A.P. MØLLER HOLDING A/S
CSR REPORT
2019
This report represents the statutory consolidated statement of A.P. Møller Holding A/S on CSR in accordance with section 99a of the Danish Financial Statements Act. It represents policies, activities and results achieved in 2019 for entities owned and controlled by A.P. Møller Holding A/S.

We focus highly on mitigating the risk of being abused for money laundering or financing of terrorism by third parties that A.P. Møller Holding engages with. This is especially relevant in relation to our investments, where we always conduct proper and adequate AML due diligence measures on relevant counterparties, including advisors, co-investors and others.

An example is our Anti Bribery and Corruption policy which illustrates our zero tolerance towards fraud and bribery. This is one of the cornerstones in our overall framework for how to exercise due care to prevent bribery and corruption internally as well as in relation to third parties acting on behalf of A.P. Møller Holding. The policy gives overall guidelines in relation to procedures to be followed when investing, when interacting with other business relationships e.g. government officials, and in relation to gifts and hospitality etc.

OUR INVESTMENTS
As an international investment company with a broad range of investment activities, A.P. Møller Holding has an influence on society. We acknowledge the responsibilities that this entails and make an effort to ensure that we are recognised as a trustworthy group of companies.

The Board of Directors of each of our large investments, A.P. Møller - Mærsk A/S (A.P. Møller - Maersk), The Drilling Company of 1972 (Maersk Drilling), Maersk Tankers A/S (Maersk Tankers), Maersk Product Tankers A/S (Maersk Product Tankers) and KK Wind Solutions A/S (KK Wind Solutions) as well as A.P. Møller Capital P/S (A.P. Møller Capital) define their own specific CSR policies and Codes of Conduct. We are represented on each board, and these representatives ensure that CSR policies, including human rights, climate change and environmental impact, are enforced. Policies are adapted to meet the circumstances in which each of the affiliates operates.
CSR POLICIES AT A.P. MOLLER HOLDING

At A.P. Moller Holding, being a good corporate citizen is an integral part of the way we do business, globally as well as locally.

We are committed to work internally and with our business relations, to promote responsible practices. Our aspiration is to ensure that all our business relations acknowledge our values and share our commitment to conduct business in an ethical, legal and socially responsible manner. Continually, we strive to improve the performance of our business relations within the areas of human rights, labour standards and the environment, and to work against any form of corruption, fraud and bribery.

We strongly believe that high standard governance measures will create value for all parties and contribute to establish a long-term sustainable relationship with our business partners, our employees and the societies where we operate.

We expect our suppliers to avoid participation in or knowingly benefit from, any kind of corruption, money-laundering, market abuse, extortion or bribery.

Furthermore, we expect our suppliers to respect all applicable laws and regulations and prevailing industry standards.

As such, we expect our suppliers to integrate environmental considerations in their activities and strive for continuous improvement by minimising any adverse effects of their activities on the environment.

We expect our suppliers to provide a safe and healthy working environment for all their employees. This includes high focus on a safe and healthy working environment, respectful treatment, equal opportunity rights, freedom of Association and Collective Bargaining, compliance with applicable working hours, etc.

Based on the CSR policies of A.P. Moller Holding, specific CSR policies and codes of conduct for the subsidiaries are laid down by their respective Boards of Directors, in which A.P. Moller Holding is represented.

In this report, the CSR reports of A.P. Moller - Maersk, Maersk Drilling, Maersk Tankers, Maersk Product Tankers and KK Wind Solutions - each outlining company-specific policies, activities and results for 2019 - have been enclosed. Furthermore, there is a section on APMH Invest A/S and A.P. Moller Capital, which are not publishing CSR reports on their own.

WE ARE GUIDED BY OUR FIVE CORE VALUES

CONSTANT CARE
Take care of today, actively prepare for tomorrow

HUMBLENESS
Listen, learn, share, and give space to others

UPRIGHTNESS
Our word is our bond

OUR EMPLOYEES
The right environment for the right people

OUR NAME
The sum of our Values: passionately striving higher
APMH INVEST

In the fully owned holding company, APMH Invest, A.P. Moller Holding decides upon and includes investments’ CRS policies in the continuous assessment of which companies should be invested in.

