

# 2018

# Sustainability Report

A.P. Møller - Mærsk A/S



**MAERSK**



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## ABOUT THE REPORT

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

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

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

Previous years' data and our UN Global Compact Communication on Progress table are also available online. Please visit <https://www.maersk.com/about/sustainability/reports>.

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## PORTFOLIO NOTE

The future A.P. Moller - Maersk will be an integrated and focused shipping, ports and logistics company. Oil and oil-related businesses are to be separated. This has resulted in portfolio changes in 2018.

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

Sustainability data for Hamburg Süd is included for 2018.

See the A.P. Moller - Maersk Sustainability Accounting Principles: <https://www.maersk.com/about/sustainability/reports>





“

We have begun a journey towards having net-zero CO<sub>2</sub> 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.

”

## Foreword by the CEO

### Dear reader,

This is A.P. Møller - Maersk's 10th annual report on our company's sustainability strategy and performance. During the past decade, A.P. Møller - Maersk has changed in line with our global context. Over the last two years, A.P. Møller - 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 realising synergies above expectations. We have also seen the appointment of a new Executive Board.

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

### Zero emissions by 2050

On the global sustainability agenda, the dominant changes over the past ten years have been the establishment of the United Nations Sustainable Development

Goals and the growing urgency to tackle climate change. With the latest scientific assessments, there is no doubt that the world in general needs to embark on an all-encompassing transformation process away from the reliance on fossil fuels. This goes for shipping as well, and we have taken steps to respond to this need.

In 2018, A.P. Møller - Maersk established the most ambitious goal for reducing CO<sub>2</sub> emissions within our industry. We have begun a journey towards having net-zero CO<sub>2</sub> 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. Møller - 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 these 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 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. Møller - 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. Møller - 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. Møller - 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*

**Søren Skou**  
CEO of A.P. Møller - Mærsk A/S

### OUR COMMITMENTS

A.P. Møller - Maersk is committed to operating in congruence with the UN Global Compact's ten principles on responsible business conduct.

We support and commit to contribute positively to the United Nations Sustainable Development Goals, while also reducing our potential negative impact on the goals.

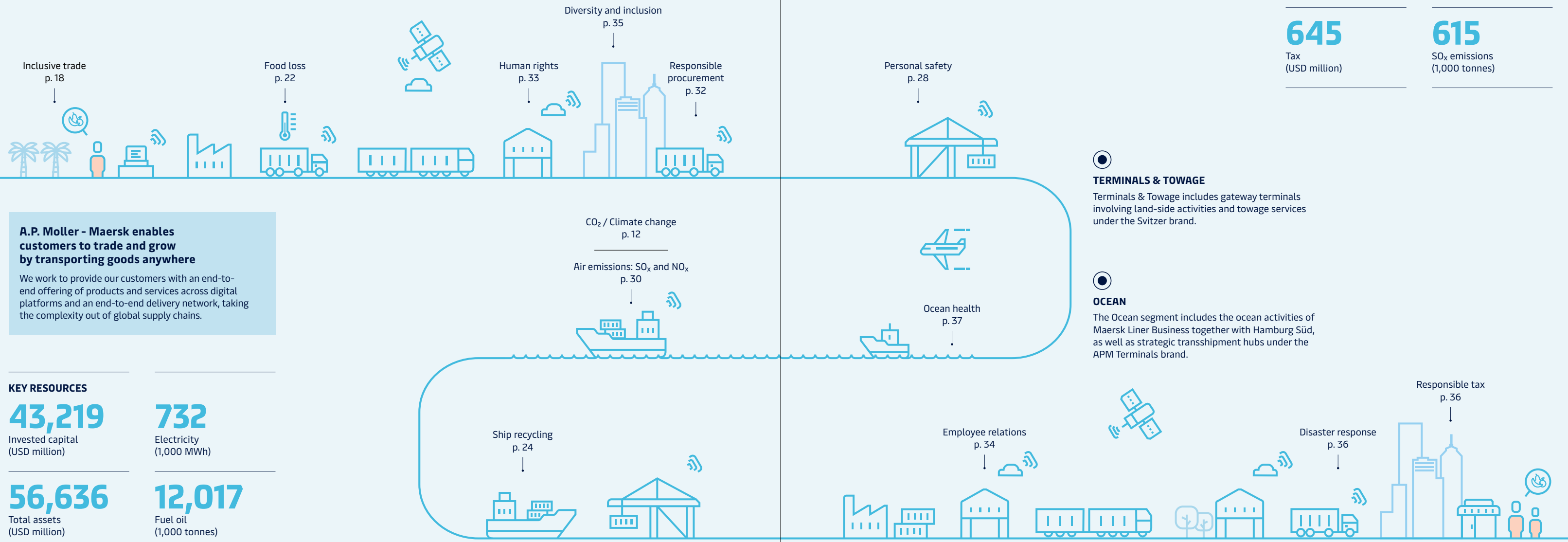


A.P. Møller - Maersk has been recognised as Global Compact LEAD for demonstrating its ongoing commitment to the UN Global Compact and its Ten Principles. In 2018, A.P. Møller - Maersk has shown its commitment by participating in Action Platforms on Reporting on the SDGs, Pathways to Low-Carbon & Resilient Development, Decent Work in Global Supply Chains and Sustainable Ocean Business, and has submitted an Advanced Communication on Progress, available at [www.unglobalcompact.org/what-is-gc/participants/44](http://www.unglobalcompact.org/what-is-gc/participants/44).



# 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.



**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.

**KEY RESOURCES**

<b>43,219</b> Invested capital (USD million)	<b>732</b> Electricity (1,000 MWh)
<b>56,636</b> Total assets (USD million)	<b>12,017</b> Fuel oil (1,000 tonnes)
<b>84,404</b> Employees	

## 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.

## OUTCOMES

<b>39,019</b> Revenue (USD million)	<b>39,165</b> GHG emissions (1,000 tonnes CO <sub>2</sub> eq.)
<b>3,806</b> Profit/loss before depreciation, etc. (EBITDA) (USD million)	<b>41%</b> Relative CO <sub>2</sub> reduction (1,000 tonnes CO <sub>2</sub> eq. 2008 baseline)
<b>645</b> Tax (USD million)	<b>615</b> SO <sub>x</sub> emissions (1,000 tonnes)

## TERMINALS & TOWAGE

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

## OCEAN

The Ocean segment includes the ocean activities of Maersk Liner Business together with Hamburg Süd, as well as strategic transshipment hubs under the APM Terminals brand.

## 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.

## LOGISTICS & SERVICES

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

Data in this report covers all activities within A.P. Moller - Maersk, including remaining activities in the Energy segment (Maersk Drilling and Maersk Supply Service). It also, for the first time, includes data from Hamburg Süd. See portfolio note on contents page and the Sustainability Accounting Principles.

# 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 programmes 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

## HOW A.P. MOLLER - MAERSK CONNECTS TO THE UN SUSTAINABLE DEVELOPMENT GOALS



Relevant sub-targets for each Goal are listed under the SDG icons in the report chapters for each material issue.

### PARTNERSHIPS

- Global Compact LEAD PARTICIPANT
- GLOBAL ALLIANCE FOR TRADE FACILITATION
- WORLD OCEAN COUNCIL
- THE B TEAM
- LOGISTICS EMERGENCY TEAMS
- Caring for Climate
- WORLD ECONOMIC FORUM
- GLOBAL MARITIME FORUM
- TRIDENT ALLIANCE
- MACN
- SHIP RECYCLING TRANSPARENCY INITIATIVE
- Clean CARGO Sustainable Transportation
- ITC | SheTrades

### OUR SUSTAINABILITY STRATEGY



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

The SDGs also comprise other areas where we can have a positive impact, but mostly locally or at a smaller scale, and areas where we have a responsibility to mitigate potential negative impact

from our business. These are areas that are addressed through our corporate programmes on safety, environment, human rights, labour, diversity, responsible tax and anti-corruption etc.

**The need for partnerships**  
While businesses strive to take on their part in reaching the SDGs before 2030, the need for broader collaboration only increases. A pressing example of this is our ambition to decarbonise container logistics by 2050. This is a huge task

and we believe we will find better solutions faster by building alliances with competitors, customers, suppliers, knowledge institutions, other industries and the public sector.

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



**MATERIALITY 2018**

Our materiality model assesses and groups sustainability issues in terms of whether they constitute a risk, responsibility or a shared value opportunity for A.P. Moller - 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.

