

ALL THE WAY



MAERSK

# 2020 Sustainability Report



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### About the report

This is the Annual Sustainability Report of A.P. Møller - Mærsk A/S (hereinafter referred to as A.P. Møller - Maersk or Maersk as the consolidated group of companies and A.P. Møller - Mærsk A/S as the parent company). The report covers activities in the 2020 calendar year. Our approach to sustainability reporting is to focus on material issues and activities, in line with stakeholder concerns and relevance to our business and society 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, underrepresented gender and diversity in accordance with sections 99a & b and 107d of the Danish Financial Statements Act.

As a supplement to the Annual Sustainability Report, we prepare an ESG data overview of key performance indicators as well as SASB and TCFD index tables. The ESG overview can be downloaded at: <https://investor.maersk.com> under files for download at the release of the Annual Report.

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

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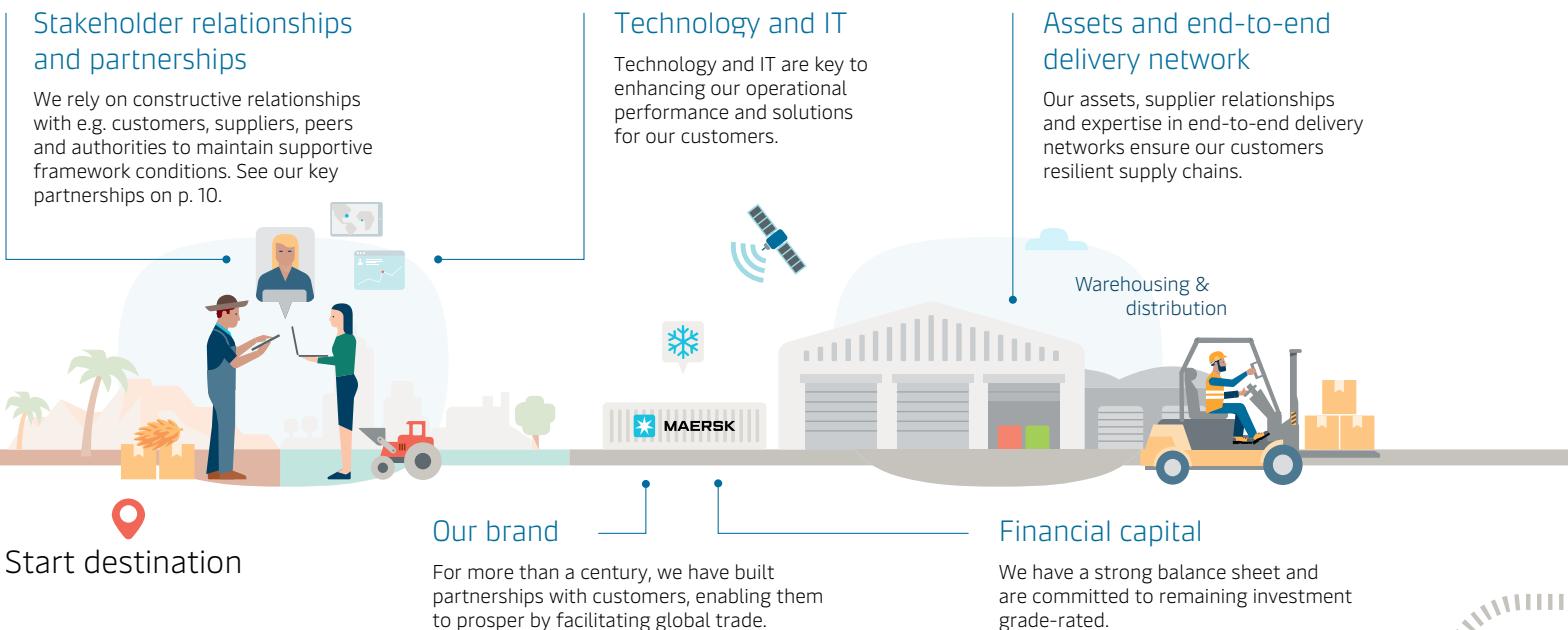
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# What we do and how we create value

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



## ● RESOURCES



## ● VALUE CREATED

### For our people

Our people bring key skills and capabilities to our business and in turn we must keep them safe and engaged while offering interesting career paths in enabling global trade. Read about our work on safety on pp. 30-31.



### For the environment

Our industry is a significant contributor to global GHG emissions, and we are committed to decarbonising our operations, through investments and collaboration. Read more on pp. 16-22.



### For our investors

In our transformation to become the global integrator of container logistics, we continue to innovate and grow shareholder value.



### For society

With global presence and potential for impact comes the responsibility and opportunity to ensure open, inclusive and sustainable trade. Read more on pp. 13-15.

Customer's warehouse or shop

## 2020 performance highlights

**Revenue**  
(USD million) **39,740**

**EBITDA**  
(USD million) **8,226**

**Relative CO<sub>2</sub> reduction**  
(percentage vs 2008 baseline) **46.3%**

**Greenhouse gas emissions**  
(1,000 tonnes CO<sub>2</sub> eq.)

Direct emissions  
(scope 1) **33,902**

Indirect emissions  
(scope 2),  
location-based **305**

Value chain  
emissions  
(scope 3) **19,017**

See more performance data on pp. 44-45

### For our customers

By connecting and simplifying our 70,000 customers' supply chains, we enable them to focus on growing their business.

End destination





# Letter from our CEO

2020 was a year of contrasts. While the pace of modern life slowed down due to restrictions or lockdowns, trends and change agendas on digitisation and sustainability accelerated during the COVID-19 pandemic. While some industries came to a sudden halt others surged. And while lives and livelihoods were lost at tragic rates, human ingenuity and adaptability rose to new heights.

Even though borders closed, air traffic stopped and roads blocked across the globe, global supply chains remained open. The geographical presence and leadership position of A.P. Moller - Maersk (Maersk) enabled us to find new ways of keeping essential goods moving for customers and societies, as they kept businesses running and fought the virus. Just as we in our company focused on protecting our employees, who play an instrumental role in moving global trade while dealing with long shifts at sea and disruptive, new routines on shore. I remain tremendously proud to experience how we responded to this global emergency by showing resilience,

innovation and a natural willingness to care for colleagues, serve customers and help society respond and recover. I am at the same time saddened by the fact that the COVID-19 virus has claimed the lives of some of our colleagues.

## **Sustainability as a fully integrated business priority**

Even as the urgent priorities of the pandemic and our business transformation have kept us busy, sustainability remains at the top of our agenda, and we continue our commitment and support for the principles of the United Nations Global Compact. We see an acceleration in expectations from all stakeholders, not least customers, investors and employees. In 2020, we updated our sustainability priorities to further integrate sustainability into our business strategy, and we are accelerating our efforts to decarbonise shipping.

The pandemic has only reinforced our role in multiplying the benefits of trade and in making these accessible to all so that more people and businesses can be part of a global, open

*"I strongly believe that we, as an industry leader and with the resources available to us, have an obligation to do all we can to get to a carbon neutral fleet as fast as possible."*

and inclusive trading system. Towards this end, we work to reduce complexity by digitising global trade. As physical lockdowns moved more customers online during 2020, we saw significant growth in our digital solutions, such as Maersk Spot, the Maersk app and Twill.

#### A step-up on decarbonisation

Decarbonising logistics is where we can and must move the needle the most for sustainable development. Maersk remains fully committed to our ambition of eliminating greenhouse gas emissions, as we continue to work towards net-zero emissions from our ocean activities in 2050; a 60% relative reduction in emissions from shipping by 2030 compared to 2008, and investigating how we can expand our net-zero ambition to cover our full operations and value chain across all emission scopes. We recognise that climate action is a strategic imperative for our company and have redesigned our organisation in order to embed the agenda and ensure collaboration across our business activities.

In 2020, we began a process to step up our efforts on decarbonisation. I strongly believe that we, as an industry leader and with the resources available to us, have an obligation to do all we can to get to a carbon-neutral fleet as fast as possible. We will not be using transition fuels, but will instead leapfrog directly to net zero fuels. The launch of the Mærsk Mc-Kinney Møller Center for Zero Carbon Shipping in 2020, made possible by our majority shareholder, the A.P. Moller Foundation, together with a group of industry-leading players, is an important step in aid of our commitments.

As Maersk's presence grows on land to offer integrated logistics solutions, so does our responsibility and commitment to help our customers decarbonise their global supply chains end to end. This is an integral part of our strategic promise of serving all our customers' transportation and logistics needs, and we will engage with customers and industry partners to develop standards and solutions to support this green transition.

#### Strengthening the foundation

We are strengthening the responsible business practices that constitute the foundation of our sustainable end-to-end offerings to our customers as well as our own operations.

Guided by our core company values, our commitments to international standards and guidelines, and with high expectations from customers, investors, regulators, employees and other stakeholders, we continue to address challenges across our operations and supply chains, including key areas such as ship recycling and safety.

We have taken on the task of using our leverage to drive responsible practices in the ship recycling industry. After four years in Alang, India, we know that this is possible, and with still larger vessels in our fleet nearing end of life, it is imperative that we create opportunities for responsible ship recycling at yards outside OECD countries. We are engaging actively to find options that ensure enforcement of international conventions while also enabling global opportunities for responsible ship recycling that benefit both shipowners and local communities.

#### Failing safely

The foundation for safety in Maersk is to build capacity for 'failing safely', acknowledging that even while all precautionary measures must be applied, some accidents and incidents are likely to still occur, but the implications of these should be as small as possible.

One of our contractors lost his life while working for Maersk in 2020. This saddens me deeply and emphasises that we need to do more to manage our risks and build the capacity we need to avoid such a tragic event.

To this end, we centralised the organisation of our safety work in 2020. The new organisation reinforces that Maersk has one shared safety strategy which is implemented and enforced equally across the company.

The decision is driven by the need to match and mirror the integrated company that Maersk is becoming, and also by the need to establish a stronger link between the company's strategic priorities and the implementation level, to ensure that we continue to learn and manage risks by listening to our frontline employees. Most importantly to ensure the continuous safety and security of our people, but also to assure our customers that this is the case when they leave their supply chain obligations in our hands.

In simple terms, we will not be satisfied until we reach our ambition of eliminating fatalities and severe injuries and provide safe and resilient products and services to our customers.

#### Social movements a timely reminder

2020 saw the renewed strength of social movements to promote race and gender equality.

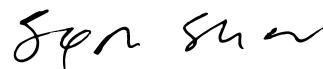
Our global presence means that we are affected by events and movements regardless of where they take place. Notable examples such as Black Lives Matter in the US, which has spilled over to many other countries, and new waves of #metoo serve as timely reminders that we must continue conversations on diversity and inclusion and take action where needed.

Maersk is a values-driven company. We treat our colleagues and partners with respect and dignity, and we do not tolerate discrimination or harassment of any kind. It is as simple as that.

In 2020, we have addressed these issues in our organisation and clarified how we deal with them. We have clear policies in place and a whistleblower system with a range of reporting options.

For Maersk, 2020 was a year of crises in global health and economies, lockdowns, closed borders and distress – but also of new opportunities for our company, accelerated progress towards our strategic goals and a chance to see what we as leaders and our employees are truly capable of.

In the coming year we will be applying our capacity to the global distribution of vaccines and to keeping supply chains open, and as such we will continue to play our part in enabling open, inclusive and sustainable trade – together.



**Søren Skou**

CEO of A.P. Møller - Mærsk A/S

**WE SUPPORT**



# Strategy, governance and materiality

As sustainability becomes a strategic imperative for A.P. Moller - Maersk, we have updated our sustainability priorities and governance to underpin a more targeted and integrated approach.

A.P. Moller - Maersk's (Maersk) approach to sustainability is to take responsibility in line with our values and commitments, and to assume a leadership position on global issues where we have the necessary competencies and leverage to make a real difference. We do this through our business activities and in line with our business strategy, while we listen carefully to stakeholders' expectations.

In 2020, this approach has led us to reassess and elevate our ambitions on sustainability, which are now further integrated in our Global Integrator strategy and the transformation of Maersk to one company.

We see continued strong momentum on the sustainability and ESG (Environment, Social, Governance) agenda in society as the expectations and ambition levels of our customers, investors, regulators and civil

society continue to rise. This impacts not only Maersk, but importantly also our customers, who are converting the expectations, risks and opportunities for sustainable products in the consumer market into requirements for us to deliver decarbonised and increasingly also end-to-end responsible supply chain solutions. Almost three out of four of our key clients seriously consider sustainability in their supply chains, and 90 of our top 200 customers have set or are in the process of setting ambitious science-based or zero carbon targets.

ESG is moving from the niche confines of socially responsible investments to a focus on financially material impacts that matter to mainstream investors. The financial community expects companies to demonstrate a credible plan that aligns with the Paris Agreement's 1.5-degree target across the full supply chain,

and to take into account the physical effects of climate change and secure a viable business for the future.

Furthermore, lawmakers – particularly the EU – are moving rapidly on legislation related to sustainability, also on issues beyond climate change and decarbonisation. For example, the EU is enacting the taxonomy on sustainable activities, which through demands on the financial community will push requirements for transparency on ESG data across business sectors. Further initiatives are in the EU's pipeline, including increased reporting obligations, ensuring sustainability in corporate governance and not least, mandatory social and environmental due diligence in supply chains.

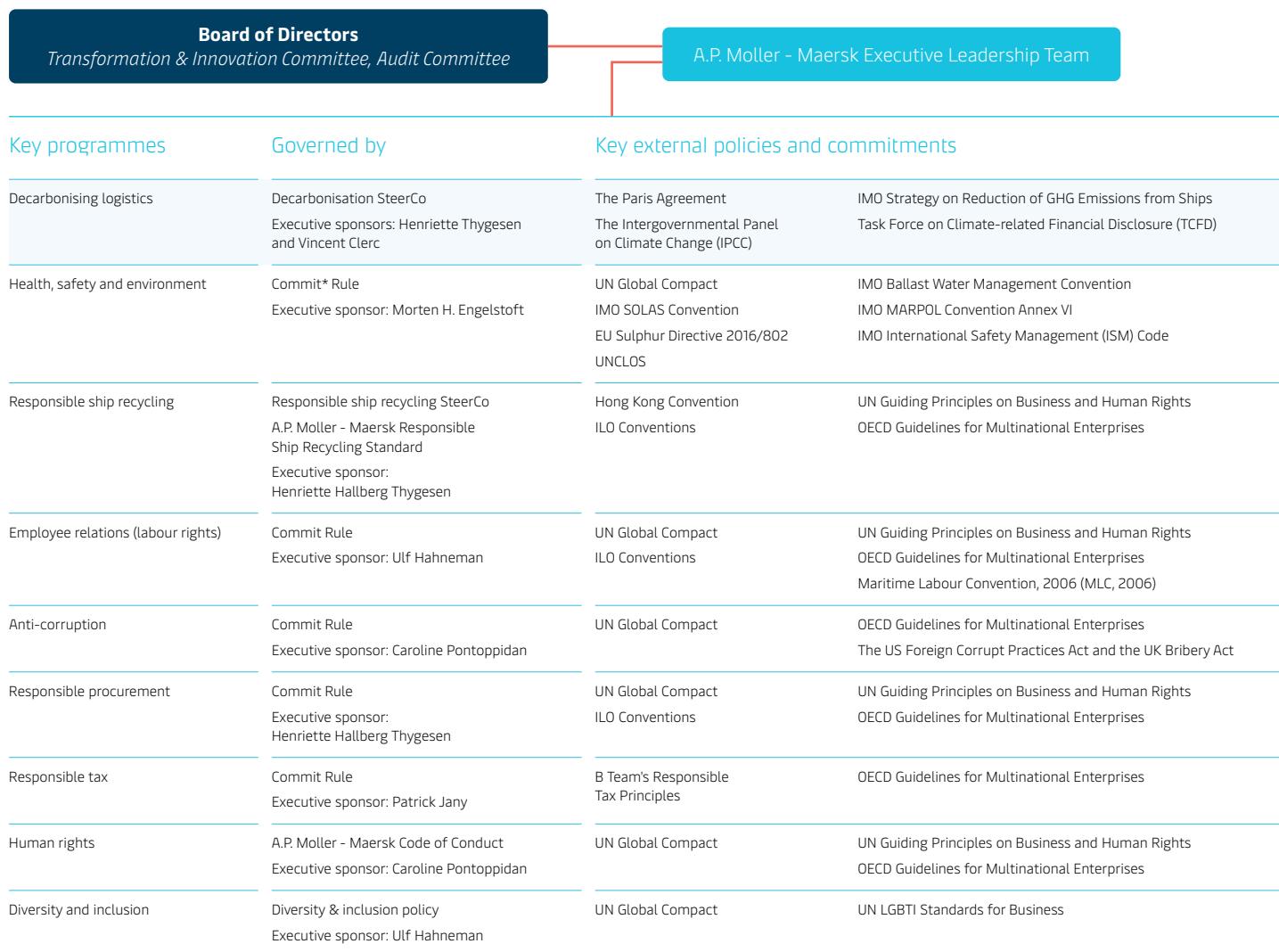
As a consequence, sustainability is becoming not only a values-based responsibility for us but also a commercial and strategic imperative for

## Enabling sustainable trade: Sustainability priorities for the Global Integrator

The diagram consists of three main sections arranged vertically, each with a title and a decorative icon at the top. The first section, 'Decarbonising logistics', features a ship icon. The second section, 'Sustainability in our end-to-end offerings', features a factory icon. The third section, 'Responsible business practices', features a factory icon. The sections are connected by thin lines forming a vertical stack.

- Decarbonising logistics**
- Sustainability in our end-to-end offerings**
- Responsible business practices**

## Our sustainability governance framework



\* Commit is Maersk's core governance framework prescribing how we work including the A.P. Moller - Maersk Code of Conduct and 23 policies (known as "Rules") covering Business Ethics and Governance topics

Maersk as part of our proposition to customers, capital providers, employees and regulators, and foundational to our broader societal licence to operate.

### Defining a sustainable business strategy

Our sustainability efforts have matured over the last decade with increasing ambitions matching the maturity of the field and expectations of our leading customers and key stakeholders. The sustainability strategy and ambitions we defined in 2017 have served well in creating positive impact along multiple dimensions. We have made significant progress on the four shared value priorities that we identified in 2017 as those where Maersk has the strongest potential to contribute towards the Sustainable Development Goals, leveraging our business

expertise and assets: decarbonising logistics, multiplying the benefits of trade, contributing to halving food loss, and leading change in the ship recycling industry. We have progressively embedded responsibility for sustainability implementation into core functions and business areas, and we are now ready to integrate our sustainability priorities as an embedded part of our business strategy.

In 2020, we have defined updated sustainability priorities for the Global Integrator strategy: Enabling sustainable trade by decarbonising logistics, sustainability in our end-to-end offerings and responsible business practices.

- We will take leadership on decarbonising logistics as our single most important strategic sustainability priority.

- We will increase our focus on end-to-end sustainability in our offerings in response to the increased responsibility and opportunity to manage supply chain risks for our customers as part of our Global Integrator business strategy.
- We continue to ensure responsible business practices across our operations with clear governance, accountability, and transparency on policies, commitments and performance.

Our commitments on inclusive trade and food loss are fully owned and driven in line of business, and remain part of our reporting on sustainability as they are integral to our strategy and what we do as a business. Responsible ship recycling is also fully owned in line of the business and part of ensuring responsible business practices.

## Governance structures in place

Governance of sustainability in Maersk is overall anchored with the Board of Directors (Transformation and Innovation Committee) and the Executive Leadership Team. Under their oversight, our sustainability governance and integration approach secures executive ownership of sustainability and involvement in setting sustainability priorities and driving implementation, while also embedding sustainability in core processes related to strategy, performance, planning and risk management.

In 2020, we revised the governance structure on decarbonising logistics to support an acceleration of our efforts. This includes an expanded steering committee with two executive members serving as an accountable decision-making forum, supported by a broader decarbonisation advisory group, preparing work plans and strategies and ensuring alignment across the company. The advisory group has defined a set of workstreams covering commercialisation, vessel design, energy efficiency, fleet and network, retrofitting, new fuels, sourcing and framework conditions.

## Stakeholder engagement

Five stakeholder groups are prioritised for sustainability strategy, reporting and engagement: customers, employees, investors, authorities and NGOs/thought leaders. Issue owners and leaders across Maersk engage with representatives of these groups as part of their

daily work, and we incorporate feedback from the regular engagements in determining the materiality of sustainability issues and setting strategic direction for our work.

In 2020, our engagement with customers on sustainability has focused particularly on providing transparency on responsible business practices and visibility of logistics emissions, as well as on sustainability innovation, encompassing our currently available and future solutions for net zero carbon shipping. Our engagement with investors, banks and insurers on ESG/sustainability has likewise centred on decarbonisation, but ship recycling, air emissions, ocean health and safety are also topics important to our large investors.

