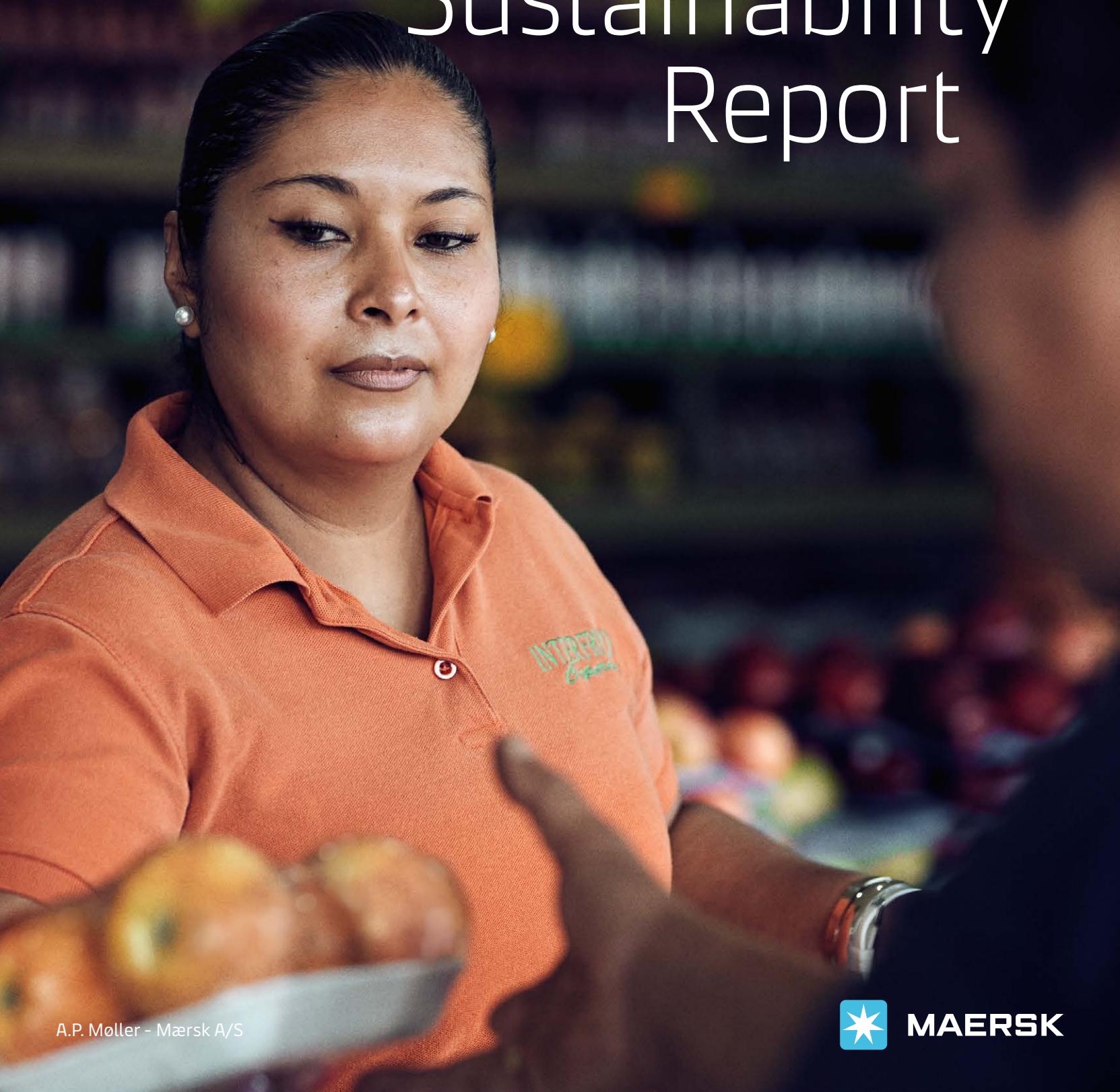
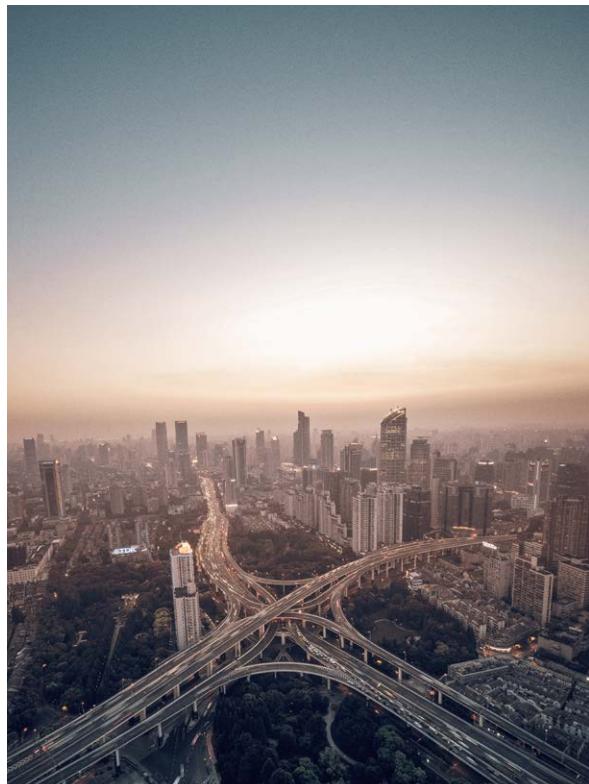


# 2019 Sustainability Report



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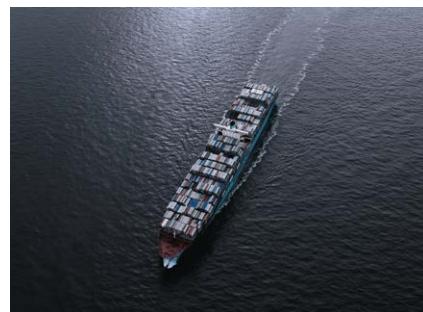
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### About the report

This report covers activities in the 2019 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>.

# What we do and how we create value

A.P. Moller - Maersk enables our customers to trade and grow by transporting goods anywhere. We work to provide customers with end-to-end products and services, taking the complexity out of global value chains.

## → Resources

### Stakeholder relationships/partnerships

We rely on constructive relationships with partners such as customers, suppliers, peers and authorities to maintain supportive framework conditions. See our key partnerships on p. 29.

### Our people and culture

Our talented and diverse group of 80,000 employees live our core values every day in their dedicated efforts to help customers realise their ambitions.

### Technology and IT

Technology and IT are key to enhancing our operational performance and core processes and play an important role in enhancing solutions for our customers.



Start destination



Customer's production

### Our brand

For more than a century, we have built trusted partnerships with our customers, enabling them to prosper by facilitating global trade.

### Natural resources

Our business relies on natural resources, in particular steel (the main component of our vessels) and oil for fuel.



### Financial capital

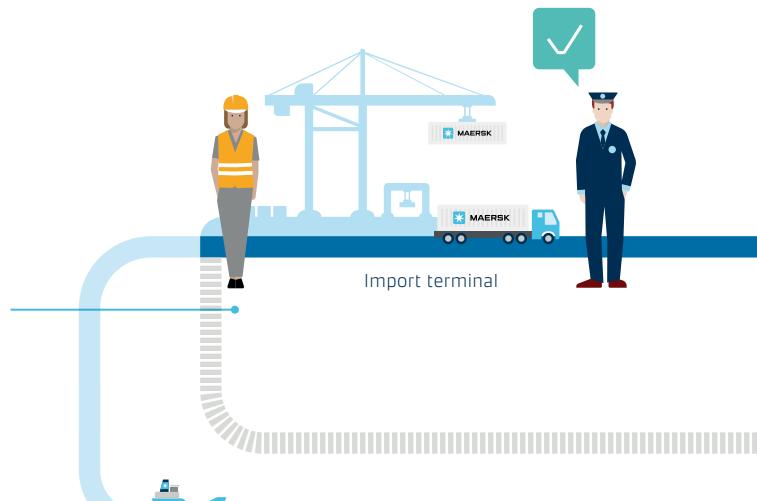
We have a strong balance sheet and are committed to remain investment grade rated.



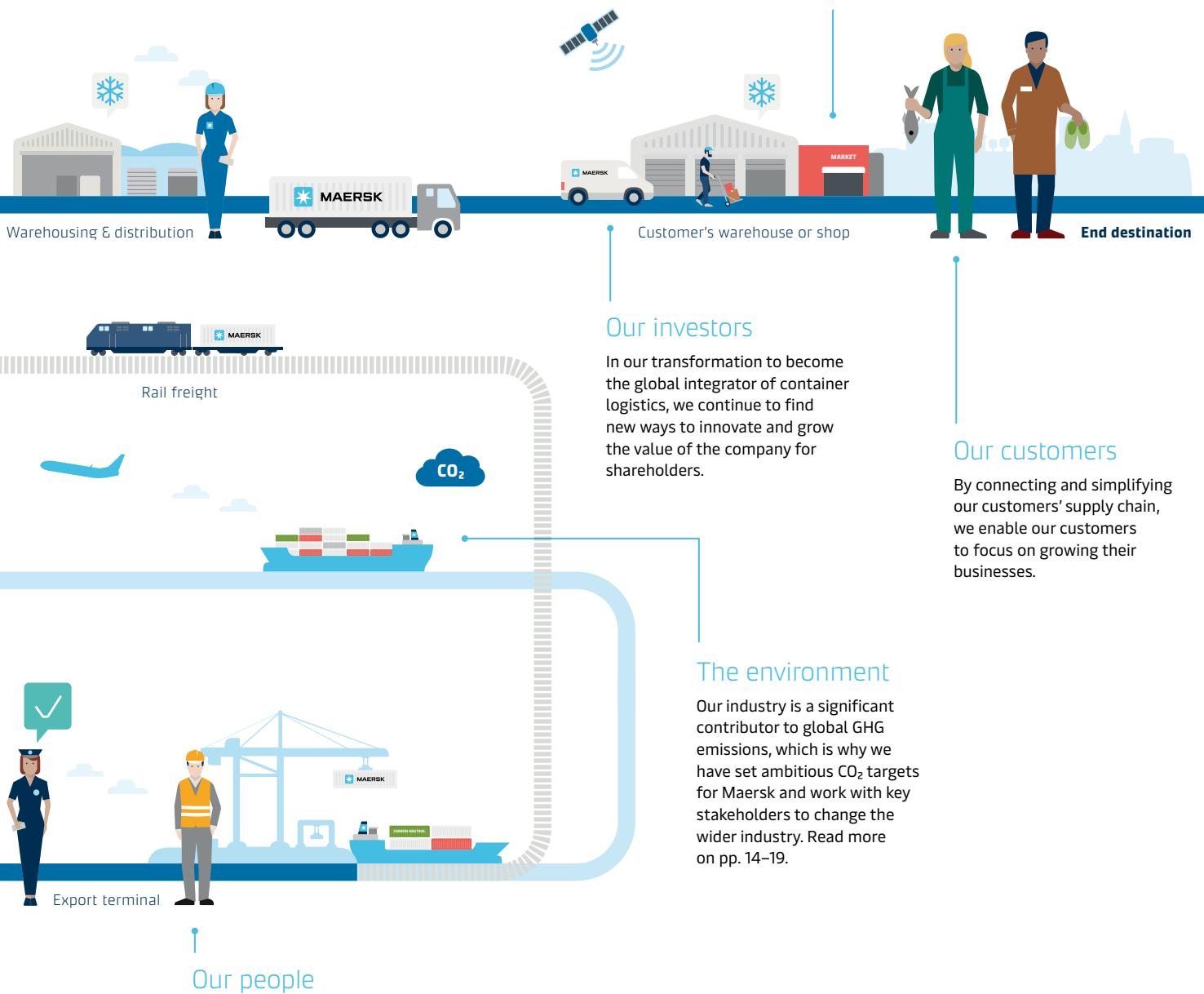
Warehousing & distribution

### Assets and an end-to-end delivery network

Our assets coupled with our expertise in managing and developing the end-to-end delivery network empower our customers to efficiently manage their supply chains.



## → Value created



Our people bring skills and capabilities that are key to our business and it remains crucial to keep them safe and engaged while offering interesting career paths in enabling global trade. Read about our work on safety on pp. 30–31.

# Letter from our CEO



In the space of just one year, there has been a step change in the commitment across society to sustainability. From government, banking institutions, investors, companies both big and small, to scientists, students and consumers, everyone is uniting in bringing increased awareness and finding solutions to the pressing issues that are impacting our world.

A solid sustainability agenda by itself is simply not enough anymore. Sustainability is expected by our customers to be a part of everyday business and embedded in everything we do. We are very pleased to take the next step in 2020 in embedding sustainability into our company by anchoring the activities in the business with direct business leader accountability for the results. With this move, we aim to make the pursuit of solutions that contribute to a better world a fundamental part of how we do business, firmly embedding sustainability into our processes and customer offerings in the years to come.

## Changing the course on emissions

I am proud that we are deeply involved in the global sustainability agenda and have been for over a decade.

On climate change, our target is to have net-zero emissions from our shipping activities by 2050. In 2019 alone, we reached several important milestones towards this ambitious target. We determined where the vast majority of our investments in new fuels will go in the next years, zooming in on three potential fuel types based on alcohols (methanol and ethanol), bio-methane and ammonia. On top of this, we launched a customer-backed coalition to develop a completely new type of biofuel that has potential to scale.

*"We aim to make the pursuit of solutions that contribute to a better world a fundamental part of how we do business, firmly embedding sustainability into our processes and customer offerings in the years to come."*

In addition, we put a certified carbon-neutral shipping option on the market, and we were among the founders of the Getting to Zero alliance that will serve as a vehicle to accelerate the energy transition in shipping and beyond.

We also finalised preparations for the robust new limits on sulphur dioxide (SO<sub>x</sub>) coming into force on 1 January 2020. Prior to this legislation, SO<sub>x</sub> pollution from shipping alone has been estimated to cause seven million asthma cases among children. We have been staunch supporters of this legislation from the beginning, and I am proud that Maersk has contributed to the design of enforcement mechanisms that point to a level playing field.

#### **Enabling open and inclusive trade**

Sustainability, as reflected in the UN's 17 Sustainable Development Goals, is about more than climate change and other environmental challenges. It is about poverty, decent jobs, sustainable production and consumption, infrastructure, hunger, life below water, gender equality, partnerships and more. Trade touches on all of these.

We are committed to enabling trade and to multiplying the benefits of trade so that more people, businesses and communities can be part of a global, open and inclusive trading system. We will therefore relentlessly work to remove the friction and barriers that are disproportionately more difficult for smaller enterprises to overcome.

Our work centres on changing away from complex, paper-based and fragmented processes and towards creating sustainable and transparent end-to-end supply chains. Our main contribution to this transition is to integrate our services to offer more sustainable trade options that are easier to access for

traders everywhere, and of any size. We do that by simplifying and digitising our own and our industry's core business processes, and in 2019 98.2% of all bookings were made online or in digital booking systems.

The digital platform TradeLens, through which we together with IBM enable participants to digitally connect, share information and collaborate across the supply chain, will soon include more than half of global container volume data. We are also driving forward Twill, a digital platform which allows customers to book, manage and monitor shipments online – thereby making it simpler and easier for SMEs to engage in international trade. By 1 January 2020, Twill was available in 154 countries.

Offerings such as Maersk Spot, TradeLens and Twill are each tailored to meet the unique needs of specific customer segments, while creating a seamless experience and taking away the hassles of international trade. Finally, we pursue our strategy of expanding our Logistics & Services business on land.

Through the efforts of Maersk colleagues everywhere, we are today one company, moving towards serving as an integrated transport and logistics company handling the global supply chains of our 70,000 customers.