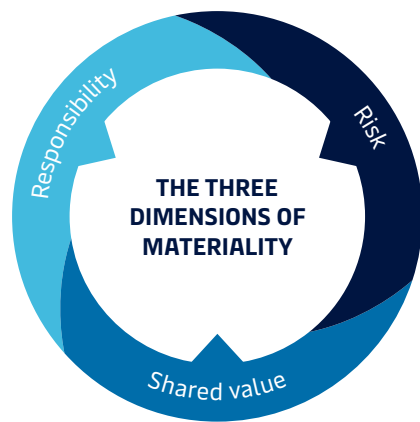
**RESPONSIBILITY**

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

**Issues:**

- Injuries and fatalities
- Labour rights
- Diversity and inclusion
- Tax practices and transparency
- Human rights
- Disaster response
- Ocean health

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



**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

**RISK**

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

**Issues:**

- Major accident/oil spill/chemical spill
- Major non-compliance with corruption regulations
- Supplier non-compliance with A.P. Moller - Maersk Third-Party Code of Conduct
- Uneven playing field in the enforcement of global SO<sub>x</sub> regulations
- Physical impacts of climate change

**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.

**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.

Material issue	Internal governance documents	International standards and references
Climate change	Sustainability strategy	The Paris Agreement The Intergovernmental Panel on Climate Change (IPCC) Task Force on Climate-related Financial Disclosure (TCFD) Initial IMO Strategy on Reduction of GHG Emissions from Ships
Inclusive trade	Sustainability strategy	The World Trade Organization's Trade Facilitation Agreement
Food loss	Sustainability strategy	There is no international governance framework for food loss
Ship recycling	A.P. Moller - Maersk Responsible Ship Recycling Standard	Hong Kong Convention UN Guiding Principles on Business and Human Rights ILO Conventions
Safety	Rule* on HSE Management	UN Global Compact IMO International Safety Management (ISM) Code IMO SOLAS Convention
Air emissions	Rule on HSE Management	UN Global Compact IMO MARPOL Convention Annex VI EU Sulphur Directive 2016/802 UNCLOS
Spills	Rule on HSE Management	UN Global Compact IMO MARPOL Convention Annex VI
Anti-corruption	Rule on Anti-Corruption	UN Global Compact OECD Guidelines for Multinational Enterprises The US Foreign Corrupt Practices Act and the UK Bribery Act
Human rights	Sustainability strategy	UN Global Compact UN Guiding Principles on Business and Human Rights OECD Guidelines for Multinational Enterprises
Disaster response	Disaster response and contribution program Memorandum of Understanding with the Global Logistic Cluster	There is no international governance framework for disaster response
Employee relations	Rule on Global Employee Relations	UN Global Compact UN Guiding Principles on Business and Human Rights OECD Guidelines for Multinational Enterprises ILO Conventions Maritime Labour Convention, 2006 (MLC, 2006)
Diversity and inclusion	Diversity & Inclusion strategy	UN Global Compact UN LGBTI Standards for Business
Responsible procurement	Rule on Responsible Procurement A.P. Moller - Maersk Third-Party Code of Conduct	UN Global Compact UN Guiding Principles on Business and Human Rights OECD Guidelines for Multinational Enterprises ILO Conventions
Responsible tax	A.P. Moller - Maersk Tax Principles	OECD Guidelines for Multinational Enterprises B Team Responsible Tax Principles
Ocean health	Rule on HSE Management	UN Global Compact IMO Ballast Water Management Convention IMO MARPOL Convention Annex VI

\* Rules are comprehensive and mandatory statements of policy and responsibilities in the A.P. Moller - 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. Moller - 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. Moller - 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 progress 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.

The 2018 report from the Intergovernmental Panel on Climate Change (IPCC) incontrovertibly states that the effects of climate change cannot fully be prevented, and today the average global rise in temperatures is already 1.0 degree. The report also clearly states that to keep climate change at manageable levels, we need to create a carbon-neutral economy by around 2050.<sup>1</sup>

This includes what has been termed 'hard-to-abate' sectors, of which shipping is one due to its long asset cycles. A.P. Moller - Maersk is determined to put its resources, relationships and leverage towards abandoning fossil fuels.

## Very ambitious targets

In 2018, the Executive Board of A.P. Moller - Maersk approved a new company ambition for climate change: to have net-zero CO<sub>2</sub> emissions from our own operations by 2050.<sup>2</sup> We do not by net-zero refer to off-setting CO<sub>2</sub> 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 CO<sub>2</sub> by 2030 from a 2008 baseline.

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

## A decade of learning

A.P. Moller - Maersk has for ten years pursued ways to reduce our relative CO<sub>2</sub> 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 CO<sub>2</sub> emissions by 2030 (2008 baseline).

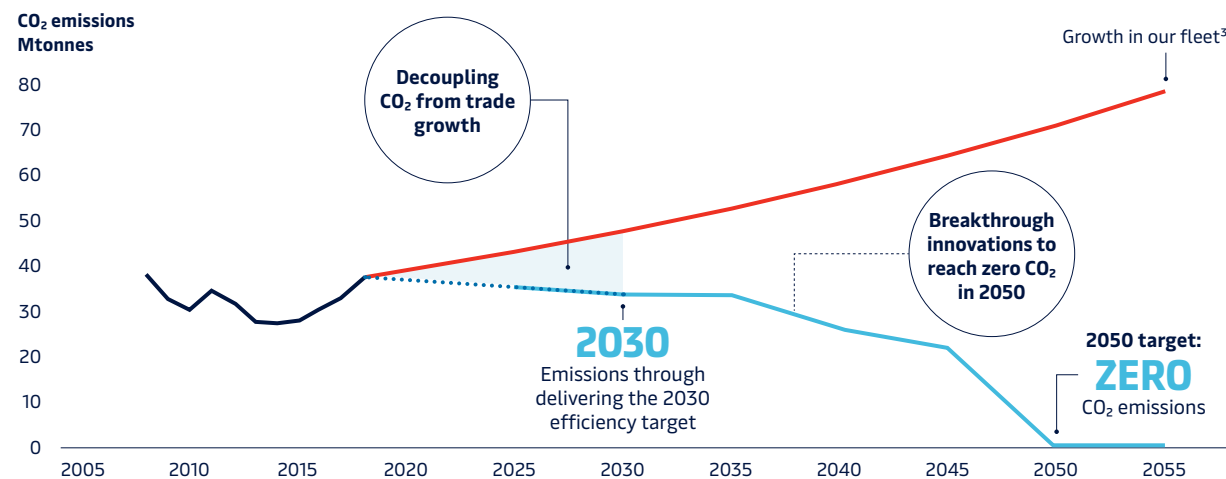
## 2018 RESULTS

# 41%

relative reduction in CO<sub>2</sub> emissions from our activities compared to 2008 baseline.

## 2050 SCENARIO

— Historic emissions — Number of vessels — Projected emissions 2030 efficiency target — Pathway to zero CO<sub>2</sub>



1 Global Warming of 1.5°C, Intergovernmental Panel on Climate Change, 2018.  
 2 Our target is net-zero CO<sub>2</sub> emissions, because using e.g. biofuels will emit CO<sub>2</sub> when burned on a vessel. However, if the feedstock used to produce the biofuel absorbs CO<sub>2</sub> equal to the emissions produced when burned (and the production process of the fuel is also CO<sub>2</sub>-neutral) then specific biofuels can be CO<sub>2</sub> neutral.  
 3 The 2050 scenario is based on a simulation, which builds on our expectations for the development of our business activities until 2050 and the reductions coming from exchanging old vessels with zero carbon vessels. It does not however, include post 2030 reductions coming from further reductions on the remaining part of the old fleet.

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.

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 CO<sub>2</sub> emissions from our growth, and as a company we are proud to already be aligned with the IMO industry target.

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

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

## Collaboration towards breakthrough

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

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

Research and development will be the cornerstone in decarbonising the shipping industry, and we urge all parties



## OVERVIEW OF A.P. MOLLER - MAERSK CO<sub>2</sub> EMISSIONS

As part of the work on our new climate change targets, we established a baseline overview of CO<sub>2</sub> emissions for our full value chain. This analysis showed that 65% of our greenhouse gas emissions come from our own activities (scope 1), and of this, 98% of our scope 1 emissions come from ocean transport. Purchased electricity (scope 2) is only 1% of our value chain footprint.

Our supply chain emissions make up the remaining 34% (scope 3), and a substantial part of these are related

to purchased ocean services. As a consequence, out of our total emissions, more than 70% relate to ocean transport, which makes it the natural place for us to focus our efforts in our new CO<sub>2</sub> 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.

## IN BRIEF

### AMBITIONS

To help decarbonise logistics through innovation, low-carbon offerings to customers and efficiency measures. Map climate change related risks to A.P. Moller - Maersk assets and supply chain.

### TARGETS

**2018:** 60% relative CO<sub>2</sub> reduction by 2020.\*

Develop low-carbon offerings to customers.

**2019:** Net-zero CO<sub>2</sub> emissions from own operations by 2050.

Efficiency target of 60% relative reduction in CO<sub>2</sub> by 2030 (2008 baseline).

Develop approach to managing risks from physical climate change.

### GOVERNANCE

Our work on climate change are governed through the Executive Board. Work is coordinated by a cross-functional task force.

## SDG TARGETS



7.3



13.1



17.16

## 2018 TARGETS MET?

In full

## DOMINANT DIMENSION OF MATERIALITY

Responsibility

Shared value

Risk

\* Note: target closed in 2018





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.

**Zero emissions vessels on the water by 2030**

The pursuit of solutions must begin now. Given the 20-25-year lifetime of a vessel, we must have the first zero-carbon and commercially viable vessel on the seas by 2030. This should be followed by an initial slow ramping up, allowing maturing of technology and supply chain in order to be able to turn around our entire fleet for net-zero carbon emissions in 2050.

This leaves us and the industry only eleven years to find the right solutions for a positive business case for decarbonisation.

For the next few years, it is very important not to rule out any solutions. There are several promising technologies at various stages of development. All solutions will come with benefits and challenges to be overcome and only by actively partnering, collaborating and undertaking research and development will we know which ones will win out.

There are several technologies and fuels being developed these years within the areas such as advanced biofuels and hydrogen-based fuels. We are already engaged in research

Shipping is crucial to reaching the climate change goals 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

**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 CO<sub>2</sub> emissions from their business, in many cases to zero emissions. Currently, 35 of our top 150 customers are using science-based targets and many other customers are working on targets. By reducing emissions in our operations, we can help these customers achieve their CO<sub>2</sub> goals and ambitions. A 2018 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 CO<sub>2</sub> 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 CO<sub>2</sub> emissions data to more long-term and action-oriented requests for low CO<sub>2</sub> solutions along with tangible CO<sub>2</sub> reduction pilot projects. We are currently working on offering different low-carbon solutions to our customers across transport modes.

and test programmes in some of these technologies, for example sustainable biofuels, where we are collaborating with customers and research institutes on development and testing of potential future solutions for low-carbon transportation. Over the coming years, we will expand the range of solutions we are investigating. This will prepare us for selecting a few candidates we will pursue for the first carbon-neutral vessels.