We engage actively in many partnerships on key sustainability topics (see overview below). In addition, we are active members of industry organisations such as Danish Shipping and the World Shipping Council.

## Materiality: Working on issues that matter

In line with our practice of reviewing materiality annually, we have updated our overview of material sustainability issues drawing on the outcome of stakeholder engagement and research conducted as part of the update of strategic sustainability priorities. The research has provided insights into expectations, leading practices and emerging topics across customers, investors, and broader society, and has added to our existing knowledge and analyses

from previous years including an analysis of how Maersk relates to the UN Sustainable Development Goals.

## Revisions and additions to our model

We are simplifying our representation of material issues to reflect our new strategic approach, highlighting the issues that are strategic imperatives and hold the greatest potential for value creation: decarbonisation, end-to-end sustainability in our offerings, and sustainable trade. Furthermore, we continue to be guided by the perspective of double materiality in determining how sustainability issues may constitute responsibilities or risks, enabling us to understand where Maersk has a responsibility to mitigate potential negative impact on society or the environment and where issues may pose significant risk to our business.

Our disclosure of sustainability issues as potential risks to our business draws on our enterprise risk management process, which assesses top risks to achieving our business plan within a 5-year horizon. The sustainability issues that are assessed as among our top risks are safety (failure to ensure the safety and security of our employees), climate change (failure to decarbonise our end-to-end supply chain at a speed that matches our customers' and investors' expectations), and anti-corruption (being involved in a large compliance case).

## Key partnerships

We remain engaged in a wide range of partnerships and are members of different organisations working towards sustainability goals.



**MACN**  
Maritime Anti-Corruption Network

**THE B TEAM**



**ITC | SheTrades**



**BSR**

**Road Freight Zero**

**Transform to Net Zero**



**Sustainable Air Freight Alliance**



**Logistics Emergency Team**

**Mærsk Mc-Kinney Moller Center for Zero Carbon Shipping**



## Material sustainability issues 2020

Based on research, stakeholder dialogue and management prioritisation, we determine how sustainability issues are material to Maersk by applying criteria and filters of risk, responsibility and strategic opportunity assessment. The most material issues are outlined below and reported on in relevant sections of this report.

	Sustainable and inclusive trade		Safety		Responsible ship recycling		Responsible procurement
	Climate change / Decarbonising logistics		Diversity & inclusion		Air emissions		Responsible tax
	End-to-end responsibility in supply chains		Employee relations		Ocean health		Disaster response

### Changes to reporting as a result of strategy and materiality review



Our commitments to open, inclusive and sustainable trade are owned in line of business and delivered in particular through strategic investments in digitising global trade. We continue to report on our 2025 commitments as well as on key societal trends in global trade.



Air emissions continue to be a material responsibility topic, while the potential financial risk impact of IMO 2020 (lack of enforcement of the cap on sulphur in fuel oil) as reported on in previous years is reduced.



Supply chain sustainability risk is becoming more strategically relevant for us in our customer offerings. We report on it in the chapter on end-to-end sustainability in our offerings.



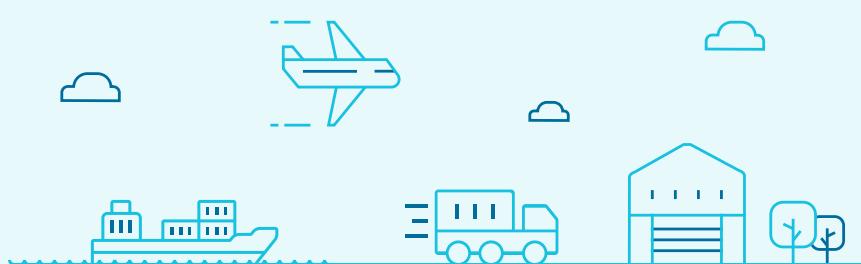
We no longer report on food loss as a separate disclosure topic but incorporate highlights in this year's report as part of the chapter on sustainable trade.



Responsible ship recycling continues to be a material responsibility topic which we report on in the responsible business practices section.



We no longer report on human rights as a separate issue, but have integrated human rights commitments and frameworks such as the UN guiding principles on human rights and business into our governance approach and issue management processes. See overview to the right.



### Human rights in this report

There are many aspects of our business that touch on human rights. Commitment to human rights is expressed in the A.P. Moller - Maersk Code of Conduct and our human rights due diligence is described on the following pages of this report.

#### Air emissions

38

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.

#### Diversity and inclusion

34

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

#### Responsible procurement

37

Human rights principles and standards related to labour.

#### Responsible ship recycling

32

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

#### Employee relations

36

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.

A photograph of a man standing in a field of tall grass or crops at sunset. He is wearing a blue shirt, blue jeans, a dark baseball cap, and glasses. He is looking down at a tablet device he is holding in his hands. The background shows a line of trees and a bright sky.

# Strategic sustainability priorities

Sustainable trade, decarbonisation and sustainability in our end-to-end offerings are strategic imperatives to our business.

# Enabling sustainable trade

As the global integrator of container logistics, we work to ensure that trade is open, inclusive and sustainable.

Wherever you live, chances are that your living conditions are closely tied to how much and how well your country trades. Since 1980, Bangladesh has seen a four-fold increase in exports with poverty rates declining from 45% to less than 15% today<sup>1</sup>. In South Korea, another trading nation, an average employee generates 13 times more wealth in a day than she did fifty years ago<sup>2</sup>. In Turkey, the typical consumer can attribute a third of their real income to lower prices enabled by trade<sup>3</sup>.

## Lessons from a pandemic

During 2020, we saw how fragile this progress can be – a real-time demonstration of what can happen when economies shut down. The International Labour Organization has estimated that as a result of the pandemic, global labour incomes have declined by more than 10% in 2020, corresponding to hundreds of millions of jobs<sup>4</sup>. The economic hardships caused by COVID-19 are not equally distributed, and inequalities within and among countries are likely to widen. According to the World Bank, during the pandemic the number of people living in extreme poverty (less than USD 1.90 a day) has gone up for the first time in twenty years and there is a real risk that we will not reach the UN Sustainable Development Goal of eradicating extreme poverty by 2030<sup>5</sup>.

At the same time, 2020 also demonstrated the power of open trade and well-designed logistics. The pandemic has been a demand-side crisis, but bar the initial shut-down in China, and initial shortages of face masks, it has not been a supply-side crisis. Logistics supply chains have kept moving throughout the pandemic.

Three factors in particular explain why this has been the case. First, the extraordinary

efforts of those on the frontline that make trade move: seafarers, dockworkers, warehouse staff, truck drivers and many more. Throughout the crisis, they have kept supply chains moving. For our seafarers and their families this has come at great personal sacrifice (see p. 26).

Second, the investments we have made into operational excellence, expansion of our portfolio of services and new digital solutions over the past years have made supply chains much more resilient. Comparing 2020 to 2019, the Maersk App nearly doubled the number of business transactions – from an average of about 21,400 per week in 2019 to an average of about 42,600 per week in 2020. Similarly, business transactions on Maersk.com – one of the world's largest B2B-sites – are up by 18% year on year. As the pandemic disrupted the global economy, our strategic focus on building end-to-end supply chain visibility helped our customers slow down, speed up and redirect supply as shut-downs rolled through global markets. Third, governments have on the whole consciously worked to keep trade open in order to preserve jobs and economic activity, enabling logistics companies to do their job.

## Using trade to drive recovery

The learnings that helped us during the crisis will also be essential for the rebuild that lies ahead. Open, inclusive and sustainable trade should be at the centre of this effort.

Much attention has been focused on the US-China trade war, but trade protectionism has been on the rise among all the G20 economies since the 2009 global financial crisis, and US and China account for no more than a quarter of protectionist measures since 2017. This we can no longer afford. The removal

of protectionist measures can offer a multi-billion-dollar stimulus to the global economy without burdening taxpayers and public finances.

The pandemic has been particularly hard on small and medium-sized businesses that account for two-thirds of all jobs globally. Boosting their access to trade is critical for an inclusive recovery. Furthermore, helping SMEs grow and diversify their export markets will make them and the millions who depend on them more resilient to future crises.

## Live demonstration of the power of trade

It is tempting to think that in an uncertain world, decoupling supply chains and increasing protectionism and self-sufficiency is the way to go. 2020 has demonstrated just how flawed this strategy is.

It is because of open supply chains, digital connectivity and rules-based trade that countries and businesses have been able to maintain essential services and supplies, even as half the global population went into lockdown.

But while global supply chains are essential during the crisis and for the recovery, going forward it will not be business as usual. The increased need for resilience experienced during the pandemic adds to an already existing set of factors, including technological innovations and geopolitics that are transforming supply chains. We expect that resilience, redundancy and scalability will play a bigger role for our customers, with more focus on the geographic diversity and resilience of suppliers, stress-testing supply chain networks, and 'just-in-case' inventory management.

<sup>1</sup> <http://povertydata.worldbank.org/poverty/country/BGD>

<sup>2</sup> <https://ourworldindata.org/grapher/labor-productivity-per-hour-pennworldtable>

<sup>3</sup> <https://www.nber.org/papers/w20331.pdf> p. 39

<sup>4</sup> [https://www.ilo.org/global/about-the-ilo/newsroom/news/WCMS\\_755875/lang--en/index.htm](https://www.ilo.org/global/about-the-ilo/newsroom/news/WCMS_755875/lang--en/index.htm)

<sup>5</sup> <https://www.worldbank.org/en/news/press-release/2020/10/07/covid-19-to-add-as-many-as-150-million-extreme-poor-by-2021>

# Maersk is committed to helping connect 50% of global containerised trade to digital solutions by 2025

## **Delivering on our commitments**

Through Twill, our digital logistics offering for small and medium-sized customers, and Maersk Growth, A.P. Moller - Maersk's (Maersk) corporate venture arm, we pursue our commitment to connecting 100,000 SMEs, including women-operated business, to international trade by 2025. As part of this work, we recognise that trade finance is one of the key barriers to trade for small businesses, and for this reason we have invested in MODIFI, which specialises in making trade finance

*"Because of flexible, connected supply chains and rules-based global trade, countries and businesses have been able to maintain essential services and supplies, even as societies across the globe went into lockdown."*

**Søren Skou,**  
CEO, A.P. Moller - Mærsk A/S

accessible to small companies. In 2020, we integrated MODIFI's offering into Twill.

Women-owned businesses and women entrepreneurs hold particular promise in making trade work better for inclusive growth. In 2020, we continued our collaboration with the SheTrades initiative of the International Trade Centre, with the aim of connecting more women to trade.

As shippers, logistics providers, customs officers and many more supply chain actors have been holed up at home around the world, digital platforms have enabled them to keep operations moving. Maersk is committed to helping connect 50% of global containerised trade to digital solutions by 2025. The potential impact of reaching this target was demonstrated in an analysis of our terminal in Mumbai in India concluded in 2019. This showed that digitising trade processes 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.

Our aim is to help realise this potential on a global scale. In 2019, Maersk entered into an innovative partnership with the Government of Germany and the United Nations Conference

on Trade and Development (UNCTAD). The aim of the collaboration is to develop ASYHUB, a digital hub that will allow customs administrations globally to exchange digital shipping information with platforms such as TradeLens, an open and neutral supply chain platform developed by Maersk and IBM. The ASYHUB solution will enable customs to have greater visibility of goods entering and leaving their countries, while drastically cutting down on the time and cost for importers and exporters to clear their goods. Development of the solution was completed in 2020 and it will be tested by customs authorities in Cambodia and Sri Lanka during 2021.

## **The link between trade and climate change**

We recognise that concerns over the sustainability of global consumption patterns remain and that in the light of the pandemic, this debate has come to include the added dilemma of jobs and livelihoods lost in production countries in particular.

Our premise is that fighting climate change should not be at the expense of trade, because this will lead to another set of sustainability challenges: lack of decent work, increases in poverty, hunger, lower availability of funds to invest in sustainable transformation and new infrastructure and more. As the past year has shown us, keeping trade up and running positively impacts the chances of sustainability staying on the global agenda.

Maersk is best positioned to impact two aspects of making trade and consumption more sustainable: by ensuring access to trade by removing friction in trade as explained

## **Twill employees coach women entrepreneurs**

As part of Twill's collaboration with ITC SheTrades, we organise coaching programmes between Twill employees and representatives of SMEs. In 2020, a pilot programme of four weeks and a subsequent eight week-long programme were established to support a total of 29 women entrepreneurs from Nigeria, India, Mexico and Kenya. The business owners were allocated a Twill coach, and the pairs worked on predefined challenges experienced by the business and communicated in advance. These were not only logistics challenges, but also addressed questions related to sales, e-commerce, HR and marketing.

19 of the 25 participants in the eight week programme took part in a follow-up, and a full 94% of these reported that the programme would

enable them to change their operations to increase their competitiveness in international trade.

This is the case for Rocio Aslida Norzagaray Sandoval, co-owner and CEO of Dios Cacao in Mexico, producing and selling gourmet chocolate products, promoting the consumption of Mexican cocoa and on a mission to improve crops and support the social fabric of communities in their supply chain.

Rocio Sandoval came into the coaching programme with a desire to expand Dios Cacao's market beyond Mexico, but declaring that she did not know where to start and would like help to understand what the company's target audience and pricing strategy might be when trying to expand.

At the end of the eight weeks, Rocio and her Twill coach, Maria Fernanda Muniz Tapia, agreed

that good knowledge about the export process in Mexico had been achieved and a pricing strategy established. Furthermore, Rocio and Maria had worked on Dios Cacao's supply chain and designed an export plan based on actual quotes and risks.

"Thank you for the fortune of being part of this programme. I now feel more capable in dealing with future challenges," Rocio Sandoval wrote to Twill at the end of the programme.

The Twill employees working as coaches were equally enthusiastic about taking part in the project. A full 95% reported that they had increased their understanding of SMEs and their pain points, while 86% increased their understanding of developing markets, and 100% felt that they had improved their interpersonal skills.

above, and decarbonising logistics, described in detail on pages 16–22, which will result in the decoupling of greenhouse gas emissions during transportation from economic growth.

Decarbonising logistics is only one part of the sustainability challenge related to consumption, but it is the one which we are able to impact directly, as opposed to consumption of natural resources, build-up of non-recyclable waste, etc., which are issues that must first be dealt with in the systems where they occur.

In simple terms, we are working to decarbonise how container cargo is moved around the world. The sustainability of what is inside the container is not within our direct sphere of influence, and must as a starting point be dealt with by the cargo owners.

#### **Minimising food loss with customers**

We are helping to halve food loss during transportation as an integrated part of our Cold Chain Logistics business, focusing on developing and scaling solutions to connect and integrate our customers' cold chains. Substantial extra

efforts were required during 2020 to minimise disruptions brought on by COVID-19 and ensure all elements across the cold chains including cold stores and trucking could continue to run smoothly, and ensure the stability of global food supply.

During 2020, the Cold Chain Logistics area expanded and now serves several hundred customers across nearly 50 countries globally. We opened one new cold chain facility and are progressing on three construction or expansion projects to develop our network of cold storage warehouses.

We work with customers to test solutions that target produce at the origin, working from harvest to container station and beyond to ensure that the product is treated in the best possible way to sustain quality and secure as little food loss as possible. One such example is how we have worked with citrus growers in Morocco, where preservation of food quality in citrus fruit during transportation was challenging. Our work included quality-preserving processes related to packing,

handling and temperature control in the cold chain resulting in less food loss, as well as working with customs to ensure faster processing, which equals less waste and better prices for the farmers. We piloted this project in 2019, and in 2020 we have worked to scale it up to cover more farmers and more destinations.

Maersk also contributes to reducing food loss both during transportation and at supermarket and consumer level through investments made by our venture arm, Maersk Growth. These include investments in for example Fliit, a Germany-based digital freight forwarder specializing in food logistics, Ripe.io – a platform leveraging blockchain technology and AI to provide data insights along the food supply chain, and Spoiler Alert, a company building a marketplace for discounted perishables.

Our focus during 2020 has been on efforts to create change on the ground, and the development of a metrics framework and broader partnerships to guide and document our impact on food loss in the supply chain remains a work-in-progress.



## Our commitments on sustainable trade

Commitments	Progress
Connect 50% of global containerised trade to digital solutions that reduce supply chain barriers by 2025	TradeLens has integrated with over 220 organisations, including data from more than ten ocean carriers and more than 600 ports and terminals, resulting in coverage of nearly half of the world's ocean container cargo. Integrations of CMA CGM and MSC owned terminals is being planned. TradeLens involvement in a multi-stakeholder project to automate advance sea cargo data for developing countries will start with pilots in Cambodia and Sri Lanka.
Help connect 100,000 small and medium-sized enterprises (SMEs), including women-operated businesses, to international trade by 2025. <sup>6</sup>	<ul style="list-style-type: none"> <li>Twill, our digital shipping platform focused on SMEs, counted over 4,000 active customers in 2020.</li> <li>Almost 1,700 participants joined Twill's webinars and coaching programmes.</li> <li>By the end of 2020, we had invested in 21 start-ups enabling trade for SMEs. These start-ups reach more than 15,000 customers and help them connect to global trade.</li> </ul>
Contribute to trade facilitation reforms in 30 developing countries by 2025.	Through our participation in the Global Alliance for Trade Facilitation, we provide knowledge and data to enable reforms in developing countries. By the end of 2020, we had contributed to reforms in ten countries. Action was delayed on a number of projects, predominantly due to COVID-19.
Contribute to halving food loss in logistics in support of sustainable development and growth of our cold chain business	In 2020 our Cold Chain Logistics business expanded to cover several hundred customers across nearly 50 countries globally. We opened one new cold chain facility and are progressing three construction/expansion projects in our network of cold storage warehouses. The fundamental challenge during the COVID-19 pandemic in 2020 has been to help ensure the stability of global food supply. We did not make progress in 2020 on the development of a metrics framework and broader partnerships to guide and document our impact on food loss in the supply chain.

<sup>6</sup> We no longer report on a previous target on SME share of Maersk revenue because we have come to understand that their overall share of Maersk revenue does not contribute to providing meaningful measures of the impact on our work.



# Decarbonising logistics

Decarbonisation is a strategic imperative for our industry and our company. We are intensifying our efforts to achieve net zero emissions and support our customers to decarbonise their supply chains.



Two years after setting our net zero ambition in December 2018, we have come further than we imagined possible at that time.

In 2018, a 2050 net zero ambition for shipping was a moonshot goal. Today, we see it as a challenging target, but clearly possible to reach. Customers, investors and authorities are accelerating their ambitions, and their expectations are rising fast for A.P. Moller - Maersk (Maersk) and our industry to deliver more solutions, more visibility and more help in decarbonising supply chains.

## Decarbonisation can make or break us

In 2020, we conducted a strategic review of global climate scenarios and transition pathways (see box on page 21). The conclusion was that climate action is a strategic imperative for all companies, and our company in particular, as we – due to our size and industry reach – have the opportunity to be a driving force in decarbonising shipping and logistics. We are both able and willing to take that role upon us.

There are specific trends in our stakeholder environment that underscore the need for urgent action on decarbonisation. First, a logistics provider without an ambitious plan for decarbonisation risks becoming irrelevant in the market, because it would become increasingly difficult for customers to embed services offered into their product offerings. This means that our company cannot be behind the curve on the carbon journey.

Second, political action is gradually but continuously beginning to reflect the reality of climate change. Spurred on by science, the evident rise in the number of extreme weather events, as well as pressure from a broad range of stakeholders, lawmakers are working on taxation or other pricing mechanisms as well as disclosure requirements related to CO<sub>2</sub> emissions, to incentivise transformation in all parts of society. These actions both emphasise and potentially mitigate the financial risks of climate change to companies, asset owners and societies. For example, while Maersk supports the introduction of uniform pricing regimes for CO<sub>2</sub>, the potential added cost from a regulatory instrument such as a carbon tax might end up being calculated in billions of dollars for Maersk alone, if we do not decarbonise our operations.

## Our commitments on decarbonisation



### STEPS TOWARDS DECARBONISATION



Maersk has a history of pioneering solutions and being ahead of our customers' demand. We were first to create a global network driving down the cost of transporting goods. We are the frontrunners in digitising the shipping and logistics industry with blockchain and web-based solutions.

Our decarbonisation efforts have matured over the past decade with increasing ambitions matching the maturity of the field and the expectations of our leading customers. We now want to reinforce our position, and we see this as an expression of our obligation – as an industry leader and with the resources available to us – to do all we can to get to a carbon-neutral fleet as fast as possible and to help our customers decarbonise their global supply chains end to end.

Today, 90 of our top 200 customers have set or are in the process of setting ambitious science-based or zero carbon targets. We have since 2018 been committed to set a science-based target, and we are actively engaging with the Science-Based Target Initiative on developing a methodology for shipping. Once this work is finalised, expected in the first half of 2021, we want to relate our emission reduction targets to this new calculation method, and measure our performance by the same yardstick as our customers do.

