on an all-encompassing transformation process away from the reliance on fossil fuels. This goes for shipping as well, and we have taken steps to respond to this need.

In 2018, A.P. Moller - Maersk established the most ambitious goal for reducing CO₂ emissions within our industry. We have begun a journey towards having net-zero CO₂ emissions from our own operations by 2050. This is an important ambition and one we can only deliver on in collaboration with many other stakeholders by innovating and developing the technologies needed to reach the target.

New approach to safety

In 2018 we have also taken significant steps to renew and step-up our approach to safety in A.P. Moller - Maersk. While the last decade brought improvements in safety performance, we have reached a plateau at which we have not been able to eliminate the high-potential accidents, including the number of fatalities occurring as part of our operations. In 2018, we experienced seven fatalities, and my Executive Board colleagues and I are deeply distressed by this.

We know that accidents are never intentional, they occur as a result of a number of factors coinciding, and there is rarely a correlation between the efforts made to prevent minor events and injuries and high-potential accidents or events. In the future, we will increase our focus on building the organisational capacity and operational controls that will act as barriers to accidents being escalated to life-changing or fatal outcomes. We have established a corporate safety function and new levels of both leadership and employee engagement in safety. I will be at the forefront of these efforts, consistently communicating on the right and obligation to stop unsafe work and the importance of being prepared for the unexpected.

Global trade will change

We publish this report at a time where tensions over global trade are stronger than what we have seen for many years. So far, global trade has not been severely diminished by those tensions, even though we remain alert to different trends in the years to come. Our 100-year history has taught us that trade is nothing if not resilient. When the world is faced with trade tensions and benefits of global trade are questioned, as they are now, the result is that trade changes. A positive outcome will depend on an orderly process to alter the global rule book on trade. It must reflect the need for greater balance, inclusivity and sustainability in trade, and A.P. Moller - Maersk is putting our leverage and insights to work in that direction. We are committed and taking action to assist more people around the world in trading, through empowering small businesses, by reducing complexities and advocating the reduction of indirect trade costs.

Continuously committed

In 2018, A.P. Moller - Maersk contributed to The Ocean Cleanup project which is addressing the issue of ocean plastic pollution. I am pleased to see our company being part of the efforts to solve this significant issue, and it is clear to me that our small part in this project is a source of pride for many A.P. Moller - Maersk employees. To me, it demonstrates the importance of contributing when and where we can make a difference. We will continue to do so, by running our business with high integrity, supported by our values and policies, and our continued commitment to the UN Global Compact principles.

Søren Skou
CEO of A.P. Moller - Maersk A/S
Our business

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

Key resources

- **Invested capital**: USD 43,219 million
- **Total assets**: USD 56,636 million
- **Employees**: 84,404

**ELECTRICITY**

- **Ship recycling**: p. 24
- **Split**: p. 31
- **Anti-corruption**: p. 31

**MANUFACTURING & OTHERS**

- **Manufacturing & Others** includes the activities of Maersk Container Industry with the production and sale of reefer containers. In January 2019, a decision was made to exit the dry container business altogether.

**OCEAN**

- **Ocean health**: p. 37
- **Employee relations**: p. 34
- **Disaster response**: p. 36

**TERMINALS & TOWAGE**

- **Terminals & Towage** includes gateway terminals involving land-side activities and towage services under the Svitzer brand.

**LOGISTICS & SERVICES**

- **Logistics & Services** comprises five main activities: supply chain management, inland services, inland haulage activities, trade finance services and freight forwarding.

**ENERGY**

After the sale of Maersk Tankers to A.P. Moller Holding and Maersk Oil to Total S.A., respectively, the Energy division consists of two business units, Maersk Drilling and Maersk Supply Service. A.P. Moller - Maersk has decided to pursue a demerger via a separate listing of Maersk Drilling in 2019. The pursuit of a solution for Maersk Supply Service is continuing.

**INTRODUCTION**

A.P. Moller - Maersk enables customers to trade and grow by transporting goods anywhere.

We work to provide our customers with an end-to-end offering of products and services across digital platforms and an end-to-end delivery network, taking the complexity out of global supply chains.

A.P. Moller - Maersk employs over 84,000 people across operations in 130 countries.
Our sustainability strategy and governance

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

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

Our sustainability strategy was reviewed and updated in 2017 with this ambition in mind. It is made up of four shared value areas for our integrated container logistics business and is based on responsible business practices on all material issues (see graphic on next page).

We see the four shared value areas as the major issues where we can use our business to develop large-scale solutions that can alleviate some of the world’s major sustainability challenges while at the same time supporting the development of our business. For example, the goal of decarbonising container logistics will support our business in living up to the demands of our customers for low-carbon transportation, as well as meeting the need for cost-efficient energy and helping us prepare for new legislative measures, such as a tax on carbon emissions. At the same time, we will be one of the companies driving progress towards carbon-neutral options in the transportation sector, which is essential for tackling climate change.

Fulfilling the new role of business

With the launch of the United Nations' 17 Sustainable Development Goals (SDGs), the world set itself a global and shared framework with a common direction and a vocabulary to discuss and invent solutions and transformational actions towards 2030. The SDGs also defined a new and enhanced space for business to contribute to solving major global challenges. Looking across the SDGs and underlying targets, the business of A.P. Moller - Maersk touches, directly or indirectly, on all 17 goals. However, for five of the goals we have the ability to contribute to transformations at scale and we can match these goals with our sustainability strategy’s shared value programmes (see graphic below).

For example, trade is central to eliminating poverty, creating decent jobs and assisting inclusive industrialisation and innovation. It is directly and indirectly referenced throughout the sub-targets defined for each SDG. Our business operates at the heart of global trade, and we can leverage our voice and our reach to support action towards achieving these targets – on the ground and in public fora.