**Delivering on efficiency**

We have set a new efficiency target at 60% relative reductions by 2030 with a 2008 baseline and meeting it will require tremendous efforts. We will be working on a portfolio of solutions for reaching this target. Energy efficiency is a discipline where A.P. Moller - Maersk has excelled for decades, yet we still have potential to improve.

A major contribution will come from replacing older vessels with new and more efficient ones, taking advantage of our continuous work to optimise hull dimensions, hull shapes, propulsion systems and auxiliary systems, and in recent years we have consistently demonstrated our ability to design and build vessels that perform 15% more efficiently than our average vessels.

Another large contribution will come from further optimising our network in terms of both network operations and voyage execution. Over the next few years, we will be able to reap the benefits from our investments in connecting and digitising our vessels.

For the last part of the reductions in CO<sub>2</sub> 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 CO<sub>2</sub> emission 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.

**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.<sup>4</sup> 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.<sup>5</sup>

As part of our response to climate change, A.P. Moller - Maersk works 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.

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

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

**Reporting according to TCFD**

The TCFD recommends that companies report on both transition risks, understood as risks encountered while working with CO<sub>2</sub> reductions, and physical risks which are risks caused by changes in weather etc., within the categories of governance, strategy, risk management and metrics.

**Governance**

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

**Strategy**

Our transition strategy is described in the previous pages of this report.

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

Based on this overview, we 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 begin pilot projects on the ground, to gain a detailed understanding of the value at risk and not least how we can best 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.

**GLOBAL WEATHER IMPACT**

A total of

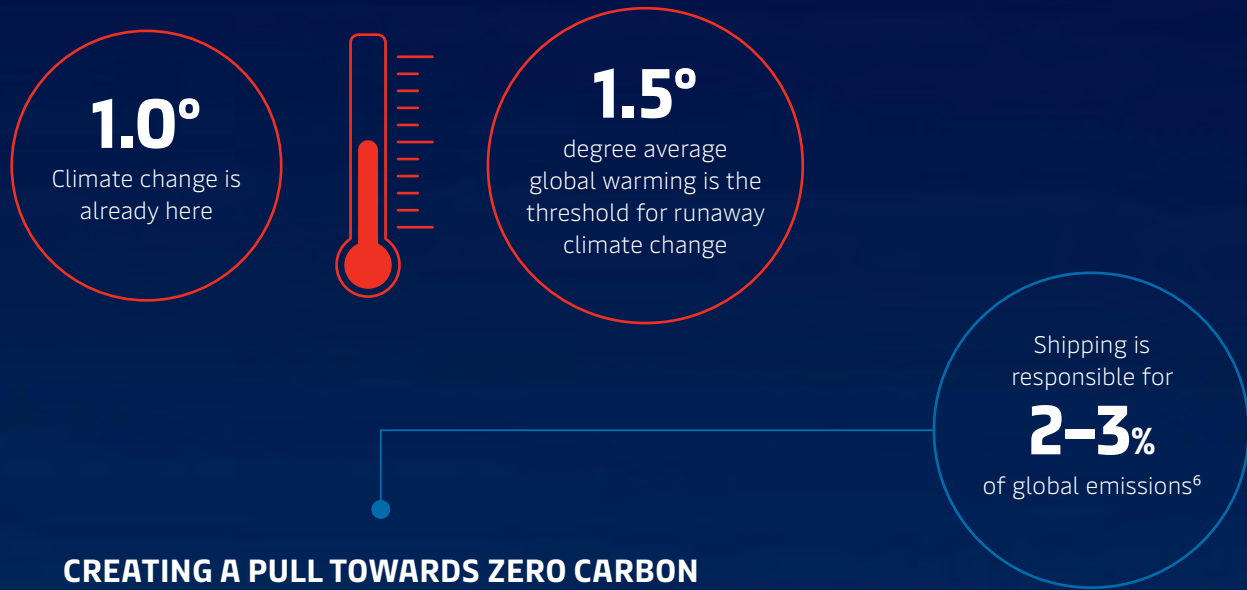
**330bn**

USD was the macroeconomic impact of global weather disasters in 2017.

<sup>4</sup> <http://www.ipcc.ch/report/sr15/>  
<sup>5</sup> <https://www.munichre.com/topics-online/en/climate-change-and-natural-disasters/natural-disasters/2017-year-in-figures.html>

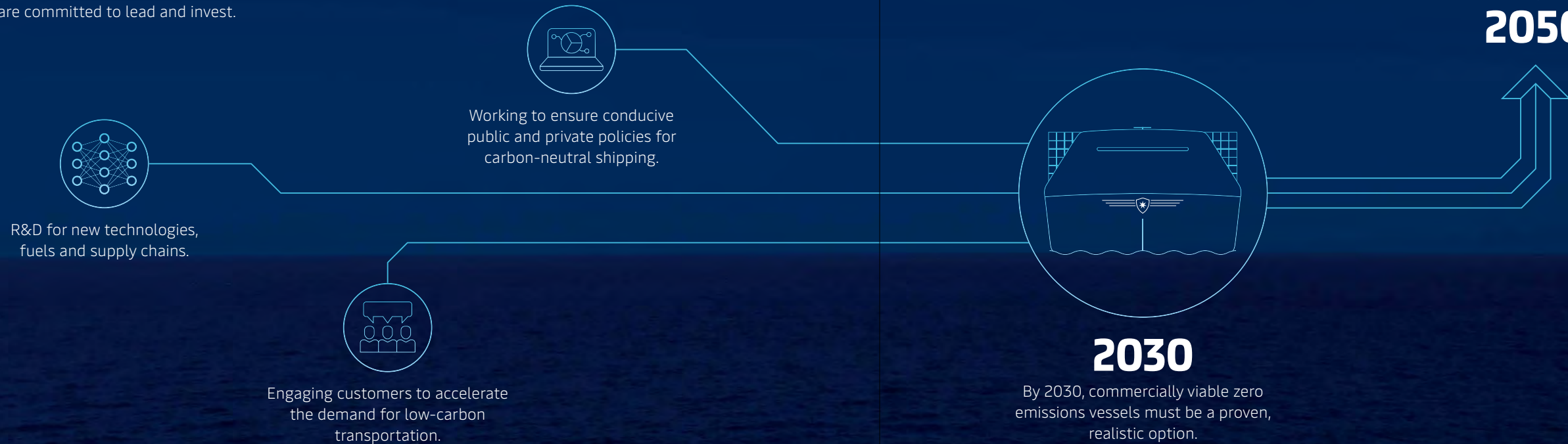


# Working towards carbon-neutral shipping – a pledge and a call to action



## CREATING A PULL TOWARDS ZERO CARBON

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



<sup>6</sup> Third IMO Greenhouse Gas Study 2014.



# 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. Moller - 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 ‘conveyor 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.<sup>7</sup> 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.<sup>8</sup> By keeping trade open in the 21st century, extreme poverty may be eradicated for the first time in human history.

Meanwhile, headlines on global trade in 2018 have been dominated by escalating trade tensions. By the end of

2018, we have not seen major effects on global trade. But in the coming years, we expect that at their current level, trade tensions may reduce growth in 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 an acceptance that the rule book on global trade needs updating in these areas to ensure a level playing field. We are hopeful that WTO member states will agree on reforms to ensure a rules-based global trading system that keeps trade open, market-based and inclusive.

Much depends on whether the changes to the trading rules will happen through the current system or whether the system as a whole will move away from multilateral solutions. Nevertheless, the current situation presents a unique opportunity and a pressing need to modernise the trading system to make it fit for the next stage

of globalisation. The mutual benefits of getting this right are too big to squander and the costs of getting it wrong are unacceptable for present and future generations.

## Need for inclusive policies

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

This smart mix of open trade and inclusive policies in 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.

## GROWTH AND JOBS

Reducing logistics barriers to trade could increase GDP by nearly

**5%**

adding millions of jobs to the global economy.<sup>9</sup>

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

## Trade and sustainable consumption

Past industrial revolutions that lifted the majority of mankind out of extreme poverty in just two centuries,<sup>10</sup> 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 harder 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.<sup>11</sup>

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. Moller - 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).

## IN BRIEF

### AMBITIONS

We will use our global reach and position to multiply the benefits of trade by reducing complexity, empowering entrepreneurs and supporting a level playing field for global trade that is open, market-based and inclusive.

### TARGETS

**2018:** Invest in digital solutions that facilitate trade. Provide support for implementation of the WTO Trade Facilitation Agreement.

**2019:** Connect 50% of global containerised trade to digital solutions that reduce supply chain barriers by 2025.

Have small and medium-sized customers account for 10% of our total revenue and 30% of our revenue from e-commerce logistics by 2025.

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

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

### GOVERNANCE

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

## SDG TARGETS



8.2  
8.3  
8.5



9.3



17.10  
17.16

## 2018 TARGETS MET?

In full

## DOMINANT DIMENSION OF MATERIALITY

- Responsibility
- Shared value
- Risk

7 Steven Pinker: Enlightenment Now, 2018  
8 Quarterly Journal of Economics (2016), 1113–1180  
9 Enabling Trade, Valuing Growth Opportunities, World Economic Forum 2013

10 <https://ourworldindata.org/extreme-poverty#note-4>  
11 <https://www.worldbank.org/en/results/2018/02/13/jobs-at-the-core-of-development>



## Multiplying the benefits of trade – our commitment

As a global integrator of container logistics, A.P. Moller - 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.