### Intensifying our efforts

To be true to our history and strategic promise, we are in the process of reviewing our decarbonisation ambitions, and investigating where we can raise the bar. To drive this and coordinate all related processes, a new Decarbonisation function was launched in January 2021, tasked with ensuring collaboration across commercial, operational, technological,

*"Our conversations with customers are increasingly focused on supporting their ambitions to decarbonise their supply chains, and ensuring flexible and resilient transport solutions."*

**Vincent Clerc**  
Executive Vice President  
and CEO Ocean and Logistics,  
A.P. Møller - Maersk A/S

and corporate entities. With the new setup, decarbonisation will be an even stronger strategic priority across the business. The new team, counting more than 50 people, will assist, inspire, set the direction and transition pace and ensure that decarbonisation is a business priority embedded across the entire company.

In pursuit of the decarbonisation targets set in 2018, we continue to make progress along the strategic pathways of building markets, developing technologies and enabling policies.

**Launched in 2019, Maersk ECO Delivery remains one of only a few options for carbon-neutral emissions shipping on the global market so far.**

### A market for net zero emissions shipping

Building on the increased momentum from our customers, in 2020 we implemented a new commercial strategy on sustainability aiming to respond to and aid customers on their decarbonisation journey, however far they have come.

One key feature in this is the Maersk ECO Delivery product. Launched in 2019, it remains one of only a few options for carbon-neutral emissions shipping on the global market so far.

Maersk ECO delivery uses externally certified biodiesel in the form of used cooking oil to power vessels in our network. The CO<sub>2</sub> savings generated from this are used to neutralise emissions related to transport of specific cargo by customers.

In 2020, customer uptake of Maersk ECO delivery shipping exceeded our expectations. So far, approximately ten major customers have chosen to purchase this carbon-neutral emissions

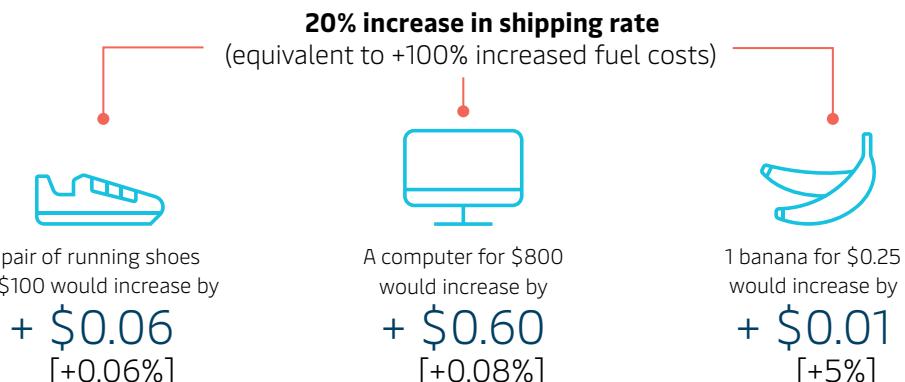
transport solution, and we expect this number to increase. We are also in conversation with some customers on the possibility of converting all their shipments to the Maersk ECO delivery product. While this is very promising, it represents a small share of the total amount of containers transported by Maersk, and we need much more customer demand to scale net zero emissions offerings and enable a transition to full decarbonisation.

Most importantly, however, we are learning that the commoditised freight market is open for price differentiation related to sustainability. Driven by the end-consumers' increased willingness to pay for sustainability, and growing climate urgency, this represents a solid contribution to the development of a business model for decarbonised logistics and transport, lowering the risk we take on when investing in the development of decarbonised logistics and transport services (shipping, rail, road, air).

Reflecting this, we have developed a multi-tier value proposition for sustainable logistics, allowing us to respond to customer needs aligned with their maturity and ambition level for carbon reductions. We continue to build ties and partnerships with the group of customers who match or exceed our ambitions on decarbonisation, and the solutions we co-develop with them are crucial levers in showcasing and shaping the broader market of the future.

A very relevant aspect related to the value proposition of net zero emissions logistics is understanding where the cost of transition will be felt. Analysis from the Energy Transitions Commission<sup>7</sup> shows that for most product categories, price increases for final consumers will be negligible, even though the intermediate costs are higher. See graphic below.

### How decarbonisation affects consumer prices



Source: Calculations by Maersk

<sup>7</sup> Energy Transitions Commission, Making Mission Possible – Delivering a Net-Zero Economy, September 2020

## Four priority fuels for net zero emissions shipping

Fuel	Key advantages	Key limitations/risks
 <b>Biodiesel</b>	<ul style="list-style-type: none"> <li>Can be used as drop-in fuel in existing vessels and engines</li> </ul>	<ul style="list-style-type: none"> <li>Limited availability of biomass feedstock a challenge to scalability</li> <li>Price pressure due to high demand from competing industries</li> </ul>
 <b>Methanol</b> (bio-methanol and e-methanol)	<ul style="list-style-type: none"> <li>Already in operation as marine fuel</li> <li>Engine is available</li> <li>Liquid at normal conditions, well-known handling</li> </ul>	<ul style="list-style-type: none"> <li>Bio-methanol: Production at scale is challenged by uncertainty over availability of biomass</li> <li>E-methanol: Availability of biogenic CO<sub>2</sub> source at production site, cost and maturity of electrolyser technology</li> </ul>
 <b>Lignin fuels</b> A new biofuel based on biomass residue (lignin) and alcohols (methanol or ethanol)	<ul style="list-style-type: none"> <li>Lignin fuels are potentially the most price-competitive net zero fuel with the lowest price estimate almost on a par with fossil fuels</li> </ul>	<ul style="list-style-type: none"> <li>In development stage, production needs to be scaled up to create a new value chain and infrastructure for supply</li> <li>Engine requirements would be the same as for methanol, but additional handling of contaminants may be required</li> </ul>
 <b>Ammonia</b> (green ammonia)	<ul style="list-style-type: none"> <li>Fully zero emissions fuel</li> <li>Can be produced at scale from renewable electricity alone</li> </ul>	<ul style="list-style-type: none"> <li>Safety and toxicity challenges</li> <li>Infrastructure challenges at ports</li> <li>Future cost depends on cost of renewable electricity and cost/maturity of electrolyser technology</li> </ul>

### The future of fuels

Over the past two years, we have conducted an extensive analysis of the available technology and fuel options for net zero carbon operations. Based on this work, we have concluded that there are technologies that are mature enough for us to participate in their development to scale by acting as an ambitious customer.

A broad range of technologies were evaluated and the four primary pathways we are now pursuing can be seen in the table above. As part of this process, we also deselected a number of potential technologies. For example, bio-methane and liquified natural gas, fuel cells, nuclear and onboard carbon capture due to concerns related to one or more of the steps in the fuel transformation supply chain (see illustration on the next page). For bio-methane and liquified natural gas, for example, we are very concerned with levels of methane emissions, and the risk of tying investments to marginal CO<sub>2</sub> reductions rather than transformation to real net zero-emissions solutions. Fuel cells were put on hold because they are not ready to be produced efficiently at scale and cost is still high, but we monitor this technology closely.

Our analysis shows that the technologies are available. As a result, and in response to the increased urgency of delivering on decarbonisation, we believe that the right thing to do is to leapfrog to pure net zero vessel technology without any transitional technologies.

### Barriers to progress

As shown in the graphic on the next page, fuel transformation involves the entire supply chain, and holds barriers to progress which we are working to overcome:

#### Scaling fuel production and associated technology

The main limitation to developing net zero emission vessels is availability of new fuels at scale. We are engaged in several fuel manufacturing projects for both methanol and ammonia, just as our participation in the LEO coalition continues, where we in collaboration with partners incl. customers and researchers work on the lignin fuel option in the table above. In combination, these projects will deliver substantially towards the power needs of our entire fleet, albeit price premiums may remain a barrier to uptake. The first green fuel projects will command premiums, but technology maturity will improve and production costs are expected to decrease once production is scaled.

#### Lack of fuel infrastructure

Today, there is very limited infrastructure in any port to handle net zero emission fuels.

We will collaborate with fuel suppliers to develop a fuelling network that serves our needs.

#### Safety-related issues

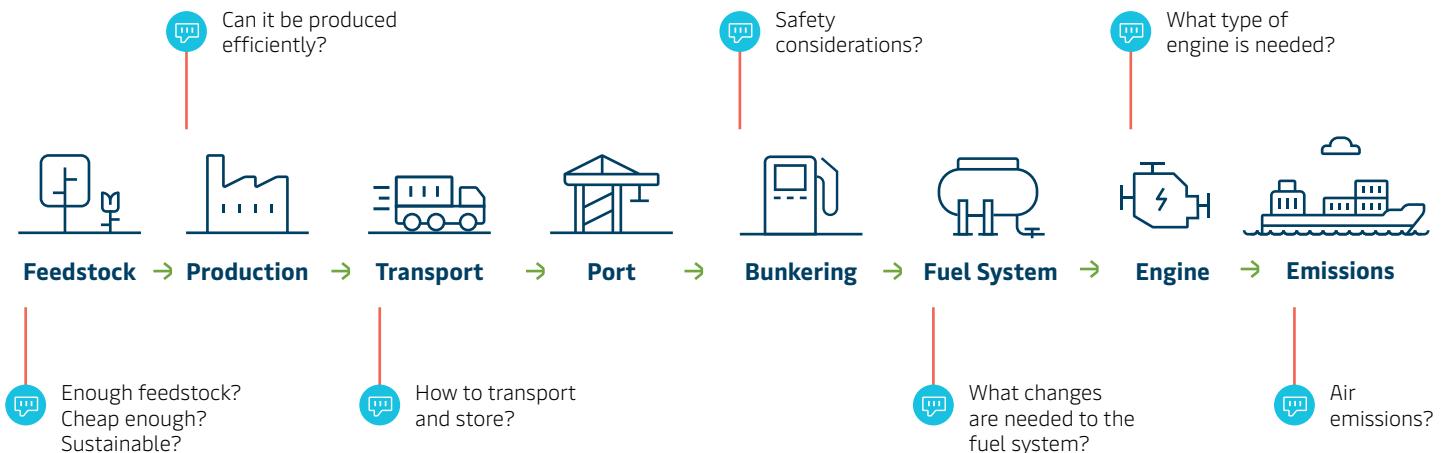
For methanol and ethanol, there are issues related to flammability that will have to be resolved. There are already some operational experience available for methanol as a shipping fuel. For ammonia, the main issue is toxicity, and safe solutions will have to be developed before it can be used as marine fuel. However, ammonia is today handled commercially in many other applications, and solutions for its safe use as marine fuel should be possible. Much work remains to be done in this area, and it is one of the areas that the Mærsk Mc-Kinney Møller Center for Zero Carbon Shipping will investigate (see box on the next page).

#### Impact on company profitability

Leadership on the decarbonisation agenda comes with a near-certain increase in costs but also, we believe, with a potential for competitive advantage that far outweighs the costs and potential risks.

**We believe that the right thing to do is to leapfrog to pure net zero vessel technology without any transitional technologies.**

## Transformation needs to happen across the entire fuel supply chain



### The Mærsk Mc-Kinney Møller Center for Zero Carbon Shipping

The Mærsk Mc-Kinney Møller Center for Zero Carbon Shipping is an independent, non-profit, leading-edge research and development centre launched in June 2020. Mobilising around 100 of the best minds from industry, academia, energy, fuel and ship technology, regulatory affairs and finance, the centre will work to create overviews of decarbonisation pathways, accelerate the development of selected decarbonising energies and powering technologies as well as support the establishment of regulatory, financial and commercial means to enable and drive the transformation.

The centre is made possible by a start-up donation of DKK 400m by the A.P. Moller Foundation. The founding partners are American Bureau of Shipping, A.P. Moller - Maersk, Cargill, MAN Energy Solutions, Mitsubishi Heavy Industries, NYK Lines and Siemens, and many more partners are expected to join.

#### The need for broad-based action

The final piece of our decarbonisation strategy relates to the policy frameworks established to further this process. Policies must not only secure that low performers are held accountable, but also that the first movers are truly rewarded for the risks taken on behalf of the whole industry.

With very few exceptions, the political and legislative debate is currently not moving fast enough to fulfil its role. The International Maritime Organization (IMO) must start to address concrete long-term measures in order to close the competitiveness gap between fossil and renewable fuels. Global measures to accelerate the transition and create a more level playing field are essential, and for this reason the limited outcome of the IMO meeting in 2020 was disappointing. We also advocate that lawmakers build incentive structures that reward first movers and remove a share of the financial risk related to decarbonisation. There is a very real danger that regulators are out of sync with the progress and development pushed by industry, which would be to no one's benefit.

At regional level, there is no doubt that shipping will be part of the EU Emissions Trading System, which is the world's biggest scheme for trading

greenhouse gas emissions allowances, also known as CO<sub>2</sub> credits. However, this needs to be done with the objective of actually lowering shipping emissions and with a view to supporting an international greenhouse gas reduction agreement. Moreover, the many related EU initiatives must also fit into a puzzle whereby greenhouse gas emissions overall are lowered while still supporting modal shift of cargo to sea, which will remain the most sustainable way of transporting large quantities of cargo.

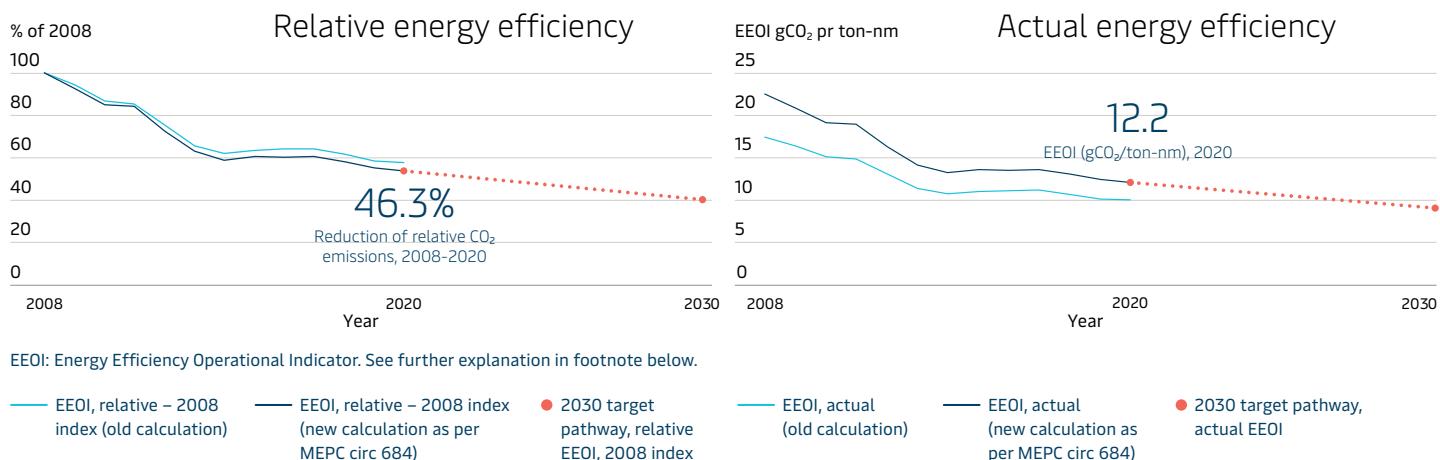
The transition will not happen without strong regulatory frameworks. IMO Member States have a fundamental role in securing progress. These processes take time, but there is real benefit to having a global solution which is enforceable and protects first-movers.

In parallel, private action and advocacy initiatives should also continue. We are very proud to have been part of the recent launch of the Mærsk Mc-Kinney Møller Center for Zero Carbon Shipping (see box). This independent centre will engage scientists from all over the world in trying to find solutions on fuels for shipping. Additionally, we have joined hands with Ørsted, the largest energy company in Denmark, and other leading Danish companies in establishing a project to develop a new hydrogen plant, which can be part of the solution for creating e-fuels in the future. We have also received external funding to further intensify our research and development of different types of lignin-alcohol fuels. We continue to engage actively in the Getting to Zero coalition, and beyond our own sector we have joined with a group of other leadership companies in the Transform to Net Zero initiative, launched in July 2020, which aims to lead by example, developing guidance and pilot projects to enable all businesses to achieve net zero emissions.

*"We are looking for more robust and comparable information on how companies are realigning their business strategies and operations with the goals of the Paris Agreement and a net zero emissions future. We need to be certain that a company has charted a credible and comprehensive course to decarbonisation, taking into account added investments and costs, just as we need to know that the transformation is anchored at the highest leadership level."*

**Claus Wiinblad**  
Senior Vice President, ATP

## Towards 60% CO<sub>2</sub> emissions reduction



### Progress and increased disclosure on CO<sub>2</sub> efficiency

Our target is to deliver 60% relative CO<sub>2</sub> reduction by 2030 (compared to 2008 baseline). By the end of 2020, we had reduced emissions by 46.3%. We are from 2020 using an improved methodology to calculate relative reductions, which enhances the accuracy<sup>8</sup>.

We are also from 2020 disclosing our progress on CO<sub>2</sub> efficiency in both actual efficiency (measured in EEOI, gCO<sub>2</sub>/ton-nm) as well as relative to our baseline year 2008. The graphs above show performance according to both the old calculation, used in our 2019 Sustainability Report, and the improved calculation which we will use going forward.

Comparing the new calculations with the old shows that while the number for actual efficiency in gCO<sub>2</sub>/ton-nm is now higher than before, this also corresponds to a higher reduction compared to the baseline year of 2008. Using the old methodology, we have reduced emissions by 42.7% since 2008.

### Climate-related risks and opportunities to our business

In 2020, we conducted a strategic review to analyse the likelihood and implications of different pathways for global warming, and how these might impact our business in terms of both physical and transition risks.

Limiting warming to 2.0 degrees appears to be the most plausible outcome. Reaching this goal will require significant policy measures and per capita emissions below the lowest level recorded since records began in 1960.

The physical effects of climate change are already evident in the form of heat and water stress, precipitation, storms, and rising sea levels. These effects will intensify regardless of collective action taken today to decarbonise.

Attaining a 2.0-degree pathway will not eliminate physical climate change risk for our customers and our business operations. Moreover, the transition to a 2.0-degree pathway will likely be a source of major disruption (transition risk) in and of itself because of the accompanying government

policies and changed consumption patterns. And a 2.0-degree pathway will entail ongoing material risk of accelerated climate change (tipping points) and abrupt policy changes in response.

Currently, the planet remains on an unsustainable warming pathway above 2.0 degrees and material physical climate change is likely regardless of remedial actions taken, impacting customer supply chains and potentially Maersk's ability to deliver a reliable product.

These scenarios confirm to us the urgency of climate action to mitigate the risks to our own business and stay relevant in the market by supporting our customers to decarbonise their supply chains. Climate change, more specifically the risk of not decarbonising our end-to-end supply chain at a speed that matches our customers' and investors' expectations, was in 2020 confirmed by our executive leadership as one of the top enterprise risks to Maersk.

#### TCFD disclosure

It is a cornerstone of our decarbonisation ambition to provide transparency to capital markets on

greenhouse gas emissions across all scopes, our transition pathways, and climate-related risks and opportunities.

The key framework which guides our reporting is the TCFD (Task Force on Climate-related Financial Disclosures) framework which is also incorporated into CDP, a platform to which we have reported since 2010, and into new benchmarks such as the Climate Action 100+ net zero company benchmark launching in early 2021.

TCFD recommends that companies report on governance, strategy, risk management, and targets and metrics related to material climate-related risks and opportunities. To understand our governance of climate change work please refer to page 10 in this report.

To learn about our strategy as well as metrics and targets for decarbonisation, please read this chapter of the report.

For an overview of TCFD reporting, please see our ESG data table, which can be downloaded from our Investor Relations website.

<sup>8</sup> The indicator underlying our relative CO<sub>2</sub> reduction target is EEOI, Energy Efficiency Operational Indicator, calculated as g CO<sub>2</sub>/(Ton x Nm). From 2020, we are disclosing performance in actual numbers in addition to the progress relative to the index year 2008. Our new, improved methodology, enables us to cleanse ballast water and fuel stock weights from the cargo weight to make the calculation of EEOI fully in line with the IMO's Marine Environment Protection Committee's (MEPC) regulations. This was previously not possible, as we lacked the data and method to remove it from the historical data.

The main contributors to the 2.5% reduction in 2020 are related to a series of energy efficiency initiative. Retrofitting of our fleet, the further integration and use of Star Connect and improved utilisation of vessels.

Star Connect is a monitoring system being implemented on all our vessels to provide visibility on the efficiency of the engine and the most effective sea voyage, with live data helping crews adjust and choose the most efficient path forward. We are also implementing a more limited version of the system on chartered vessels.

Further efficiency improvements are dependent on a continued and enhanced energy efficiency drive, different fuel types, more modern vessels and technological advances.