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

The need for partnerships

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

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

Our materiality model assesses and groups sustainability issues in terms of whether they constitute a risk, responsibility or a shared value opportunity for A.P. Møller - Maersk. Materiality is an important contributor to our strategy development and review processes. Our overall thinking on what materiality means continues to evolve. For example, our work on sustainability risk management and investor engagement, particularly in the context of the recommendations from the Task Force on Climate-related Financial Disclosures (TCFD), (read more on page 15), has prompted us to reconsider some of the strategic and financial risks relative to our material issues. We have not performed a full materiality update in 2018, but have made three changes compared to 2017 in the risk and responsibility categories:

- The issue of land acquisition and resettlement by linked third parties has become less material following changes in business strategy, resulting in fewer or no green field investments, and has therefore been taken out.
- The issue of physical impacts of climate change has been added as an assumed long-term financial risk following the results of research done this year in the area of climate risks.
- In a human rights impact assessment we performed internally in 2015, labour rights in indirect hiring and subcontracted workers, transport and other services to/from conflict areas and armed services were identified as lacking in governance and mitigation. We have resolved these management gaps, and are replacing the three issues with the broader issues of human rights and labour rights.

New issue in 2018 is highlighted in blue and rescoped issues in grey.

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. Møller - Maersk Third-Party Code of Conduct
- Uneven playing field in the enforcement of global SOx regulations
- Physical impacts of climate change

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
- Decarbonising logistics
- Multiplying the benefits of trade
- Food loss

POLICIES GOVERNING OUR ACTIONS

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

<table>
<thead>
<tr>
<th>Material issue</th>
<th>Internal governance documents</th>
<th>International standards and references</th>
</tr>
</thead>
<tbody>
<tr>
<td>Climate change</td>
<td>Sustainability strategy</td>
<td>The Paris Agreement</td>
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<tr>
<td>Inclusive trade</td>
<td>Sustainability strategy</td>
<td>Task Force on Climate-related Financial Disclosures (TCFD)</td>
</tr>
<tr>
<td>Food loss</td>
<td>Sustainability strategy</td>
<td>The World Trade Organization's Trade Facilitation Agreement</td>
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<td>Ship recycling</td>
<td>A.P. Møller - Maersk Responsible Ship Recycling Standard</td>
<td>Hong Kong Convention</td>
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<td>Safety</td>
<td>Rule on HSE Management</td>
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<td>Air emissions</td>
<td>Rule on HSE Management</td>
<td>IMO International Safety Management (ISM) Code</td>
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<td>Spills</td>
<td>Rule on HSE Management</td>
<td>IMO MARPOL Convention Annex VI</td>
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<tr>
<td>Anti-corruption</td>
<td>Rule on Anti-Corruption</td>
<td>OECD Guidelines for Multinational Enterprises</td>
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<tr>
<td>Human rights</td>
<td>Sustainability strategy</td>
<td>The US Foreign Corrupt Practices Act and the UK Bribery Act</td>
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<td>Disaster response</td>
<td>Disaster response and contribution program</td>
<td>UN Global Compact</td>
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<tr>
<td>Employee relations</td>
<td>Rule on Global Employee Relations</td>
<td>UN Global Compact</td>
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<tr>
<td>Diversity and inclusion</td>
<td>Diversity &amp; Inclusion strategy</td>
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<td>Responsible procurement</td>
<td>Rule on Responsible Procurement</td>
<td>OECD Guidelines for Multinational Enterprises</td>
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<td>Responsible tax</td>
<td>A.P. Møller - Maersk Tax Principles</td>
<td>OECD Guidelines for Multinational Enterprises</td>
</tr>
<tr>
<td>Ocean health</td>
<td>Rule on HSE Management</td>
<td>IMO International Ship Management (ISM) Code</td>
</tr>
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</table>

Governance reflects strategy

In 2018, a new governance approach was developed and will continue to evolve, as our business transformation progresses further. The overall governance responsibility for sustainability now resides directly with the Executive Board rather than a separate Sustainability Council, as was the case in the conglomerate structure. The company’s sustainability function brings proposals for new programmes or positions to the Executive Board for approval as and when relevant. An annual progress report is compiled for the Executive Board to support oversight on strategic priorities, trends and key issues. The Board of Directors receives sustainability strategy updates, and also reviews and approves the annual Sustainability Report. Each of our sustainability strategy’s four shared value programmes are guided by a task force with executive level sponsorship and management-level representatives from both line of business and sustainability. Each task force is chaired and served by the sustainability department helping to drive and facilitate projects and collaborations.

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

Inclusive trades

- Ocean health
- Disaster response
- Human rights
- Anti-corruption
- Responsible tax
- Diversity and inclusion
- Responsible procurement
- Ocean health

* Rules are comprehensive and mandatory statements of policy and responsibilities in the A.P. Møller - Maersk central governance system.
Transformation and our business

The business world is increasingly called upon to use its powers of change and implementation to help solve major societal challenges. A.P. Møller – Maersk focuses on where we have the greatest leverage and potential impact on issues that are material to us.

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

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

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

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

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

Based on our experience, we know that efficiency can only keep shipping emissions stable, not reduce or eliminate them. Nevertheless, until decarbonisation is achieved, decoupling business growth from emissions is a necessity, and we have set an efficiency target of 60% relative reduction in CO₂ by 2030 from a 2008 baseline.

With these targets, we are breaking the mould for climate targets and ambitions in the shipping industry.

A decade of learning
A.P. Møller - Maersk has for ten years pursued ways to reduce our relative CO₂ emissions, and had set a target of 60% relative reductions by 2020, using a 2007 baseline.

By the end of 2018, our reductions had reached 47% since 2007. This is not enough to reach 60% in two years’ time.