### REDUCE COMPLEXITY IN GLOBAL VALUE CHAINS

**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.<sup>12</sup>

**What we are doing:** In December 2018, A.P. Moller - 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.

### HELP LEVEL THE GLOBAL TRADING FIELD

**The opportunity:** The WTO Trade Facilitation Agreement, which came into force last year, is a concrete example of how the world uses the multilateral system to drive progress. Companies in developing countries pay a particularly high price for informal barriers to trade.<sup>13</sup> Traffic congestion and administrative barriers – popularly known as 'red tape' – cause delays that result in additional costs related to storage, inventory, and penalties for exporters and importers. For many, in particular small and medium-sized enterprises, these costs can make the difference between trading and not trading. Trade facilitation reform is key to making trade cheaper, faster and more inclusive.



**What we are doing:** As a member of the Global Alliance for Trade Facilitation, A.P. Moller - Maersk provides its expertise in support of trade facilitation projects in developing countries. In 2018, we have contributed to reform projects in India, Sri Lanka, Morocco, Ghana and Kenya. In Ghana, for example – an important hub for regional and

international business in West Africa – the Alliance works with the government and the private sector to introduce fully automated, paperless customs processing. This will significantly speed up clearance and release of goods thereby contributing to a better business environment.<sup>14</sup>

### REDUCE COMPLEXITY

We will connect

**50%**

of global containerised trade to digital solutions that reduce supply chain barriers by 2025.

### EMPOWER SMALL BUSINESSES

A share of

**10%**

of our total revenue and 30% of our revenue from e-commerce logistics will come from small and medium-sized customers by 2025.

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.



### EMPOWER SMALL BUSINESSES TO BENEFIT FROM TRADE

**The opportunity:** Small and medium-sized enterprises (SMEs) are 'conveyor belts' of innovation and job creation. 95% of all companies are SMEs and they account for two-thirds of formal sector jobs. Yet they have much less access to the benefits of trade.<sup>15</sup> If we can empower small businesses in trade, we can help make economies more inclusive. We foresee that rapid growth in e-commerce will enable more SMEs to connect with global markets. With the right logistics, this can pave the way for a new generation of small companies integrated in global trade capable of

retaining more value from trade and turning this value into decent jobs.

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

### Empowering entrepreneurs through partnerships

In 2018, A.P. Moller - Maersk became a partner to the SheTrades initiative by the International Trade Centre. The purpose of SheTrades is to enable women entrepreneurs to access the benefits of trade, aiming to connect three million women entrepreneurs to markets by 2021. This is good for inclusion – but it is also just good business. Closing the global economic gender gap could add 26% to annual global GDP by 2025.<sup>16</sup> Together with SheTrades, A.P. Moller - Maersk will help women entrepreneurs in developing countries engage in trade by sharing our expertise on transport and logistics with the women entrepreneurs.

In 2018, we continued our collaboration with ConnectAmericas, a social network for businesses in the Americas, where small and medium-sized enterprises can gain access to customers, suppliers and investors, receive training on international trade and commerce, and access financing opportunities. In 2018, an A.P. Moller - Maersk training course on logistics had nearly 3,500 registrations and 600 graduates. We are working with the International Development Bank and other ConnectAmericas partners to enable a payment mechanism directly on the platform.

Many people feel that on issues like social protection, living standards, quality education, decent work, fair taxation and environmental protection, trade has not helped. A.P. Moller - Maersk and other large companies have an important role in helping to articulate a positive vision for inclusive, sustainable trade. They can also help us travel along the path towards policies and practices that ensure trade supports better lives for all of us.

**SEAN DOHERTY**  
Head, International Trade and Investment  
Member of the Executive Committee  
World Economic Forum

### BENEFITS AND CHALLENGES OF DIGITISATION

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

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

concentration through exponential technologies and big data.

First, the future of work in logistics will be marked by increased use of new technologies in labour-intensive functions. This includes introducing drone delivery, autonomous vehicles and semi-automated warehouses. We are gradually introducing new technology in our own operations including vessels, containers and terminals, making them more efficient, safer and using data to generate new value. We are working to find a balanced approach to these changes (read more on page 34).

Second, the rise of big data combined with artificial intelligence and increased use of sensors in global logistics will see concerns over data privacy, algorithmic discrimination and mass surveillance

more closely connected to trade.

Protection of data privacy and human rights varies greatly across regions, and we will need to reconcile this with our global commitment to respecting human rights and the privacy of our customers and their customers in turn.

Third is the potential of exponential technologies to result in 'winner takes all or most' outcomes. E-commerce is one example. On the one hand, e-commerce can create access for millions of companies to global markets. On the other hand, critics are pointing out that digital trading platforms can lead to excessive market concentration. The challenge will be to ensure that trade remains open and market-based while benefiting from new technologies.

<sup>12</sup> Enabling Trade, Valuing Growth Opportunities, World Economic Forum 2013

<sup>13</sup> Aid for trade at a glance 2015: reducing trade costs for inclusive, sustainable growth, OECD, WTO 2015

<sup>14</sup> <https://www.tradefacilitation.org/project/ghana-expedited-clearance-and-release-of-goods-through-risk-based-pre-arrival-customs-processing/>

<sup>15</sup> World Trade Report 2016 Levelling the trading field for SMEs, WTO 2016

<sup>16</sup> The Power of Parity: How Advancing Women's Equality Can Add \$12 Trillion To Global Growth, McKinsey Global Institute 2015



# 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 500 million tonnes of food lost every year due to planning and handling issues, followed by
- the handling and storage stage, where 350 million tonnes of food is lost every year, due to inadequate storage conditions and time lags in the transportation phase caused by weak organisation of food chains and poor infrastructure.<sup>17</sup>

## 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 prevalence 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 products, 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, handling and storage stages.

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

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

## Wide-reaching potential benefits

With the projected global population growth in the coming decades, the demand for perishable food is projected to increase by 20% annually. It is clear that with the current system's inefficiencies, meeting this demand will put an even more unsustainable pressure on resources such as land and water, and increase CO<sub>2</sub> 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 ensuing local economic development.

## FOOD LOST EVERY YEAR

# 350m

tonnes due to inadequate storage and delays during transportation.



## GETTING INDIAN BANANAS TO EUROPE

India is the world's largest producer of bananas with about 30% share of global production. However, nearly a quarter of production is wasted due to lack of infrastructure and transport capability. Furthermore, India exports less than 1% of its production.

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

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

## IN BRIEF

### AMBITIONS

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.

### TARGETS

**2018:** 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.

**2019:** 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.

### GOVERNANCE

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

### SDG TARGETS



2.1 2.2 12.3



17.16

### 2018 TARGETS MET?

Partly

### DOMINANT DIMENSION OF MATERIALITY

- Responsibility
- Shared value
- Risk

<sup>17</sup> <https://www.bcg.com/en-gb/publications/2018/tackling-1.6-billion-ton-food-loss-and-waste-crisis.aspx>



# 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, 90% of vessels were still dismantled there in 2018.<sup>18</sup> This is the case in spite of several shipowners having policies for responsible ship recycling. A key factor in this is the lack of international regulations on ship recycling because the Hong Kong Convention on ship recycling, established by the IMO in 2009, still has not entered into force, as it has yet to be ratified by the required number of countries.

In 2016, A.P. Moller - Maersk embarked on a journey to radically change global ship recycling towards responsible practices and avoid the high level of

negative impacts of non-regulated ship recycling on beaches. We chose Alang, India, as the location where we would work on the ground to prove the viability of more options for responsible ship recycling. As part of this process, we wanted to change the way Alang works – both inside the yards and in the wider community. We remain fully committed to investing in changing this very real and very difficult problem for the shipping industry, living up to our values and ambitions for this area.

### Improving fast

A.P. Moller - Maersk has since 2016 sent a total of seven vessels for dismantling in four different yards in Alang and

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

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

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

Several more yards are now approved for bidding on A.P. Moller - Maersk-owned vessels destined for ship recycling, and a large number of other yards are today either compliant with IMO's Hong Kong Convention or on a journey towards compliance (see table on next page). We find that we have witnessed and helped propel this great

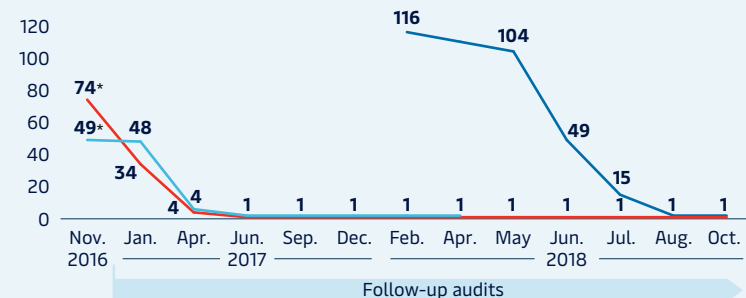
**“**The Ship Recycling Transparency Initiative is one of those rare initiatives that succeeds in marrying the interests of shippers, environmental and social stakeholders and responsible carriers. In vessel recycling, knowledge is power and transparency is progress, which is why I have high hopes for SRTI.  
**”**

**ROGER STREVS**  
Vice President, Global Sustainability, Wallenius Wilhelmsen Logistics

### FAST IMPROVEMENTS

Through a price incentive and a Maersk supervision team on the ground during recycling.