#### Decarbonising end-to-end logistics

As part of our efforts to sustain leadership on decarbonisation and match customer needs

and stakeholder demands, we are exploring ways in which we can work to include all emissions – our own, those related to the purchase of energy and those in our supply chain – in our decarbonisation efforts.

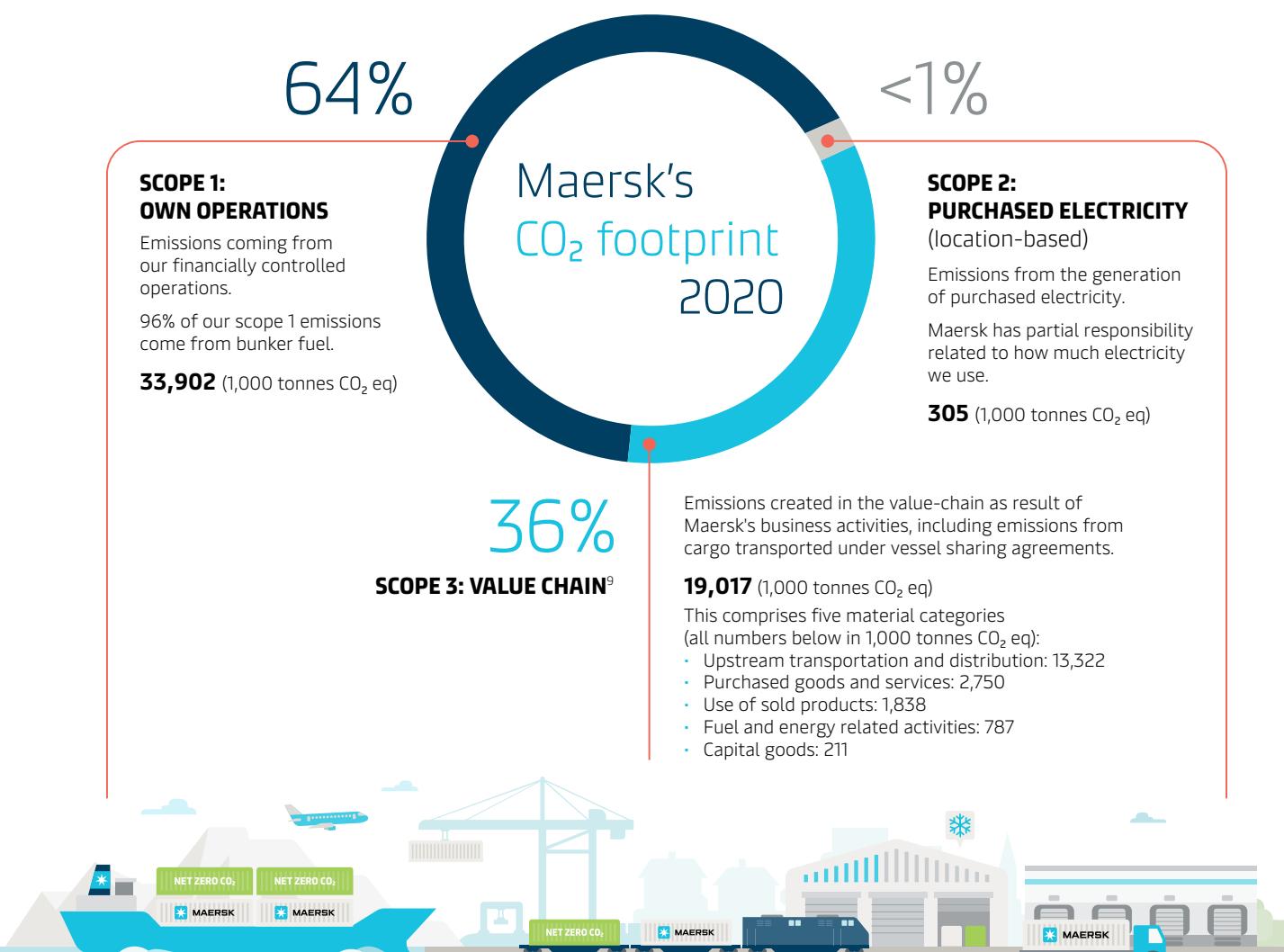
As the graphic below shows, the vast majority of our emissions come from our own operations (scope 1), which are dominated by ocean transport. As we expand our activities on land this situation is bound to change. However, our plan for expansion on land does not include significant asset ownership, and consequently emissions from our logistics supply chain (scope 3) are set to grow.

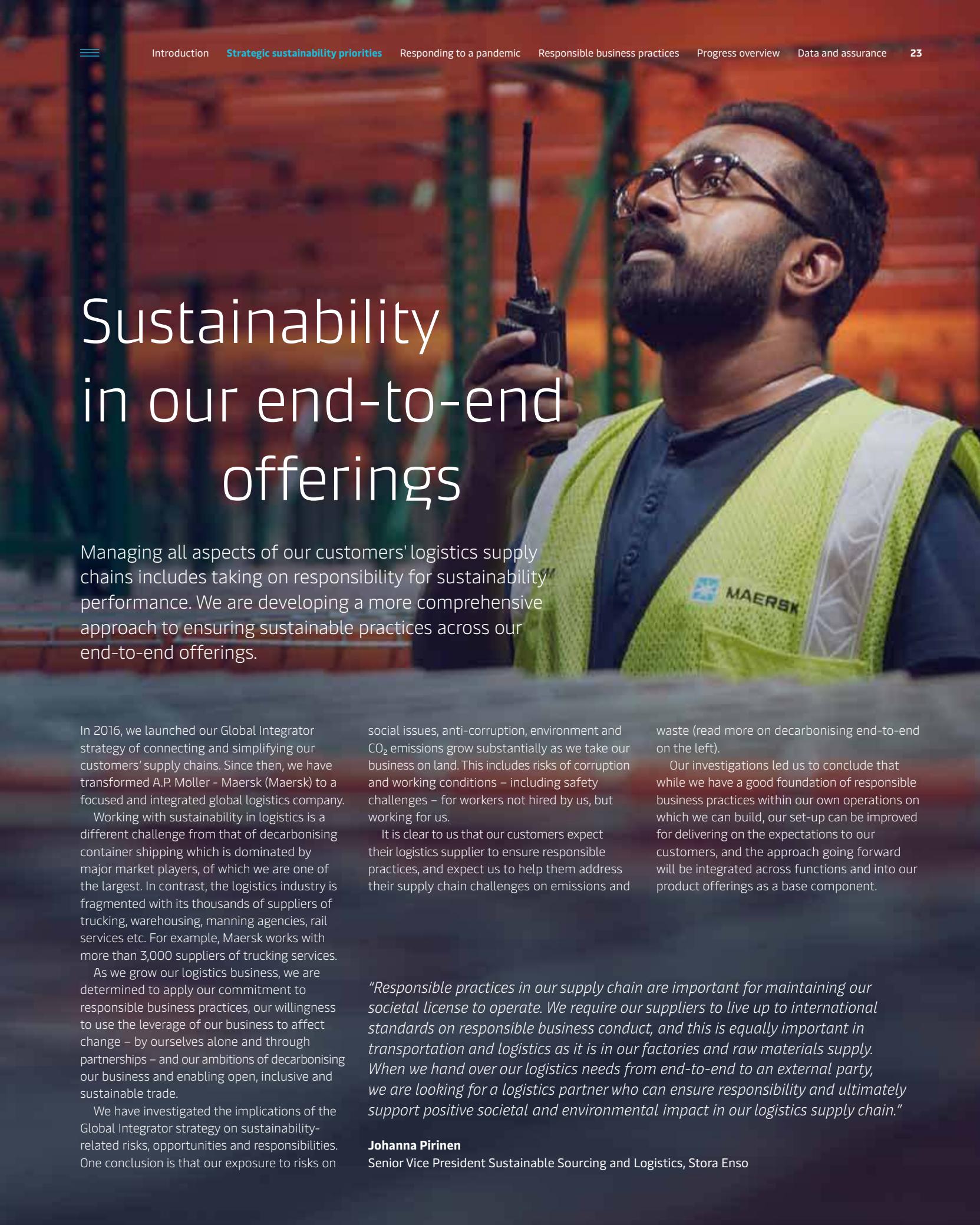
We are exploring how best to engage our suppliers in support of an end-to-end decarbonisation ambition, and we are working to expand our net zero solutions to customers to encompass offerings across end-to-end logistics, including trucking, rail and warehousing,

as well as digital solutions to provide visibility on emissions end-to-end.

Our role in decarbonising logistics will be very different compared to our role in ocean transport, where Maersk holds a leadership position and is a significant asset owner in an industry dominated by relatively few, large companies. The inland logistics industry landscape is very different, and we typically have limited operational control of the assets such as trucks, trains, warehouses. This will imply a different, more collaborative, approach where we partner with our logistics suppliers to work towards decarbonisation of our end-to-end logistics offerings (scope 2 and scope 3, as well as the small portion of our scope 1 emissions outside ocean transport).

As part of this, we are working towards integrating environmental sustainability into procurement criteria in tenders.





# Sustainability in our end-to-end offerings

Managing all aspects of our customers' logistics supply chains includes taking on responsibility for sustainability performance. We are developing a more comprehensive approach to ensuring sustainable practices across our end-to-end offerings.

In 2016, we launched our Global Integrator strategy of connecting and simplifying our customers' supply chains. Since then, we have transformed A.P. Moller - Maersk (Maersk) to a focused and integrated global logistics company.

Working with sustainability in logistics is a different challenge from that of decarbonising container shipping which is dominated by major market players, of which we are one of the largest. In contrast, the logistics industry is fragmented with its thousands of suppliers of trucking, warehousing, manning agencies, rail services etc. For example, Maersk works with more than 3,000 suppliers of trucking services.

As we grow our logistics business, we are determined to apply our commitment to responsible business practices, our willingness to use the leverage of our business to affect change – by ourselves alone and through partnerships – and our ambitions of decarbonising our business and enabling open, inclusive and sustainable trade.

We have investigated the implications of the Global Integrator strategy on sustainability-related risks, opportunities and responsibilities. One conclusion is that our exposure to risks on

social issues, anti-corruption, environment and CO<sub>2</sub> emissions grow substantially as we take our business on land. This includes risks of corruption and working conditions – including safety challenges – for workers not hired by us, but working for us.

It is clear to us that our customers expect their logistics supplier to ensure responsible practices, and expect us to help them address their supply chain challenges on emissions and

waste (read more on decarbonising end-to-end on the left).

Our investigations led us to conclude that while we have a good foundation of responsible business practices within our own operations on which we can build, our set-up can be improved for delivering on the expectations to our customers, and the approach going forward will be integrated across functions and into our product offerings as a base component.

*"Responsible practices in our supply chain are important for maintaining our societal license to operate. We require our suppliers to live up to international standards on responsible business conduct, and this is equally important in transportation and logistics as it is in our factories and raw materials supply. When we hand over our logistics needs from end-to-end to an external party, we are looking for a logistics partner who can ensure responsibility and ultimately support positive societal and environmental impact in our logistics supply chain."*

**Johanna Pirinen**

Senior Vice President Sustainable Sourcing and Logistics, Stora Enso

## Better oversight of contract labour in African ports

In 2020, we investigated working conditions for contracted labourers in ports on the African continent. We focused on ports where Maersk vessels call, but which are not owned by us.

This broader investigation was the result of unacceptable working conditions first reported by a Danish NGO in the port of Mombasa in 2019, which had found use 24-hour shifts with minimal breaks, to pay wages below the Kenyan hourly minimum wage and to lack provision of safety equipment for workers. This is not acceptable to us.

Local Maersk staff reviewed the practices of all the suppliers used for contracting labour in third-party operated ports in Africa and compared these to our supplier code of conduct. In most cases there were minor gaps which were addressed through improvement plans.

However, most of the contracted labourers working in these ports are hired by the port operators, and we have little insight into the content of their contracts.

Recognising that this is a high-risk area for ports, we are working to develop new audit and follow-up regimes to ensure our standards are met.

Responsible Procurement team carrying out due diligence in accordance with our Supplier Code of Conduct prior to the signing of a contract, while local Customer Experience and Health, Safety, Security and Environment teams carry out onsite audits for the duration of the contract.

Furthermore, in all land-based activities we have contracted labour hired through thirdparty providers. We are working to enhance our management of risks related to this workforce. Because while the companies responsible for these workers sign our Supplier Code of Conduct, we are not satisfied with our controls for compliance in areas such as health and safety, wages, social security or insurance and working hours.

Finally, while due diligence and onboarding procedures are already part of our Responsible Procurement programme, we are taking steps to strengthen post-contract monitoring and corrective measures. This will include increased audit activities, training suppliers of contracted labour on our standards and ways of working, and support tools for local management, including basic due diligence, non-compliance response options and an overview of potential risks. We expect these measures, including a pilot of 50 new audits per year, to be implemented within the next two years.

Read more about our core programmes on safety, responsible procurement, employee relations and anti-corruption in the responsible business practices section in this report.

## Comprehensive plan for the future

Applying a customer perspective on responsible practices in our supply chain, we are developing a comprehensive work programme to deliver the necessary changes and improvements to our current practices across environmental, social and governance issues.

We will use the levers most readily available to us to create impact. That includes:

- Strengthening our procurement digital landscape to enable the end-to-end supplier performance monitoring.
- Defining the ambition level for responsibility and sustainability in our products.
- Engaging our customers on risks in their logistics supply chain.
- Collaborating across the industry to set standards and share cost of driving improvements.

These efforts will also help us prepare both for our own operations and to support our customers to comply with upcoming regulation on mandatory social and environmental due diligence in various national jurisdictions and from the EU. We welcome legislation at the EU

level, applying to all businesses above a certain size that have activities with in the EU, because this provides a far more level playing field. The opposite, which is further proliferation of national regulation, we believe will fall short of solving the problems it is designed to alleviate.

Going forward, we can leverage our experience from our extensive work on decarbonisation of and reducing air emissions from shipping. On these issues, Maersk has been instrumental in standard setting for CO<sub>2</sub> emissions, customer engagement through product development ahead of the market, and collaboration in alliances such as Clean Cargo, the Trident Alliance and the Getting to Zero coalition. Due to the fragmented nature of the logistics industry, we foresee a road to change consisting of many, comparatively smaller initiatives attacking the challenges bit by bit.

## Wheels already in motion

We have begun to take action in key areas. One example is the development of a collaborative approach to improve the monitoring of supplier compliance related to depot services, warehousing and trucking. This approach will be tested and rolled out globally in 2021, and sees our

## Improving working conditions for truck drivers

We are active participants in the Responsible Trucking project run by CSR Europe, which focuses on enabling better working conditions for truck drivers in the EU.

In 2020, the project drafted a set of social guidelines that set out minimum standards, which serves as a public stance from private organisations in support of better working conditions for truck drivers, and at the same time addresses the specific challenges this profession faces.

Spot check tools and methodologies were also created for the group to use to understand the challenges on the ground, and for companies to have an indication of the extent to which these challenges are present in their own supply chain.

The guidelines will be published 2021, after which implementation of tools can begin.





# Responding to a pandemic

Facing the global emergency of 2020, Maersk's priorities were to protect our people, serve our customers and support society.

In March 2020, the executive leadership defined three priority focus areas to guide our response to the COVID-19 crisis



### Serving our customers

Enabling global trade has been A.P. Moller - Maersk's (Maersk) finest task for decades, but there was arguably never more pressure to keep goods moving freely than in 2020. In extraordinary circumstances, our employees across the world have gone to extraordinary lengths to serve customers in new and creative ways, while taking extra care of each other and helping society to get through the crisis.

*"Being onboard for more than ten months was quite an experience. I had my holiday on board, celebrated my birthday as well, and never knew the next time I would go ashore.*

*It was all about waiting and hoping for possibilities to off-board, coming to terms with cancelled flights and changing schedules. In the meantime, we found ways to keep a positive attitude and break the monotony of the sleep-eat-work cycle.*

*What kept me going was the encouragement and bond of the crew, family calls made possible by the improved internet connectivity, drawing portraits and constant prayers. All of this made the physically challenging and mentally draining life on board with an overdue contract a little lighter."*

**Cadet John Godwin Nallada**  
on the Maersk Hidalgo  
from 4 November 2019 to 13 August 2020



### Protecting our people

"How are you? Is everyone safe?" This greeting became the standard opening comment in Maersk meetings in 2020, as the COVID-19 pandemic impacted where and how all our 80,000 employees in 130 countries worked and lived.

Alongside the threat to global health, the risk of collapsing economies with extensive job loss and shortage of goods grew fast as the pandemic progressed. While economies and individual livelihoods were widely impacted, global trade lanes and supply chains remained in service. Because of flexible supply chains and digital connectivity, countries and businesses were able to maintain essential services and supplies, even as half the global population was in lockdown.

#### Heroes trapped at sea

At exactly 12:00 local time, on 1 May 2020, Maersk captains around the world tooted their horns in a celebration of the essential frontline workers who were keeping supply chains running – at sea, on the road, in ports, warehouses and factories across the world.

In Maersk, seafarers in particular were celebrated as "the unsung heroes of the COVID-19 pandemic", as they continued to play an essential role in maintaining the flow of vital goods, such as food, fuels and medical supplies, that people everywhere need.

For many of our seafarers, the hero status was underlined by the fact that crews experienced prolonged stays on the same vessel, as crew changes were hindered by government restrictions.

Normally, a crew member stays on a vessel anywhere from two to six months. The Maritime Labour Convention states that crews can spend a maximum of 11 months on board. These norms were all broken in 2020.

Across the Maersk network, a total of 6,000 seafarers of 40 nationalities on 700 vessels work to ensure the flow of goods around the



### Helping society in the fight against COVID-19

world. When the build-up was at its highest, more than 2,500 colleagues had completed their contracts, but could not be relieved of their duties. Another, although much smaller, set of colleagues were hurt by the fact that they were unable to board vessels and fulfil their contracts.

To accelerate the process of bringing crew home, we gathered a cross-functional task force to create agreements with governments, airlines, airport operators, hotels and port authorities that would enable crews to obtain essential worker status to safely travel to and from major port hubs with major international airports, including on special Maersk charter flights. Moreover, an IT solution was put together to help track seafarer locations and maximise the number of people we could move, and procurement teams helped book over 100,000 hotel nights and 200,000 meals during the summer alone.

To overcome the multitude of bottlenecks we found on land, we created our own quarantine safe centres in strategic locations such as Manila and Mumbai where crew could be tested and certified as healthy to travel to join a vessel. We also created hubs for local quarantine in high-volume areas such as the Suez, Europe, Nigeria, Malaysia and Panama, which helped seafarers reach their destinations.

By the end of the year, we had succeeded in helping overdue crew members on or off vessels.

#### Safe employment on land

More than 20,000 people work at the port terminals and inland facilities owned and operated by Maersk on six continents. Terminals play an important part in national and regional economies, first and foremost because they make sure goods flow to and from a country or region. In some countries, a Maersk-owned terminal is the only gateway to international

trade. The jobs created and economic activity sustained due to port activity have a positive impact throughout the surrounding communities.

Across the terminals, we applied procedures to mitigate the risk of contracting COVID-19. These included guidelines for the procedures that terminal and warehouse workers would have to adhere to before entering, while being in, and after leaving the workplace. This included training sessions and inspections of facilities to ensure safety for employees and other port and warehouse users. Furthermore, we outlined employee rights in case of quarantine or staying at home, and ensured visibility of these rights to all employees.

#### Serving our customers – and helping suppliers

In addition to protecting our people, Maersk's top priority during the crisis was to ensure that the global logistics chains continue to work, so that businesses and people can trust supply chains to do their job – first and foremost that medical supplies reach hospitals and food reaches kitchen tables, but also to minimise harm to our economies and livelihoods.

Throughout the COVID-19 crisis, global supply chains have remained open: Our container ships continue to sail, our ports and warehouses continue to operate and trucks deliver goods to distribution and fulfilment centres. To take one example, despite more than half the global economy being under lockdown, the world has avoided major disruption in global food markets.

There are many examples of how our employees found new solutions to challenging supply chain problems. Read one in the box below.

#### Looking towards vaccines

The next phase in the COVID-19 pandemic is now starting, as vaccines become ready for



The Maersk Cadiz crew share a positive message with all their colleagues at sea.

large-scale distribution. Maersk began planning the logistics involved in this as early as the summer of 2020.

An important goal is to bring a vaccine to emerging and developing nations. To this end, COVAXX and Maersk established a global logistics partnership to distribute up to a billion doses of a COVAXX vaccine worldwide in 2021. As members of the World Economic Forum's Supply Chain & Transport Industry Action Group, we also endorsed a charter in support of globally inclusive, safe and sustainable distribution of COVID-19 vaccines. The charter calls for engagement, asset, competency and expertise sharing, and support for UNICEF's distribution efforts.