#### **Making Maersk a safe place to work**

We have changed our approach to safety. Launched one year ago, our Safety Differently strategy is increasingly visible throughout Maersk. A key shift has been our drive to empower our organisation to reduce the impact of safety incidents, which is today equally as important as prevention of any and all incidents, and across the company safety experts are engaging leaders and employees in this work.

Tragically, five people lost their lives while working for us in 2019. Each of these fatal accidents is deeply troubling for me and anyone who works for Maersk. By building capacity to fail safely, we work to eliminate fatal and severe outcomes of accidents. We are hopeful that increasing the collaboration and dialogues around safety and creating an even stronger learning culture with clear safety leadership will have that impact.

#### **Integrating sustainability in the business**

As we work to further embed responsibilities in our business, sustainability continues to play a vital role in A.P. Moller - Maersk and our ambition remains the same, as well as our continued commitment to our customers, our colleagues and all partners and stakeholders, to be an innovative and responsible global integrator of container logistics.

Best regards,



**Søren Skou**

CEO of A.P. Moller - Mærsk A/S

# Strategy and governance

We are realising our sustainability strategy and creating new governance mechanisms to support progress and accountability.

During 2019, the A.P. Moller - Maersk (Maersk) organisational transformation into one company moved closer to completion. Integration of functions and governance mechanisms is now fully in place.

The transformation also implies a smooth fit between our business and sustainability strategies. We now have an organisational and governance system with fully charged decision-making capabilities and defined responsibilities to advance towards our goals.

## Sustainability supports the business strategy

Our business strategy is to become the global integrator of container logistics, providing our customers with end-to-end services for a simplified and connected supply chain. In doing so, we are embracing change and enabling trade for a growing world.

When we updated our sustainability strategy in 2017, we combined this ambition with our understanding of the most pressing sustainability challenges, where we believe Maersk – through our business – has the potential to make a real contribution to change.

The result was a strategy defined by four shared value commitments and based on responsible business practices (see graphical overview on next page). The strategy not only supports our commercial objectives, but also ensures we contribute meaningfully to the UN Sustainable Development Goals.

The business of A.P. Moller - Maersk touches, directly or indirectly, on all 17 SDGs. Five SDGs are prioritised through our shared value commitments: SDGs 8, 9, 12, 13 and 17. For example, our work on food loss contributes directly to goal 12, in particular the sub-target 12.3 on food loss. Our work on responsible

ship recycling is a contributor towards goal 8 on decent work and economic growth. Decarbonising logistics will be a monumental contribution to goal 13 on climate action, and progress on trade will contribute to numerous sub-targets across the goals, in particular goals 8 and 9<sup>1</sup>.

## Governance supports progress and accountability

In September 2019, a completely updated, comprehensive A.P. Moller - Maersk Code of Conduct for employees was launched, which also covers sustainability issues, including

human rights, supplier relationships, labour standards, anti-corruption and environmental responsibility.

The Code of Conduct sets out expectations and requirements and links to the relevant internal governance rules called Commit Rules. In the Commit system, 35 rules determine the goals and boundaries for Maersk's actions. Each rule has a designated owner in the organisation who is responsible for progress and accountable for reporting into the newly established cross-organisational Commit Council. This Council will oversee compliance and implementation with the Commit Rules and the Code of Conduct.

## Governance model



<sup>1</sup> For more details about our approach to the UN SDGs, please see our 2018 Annual Sustainability Report.

## Sustainability strategy



This set-up represents a strengthened governance function for all areas including sustainability.

### Task forces for shared value realisation

Each of the four shared value programmes in our sustainability strategy is guided by very ambitious goals that impact both our company and the world around us. We have established a task force for each programme headed by a Maersk executive and with members from the functions responsible for implementation.

The task forces approve the targets and main initiatives within each programme. For example, in 2019, the task force for multiplying the benefits of trade programme clarified the programme's focus

to consist of driving progress and governance on the commitments to inclusive trade (see page 12), and applying Maersk's capabilities to help small businesses connect to international trade. The latter part by combining Maersk's presence in a given country with local partnerships to roll out end-to-end logistics solutions targeted at small and medium-sized companies.

Besides these task forces, we may also establish committees to guide and coordinate cross-functional work on specific issues. For example, we currently have a SO<sub>x</sub> steering committee, where members from 10 different functions across the company align and coordinate work in preparation for complying with new regulation on sulphur emissions effective on 1 January 2020.

### Integration of sustainability into business

Over the past two years, we have worked to incorporate sustainability into our commercial and operations departments, making sustainability a much more integrated part of decision-making, discussions with customers and day-to-day business.

We took an additional step in this direction at the end of 2019, as we incorporated our shared value commitments further into our business. We have an unchanged sustainability agenda in both scope and ambition level, and with this further integration we aim to ensure that sustainability is a fundamental and inseparable part of how we do business.

# This is how we work

In this section, we report on five sustainability issues that currently affect our company more than all others, and that also draw high levels of interest amongst our stakeholders. These issues are how to make global trade benefit all, the climate crisis, the IMO 2020 sulphur cap, the health of oceans, and how the expansion of our business on land affects our supply chain responsibilities.

We report on how Maersk people everywhere in our global organisation work to grasp opportunities, resolve dilemmas and meet the challenges related to each of these issues. →



# How we aim to improve and enable trade

We are in the business of trade and dedicated to enabling global trade for a growing world. Trade has the potential to create jobs and reduce poverty, and we work to extend these benefits to more people and countries by reducing barriers and frictions in trade.

One morning in June 2019, Ayomide Oke from AgroEknor pulled into the new container freight station at Port of Onne, Nigeria. A dried hibiscus flower farmer, he was about to deliver a load of product for export.

Before the opening of the container freight station, located inside the A.P. Moller - Maersk (Maersk)-owned West Africa Container Terminal, the obstacles for AgroEknor to engage in export activities were daunting. He would have had to face the bad road conditions, to organise container rental and stuffing, container trucking services to and from the port, and arrange for customs and other inspection agencies to come to the container freight station outside of the port – complex logistics challenges that most have neither the skills nor the time for.

Working with the people at Maersk's container freight station, AgroEknor's farmers do not have to deal with any of these tasks. Here storage, container stuffing, customs clearance and container weighing services are all provided under the same roof.

This service will help local farmers join international trade, and avoid situations in the past, where export containers sometimes arrived too late for vessels, which meant financial losses for farmers, and that their time-sensitive produce in a container became part of the loss statistics. For AgroEknor and Ayomide Oke,

exports mean growth in volume of business and income. Their service delivery to their clients has improved and members of their community have greater potential to improve their lives with sustained employment opportunities. For Nigeria, this one container freight station, the only one in East Nigeria, is a welcome contribution to the government's push for more exports, particularly of agricultural products, in order to increase foreign exchange revenue, improve its balance of trade, and create employment opportunities.

## Enabling trade is our core

As the global integrator of container logistics, Maersk moves 1 in every 5 containers in the world. It is our mission to connect and simplify supply chains to enable trade for our customers and for a growing world.

This goal of enabling trade drives innovations in booking processes and cargo management, digitising shipping's entire paper trail, and offering our services from farm or factory to store or production facility and not only port to port.

In broader terms, it also drives our work to ensure that trade serves as a positive contributor to global and local development and growth, with a particular focus on enhancing opportunities for small and medium-sized traders.

In 2019, we completed a study of our impact on trade in 17 countries in Sub-Saharan Africa

since 2007. We found that our investments in shipping and port connectivity have enabled trade worth USD 18 billion, creating the foundation for millions of jobs in the process. However, this number could have been much larger were it not for poor inland transport links and cumbersome border processes that hold back trade in Africa.

Globally, the cost of practical barriers like these are six times higher than the combined costs of global tariffs<sup>2</sup>. Reducing these supply chain barriers could boost global GDP by 5% and thereby add 20 million jobs to the global economy annually by 2030 – with the largest effects in developing countries<sup>3</sup>.

Small and medium-sized enterprises (SMEs) have the greatest potential for improvement in these scenarios, and societies stand to gain the most by improving the capacity of SMEs to trade. Today, 95% of all companies are SMEs and they account for up to 70% of all jobs<sup>4</sup>. They feature in most countries' social and economic policy objectives and in the UN SDGs. However, for SMEs in developing countries, direct exports represent only 7.6% of sales compared to 14.1% for large manufacturing companies. In developed countries, SMEs account for 78% of exporting companies but only 34% of exports<sup>4</sup>.

As we empower small businesses in trade, we can help economies – and trade – become more inclusive.

<sup>2</sup> Enabling Trade, Valuing Growth Opportunities, World Economic Forum 2013

<sup>3</sup> Enabling Trade, Valuing Growth Opportunities, World Economic Forum 2013

<sup>4</sup> World Trade Report 2016 Levelling the trading field for SMEs, WTO 2016

## Reducing complexity

A main barrier for participation in trade is the complexity of trade processes. This is why, in 2018, Maersk and IBM launched TradeLens, an open and neutral platform using blockchain technology in logistics. Currently, shipping companies representing more than half of global container trade have signed up to TradeLens, along with other critical players such as inland transportation providers, customs authorities and ports.

TradeLens' potential to add value by simplifying trade was shown in an analysis of our terminal in Mumbai in India in 2019. The analysis showed that the kinds of solutions enabled by TradeLens can help reduce costs for exporters and importers by up to USD 260 million annually in Mumbai alone, equal to approximately 15% of total costs.

## Empower small businesses to benefit from trade

In support of the critical segment of SMEs and their access to global trade, we have

established a digital shipping platform, Twill, enabling SME customers to book, manage and monitor shipments online, including inland transportation and customs clearance. This reduces trade barriers such as lack of knowledge on how to trade, and lack of trust inside the existing trading system. In 2020, Twill will be live in 154 countries.

Women entrepreneurs hold particular promise in making trade work better for inclusive economic growth<sup>5</sup>. Since 2018, we have partnered with SheTrades, supporting their ambition of connecting three million women entrepreneurs to international markets by 2021 (see further activities in 2019 progress graphic).

Maersk is also investing in solutions that enable SMEs to access international trade and in turn create more and better jobs in their communities. One such example is the company Incodocs, an Australian start-up developing a solution to automate trade documentation for SMEs. Another example is Mofidi, a German start-up that works to develop a trade finance solution for small companies.



*"I monitor all aspects very closely for our customers, who trust us to handle everything for them."*

Cathy Jones, working in Chicago, USA, provides end-to-end customer care for Twill customers. This includes planning, supplier coordination and collation of documentation for customs clearance through to final mile trucking delivery management at destination. Above all, Cathy's primary objective is to manage all unexpected events and to take the necessary action in ensuring the on-time arrival of cargo.

## 2019 progress on our commitments

Maersk works towards an ambitious set of commitments to help multiply the benefits of trade by 2025.

<b>Commitment</b>	Connect 50% of global containerised trade to digital solutions that reduce supply chain barriers by 2025.	<ul style="list-style-type: none"> <li>Help connect 100,000 small and medium-sized enterprises, including women-operated businesses, to international trade by 2025.</li> <li>Have SME customers account for 10% of our total revenue and 30% of our revenue from e-commerce logistics by 2025.</li> </ul>	Contribute to trade facilitation reforms in 30 developing countries by 2025.
<b>Progress</b>	A total of 95 container terminals are connected to TradeLens. Ocean carriers representing more than half of global container trade; and 15 customs authorities have already committed to joining the TradeLens network.	<ul style="list-style-type: none"> <li>We have helped connect 8,000 small and medium-sized businesses to international trade.</li> <li>Twill, our digital shipping platform for SMEs, went live in 154 countries on 1 January 2020.</li> </ul>	By the end of 2019, we had contributed to reforms in 9 countries.
<b>Actions</b>	Continued engagement with customers, carriers, terminals, customs authorities and inland logistics providers to widen the TradeLens ecosystem.	<ul style="list-style-type: none"> <li>We trained SheTrades members from more than 30 countries on practical trading issues, reaching more than 800,000 people on social media.</li> <li>By the end of 2019, we have invested in 15 start-ups enabling trade for SMEs.</li> </ul>	Through our participation in the Global Alliance for Trade Facilitation, we provide knowledge and data to enable reforms in developing countries.



## Help level the global trading field

Companies in developing countries pay a particularly high price for informal barriers to trade<sup>6</sup>, such as traffic congestion and administrative barriers, which cause delays and add costs. Trade facilitation reforms are needed to remove or reduce these added costs, and the WTO Trade Facilitation Agreement, which came into force in 2017, aims to do just that.

We are founding members of the Global Alliance for Trade Facilitation, a public-private partnership that supports reforms in developing and emerging economies. In 2019, the Alliance completed a project with Colombia's National Food and Drug Surveillance Institute to establish a risk management system for food and beverage imports. This has reduced the average time for importing from two days to just three hours saving importers USD 8.8 million in the first 18 months.

In 2019, we engaged with UNCTAD and the German government to develop a digital solution that will allow customs authorities in 100 developing countries worldwide to freely access digital shipping information directly from TradeLens. This can enable much faster processing of imports and exports.



## Trade is good but not for me

There is solid evidence that trade is indispensable for poverty reduction<sup>7</sup>, supporting decent work<sup>8</sup> and lowering the cost of living – particularly for low income groups<sup>9</sup>.

One question begs an answer, however: If open trade is so powerful, then why is it not more popular?

In a 2018 survey, 8 in 10 people said that trade is good for their country. But fewer than half believed that trade benefits them<sup>10</sup>.

This is not merely perception. In spite of trade's benefits in general, many poorer countries have found it hard to develop domestic industries that can compete in global markets. And in high-income countries, open trade combined with new technologies has contributed to stagnating livelihoods for some groups of people.

The result is that when asked if they think trade is good, a typical answer seems to be "yes – but not for me".

## The dilemmas in sustainable consumption

The sustainability of global consumption patterns continue to be a much-debated topic. This is a highly complex issue, driven in particular by three interlinked challenges: the rise of the global middle class, planetary boundaries posing limits to growth and a growing call for more equity in how and by whom resources are owned and consumed.

In addition to a call for public policies to improve distribution of wealth and access to opportunity, the public debates on solutions to the challenge of sustainable consumption generally fall in one of three categories:

- an appeal for degrowth, i.e. reducing or avoiding consumption,
- a call for innovations to deliver sustainable growth within current economic models, and
- a call for new metrics and solutions in an economic model that is beyond growth.

Dilemmas abound in discussions of sustainable consumption patterns, and there are big questions that both the public and private sector will need to find answers to. Among these are:

- What happens to job creation, livelihoods and stability if growth slows?

- What does degrowth mean – and is it necessary? And how will developing countries cope, when they already need 600 million jobs by 2030 just to keep up with population growth?

- What will new business models look like and who are the winners and losers in the transition to a green economy?

- How will the realisation of closed loop production and carbon free logistics change this debate?

We follow the development in this field avidly, as changes in consumption patterns could directly lead to changes in our business. The ultimate driver of the sustainable consumption debate is the green transition, and our most immediate role in this is linked to our role as a large-scale buyer and consumer of energy.

Consequently, we believe that our decarbonisation and inclusive trade efforts are the most relevant contributions we can make.

<sup>6</sup> The Power of Parity: How Advancing Women's Equality Can Add \$12 Trillion To Global Growth, McKinsey Global Institute 2015

<sup>7</sup> <https://www.worldbank.org/en/publication/poverty-and-shared-prosperity>

<sup>8</sup> Policy Priorities for International Trade and Jobs, OECD 2012

<sup>9</sup> Faijgelbaum and Khandelwal, 2016

<sup>10</sup> <https://www.pewresearch.org/global/2018/09/26/americans-like-many-in-other-advanced-economies-not-convinced-of-trades-benefits/>

# How we work towards decarbonising logistics

Our goal is to decarbonise our own operations by 2050 and in the process become as energy efficient as possible. In 2019, with a broad range of collaborations and partnerships, we were off to an encouraging start, and many people across our operations are working to support our transition.