NEW TARGETS

ZERO

net-emissions from our own operations by 2050.

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

2018 RESULTS

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

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

We have reached that mark by optimising efficiency across our fleet, with technical refitsting including capacity boost, new bulbous bows, new propellers and engine modifications, and by improving planning and optimising networks. Over the last four years alone, we have invested USD 1 billion and engaged 50+ engineers each year in developing and deploying energy efficiency solutions. We expect this investment level to be sustained in pursuit of our new targets. Efficiency gains do not, however, solve the climate change problem. That can only be achieved through decarbonisation.

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

It is important to understand just how great a challenge this is. Transforming the shipping industry which has run on relatively cheap, heavy fuel for 100 years is not only about how ships must be designed in the future and what type of engines will power them – safely – on what type of fuel. It is also about building entire new supply chains for these new solutions. All of this breakthrough innovation will have to take place in the 2020s and is more than any single company can do. We are committed to being a leading actor in this process, but we call on everyone to engage and invest in creating the needed innovation.

Research and development will be the cornerstone in decarbonising the shipping industry, and we urge all parties to purchased ocean services. As a consequence, out of our total emissions, more than 99% is related to the carbon footprint of our shipping services, which makes it the natural place for us to focus our efforts in our new CO₂ targets.

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

¹ Global Warming of 1.5 °C. Intergovernmental Panel on Climate Change, 2018.
² Our targets on net-zero CO₂ emissions, because using e.g. biofuels will also CO₂ emissions. If biofuels produce CO₂, this means the emissions produced when biofuels are burned (and which thus enter the production process of the fuel itself) is also CO₂ neutral (and not CO₂ external).
involved to collaborate on incentives and develop innovative solutions that help the industry to effectively tackle the transformation towards zero-carbon vessels. A.P. Moller - Maersk will dedicate resources and efforts towards research collaborations, technical development, customer engagement, and regulatory advocacy. In addition, we want to begin a dialogue with cargo owners, regulators, researchers, investors and technology developers, and together set the foundation for a sustainable industry.

GROWING CUSTOMER INTEREST IN CLIMATE CHANGE

For many of our largest customers, attention to sustainability in their supply chain is growing. We see our customers making bold company commitments to significantly reduce CO₂ emissions from their business, in many cases to zero emissions. Currently, 35% of our top 150 customers are using science-based targets and many other customers are working on targets. By reducing emissions in our operations, we can help our customers achieve their CO₂ goals and ambitions. A.P. Moller - Maersk customer survey showed us that 72% seriously consider sustainability parameters when managing their company’s supply chain, pointing to emissions reductions and low-carbon logistics as their main challenges today. Alongside this dependency, we see an increasing acknowledgement among these customers that continued and significant CO₂ reductions require investments. Specifically, we see that the number of customer tender requests including climate and other sustainability-related requirements is increasing approx. 30% year on year. Also, our direct sustainability collaborations or partnerships with 40 key clients over the past five years have evolved from customers making basic demands for CO₂ emissions data to more long-term and action-oriented requests for low CO₂ solutions along with tangible reduction pilots projects. We are currently working on offering different low-carbon solutions to our customers across transport modes.

Shipping is crucial to reaching the climate change targets set by companies and countries alike. Through partnerships and innovation, supply chains must reduce their carbon footprint, as a contribution to the Paris Agreement and in Nike’s case to our Moonshot ambition of doubling our business while halving our environmental impact.

KEITH LAMBERT
VP Global Logistics at Nike

Physical impacts of climate change

In their 2018 report, the Intergovernmental Panel on Climate Change (IPCC) clearly states that the physical effects of climate change are already here in the form of changes in, for example, weather patterns and biodiversity.⁴ This is substantiated by the fact that in 2017, the macroeconomic impact of global weather disasters was around USD 330 billion, making 2017 one of the costliest years ever.⁵

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

For the last part of the reductions in CO₂ emissions, we will rely on innovation. We have demonstrated that we are able to innovate and operationalise innovation, and we intend to continue these efforts. Our 2030 efficiency target is strong enough to ensure that we continue to decouple our CO₂ emissions levels from growth in trade and volumes shipped. With this target, we will not exacerbate our contribution to climate change while we grow our business, serve global trade and support job creation.

http://www.ipcc.ch/report/sr15/

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Reporting according to TCFD

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

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

Strategy

Our transition strategy is described in the previous pages of this report. To understand and plan for protecting business value from the risks caused by the physical impacts of climate change, we conducted a hot-spot analysis in 2018, estimating the effect of five climate hazards on ports, other fixed assets and strategic commodities within a 2020–2040 timeframe. The five hazards are heat stress, floods, cyclones, water stress and sea level rise. Based on this overview, we have given priority to the geographical regions where the value of our business faces the greatest risk, and selected two high-risk clusters which we will investigate more in-depth in 2019 to deliver what will be our approach to managing risks from physical climate change.

The next step for us is to identify pilot projects on the ground, to gain a detailed understanding of the value at risk and then lead our best practice in this area to help other companies develop a best practice approach managing the risk. There is an added complexity to this, given that our assets are always part of a larger ecosystem, which will also be affected by climate change.

Risk management

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

Metrics and targets

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

1.0°
Climate change is already here

1.5°
Degree average global warming is the threshold for runaway climate change

Creating a Pull Towards Zero Carbon

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

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

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

Shipping is responsible for 2–3% of global emissions.

CREATING A PULL TOWARDS ZERO CARBON

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

By 2050, commercially viable zero emissions vessels must be a proven, realistic option.

Shipping is responsible for 2–3% of global emissions.

1.0° Climate change is already here.

1.5° Degree average global warming is the threshold for runaway climate change.