#### Applying disaster response expertise

The Logistics Emergency Team, the disaster response partnership which Maersk has been an active member of since 2011, was activated in response to the COVID-19 pandemic in 2020. We received one request for deployment of a cold chain into South Sudan which will serve as storage for vaccines. We have placed three reefer containers with generator sets in a refugee centre, at a state hospital and the Ministry of Health, where they will serve as the backbone of a medical supply chain for ten million people. We are following this closely to assess whether it can be a scalable model for the global market at a later stage.

## Organising new exports to save products

On 24 March 2020, India came to a sudden standstill as Prime Minister Narendra Modi announced a strict nation-wide lockdown to contain the COVID-19 pandemic. For Maersk and its customers, this meant a massive disruption of supply chains – trucks were abandoned by drivers rushing to get home, labourers stopped turning up at ports and yards, and customs house agents disappeared amid policy confusion.

Reliance Industries is the largest private company in India and a conglomerate spanning the energy, material, retail, entertainment and digital service sectors. Under the lockdown,

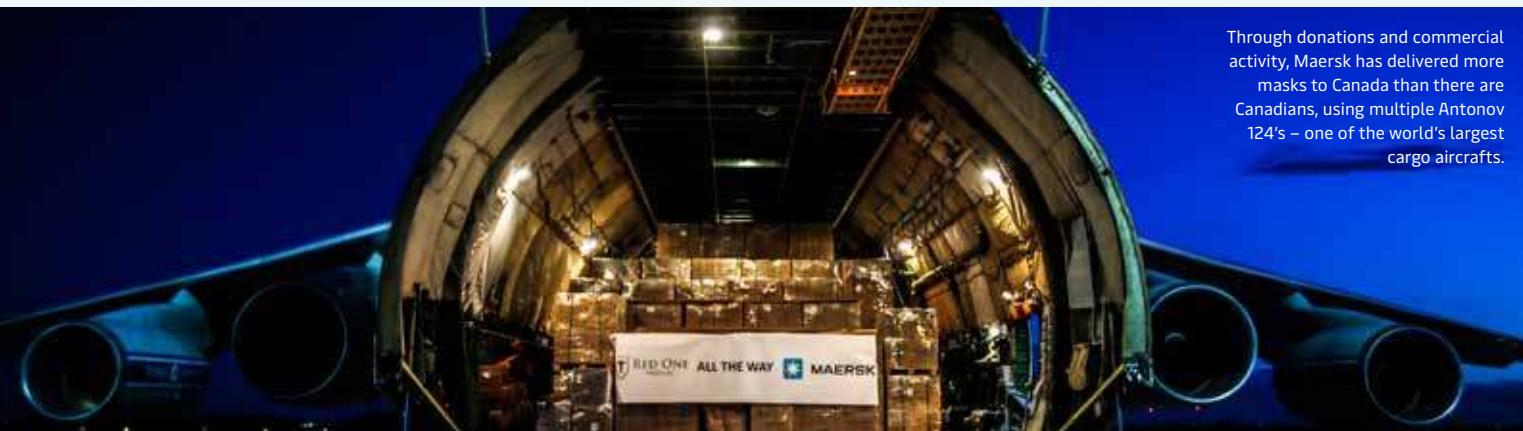
Reliance saw local demand for its important polymers business fall to zero. Polymers are manufactured with a continuous process that is difficult to stop and restart, so Reliance needed to keep its factories open.

With over 15,000 containers worth of polymers and no warehousing space, Reliance's only option was to shift from local businesses to exports. As road movement in India was halted in the early days of the lockdown, Maersk saw rail as an obvious solution for Reliance. However, local rail suppliers were not prepared to handle the unprecedented jump in volume from one train

a week to 47 trains a week. Our team contacted eight different rail vendors and closed an agreement with them in 48 hours.

An even larger challenge was securing containers to move the polymers. The lockdown meant that import clearances were not taking place at a regular pace, and cargo inventory was building up in ports and yards. 15,000 40-foot containers were required for these exports – 10,000 of these were needed at Reliance's Jamnagar, Gujarat plant alone.

To ensure an adequate number of containers, depots, terminals and carriers worked together to pool resources and flag any spare containers.



Through donations and commercial activity, Maersk has delivered more masks to Canada than there are Canadians, using multiple Antonov 124's – one of the world's largest cargo aircrafts.

# Helping society in the fight

Beyond our support to employees and customers, Maersk contributions to support society in the fight against COVID-19 have taken the form of donations of containers, freight, storage space, logistics expertise, face masks and other personal protective equipment (PPE),

and in some cases monetary donations. All cash donations are reviewed by Maersk's Compliance team. All donations were made in accordance with our COVID-19 donations policy and approved by our internal Crisis Management Team. The total amount donated by Maersk in

the fight against the effects of COVID-19 is USD 4.2 million. Some examples of donations are shown below, in addition to some of the large operations our business was involved in to secure delivery of medical supplies and PPE to governments.

## EUROPE



### **Maersk Bridge**

A.P. Moller Holding initiated and coordinated an air bridge and supply chain operation to secure delivery of personal protective equipment (PPE) to healthcare workers in Danish hospitals. A.P. Moller - Maersk sourced the equipment and transported it to the hospitals.



### **3D visor and ventilator tech**

Colleagues at APM Terminals Algeciras used 3D printing to help make protective visor for hospitals, rescue workers and health centres.

## ASIA



### **Clean water**

In small villages near the Indian port of Pipavav, APM Terminals installed vending machines that dispense clean water so local people would not need to travel long distances for healthy drinking water where they might risk spreading COVID-19.



### **Relief effort**

Maersk provided commercial logistics support to UNICEF to provide warehousing, transportation and distribution of critical supplies for Pakistan's national relief effort.



### **Health care**

As part of our continued engagement in the delivery of health care in Alang, India, we helped fund thermal screening for 13,000 workers at the ship recycling yards in the area, and distribution of 33,000 preventive masks. 170 COVID-19 awareness sessions reached over 8,400 workers.

## AMERICAS



### **Masks**

Maersk offices in Brazil donated funds to purchase masks, hand sanitisers and more to a local hospital.



### **Medical supplies**

Donation of medical equipment including ventilators, thermometers and PPE to Villanueva Public Hospital in Guatemala



### **Reefers**

Maersk in San Antonio, Chile loaned two 40-foot reefers to the local hospital, so it could store pharmaceuticals.

## AFRICA



### **Urgent supplies**

APM Terminals funded a flight carrying 10,000 test kits, 15 oxygen concentrators, PPE and health kits for the Nigerian Government's COVID-19 Response Plan and UNICEF's work in support of healthcare workers, children and families.



### **Sanitisers**

Maersk supported the Kenyan government requests for 35 20-foot containers to transport raw materials for sanitiser from Mombasa to Nairobi for distribution to hospitals and medical workers.



### **Food for schools**

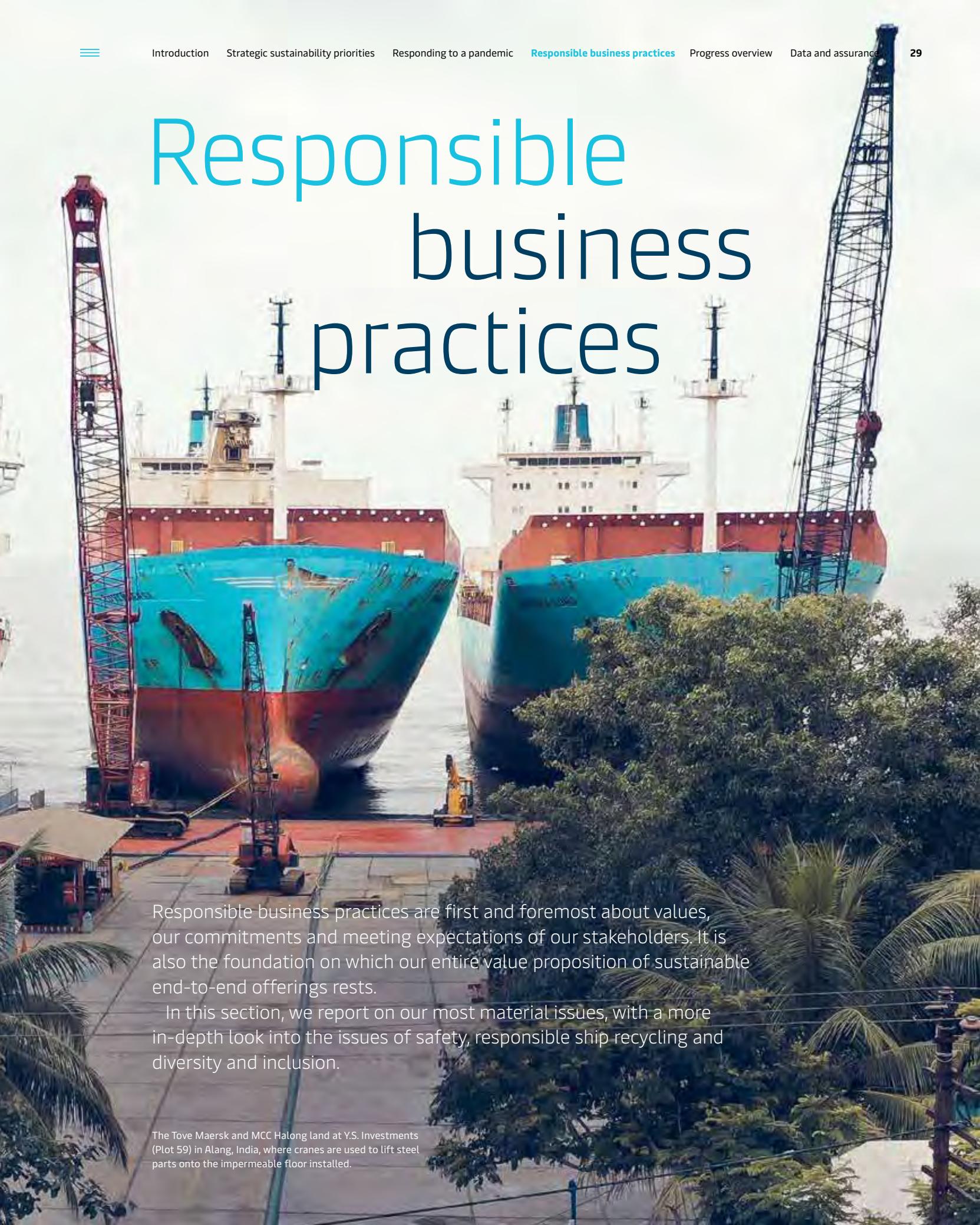
Maersk in Angola provided disinfectant gels, cleaning materials, gloves and masks as well as food and water to multiple local projects and schools.



### **Vaccine infrastructure**

In response to a Logistics Emergency Team request, we deployed a cold chain consisting of three reefer containers with generator sets in three locations in South Sudan, where they serve as adequate storage for vaccines, and the backbone of a medical supply chain for 10 million people.

# Responsible business practices

A photograph showing two large cargo ships being broken down at a ship-breaking yard in Alang, India. The ships are partially disassembled, with their hulls painted in red and blue. Large industrial cranes are positioned around them, some with steel girders suspended. The foreground shows a concrete dock area with some tropical vegetation and palm trees. The sky is clear and blue.

Responsible business practices are first and foremost about values, our commitments and meeting expectations of our stakeholders. It is also the foundation on which our entire value proposition of sustainable end-to-end offerings rests.

In this section, we report on our most material issues, with a more in-depth look into the issues of safety, responsible ship recycling and diversity and inclusion.

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The Tove Maersk and MCC Halong land at Y.S. Investments (Plot 59) in Alang, India, where cranes are used to lift steel parts onto the impermeable floor installed.

# Safety



On Global Safety Day 2020, the crew on Svitzer Al Saifiya discussed the risks, procedures and every day experiences of connecting and disconnecting towlines to and from vessels. The results were applied to improve best practices across the company.

A.P. Moller - Maersk's (Maersk) safety strategy is grounded in our Safety Differently philosophy, where the central premise is that safety is defined by having the capacity to manage risks under variable conditions. This must be enacted through leadership that engages with front-line employees and provides the support they need to make safe operations easier.

This philosophy is also evident in our safety targets, which do not highlight the absence of accidents, but rather the presence of leadership, that continuously engage with frontline employees to build capacity to eliminate as many as possible of the factors that contribute to the occurrence of accidents, and to manage the outcome of the accidents that still occur. We pursue the targets through activities in three tracks: engaging with workers, building capacity and promoting a learning culture. See 2020 progress on the next page.

## Aligning standards everywhere

Up until 2020, Maersk's safety organisation was highly decentralised, which in some cases hindered the implementation of our safety strategy, and we have therefore reorganised our work to reinforce that Maersk has one, and only one, safety strategy, which is implemented and enforced equally across the company.

The new central Safety and Resilience team creates a strong pool of resources and tools including implementation support available at all levels across the company. In this way, we are able to match and mirror the integrated company that Maersk is becoming, and assure our customers that when they leave their

supply chain obligations in our hands, we have the capacity for safe operations in place. (Read more about sustainability in our end-to-end offerings on pp. 23-24).

## Managing risks through learning teams

Over the past two years, we completed a number of projects, based on identification of the most critical risks related to fatal and severe injuries across our operational contexts. These include cargo fires, warehousing operations, dropped objects, mooring operations, man overboard and working at height.

The risks were identified and solutions developed using a core element in the Safety Differently toolbox, namely the learning teams approach, where front-line workers share their experiences with leadership teams, allowing for a shared understanding of the risks and possible solutions, which can inform the allocation of resources and responsibility. In support of this approach, our port terminals organisation developed a leader-led programme, including an app that helps structure such learning conversations. By the end of 2020, there had been more than 36,000 recorded activities using the app since its launch in March 2020, and 4,831 times where unsafe work or working conditions were stopped before an incident occurred.

## Safer mooring ropes through crew engagement

One learning teams example is our work on mooring, which is one of the most dangerous operations on a vessel. When a mooring

## Tragic fire leads to new stowage system

The official investigation of a fire on board the Maersk Honam in March of 2018, where five seafarers tragically lost their lives, was finalised in 2020 by the Transport Safety Investigation Bureau (TSIB) in Singapore. They concluded that the most likely source of the fire was a block of containers with declared dangerous cargo stowed inside a cargo hold in the forepart of the vessel.

According to the report, the cause of the fire is not conclusive, but highly likely originated from the decomposition of dangerous cargo generating intense heat.

All cargo aboard Maersk Honam was accepted and stowed onboard the vessel according to existing international guidelines and practices, which proved insufficient to prevent the loss of life and extensive damage caused by the fire. In response, we developed a risk-based stowage concept which divides each vessel into six different risk tolerance zones, and distributes the cargo in a way that ensures maximum fire resistance.

The system is now implemented on our entire fleet, both on the vessels we own and on those we charter. We are also working to enable a review and update of the international regulations of this area, in order to optimally protect all crew, cargo, environment and vessels.

rope breaks, it can move at over 800 km/hour and snapback incidents can potentially cause severe injuries and fatalities. Through crew engagement, this risk was defined and a solution was developed. Now, Maersk has begun implementing a rope innovation called SnapBack Arrestor, where a broken mooring rope simply drops to the ground, instead of snapping back in unpredictable paths.

Mooring is an everyday event across the Maersk fleet and in the process mooring ropes breaking is bound to happen. The SBA ropes reduce the consequences significantly, and as such reflects the 'Safety Differently' approach as it builds capacity to safeguard people onboard as well as ashore. The phase-in of the new ropes across our fleet is set to be complete by 2025.



## Why is it important

Safety at work is a basic human right, and workplace conditions directly impact and influence workers as well as their families and communities.

Keeping our people safe is a core value and an ethical responsibility for us as a company towards our employees, their families and communities.



## Ambitions

We want to protect our people, the environment and our business, eliminate fatalities and severe injuries, enable Maersk to be a preferred employer and provide safe and resilient products and services to our customers.



## Targets

### 2020:

- Top 300 leaders have completed Leading Safety Differently workshops.
- Verification of effectiveness of critical controls.
- Continuous improvement in employee engagement, measured through our Gallup survey.

### 2021:

Leading-indicator targets for building safety capacity are set for:

- Learning Team activity (to be completed within 40 days of every High Potential Incident)
- Leadership Gembas (to be carried out according to plan)
- Critical risk projects (on-time and on-scope delivery)



## Progress in 2020

A health, safety, security and environmental (HSSE) framework was developed throughout 2020 and launched early in 2021, aligning how safety processes and critical controls are implemented across all operations, including the allocation of core safety responsibilities and accountabilities of both employees and leaders of all levels across the business.

We have set targets and actively pursue progress within our focus areas.

### Leadership

- The majority of the planned Leading Safety Differently workshops had to be cancelled due to COVID-19 travel restrictions. However, 80 of our targeted Top 300 leaders completed virtual sessions in 2020.
- We designed a new leadership programme which we expect to launch in 2021. This consists of a toolkit for leaders to direct, lead and manage safety with easily accessible and inspiring content that is real and relevant to their role and will help them integrate it into their daily business.
- Roll-out and implementation of the Safety Leadership Gemba Guidance which helps reconnect leadership to the reality of everyday work and to learn from the frontline, continued during 2020. Despite COVID-19 restrictions, more than 28,000 Gemba activities could take place across the company.

### Building capacity

- The collaborative approach to critical risk project management, where different parts of our company work together to uncover risks, create controls and evaluate and validate those, was integrated into the business. Results include risks related to mooring, crane operations, access to cargo areas and more, as well as a new vessel inspection app.
- Adapting to the COVID-19 pandemic, we developed a virtual delivery solution for learning teams, which was tested late in 2020 and is being rolled-out in early 2021.

### Culture

- We see safety as a foundational contributor to employee engagement, and in line with our target the overall score in our engagement survey improved throughout 2020.
- The annual Global Safety Day had a somewhat smaller reach than in previous years due to COVID-19. Where possible, the day was celebrated under the theme 'Learning from each other'. This included more than 600 learning teams working on critical risks in their operations and on mental health and well-being, an area of great importance in 2020 due to the effects of COVID-19 on the well-being of our people. All learning collated from the frontline will inform the 2021 strategy and planning.

## Fatalities in 2020

Sadly, a person lost his life working on one of our facilities. We realise that there is still much more for us to do, to learn and to improve in addressing our workplace risks.

Business segment	Location	Description and learnings	Employed by
Terminals & Towage	Apapa Terminal, Nigeria	A 23-year old roofer lost his life when a scaffold collapsed after being hit by the boom of a tipping crane. We identified multiple factors that contributed to this tragic incident. Our employees and contractors have since used the Learning Teams approach to see if the gaps exist in other facilities, and how to close them.	Subcontractor

# Responsible ship recycling

Over four years after we landed our first vessel at the ShreeRam yard (Plot 78), taking our declaration of wanting to change the ship recycling industry from words to action, the 10-km stretch of beach with recycling yards in Alang is a different world. We are proud of the progress made in Alang and are expanding our ambition to focus on creating opportunities for responsible ship recycling globally.

## Documented improvements

In 2020 we conducted an impact study at yards engaged by A.P. Moller - Maersk (Maersk) in Alang to document the outcomes. Between 2017 and 2019, in line with the Responsible Ship Recycling Standard (RSRS), nine Maersk vessels were recycled at five different Alang yards under full-time supervision with stop-work authority and a verification regime through external audits. After 3,100 training sessions, 2,000 toolbox talks and 35 Lloyd's Register audits, not a single lost-time injury incident or fatality occurred. We have incentivised yards to invest in continual upgrades, which has also led to the construction of full impermeable floors in nine Maersk-approved yards and the purchase of 15 heavy-duty cranes in 11 yards that eliminate contact between vessel blocks the inter-tidal zone. There have been no major spills or incidents with hazardous materials on our projects at Maersk-engaged yards.

Appointment letters and payslips, minimum wages, overtime payments, annual health checks, a 24/7 ambulance dedicated to each yard and many more such facilities are now

standard practice, along with over 1200-men ILO-compliant worker dormitories built by Maersk-approved yards. For the wider Alang community and workforce, access to qualified healthcare and awareness training has led to improved health outcomes.

A progressive transformation is also seen at a broader Alang industry level – approximately 80 of the total of around 120 operational yards voluntarily comply with the Hong Kong Convention, which is the only global convention on ship recycling.

## Regulatory barriers to further progress

However, at yards in Alang as well as among responsible shipowners, the frustration and concern today are almost palpable. International waste legislation, the Basel Ban Amendment (BBA) on export of hazardous waste adopted in 1995, entered into force on 5 Dec 2019, and may effectively hinder non-OECD countries such as India, from offering to recycle ships coming from OECD countries. This is particularly disappointing to the leading Alang yards, who have invested significant resources and engaged extensively with the European Commission over the past two years in order to comply with the EU Ship Recycling Regulation (EUSRR). These yards now comply with the EU regulation, except on a few solvable items related to waste management and access to hospitals with trauma facilities, and the yards were pending inclusion in the EU List, which lists global yards allowed to recycle vessels registered in EU countries.