On 23 September 2019, Marcin Hartmann was doing his job as a chief engineer on the Mumbai Maersk. His main task is to keep moving the ship forward, taking our customers' cargo to its agreed destination at the agreed time. His other task is to ensure that this is done with as low fuel costs and subsequent CO<sub>2</sub> emissions as possible.

Using the StarConnect vessel optimisation tool, numerous graphs and data points on his desktop screen provide him with information to keep the main engine tuned and fuel efficient. He is setting all parameters to optimum cylinder pressures, adjusting engine load, checking the waste heat recovery system and more.

Marcin Hartmann is not alone in his attempts to lower emissions, save fuel and stick to the schedule. In Singapore sits Adithya Vishwanathan. Charts and maps with live monitoring of the more than 700 Maersk-operated vessels are on the walls of the room, where the Maersk voyage execution team do their work. This team of 10 experienced seafarers works around the clock to support the vessels' fuel consumption through input on route planning, optimisation of voyage strategies, and additional weather info.

On the second floor of our Copenhagen head office, Key Client Manager Klaus Schroeder Pagh was finalising an email to a customer, in this case Swedish retail giant H&M, hammering out some of the details in the agreement to use a new carbon-neutral biofuel offering for parts

of their cargo. Meanwhile on another floor, Mads Stensen, Senior Sustainability Developer was meeting with customers to discuss their participation in the LEO Project, set to develop a new type of biofuel.

Finally, on this same day, Maersk, represented by then Chief Operations Officer, Søren Toft, was on stage at the United Nations Secretary General's Climate Summit, launching the Getting to Zero Coalition and talking to world leaders about Maersk's ambition to be a decarbonised, end-to-end logistics provider, and what we are doing to get there.

What all these Maersk colleagues share is the drive towards delivering on our two strategic targets for CO<sub>2</sub>:

1. To have net-zero CO<sub>2</sub> emissions from our own operations by 2050, which includes having commercially viable, net-zero vessels on the water by 2030.
2. To deliver a 60% relative reduction in CO<sub>2</sub> emissions by 2030 compared to 2008 levels.

## New progress made in efficiency

When Marcin, the chief engineer on Mumbai Maersk, checks his StarConnect dashboard to lower fuel consumption, he contributes to two major, strategic goals for Maersk: cost optimisation and decreasing CO<sub>2</sub> emissions.

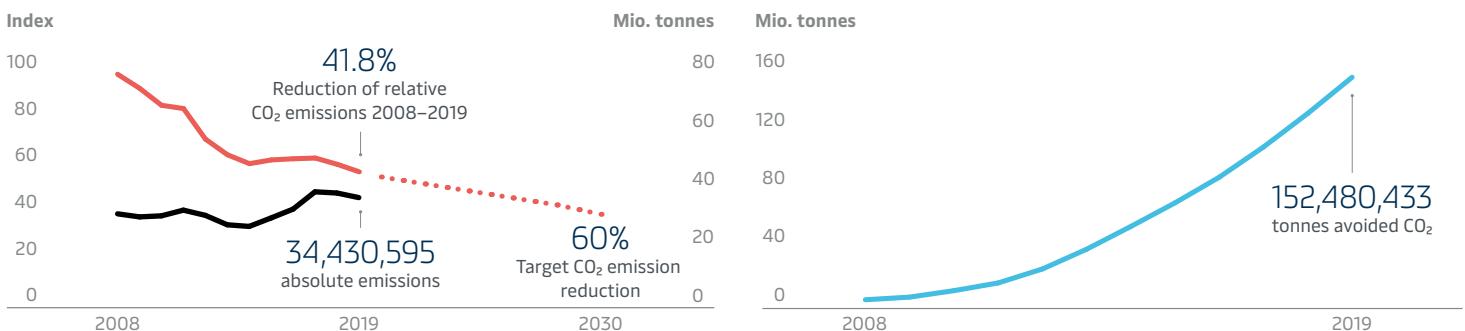


*"There are probably still opportunities to look for further adjustments to save fuels and CO<sub>2</sub>. We try to find out. We try to do this all the time, wherever we can."*

**Marcin Hartmann**  
Chief Engineer on Mumbai Maersk

## Working towards 60% CO<sub>2</sub> efficiency improvement

We made new progress on our relative reduction target in 2019.



In 2019, we changed the indicator underlying our relative CO<sub>2</sub> reduction target. Instead of the previous indicator, which used average-based assumptions to calculate emissions, we now use the EEOI indicator based on our actual operational performance<sup>11</sup>. The result is more accurate data and calculations of impact, and alignment with what we suggest become the indicator to be used to measure progress on the IMO efficiency targets. All data from 2008 and onwards has been restated, and numbers in this report are therefore not directly comparable with numbers in previous reports. The reduction target and performance data in the charts above is related to our shipping operations. The peak in absolute emissions in 2017 is due to the acquisition of Hamburg Süd.

Focusing on these goals has resulted in a 41.8% relative reduction in CO<sub>2</sub> emissions since 2008, with 2019 progress showing a 3.2% improvement towards the 2008 baseline, and a 5.2% improvement relative to the 2018 level. We expect further improvement in the coming years, and we are well on track for our 60% reduction target in 2030. Reductions are achieved through technical retrofitting and by improving planning and optimising of networks. In 2019, we introduced the bunker crusade-programme, where anyone in Maersk who is involved in moving goods from one port to another chases ways to improve efficiency and drive out waste in the use and purchase of bunker fuel. The crusade focuses on improved use of data, increased collaboration and coordination over route scheduling.

Had we not worked on these efficiency measures, our emissions would have mirrored our business growth. While emissions have grown in absolute numbers, we have decoupled growth in business from CO<sub>2</sub> emission levels as seen in the graphic above. In total, we have thereby avoided emissions of 152,480,433 tonnes of CO<sub>2</sub> over the period 2008–2019, equal to more than 32 million average size cars being taken off the roads for a year<sup>12</sup>.

### Decarbonising is the only way forward

Every year the World Economic Forum publishes its list of the most pressing global risks. In 2020, the top five risks in terms of

likelihood are all related to climate and climate-related environmental issues. The shipping industry contributes about 2–3% of the world's emissions. If shipping were a country, it would be the world's sixth-biggest greenhouse gas emitter.

As seen in the graphs above, improving efficiency is not enough. Even with 41.8% efficiency gains, absolute emissions remain roughly flat. In addition to efficiency, we must introduce carbon-neutral propulsion technologies that will work on long voyages at sea.

In December 2018 we communicated our ambition to have carbon-neutral marine operations by 2050, far beyond any regulatory frameworks in place today, and in line with the Paris Agreement.

To get to net-zero emissions, we know that breakthroughs will need to happen in at least three areas: market, technology and legislation.

### Starting to move the market

Through partnerships with key market players, we will test and launch new products to drive demand and change price perceptions.

Biodiesels play a key role in the transition phase, as an element in establishing and growing the market for carbon-neutral transport and to build acceptance of diversified pricing dependent on carbon footprint.

In 2019, we piloted a new fuel made from used cooking oil, certified by the International Sustainability & Carbon Certification body.

*"Comparatively, the main challenge in decarbonising shipping is not at sea but on land. The technological changes inside the vessels are minor compared to the massive innovative solutions and fuel transformation that must take place in the fuel supply chains to produce and distribute entirely new energy sources."*

**John Kornerup Bang**  
Chief Advisor, Climate Change

<sup>11</sup> EEOI – Energy Efficiency Operational Indicator – is calculated as g CO<sub>2</sub>/(Ton x Nm). For further details, please see the Sustainability Accounting Principles on <https://www.maersk.com/about/sustainability/reports>.

<sup>12</sup> <https://www.epa.gov/energy/greenhouse-gas-equivalencies-calculator>

The fuel is carbon neutral from a vessel perspective and saves an estimated 85% CO<sub>2</sub> on a life-cycle basis, including all emissions from the production, transportation and combustion of the fuel.

First use of the fuel was on a Triple-E vessel travelling from Rotterdam to Shanghai, in collaboration with a group of global companies in the Dutch Sustainable Growth Coalition.

Following the successful conclusion of this pilot, we launched the Maersk ECO Delivery ocean product, where the carbon footprint of cargo transported under this name will be neutralised through use of carbon neutral biofuels in the Maersk network. The end-to-end process is verified by the Roundtable on Sustainable Biomaterials.

### Focusing in on viable technologies

We will co-develop decarbonised fuel types together with technology developers, researchers, investors, customers and other shipping companies and logistics providers.

In 2019, we completed the first step on this journey by mapping available pathways and possible technologies for carbon neutral shipping. For this project we collaborated with Lloyds Register, University Maritime Advisory Services and DTU, Technical University of Denmark. It resulted in the development of three working hypotheses on future fuels: alcohol (ethanol and methanol), biomethane and ammonia. Each option has its benefits and challenges:

- For alcohol and biomethane, the main advantage is the relatively simple transition

from existing ship designs and infrastructure, whereas the main drawback is uncertainty about the availability of biomass feedstock as demand increases. For biomethane there is the additional challenge of methane leaks, which is a greenhouse gas 30 times more potent than CO<sub>2</sub>.

- For ammonia the main advantage is that it can be 100% carbon free, and its scalability and the flexibility of production pathways as it can be produced from both natural gas combined with carbon capture and storage, as well as from renewable electricity. The main drawback is related to safety as ammonia is toxic. It also presents itself as the more

disruptive transition in terms of replacing existing vessels and infrastructure.

To meet the deadline of a commercially viable net-zero vessel at sea by 2030, we must proactively pursue the most likely fuel options found at this stage. Towards 2023, we will primarily invest in developing fuel solutions within each of the three pathways. However, our door remains open to other ideas.

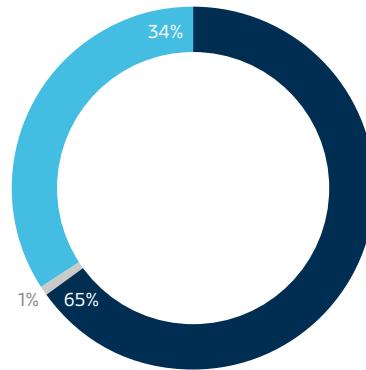
In 2019, we also established the LEO coalition, working to develop a new bioethanol for shipping based on lignin and ethanol. Lignin is isolated in large quantities as a byproduct of the production of some types of bioethanol,



### Distribution of emissions 2019

■ Scope 1 ■ Scope 2 ■ Scope 3

We invest and focus where we see the greatest potential for impact. For CO<sub>2</sub> emissions there is no contest: A study indicating the order of magnitude of each scope show that approximately two thirds of our CO<sub>2</sub> emissions are related to our own operations (scope 1) and roughly 97% of these come from powering our vessels. Indirect emissions from the generation of purchased energy (scope 2) are negligible, while emissions that occur in the value chain (scope 3) account for approximately one third<sup>13</sup>.



### Working with energy use in ports

Emissions from purchased energy (scope 2) constitute only one percent of Maersk's total emissions. We mainly purchase electricity, and our port terminals consume 80% of this. In January 2020, we launched Green Gateway Gothenburg as a showcase for decarbonisation of existing terminals. With renewable electricity and use of biodiesel made from recycled waste vegetable oils, the Gothenburg terminal will reduce its CO<sub>2</sub> emissions by 90% from 1 January 2020. Ways to eliminate the last 10% of emissions are being pursued with terminal customers, to provide a fully CO<sub>2</sub> neutral container handling service.

Other paths are being tested as well, with solar projects in Pipavav, India and Aqaba, Jordan and grid optimisation trial projects in two further sites.

<sup>13</sup> The five material categories in scope 3 are transportation and distribution, which is at least double the size of all others, purchased goods and services, use of sold products, fuel and energy related activities and waste generated in operations. Scope 3 emissions have not been in scope for PwC's review of this report.



and at pulp and paper mills. Currently lignin is often incinerated to produce steam and electricity. If trials are successful, however, LEO fuel has the potential to be a viable solution for today and not just a future vision. Testing on actual vessel engines will begin in 2020. The coalition consists of Maersk and Wallenius Wilhelmsen, University of Copenhagen and major customers, including BMW Group, H&M Group, Levi Strauss & Co. and Marks & Spencer.

### The need for good policies

In addition to the industry focus on innovation, we also need legislators and governing bodies to develop and implement policy tools that drive development towards carbon-neutral societies. Together with peers, we will work to ensure that framework conditions are relevant and proportional to the challenges.

Launching the Getting to Zero coalition in 2019, in a partnership among Global Maritime Forum, the World Economic Forum, and Friends of Ocean Action, was an important step in this direction. This coalition is meant to be the catalyst for the required energy transition. It is also an important vehicle towards regulatory frameworks that reward the most ambitious companies in this field.

At present there is a clear competitiveness gap between fossil and zero-emission fuels. This needs to be closed, which requires political action.

There are several possible policy tools available to do this, including carbon levy and subsidies for carbon-neutral fuels, and we will be following developments in this area closely to prepare our business to be able to comply with new demands. As always, our main concern is that regulatory measures create a level playing field and do not punish first movers.

## How we work to protect business value from climate change effects

In 2019, the Panama Canal – the main nexus of trade between the Atlantic and Pacific – suffered the worst drought in its 115-year history. Water levels were so low that some ships had to unload part of their cargo to pass through the waterway.

Changes in weather patterns cause these challenges, and the Panama Canal's management is working to find a lasting solution. In the short term, canal customers will need to rely on information on canal conditions to evaluate network options of transiting via the Panama or the Suez Canal when they are loading ships in Asia. This adds uncertainty to our customers' supply chain and in our network planning.

These challenges put our business value at risk in new ways, and illustrate why the financial community's interest in climate change is rising rapidly. Investors, lenders, insurers and

more want to ensure that business leaders understand and are preparing for the effects of climate-related events on their business.

The shipping industry is impacted by this momentum in a number of ways. One example is the establishment of the Poseidon Principles, where signatories commit to factor in an applicant's emission reductions history in lending decisions.

This new reality requires public and comprehensive reporting on climate change strategies and risk management. We do this using the reporting framework prepared by the Task Force on Climate-related Financial Disclosures (TCFD). This includes transition risks, understood as risks and opportunities from realigning the global economic system towards low-carbon or carbon-neutral solutions, as well as the impacts of physical risks caused by changes in weather patterns.

### Governance

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

Our transition work, including our CO<sub>2</sub> reduction target and efforts to decarbonise logistics, is governed by a task force owned by and headed by a member of our Executive Leadership Team.

### Strategy

Our strategy is to take leadership in decarbonising shipping. It is a high-profile low-CAPEX strategy, as it needs a full transition to new net-zero fuels. The energy sector, in particular, is needed to create these solutions, and therefore it is crucial to send a clear message to the actors that will develop the solutions that we as the end consumer are ready to collaborate to identify these fuels.

Furthermore, it is a key pillar of our strategy to involve our customers not only as partners in R&D projects but also already now offer a differentiated net-zero ocean transportation product.

We work proactively and in partnerships to make sure the right policies will be in place to support the transition. More is described in this report on pages 14–19.

### Risk management

We performed a hot-spot analysis in 2018, estimating the effect of five climate hazards (heat stress, floods, cyclones, water stress and sea level rise) on ports, other fixed assets and strategic commodities within a 2020–2040 timeframe.

Building on this, in 2019, we took steps to perform an economic analysis and engage with stakeholders in the Pearl River Delta, which was established as a hot-spot. We will finalise this analysis and report on it in 2020. This work will be instrumental in evolving our approach to managing physical risk from climate change.

Our engagement with customers, investors and lenders in relation to framework conditions for shipping is part of managing the risk of encountering first mover disadvantages. New net zero fuels are likely to be more expensive than the current fuels. For our vision of commercially viable net zero vessels being ready in 2030, it is crucial to get the right framework conditions in place.