CSR POLICY OF THE INVESTMENT COMPANIES
As of 31 December 2019, the investment companies fully owned by A.P. Moller Holding comprise:

- APMH Invest A/S
- APMH Invest IV A/S
- APMH Invest V ApS
- APMH Invest VI ApS
- APMH Invest VII ApS
- APMH Invest VIII ApS


Being 100% owned by A.P. Moller Holding, APMH Invest takes its origin in the values and commitments towards CSR as A.P. Moller Holding. Hence, APMH Invest is committed to make investments in an ethical, legal and socially responsible manner.

APMH INVEST IV AND APMH INVEST VI
APMH Invest IV and APMH Invest VI (holding company) are performing A.P. Moller Holding’s activities on geothermal energy. We are seeking to introduce geothermal energy on a large scale in Denmark and potentially outside of Denmark. Geothermal energy is a renewable and currently untapped energy source with potential to cover approximately 30% of Denmark’s energy supply for district heating. The project is still in its early stages and with a number of uncertainties, but the potential for geothermal energy in Denmark is very interesting and the A.P. Moller Group has the capabilities from subsurface operations to explore it further.

Being 100% owned by A.P. Moller Holding, APMH Invest IV and APMH Invest VI takes its origin in the values and commitments towards CSR as A.P. Moller Holding. Hence, APMH Invest IV and APMH Invest VI are committed to act in an ethical, legal and socially responsible manner.

As part of the pre-investment analysis, the CSR policies of potential investment objects are analysed and assessed in the effort to ensure that the investments have a positive impact on society.
A.P. MOLLER CAPITAL

A.P. Moller Capital is a fund manager primarily focused on investments that combine attractive risk adjusted returns with a positive social impact.

A.P. Moller Capital was established in 2017 to manage standalone funds focusing on infrastructure in growth markets. The company is governed and regulated by the Danish Financial Supervisory Authority (FSA).


The senior team in A.P. Moller Capital has over a century of combined experience of doing business in Africa, and they have an extensive advisory network and industry partners in more than 40 African countries.

The Africa infrastructure Fund is not just a passive investor. The fund leverages the senior team’s strong industrial knowhow, operational backgrounds and capabilities, paired with private equity fundamentals and experience. The combination of the two is the key formula in optimising overall value creation. Environmental, Social and Corporate Governance (ESG) is a key element and an integrated part of the entire investment life cycle.

ESG

As a fund manager, A.P. Moller Capital pledges to be an ethical partner within the countries, cities and communities in which it operates. This means that as well as delivering a competitive return for the fund investors, it will seek to create businesses that benefit society through economic and social development.

Maintaining high ESG standards is not only the best way to mitigate risk in emerging markets, it is also a compelling opportunity to create value. That is why ESG considerations are a central part of the investment strategy and are included in all phases of our investment process.

Focusing on ESG is embedded in the risk analysis, decision-making and ownership practices for the investments we make. The result is companies with better governance, more social focus, lower environmental impact and, ultimately, higher value.

To uphold high ESG standards, A.P. Moller Capital commits to adhering to the UN Principles for Responsible Investment, the principles of the UN Global Compact, and using the IFC Performance Standards on Environmental and Social Sustainability as an international benchmark.

Good governance is essential to project management in A.P. Moller Capital, and the team firmly believes being transparent and fair makes us better investors. A.P. Moller Capital has a zero-tolerance approach to corruption and is committed to avoiding investments that do not minimise any negative social or environmental impacts.

THE AFRICA INFRASTRUCTURE FUND I (AIF I)

AIF I is an investment fund creating and enabling opportunities through investments in African infrastructure. The purpose is to support sustainable economic growth and prosperity on the continent, which has a working-age population likely to reach more than one billion people in the next decades, and at the same time deliver attractive returns to the fund investors.

To achieve a balance between investors’ best interests and high ESG standards, A.P. Moller Capital has adopted numerous policies that deal with topics such as: anti-bribery, anti-corruption, compliance, ethics, risk management, etc.