We are proud of the progress made in Alang and are expanding our ambition to focus on creating opportunities for responsible ship recycling globally.

This situation is detrimental to the momentum achieved at Alang over the past five years, as well as to the shipowners. We do not agree with the claims made that the BBA now supersedes the EUSRR and the IMO Hong Kong Convention (once it enters into force). Both the EU and IMO regulations offer equal levels of protection as the Basel Convention and general legal principles dictate the application of the specific legislation on ship recycling rather than the general provisions of waste handling.

Our position, based on thorough legislative analysis, is that there are legal options available to the EU and we are engaging with a multitude of stakeholders to find short- and long-term solutions to resolve this gridlock.

## Changing our ambition

A further challenge is the fact that in the next few years, globally a big wave of post-panamax vessels, (whose category name is derived from the fact that they are too large to pass through the Panama Canal), will near their end of life. Very few yards included in the EU List are capable of handling post-panamax vessels, and even fewer wish to accept these, with repairs/conversions either being their core business or offshore/military vessel recycling their priority due to higher margins. Thus, there is today a lack of capacity for responsible recycling of mainstream, commercial, post-panamax vessels, regardless of which flag they sail under and where the responsible recycling facilities are located.

With proven results from Alang that engagement on the ground leads to change, we are confident that opportunities to remedy this situation can emerge from India and other non-OECD countries. Thus, Maersk's ambition for our work with responsible ship recycling has changed from radically transforming the industry beginning in Alang to focusing on creating opportunities globally.

We are in active dialogue with a few global greenfield projects, for example one in the African continent, where we as interested end-users assist in researching, developing the business case and performing initial due diligence.



The Mobile Health Unit complied with COVID-19 guidelines while it served workers from all Alang yards.



The Tove Maersk and MCC Halong undergoing responsible ship recycling at Y.S. Investments (Plot 59) in Alang, India – Sep '20.



### Why is it important

Despite many shipowners having policies for responsible ship recycling, around 90% of the vessels recycled globally are under poor health, safety and environmental conditions. As a leader in the shipping

industry, we can make a real impact by driving opportunities for responsible practice-driven, financially viable recycling.



### Ambitions

To create opportunities for responsible ship recycling globally for the benefit of workers and the environment, as well as responsible yards and shipowners.



### Targets

#### 2020:

- Continue to invest 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

#### 2021:

- Create opportunities for responsible ship recycling of post-panamax ships globally
- Work with industry stakeholders to support yards globally, including non-OECD countries, to achieve EUSRR-compliance and thereby increase actual capacity on the EU List
- Continue development of the wider Alang area
- Actively support and participate in the development of the Ship Recycling Transparency Initiative



### Progress in 2020

Three vessels were sent for RSRS-compliant recycling to the Alang yards in India and one for EUSRR- and RSRS-compliant recycling to an Aliaga yard in Turkey. Through a robust framework, we continually ensure RSRS compliance which goes far beyond the Hong Kong Convention at all Maersk-engaged yards globally.

With our continual engagement to improve healthcare access in the wider Alang area in 2020, the mobile health unit provided 17,600 services and 1,750 laboratory tests. The training programme

aimed at raising awareness on hygiene, substance abuse and sexually transmitted diseases covered 5,000 workers.

We remain steering group members of the Ship Recycling Transparency Initiative (SRTI), which we co-founded in 2018. The SRTI seeks to accelerate a voluntary, market-driven approach to responsible ship recycling practices, with today 11 shipowners disclosing. With a total of 26 signatories (shipowners and other stakeholders), it includes around 42% of the global container fleet by TEU capacity.

### Audit results all yards

Number of findings in vessel landing month and in December 2020 (or at completion of vessel) at all yards with Maersk vessels in 2019 and 2020.

Y.S. Investments plot 59, Alang



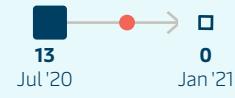
J.R.D. Industries plot 30, Alang



Alang Auto Gen Engg. Co. plot 24, Alang



Şök Denizcilik, Aliaga



● Audits take place at regular intervals, and a new Alang yard recycling a Maersk vessel for the first time typically takes two months to achieve RSRS compliance. The one remaining audit finding is on excess overtime which is a challenge in many industries and geographies with migrant workforces.

# Diversity and inclusion

2020 was a year of increased focus on inclusion and non-discrimination in much of the world, with movements such as Black Lives Matter originating in the US, as well of new bursts of attention to LGBTQ+ rights and continued focus on #metoo around the world.

Our global presence means that we are affected by events and movements regardless of where they take place, and they impact us to take specific actions and provide input to A.P. Moller - Maersk's (Maersk) continued, global conversation on diversity and inclusion.

Diversity and inclusion are part of our value system, and our support for social justice and anti-discrimination is also expected by our employees. In the North American part of our company, we took time to reflect on what discrimination means and how this impacts our teams. Conversation with our leaders began with virtual sessions focused on race discrimination, providing them with a framework to support discussions within their teams. We also ramped up our focus on allyship, where you work for change even if you are not personally affected by what you are aiming to change. This topic is not new to Maersk but we find that its importance to the diversity agenda is growing.

## Openness relies on psychological safety

We have clear policies in place stating that we do not accept discrimination, and we have a whistleblower system with a range of options for our employees to communicate grievances. It can be daunting raising grievances on such sensitive issues and we want to do more to encourage our employees to speak up and report any concerns of harassment and or discrimination at Maersk.

We are doing this through increasing awareness and capability in building psychologically safe teams and cultures. We build this into our leadership programmes and provide separate virtual learning sessions available to all employees.

In 2021 we will be conducting our first global Inclusion survey that aims to increase our understanding on issues such as discrimination, harassment, diversity and inclusion. The results from the survey will be used to focus our priorities going forward. We have taken the decision to set up an ombuds office to specifically hear out grievances that employees do not feel comfortable reporting to human resources departments, line managers or posting to the whistleblower system.

## Unconscious bias work continues

Our initiatives on diversity and inclusion support our drive towards targets on gender and nationality representation in management. Our key approach is employee engagement and capability building, and over the past three years, we have worked on creating awareness of unconscious bias and related effects, establishing inclusion networks covering our global organisation.

As is the case for race, gender, beliefs, disabilities and more, it is a basic human right not to be discriminated against due to one's sexual orientation. In support of human rights, we have participated in Pride activities since 2018.

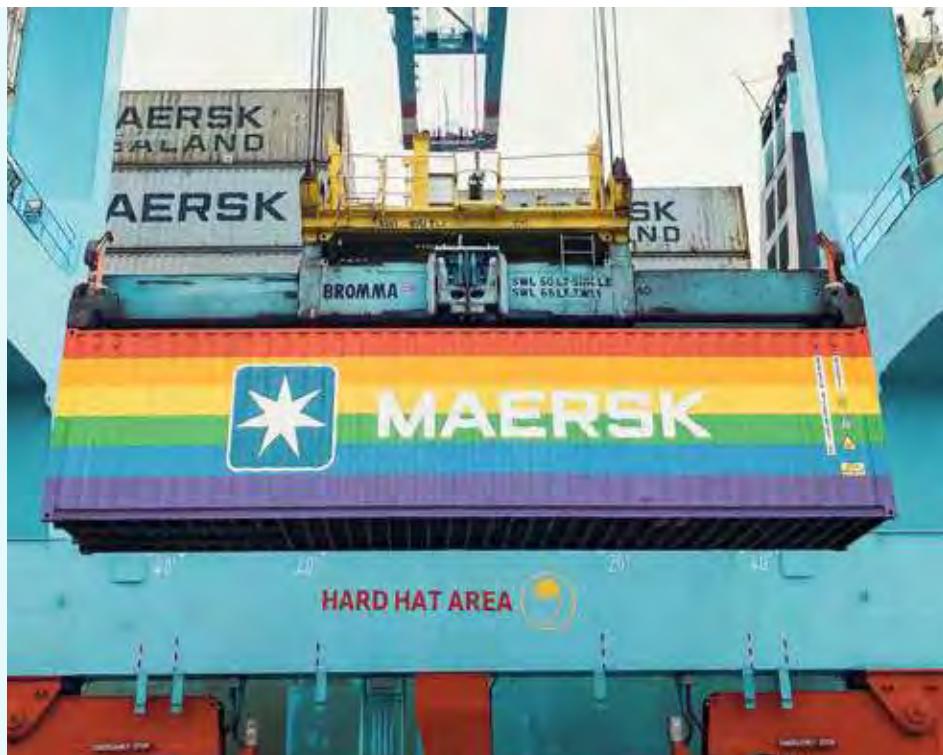
2020 saw our planned Pride celebrations move to a virtual platform and we used this opportunity to reflect on the history and evolution of Pride, among other things through a series of global webinars to understand its journey and essence: the ability to freely and safely express oneself. This also allowed us to address the racial conversations that were dominating societies around the world and the importance of talking about racism as well as where we stand as a company.

## Containers sending a message

While we recognise the need for our company to work harder to improve on our own targets on diversity and inclusion, we also believe that symbolic statements can help create global awareness of fundamental rights.

In that vein, we have branded two Maersk containers in rainbow colours. They made their debut in Mobile, USA and are now travelling the world with goods from our customers, and making appearances at select events for our company.

The containers have raised interest from many of our customers who are also committed to driving inclusion in their organisations. In partnership with our customers, we will see these containers spread this important message. In 2020 both containers were deployed to deliver humanitarian relief to victims of Hurricane Laura in Louisiana, and later left Los Angeles to arrive in Shenzhen in China, whereafter they connected to Europe.





## 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 and less stable and prosperous societies. We also want to leverage

the competitive advantage that diverse teams and inclusive cultures can bring to our business, and meet our employees' demand for working in a company that values diversity and inclusion.



## Ambitions

We aspire to create an inclusive culture where all employees can have a sense of belonging and 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

Our target is to have 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.

For senior management, we have targets for representation of women and nationalities (see side bar).



## Progress in 2020

The target for representation of women on the A.P. Moller - Maersk Board of Directors was met in 2020<sup>10</sup>. However, we are still not satisfied with the progress we have made towards our nominal targets on gender and national representation in senior management. We are implementing new controls and processes to drive improvements, and during 2021, we will set and share updated targets for the period from 2021 - 2025.

Our progress on women in management is adversely impacted by the fact that the share of women working in logistics and technology – which are areas in which we recruit many candidates –

is very low. In January 2020, we joined an initiative hosted by the Danish Shipping Association focused on attracting more women to shipping and logistics, and we have established a women's network in our global technology function.

As part of our global maternity policy, we have a target of reaching a 90% retention rate for women returning to work after maternity leave. In 2020, this was the case for 74% of the target group. Maersk's gender diversity and inclusion policy provides details of our actions to increase gender diversity. It is available on Maersk's website<sup>11</sup>.

## Representation of women on the A.P. Møller - Mærsk A/S Board of Directors (2020)



**3 women out of 10**

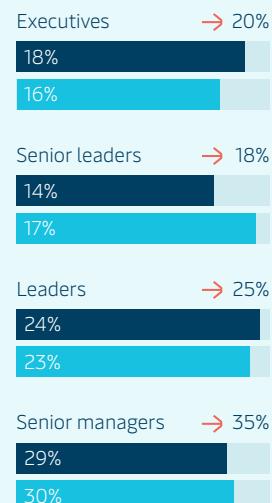
<sup>10</sup> A.P. Moller - Maersk A/S has a number of subsidiary companies that fall under the Danish legislative requirements on gender reporting, and which have all set targets for the underrepresented gender on the respective Boards of Directors. Of the companies, a portion have already obtained target representation on the Board, while the remaining continue to strive for their targets. See the management reports of the respective companies.

<sup>11</sup> <https://www.maersk.com/careers/work-with-us/diversity-and-inclusion>

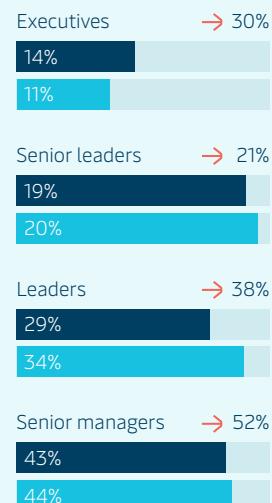
## Targets and performance on diversity and inclusion

■ 2019 ■ 2020  
→ Target 2021

### Representation of women



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



# Employee relations



## Why it is important

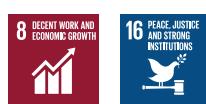
The way we treat our employees is fundamental to the way we want to do business, and our employees are essential to the success of A.P. Moller - Maersk's (Maersk).

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

### 2020

- Ensure compliance with our Commit Rule 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.

### 2021:

- Ensure compliance with our Commit Rule on Global Employee Relations, which is based on internationally recognised labour standards.
- Conduct our bi-annual labour rights assessment
- Help to make employee engagement and workforce management integral to the development of end-to-end logistics
- Ensure that new ways of working (e.g. flexible working hours, digitisation/automation) are introduced responsibly and involving relevant stakeholders



## Progress in 2020

Our work on employee relations rests on the core belief that employees are essential to the development and success of our business. We act in accordance with international frameworks and conventions from the UN, OECD and ILO, as well as in compliance with local legislation where we operate. Our leadership have access to support for their negotiations with employee representatives, where they discuss the local collective bargaining agreement.

A focus area in 2020 was third-party labour which is a risk area and important for us as we expand our logistics business. Read more on pp. 23-24.

COVID-19 prevented the roll-out of the Employee Relations face-to-face training programme. Instead, we began the development of a virtual training programme that will be launched in 2021.

The COVID-19 pandemic did not lead to any Maersk employees losing their job. However, we let go of 2,700 employees in 2020 as part of the strategic integration of our business and brands. When the organisation changes, we have pre-established information and consultation processes with participation from both management and employees, and we work to ensure that all standards for employee relations are upheld.

The work to align our business to future demands and opportunities will continue, and we are taking action to enter into these processes as prepared as possible.

One example is that we introduced a new way to engage management teams in our terminal business in working pro-actively with employee relations. We mapped the potential risks and level of maturity in managing employee relations in all terminals, with indicators such as the level of stability of political, social and environmental issues in the community and the frequency of communication between management and employee representatives. The goal is to build maturity in these relationships including a vision and strategy for each terminal on employee relations.

In 2020, the whistleblower hotline was used 143 times to report on issues related to potential violations of HR-related laws, rules or company values. 17 of these cases were substantiated, 11 of which were related to the Commit Rule on Global Employee Relations. Appropriate action was taken according to company policies. 45 cases are still under investigation.

## Working with unions during COVID-19

During 2020, we engaged with trade unions at global and local levels to discuss the needs of our employees both at sea and on land and to make a joint effort in protecting their health.

Our leadership had discussions with the International Transport workers Federation's leadership to align our approach on COVID-19 and explore options for collaboration. This resulted in sharing of information and knowledge about our solutions to make the necessary crew changes and get seafarers home, just as we coordinated our discussions with the ILO which led to a resolution in December 2020, recognising seafarers as essential workers.

Locally, we have worked with trade unions on:

- Health & safety measures for employees, including mutual agreements on workplace instructions, cleaning and sanitation, and protective clothing.
- Business continuity, including different ways of servicing vessels, shift-changes in terminals and on tugs.
- Supply chain continuity, where the broader supply chain community including truckers, rail staff, warehousing workers and cargo owners, established agreements and conditions for collaboration.

# Responsible procurement



## Why is it important

Through our operations and purchasing decisions we have an impact on social, environmental and economic conditions in our industry and global supply chains. Monitoring and addressing

sustainability risks in our supply chain strengthens, our stakeholders' trust in our brand and increases our preparedness for rising regulatory attention on due diligence in supply chains.



## Ambitions

Manage the risk of supplier non-compliance with our Supplier Code of Conduct to support our commercial ambitions of end-to-end sustainable product offerings.



## Targets

### 2020

- Ensure that all purchasing activities are aligned with RP requirements. Successfully close improvement plans.
- Review responsible procurement programme to align with evolving risk picture from expansion of activities on land.
- Participate in collaborative efforts on trucking.

### 2021:

- Ensure all purchasing activities are aligned with Responsible Procurement requirements
- Expand scope of Responsible Procurement in line with ambitions to strengthen sustainability in end-to-end offerings
- Operationalise post-sourcing audits for trucking, warehousing and third-party labour providers
- Prepare for legislation on supply chain due diligence



## Progress in 2020

The A.P. Moller - Maersk (Maersk) Supplier Code of Conduct (Code) sets out minimum requirements on responsible business practices for our direct suppliers and select sub-suppliers, to operate in accordance with responsible business principles and in full compliance with all applicable laws and regulations. In our own supply chain, we work through our Responsible Procurement Programme. Increasingly, this also serves a commercial purpose, as our global integrator strategy leads to purchasing logistics on behalf of customers outside our own supply chain. On activities related to this aspect, please see p. 23.

In our Responsible Procurement Programme, we have assessed compliance with the Supplier Code of Conduct with approximately 3,500 suppliers in high-risk categories, by conducting due diligence activities such as audits, self-assessments and documentation reviews. This is out of a total supplier population of about 59,000. We use a risk-based approach working with suppliers in 15 high-risk categories<sup>12</sup>. Suppliers are asked to address any gaps in the implementation of requirements through a time-bound improvement plan in consultation with Maersk. Periodic reviews and follow-up audits are conducted.

Our audit and assessment activities in 2020 are shown in the side bar. The number of audits decreased due to the impact of COVID-19, and physical audits were replaced by virtual solutions. Equally, the number of self-assessments decreased, as we took in fewer new suppliers in high-risk categories, and timelines for improvement plans had to be extended. We did not terminate any relationships as a result of non-compliance.

To raise internal awareness of our standards in procurement, we created a short e-learning programme on responsible procurement in 2020, which is now part of the annual compliance training for all employees.

One of our most important high-risk categories is shipyards. In 2020, we co-led the work of a UN Global Compact Action Platform to develop a guidance for shipyards, which will serve as an implementation tool for the Sustainable Ocean Principles released in 2019. It will establish common industry standards for social and environmental performance, and is expected to be published in 2021.

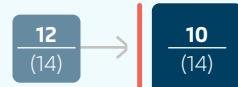
## Audits and assessments in 2020

+/- 3,500

Suppliers in the high-risk categories

## Control actions carried out

- Shipyard audits



- Other audits



- Other self-assessments



- Pre-qualification assessments



Qualified suppliers

**2020**  
2019

Improvement plans established to address critical and major findings

<sup>12</sup> Our 15 high-risk categories 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).

# Air emissions



## Why is it important

Air emissions from ocean-going shipping have negative effects on human health and the natural environment, as they cause diseases and premature death.

We support regulation such as the cap on sulphur content in fuel oil, which will significantly reduce these effects and create a level playing field for socially and environmentally responsible practices in the industry.



## Ambitions

To continue to be an industry leader working towards reducing air emissions from international shipping, particularly in regard to SOx and NOx emissions, which are important in port areas and when sailing close to shore.



## Targets

- Fully comply with regulatory demands to reduce air emissions impacts 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 and high levels of enforcement of regulation across the industry.



## Progress in 2020

Across A.P. Moller - Maersk's (Maersk) activities, we strive to minimise the known negative impacts related to our operations. This is also true for air emissions which include SOx, NOx and particulate matters. All of these are potentially harmful to human health and we work to fully comply with regulatory demands to limit air emissions and strive to minimise the impacts.

On 1 January, one of the largest changes in the maritime industry in decades came into effect with the International Maritime Organization's (IMO) 0.5% global cap on the content of sulphur in fuels. One of the enforcement mechanisms for this legislation is a ban on carrying non-compliant fuels on vessels, except for vessels where scrubbers are installed to clean exhaust gasses. Mainly due to the IMO 2020 sulphur cap, which Maersk complies with through the use of low sulphur fuels as well as scrubbers on a share of our vessels, SOx emissions have dropped significantly from 569,000 tonnes in 2019 to 102,000 tonnes in 2020.

Thorough preparations in the years leading up to this date ensured a successful switch from heavy fuel oil to low sulphur fuels across our fleet of both owned and chartered vessels. In 2020, we saw only four cases of non-compliance with international sulphur regulations caused by contamination in the supply chain of oil or by human error. As a remedial action, we have begun testing sulphur content of the fuel prior to bunkering.

The main concern in the years leading up to the cap taking effect was uneven enforcement, as it was estimated that a large container vessel could save around USD 750,000 sailing from a port in Asia to a port in Europe when using non-compliant 3.5% marine fuel instead of compliant 0.5% fuel.

While the level of control is not always as stringent as we would have hoped for, we have received no indication that compliance is lacking. Looking at which oil types are sold on the global market is a useful proxy for evaluating compliance, and it appears that the low-sulphur fuel uptake is at the expected level. However, it should also be noted that due to COVID-19, port state controls have been made more difficult. We therefore hope that enforcement campaigns can resume in 2021.