### Metrics and targets

The distribution of our CO<sub>2</sub> emissions is presented on page 16. Our target is to have net-zero CO<sub>2</sub> emissions from our own operations in by 2050. To decouple growth in volume from emissions, we have a target of 60% reduction in CO<sub>2</sub> emissions by 2030, compared to 2008. Targets for managing the physical impacts of climate change are not available yet.

# Our journey towards carbon-neutral shipping

Massive breakthroughs are needed to reach our net-zero CO<sub>2</sub> emissions target in 2050. We are encouraged by what was achieved in 2019 and not least by the high levels of interest all stakeholders are showing in collaborating and partnering to decarbonise logistics.

## → 2019 progress

Market:  
accelerate demand

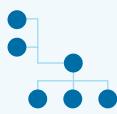


Piloted Rotterdam-Shanghai route on biofuel made from cooking oil. Collaboration with the Dutch Sustainable Growth Coalition.

Launched the Maersk ECO Delivery product, where the carbon footprint of cargo transported under this name will be neutralised through purchase and use of biofuels in the Maersk network.



Technology:  
explore new fuel and supply chain solutions



Mapped available pathways and possible technologies to create carbon neutral shipping in collaboration with knowledge and industry partners.

Concluded that we will focus on three working hypotheses on future fuels:

- Alcohol (ethanol and methanol)
- Biomethane
- Ammonia

Established the LEO coalition, working to develop new biofuel based on lignin ethanol oil. Collaboration with partners incl. customers and researchers, aiming for test on vessel in 2020.



We are testing a containerised 600 kWh marine battery system on one vessel. Can supply power for onboard electrical systems.

Policies:  
collaborate for best possible framework conditions



Maersk was instrumental in founding the Getting to Zero coalition in 2019, where senior leaders across the maritime, energy, infrastructure and finance sectors will work with decision-makers from governments and inter-governmental organisations to explore solutions. It will push for a broad energy transition and ambitious and relevant regulatory frameworks.

## → Going forward 2020-2050



2020s

Develop and market more carbon neutral products.



2020 onwards

60 of our 100 most important customers have set ambitious carbon emission reduction targets for the next decades.



2020–2023

Explore the three working hypotheses for future fuels.



2023–2027

Vessel design and supply chains pilots.



2027–2030

First vessels in production.

2030

First carbon neutral vessel in business viable operation.



0

2050

Net-zero CO<sub>2</sub> emissions from own operations.



2023

Revision of IMO strategy for climate change.



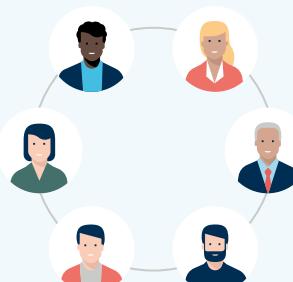
Mid-2020s

Policy measures to bridge the competitiveness gap between net-zero and current fuel types under development, taxes, incentives, penalties and subsidies are all viable options.



2030

The Intergovernmental Panel on Climate Change has designated 2030 as the last possible time for breaking the curve of emissions. If not, massive policy changes should be expected.



2030–2050

Change fleet to carbon-neutral vessels.



# How we prepared for IMO 2020

As of 1 January 2020, all the vessels in the world must comply with a global cap on the content of sulphur in fuel oil, also known as IMO 2020. It has been described as the maritime industry's biggest single change in decades.

For many people, their day begins with shower, breakfast and the weather forecast. For inhabitants of Shanghai, there is one more factor to consider: the continuously updated air quality index.

Why? Because Shanghai and its surrounding Yangtze River Delta suffers from high levels of air pollution, creating health risks at potentially the same level as tobacco<sup>14</sup>. The area is also host to one of the busiest port clusters in the world. And there is a link<sup>15</sup>.

A recent study has shown that ship-related global health impacts include approximately 137,000 premature deaths from lung cancer and cardiovascular disease and around 7 million childhood asthma cases annually.

The same study estimates that lower sulphur fuels in shipping will significantly reduce both these numbers<sup>16</sup>.

Our target is to always comply with and to aid in ensuring global enforcement of regulations. In 2019, we had five cases of non-compliance with sulphur dioxide (SO<sub>x</sub>) emissions in regulated zones, caused by errors during fuel switch.

## The biggest change in decades

The International Maritime Organization's (IMO) 0.5% global cap on the content of sulphur in fuels came into effect at the turn of the year from 2019 to 2020. The health benefits described are why we have been supportive of

this legislation since it was established in 2008. It is enforced through a ban on carrying non-compliant fuels on vessels, except for vessels where scrubbers cleaning the exhaust gasses are installed.

This regulation has been termed the biggest single change in the shipping industry in decades, because the entirety of the world's shipping fleet was required to either switch to using a different fuel type or have new equipment installed at the same time. And because the difference in cost between compliance and non-compliance is so high, the actual change is being performed close to the enforcement date.

## How we prepared for compliance

Preparing for IMO 2020, we established six workstreams, each of which addressed key areas in the change process.



**Fuel sourcing**  
where colleagues in our Oil Trading department monitored the fuel market for price developments and secured sufficient supply of compliant, low-sulphur fuels.



**Cost recovery**  
where our Ocean Products department through extensive dialogue with customers worked to adjust our pricing models to recover some of the additional fuel costs with our customers.



**Operational implementation**  
where our Fleet Technology department collaborated with our oil trading department on bunkering of compliant fuel and switchover procedures, and created schedules for scrubber installations.



**Network strategy**  
where our Network department determined where our vessels would be deployed by 1 January 2020, and which ships would be eligible for installation of scrubbers.



**Time Charter**  
where our Chartering department worked to ensure alignment between the owners of vessels we charter and our compliance approach.



**Regulatory**  
where our regulatory affairs team worked to monitor regulatory changes, had dialogue with authorities and the IMO to ensure effective enforcement while clarifying regulatory questions.

14 M. Sofiev et al, 'Cleaner fuels for ships provide public health benefits with climate tradeoffs' (2018) 9:406, Nature Communications 4

15 The influence of spatiality on shipping emissions, air quality and potential human exposure in the Yangtze River Delta/Shanghai, China, Atmos. Chem. Phys., 19, 6167–6183.

16 [https://www.nature.com/articles/s41467-017-02774-9?utm\\_source=commission\\_junction&utm\\_medium=affiliate](https://www.nature.com/articles/s41467-017-02774-9?utm_source=commission_junction&utm_medium=affiliate)

There has never been any question of whether Maersk will comply with the global cap. Only about how we could prepare in a way that enables us to ensure compliance with this legislation, that will reduce our negative environmental impacts significantly, and minimise financial risk to our business due to the significant extra fuel costs.

The vast majority of our approximately 700 ships comply with the global sulphur cap through the use of compliant low-sulphur fuels. A small share of our vessels have open-loop scrubbers installed. Open-loop scrubbers use sea water with no added chemicals to wash the exhaust gases to remove SO<sub>x</sub>. Closed-loop systems use fresh water with an additive. The health and environmental impacts of both closed and open-loop scrubbers are being investigated by the IMO. We clearly favour tackling sulphur at land-based refineries rather than on vessels at sea. However, in the current state of uncertainty over the price and supply of compliant fuel, we have chosen to use scrubbers as a secondary part of our approach to compliance.

### Planning with uncertainty

One of the main challenges in preparing for the global cap was uncertainty. All shipowners and operators were switching fuel types or installing scrubbers at the same time. The plans for doing this are highly business sensitive and for that reason, the demand side for fuels and scrubbers has not been clear.

At the same time, the price and supply of the new compliant fuels are still unknown. What we do know is that the price of low-sulphur fuels is much higher.

As a consequence, industry supply and demand are unpredictable and fuel prices volatile. This situation makes purchasing the

right amount of fuel to meet our delivery promises highly challenging, and it increases the amount of buffer fuel we need to purchase and store. It also makes it difficult for our customers to accurately predict their fuel cost or to have confidence that they are not under- or over-paying for fuel as fuel costs are passed on.

### The enforcement knot untied for now

How to enforce the ban and monitor compliance for all vessels has been the subject of high-level negotiations in the IMO in the past years. Maersk has made significant efforts in pushing for a high level of compliance measures with the IMO, states and ports to ensure we compete on a level playing field.

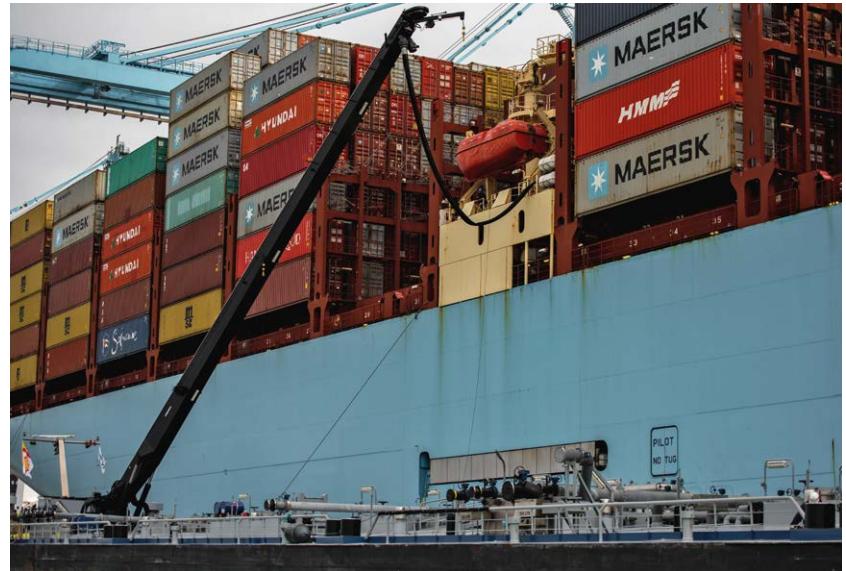
In 2019, new strides were made to change the way enforcement at sea can be carried out. Previously, a country could only apply sanctions to non-compliances with maritime law carried out within 200 miles from the country's border. To enable enforcement of the global cap on SO<sub>x</sub>, it will now be possible to base a penalty on the savings a shipowner makes on the entire journey instead. That increases the size of potential penalties considerably, which is believed to be a far stronger deterrent of recurring non-compliant behaviour. Maersk lent expertise to the negotiations leading to this change.

### SO<sub>x</sub> is the first wave

In a broader perspective, the global cap on sulphur is the first example of establishing a mechanism for pricing negative effects on the environment.

Through dialogue and collaboration, Maersk has developed new pricing mechanisms that pass on higher fuel costs to customers in what we think is a fair, predictable and understandable way. One bases the fuel price on average prices in key bunkering ports around the world, while the other adds an environmental fuel fee.

In that way, we see the preparations for SO<sub>x</sub> compliance as a learning opportunity for the next waves of regulations and cost sharing that will come. This will take place around not only but most importantly CO<sub>2</sub>, as the shipping industry sets out to deliver on the CO<sub>2</sub> targets set by the IMO.



*"IMO 2020 is an important step to reduce sulphur emission in the maritime industry. It, however, comes with a cost for Maersk, as compliant fuel is more expensive than traditional bunker oil. A concern is whether Maersk will be able to compensate these costs through higher freight rates. This is important to secure profitability. Maersk is working very actively with the sustainability agenda not only relating to IMO2020 but also on other issues. We are convinced that Maersk's ambition to be at the forefront regarding sustainability will create long-term shareholder value."*

**Jacob Schmidt Johansen**  
Senior Portfolio Manager, Danske Bank Asset Management

# How we care for the oceans

We see ourselves as citizens of the oceans and we want to actively participate in restoring their health and resilience.



In April 2019, five buoys were dropped into the South Pacific as Olivia Maersk sailed from Balboa in Panama to Tauranga in New Zealand. These buoys are high-tech weather instruments collecting marine environment data on temperatures and currents.

Contributing to research initiatives is one of the ways we support and care for the oceans. We see ourselves as citizens of the oceans and we want to actively participate in restoring their health and resilience. We are further obligated to act, as emissions from our activities contribute to acidification and rising ocean temperatures. Read about our work to decarbonise our operations on pages 14–19 of this report, and to significantly lower SO<sub>x</sub>-emissions on pages 20–21.

## A rule book for oceans and companies

In September 2019, the United Nations Global Compact launched a set of nine Sustainable Ocean Principles, calling on companies around the world to commit to securing a healthy and productive ocean. We were founding signatories to the principles and have contributed to their development.

Signatory companies commit to preventing pollution, managing their use of marine resources to ensure long-term sustainability, and being transparent about their ocean-related activities and impacts.

A set of practical guidance documents to support companies in different sectors were published in January 2020.

## Ocean health is deteriorating

The global oceans cover 71% of Earth's surface and contain about 97% of its water. They redistribute CO<sub>2</sub> and heat, supply people and communities with food, water, renewable energy, and build livelihoods through tourism, trade and transport<sup>17</sup>.

Now and in the next decade, oceans will become the object of increasing attention. The years 2021–2030 have been named as the 'UN Decade of Ocean Science for Sustainable Development'. And with good reason.

Today, climate change is heating the oceans and altering their chemistry dramatically. The health of the ocean is rapidly deteriorating due to increasing temperatures, acidification, depletion of natural resources and pollution from land and sea, including large quantities of plastic waste.

Conversely, as the world population grows towards 10 billion people there is a need to expand our use of the oceans to produce food, energy, raw materials and for transport.

The global community's knowledge and understanding of oceans is insufficient to match these challenges.

<sup>17</sup> The Ocean and Cryosphere in a Changing Climate, IPCC, September 2019

## Doing no harm

Our first obligation as citizens of the oceans is to comply with existing rules and regulations that safeguard ocean health. For Maersk, this includes managing fuels or chemical substances to avoid spills into water, managing waste to keep it out of the oceans and living up to the requirements of the ballast water management convention.

For each of these areas we have policies and procedures in place to manage and mitigate risks. Our 2019 performance can be seen in the graphic.

While not yet a regulatory requirement, the increase in underwater noise is of growing concern, because all marine life from plankton to whales react to noise. The most prominent and documented example of this is how ship noise impacts and confuses the communication of a particular type of orca whales, an endangered species. As part of our retrofit programme for vessels, we have made changes that reduce the noise levels. Sailing at slower speeds is believed to reduce underwater noise. We participate in established speed reduction programs and studies in waters where whales are identified to be present.

## Building knowledge

Maersk vessels have been deploying data-collecting buoys across the world's oceans over the past two years, and all our vessels are authorised to participate in these activities. In total, 19 buoys have been launched from our vessels in 2019.

The data collected by these buoys is sent to the World Ocean Council and the National Oceanic and Atmospheric Administration in the US. From here it is made available to a wide range of organisations that use it to enhance predictions of changes in weather and climate.

This is part of our commitment to support ocean science research.

## Contributing to removing plastic from the oceans

Every day, our seafarers see the growing issue of plastic pollution first hand from our vessels. An estimated five trillion pieces of plastic waste are littering all major ocean basins and this problem feels close to home for both our company and our employees.

As such, it is rewarding to see our capabilities being used to help alleviate the problem, as they are in the Maersk partnership with The Ocean Cleanup. Since 2018, we have supported this ambitious and innovative organisation on their mission to start removing plastics from our oceans.

In June 2019, the supply service vessel Maersk Transporter left Vancouver, Canada to be deployed in the North Pacific, pulling a long floater resting on the water's surface with skirts hanging beneath it. Our vessel pulls this technology developed by The Ocean Cleanup, concentrating the plastic making it ready for collection. In addition to providing a fully crewed vessel, our partnership agreement with The Ocean Cleanup covers project management, the use of 10 containers and safety training for all project staff travelling on the vessel.

In 2020, we will continue our partnership and further explore ways to collaborate on the extension of The Ocean Cleanup to rivers. Because while collecting what is already in the oceans is an important task, preventing future build-up is crucial to solving the ocean plastic problem. The Ocean Cleanup's ambition is to tackle plastic in 1,000 rivers by 2025 through partnership-based clean-ups.