AIF I is targeting infrastructure projects within power and transportation infrastructure. The fund has an initial target of 10 to 15 investments, and an operation period of 10 years.
The Sustainability Report for 2019 is enclosed on the next pages.
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About the report
This report covers activities in the 2019 calendar year. Our reporting approach is to focus on material issues and activities, in line with stakeholder concerns and relevance in terms of context, completeness and balance. We strive for optimal accuracy, timeliness, clarity and reliability in the way we communicate. This report also represents our statutory statement on social responsibility and underrepresented gender in accordance with sections 99a & b of the Danish Financial Statements Act.

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

Previous years’ data and our UN Global Compact Communication on Progress table are also available online. Please visit https://www.maersk.com/about/sustainability/reports.
What we do and how we create value

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

→ Resources

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

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

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

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

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

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

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


→ Value created

Society
Given our global presence and impact, we have the responsibility and opportunity to ensure open and inclusive trade that allows people and societies to grow and prosper. Read more on pp. 11–13.

Our investors
In our transformation to become the global integrator of container logistics, we continue to find new ways to innovate and grow the value of the company for shareholders.

Our customers
By connecting and simplifying our customers’ supply chain, we enable our customers to focus on growing their businesses.

The environment
Our industry is a significant contributor to global GHG emissions, which is why we have set ambitious CO₂ targets for Maersk and work with key stakeholders to change the wider industry. Read more on pp. 14–19.

Our people
Our people bring skills and capabilities that are key to our business and it remains crucial to keep them safe and engaged while offering interesting career paths in enabling global trade. Read about our work on safety on pp. 30–31.
In the space of just one year, there has been a step change in the commitment across society to sustainability. From government, banking institutions, investors, companies both big and small, to scientists, students and consumers, everyone is uniting in bringing increased awareness and finding solutions to the pressing issues that are impacting our world.

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

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

On climate change, our target is to have net-zero emissions from our shipping activities by 2050. In 2019 alone, we reached several important milestones towards this ambitious target. We determined where the vast majority of our investments in new fuels will go in the next years, zooming in on three potential fuel types based on alcohols (methanol and ethanol), bio-methane and ammonia. On top of this, we launched a customer-backed coalition to develop a completely new type of biofuel that has potential to scale.
“We aim to make the pursuit of solutions that contribute to a better world a fundamental part of how we do business, firmly embedding sustainability into our processes and customer offerings in the years to come.”

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

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

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

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

Our work centres on changing away from complex, paper-based and fragmented processes and towards creating sustainable and transparent end-to-end supply chains. Our main contribution to this transition is to integrate our services to offer more sustainable trade options that are easier to access for traders everywhere, and of any size. We do that by simplifying and digitising our own and our industry’s core business processes, and in 2019 98.2% of all bookings were made online or in digital booking systems.

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

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

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

Making Maersk a safe place to work
We have changed our approach to safety. Launched one year ago, our Safety Differently strategy is increasingly visible throughout Maersk. A key shift has been our drive to empower our organisation to reduce the impact of safety incidents, which is today equally as important as prevention of any and all incidents, and across the company safety experts are engaging leaders and employees in this work.
During 2019, the A.P. Moller - Maersk (Maersk) organisational transformation into one company moved closer to completion. Integration of functions and governance mechanisms is now fully in place.

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

**Sustainability supports the business strategy**

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

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

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

The business of A.P. Moller – Maersk touches, directly or indirectly, on all 17 SDGs. Five SDGs are prioritised through our shared value commitments: SDGs 8, 9, 12, 13 and 17. For example, our work on food loss contributes directly to goal 12, in particular the sub-target 12.3 on food loss. Our work on responsible ship recycling is a contributor towards goal 8 on decent work and economic growth. Decarbonising logistics will be a monumental contribution to goal 13 on climate action, and progress on trade will contribute to numerous sub-targets across the goals, in particular goals 8 and 9¹.

**Governance supports progress and accountability**

In September 2019, a completely updated, comprehensive A.P. Moller – Maersk Code of Conduct for employees was launched, which also covers sustainability issues, including human rights, supplier relationships, labour standards, anti-corruption and environmental responsibility.