- Shree Ram plot V7 audit status (No. of findings)
- Y.S Investments plot 59 audit status (No. of findings)
- Baijnath Melaram plot 13 audit status (No. of findings)



A fourth yard, Shree Ram plot 78, worked on the first two vessels we sent to Alang. Audits and improvements took place between Feb '16 and Sep '17 and were reported in the 2017 report.  
\* Amendments to the audit status reported in the 2017 report have been made for November 2016 data at Shree Ram Plot V7 and Y.S. Investments Plot 59.

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 for sustaining 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).<sup>19</sup> 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 and engagement

From the beginning, we understood that only by engaging other stakeholders could we achieve the industry



The mobile health van began serving the wider Alang area in May 2018.

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 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.

### IN BRIEF

#### AMBITIONS

To radically change the global ship recycling industry to be dominated by responsible practices for the benefit of workers and the environment as well as responsible yards and shipowners.

#### TARGETS

**2018 and 2019:** Continue to invest and work with selected yards in Alang. Develop the wider Alang area. Drive the development of the Ship Recycling Transparency Initiative.

#### GOVERNANCE

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

#### SDG TARGETS



#### 2018 TARGETS MET?

In full

#### DOMINANT DIMENSION OF MATERIALITY

- Responsibility
- Shared value
- Risk

### TWO-THIRDS OF YARDS IN ALANG INVEST IN RESPONSIBLE PRACTICES

	Yards used by A.P. Moller - Maersk	Yards cleared for A.P. Moller - Maersk bids	Yards aligned/aligning with Hong Kong Convention	Other yards
As of 31 Dec 2015	0	4	4/35	104
As of 31 Dec 2016	1	3	17/39	87
As of 31 Dec 2017	3	6	66/27	50
As of 31 Dec 2018	4	9	80/15	48

Source: Ship Recycling Industries Association (India)

<sup>19</sup> Source: <https://gcaptain.com/european-list-of-approved-ship-recycling-facilities-updated-with-yards-in-turkey-u-s/>

<sup>18</sup> Source: [www.shipbreakingplatform.org/platform-publishes-list-2018/](http://www.shipbreakingplatform.org/platform-publishes-list-2018/)



# Progress, actions and ambitions

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.P. Moller - Maersk to reevaluate its safety approach.

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 the Board of Directors in the autumn of 2018, leading to a significant change in our approach going forward, rebooting our safety efforts to ensure safety is embedded in all aspects of the organisation, and involving every part of the business, every employee and all business processes.

### Three main elements

Moving forward, addressing three priorities becomes critical:

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

operational controls in place and with high levels of employee engagement.

Clear authority, roles, tasks, and objectives for safety at all levels in the company are and will remain important parts of the safety 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 facilities fully in scope for reporting on safety.

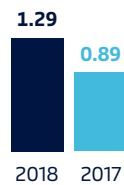
were developed and implemented to improve safety across our container vessels, building on a review of over 3,000 United Nations categories of hazardous materials.

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.

SØREN SKOU  
CEO of A.P. Moller - Maersk

### SAFETY PERFORMANCE

Lost-time injury frequency



LTIF is lost-time injury frequency per one million man-hours. The figures above are based on exposure hours for employees in operational scope (see Sustainability Accounting Principles: maersk.com/business/sustainability/sustainability-reports-and-publications/reports).

### Building capacity for safety

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

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

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

A real-life example of this approach is the safety features in ordinary cars. Our new approach is similar to the existence of seat belts, air bags, reversing alarms, non-skid brake systems etc. In comparison, our previous approach to safety also had some level of risk control, but relied mostly on instructions to 'drivers' focused on not placing the car too close to other objects or not to brake too hard on slippery surfaces.

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

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



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

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

### IN BRIEF

#### AMBITIONS

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

#### TARGETS

- 2018:**
- Zero fatalities
  - Continuous improvement in targets for lost-time incidents going towards zero.

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

#### WHY IS IT IMPORTANT?

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

#### GOVERNANCE

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

#### SDG TARGETS



8.8

#### 2018 TARGETS MET?

Not met: 7 fatalities

#### DOMINANT DIMENSION OF MATERIALITY

- Responsibility
- Shared value
- Risk



# Air emissions: SO<sub>x</sub> and NO<sub>x</sub>

## AMBITIONS

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

## TARGETS

- 2018:**
- Maintain or implement solutions that will enable full compliance with regulatory demands.
  - Develop positions alone and with others to level the playing field.
  - Fully comply with regulatory demands.

- 2019:**
- Fully comply with regulatory demands and continue investing in maintaining and implementing solutions that will enable this.
  - Actively engage at international and regional level to secure a level playing field across the industry.

## WHY IS IT IMPORTANT?

Air emissions from ocean-going shipping have negative effects on human health and the natural environment. We support regulation which will significantly reduce these effects, 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 (SO<sub>x</sub>) 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 gasses installed are exempted from this ban. OECD estimates the cost of switching to new, compliant fuels at up to USD 15 billion per year for the container shipping industry.<sup>20</sup> Our own estimation is around USD 2 billion annually for A.P. Moller - Maersk alone.

## 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.
  - Began dialogue with our customers over additional fuel costs, among other things announcing upcoming bunker surcharges. These will recover

the increased fuel costs, allowing customers to predict the actual extra cost of shipping for them at different fuel cost scenarios.

- Developed new standard operating procedures to ensure that the new, blended, compliant fuels will not cause operational problems.
- Invested in scrubbers on a share of our vessels. Scrubber technology is a less extensive element of our sulphur cap fuel sourcing strategy, the vast majority of our container vessels will comply using low sulphur fuels. In 2017, we publicly stated that we would not rely on this technology, but for the time being we need to secure that we are not overly reliant on a single means of compliance.

## NO<sub>x</sub>

IMO legislation exists to achieve progressive reductions in NO<sub>x</sub> emissions from ships. It is being implemented through the establishment of NO<sub>x</sub> emission control areas (NECAs). A.P. Moller - Maersk is preparing for the 2021 enforcement of NECAs in the Baltic Sea and the North Sea.

## GOVERNANCE

Our work is guided by a steering committee on SO<sub>x</sub> compliance and readiness.

## SDG TARGETS



## 2018 TARGETS MET?

Partly

## DOMINANT DIMENSION OF MATERIALITY

- Responsibility
- Shared value
- Risk

## SO<sub>x</sub> NON-COMPLIANCE CASES 2018

Where	What	Follow-up
Claes Maersk, Algeciras	Fuel sample showed a sulphur content of 0.18% in a zone where global cap is at 0.10%.	Caused by error in fuel changing calculation. Size of fine is pending.
Cecilie Maersk, Algeciras	Fuel sample showed a sulphur content of 0.11% in a zone where global cap is at 0.10%.	Caused by error in cleaning process. Size of fine is pending.
Seago Istanbul, Rotterdam	Fuel sample showed a sulphur content of 0.26% in a zone where global cap is at 0.10%.	Caused by error during fuel switch. Fine of EUR 1,600.
Maersk Salalah, Shanghai	Fuel sample showed a sulphur content of 0.67% in a zone where global cap is at 0.10%.	Caused by error during fuel switch. Fine of USD 3,900.

<sup>20</sup> Reducing sulphur emissions from ships, OECD/ITF, 2016

# Spills

## AMBITIONS

Zero oil spills.

## TARGETS

**2018 and 2019:**  
Zero non-contained oil spills above 10 m<sup>3</sup>.

## WHY IS IT IMPORTANT?

Large-scale oil spills may have documented, long-lasting impacts on human health and/or the environment. Spill incidents also have the potential to cause severe injuries and fatalities. Our business may suffer financial damages through fines and recovery operations, as well as reputational damage. The risk of oil spills is highest in terms of

likelihood in relation to fuel transfers. In terms of environmental impact, vessel collisions carry the highest risk profile along with land-side bulk hydrocarbon and chemical handling.

## PROGRESS IN 2018

- No oil spills over the 10 m<sup>3</sup> 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. Moller - Maersk governance system.

## SDG TARGETS



## 2018 TARGETS MET?

In full

## DOMINANT DIMENSION OF MATERIALITY

- Responsibility
- Shared value
- Risk

# Anti-corruption

## AMBITIONS

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 debarment from markets.

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

## PROGRESS IN 2018

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

- Began work to consolidate existing anti-corruption programmes into one common A.P. Moller - Maersk programme in line with the company's strategy, including an upgraded compliance programme. The programme is based on current compliance standards, including, but not limited to, risk assessment, training and communication.
- Continued membership of the Maritime Anti-Corruption Network.
- Four cases related to corruption were reported through the whistleblower hotline. Three cases have been investigated and closed as unsubstantiated. One case is currently being investigated and dealt with according to the procedure in the whistleblower system.

## GOVERNANCE

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

## SDG TARGETS



## 2018 TARGETS MET?

In full

## DOMINANT DIMENSION OF MATERIALITY

- Responsibility
- Shared value
- Risk



# Responsible procurement

## AMBITIONS

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 criteria 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 across segments in a consistent manner.

## WHY IS IT IMPORTANT?

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

## PROGRESS IN 2018

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

- Performed 40 audits and 1,029 self-assessments of suppliers.
- Added high-risk countries to the high-risk categories as an additional criterion for engagement.
- Further integrated our pre-qualifier questionnaire for the trucking category.

- 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 Employee Relations team.
- Piloted an assessment approach for the supplier category 'terminals' at 10 terminals in high-risk countries.

We were alerted by 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 out in the central A.P. Moller - Maersk governance system.

## SDG TARGETS



12.6

## 2018 TARGETS MET?

Partly

## DOMINANT DIMENSION OF MATERIALITY

- Responsibility
- Shared value
- Risk

# Human rights

## AMBITIONS

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?

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 rise.

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.