## Sailing through the Arctic

One of the unfortunate consequences of increasing CO<sub>2</sub> levels in the atmosphere, is the

### Ocean related targets for 2019

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

melting of the Arctic ice cap. As a result, it has become possible to sail through the Northern Sea route for a few months during summer. On the one hand this can cut thousands of miles off shipping routes between Europe and Asia, reducing transport time and CO<sub>2</sub> emissions. On the other hand, it is currently associated with severe environmental risks.

In 2018, we sent a vessel from Asia to Europe using the Northern Sea Route. Based on this trial our conclusion is that the Northern Sea Route is not a viable alternative to our current routes.

## Performance on compliance targets in 2019



# How we tackle responsibility and opportunities on land

We are expanding our logistics activities on land. As part of this process, we are exploring how to embrace our customers' expectations of us to manage the sustainability of their supply chains while also capturing new opportunities. It is about securing responsible business practices in our end-to-end services.

Since January 2019, Maersk handles all of LG Electronics India's inland business needs. To secure this contract, our people invested time in understanding and mapping the import processes of LG Electronics, including suppliers and their factories, conducted a pilot to better understand the challenges on the ground and established back-to-back service agreements with rail and road vendors. According to LG Electronics India, this solution has reduced transit time and made their supply chain more visible and predictable.

This effort is a direct consequence of Maersk's strategy to expand our activities on land. As the global integrator of logistics, our aim is to offer our customers end-to-end supply chain solutions that are an attractive contrast to the current situation, where customers must deal with, negotiate and exchange information with as many as five different companies to get their cargo from origin to destination.

Maersk teams across the world are in the process of developing similar solutions to what colleagues did for LG Electronics India. And with their success comes increased need for managing the logistics backbone that enables end-to-end solutions, namely warehouses, container freight stations, intermodal, road and rail transport options, and customs clearance agents.

Working on land is not new territory to us, as we have operated ports, logistics, warehousing and trucking for many years. With the growth of end-to-end logistics in our business, however, we are in the process of contracting more and more of these services which are mostly operated by third parties. In some cases, we opt for mergers and acquisitions of companies in these fields.

## Customers want more than simplicity

For our key customers, choosing end-to-end solutions from Maersk is not only about simplicity. It is also about sustainability. From our research we know that almost three quarters of our key customers seriously consider sustainability issues when managing their supply chain, and they are increasingly setting ambitious and science-based targets to drive performance.

In 2019, we conducted a study to gain a better understanding of what our customers expect of us when it comes to managing sustainability risks in their supply chain as a provider of end-to-end logistics. The study tells us that they want:

1. Logistics suppliers that take responsibility for ensuring order in own house, incl. third-party logistics services.

## Considering sustainability in MEAs

We are growing our network of warehouses, container freight stations and inland depots by either leasing or procuring services from third-party operators, or through mergers and acquisitions.

We include sustainability considerations in our expansion by using a reference tool developed for this very purpose, integrating issues such as environmental and community impacts, health and safety, technology, tax, labour standards, in the investment due diligence. If a sustainability related risk is thought to be material to the investment, it will be included in the proposal made for the Maersk investment committee.

- 2.** Logistics suppliers that help address major pain points in the supply chain, notably emissions and waste, but also social issues.
- 3.** Logistics suppliers that can offer end-to-end visibility of the logistics supply chain and material impacts.

### Tracking cargo from a customer's perspective

The customer insights were part of a larger piece of research into end-to-end responsibility. This included a desk research-based global mapping of potential sustainability issues in key inland logistics segments – warehousing and distribution, trucking/intermodal, customs clearance, and terminals – as well as research into best practice sustainable supply chain management approaches.

Furthermore, we carried out an on-the-ground study, in collaboration with H&M Group, of sustainability issues on land across a route managed by Maersk's supply chain management team. The illustration below shows some of the issues that were found in this study to be the most challenging to address.

The insights from the research will inform our overall approach to sustainable supply chain management and provide a foundation for developing stronger value propositions to our customers in the inland segments.

*"H&M Group has been working with sustainability for many years since it's a key aspect on how to run our business. We believe that to be successful, collaboration with global companies that share similar values and ambitions in regards to sustainability, are key. We have a good approach to ensure compliance and progress towards our sustainability ambitions at our production sites, but we rely on business partners such as Maersk when it comes to transport of our containers from the container freight station to the terminals or on the ships. As one of the biggest transport providers in the world we trust Maersk to lead the change in this part of our shared value chain."*

Mats Samuelsson  
Head of International Freight, H&M Group

### Familiar landscape

The risks and opportunities we observed in our customers' supply chains, including in warehouses, mirror what we know from our own supply chain. What is new is the scale at which they are becoming part of our value chain and business offerings, and how unequivocally our customers expect us to manage these on their behalf.

Our current approach to supply chain issues revolves around our responsible procurement programme which is described in more detail on

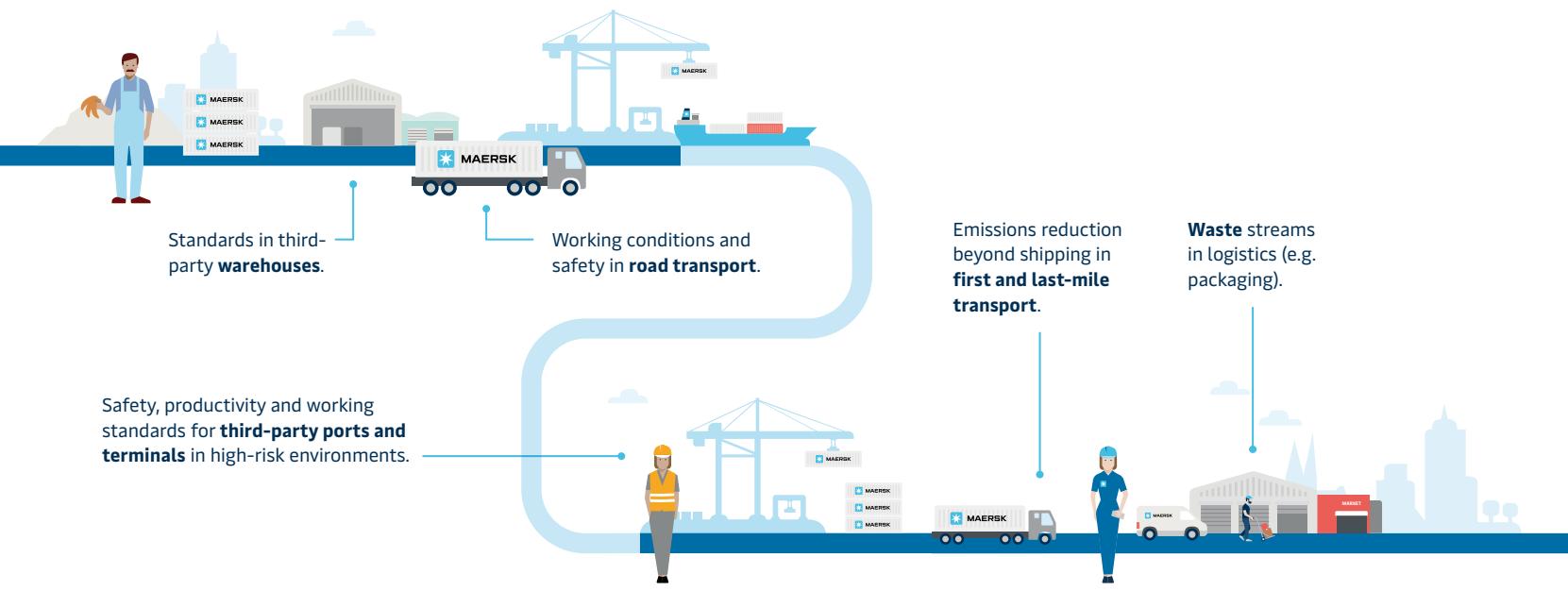
page 34. The programme is currently focused on managing our own risks and opportunities through contractual and control measures such as our Third-Party Code of Conduct, including due diligence processes, pre-qualifier assessments and audits.

### Initiatives to manage third-party risks

To improve our management of third-party risks, we are already implementing new approaches across several high-risk

## Key sustainability risks and opportunities in inland logistics

A 2019 study provided insights which will inform our supply chain management approach going forward.





procurement categories. For example, from 2018–2019 we offered training for nearly 650 relevant employees on hiring through third-party labour providers. This has been a joint effort between our responsible procurement and employee relations programmes.

### Working with trucking

For procurement of trucking, in 2018 we established a pre-qualifier questionnaire aligned with contracting realities in trucking. Building on this, in 2019 our responsible procurement team enhanced the control mechanisms in this category by including local health, safety, security and environment (HSSE) staff in the network of colleagues working on monitoring working conditions for truck drivers working in our supply chain.

Taking steps to drive collaborative impact within the trucking industry, in 2019 we have joined twelve other carriers and shippers as members of the Responsible Trucking platform. This project aims to take the lead and make collective efforts to drive compliance and improvement of the working conditions of road transport workers. The group focuses on the European trucking industry, and we will use the learnings from this work to inform our approach across our global activities.

### Working with terminals

Another high-risk category is the use of third-party terminals. In 2019, media reports made us aware of issues related to working conditions for labourers in the Port of Mombasa, Kenya, a port we do not operate, and we investigated the issues and followed up with mitigating actions (see text box).

From our own terminals business, we understand very well that safety is of the utmost importance and the challenges of ensuring safe operations. This year, we have worked to support one of the third-party terminals used by our business, Chattogram port in Bangladesh, with safety training and expertise as described in the case story.

### Exploring additional approaches

As our end-to-end supply chain business grows, it will become increasingly important for us to find effective ways for driving improvements in the parts of the supply chain where we have low levels of contractual and operational controls. Adding to the intricacy is the fact that many of the societal risks may be rooted in deeply engrained systemic and cultural practices.

In 2020, we will work to further clarify and map our current controls and to explore potential levers and approaches for driving risk management and responsibility in our customers' inland supply chains.

While the classic procurement tools such as codes of conduct, self-assessments and audits are a good starting point, they may have limited effectiveness in terms of driving significant change and impact on the ground. We will therefore also be exploring options related to capacity building and partnerships, technology-driven monitoring tools, new sustainable products and new procurement controls, systems and practices. As part of these new pursuits, dialogue with our customers to understand their challenges and priorities will contribute to driving and informing our work.

## Encouraging a safety culture in third-party ports

Chattogram Port handles more than 90% of Bangladesh's imports and exports, and Maersk vessels call there several times every week. This brings with it a bustle of activities, as cargo moves to and from vessels, trucks and rail.

Maersk is the biggest vessel operator in Chattogram, accounting for 20–30% of all calls to the port.

The port has introduced many measures to tackle congestion and safety. However, it remains a high-risk environment. To support these activities, Maersk hosted a half-day course for key officials in the local port authority and the managers of the seven stevedore companies that provide the labour in the port.

The course discussed the importance of upholding a culture of safety and explained the most common causes of injuries and fatalities in ports, as reminders on what port workers should watch out for.

In total, the safety drive provided training for around 600 people. Maersk has since provided support for equipment and further training, and there are ongoing plans to develop the culture of safety at the port in collaboration with the port authority.

## The port of Mombasa: Knowledge allows for action

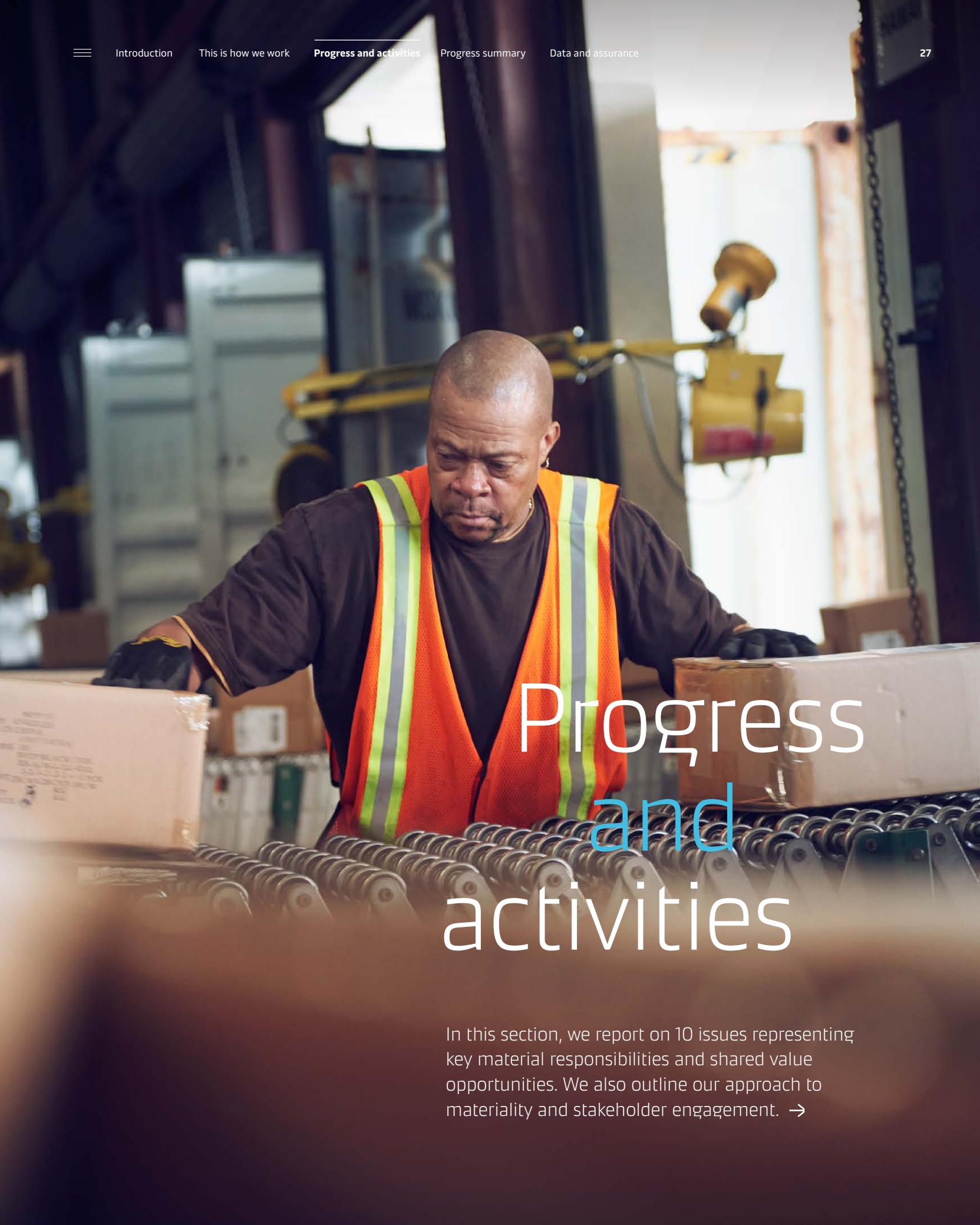
Late in 2018, we were made aware of observations of poor working conditions for contracted labourers in the port of Mombasa in Kenya, a port that we do not operate but which our ships are calling.

Earlier in 2018, we had sent our responsible procurement assessment questionnaire to the operators of a selection of such ports, including the port of Mombasa. This questionnaire examines, among other things, whether salary, working hours and safety meet Maersk's requirements.

We immediately launched an investigation of the working conditions in the port of Mombasa. The observations brought to us

indicated that our usual control measures in this case had not functioned satisfactorily, and we took action to address this.

The most important steps taken were to adjust our contract with the supplier under investigation to ensure workers are paid legal wages, and the launch of a series of improvement actions regarding working conditions. We also initiated a review of all contracts in the Mombasa region and similar contracts across various other ports in Africa, strengthening our risk management through specific trainings for our staff on the ground, and equipping them with knowledge to better detect any such violations.