The use of scrubbers to clean the vessels' exhaust of SOx remains a discussion point and no independent global survey of the effects of scrubbers has yet been produced to support global legislation. Still, more national and regional legislation is being implemented, for example in the EU, some US states and Australia, requiring vessels to shut off the scrubber system when entering near-coastal waters and switch to low-sulphur oil. As a result, more ports are expected to declare a ban of open-loop scrubbers.

Maersk has installed open-loop scrubbers on a share of our vessels as a commercial risk management measure.

## Reducing the impact of SOx

Research has shown that the annual, ship-related global health impacts from using fuel with 3.5% sulphur instead of 0.5% fuel are

137,000 premature deaths

7 million childhood asthma cases<sup>13</sup>

This is the driver behind the IMO's legislation on SOx, which from 2020 requires the entire global fleet to sail on fuels with

0.5% sulphur content

The compliance measures approved by the IMO are

Carrying and using only low-sulphur fuels on vessels

Installing scrubbers to clean vessels' exhaust

Enforcement of the legislation is critical. On just one voyage from Asia to Europe a large container vessel could save up to

USD 750,000 by using non-compliant fuel.

<sup>13</sup> [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)

# Ocean health



## Why is it important

The global oceans redistribute CO<sub>2</sub> and heat, supply people and communities with food, water, renewable energy, and build livelihoods through tourism, trade and transport. 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.



## Ambitions

We see ourselves as citizens of the oceans and we are committed to doing no harm while at the same time actively participating in restoring ocean health and resilience and protecting animal habitats.



## Targets

- Zero non-contained oil spills above 10 m<sup>3</sup>.
- Fully comply with rules and regulations to minimise negative impact on ocean health, including waste management and ballast water systems

- Continue collaboration with The Ocean Cleanup.
- Support ocean science research through data collection and partnerships.



## Progress in 2020

Our first obligation as citizens of the oceans is to comply with rules and regulations that safeguard ocean health. For A.P. Moller - Maersk (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 regulation on ballast water. We have policies and procedures to manage and mitigate all these risks.

In 2020, there were two non-contained spills. One spill to land in our terminal business in The Netherlands (19 m<sup>3</sup>) and one spill to water relating to Maersk Supply Service and resulting from a mud spill (20.3 m<sup>3</sup>).

Dumping waste at sea contributes to the ailing health of oceans and the biodiversity crisis. Maersk has a zero-dumping policy, obligating all vessels to store waste and discard it when in a port with adequate facilities. We are challenged by a lack of capacity in qualified waste reception facilities at ports internationally. We have mapped and vetted facilities to enable our vessels to plan around the gaps, but our operations would be more efficient with proper facilities available.

Also affecting the health of oceans and biodiversity is how vessels handle ballast water. This is often added in one marine environment to keep the vessel stable and safe, and later discharged in another environment due to changes in cargo. This may result in invasive species disturbing local ecosystems. The Ballast Water Management Convention (BWMC) obligates shipowner to have ballast water systems installed on all vessels by 2024. We are progressing in accordance with our plan to

comply with this demand. We saw no non-compliances with existing regulation. All marine life from plankton to whales reacts to noise, and for this reason the increase in underwater noise from human activity is of growing concern. One example of this is how ship noise impacts and confuses the communication of an endangered species of orca whales. A positive bi-product of some of our energy efficiency retrofits of vessels is that the level of ship noise is lowered. We sail at slower speeds in areas where these whales have been identified.

## Collaborating for ocean health

Weather and sea state observations from vessels at sea provide data on meteorological conditions for weather forecasts, help climate scientists understand climate change, and help to protect life and property on vessels by allowing better forecasting of storms and other extreme ocean-related events. In 2020, we agreed to commit our fleet of 300 owned vessels to be part of the global Voluntary Observing Ship (VOS) scheme, run by the World Meteorological Organization and the Intergovernmental Oceanographic Commission of UNESCO. By mid-year 2021, we will have finalised installation of fully automated weather stations on 50 vessels.

We have also contributed to the UN Global Compact's guidance for the shipping industry to support implementation of the Sustainable Ocean Principles, which we participated in establishing in 2019.

## Expanding our support for The Ocean Cleanup

Since 2018, Maersk has been proud to partner with The Ocean Cleanup, providing offshore support for their plastic waste cleanup system in the Pacific Ocean. A new, three-year partnership agreement was established during 2020. It expands the collaboration to include both maritime and end-to-end logistics services, in line with the anticipated scale-up of The Ocean Cleanup's ocean activities as well as the expansion to include systems deployed in large rivers.

Maersk's assistance will range from shipping, customs clearance and warehouse and storage management.

On the offshore side, in addition to deployment services, Maersk will contribute to developing a more sustainable maritime approach with alternative fuels and new fleet design. Maersk's support is provided as full or partial donations, or on favourable terms.

The Ocean Cleanup's goal is to reach a 90% reduction of floating ocean plastic by 2050. This is an important issue to many of our seafarers as well as to colleagues on land, and in 2020 we ran a campaign encouraging employees and teams to become Ocean Ambassadors, take local initiatives and share their efforts to clean up beaches and their environment.

Despite COVID-19 restrictions, we saw around 80 team contributions from around the world.

# Anti-corruption



## Why is it important

Corruption undermines social and economic development. It destabilises the business environment and 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 industries where we are active through both multistakeholder collaboration and actions in our own operations.



## Targets

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



## Progress in 2020

The risk of corruption in our ocean business relates primarily to interactions with authorities in ports and at border controls, and mostly as facilitation payments. In our terminals, the risk is greatest when negotiating government agreements on concessions. Risks on land and in our supply chain are predominantly managed 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 employees are outlined in the A.P. Moller - Maersk (Maersk) Code of Conduct and the Maersk Anti-Corruption policies and guidelines. We enforce rules on travel, meals, lodging, gifts, amenities and entertainment, and employees complete annual training on compliance. Our current compliance programme is based on guidelines for complying with the US Foreign Corrupt Practices Act.

We work on projects focused on risk-based mitigation measures, e.g. in-person training, transaction testing, spot checks and appointment of business compliance ambassadors, strengthening our internal compliance controls framework as well as rolling out a conflict-of-interest policy. Executive commitment through words and actions has helped set the tone for the rest of the company.

One top priority in 2020 was finalising the implementation of the Maersk third-party management process, which in this structured form is a new

addition to our controls. Read more about this in the side bar.

In 2020, we registered five minor incidents of facilitation payments on own vessels, and reduced payments on chartered vessels by a further 39% compared to 2019.

We are investigating how we will address facilitation payments in ports and in the inland logistics and are among other things conducting a pilot study in Southeast Asia to map and understand where the money originates and how it travels through systems and processes. We will be scaling up this project to develop a global approach to this issue, just as we will continue to collaborate with the Maritime Anti-Corruption Network on this and other projects.

Of the channels used for reporting, the whistleblower hotline was used in twelve instances to report on public sector corruption cases. So far, none of the cases have substantiated while three cases are still under investigation.

In December 2020, the Brazilian authorities filed a civil lawsuit against A.P. Moller - Maersk A/S and other Maersk group entities related to allegations that a third-party broker made improper payments in connection with certain tanker charter party agreements entered into with Petrobras between 2008 and 2010. We remain committed to cooperating with the authorities, but cannot publicly comment on ongoing litigation.

## When third parties act on our behalf

Working through third parties is a known corruption risk to our business. To improve risk mitigation, we have invested in a third-party management system, and in 2020 we developed and initiated the roll-out of a structured risk-based third-party management process across Maersk.

In the first year of operations,

1200 leaders and employees have been trained

250 third parties have been or are being processed

5 third-party engagements were avoided or stopped on ethical grounds

Through this process, we select the third parties best suited for our business based on their competence, integrity, and other relevant capabilities. We also have a process for comprehensive due diligence on acquisition targets, joint venture partners and shareholders through which we reviewed 60 potential partners in 2020, as well as created a process for timely and orderly integration of the acquired entity into existing compliance programme structures.

# Responsible tax



## Why is it important

Well-functioning tax systems locally and internationally help finance education, infrastructure and other public services that support sustainable development, local societies, business and trade.

We recognise the need for companies to support the local economies in which they do business.



## Ambitions

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



## Targets

- 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.



## Progress in 2020

A.P. Møller - Maersk's (Maersk) total tax charge in 2020 was 407 million USD, compared to 458 million in 2019. See the A.P. Møller - Mærsk A/S Annual Report 2020 for more details.

We continue our dialogue with stakeholders including the B Team, learning and sharing best practices with other companies who have also endorsed the B Team's Tax Principles.

We are in the process of updating the Maersk Tax Principles, providing more relevant information to our stakeholders and explaining the different tax rules, under which Maersk operates. In particular, how our shipping activities are taxed under the tonnage tax regime. This is a methodology using vessel tonnage to determine the taxable income on which corporate tax is paid. As a result, liner entities are not taxed on actual commercial profit or loss. As our business grows on land, more of our income will be taxed according to regular corporate tax rules and based on actual profit.

As part of our updated Maersk Tax Principles we will be disclosing tax payments, in accordance with the OECD Country by Country Reporting (CBCR) principles, for the largest taxpaying countries per region. We have

chosen this disclosure approach to achieve the right balance between our support for additional transparency on corporate tax and ensuring the relevance of the disclosed information.

Our updated Maersk Tax Principles and CBCR tax payments will be available on the Maersk.com website in Q2 2021, when the 2020 CBCR tax numbers are available.

The EU list of noncooperative tax authorities for 2020 comprises twelve countries, of which Maersk has activities in four: Due to a prior year adjustment, in Panama we paid USD 781,000 in taxes on a profit of USD 460,000, in the US Virgin Islands we paid USD 743,000 in taxes on a profit of USD 1,531,000 and in Barbados we paid USD 15,000 in taxes on a profit of USD 477,000. We have very minor profits (less than USD 1,000) and tax payments in Trinidad and Tobago.

In December 2020, as per the deadline for 2019 CBCR tax numbers, we disclosed full country by country reporting to the Danish tax authorities in accordance with our legal obligations.



# Summary of targets and progress across all issues

Issues	Sustainable trade (p. 13)	Decarbonising logistics (p. 16)	Safety (p. 30)	Responsible ship recycling (p. 32)	Diversity and inclusion (p. 34)
 UN SDG	 8.2  8.3  8.5   9.3  12.3  17.10  17.16	 7.3  13.1  17.16	 8.8	 8.8  14.1  17.16	 5.1  10.2   5.5  10.3
 Ambition	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.	To take leadership in the decarbonisation of shipping and help our customers decarbonise their supply chains.	We want to protect our people, eliminate fatalities and severe injuries, enable Maersk to be a preferred employer and to provide safe and resilient products and services to our customers.	To create opportunities for responsible ship recycling globally for the benefit of workers and the environment, as well as responsible yards and shipowners.	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.
 Targets	<b>By 2025:</b> Connect 50% of global containerised trade to digital solutions that reduce supply chain barriers. <b>By 2025:</b> Help connect 100,000 small and medium-sized enterprises, including women-operated businesses, to international trade. <b>By 2025:</b> Contribute to trade facilitation reforms in 30 developing countries. Contribute to halving food loss in logistics in support of sustainable development and growth of our cold chain business.	To have net zero CO <sub>2</sub> emissions from our own operations by <b>2050</b> , which includes having commercially viable, net zero vessels on the water by <b>2030</b> . To deliver a 60% relative reduction in CO <sub>2</sub> emissions by <b>2030</b> compared to 2008 levels.	<b>2020:</b> Top 300 leaders complete Safety Differently workshops; verification of critical controls; improved employee engagement. <b>2021:</b> Leading-indicator targets for building safety capacity are set for: <ul style="list-style-type: none"> <li>• Learning Team activity</li> <li>• Leadership Gemba</li> <li>• Critical risk projects</li> </ul>	<b>2020:</b> 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>2021:</b> Create opportunities for responsible ship recycling of post-panamax ships globally; support yards globally to achieve EUSR-compliance; continue development of the wider Alang area; actively support and participate in the development of the Ship Recycling Transparency Initiative.	3 women on the Board of Directors, if the Board consists of less than 12 members, and 4 women, if the Board consists of 12 or more members. For senior management, we have targets for representation of women and nationalities (see p. 35).
 Progress 2020	TradeLens integrated with over 220 organisations, including ocean carriers and ports and terminals, resulting in access to half of the world's ocean container cargo. Two pilots planned in multi-stakeholder project to automate advance sea cargo data for developing countries. Over 4,000 active Twill customers, and almost 1,700 participants in Twill webinars and coaching programmes. Invested in 21 start-ups enabling trade for SMEs, reaching more than 15,000 customers. Contributed to trade facilitation reforms in 10 countries. Cold Chain Logistics business serving several hundred customers across nearly 50 countries.	Based on a strategic review of global climate scenarios and transition pathways, decarbonisation was established as a strategic imperative for the company, and a dedicated function was created to accelerate progress. Reduced CO <sub>2</sub> emissions by 46.3% since 2008, with 2.5% achieved in 2020. Maersk ECO Delivery sales exceeded expectations. Continued research on priority future fuels (biodiesel, methanol, lignin fuels and ammonia) confirming that net-zero technologies are available. Maersk will not use transition fuels (such as LNG) but leapfrog to fully net-zero fuels. Worked with customers, partners and regulators to build the market, fuel supply chains and policy frameworks to support net-zero emissions shipping.	All targets affected by COVID-19. Educated 80 company leaders on Safety Differently, and designed a new leadership programme for launch in 2021. Integrated collaborative approach to critical risk project management across the organisation and progressed on critical risk projects. Developed virtual delivery solution for learning teams, for roll-out in early 2021. Carried out annual Global Safety Day under the theme 'Learning from each other'.	Three vessels sent for RSRS-compliant recycling to Alang yards in India and one for EUSR- and RSRS-compliant recycling to an Aliaga yard in Turkey. For audit results, see p. 33. Continued advocacy in the EU to advance inclusion of compliant Alang yards on the EU List, among other things through the results of an impact study of our activities in Alang. Contributed data and information to the Ship Recycling Transparency Initiative. Continued support for medical outreach in wider Alang including support for COVID-19 response in the community.	Target for women on Board of Directors met. Targets for management representation were not achieved. Revised targets for 2021 and onwards will be launched later in 2021. Conducted psychological safety-webinars across the organisation. Work on unconscious bias continued. Establishing inclusion networks covering our global organisation. 2020 saw our planned virtual pride celebrations move to a virtual platform.
 Governance	Our commitments on trade are owned and driven through the relevant business areas and brands, including TradeLens, Twill, Maersk Growth, and Cold Chain Logistics, and overseen by the Executive Leadership Team.	Decarbonisation steering committee with executive membership.	Governed through the Committee rule on Health, Safety and Environment (HSE).	Responsible ship recycling steering committee overseeing our Responsible Ship Recycling Standard.	Our Diversity & Inclusion policy and targets are owned by HR and overseen by the Executive Leadership Team.

This table provides an overview of our ambitions in the context of the UN Sustainable Development Goals, summary of targets and progress in 2020, and how the issues are governed.

<b>Employee relations</b> (p. 36)	<b>Responsible procurement</b> (p. 37)	<b>Air emissions</b> (p. 38)	<b>Ocean health (incl. spills)</b> (p. 39)	<b>Anti-corruption</b> (p. 40)	<b>Responsible tax</b> (p. 41)	<b>Disaster response</b> (p. 25)					
 8.5 8.7 8.8	 16.3	 12.6	 3.9	 14.1 14.3	 3.9 14.1	 17.6 16.5	 16.3 16.5	 17.16 17.1	 16.6 17.6	 17.1	 17.6
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.	Manage the risk of supplier non-compliance with our Supplier Code of Conduct, to support our commercial ambitions of end-to-end sustainable product offerings.	To continue to be an industry leader working towards reducing air emissions from international shipping, particularly in regard to SOx and NOx emissions.	We see ourselves as citizens of the oceans and we are committed to doing no harm while at the same time actively participating in restoring oceans' health and resilience and protecting animal habitats.	We aim to eliminate corruption in the industries where we are active through both multistakeholder collaboration and actions in our own operations.	Be a compliant and accountable taxpayer with responsible and transparent tax practices.	To follow our values and use our leverage and logistics capabilities to support response efforts in case of natural disasters and other emergencies.					
<b>2020:</b> Ensure compliance on Global Employee Relations; improve employee relations maturity level in the business.  <b>2021:</b> Ensure compliance on Global Employee Relations; conduct bi-annual labour rights assessment; make employee engagement and workforce management integral to the development of end-to-end logistics; ensure that new ways of working are introduced responsibly.	<b>2020:</b> Ensure purchasing activities align with RP requirements and close improvement plans; review programme to align with risk picture from expansion on land; participate in collaborative efforts focused on trucking.  <b>2021:</b> Ensure purchasing aligned with RP requirements; expand scope of RP and strengthen post-sourcing follow-up to strengthen sustainability in end-to-end offerings; prepare for legislation on supply chain due diligence.	Fully comply with regulatory demands to reduce air emissions impact 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 and high levels of enforcement of regulation across the industry.	Fully comply with rules and regulations to minimise negative impact on ocean health including waste management and ballast water systems.  Continue collaboration with the Ocean Cleanup.  Support ocean science research through data collection and partnerships.  Zero uncontained oil spills above 10 m³.	Comply with legislation on anti-corruption practices, which ultimately translates to zero bribery and elimination of facilitation payments.	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.	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.					
Built processes to ensure health and safety for employees despite COVID-19.  Progressed in enhanced management of risks in relation to third-party workers.  143 cases related to potential violation of HR-related laws, rules or company values were processed through our whistleblower system. 17 of these cases were substantiated, 11 of which were related to the Commit Rule on Global Employee Relations.	Audits and subsequent improvement plans affected by COVID-19.  Groundwork for integration of responsible procurement in end-to-end product offerings laid, focusing on third-party workers, minimum standards for truckers in the EU, and strengthening post-audit compliance in collaboration with local HSSE functions.	Successfully implemented shift to low-sulphur fuels across our owned fleet.  Registered four non-compliances with international sulphur regulations caused by contamination in the oil supply chain or by human error.  SOx emissions significantly reduced to 102,000 tonnes mainly as a result of the IMO2020 sulphur cap.	Progressed in line with plans for compliance with IMO Ballast Water Management Convention.  Partnership with the Ocean Cleanup Project extended to 2023.  Supported science with commitment of our entire fleet of 300 owned vessels to be part of the global Voluntary Observing Ship (VOS) scheme to collect meteorological data at sea.  Two non-contained spills: One spill to land in our terminal business in The Netherlands (19 m³) and one spill to water relating to Maersk Supply Service and resulting from a mud spill (20.3 m³).	Five minor facilitation payments on our own vessels in 2020 and a further 39% reduction of facilitation payments on chartered vessels since 2019.  Finalised the implementation of the Maersk third-party management process, including training of 1200 employees, processing of 250 third parties and termination or avoidance of 5 third party engagements.  12 cases related to public sector corruption processed through our whistleblower system of which none were substantiated.	Charge of 407 million USD for taxes. See the A.P. Møller - Maersk A/S Annual Report 2020 for more details on the annual tax charge.  We are in process of updating the Maersk Tax Principles.  Complied with tax disclosure legislation, including CbCR reporting to authorities.  Continued to prepare for alignment with B Team tax principles.	Contributed to supporting society in the fight against the COVID-19 pandemic through donation of services and financial support, equal to 4.2 million dollars.  Through LET, established cold chain for vaccine storage in South Sudan.					
Governed through the Commit rule on Global Employee Relations.	Governed through the Commit rule on Responsible Procurement.	Governed through the Commit rule on Health, Safety and Environment (HSE).	Governed through the Commit rule on Health, Safety and Environment (HSE).	Governed through the Commit rule on Anti-corruption.	Governed through the Maersk Tax Principles and overseen by the Executive Leadership Team.	Governed through internal SOPs and guidelines for LET engagement and local donations. All COVID-19 donations coordinated by the Crisis Management Team.					