- Under the Safety of Life at Sea (SOLAS) convention, commercial vessels are obligated to assist persons in distress at sea, and governments are obligated to facilitate the disembarkation of rescued persons at a safe port. We take pride in meeting our SOLAS responsibility in a manner which respects human rights standards. In 2018, our vessels participated in two search and rescue missions at sea rescuing a total of 127 persons. An incident involving the Maersk Alexander in June 2018 received international attention, as our vessel waited four days for permission to disembark the rescued persons.
- Published our third annual statement under the UK Modern Slavery Act.

## GOVERNANCE

Human rights due diligence is part of our sustainability management process which is overseen by the Executive Board. In addition, human rights provisions are embedded into a number of programmes in the areas of safety, employee relations, diversity and inclusion, security, responsible procurement and responsible ship recycling (see the table below).

## SDG TARGETS



8.5

8.7

8.8



16.3

## 2018 TARGETS MET?

Partly

## DOMINANT DIMENSION OF MATERIALITY

- Responsibility
- Shared value
- Risk

## 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.<sup>1</sup>



<sup>1</sup> The numbers for 2017 have been restated to reflect the current organisational scope of reporting, excluding Maersk Oil and Maersk Tankers.  
<sup>2</sup> The number will vary as the number of categories change. This year's data includes trucking companies which were excluded in 2017.  
<sup>3</sup> Fewer audits compared to 2017 as many equipment and components manufacturers for new building projects and manning agencies were audited last year. These audits are valid for two years, or more, depending on the supplier category and hence, number of other audits reduced this year.  
<sup>4</sup> The number of improvement plans are not comparable year on year as the companies assessed/audited are not the same.

## 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.	34
Diversity and inclusion	The right to freedom from discrimination and the right to family life.	35
Responsible procurement	Human rights principles and standards related to labour, see examples above.	32
Ship recycling	Human rights principles and standards related to labour, in particular the right to life and the right to the highest attainable standard of health.	24–25
Air emissions	The right to the highest attainable standard of health.	30



# Employee relations

## AMBITIONS

All our employees will be treated fairly in a safe and healthy working environment with constructive and productive working relationships between managers, employees and employee representatives.

## TARGETS

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

## WHY IS IT IMPORTANT?

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

## PROGRESS IN 2018

As due diligence, we carried out a company-wide self-assessment of the compliance with our Rule on Global Employee Relations in 180 entities worldwide. Based on the assessment, we have initiated improvement actions in the following areas:

- Working hours and overtime:** The most frequent challenge and a continuous focus. In 2018, we made a policy on working hours specifically addressing challenges at our container factory in China.
- Compensation:** Cases occur where wage differences depend on employment status or nationality. In a few countries, where inflation and costs of living are rising rapidly, salaries may not enable employees to meet basic needs.
- Equal treatment:** Reports of employment decisions influenced by factors such as gender, ethnicity, nationality, religion or sexual orientation were dealt with through internal grievance systems.
- Freedom of association:** We are present in countries where independent trade unions are prohibited by law. We seek to honour our principles for employee relations while also complying with the law. We have taken steps to increase consistency in the way this is managed locally.
- Forced labour:** We operate in countries where local laws and practices may require employees to obtain approval from their current employer before changing jobs. There are also cases where employees are granted loans by the company. We have taken further steps to reduce the risk of bonded labour.

- Third-party staff:** People hired through third parties who work for us for long periods of time. The due diligence assessment has helped us strengthen implementation of our Third-Party Code of Conduct in areas such as pay and working hours.

We rolled out a company-wide e-learning programme on Global Employee Relations, which is mandatory for all employees and covers the international labour standards that are most salient to our business. Alongside this, we continued specialised training for employees working with manning agencies, with a focus on our inland service operations. Our whistleblower system received 31 HR-related cases, including cases related to potential infringements of our principles on Global Employee Relations. These are investigated and dealt with according to the procedure in the whistleblower system.

## GOVERNANCE

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

## SDG TARGETS



8.5 8.7 8.8 16.3

## 2018 TARGETS MET?

Partly\*

## DOMINANT DIMENSION OF MATERIALITY

- Responsibility
- Shared value
- Risk

\* We comply with our governance document on Global Employee Relations, but have identified some instances where practices must be further examined.

## CLOSING TWO FACTORIES

Following thorough evaluation of market prospects, Maersk Container Industry decided in June 2018 to close its container factory in San Antonio, Chile. Further, in January 2019 we decided to exit the dry container manufacturing business, which meant closing the factory in Dongguan, China. The closures sadly affected the jobs of 3,400 employees. We are committed to taking care of the people that are impacted by these difficult decisions and we thank them for their dedication and hard work over the years. Following the announcement of the closure of the plant in Chile, the trade union organising 50% of the employees

directed a complaint to the OECD National Contact Point (NCP) in Chile. The complaint argued that the running and closure of the factory violated the OECD Guidelines for Multinational Enterprises. The alleged violations concerned equal pay as well as consultation processes during the closure. We conducted a review of the allegations and found that our running and closure of the factory complied with all legal requirements as well as international standards for responsible business conduct. We presented the outcome of this review to the NCP, and on that basis respectfully declined the NCP's offer of a further mediation.

## NEW TECHNOLOGIES IN THE WORKPLACE

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

- Timely identification of upcoming technological changes, so that we can support our employees in building the skills required.
- Proactive and open dialogue with employees and their representative bodies. 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.

# Diversity and inclusion

## AMBITIONS

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

- 2018 and 2019:**
- Target for representation of women on the Board of Directors (see graphic below).
  - Target for representation of women and persons from countries that are not in the OECD high-income countries list (see graphic below).

## WHY IS IT IMPORTANT?

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

## PROGRESS IN 2018

We set global targets that help us monitor progress on representation of gender and nationality in management (see graphic below). We are not satisfied with the 2018 progress, and expect our investments in the agenda will positively impact the results in the future. The current targets are not seen as end points, but as steps along the way. We aim to create more micro targets for specific parts of the employee life cycle. These include gender recruitment targets, balanced with always hiring the best person for the job, and a target maternity return rate of 90% (currently at 73%). Since 2016, we have offered a global minimum of 18 weeks' maternity leave on full pay for all employees, and the option to work 20% less hours at full pay for up to six months within the first year of childbirth or adoption.

- 1. Inclusive leadership capabilities**
- Continued roll-out of workshops focusing on understanding and mitigating unconscious bias across leadership levels.
  - Developed and prepared 2019 launch of a new e-learning programme for all employees.
  - Delivered unconscious bias training during key restructuring projects embedding diversity when making people decisions.

- 2. Local and leader-led agendas**
- The CEO of A.P. Moller - Maersk committed to the European Roundtable pledge on Inclusion.
  - Continued development of regional and brand-owned diversity and inclusion strategies.
- 3. Engaging our employees in the diversity and inclusion agenda**
- Signed up to the UN LGBTI Standards for Business as part of our existing commitment to human rights and established a website with guidance and tools for line management.
  - Celebrated International People with Disabilities day, our first step in engaging employees globally on disability inclusion.
  - Local and regional initiatives rolled out by employee networks.
  - Close to 300 women across the company engaged through our women's development programme, which also provides virtual learning for its 1000 alumni.

## GOVERNANCE

Our Diversity and Inclusion programme is managed through the human resources department. Standards for non-discrimination of employees are part of the Global Employee Relations governance document.

## SDG TARGETS



5.1 5.5 10.2 10.3

## 2018 TARGETS MET?

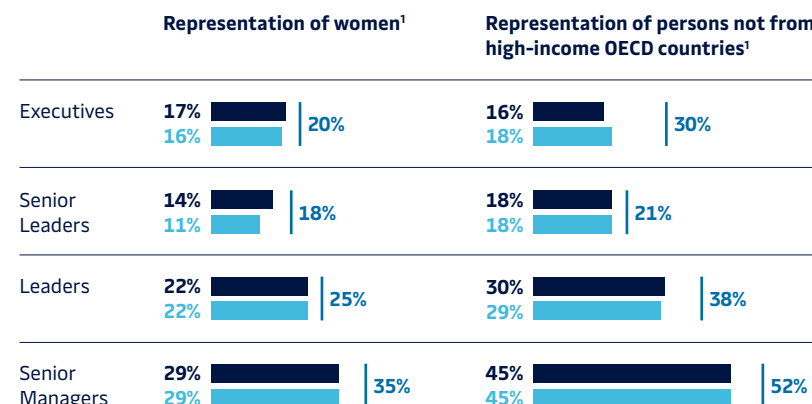
Partly

## DOMINANT DIMENSION OF MATERIALITY

- Responsibility
- Shared value
- Risk

## TARGETS AND PERFORMANCE ON DIVERSITY AND INCLUSION

■ 2018 ■ 2017 | Target 2020



## Representation of women on our boards<sup>2</sup>



In 2018, the A.P. Moller - Maersk A/S Board of Directors consisted of 10 members, of which two are women (eleven members and three women in 2017). The size of the board was reduced by one member in 2018. The member leaving the board was a woman. The Board set a target in 2015 to be reached by 2019, at the latest: three women Board members elected by the Annual General Meeting, if the Board consists of less than twelve members. Four women Board members, if the Board consists of twelve or more members.

<sup>1</sup> Targets and performance include continuing businesses.  
<sup>2</sup> A.P. Moller - Maersk A/S has a number of subsidiary companies that fall under the Danish legislative requirements on gender reporting, and which have all set targets for the underrepresented gender on the respective Boards of Directors. Of the companies, a portion have already obtained target representation on the Board, while the remaining continue to strive for their targets. See the management reports of the respective companies.