A black male worker wearing a bright orange safety vest with reflective stripes and black gloves is focused on his work. He is positioned in front of a conveyor belt system, with several cardboard boxes on the belt. The background shows industrial elements like metal structures and overhead lighting. The overall atmosphere is one of a busy, well-lit industrial environment.

# Progress and activities

In this section, we report on 10 issues representing key material responsibilities and shared value opportunities. We also outline our approach to materiality and stakeholder engagement. →

# Materiality and stakeholder engagement

Our materiality approach assesses and groups sustainability issues as either risk, responsibility or shared value. The illustration shows the input and assessment criteria we use for analysing material issues across each of these three dimensions, and the resulting grouping of material issues. No changes have been made to the material issues compared to 2018.

Applying this materiality analysis from three different perspectives allows us to have more advanced conversations about the nature and impact of an issue. We are also able to include a wider range of sources for discussing and assessing materiality, and we achieve better guidance on how a given issue should be managed, compared to the more traditional materiality matrix<sup>18</sup>.

This materiality approach, which we have applied for four years, means that we are already applying the concept of double materiality which was introduced by the EU Commission in their updated guidance for non-financial reporting in 2019. To include investor needs more fully in reporting, the guidance clarifies that non-financial reporting should include not only material societal risks

## Materiality 2019

### Responsibility

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

#### Issues:

Safety

Human rights

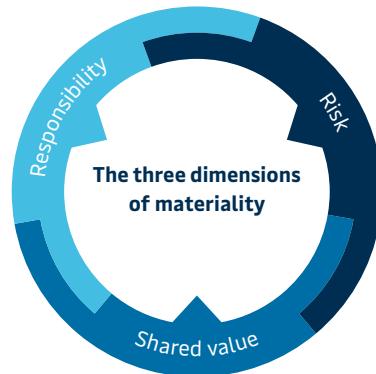
Employee relations

Diversity and inclusion

Disaster response

Responsible tax

Ocean health



### Shared value

Where can we, through our business, pursue and scale solutions to meet significant systemic challenges for the benefit of society while creating opportunities for our business?

#### Issues:

Climate change

Inclusive trade

Food loss

Ship recycling

### Risk

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

#### Issues:

Air emissions

Spills

Anti-corruption

Responsible procurement

<sup>18</sup> For more information about our materiality approach, please see our 2017 Annual Sustainability Report.



(in Maersk's approach called 'responsibility issues'), but also material risks to the business, particularly the potential or actual impacts of climate-related risks and opportunities on the performance, development and position of a company. We have begun work to be able to perform this type of reporting (read more on page 17 about the physical impacts of climate change), and we have increased our engagement with investors.

### Stakeholder engagement

For our materiality analysis and sustainability strategy, we give priority to five stakeholder groups: customers, employees, investors, authorities, and NGOs/thought leaders.

Maersk's issue owners and business leaders engage with external stakeholders from each of these groups as part of their daily work. Sometimes informally through encounters at conferences or consultations on a particular subject, for example the WTO Public Forum, the Global Maritime Forum Annual Summit and the UN Forum on Business and Human Rights. Other engagements are more formal such as participation in industry or issue fora, for example on tax or climate, or Maersk-organised events and outreaches such as twice-annual investor calls on ESG issues or customer insight surveys.

We particularly increased our engagement on sustainability with three groups in 2019:

- **Customers**, where we partnered widely on activities to drive our decarbonisation ambition, among these activities to develop new offerings using biofuels. (read more on page 15–16). We also conducted customer research and collaborated with one customer to map sustainability implications of our expansion on land. (read more on page 25.)

- **The financial community**, whose interest in climate change has increased significantly. In regard to Maersk, investors are particularly interested in the implications of our decarbonisation targets on our business performance and financial stability. Our dialogues with investors, banks and insurers centre around capital expenditure requirements, asset depreciation and security, as well as cost and risk sharing in market and technology development for net-zero shipping.
- **Employees**, where we in 2019 developed virtual communities using platforms such as Yammer, and carried out six townhall events and workshops in three different regions, communicating what Maersk is doing globally on sustainability, how regions can leverage sustainability commercially and how employees can engage locally. We also leveraged our partnership with The Ocean Cleanup as a platform for local employee engagement around the world on World Cleanup Day on 21 September 2019.

We are part of a broad and expanding range of partnerships to which we contribute actively and gain knowledge that informs our strategy and programmes. This includes for example the Sustainable Airfreight Alliance, the Global Logistics Emissions Council, and Clean Cargo. An important addition in 2019 was the establishment of the Getting to Zero coalition (read more on page 17). More key partnerships are shown on the right.

We are also active members of industry organisations such as Danish Shipping, the Baltic and Nordic Maritime Organisation, and the World Shipping Council. We communicate regularly with issue experts in the International Maritime Organization and other UN agencies, as well as national agencies on sustainability topics, for example the Danish Institute of Human Rights.

### Partnerships

We remain engaged in a wide range of partnerships and members of different organisations.



Caring for Climate



ITC | SheTrades



# Safety

Safety Differently is Maersk's new approach to safety, which we developed in 2018 and began implementing in 2019. The approach was anchored in the One Maersk Safety Transformation strategy in 2019. This new strategy reflects the fundamental change set out last year in how we approach safety, based on the belief that safety reflects the presence of capacity to manage risk in variable conditions, and that it must be enacted through leadership responsibility towards workers rather than paperwork and compliance alone. Even with many prevention measures in place, accidents may still happen due to uncertainty and change; and it is our people, not rules and instructions, that hold the insight as to how we can create a safe working environment.

Our safety targets now reflect the positive attention we put on engaging with workers, building capacity and promoting a learning culture. The targets highlight 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 as possible and managing the outcome of an accident.

## Reconnecting to frontline needs

Our senior leaders' daily routine involves planning resources, setting budgets and making operational decisions that may directly or indirectly impact the safety of our people. For our leaders to support the safety needs of frontline workers, they need to openly engage with them during frontline operations to listen to what helps and hinders them. This builds trust and helps our leaders to understand the safety risks the workers are facing. We have built learning and engagement programmes for our leadership to enable just that.

To build capacity for safer operations, greater insight was needed about how work must be

done by our frontline rather than how risk control is imagined in procedures and instructions. To do this, we implemented an approach called learning teams, where frontline participation now enables learning about critical operational risks to inform improvements across our work systems. The approach is driving engagement, ownership and learning.

All accidents cannot be prevented by changing people's behaviour through enforcing procedures, as all humans are prone to making mistakes in efforts to get work done. Telling people what to do is not the answer. What we can do for our workers who enable safety of frontline work is equip them with the competencies that can help make work safer in the environments we operate in. In 2019, we have developed a new competency management framework.

Furthermore, we conducted a series of critical risk reviews involving frontline workers in 2019, which resulted in the identification of the top five to seven critical risks of causing fatal and severe injuries across our operational contexts. These include: cargo fires, warehousing operations, dropped objects, mooring operations, man over board and working at height. Tangible, practical critical controls are being implemented to prevent and mitigate consequences, and a framework for the harmonisation of critical risk management across the business is being developed. This work will guide the prioritisation of safety improvement and ensure we continue to build capacity to address our highest risks with effective control strategies.

*"Safety is about people, not injury numbers. For us to be successful in our ambition of Maersk being a safe place to work, we need to understand the conditions and environment which our frontline people work in on a daily basis. Engaging with our frontline colleagues helps us to build trust and gain the insight we need to learn and improve their work."*

**Palle Laursen**  
Chief Technical Officer of Maersk

  
*"The people working on our vessels or at our terminals know the real dangers and are the best source for insights on how to manage the critical risks. We want to listen and ask what they need, and to treat workers as the solution to continuous improvement, not the problem."*

Tim Smith, Manager of APM Terminals for South Asia





## 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. We still see fatal accidents occurring as part of our operations.



## Ambitions

Our overriding ambition is to ensure that Maersk is a safe place to work and that no colleagues lose their lives working for Maersk.



## Targets 2019 and 2020

**Restated for 2019:**  
Develop, plan and execute safety training for top management.

**2020:**  
Top 300 leaders have completed Leading Safety Differently workshops.

Identify top critical risks and follow-up activities.

Verification of effectiveness of critical controls.

Establish Learning Teams concept for employee engagement.

Continuous improvement in employee engagement, measured through our Gallup survey.



## Progress in 2019

In alignment with our safety strategy, we had activities within the three key components.

throughout the organisation. Also, critical risk workshops were initiated, to facilitate learning across teams. Work continues into 2020 to implement critical controls. A framework for the harmonisation of critical risk will be rolled out in 2020. Began development of a competency management framework, which maps out competency levels required for our business to lead, manage, participate and engage with risk management and Safety Differently ways of working. Tested different tools including virtual reality and integrating coaching methods in briefing and debriefing.

### • Leadership

The top 90 senior leaders across Maersk were invited to participate in Leading Safety Differently workshops which continue in 2020. The workshops' outcomes are measurable deliverables including plans with personally owned elements and safety commitments that support ongoing implementation of the strategy. Developed the Safety Leadership Gemba Programme, where leaders visit frontline workers during operations to help leadership learn from workers. The programme began rollout in October and will continue in 2020.

### • Culture

Launched the Learning Teams concept globally during the company's Global Safety Day in April 2019. The implementation framework was piloted across six workshops and finalised for 2020 implementation.

### • Building capacity

Identified the top five to seven critical risks through engaging frontline workers

## Fatalities in 2019

Very sadly in 2019, we suffered five fatalities in our operations indicating that there is much more for us to do, to learn and to improve in addressing our workplace risks.

Business segment	Location	Description	Employed by
Ocean	At sea	A crew member was lost overboard	Employee
Logistics & Services	Inland Services, Dakar, Senegal	A contractor fell from height	Contract worker
Ocean	At sea	A crew member was lost overboard	Employee
Terminals & Towage	TC Buenaventura, Colombia	A contractor fell from height	Contract worker
Terminals & Towage	Itajai Terminal, Brazil	Crushed under heavy object	Employee

# Reducing food loss



## Why is it important?

The global food system must adapt to support a global population of 10 billion while global warming stays below 1.5 degrees. Reducing food loss and waste is key to this change. We transport about 25% of the world's food

commodities, and targeted efforts in our activities may help to reduce food loss. At the same time, it is a clear business priority to grow our cold chain business.



## Ambitions

To leverage our services, products and capabilities in order to contribute to halving food loss in logistics in support of sustainable development and at the same time enhance our cold chain business.



## Targets 2019 and 2020

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.



## Progress in 2019

Investing in unbroken cold chain offerings is an important growth opportunity for our business. At sea, we already carry 27% of the world's refrigerated containers and 25% of the world's food commodities. As our cold chain business grows, we can leverage our services, products and capabilities to contribute to halving food loss during transportation, in support of a more sustainable global food system and local economic development.

We have established a partnership with the World Resources Institute (WRI) in pursuit of our ambition to reduce food loss in logistics. In 2019, this collaboration worked to develop metrics for measuring food loss, and in 2020 we will assess how we may use these metrics to inform our work.

As part of our partnership with WRI, three pilot projects were carried out to quantify the amount and causes of food losses that occur during handling and storage between the farm and the freighter. This includes losses due to

damage by pests, sun exposure, rough handling, and prolonged transit time. The pilots are set to identify possible solutions to reduce those losses. Candidates include improved handling processes, introduction of cold storage technologies and better logistics management. Scheduled for completion in 2020, the pilots follow citrus fruits in South Africa, avocados in Kenya, and grapes in Peru.

In addition, we engaged with other stakeholders in this field such as the World Economic Forum's Food Loss team and the Danish food loss and waste think tank 'One Third'. From these and other engagements it is clear to us that a uniform approach to prevent food loss is not very likely. Rather, we will need to foster a range of intervention options fitting different commodities and regulatory frameworks.

→ 94% of Maersk's more than 380,000 refrigerated containers use Remote Container Management technology.



## Better cold chains equal less food loss

Global cold chains are so fragmented that companies often experience frustrating inefficiencies in the movement of their frozen or refrigerated goods. Many handovers and little transparency can ultimately lead to waste of time and loss of some of the goods.

Maersk transports one in four refrigerated containers globally, and we are building an integrated cold chain logistics offering that can close major gaps in the supply chain, reducing cost and waste. We are investing in cold storage facilities in emerging markets, the latest example located in St. Petersburg in Russia.

We are also developing and offering digital innovations and reefer technology that enable increased transparency for customers. One digital element in our offering is Remote Container Management (RCM) that creates end-to-end visibility of the conditions inside the box. Since the launch in 2017, more than 3,600 companies have signed up for RCM technology and 94% of Maersk's more than 380,000 refrigerated containers are supported by the technology.

# Ship recycling



## Why is it important?

Despite many shipowners having policies for responsible ship recycling, 90% of vessels were still dismantled on the ship recycling beaches in Southeast Asia, where there is strong and

documented criticism of the environmental, health and safety conditions. As a leader in the shipping industry, we can make a real impact in driving responsible practices.



## Ambitions

We want 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 2019 and 2020

Continue to invest and work with selected yards in Alang.

Actively support and participate in the development of the Ship Recycling Transparency Initiative.

Develop the wider Alang area.



## Progress in 2019

We remain committed to our ship recycling programme and work with selected yards in Alang, India. Since 2016, we have recycled vessels at six different yards in Alang, requiring yard owners to improve conditions at the yard to comply with our Responsible Ship Recycling Standard which goes beyond the Hong Kong Convention. To enable these investments, we accept a lower price per ton of steel for our vessels. We have documented that this has led to improved conditions for the workers at these yards, and in the wider Alang area in which we also invest. We have also seen a push to improve conditions at other yards. We have by no means fulfilled our ambition yet, but we are proud of the progress made and development of better working conditions for thousands of people in Alang, India.

In 2019, we sent four new vessels for recycling using four different yards. When we recycle in India, we continue to see performance comparable to when we recycle in Turkey and China, as documented in third party audits. The recycling operations commence only after RSRS compliance is verified. At a new yard, this process typically takes around 2 months from the vessel landing.

In July 2019 auditors raised a previously unknown legal requirement for fire safety certificates, which the yards did not have. This brought total findings to two. By December, all yards had completed third party fire safety compliance verification audits and the finding was closed. What remains is a finding on excess overtime.

The vessels recycled in Alang in 2019 were reflagged in early 2018, following the acquisition of Hamburg Sud and merging of fleets. We make decisions on flagging with a global perspective and on a case-by-case basis, considering level of support provided by the flag nation, cabotage needs, tax legislation, as well as commercial and operational optimisation opportunities.

A critical point for the Alang yards' continued interest in investing in sustainability is the prospect of being included in the EU's list of approved ship recycling facilities. This is updated every six months and several yards are in process for approval.

We continue as active members of the Ship Recycling Transparency Initiative (SRTI), which seeks to accelerate a voluntary market-driven approach to responsible ship recycling practices, with shipowners sharing information on ship recycling approaches.

### Improving health in wider Alang

We continue our work to improve access to healthcare in the wider Alang area. In 2019:

- 29,000 people received free general health care from the mobile health unit (MHU) supported by us and in partnership with the Indian Red Cross since May 2018.
- more than 2,900 people have benefited from the laboratory tests, X-Rays, ECGs within the MHU.
- more than 5,000 workers in Alang took part in training on personal hygiene, sanitation, substance abuse and sexually transmitted diseases. The project is a partnership with the Bhavnagar Blood Bank since May 2019.

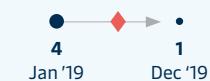
## Audit results all yards

Number of findings in vessel landing month and in December 2019 (or at completion of vessel) at all yards with Maersk vessels in 2018 and 2019.