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

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¹ For more details about our approach to the UN SDGs, please see our 2018 Annual Sustainability Report.
This set-up represents a strengthened governance function for all areas including sustainability.

**Task forces for shared value realisation**

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

The task forces approve the targets and main initiatives within each programme. For example, in 2019, the task force for multiplying the benefits of trade programme clarified the programme’s focus to consist of driving progress and governance on the commitments to inclusive trade (see page 12), and applying Maersk’s capabilities to help small businesses connect to international trade. The latter part by combining Maersk’s presence in a given country with local partnerships to roll out end-to-end logistics solutions targeted at small and medium-sized companies.

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

**Integration of sustainability into business**

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

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

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

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

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

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

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

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

This service will help local farmers join international trade, and avoid situations in the past, where export containers sometimes arrived too late for vessels, which meant financial losses for farmers, and that their time-sensitive produce in a container became part of the loss statistics. For AgroEknor and Ayomide Oke, exports mean growth in volume of business and income. Their service delivery to their clients has improved and members of their community have greater potential to improve their lives with sustained employment opportunities. For Nigeria, this one container freight station, the only one in East Nigeria, is a welcome contribution to the government’s push for more exports, particularly of agricultural products, in order to increase foreign exchange revenue, improve its balance of trade, and create employment opportunities.

Enabling trade is our core

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

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

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

In 2019, we completed a study of our impact on trade in 17 countries in Sub-Saharan Africa since 2007. We found that our investments in shipping and port connectivity have enabled trade worth USD 18 billion, creating the foundation for millions of jobs in the process. However, this number could have been much larger were it not for poor inland transport links and cumbersome border processes that hold back trade in Africa.

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

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

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

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

Empower small businesses to benefit from trade
In support of the critical segment of SMEs and their access to global trade, we have established a digital shipping platform, Twill, enabling SME customers to book, manage and monitor shipments online, including inland transportation and customs clearance. This reduces trade barriers such as lack of knowledge on how to trade, and lack of trust inside the existing trading system. In 2020, Twill will be live in 154 countries.

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

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

2019 progress on our commitments
Maersk works towards an ambitious set of commitments to help multiply the benefits of trade by 2025.

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<td>Connect 50% of global containerised trade to digital solutions that reduce supply chain barriers by 2025.</td>
<td>A total of 95 container terminals are connected to TradeLens. Ocean carriers representing more than half of global container trade; and 15 customs authorities have already committed to joining the TradeLens network.</td>
<td>Continued engagement with customers, carriers, terminals, customs authorities and inland logistics providers to widen the TradeLens ecosystem.</td>
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<td>Help connect 100,000 small and medium-sized enterprises, including women-operated businesses, to international trade by 2025.</td>
<td>We have helped connect 8,000 small and medium-sized businesses to international trade.</td>
<td>We trained SheTrades members from more than 30 countries on practical trading issues, reaching more than 800,000 people on social media.</td>
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<td>Have SME customers account for 10% of our total revenue and 30% of our revenue from e-commerce logistics by 2025.</td>
<td>Twill, our digital shipping platform for SMEs went live in 154 countries on 1 January 2020.</td>
<td>By the end of 2019, we have invested in 15 start-ups enabling trade for SMEs.</td>
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<td>Contribute to trade facilitation reforms in 30 developing countries by 2025.</td>
<td>By the end of 2019, we had contributed to reforms in 9 countries.</td>
<td>Through our participation in the Global Alliance for Trade Facilitation, we provide knowledge and data to enable reforms in developing countries.</td>
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“I monitor all aspects very closely for our customers, who trust us to handle everything for them.”

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

World Trade Report 2016 Levelling the trading field for SMEs, WTO 2016
Help level the global trading field
Companies in developing countries pay a particularly high price for informal barriers to trade, such as traffic congestion and administrative barriers, which cause delays and add costs. Trade facilitation reforms are needed to remove or reduce these added costs, and the WTO Trade Facilitation Agreement, which came into force in 2017, aims to do just that.