A.P. Møller - Maersk Sustainability Report 2018

17° Third IMO Greenhouse Gas Study 2014

°"Climatic change is already here. Decarbonisation requires massive innovation and fuel transformation, and R&D will be the cornerstone. We are calling on the shipping industry and suppliers to join the journey, and we are committed to lead and invest."
Making the case for open and inclusive trade

Open trade enables prosperity and growth for people and societies. But these benefits are not accessible to all. A.P. Møller – Maersk wants to be a cornerstone of an inclusive and sustainable global trading system that can help eradicate poverty and deliver decent work for all.

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

Trade is key to progress

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

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

Rewriting the rule book on global trade

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

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

Need for inclusive policies

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

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

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

Trade and sustainable consumption

Past industrial revolutions that lifted the majority of mankind out of extreme poverty in just two centuries,³ were powered by fossil fuels. This is no longer sustainable. An emerging subject in trade debates is sustainable consumption, often defined as consumption patterns where human activities do not impact the natural environment beyond what this can accommodate.

The dilemma is that this cannot be at the expense of inclusive growth. Shifting consumption patterns, higher prices, and slower growth will affect some countries and some groups more than others. If left unaddressed, such negative impacts may threaten the acceptance of policies to address climate change. This may particularly impact countries that already struggle with mass unemployment. 600 million new jobs are needed in developing countries alone by 2030 just to keep up with growing populations.⁴ The debate and ideas for reconciling the diverging dilemmas and trade-offs are hugely important to the world and to our company. For A.P. Møller – Maersk, the business imperative is clear: to be sustainable, the global trade and consumption patterns on which we base our business need to be compatible with nature. Shifts in mindsets and innovative solutions will be necessary to achieve sustainable consumption and growth. We are following the conversations closely and understand that we have to be ready to contribute to the solutions. Our work on climate change is a major part of this, as are the interventions and solutions being developed in our efforts to multiply the benefits of trade (see next pages).

GROWTH AND JOBS

Reducing logistics barriers to trade could increase GDP by nearly 5% adding millions of jobs to the global economy.⁶

³ Steven Pinker: Enlightenment Now, 2018
⁶ https://www.weforum.org/about/wef-media/2015/06/10/jobs-at-the-core-of-development

A.P. Møller – Maersk

7 Steven Pinker: Enlightenment Now, 2018
9 UNCTAD, Trade Facilitation Opportunities, World Economic Forum 2013
Multiplying the benefits of trade – our commitment

As a global integrator of container logistics, A.P. Møller - Maersk is committed to multiplying the benefits of trade. To achieve this goal, we have set new, ambitious targets to deliver on three key priorities for making global trade more inclusive: reducing complexity in global value chains; empowering small businesses to benefit from trade; and supporting reforms to level the playing field for inclusive global trade.

The opportunity: Trade needs to be simple. By digitising global trade, we can help remove friction in global supply chains, enabling our customers to trade more. Reducing barriers to trade leads to new growth with the potential to add more than 20 million new jobs to the global economy every year.¹²

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

We will help 100,000 SMEs build capacity together with partners, including women-operated businesses, to engage in cross-border trade by 2025.

LEVEL THE TRADING FIELD

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

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Reducing food loss – a business opportunity

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

The issue of food loss and waste is positioned right in the nexus between the growth and sustainability priorities of A.P. Moller - Maersk. We already transport about 27% of the world’s refrigerated containers and 25% of the world’s food commodities, and our business strategy gives priority to the development and growth of our cold chain business. From a sustainability point of view, our large market share and place in the value chain imply opportunities for leverage to reduce food loss, particularly in the stages where most food loss is generated:

• the production stage, with 50% million tonnes of food lost every year due to planning and handling issues, followed by
• the handling and storage stage, where 350 million tonnes of food is lost every year due to inadequate storage conditions and time lags in the transportation phase caused by weak organisation of food chains and poor infrastructure.

What we can do

Our commitment to help halve food loss by 2030 is a new area in our sustainability strategy established in 2017. We are currently shaping our activities and growing our insights and understanding of the issue. For example, how inadequate food storage and transportation conditions create large-scale food loss, particularly in emerging markets, and how partnerships can contribute to changing this situation.

The ultimate goal is to build capabilities along the supply chain in countries with high prevalences of food loss in the production and transportation stages and enhance their ability to benefit from food loss-reducing solutions. This includes capacity building to reduce post-harvest loss by improving harvesting techniques and handling of produce, as well as improving framework conditions for agriculture, infrastructure and trade, which will help governments fulfil national food loss targets.

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

RAFAEL FLOR
Director, Food, The Rockefeller Foundation

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

Building partnerships

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

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

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

Wide-reaching potential benefits

With the projected global population growth in the coming decades, the demand for perishable food is projected to increase by 20% annually. It is clear that with the current systems’ inefficiencies, meeting this demand will put an even more unsustainable pressure on resources such as land and water, and increase CO2 emissions at a time where these need to decrease. One way to address this challenge is to make the system more efficient and sustainable, and we want to contribute to this.

If successful, our partnership-based efforts to halve food loss by 2030 will have multiple benefits, as farmers will have more crops to sell, and communities will benefit from job creation with ensuring local economic development.

FOOD LOST EVERY YEAR

350m tonnes due to inadequate storage and delays during transportation.

Indra Nooyi, Chief Executive Officer, PepsiCo

IN BRIEF

- To leverage our services, products and capabilities in order to halve food loss in logistics, and simultaneously enhance our cold chain business and support sustainable development.

- 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.

- Establish two global partnerships to address loss points in the food supply chain.

- Develop a metrics framework for food loss contribution and to guide the shared value of our business-related investments.

- Our commitment to reducing food loss is owned by the Executive Board.