# Disaster response

## AMBITIONS

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

## TARGETS

### 2018 and 2019:

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

## WHY IS IT IMPORTANT?

When natural or human-incurred disaster strikes, emergency logistics

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

## PROGRESS IN 2018

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

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

- Contributed to the response plan following the earthquake in Indonesia in September, with information on the country's infrastructure and ocean freight 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.

## SDG TARGETS



17.6

## 2018 TARGETS MET?

In full

## DOMINANT DIMENSION OF MATERIALITY

- Responsibility
- Shared value
- Risk

# Responsible tax

## AMBITIONS

Be a compliant and accountable tax payer with responsible and transparent tax practices.

## TARGETS

### 2018 and 2019:

- Ensure full compliance with tax regulations in all countries where we operate.
- Continue to engage in dialogue with stakeholders on tax matters.
- Implement the B Team Responsible Tax Principles by 2020 (The B Team is a non-profit initiative aiming to catalyse more sustainable business practices).

## WHY IS IT IMPORTANT?

Well-functioning tax systems locally and

internationally help finance education, infrastructure and other public services that support sustainable development, local societies, business and trade. We recognise the need for companies to support the local economies in which they do business.

## PROGRESS IN 2018

- Total tax charge in 2018 was USD 645 million.
- Participated in The Tax Dialogues organised by Oxfam IBIS, the B Team's responsible tax project, the ICC international Chamber of Commerce Taxation Commission, and the UN Committee of Tax Experts.
- As a founding signatory of the B Team Responsible Tax Principles, we performed an internal assessment against the principles. As an outcome

of this assessment, we began collection of information regarding tax incentives throughout the world, and development of procedures for reporting of taxes paid at country level.

We operate globally, including in some countries that are listed as non-cooperative by the EU or other tax authorities. We do not engage in tax avoidance activities. Out of the five countries on the EU list for 2018, we have a Maersk Line Agency and a shore branch for a drill ship in Trinidad & Tobago.

## GOVERNANCE

Our approach to tax is directed by the A.P. Moller - Maersk Tax Principles and governed in line with the rules and guidance stated in the central A.P. Moller - Maersk governance system.

## SDG TARGETS



17.1

## 2018 TARGETS MET?

In full

## DOMINANT DIMENSION OF MATERIALITY

- Responsibility
- Shared value
- Risk

# Ocean health

## AMBITIONS

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

## TARGETS

### 2018:

- Mature the partnership with the World Ocean Council and the science community.
- Explore partnership opportunities in the marine plastic litter community.
- All vessels are compliant with the IMO Ballast Water Management Convention.

### 2019:

- All vessels are compliant with the IMO Ballast Water Management Convention.
- Continue collaboration with the Ocean Cleanup Project.
- Support ocean science research through data collection and partnerships.

## WHY IS IT IMPORTANT?

Ocean health is pivotal to the health of nature and people. 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 9,100.
- 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 drifter buoys which as 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.

## SDG TARGETS



14.1



17.6

14.3

## 2018 TARGETS MET?

Partly

## DOMINANT DIMENSION OF MATERIALITY

- Responsibility
- Shared value
- Risk

## 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.



At the end of 2018, the installment malfunctioned and was towed back to shore with terabytes of data ready to be used to develop necessary upgrades. Our vessel also carried around 2,000 kg of plastic that had been recovered from the patch.

The Ocean Cleanup Project's long-term ambition is to install at least 60 systems to remove 50% of the Great Pacific Garbage Patch within five years.



# Overview of targets and progress

MATERIAL ISSUE	Climate change (p. 12)	Inclusive trade (p. 18)	Food loss (p. 22)	Ship recycling (p. 24)	Safety (p. 28)	Air emissions (p. 30)	Spills (p. 31)	Anti-corruption (p. 31)	Responsible procurement (p. 32)	Human rights (p. 33)	Employee relations (p. 34)	Diversity and inclusion (p. 35)	Disaster response (p. 36)	Responsible tax (p. 36)	Ocean health (p. 37)
<b>AMBITIONS</b>	To help decarbonise logistics through innovation, low-carbon offerings to customers and efficiency measures. Map climate change related risks to A.P. Moller - Maersk assets and supply chain.	A.P. Moller - Maersk will use its global reach and position to multiply the benefits of trade by reducing complexity, empowering entrepreneurs and supporting a level playing field for global trade that is open, market-based and inclusive.	To leverage A.P. Moller - Maersk services, products and capabilities in order to halve food loss in logistics, and simultaneously enhance our cold chain business and support sustainable development.	To radically change the global ship recycling industry to be dominated by responsible practices to the benefit of workers and the environment as well as responsible yards and shipowners.	Our overriding ambition is to ensure that A.P. Moller - Maersk is a safe place to work.	Our key ambition is to comply with air emissions regulations and drive regulatory enforcement towards a level playing field.	Zero oil spills.	We aim to eliminate corruption in the maritime industry through both multi-stakeholder collaboration and our own operations.	To manage the risk of supplier non-compliance with our Third-Party Code of Conduct.	To ensure that we prevent and address adverse human rights impacts associated with our business activities.	All our employees will be treated fairly in a safe and healthy working environment with constructive and productive working relationships between managers, employees and employee representatives.	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.	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.	To be a compliant and accountable tax payer with responsible and transparent tax practices.	As a citizen of the oceans, we will contribute to protecting the health of oceans, and continuously reduce our own impacts.
<b>TARGETS 2018*</b>	60% relative CO <sub>2</sub> reduction by 2020 (target closed in 2018). Develop low-carbon offerings to customers.	We will invest on the scale of millions of USD in digital solutions that facilitate trade. We will provide dedicated support for the full implementation of the WTO Trade Facilitation Agreement.	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.	Continue to invest and work with selected yards in Alang. Develop the wider Alang area. Initiate the Ship Recycling Transparency Initiative.	Zero fatalities. Continuous improvement in targets for lost-time incidents going towards zero.	Maintain or implement solutions that will enable full compliance with regulatory demands. Develop positions, alone and with others, that are deemed to level the playing field. Fully comply with regulatory demands.	Zero non-contained oil spills above 10 m <sup>3</sup> .	Comply with legislation on anti-corrupt practices, which ultimately translates to zero bribery and facilitation payments.	Ensure compliance with Third-Party Code of Conduct. Introduce country risk as additional criteria 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.)	Full integration of human rights in sustainability governance. (Due to organisational and governance changes, this target was postponed until 2019.)	Ensure compliance with the A.P. Moller - Maersk governance document on Global Employee Relations, which is based on internationally recognised labour standards.	Target for representation of women on the Board of Directors. Targets for representation of women and persons from countries that are not in the OECD high-income countries.	Participate, as part of the Logistics Emergency Team (LET), in cases 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.	Continue to engage in dialogue with stakeholders on tax matters. Ensure full compliance with tax regulations. Meet our commitment to implement the B Team Responsible Tax Principles as a founding signatory.	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.
<b>PROGRESS 2018</b>	Established new targets on CO <sub>2</sub> reductions and decarbonisation. Calculated and made public scope 1, 2 and 3 CO <sub>2</sub> emissions from our activities. Mapped the company's risks from the physical impacts of climate change.	Established 2025 targets. Launched, supported and implemented activities in our areas of commitment to multiply the benefits of trade.	Mapped opportunities and began building partnerships to increase our understanding and to pilot potential solutions to food loss occurring in production, handling and storage stages.	External, quarterly audits of the yards we worked with in Alang report only one finding against our Responsible Ship Recycling Standard. Launched the Ship Recycling Transparency Initiative. Mobile Health unit operational in Alang, receiving nearly 10,000 people from the wider Alang area since May 2018.	Started a safety transformation journey with a new safety approach developed to 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. Seven fatalities. Total LTf at 1.29.	4 non-compliances with existing legislation for emissions of SO <sub>x</sub> from ocean-going transport. Contributed to the IMO negotiating a carriage ban as enforcement mechanism for 2020 global cap on sulphur dioxide content in fuel. Operationally prepared for compliance with the global cap.	No oil spills above the threshold our internal operations guidelines determine as significant (greater than 10 m <sup>3</sup> ). Rolled out a Spill Prevention, Control and Response Standard to all terminals and inland service locations.	Maintained status of near-elimination of facilitation payments on our own ships and improved significantly on chartered ships. Began work to consolidate existing anti-corruption programmes into one common A.P. Moller - Maersk programme. Continued membership of the Maritime Anti-Corruption Network. Four cases related to corruption were reported through the whistleblower hotline. Three cases have been investigated and closed as unsubstantiated. One case is still under investigation.	Performed 40 audits and 1,029 self-assessments of suppliers. Added high-risk countries as criterion for engagement. Further integrated pre-qualifier questionnaire for trucking. Piloted an assessment approach for terminals. Conducted focused training on labour relations.	Performed forward-looking analysis to understand how our impact on human rights will be affected by transformations in our surroundings as well as in our own company. Engaged in dialogue with United Nations human rights special rapporteurs on the subject of human rights and ship recycling. Published our third annual statement under the UK Modern Slavery Act.	Carried out a company-wide self-assessment looking at our compliance with our Global Employee Relations in 180 entities worldwide. Initiated improvement actions based on the assessments. Rolled out a company-wide mandatory e-learning module on Global Employee Relations. Continued specialised training for employees who deal with manning agencies.	We continue our efforts to building inclusive leadership capabilities and engaging our employees on the diversity and inclusion agenda. Progress on our targets on representation of women on the Board of Directors and representation of women and target nationalities can be found on page 35.	Increased our allocation of time and resources to also respond to human-incurred disasters in addition to natural disasters. Participated and contributed to the Logistics Emergency Team's response to emergencies in Indonesia and Yemen. Continued to map freight and logistics options to secure the Global Logistics Cluster's preparedness in risk-prone areas.	Total tax charge USD 645 million. Conducted gap analysis of our tax practices compared to the B Team Principles.	One non-compliance with the IMO Ballast Water Management Convention. Supported The Ocean Cleanup Project in their first large-scale deployment of cleaning device for collecting ocean plastics. Established partnerships with the scientific community on ocean health. Joined and launched the UN Global Compact Sustainable Ocean Business Action Platform, a three-year project.
<b>TARGETS 2019</b>	Net-zero CO <sub>2</sub> emissions from own operations by 2050. Efficiency target of 60% relative reduction in CO <sub>2</sub> by 2030 (2008 baseline). Develop approach to managing risks from physical climate change.	Connect 50% of global containerised trade to digital solutions that reduce supply chain barriers by 2025. Have small and medium-sized customers account for 10% of our total revenue and 30% of our revenue from e-commerce logistics by 2025. Help partners build capacity of 100,000 SMEs, including women-operated businesses, to engage in cross-border trade by 2025. Contribute to trade facilitation reforms in 30 developing countries by 2025.	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.	Continue to invest and work with selected yards in Alang. Develop the wider Alang area. Drive the development of the Ship Recycling Transparency Initiative.	New targets for safety will be developed in 2019, aligned with the new approach to focus on building resilience, capacity and controls. This still entails the ambition of no colleagues losing their life working for A.P. Moller - Maersk in 2019.	Fully comply with regulatory demands and continue to invest in maintaining and implementing solutions that will enable this. Actively engage at international and regional levels to secure a level playing field across the industry.	Zero non-contained oil spills above 10 m <sup>3</sup> .	Comply with legislation on anti-corruption practices, which ultimately translates to zero bribery and facilitation payments.	Ensure compliance with Third-Party Code of Conduct. Sharpen the focus on risk management through risk score methodology. Align supplier due diligence processes across segments in a consistent manner.	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.	Ensure compliance with the A.P. Moller - Maersk governance document on Global Employee Relations, which is based on internationally recognised labour standards.	Target for representation of women on the Board of Directors. Targets for representation of women and non-high income OECD nationalities.	Participate, as part of the Logistics Emergency Team (LET), in cases of complex emergencies and in 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.	Ensure full compliance with tax regulations in all countries where we operate. Continue to engage in dialogue with stakeholders on tax matters. Meet our commitment to implement the B Team Responsible Tax Principles by 2020.	All vessels are compliant with the IMO Ballast Water Management Convention. Continue collaboration with the Ocean Cleanup Project. Support ocean science research through data collection and partnerships.