# Performance data

	A.P. Moller - Maersk			Continuing operations			Discontinued operations		
	2020	2019	2018	2020	2019	2018	2020	2019	2018
<b>Social performance</b>									
<b>Our employees</b>									
Number of employees (FTEs)	83,624	86,279	85,689	83,624	83,512	82,806	-	2,767	2,883
Women in leadership (% based on headcount)	28%	27%	25%	28%	27%	25%	-	-	10%
Gender – female/total (% based on headcount)	28%	28%	27%	28%	28%	27%	-	-	8%
Target nationalities in leadership (% based on headcount)	40%	38%	37%	40%	38%	37%	-	-	12%
Target nationalities/total (% based on headcount)	72%	71%	70%	72%	71%	70%	-	-	23%
Fatalities (headcount)	1	5	7	1	5	7	-	-	0
Lost-time injury frequency (based on exposure hours)	1.27	1.16	1.29	1.27	1.16	1.30	-	-	0.91
<b>Environmental performance</b>									
<b>Energy consumption</b>									
Fuel oil (1,000 tonnes)	10,368	11,173	12,017	10,368	11,173	11,994	-	-	23
Gas fuels (1,000 tonnes)	11	10	17	11	10	17	-	-	0
Other fuels (1,000 tonnes) – excluding biofuel	120	130	118	120	130	118	-	-	0
Biofuels (1,000 tonnes)	32	8	-	32	8	-	-	-	-
Renewable technologies (1,000 MWh)	66	-	-	66	-	-	-	-	-
Electricity (1,000 MWh)	664	656	732	664	656	730	-	-	2
Energy consumption (total, TJ)	432,767	463,815	498,209	432,767	463,815	497,233	-	-	976
<b>Greenhouse gas (GHG) emissions</b> (1,000 tonnes CO <sub>2</sub> eq)									
Direct GHG emissions (scope 1 GHG Protocol)	33,902	36,204	38,826	33,902	36,204	38,749	-	-	77
Indirect GHG emissions (scope 2 GHG Protocol) – location-based	305	287	339	305	287	338	-	-	1
Indirect GHG emissions (scope 2 GHG Protocol) – marked-based	337	-	-	337	-	-	-	-	-
Value chain GHG emissions (scope 3 GHG protocol)	19,017	-	-	19,017	-	-	-	-	-
Relative CO <sub>2</sub> reduction (percentage vs 2008 baseline)	46.3%	44.9%	42.1%	46.3%	44.9%	42.1%	-	-	-
<b>Other air emissions</b>									
SOx (1,000 tonnes)	102	569	615	102	569	615	-	-	0
NOx (1,000 tonnes)	824	888	955	824	888	953	-	-	2
<b>Other resource consumption</b>									
Waste (1,000 tonnes)	283	299	340	283	299	338	-	-	2
Water (1,000 m <sup>3</sup> )	1,736	1,696	2,256	1,736	1,696	2,244	-	-	12
<b>Spills (hydrocarbon)</b>									
>10 m <sup>3</sup> (number of spills)	2	0	0	2	0	0	-	-	0
<b>Economic performance</b> (USD million)									
Revenue	39,740	38,890	39,257	39,740	38,890	39,257	-	308	1,977
EBITDA (profit/loss before depreciation, etc.)	8,226	5,712	4,998	8,226	5,712	4,998	-	N/A	N/A
CAPEX	1,322	2,035	3,219	1,322	2,035	3,219	-	N/A	N/A
Tax for the year	407	458	398	407	458	398	-	0	247

Financial scope.

Operational scope.

Data from other sources than the financial and operational scoped data.

Data for 2019 and 2018 is restated to include Maersk Supply Service.

Data from other sources, calculations based on analysis by external provider, and not in scope for PwC's review of this Report.

Scope is limited to shipping operations. Relative CO reduction is 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). In 2020 we improved the underlying methodology, resulting in a more exact calculation of historical performance. The data for 2019 and 2018 are restated to align with the updated methodology.

## Comments on 2020 performance data

### Social performance

#### Our employees

FTE data is taken from the audited 2020 Annual Report of A.P. Møller - Mærsk A/S where more information can be found.

Continued focus on our targets has helped us make a slight improvement in our leadership numbers for women and target nationalities.

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 page 34-35.

One fatal accident relates to a subcontractor in the Apapa terminal in Nigeria (see more on p. 31). LTIf is calculated as number of injuries relative to exposure hours. It has increased due to improved recording of injuries sustained by contractors in our inland logistics business area, while the exposure hours for contractors were not available.

### Environmental performance

#### Energy consumption

Decrease is due to improved efficiency and strategic focus on decarbonisation. Because of COVID-19, fewer vessels were in operation with less cargo in Q2 and Q3 2020.

Small increase in gas fuel consumption is mainly due to improved reporting in terminals.

Decrease is due to among others a change to reporting based on actual invoices rather than office standards. This is partly offset by an increase in air charter.

Increase in consumption of biofuels for the Maersk ECO Delivery shipping service and for use in terminals.

Consumption of renewable energy is reported separately for the first time in 2020. This is made possible due to improved reporting in terminals.

Increase is mainly due to improved reporting based on actual invoices rather than office standards, offset by reductions due to reduced vessel calls and working from home.

Decrease in total energy consumption is due to the decrease in fuel oil consumption.

#### Greenhouse gas (GHG) emissions

96% of our scope 1 emissions come from the operations of our fleet. Decrease is due to improved efficiency and our strategic focus on decarbonisation.

Increase in indirect GHG emissions is due to increase in electricity consumption.

Indirect GHG emissions are reported using the market-based method, in accordance with the GHG Protocol for the first time in 2020.

Value chain GHG emissions are reported in accordance with the GHG Protocol for the first time in 2020. See p. 22 for more information.

Improvement in operational energy efficiency has been achieved through both technical and operational improvement initiatives

#### Other air emissions

SOx is produced from the combustion of heavy fuel oil. Decrease in SOx emissions is due to the shift to low sulphur fuel and the use of scrubbers with regards to IMO2020, as well as a decrease in fuel oil consumption.

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

#### Other resource consumption

Decrease is mainly due to an adjustment in vessel waste reporting and ongoing projects for reducing hazardous waste.

Increase is due to improved reporting and change to reporting based on actual invoices rather than office standards, offset by reductions due to working from home.

#### Spills (hydrocarbon)

Two uncontained spills above the threshold of >10 m<sup>3</sup>. One spill to land in the Maasvlakte 2 Terminal (19 m<sup>3</sup>), and another spill to water in MSS resulting from mud spill (20 m<sup>3</sup>)

### Economic performance

Financial data is taken from the audited 2020 Annual Report of A.P. Møller - Mærsk A/S. Note 2018 is presented as if IFRS 16 had been implemented in 2018, for comparison purposes

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

# Sustainability accounting principles

## Reporting framework

A.P. Moller - Maersk does not apply a specific overall reporting framework but uses the Global Reporting Initiative's (GRI) G4 Sustainability Reporting Guidelines as guidance to determine report content and quality in terms of materiality, stakeholder inclusiveness, sustainability context, completeness, balance, comparability, accuracy, timeliness, clarity and reliability.

## Reporting period

Our reporting covers the period from 1 January to 31 December 2020.

## Controls

While data regarding number of employees, women in leadership, gender and target nationalities are generated from our HR systems, data regarding accidents, fatalities, exposure hours, energy consumption, waste, water and spills are reported through our consolidated reporting tool based on submitted data from all reporting entities within A.P. Moller - Maersk. This tool is validated via internal audit, with manuals and online training in place. A set of generally accepted accounting principles for sustainability has been established, which defines the reporting rules, processes and responsibilities. A controlling guideline has been distributed to help secure the businesses' own assurance of submitted data, before sign-off by the respective CEOs and CFOs. Furthermore, all businesses are obliged to provide explanation sheets on significant data developments. The data reported under financial scope is included in the framework used to assure risks and controls for financial reporting (Danish Statements Act §107b, section 1, no 6).

## Scope

Operational scope is applied for safety and spills data when A.P. Moller - Maersk or one of its subsidiaries has the governing authority and responsibility for health, safety and environmental management of the people, processes and facility – either directly or indirectly via third-party contractual arrangements. This approach excludes data from assets that are partly owned by A.P. Moller - Maersk but operated by another company. Mobile assets are included when operated by A.P. Moller - Maersk. For vessels, the International Safety Management Code Document of Compliance must be held by A.P. Moller - Maersk to include the data.

Financial scope is applied for all other sustainability data, and is defined as follows:

- Owned assets and leased in assets that A.P. Moller - Maersk uses: A.P. Moller - Maersk is liable for consumption, emissions and other environmental elements
- Owned assets that are leased out: A.P. Moller - Maersk is not liable for consumption, emissions and other environmental elements – the lessee is.

Technical management of an asset on behalf of third parties does not change the responsibility. Thus, consumption and emissions still belong to the asset owner/lessee who uses the asset.

With regard to greenhouse gases, the reporting must be in accordance with the GHG Protocol: direct emissions from own assets (Scope 1), indirect emissions from purchased electricity and district heating (Scope 2), and value chain emissions across material categories (Scope 3).

Diversity and inclusion data includes all brands, global service centres, corporate functions, and Boards. Joint ventures are out of scope. Gender and nationality data, which includes women in leadership, gender – female/total, target nationalities in leadership, target nationalities/total, is reported by headcount and extracted from SAP HR along with manual inputs of data not recorded in SAP HR.

## Comparability

In line with the business strategy and organizational integration of A.P. Moller - Maersk, we report on sustainability performance as One Maersk. For Maersk Drilling and Maersk Oil sustainability data is not included in the year of separation from A.P. Moller - Maersk, while economic performance data is included up to the date of the demerger/sale. Acquired and merged entities are excluded from sustainability reporting until the following reporting year.

## Consolidation

For operational scope, 100% of the data reported from the operated assets is included irrespective of percentage ownership. Financial scope uses our financial consolidation methodology; data is collected per legal entity per activity, and the figures are consolidated line-by-line. Subsidiaries in which A.P. Moller - Maersk has full control are included 100%. Joint ventures and associated companies and other companies, in which A.P. Moller - Maersk does not have control,

are excluded. Using financial consolidation principles allows us to compare sustainability indicators directly with financial data, thereby providing context for our performance.

## Data categories and accuracy

A.P. Moller - Maersk has defined two categories of data: documented and probable data:

- Documented data comprises: our employees (FTE), energy consumption, air emissions, transport work (for EEOI), and financial data
- Probable data comprises: safety (fatalities and LTif), waste, water, spills, gender and nationality.

Documented data (financial and non-financial) is valid and complete and is essentially at the same quality level.

The reliability of probable data is somewhat lower but is still provided to the best of the management's knowledge. It is based on data received and controlled in the consolidated reporting tool, but with an inherent risk of being incomplete.

Financially scoped probable data (water and waste) must always be defendable, and if assumptions are necessary due to lack of documentation, then the assumptions made must be verifiable. If no evidence exists, then assumptions based on the probable data must be made in writing and shall be verified by the reviewer, whereby the data are always defendable.

Operationally scoped probable data (safety and spills data), along with gender and nationality, has the weakest data quality, as it is not possible to ensure validity and completeness.

## Emission conversions and calculations

GHG emissions are calculated indirectly via default conversion factors for energy consumption and other GHG gases.

Primary schemes used are API (updated 2009), DEFRA (updated 2020) and IEA (updated 2020). The principles for choosing among the schemes for default conversion factors are:

- Newest schemes are preferred, as are internationally recognised generic schemes
- A scheme must always be used in full. Thus, no combined schemes are allowed unless specific elements were not included in the primary scheme
- Specific industry schemes can be included when not in conflict with the above.

We report on relative CO<sub>2</sub> emissions reduction using EEOI (Energy Efficiency Operational Indicator) methodology. EEOI is defined by IMO in MEPC.1/Circ.684 and is calculated as gCO<sub>2</sub>/(Ton cargo x Nm).

In practice we calculate EEOI on voyage level and aggregate it in the following way:

$$\frac{(g \text{ CO}_2 \text{ voy1} + g \text{ CO}_2 \text{ voy2} + g \text{ CO}_2 \text{ voy3})}{(Ton \text{ cargo} \times Nm \text{ voy1} + Ton \text{ cargo} \times Nm \text{ voy2} + Ton \text{ cargo} \times Nm \text{ voy3})}$$

The data sources are:

1. g CO<sub>2</sub> – Based on fuel consumption, from departure voyage 1, to departure voyage 2, multiplied with relevant CO<sub>2</sub> factor (3.114 for HFO, 3.206 for MDO).
2. Ton cargo – Calculated via draft and displacement tables, subtracting vessel weight and ballast water and fuel stock.
3. Nm – GPS distance from departure voyage 1, to departure voyage 2.

In 2020, the baseline for EEOI has been recalculated to include missing data points for historical performance.

From 2020, scope 2 emissions are reported in two ways: location-based and market-based. For the latter, market-based factors are used for EU countries and the U.S. while IEA factors are used for other countries.

From 2020, scope 3 emissions are reported in accordance with the GHG Protocol. Of the 15 scope 3 categories in the Protocol only nine categories are deemed relevant for our business activities. The excluded categories, Cat. 8 upstream leased assets, Cat. 9 downstream transportation and distribution, Cat. 10 processing of sold products, Cat. 13 downstream leased assets, Cat. 14 franchises and Cat 15 investment, were determined not to have significant relevance to Maersk's business model. From a reporting perspective we have furthermore decided to apply a materiality threshold of 1% of the total scope 3 emissions which excludes the following categories from reporting: Cat 5. waste generated in operations, Cat. 6 business travel, Cat. 7 employee commuting, and Cat. 12 end of life treatment of sold products.

Scope 3 reporting thus comprises five remaining categories: Cat. 1 - purchased goods and services, which is reported based on procurement data and includes OPEX goods. Cat. 2 - capital goods, which is reported based on procurement data and includes our capital investments such as e.g. retrofit of vessels and dry docking. We include the full scope 3 impact the first year of a CAPEX investment. Category 3 - fuel and energy related activities, which is reported based on actual fuel procured and consumed. Category 4 - upstream transportation and distribution, which is reported based on procurement data multiplied by relevant emission factor per transportation category (air/

sea/truck/ rail). This means that e.g. trucking only includes carrier haulage. Category 11 - use of sold products, which is reported based on sale of used containers and vessel recycling. The method includes splitting the product into waste categories and waste treatment type based on category and region.

When preparing our scope 3 emissions in the material categories listed above, we have provided procurement and accounting data to an external service provider, which has then applied our data in their model for calculating related carbon emissions. The scope 3 emissions data returned to us by the external service provider have then been entered into our reporting. The scope 3 emissions stated have not been subject to review by our assurance provider PwC.

For categories 1 and 2 data for Maersk Supply Service is not included due to data compatibility. Category 4 excludes when customers arrange their own transport as no data in this case is available for Maersk to reasonably accurately calculate scope 3 impact.

#### Definitions:

- Number of employees is the average number of full-time equivalents (FTEs). FTEs are calculated based on the total number of compensable hours (days) in a work year compared to the number of hours (days) in a 'norm' work year. Excluded are employees on unpaid leave, contractors and temporary staff.
- Headcounts are defined as regular employees not on leave, on paid leave and on unpaid leave. Excluded are contractors and temporary staff.
- Women in leadership is the percentage of women in level 5, 6, 7, 8 and 9, corresponding to Senior Managers, Leaders, Senior Leaders, and Executives, compared to total headcount of the same levels.
- Gender – female over total is the percentage of women employed based on headcount.
- Target nationalities in leadership is the percentage of leaders with non-high-income OECD nationalities in level 5, 6, 7, 8 and 9, corresponding to Senior Managers, Leaders, Senior Leaders, and Executives, compared to total headcount of the same levels.
- Fatalities is the headcount number of accidents leading to the death of the employee.
- LTif (Lost-Time Injury frequency) measures the number of lost-time injuries per million exposure hours. Lost-time injuries (LTI) is the sum of fatalities, permanent total disability (PTD), permanent partial disability (PDD) and lost work day case (LWC). A Lost Workday Case (LWC) is any work-related injury, other than a fatal injury, which results in a person being unfit for work on any day or shift after the day of occurrence of the occupational injury. Permanent Partial Disability (PDD) is any work
- injury which results in the complete loss, or permanent loss of use, of any member or part of the body, or any impairment of functions of parts of the body, regardless of any pre-existing disability of the injured member or impaired body function. Permanent Total Disability (PTD) is any work injury which incapacitates an employee permanently and results in termination of employment on medical grounds. Excluded from LTIs are suicide or attempted suicide, criminal or terrorist activity, and incidents which occur off the ship but where the consequences appear onboard at some later time.
- Energy consumption encompasses fuel oil, gas fuels, other fuels (diesel, gasoline, kerosene, and heating oil), and biofuel as well as the consumption of electricity / district heating and renewable energy.
- Renewable technologies, from which energy is derived to use for electricity or heating, include solar panels, wind turbines, biomass and batteries.
- Direct GHG (scope 1) is the sum of all six Kyoto gasses converted to CO<sub>2</sub> equivalents. Kyoto gasses comprise: CO<sub>2</sub>, CH<sub>4</sub>, and N<sub>2</sub>O, which are calculated based on fuel consumption/ combustion, and HFC, SF<sub>6</sub>, NF<sub>3</sub> and HCFC, which are based on direct consumption.
- Indirect GHG (scope 2) is the CO<sub>2</sub> equivalents' converted sum of CO<sub>2</sub>, CH<sub>4</sub> and N<sub>2</sub>O, calculated on consumed electricity and district heating bought from a third party. Scope 2 emissions are reported using location-based emission factors, and using market-based factors (see 'Emissions conversions and calculations').
- Value chain GHG (scope 3) is calculated on procurement and accounting data and covers all six main greenhouse gases.
- Other air emissions include SOx and NOx, which both are calculated based on fuels consumed multiplied by generally accepted conversion factors for the respective fuels. In case of scrubber use, SOx emissions are reported based on Clean Cargo guidelines, where SOx output is assumed to be maximum for the operating area in which the vessel spends 80% of time.
- Amount of waste is the sum of all waste types generated.
- Amount of water is the sum of all water consumed, excluding ballast water and water for re-injection.
- Uncontained spills over 10 m<sup>3</sup> are defined as any type of spills of hydrocarbon liquids greater than ten m<sup>3</sup>, resulting from any unintended, irreversible release associated with current operations.
- To secure completeness, office standards have been developed based on 2020 data, which can be used for offices with no production or warehousing, etc. These standards are only to be used if other more accurate information is not available.

# 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 Performance data stated on page 44 in the Sustainability Report of A.P. Møller - Mærsk A/S for the period January 1 – 31 December 2020 (the "Performance data").

### **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 the Performance data 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 Sustainability Accounting Principles as stated on pages 46-47 (the "Sustainability Accounting Principles").

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

### **What we are assuring**

The scope of our work was limited to assurance over Performance data as stated on page 44 in the A.P. Møller - Mærsk A/S Sustainability Report 2020. Scope 3 carbon emissions have not been in scope for our review of the 2020 Performance data.

### **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' and, in respect of the greenhouse gas emissions, in accordance with International Standard on Assurance Engagements 3410 "Assurance engagements on greenhouse gas statements". Greenhouse Gas quantification is subject to inherent uncertainty because of incomplete scientific knowledge used to determine emissions factors and the values needed to combine emissions of different gases. 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.

### **Understanding reporting and measurement methodologies**

The Performance data need to be read and understood together with the Sustainability Accounting Principles on pages 46-47, 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 Performance data. 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 Performance data to be consolidated in the 2020 Sustainability Report;
- Conducted analytical review of the data and trend explanations submitted by all reporting entities to A.P. Møller - Maersk Accounting & Controlling for consolidation; and
- Evaluated evidence.

### **Statement on other sustainability information mentioned in the report**

Management of A.P. Møller - Mærsk A/S is responsible for other sustainability information communicated in the 2020 Sustainability report. The other sustainability information on pages 4-43 of the Sustainability report comprises the sections Introduction, Strategic sustainability priorities, Responding to a pandemic, Responsible business practices and Progress overview regarding A.P. Møller - Mærsk A/S' 2020 sustainability approach, activities and results.

Our conclusion on the Performance data on page 44 does not cover other sustainability information and we do not express an assurance conclusion thereon. In connection with our review of the Performance data, we read the other sustainability information

in the 2020 A.P. Møller - Mærsk A/S Sustainability Report and, in doing so, considered whether the other sustainability information is materially inconsistent with the Performance data or our knowledge obtained in the review or otherwise appear to be materially misstated. We have nothing to report in this regard.

### **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 the Performance data and information in the Sustainability Report that are free from material misstatement, whether due to fraud or error;
- Establishing objective Sustainability Accounting Principles for preparing Performance data; and
- Measuring and reporting the Performance data in the Sustainability Report based on the Sustainability Accounting Principles.

### **Our responsibility**

We are responsible for:

- Planning and performing the engagement to obtain limited assurance about whether the Performance data for the period 1 January – 31 December 2020 are free from material misstatements and are prepared, in all material respects, in accordance with the Sustainability 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.

Copenhagen, 10 February 2021

**PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab  
CVR no. 3377 1231

**Mogens Nørgaard Mogensen**

State Authorised Public Accountant  
mne21404

**Lars Baungaard**

State Authorised Public Accountant  
Mne23331

# 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:

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Denmark  
Attn: Sustainability

You can also send an email to:  
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<https://www.maersk.com/about/sustainability>

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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>



CO2-NEUTRALISED PRODUCTION BY ROSENDHALS



## Overview of brands that are part of A.P. Moller - Maersk



## 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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