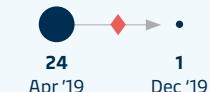
### Bajnath Melaram plot 13



### Y.S Investments plot 59



### Alang Auto Gen Engg. Co. plot 24



### J.R.D. Industries plot 30



### Shree Ram plot V7



◆ Audits take place at regular intervals, and yards typically take two months to achieve RSRS compliance, except a finding on excess overtime.

In July 2019 an additional finding on lack of fire safety certificates temporarily raised the findings across yards to two. This was closed in Dec. 2019.

# Responsible procurement



## Why is it important?

When international companies make purchasing decisions, they impact environmental, social and economic conditions all over the world. If we are not able to monitor and address the

sustainability risks in our supply chain, our stakeholders' trust in us, our brand and our leadership will be damaged.



## Ambitions

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



## Targets 2019 and 2020

**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.

**2020:**  
Ensure compliance with our Supplier Code of Conduct.

Review responsible procurement programme to align with evolving risk picture from expansion of activities on land.

Participate in collaborative efforts focused on trucking.



## Progress in 2019

Our responsible procurement programme works with direct Maersk suppliers. We engage with approximately 3,000 high-risk suppliers through due diligence activities such as audits, self-assessments, documentation reviews, and improvement plans. This is out of a group of 16,000 suppliers with whom we have a contract, and a total supplier population of about 60,000.

We use a risk-based approach working with suppliers in 15 high-risk categories. These are: Trucking and Intermodal, warehousing services, facility management, outsourced labour, terminals, shipbuilding yards and drydocks, security offshore, promotional items, customs agents, security onshore, construction, chemicals and paints, equipment, maintenance and repair, container manufacturers and manning (seafarers).

We published an updated version of our Third Party Code of Conduct, renamed as Supplier Code of Conduct, with guidelines for implementing the provisions of the Code in early 2020. The new Code addresses evolving topics such as data security and privacy, and is more aligned with our supplier relationships and our new Maersk employee Code of Conduct.

In 2019, 810 suppliers in high-risk categories went through audits and assessments. Results of these activities are shown in the graph to the right. The number of audits increased in 2019 due to a review of marine services providers in ports in Africa (see p. 26). The number of self-assessments decreased as fewer new suppliers were onboarded in high-risk categories. In total, 130 suppliers were put through an improvement plan process to meet our standards. We did not terminate any relationships as a result of non-compliance.

Other priorities for 2019 included integrating activities on land into our existing supplier assessment system, where we particularly focused on enhancing our impact on the trucking category by involving colleagues on the ground in supplier assessment follow-up, and engaging in the European collaborative platform Responsible Trucking. Read more on page 26.

We improved on our processes by implementing a new risk scoring system into the supplier assessment process, and by preparing automated monitoring of whether all the necessary clauses are in our contracts with suppliers. Roll-out of the latter including due diligence processes took place in January 2020, while the risk scoring system will be explored further in years to come.

## Audits and assessments in 2019

We perform audits and assessments and establish improvement plans in case of critical and major findings. 2018 numbers in brackets.

Suppliers in the high-risk categories

**+/-3,000**

Control actions carried out

Shipbuilding yard audits



Other audits



Other self-assessments



of which  
Pre-qualification assessments



Qualified suppliers

♦ Improvement plans established to address critical and major findings

# Anti-corruption



## Why is it important?

Corruption undermines social and economic development. It destabilises the business environment, adds to the cost of participating in global trade. It affects external confidence as well as company morale. Non-compliance

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



## Ambitions

We aim to eliminate corruption in the maritime industry through both multistakeholder collaboration and actions in our own operations.



## Targets 2019 and 2020

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



## Progress in 2019

Risk of corruption in our ocean business is found primarily in our interactions with authorities in ports and at border controls, and mostly as facilitation payments, and in our terminals in government agreements on concessions. Risk in our supply chain is managed mainly through our Responsible Procurement programme.

We work to combat bribery, fraud, kickbacks and preferential treatment, by performing due diligence of agents, joint venture partners, key suppliers, and M&A targets prior to signing a contract or entering a new market. Expectations to all employees are outlined in the Maersk Code of Conduct. We enforce rules on travel, meals, lodging and entertainment, and employees complete training on compliance.

Our programme for 2019–2022 is based on guidelines for complying with the US Foreign Corrupt Practices Act. In 2019, we focused on:

- Solid performance on **facilitation payments**. We registered zero such payments on our own vessels in 2019, and a 47% reduction by chartered ships compared to 2018. We will stay focused on our own vessels and drive improvements on chartered ships and other non-vessel related payments (landside).

- Implementation of management processes for **third parties** including due diligence processes, with a customised and automated tool.
- **Risk assessments** across the company on anti-corruption, competition law and foreign trade controls. The outcomes feed into our annual mitigation plans which include training and communication, monitoring via spot checks and the implementation of our business compliance ambassadors' network (see case).

Of the channels used for reporting, the whistleblower hotline was used twice to report on public sector corruption cases. Both were minor and have been closed. One was substantiated, the other lacked documentation. See p. 37 to learn how we process whistleblower cases.

In December 2019, Maersk offices were searched by the Brazilian police, in relation to the ongoing investigation of the state-owned oil company Petrobras. To our knowledge no new information has been presented in the case since 2015.



We remain active members of the Maritime Anti-Corruption Network.



→ We registered zero facilitation payments on our own vessels in 2019.



## Ambassadors for compliance

A strong compliance culture is paramount to our global reputation and being a good place to work.

To that end, we established a global Business Compliance Ambassadors network in 2019. These ambassadors will serve as advisors for compliance-related questions, particularly on anti-corruption, foreign trade controls and competition law. The network is sponsored by our CEO and helps to integrate compliance into business operations. The ambassadors are a vital link in expanding the global compliance footprint at a local level.

The 61 business compliance ambassadors have been appointed for a period of 2–3 years, to cover over 70 countries with high corruption and other compliance risks. The ambassadors will perform their new role in addition to their core job responsibilities.

*"The business compliance ambassadors are important in creating and maintaining a compliance culture that encourages the right behaviours which ensures our license to operate."*

Caroline Pontoppidan, Maersk General Counsel and Head of Corporate Affairs.

# Human rights



## 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 license to operate from employees, customers, investors, communities, governments and other stakeholders.

Regulation of corporate human rights is on the rise, including reporting and mandatory due diligence requirements. We support effective and balanced regulation that promotes a global level playing field for responsible business.



## Ambitions

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



## Targets 2019 and 2020

**2019:**  
Anchor human rights due diligence in the company's overall governance system.

**2020:**  
Continue to embed human rights into company-wide governance and compliance systems.

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.



## Progress in 2019

Three actions were taken in 2019 in relation to our human rights ambition.

Our commitment to human rights due diligence was incorporated into our new Maersk Code of Conduct. Moreover, we developed a reference tool for inclusion of sustainability topics, including human rights, in decisions related to investments or acquisitions of companies.

With these new codes and tools, we are better prepared to monitor progress and performance up against international standards.

Furthermore, we continued to assess potential ethical aspects of our use of new technologies. We held an internal seminar on ethics in artificial intelligence, and continued to test the relevance of emerging external guidance, including the EU's 'Ethics Guidelines for Trustworthy Artificial Intelligence'.

We also engage in activities to further human rights in the shipping industry. In 2019, jointly with the Institute for Business and Human Rights, the RAFTO Foundation and the Danish Institute for Human Rights and Anglo American, Maersk co-hosted two roundtables on human rights in the shipping industry. The roundtables led to the publication of the report 'Navigating Human Rights – a guide to human rights in the shipping industry'.

Maersk also contributed to a new human rights guide by Danish Shipping, with guidance and tools for how to conduct human rights diligence.

## 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.

### Air emissions

20

The right to the highest attainable standard of health.

### Safety

30

The right to life and the right to the highest attainable standard of health.

### Ship recycling

33

Human rights principles and standards related to labour, in particular the right to life and the right to the highest attainable standard of health.

### Responsible procurement

34

Human rights principles and standards related to labour.

### Employee relations

37

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.

### Diversity and inclusion

38

The right to freedom from discrimination and the right to family life.

# Employee relations

## Why is it important?

The way we treat our employees is fundamental to the way we want to do business, and our employees are essential to the success of Maersk. This begins with ensuring respect for

internationally recognised human rights and labour standards in all our workplaces.

## Ambitions

All our employees will be treated fairly in a safe and healthy working environment, and we are committed to creating a working environment where each employee feels valued and can prosper.



## Targets 2019 and 2020

Ensure compliance with our governance document on Global Employee Relations, which is based on internationally recognised labour standards.

In 2020, improve employee relations maturity level in the business by increasing management capabilities and mitigating risks of working with third-party labour in our supply chain.

## Progress in 2019

We know from experience that the success of change is closely related to the quality of communication with employees. As a consequence, one of the main focus areas for our employee relations work in 2019 was to strengthen management guidance on interactions with unions and work councils. The goal is to ensure that we have a culture and processes in place for dialogue with employee representatives that support positive pathways to change.

As part of these efforts, we introduced e-learning modules on employee relations which was partly completed online and partly during classroom sessions. 71% of the targeted audience completed this training. We also launched face-to-face training on employee relations in daily operations, and on negotiations and conflict management. Both trainings will be rolled out further in 2020.

In 2019, the bi-yearly labour self-assessment against the Commit Rule on Global Employee Relations included data from our seafarers for the first time. No major issues or concerns were

reported. We found that the complaint and grievances procedure is clearly documented, and it was confirmed that including bullying and harassment as a complaint category in 2020 will contribute to increased awareness of on-board conduct.

We appointed regional employee relations leads in Europe, Africa & Middle East, Asia-Pacific, North America, and Latin America. One of their future tasks is to describe the employee relations maturity level for their region, based on which we will create a heatmap to guide our work.

In 2019, our whistleblower system received 141 cases related to potential violations of our Commit Rule on Employee Relations. When cases are reported to our whistleblower system, they are first screened to determine if they fall within the scope of the system. If this is the case, an investigation is commenced to determine if evidence can be provided and if so, if the complaint can be substantiated. If a complaint is substantiated, corrective action is taken. 19 of the 141 cases have so far been substantiated while 68 are still undergoing assessment.

## New technologies require good communication

In California, air quality regulations require all port container handling equipment to be zero or near zero emissions by the year 2030. In Los Angeles, we are modernising our port equipment and creating new, on the job training programmes for diesel mechanics to become electrical mechanics.

Maersk is participating with the Pacific Maritime Association (the US West Coast employers' organisation) to establish a training center set to open in 2020. Collaborating with the dockworkers' union, the goal is to create a training programme for diesel mechanics to "upskill", so they can maintain and repair the new equipment. Additionally, the parties strive to "re-skill" existing dockworkers to perform basic mechanic functions maintaining chassis and other conventional equipment.

This endeavour complements Maersk's 2018 guidelines on new technologies in the workplace, which obligate us to have an open and proactive dialogue with employees and their representative bodies and to support employees whose jobs are impacted by technology and modernisation efforts.

→ 71% of the target group completed our new e-learning modules on employee relations.



# Diversity and inclusion



## 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.



## Ambitions

We aspire to create an inclusive culture where all employees 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 2019 and 2020

### Board of Directors: target for 2023

Three women on the Board of Directors, if the Board consists of less than twelve members, and four women, if the Board consists of twelve or more members.

### Senior management

Target for senior management representation of 1) women and 2) persons from countries that are not in the OECD high-income countries list (see graphic on the right).



## Progress in 2019

At the end of 2019, there were two women on the A.P. Møller - Maersk A/S Board of Directors<sup>19</sup>. This means our target was not met. At the time of the search for new Board candidates it was not possible to match the competences needed with the available female candidates. The target has been extended to 2023, but we will continuously assess whether it is still ambitious.



We focus on driving progress on our other targets. We continued to drive our recruitment targets through our external branding and recruitment practices and through a strong focus on measuring gender in our talent management processes. We made progress towards our maternity return rate target of 90%, moving from 73% in 2018 to 74% in 2019.

Our key approach to enhancing diversity and inclusion is employee engagement and capability building. In 2019, we:

- Ran Maersk's first company-wide diversity and inclusion week with 52 events involving 15,000 employees.

- Launched a new e-learning, 'Beating Bias' on understanding inclusion and mitigating unconscious bias. 56% of our onshore operations completed the e-learning globally.
- Conducted leadership training including embedding diversity and inclusion in the new 'Leading Maersk' with 1,188 first-time leaders in Maersk globally completing the training.
- Continued to focus on increasing gender diversity with over 390 women participating in our flagship Strategies for Success programme in 14 global workshops.
- Made on-line sexual harassment awareness training and support guides available to all employees via our global intranet in support of our policy of zero tolerance.
- Continued our work on LGBT inclusion with Maersk participation in five pride parades on three continents, backed by four internal webinars available to employees globally.

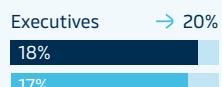
Externally, our work was recognised as Maersk was included in the Bloomberg gender equality index for 2019.

The Maersk gender diversity and inclusion policy was revised in 2019. The policy provides details of our targets and actions to increase gender diversity and is available on the Maersk website<sup>20</sup>.

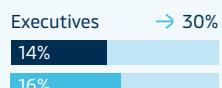
## Senior management: Targets and performance on diversity and inclusion

■ 2019 ■ 2018  
→ Target 2020

### Representation of women



### Representation of persons not from high-income OECD countries



<sup>19</sup> A.P. Møller - 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.

<sup>20</sup> <https://www.maersk.com/careers/maersk-culture/diversity>

# Disaster response



Emergency logistics services are critical when natural or human-incurred disaster strikes. Lives can be saved if aid reaches the impacted areas more quickly and efficiently. Our deep insight into logistics and global presence can help achieve this, and we see it as a clear responsibility to do so.



To follow our values and use our leverage and logistics capabilities to support response efforts in case of natural disasters and other emergencies.



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.



In case of complex humanitarian crises and/or natural disasters, The Logistics Emergency Team (LET) is activated to help provide emergency response. Established in 2005, LET has four corporate members: Maersk, UPS, Agility and DP World, and supports the Global Logistics Cluster, led by the United Nations World Food Programme.

In 2019, we were part of disaster response efforts in Mozambique and the Bahamas, supporting the Global Logistics Cluster as well as coordinating response efforts with other LET partners.

In Mozambique, following Cyclones Idai and Kenneth, LET partners initially provided up-to-date insight on infrastructure capacity and availability. Next, pro bono storage solutions were provided, including reefers (refrigerated containers), as well as pro bono air and ocean cargo lifts.

To alleviate the effects of Hurricane Dorian in the Bahamas, LET partners supported the humanitarian response operation. To address the shortage of warehousing, Maersk released 40 containers as a local pro bono donation to assist in the distribution of aid and transit storage serving relief organisations. During a period of two months, a Maersk 20' container was used to distribute freshwater for local communities.

# Responsible tax

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.

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



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 with reporting for 2020 (The B Team is a non-profit initiative aiming to catalyse more sustainable business practices).

Our total tax charge in 2019 was 458 million USD, compared to 644 million in 2018. This drop occurs because we divested our activities in the energy sector.

In line with our target on continued dialogue, we 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 (observer status).

We operate in countries that the EU or other tax authorities list as noncooperative. This is part of our global presence. On the EU list for 2019 are eight countries, of which we have activities in two: Oman, where we pay USD 2.0 million in taxes on a profit of USD 12.6 million, and in Trinidad and Tobago, where we have only very minor profits on which we pay 30% in tax.

We are preparing to report in line with the B Team Responsible Tax Principles, which in addition to our current practices will include reporting online on our use of tax incentives and taxes paid at country level.

# Summary of targets and progress

This table provides an easy overview of all our activities.