2019 TARGETS MET?

- Partly

DOMINANT DIMENSION OF MATERIALITY

- Responsibility
- Shared value
- Risk

2019 SDG TARGETS

2.1
2.2
17.16
12.3
12.3

AMBIITIONS

2018

GOVERNANCE


A.P. Moller – Maersk

17

Sustainability Report 2018

17

Sustainability Report 2018

Momentum towards responsible ship recycling in Alang

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

Despite strong and documented criticism of the environmental, health and safety conditions on the ship recycling beaches in Southeast Asia, 99% of vessels were being dismantled there in 2018.* This is the case in spite of several shipowners having policies for responsible ship recycling. A key factor in this is the lack of international regulations on ship recycling because the Hong Kong Convention on ship recycling, established by the IMO in 2009, still has not entered into force, as it has yet to be ratified by the required number of countries. In 2016, A.P. Moller - Maersk embarked on a journey to radically change global ship recycling towards responsible practices and avoid the high level of negative impacts of non-regulated ship recycling on beaches. We chose Alang, India, as the location where we would work on the ground to prove the viability of more options for responsible ship recycling. As part of this process, we wanted to change the way Alang works both inside the yards and in the wider community. We remain fully committed to investing in changing this very real and very difficult problem for the ship recycling industry, living up to our values and ambitions for this area.

Improving fast

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

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

Two years after we sent our first two vessels to Alang under the Maersk Responsible Ship Recycling Standard, it has been proven that both responsible and commercial ship recycling is possible. When working according to our standards, the yards we work with are achieving audit results on par with yards in Turkey and China. This proves that change is possible provided that the right skills, mindset and investments are in place. Several more yards are now approved for bidding on A.P. Moller - Maersk-owned vessels destined for ship recycling, and a large number of other yards are today either compliant with IMO’s Hong Kong Convention or on a journey towards compliance (see table on next page). We find that we have witnessed and helped propel this great progress in Alang. It does not, however, change the fact that international legislation will be necessary to create a level playing field in ship recycling.

The EU List

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

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

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

Transformation requires transparency

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

Through an annual survey, the SRTI encourages all shipowners to report on their ship recycling practices against a comprehensive set of disclosure criteria. The information collected will form a public database providing transparency and in turn accountability for choices made in the dismantling of end-of-life vessels. The SRTI’s online platform was launched in December 2018.

Introducing health services to the Alang community

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

In late 2017, a survey was carried out to establish gaps in existing health care services if the needs of the workers and their families were to be met. It concluded that both general and emergency health care services were sorely lacking. A.P. Moller – Maersk and partners Indian Red Cross and the Ship Recycling Industry Association (SRIA) established a mobile health van with a team of professionals that provides general health care to all ship recycling workers in Alang as well as to the local community of the wider Alang area. Since May 2018, nearly 10,000 people from the wider Alang area received free, general health care from the health van, improving access to health services significantly.

For 2019, developing emergency care services will be in focus. We will work with local health sector partners to be able to offer basic emergency care services in Alang, and to offer first aid training of the yard workers.

A.P. Moller - Maersk is committed to ensuring that our business practices are safe, responsible and transparent.

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

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

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

Focusing on leadership, organisational capacity, operational controls and employee engagement will propel us forward in the next phase of employee safety.

At the beginning of 2018, the A.P. Moller – Maersk Executive Board decided to conduct a thorough review of the company’s safety performance, as no significant improvements had been achieved during the past 4–5 years. The review showed that we had reached a plateau in safety performance, with the frequency of incidents not improving. More importantly, high-consequence events, particularly those resulting in fatalities, continued to occur. In the past five years alone, 34 colleagues have lost their lives while working for A.P. Moller – Maersk. The loss of five colleagues due to a fire on the Maersk Honam in March 2018 only underlined the need for a change in our approach to safety.

As a result, the Executive Board appointed a safety task force, chaired by Vice CEO Claus V. Hemmingsen, charged with reviewing and re-thinking the company’s approach to safety and focusing on making A.P. Moller – Maersk a Safe Place to Work.

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

Three main elements

Moving forward, addressing three priorities becomes critical:

1. Leadership accountability – all leaders must be fully and emotionally engaged in and committed to safety.
2. Capacity for safety – stronger focus on ensuring effective controls for high-potential events, in addition to ongoing efforts to reduce minor accidents.
3. Building the right culture for safety – move away from a culture focused almost exclusively on individual actions and responsibility and more towards becoming a learning organisation, with organisational capacity and operational controls in place and with higher levels of employee engagement.

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

Impacts of change come later

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

The safety of our employees is our responsibility and focus, and the loss of seven colleagues in 2018 alone, clearly underlines the need for change in our safety approach to make sure all employees can go to work not only feeling safe, but being safe.

SIREN SKOU
CEo FECA Moller – Maersk
The fuel sample showed a sulphur content of 0.11%. This drop in sulphur content is seen as a result of regulation-limited sulphur emissions, which will significantly reduce these emissions and have a positive impact on human health and the natural environment. We support regulation and enforcement towards a level playing field.

Air emissions from ocean-going ships have negative effects on human health and the natural environment. We support regulation and enforcement towards a level playing field.

**WHY IS IT IMPORTANT?**

Air emissions from ocean-going ships have negative effects on human health and the natural environment. We support regulation and enforcement towards a level playing field.