\* As stated in our 2017 sustainability report or as re-scoped during 2018.



# Performance data

	A.P. MOLLER - MAERSK		CONTINUING OPERATIONS		DISCONTINUED OPERATIONS	
	2018	2017	2018	2017	2018	2017
<b>Social performance</b>						
<b>Our employees</b>						
Number of employees (FTEs)	84,404	85,667	80,220	75,814	4,184	9,853
Women in leadership (% based on headcount)	25%	23%	25%	26%	10%	16%
Gender – female/total (% based on headcount)	27%	26%	27%	28%	8%	10%
Target nationalities in leadership (% based on headcount)	37%	31%	37%	40%	12%	9%
Target nationalities/total (% based on headcount)	70%	69%	71%	74%	23%	40%
Fatalities (headcount)	7	7	7	6	0	1
Lost-time injury frequency (based on exposure hours)	1.29	0.89	1.32	0.94	0.67	0.52
<b>Environmental performance</b>						
<b>Energy consumption</b>						
Fuel oil (1,000 tonnes)	12,017	10,369	11,970	10,296	47	73
Gas fuels (1,000 tonnes)	17	369	17	17	0	352
Other fuels (1,000 tonnes)	118	160	118	109	0	51
Electricity (1,000 MWh)	732	816	725	700	7	116
Energy consumption (total, TJ)	498,209	449,578	496,185	427,428	2,024	22,150
<b>Greenhouse gas (GHG) emissions</b> (1,000 tonnes CO <sub>2</sub> eq)						
GHG emissions	39,165	35,981	39,004	33,787	161	2,194
Direct GHG emissions (scope 1 GHG Protocol)	38,826	35,579	38,667	33,442	159	2,137
Indirect GHG emissions (scope 2 GHG Protocol)	339	402	337	345	2	57
<b>Other air emissions</b>						
SO <sub>x</sub> (1,000 tonnes)	615	531	615	530	0	1
NO <sub>x</sub> (1,000 tonnes)	955	826	951	818	4	8
<b>Other resource consumption</b>						
Waste (1,000 tonnes)	340	272	336	254	4	18
Water (1,000 m <sup>3</sup> )	2,256	2,971	2,206	2,616	50	355
<b>Spills (hydrocarbon)</b>						
>10 m <sup>3</sup> (number of spills)	0	0	0	0	0	0
<b>Economic performance</b> (USD million)						
Revenue	39,019	30,945	39,019	30,945	n/a	n/a
Profit/loss before depreciation, etc. (EBITDA)	3,806	3,532	3,806	3,532	n/a	n/a
Capex	2,876	3,599	2,876	3,599	n/a	n/a
Tax for the year	645	1,191	386	219	259	972

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

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

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

2017 data includes 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 Service continue to be classified as discontinued operations and are included in this report with data presented on aggregate level.

## COMMENTS ON 2018 PERFORMANCE DATA

### Social performance

#### Our employees

Increase in total number of employees is due to the acquisition of Hamburg Süd.

The 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. Further comments on our performance on diversity and inclusion, along with our targets and performance on representation of women on the Board of Directors and representation of women and persons from countries that are not in the OECD high-income countries list, can be found on p. 35.

LTIF has increased mainly due to a positive change in safety maturity across our terminals where improvements in employee engagement have led to increased transparency in the reporting of lost time injuries. There has also been an increase in the number of terminal facilities fully in scope for reporting on safety. More details about our safety performance can be found on pages 28–29.

### Environmental performance

#### Energy consumption

Fleet of vessels has grown 8% due to the acquisition of Hamburg Süd. Increase in fuel oil is also caused by more vessel days deployed and the addition of new services.

No material change in natural gas consumption from continuing operations as compared to 2017.

Increase in other fuels consumption for continuing operations due to improved reporting processes for our terminal facilities.

Increase in electricity consumption from continuing operations due to the acquisition of Hamburg Süd as well as improved reporting processes for our terminal facilities.

Increase in energy consumption (total, TJ) is due to the increase in fuel oil consumption.

#### Greenhouse gas (GHG) emissions

Increase in GHG emissions is due to increases in energy 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.

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

#### Other air emissions

SO<sub>x</sub> is produced from the combustion of heavy fuel oil. Increase in SO<sub>x</sub> emissions is due to increases in fuel oil consumption.

NO<sub>x</sub> is produced from the reaction of nitrogen and oxygen gases in the air during combustion of fuels. Increase in NO<sub>x</sub> emissions is due to increases in fuel oil consumption.

#### Other resource consumption

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.

Decrease in water consumption for continuing operations is primarily due to improved reporting processes in two of our terminals.\*

#### Spills (hydrocarbon)

No spills above the threshold of >10m<sup>3</sup>.

### Economic performance

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

\* Two of our terminals accounted for approximately 1/3 of the reduction in water consumption for continuing operations.

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

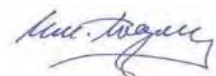
We performed a limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) 'Assurance Engagements other than Audits and Reviews of Historical Financial Information'. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks; consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

## Our independence and quality control

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

Copenhagen, 21 February 2019

PricewaterhouseCoopers  
Statsautoriseret Revisionspartnerselskab  
CVR no. 3377 1231



Mogens Nørgaard Mogensen  
State Authorised Public Accountant  
mne21404

A.P. Møller - Maersk

## Understanding reporting and measurement methodologies

Data and information need to be read and understood together with the accounting principles <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 - Maersk Accounting & Controlling for consolidation;
- Evaluated internal and external documentation to determine whether information in the 2018 Sustainability Report is supported by sufficient evidence.

## Management's responsibilities

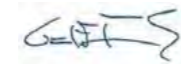
Management of A.P. Møller - Mærsk A/S is responsible for:

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

## Our responsibility

We are responsible for:

- Planning and performing the engagement to obtain limited assurance 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.



Gert Fisker Tomczyk  
State Authorised Public Accountant  
mne9777

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## WE VALUE YOUR FEEDBACK

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

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

You can also send an email to:  
[sustainability@maersk.com](mailto:sustainability@maersk.com)

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

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Additional COP content can be found on our website: <https://www.maersk.com/about/sustainability>





## 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](http://investor.maersk.com).

 A.P. Møller - Maersk also produces Interim Reports for each of the first three quarters of the financial year, and a summary report for Q4 is included in the Annual Report.


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

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

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

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

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

 An independently assured Sustainability Report is published by A.P. Møller - Maersk and covers all its material sustainability issues. The Sustainability website <https://www.maersk.com/about/sustainability> provides additional information on the UN Global Compact requirements and describes how A.P. Møller - Maersk fulfils these (Maersk COP), as well as A.P. Møller - Maersk's accounting principles regarding sustainability.

The Annual Report and the Annual Magazine contain forward-looking statements on expectations regarding the achievements and performance of A.P. Møller - Maersk. Such statements are subject to risks and uncertainties, as various factors, many of which are beyond the control of A.P. Møller - Maersk, may cause actual results and development to differ materially from the expectations contained therein.


## NEWS

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