Issues	Inclusive trade (p. 11)	Decarbonising logistics (p. 14)	Food loss (p. 32)	Ship recycling (p. 33)	Safety (p. 30)	Air emissions (p. 20)	Spills (p. 22)
 SDG targets	 8.2 8.3 8.5	 7.3 13.1 17.16	 2.1 2.2 12.3 17.16	 8.8 14.1 17.16	 8.8	 3.9 14.1	 3.9 14.1
 Targets	<b>By 2025:</b> Connect 50% of global containerised trade to digital solutions that reduce supply chain barriers.  Help connect 100,000 small and medium-sized enterprises, including women-operated businesses, to international trade.  SME customers account for 10% of total revenue and 30% of e-commerce logistics revenue.  Contribute to trade facilitation reforms in 30 developing countries.	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).	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 in and work with selected yards in Alang.  Develop the wider Alang area.  Actively support and participate in the development of the Ship Recycling Transparency Initiative.	<b>2019:</b> Execute safety education for top management.  Identify top critical risks and follow-up activities.  Establish Learning Teams concept.  <b>2020:</b> Top 300 leaders complete Safety Differently workshops.  Verification of critical controls.  Improved employee engagement.	Fully comply with regulatory demands and continue investing 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 uncontained oil spills above 10 m <sup>3</sup> .
 Progress 2019	A total of 95 container terminals are connected to TradeLens. Ocean carriers representing more than half of global container trade and 15 customs authorities have committed to joining the TradeLens network.  Twill, shipping platform for SMEs, launched in 154 countries in January 2020.	We have reduced CO <sub>2</sub> emissions by 41.8% since 2008, with 5.2 percent achieved in 2019. Mapped and focused on three working hypotheses for future fuels, established the LEO Coalition developing a new type of biofuel, introduced "Maersk ECO Delivery" to market (a carbon free shipping product), and were co-founders of the Getting to Zero Coalition.	Worked with WRI to develop and test metrics for food loss in three pilot projects in countries of origin of citrus fruits, avocado and grapes.	Placed four new vessels for recycling in four different yards in Alang, India. Contributed data and information to the Ship Recycling Transparency Initiative.  In wider Alang we continued to support medical outreach activities in partnership with local NGOs.	Established training activities, capability building and culture development based on our new Safety Differently strategy. Sadly, we saw five fatal accidents in our operations.	Successfully completed preparations for implementation of the IMO's global cap on sulphur dioxide from 1st January 2020.  Registered five cases of non-compliance with SO <sub>x</sub> emissions requirements in regulated zones, caused by errors during fuel switch.	No uncontained spills exceeding 10 m <sup>3</sup> .
 Governance	Our commitment to multiplying the benefits of trade is owned by our Executive Leadership Team. A task force with an executive sponsor and key leaders from relevant parts of the business is responsible for setting and achieving the targets set.	Climate-related risks and opportunities are part of our Enterprise Risk Management system reporting to the Executive Leadership Team and the Board of Directors quarterly.  Our decarbonisation and CO <sub>2</sub> reduction targets are governed by a task force with an executive sponsor.	Our commitment to reducing food loss is owned by our Executive Leadership Team. A task force with an executive sponsor and key leaders from relevant parts of the business is responsible for setting and achieving the targets set.	A.P. Moller - Maersk's Responsible Ship Recycling Standard is approved by the Executive Leadership Team. The ship recycling project is overseen by a steering group with an executive sponsor.	Our HSE management system is part of Commit, Maersk's central governance system, which is overseen by the Commit Council. The implementation of the Safety Differently strategy is overseen by an implementation board led by a member of the Executive Leadership Team.	Our work is guided by a high-level cross-organisational steering committee on SO <sub>x</sub> compliance and readiness established by the Executive Leadership Team.	We manage our efforts to avoid spills through the rules and guidance in our HSE management system. This is part of Commit, Maersk's central governance system, which is overseen by the newly-established Commit Council.

Ocean health (p. 22)	Responsible procurement (p. 34)	Anti-corruption (p. 35)	Human rights (p. 36)	Employee relations (p. 37)	Diversity and inclusion (p. 38)	Disaster response (p. 39)	Responsible tax (p. 39)
 14.1 14.3	 12.6	 16.3 16.5	 8.5 8.7 8.8	 8.5 8.7 8.8	 5.1 5.5	 17.6	 17.1
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.	<b>2019:</b> Ensure compliance with Third-Party Code of Conduct. Develop 'risk score' methodology. Align supplier due diligence processes across segments.  <b>2020:</b> Ensure compliance with Supplier Code of Conduct. Review programme to align with risk picture from expansion on land. Participate in collaborative efforts focused on trucking.	Comply with legislation on anti-corrupt practices, which ultimately translates to zero bribery and elimination of facilitation payments.	<b>2019:</b> Anchor human rights due diligence in governance system. Continue to close identified gaps in relation to standards for Maersk and supply chain employees.  <b>2020:</b> Conduct further analysis of human rights risks related to the digitisation. Continue to embed human rights into governance and compliance systems.	Ensure compliance with our governance document on Global Employee Relations, which is based on internationally recognised standards.	<b>2023:</b> Three women on the Board of Directors, if the Board consists of less than twelve members, and four women, if the Board consists of twelve or more members.  <b>2020:</b> Targets for senior management representation of 1) women and 2) persons from countries that are not in the OECD high-income countries list.	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.	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 with reporting for 2020.
Collaborated with the global shipping community on collecting ocean data, and with The Ocean Cleanup project on removing plastic waste from the ocean. Took part in developing and launching the UN Global Compact's ocean principles. Zero cases of non-compliance with the BWMC. Ballast water treatment systems installation progressing as planned.	Performed 68 audits, 742 self-assessments and 622 pre-qualification assessments of suppliers. Began further integration of inland activities into our supplier assessment system, particularly focusing on the trucking category. Participated in sector initiative on responsible trucking.	Zero facilitation payments on our own vessels in 2019 and a 47% reduction of facilitation payments on chartered vessels since 2018.  Compliance programme also focuses on third party due diligence and risk assessments on anti-corruption. Established a business compliance local ambassadors network.	Our commitment to human rights was included in the Maersk employee Code of Conduct. We worked on assessing ethics in the use of artificial intelligence, and contributed to shipping industry guides to human rights.	Strengthened management guidance on interactions with unions and work councils, and provided training for 71% of the target group using new e-learning modules on employee relations. Carried out labour rights assessment focusing on seafarers in Maersk.	Continued work towards targets for gender and nationality in management (see page 38), ran first company-wide diversity and inclusion-week, launched new e-learning and leader training module on unconscious bias. Worked on recruitment, sexual harassment, LGBT inclusion, including update of the diversity and inclusion policy.	Contributed to logistics relief efforts in Mozambique and the Bahamas.	Paid 458 million USD in taxes, a drop compared to previous years, due to our disengagement from the energy sector. Continued dialogue with tax stakeholder groups. Prepared for alignment with B Team tax principles.
Our ocean health compliance activities are governed through the Commit Rule on HSE management and overseen by the Commit Council. Our collaboration with the Ocean Cleanup is owned by the Executive Leadership Team.	The responsible procurement programme is governed through Commit, Maersk's central governance system, which is overseen by the newly-established Commit Council.	Our work to combat all forms of corruption is governed through Commit, Maersk's central governance system, which is overseen by the newly-established Commit Council.	Our human rights provisions are governed through Commit, Maersk's central governance system, which is overseen by the newly-established Commit Council.	We have a Global Employee Relations Rule, which is based on international labour standards. Compliance with the policy is governed through Commit, Maersk's central governance system, and overseen by the newly-established Commit Council.	Our Diversity and Inclusion programme is owned by our Chief Human Resources Officer. Standards for non-discrimination of employees are part of the Global Employee Relations Rule.	The Executive Leadership Team owns our participation in LET, and approves the contribution of Maersk resources according to criteria set in the LET partnership.	The Maersk Tax Principles guide our work and are translated into rules and guidance in Commit, Maersk's central governance system, which is overseen by the newly-established Commit Council.

# Performance data

	A.P. Moller - Maersk			Continuing operations			Discontinued operations		
	2019	2018	2017	2019	2018	2017	2019	2018	2017
<b>Social performance</b>									
<b>Our employees</b>									
Number of employees (FTEs)	86,279	85,689	N/A	83,512	82,806	N/A	2,767	2,883	N/A
Women in leadership (% based on headcount)	27%	25%	23%	27%	25%	26%	-	10%	16%
Gender – female/total (% based on headcount)	29%	27%	26%	29%	27%	28%	-	8%	10%
Target nationalities in leadership (% based on headcount)	39%	37%	31%	39%	37%	40%	-	12%	9%
Target nationalities/total (% based on headcount)	71%	70%	69%	71%	71%	74%	-	23%	40%
Fatalities (headcount)	5	7	7	5	7	6	-	0	1
Lost-time injury frequency (based on exposure hours)	1.16	1.29	0.89	1.16	1.30	0.93	-	0.91	0.58
<b>Environmental performance</b>									
<b>Energy consumption</b>									
Fuel oil (1,000 tonnes)	11,173	12,017	10,369	11,173	11,994	10,318	-	23	50
Gas fuels (1,000 tonnes)	10	17	369	10	17	17	-	0	352
Other fuels (1,000 tonnes)	130	118	160	130	118	109	-	0	51
Biofuels (1,000 tonnes)	8	-	-	8	-	-	-	-	-
Electricity (1,000 MWh)	656	732	816	656	730	700	-	2	116
Energy consumption (total, TJ)	463,815	498,209	449,578	463,815	497,233	428,381	-	976	21,197
<b>Greenhouse gas (GHG) emissions</b> (1,000 tonnes CO <sub>2</sub> eq)									
GHG emissions	36,491	39,165	35,981	36,491	39,087	33,864	-	78	2,117
Direct GHG emissions (scope 1 GHG Protocol)	36,204	38,826	35,579	36,204	38,749	33,519	-	77	2,060
Indirect GHG emissions (scope 2 GHG Protocol)	287	339	402	287	338	345	-	1	57
Relative CO <sub>2</sub> reduction (percentage vs. 2008 baseline)	41.8%	38.6%	35.9%	41.8%	38.6%	35.9%	-	-	-
<b>Other air emissions</b>									
SO <sub>x</sub> (1,000 tonnes)	569	615	531	569	615	530	-	0	1
NO <sub>x</sub> (1,000 tonnes)	888	955	826	888	953	820	-	2	6
<b>Other resource consumption</b>									
Waste (1,000 tonnes)	299	340	272	299	338	256	-	2	17
Water (1,000 m <sup>3</sup> )	1,696	2,256	2,971	1,696	2,244	2,661	-	12	310
<b>Spills (hydrocarbon)</b>									
>10 m <sup>3</sup> (number of spills)	0	0	0	0	0	0	-	0	0
<b>Economic performance</b> (USD million)									
Revenue	N/A	N/A	N/A	38,890	39,280	N/A	308	1,977	N/A
Profit/loss before depreciation, etc. (EBITDA)	N/A	N/A	N/A	5,712	3,809	N/A	N/A	N/A	N/A
Capex	N/A	N/A	N/A	2,035	3,219	N/A	N/A	N/A	N/A
Tax for the year	N/A	N/A	N/A	458	398	N/A	0	247	N/A

See the Sustainability Accounting Principles on <https://www.maersk.com/about/sustainability/reports> for more information on data definitions and scope.

— Financial scope.

— Operational scope.

— Data from other sources than the financial and operational scoped data. Since 2017 gender and nationality data is reported by headcount, previously by FTE.

— Scope is limited to shipping operations and includes Hamburg Süd data from 2017. In 2019, we changed the indicator underlying our relative CO<sub>2</sub> reduction target.

— Relative CO<sub>2</sub> reduction is now measured using EEOI (Energy Efficiency Operational Indicator) as defined by IMO in MEPC.1/Circ.684 and calculated as g CO<sub>2</sub>/Ton x Nm).

## Comments on 2019 performance data

### Social performance

#### Our employees

FTE data is taken from the audited 2019 Annual Report of A.P. Moller - Maersk.

The increase in diversity on both gender and target nationalities, both at leadership level and across A.P. Moller - Maersk, is due to having a higher retention rate of women and target nationality groups.

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. 38.

LTI has decreased due to a drop in the number of LTI cases particularly in our terminals and freight forwarding operations. More details about our safety performance can be found on pages 30–31.

### Environmental performance

#### Energy consumption

Decrease in fuel oil consumption in 2019 is mainly due to reduction in the sailing distance of vessels as well as a decrease in time chartered vessels.

Decrease in gas fuel consumption is due to several factors including closure of factories and office locations.

Increase in other fuels consumption mainly due to increase in terminals.

Consumption of carbon-neutral biofuels for shipping service launched in 2019.

Decrease is mainly due to closure of factories and decrease in office space occupancy.

Decrease in total energy consumption (total, TJ) is due to the decrease in fuel oil consumption.

#### Greenhouse gas (GHG) emissions

Decrease in GHG emissions is due to the decrease in energy consumption.

97% of our scope 1 emissions come from the operations of our fleet. Decrease in direct GHG emissions is due to the decrease in fuel oil consumption.

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

Improvement in operational energy efficiency has been achieved by technical retrofitting and by improving planning and optimising of networks.

#### Other air emissions

SO<sub>x</sub> is produced from the combustion of heavy fuel oil. Decrease in SO<sub>x</sub> emissions is due to decreases 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. Decrease in NO<sub>x</sub> emissions is due to decreases in fuel oil consumption.

#### Other resource consumption

Decrease is due to a change in the categorisation of hazardous waste, as well as closure of factories and decrease in office space occupancy.

Decrease is partly due to closure of factories and decrease in office space occupancy.

#### Spills (hydrocarbon)

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

### Economic performance

Financial data is taken from the audited 2019 Annual Report of A.P. Moller - Maersk.

The annual accounts and independent auditors' report can be found at <http://investor.maersk.com/>

# 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 period January 1 – 31 December 2019.

### Our conclusion

Based on the procedures we performed and the evidence we obtained, nothing came to our attention that causes us not to believe that data and information in the A.P. Møller - Mærsk A/S Sustainability Report are free of material misstatements and prepared, in all material respects, in accordance with the accounting principles as stated at <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 period 1 January – 31 December 2019.

### 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, 20 February 2020

PricewaterhouseCoopers  
Statsautoriseret Revisionspartnerselskab  
CVR no. 3377 1231

Mogens Nørgaard Mogensen  
State Authorised Public Accountant  
mne21404

Lars Baungaard  
State Authorised Public Accountant  
Mne23331

### 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 Sustainability Report and comparison to the results of a media search;
- Read and evaluated reporting guidelines and internal control procedures at corporate level and reporting entity level regarding the data to be consolidated in the 2019 Sustainability Report;
- Conducted analytical review of the data and trend explanations submitted by all reporting entities to A.P. Møller - Mærsk Accounting & Controlling for consolidation;
- Evaluated 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 Sustainability Report for the period 1 January – 31 December 2019.

### Our responsibility

We are responsible for:

- Planning and performing the engagement to obtain limited assurance about whether data and information for the period 1 January – 31 December 2019 are free from material misstatements and are prepared, in all material respects, in accordance with the accounting principles;
- Forming an independent conclusion, based on the procedures performed and the evidence obtained; and
- Reporting our conclusion to the stakeholders of A.P. Møller - Mærsk A/S.

# Stay up to date

## We value your feedback

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

A.P. Moller - Maersk  
Esplanaden 50  
1098 Copenhagen K  
Denmark  
Attn: 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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Page 6, 26: Ture Andersen  
Page 27: Nick Souza Photography ©2019



This is our Communication on Progress in implementing the principles of the United Nations Global Compact and supporting broader UN goals.

We welcome feedback on its contents.

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



## Overview of brands that are part of A.P. Moller - Maersk and covered by this report



## News and Reporting

### Online



Maersk.com  
<https://www.maersk.com/press>  
[Investor.maersk.com](http://Investor.maersk.com)  
<https://www.maersk.com/about/sustainability>

### Engage with us



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