**Ambitions**

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

**Targets**

2018:

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

2019:

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

**Progress in 2018**

To prepare for the 2020 global cap, we:

- Invested in sufficient supply of compliant 2020 fuels through a long-term agreement with an independent tank storage operator, making Rotterdam one of our global hubs for low-sulphur bunker fuel. Here, we will store some 20% of our total annual fuel requirements. We are exploring more such options, as evidenced by a 2018 survey showing that areas in Europe with regulation-limited sulphur content in fuel saw a drop in sulphur concentrations in the air by up to 60%. But, without a level playing field in terms of compliance and the enforcement of regulation, the competitiveness and profitability of compliant companies will be hurt. The International Maritime Organisation’s 0.5% global cap on sulphur dioxide (SO₂) content in fuels for shipping will enter into force from 1 January 2020. To enable enforcement of the global cap, the IMO in 2018 decided on a carriage ban for non-compliant fuels on board vessels. Vessels with scrubbers cleaning the exhaust gases installed are exempted from this ban. The IMO estimates the cost of switching to new, compliant fuels at up to USD 15 billion per year for the container shipping industry.²⁰ Our own estimation is around USD 2 billion annually for A.P. Moller - Maersk alone.

**GOVERNANCE**

Our work is guided by a steering committee on SO₂, compliance and readiness.

**SDG Targets**

- **2018 Targets MeT?**
  - PARTLY

**Dominant Dimension of Materiality**

Responsibility

<table>
<thead>
<tr>
<th>Risk</th>
<th>Shared value</th>
</tr>
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<tbody>
<tr>
<td>3.9</td>
<td>14.1</td>
</tr>
</tbody>
</table>

**Spills**

Zero oil spills.

**Targets**

2018 and 2019:

- Zero non-contaminated oil spills above 10 m³.

**Why is it important?**

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

**Progress in 2018**

- No oil spills over the 10 m³ limit were reported in 2018.
- A new global operating standard for Spill Prevention, Control and Response was rolled out across our terminals and inland service depots, with all locations completing spill risks assessments at their facilities, and implementing improvement plans over the short to medium-term to reduce spill risks by strengthening prevention controls, and better preparing, resourcing and testing response plans. As part of the implementation of the new standard, an environmental performance objective was included in our terminals’ performance scorecard for the first time.

**Governance**

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

**Anti-corruption**

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

**Targets**

2018 and 2019:

- Comply with legislation on anti-corrupt practices, which ultimately translates to zero bribery and facilitation payments.

**Why is it important?**

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

Risk of corruption is found primarily in our interactions with authorities over contracts and approvals, as well as faciltation payments. Our business may suffer financial damages through fines and recovery operations, as well as reputational damage. The risk of oil spills is highest in terms of likelihood in relation to fuel transfers. In terms of environmental impact, vessel collisions carry the highest risk profile along with land-side bulk hydrosed and chemical handling.

**Progress in 2018**

- On own ships we have managed, in close collaboration between crew and shore, to decrease facilitation payments over the last three years by 99.57%.
- In 2019, 98% of chartered vessels reported monthly, and approximately 88% are in compliance with the A.P. Moller - Maersk Anti-Corruption Policy. These results are achieved through clear communication and collaboration between the vessels, the stevedores and Maersk, making it very clear that we support the crew in avoiding any payments.

**Governance**

Our work to combat all forms of corruption is governed through the central A.P. Møller - Maersk governance system.
RESPONSIBLE PROCUREMENT AND HUMAN RIGHTS

Responsibility

Human rights

As a company with a global presence, we support effective and balanced regulation that promotes a global level playing field for responsible business.

PROGRESS IN 2018

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

HUMAN RIGHTS IN THIS REPORT

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

Material issue Human rights at stake Page
Safety The right to life and the right to the highest attainable standard of health. 28–29
Employee relations Human rights principles and standards related to labour, for example freedom of association and collective bargaining, equal treatment, child labour, forced labour, working hours, compensation, privacy, rest and leisure. 54
Diversity and inclusion The right to freedom from discrimination and the right to family life. 35
Responsible procurement Human rights principles and standards related to labour, see examples above. 52
Ship recycling Human rights principles and standards related to labour, in particular the right to life and the right to the highest attainable standard of health. 24–25
Air emissions The right to the highest attainable standard of health. 30

AUDITS AND ASSESSMENTS IN 2018

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

<table>
<thead>
<tr>
<th>Shipbuilding yard audits</th>
<th>Control actions carried out</th>
<th>Other self-assessments</th>
<th>Pre-qualification assessments</th>
</tr>
</thead>
<tbody>
<tr>
<td>14</td>
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<td>823</td>
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<td>Improvement plans</td>
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<td>[14]</td>
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<td>[142]</td>
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</table>

The numbers for 2017 have been included to reflect the current organisational scope of reporting, including Maersk Oil and Maersk Tankers. This number may vary in future years as the business continues to develop.

Suppliers in the high-risk categories²

2,300

Qualified suppliers

1,426

continued work on subcontractor conditions, particularly in shipbuilding yards and terminal construction sites with due diligence through audits and improvement plans.

• Conducted focused training on labour relations through a joint programme with Global Employees Relations team.

Avoid supplier due diligence processes across segments in a consistent manner.

AMBIITIONS

Manage the risk of supplier non-compliance with our Third-Party Code of Conduct.

TARGETS

2018:

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

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

2019:

• Ensure compliance with Third-Party Code of Conduct.
• Sharpen the focus on risk management through ‘risk score’ methodology.
• Align supplier due diligence processes.

AUDITS AND ASSESSMENTS IN 2018

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

<table>
<thead>
<tr>
<th>Shipbuilding yard audits</th>
<th>Control actions carried out</th>
<th>Other self-assessments</th>
<th>Pre-qualification assessments</th>
</tr>
</thead>
<tbody>
<tr>
<td>14</td>
<td>26</td>
<td>1.029</td>
<td>823</td>
</tr>
<tr>
<td>[14]</td>
<td>[26]</td>
<td>[1.029]</td>
<td>[823]</td>
</tr>
<tr>
<td>Improvement plans</td>
<td>of which</td>
<td></td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>23</td>
<td>142</td>
<td>812</td>
</tr>
<tr>
<td>[14]</td>
<td>[23]</td>
<td>[142]</td>
<td>[812]</td>
</tr>
</tbody>
</table>

The numbers for 2017 have been included to reflect the current organisational scope of reporting, including Maersk Oil and Maersk Tankers. This number may vary in future years as the business continues to develop.

A Danish media outlet to a sub-contractor’s working conditions in Mombasa’s port terminal, operated by Kenya Ports Authority, which was not in compliance with our Third-Party Code of Conduct. We investigated the case and are addressing the gaps identified.

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

GOVERNANCE

Governed through requirements set in our A.P. Moller - Maersk governance system.

Human rights

Human rights are a precondition for freedom and dignity for people, for rule of law and for inclusive and sustainable growth on which we depend as a business. Respect for human rights is rooted in our values and key to our licence to operate from employees, customers, investors, communities, governments and other stakeholders.

National reporting requirements related to human rights are generally on the risk.

AMBIITIONS

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

TARGETS

2018:

• Full integration of human rights in sustainability governance.

2019:

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

WHY IS IT IMPORTANT?

The number of improvement plans established to address critical and major findings Qualified suppliers out of a population of 24,000 suppliers has doubled since 2017, due to the number of other audits performed when implementing new building projects and manning agencies were excluded in 2017.

This year’s data includes shipbuilding yards and terminal construction sites in high-risk countries.

Continued work on subcontractor conditions, particularly in shipbuilding yards and terminal construction sites with due diligence through audits and improvement plans.

• Conducted focused training on labour relations through a joint programme with Global Employees Relations team.

Conduct further analysis of human rights risks related to the digitisation of our business.

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Employee relations

**AMBIIONS**

We aspire to create an inclusive culture where employees from every background can contribute to their fullest. In doing this, we will be in a prime position to attract people from the widest talent pool, specifically increasing the gender and nationality diversity at our senior levels.

**TARGETS AND PERFORMANCE ON DIVERSITY AND INCLUSION**

**DIVERSITY AND INCLUSION**

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

We are committed to:

- Timely identification of upcoming technological changes, so that we can support our employees in building the skills required.
- Proactive and open dialogue with employees and their representatives. In 2018, we met with trade union representatives from the International Transport Workers Federation to openly share and discuss our approach and plans for technical innovations in our business.
- Ensuring that we have support in place for employees whose jobs disappear due to the adoption of new technologies.

NEW TECHNOLOGIES IN THE WORKPLACE

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Disaster response

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

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

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

**Progress in 2018**
Our disaster response efforts are mainly carried out through the Logistics Emergency Team (LET), which comprises four global logistics and transportation companies: UPS, A.P. Moller – Maersk, Agility and DP World. The LET supports the Global Logistics Cluster, led by the United Nations World Food Programme (WFP), which provides emergency response to complex humanitarian crises and natural disasters. In 2018, A.P. Moller – Maersk;

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

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

**Ocean health**

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

**Targets**
2018:
- Mature the partnership with the World Ocean Council and the science community.
- Explore partnership opportunities in the marine plastic litter community.
- All vessels are compliant with the IMO Ballast Water Management Convention.
- Continue collaboration with the Ocean Cleanup Project.

2019:
- All vessels are compliant with the IMO Ballast Water Management Convention.
- Support ocean science research through data collection and partnerships.

**Why is it important?**
Ocean health is pivotal to the health of people and nature. Higher sea temperatures and the proliferation of plastic waste indicate that ocean health is under threat. We are obligated to act, as emissions from our activities contribute to acidification and rising temperatures, and as a citizen of the oceans to contribute to finding solutions.

**Progress in 2018**
- We registered one case of reported non-compliance with ballast water regulation in Montreal, Canada. The case was related to reporting errors and we received a fine of USD 9,030.
- Established collaboration with the Ocean Cleanup project, contributing around USD 2.0 million in vessel services and equipment for the installation of the first full-scale ocean plastic clean-up system, as well as providing open-top containers for the collected plastic.
- Collaborated with the National Oceanic and Atmospheric Administration (NOAA), under the U.S. Department of Commerce, to deploy 16 drifters to assess part of NOAA’s network of around 1,000 buoys collect data for marine and climate sciences. During 2019, we will continue to work with NOAA in collaboration with the World Ocean Council’s ‘Smart Oceans – SMART Industries’ initiative to develop a programme to improve data collection from selected areas.
- Joined and launched the UN Global Compact Sustainable Ocean Business Action Platform, a three-year project.

**Governance**
Our ocean health activities are governed through the rules and guidance on HSE management in the central A.P. Moller – Maersk governance system. Our collaboration with the Ocean Cleanup Project is under the sponsorship of the Executive Board.

**Helping the Ocean Cleanup Project Succeed**
Over 5 trillion pieces of plastic are estimated to litter all the major ocean basins. The source of this problem is primarily insufficient waste management on land, rivers and sea. Therefore, making the oceans healthy will require a multi-layer solution with a multitude of innovation and change. As responsible citizens of the ocean, we want to contribute to alleviating the problem by assisting in removing the plastic which is already in the oceans. The Ocean Cleanup Project, a non-profit organisation, has developed a 600-m-long floating buoy system with a screen to collect plastic debris for recycling. The first offshore cleaning system was towed and installed by a Maersk Supply Service vessel in the Great Pacific Garbage Patch, located 1,200 nautical miles off the coast of San Francisco. The patch contains an estimated 1.8 trillion pieces of plastic and covers an area twice the size of Texas. After installation, our vessels are further monitoring progress and operations.

**2018 Targets Met?**
- In full

**Dominant Dimension of Materiality**

<table>
<thead>
<tr>
<th>Responsibility</th>
<th>Shared value</th>
<th>Risk</th>
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<tr>
<td></td>
<td>In full</td>
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</tbody>
</table>
Overview of targets and progress

**Climate change (p. 12)**

- To help decarbonise trade through innovation, low-carbon technologies, customers and efficient practices.
- To address climate change related risks in our operations and to support our customers in reducing their overall carbon footprint.
- To support a level playing field in the global trade system.
- To contribute to the global push for ambitious and legally binding climate actions and policies through the IMO Ballast Water Management Convention.
Performance data

**A.P. MOLLER - MAERSK**

<table>
<thead>
<tr>
<th></th>
<th>CONTINUING OPERATIONS</th>
<th>DISCONTINUED OPERATIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2018</strong></td>
<td>84,804</td>
<td>85,667</td>
</tr>
<tr>
<td><strong>2017</strong></td>
<td>80,210</td>
<td>75,814</td>
</tr>
<tr>
<td><strong>2018</strong></td>
<td>4,184</td>
<td>9,853</td>
</tr>
<tr>
<td><strong>2017</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Social performance**

**Our employees**

- **Number of employees (FTEs)**: 84,804 (2018), 85,667 (2017)
- **Profit/loss before depreciation, etc. (EBITDA)** (USD million): 3,806 (2018), 3,532 (2017)
- **No spills above the threshold of >10m³**

**Environmental performance**

- **Direct GHG emissions (scope 1 GHG Protocol)** (1,000 tonnes CO₂ eq): 38,826 (2018), 35,579 (2017)
- **Other air emissions**
  - **SO₂ emissions** (1,000 tonnes): 955 (2018), 826 (2017)
  - **NOₓ emissions** (1,000 tonnes): 955 (2018), 826 (2017)

**Economic performance**


**Comments on 2018 performance data**

**Social performance**

- **Increase in total number of employees is due to the acquisition of Hamburg Süd**.
- **Gender – female/total (% based on headcount)**: 25% (2018) vs. 23% (2017)
- **Target nationalities/total (% based on headcount)**: 37% (2018) vs. 31% (2017)
- **Target nationalities in leadership (% based on headcount)**: 37% (2018) vs. 34% (2017)
- **Gender – female/total (% based on headcount)**: 26% (2018) vs. 22% (2017)
- **Target nationalities in leadership (% based on headcount)**: 38% (2018) vs. 35% (2017)

**Environmental performance**

- **NOₓ emissions** (1,000 tonnes): 955 (2018), 826 (2017)
- **Other air emissions**
  - **SO₂ emissions** (1,000 tonnes): 955 (2018), 826 (2017)
  - **NOₓ emissions** (1,000 tonnes): 955 (2018), 826 (2017)

**Economic performance**


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

Operational scope: Covered by the Generally Accepted Accounting Principles.

**DISCLAIMERS**

- Data and Assurance: Described in the Generally Accepted Accounting Principles – data from other sources than the financial and operational scoped data. Since 2017 gender and nationality data is reported by headcount, previously by FTE. See our Sustainability Accounting Principles at https://www.maersk.com/about/sustainability/reports.

- Performance data for continuing operations and discontinued operations (Maersk Oil, Maersk Drilling and Maersk Supply Services). Maersk Oil is not part of sustainability reporting for 2018. Maersk Drilling and Maersk Supply Services continue to be classified as discontinued operations and are included in this report with data presented on aggregate level.

- Increase in direct GHG emissions is due to increase in fuel oil consumption.

- Increase in indirect GHG emissions is partly due to decreases in electricity consumption.

- 98% of our scope 1 emissions come from the operations of our fleet. Increase in direct GHG emissions is due to increase in fuel oil consumption.

- Increase in energy consumption (total, TJ) is due to increases in vessel size, more vessel days deployed and the addition of new services.

- Increase is mainly due to changed methodology for calculating waste generation on our vessels (see Accounting Principles 2018). 2017 and 2018 numbers are non-comparable.

- 98% of our scope 1 emissions come from the operations of our fleet. Increase in direct GHG emissions is due to increase in fuel oil consumption.

- Increase in indirect GHG emissions is partly due to decrease in electricity consumption.

- NOx is produced from the reaction of nitrogen and oxygen gases in the air during combustion of fuels. Increase in NOx emissions is due to increase in fuel oil consumption.

- Increase in target nationalities in leadership for A.P. Moller - Maersk is due to different entities that we are reporting on. The entities for 2018 have a steady number of target nationalities and fewer non-target nationalities at this level, therefore the % of target nationalities has increased.

- There is a decrease in all indicators for discontinued operations due to the sale of Maersk Oil.
Independent assurance report

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

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

Our conclusion

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

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

What we are assuring

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

Professional standards applied and level of assurance

We performed a limited assurance engagement in accordance with International Standard on Assurance Engagements 1000 (Revised) Assurance Engagements other than Audits and Reviews of Historical Financial Information. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement, 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 due professional care. The firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. Our work was carried out by an independent multidisciplinary team with experience in sustainability reporting and assurance.

Understanding reporting and measurement methodologies

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

Work performed

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

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

Management’s responsibilities

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

- Designing, implementing and maintaining internal control over information relevant to the preparation of data and information in the Sustainability Report that are free from material misstatement, whether due to fraud or error;
- Establishing objective accounting principles for preparing data and information;
- Measuring and reporting data and information in the Sustainability Report based on the accounting principles; and

Our responsibility

We are responsible for:

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

Stay-up-to-date

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 - Mærsk
Esplanaden 50
1098 Copenhagen K
Denmark
Att: Sustainability

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

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

Print
Printed in Denmark in 2019 by Rosendahls, an environmentally certified printing agency, on Arctic Matt.

EXTERNAL REPORTING FOR A.P. MOLLER - MAERSK

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.

The A.P. Møller - Mærsk A/S Sustainability Report is published on the UN Global Compact requirements and 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.

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