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

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

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

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

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

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

- What happens to job creation, livelihoods and stability if growth slows?
- What does degrowth mean – and is it necessary? And how will developing countries cope, when they already need 600 million jobs by 2030 just to keep up with population growth?
- What will new business models look like and who are the winners and losers in the transition to a green economy?
- How will the realisation of closed loop production and carbon free logistics change this debate?

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

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

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8 Policy Priorities for International Trade and Jobs, OECD 2012
9 Faijgelbaum and Khandelwal, 2016
How we work towards decarbonising logistics

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

On 23 September 2019, Marcin Hartmann was doing his job as a chief engineer on the Mumbai Maersk. His main task is to keep moving the ship forward, taking our customers' cargo to its agreed destination at the agreed time. His other task is to ensure that this is done with as low fuel costs and subsequent CO₂ emissions as possible.

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

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

On the second floor of our Copenhagen head office, Key Client Manager Klaus Schroeder Pagh was finalising an email to a customer, in this case Swedish retail giant H&M, hammering out some of the details in the agreement to use a new carbon-neutral biofuel offering for parts of their cargo. Meanwhile on another floor, Mads Stensen, Senior Sustainability Developer was meeting with customers to discuss their participation in the LEO Project, set to develop a new type of biofuel.

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

What all these Maersk colleagues share is the drive towards delivering on our two strategic targets for CO₂:

1. To have net-zero CO₂ emissions from our own operations by 2050, which includes having commercially viable, net-zero vessels on the water by 2030.
2. To deliver a 60% relative reduction in CO₂ emissions by 2030 compared to 2008 levels.

New progress made in efficiency

When Marcin, the chief engineer on Mumbai Maersk, checks his StarConnect dashboard to lower fuel consumption, he contributes to two major, strategic goals for Maersk: cost optimisation and decreasing CO₂ emissions.

“There are probably still opportunities to look for further adjustments to save fuels and CO₂. We try to find out. We try to do this all the time, wherever we can.”

Marcin Hartmann
Chief Engineer on Mumbai Maersk
We made new progress on our relative reduction target in 2019. Tonnes of avoided CO₂ from 2008–2019, accumulated

In 2019, we changed the indicator underlying our relative CO₂ reduction target. Instead of the previous indicator, which used average-based assumptions to calculate emissions, we now use the EEIO indicator based on our actual operational performance¹¹. The result is more accurate data and calculations of impact, and alignment with what we suggest become the indicator to be used to measure progress on the IMO efficiency targets. All data from 2008 and onwards has been restated, and numbers in this report are therefore not directly comparable with numbers in previous reports. The reduction target and performance data in the charts above is related to our shipping operations. The peak in absolute emissions in 2017 is due to the acquisition of Hamburg Süd.

Focusing on these goals has resulted in a 41.8% relative reduction in CO₂ emissions since 2008, with 2019 progress showing a 3.2% improvement towards the 2008 baseline, and a 5.2% improvement relative to the 2018 level. We expect further improvement in the coming years, and we are well on track for our 60% reduction target in 2030. Reductions are achieved through technical retrofitting and by improving planning and optimising of networks. In 2019, we introduced the bunker crusade-programme, where anyone in Maersk who is involved in moving goods from one port to another chases ways to improve efficiency and drive out waste in the use and purchase of bunker fuel. The crusade focuses on improved use of data, increased collaboration and coordination over route scheduling.

Had we not worked on these efficiency measures, our emissions would have mirrored our business growth. While emissions have grown in absolute numbers, we have decoupled growth in business from CO₂ emission levels as seen in the graphic above. In total, we have thereby avoided emissions of 152,480,433 tonnes of CO₂ over the period 2008–2019, equal to more than 32 million average size cars being taken off the roads for a year¹².

Decarbonising is the only way forward

Every year the World Economic Forum publishes its list of the most pressing global risks. In 2020, the top five risks in terms of likelihood are all related to climate and climate-related environmental issues. The shipping industry contributes about 2–3% of the world’s emissions. If shipping were a country, it would be the world’s sixth-biggest greenhouse gas emitter.

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

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

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

Starting to move the market

Through partnerships with key market players, we will test and launch new products to drive demand and change price perceptions. Biodiesels play a key role in the transition phase, as an element in establishing and growing the market for carbon-neutral transport and to build acceptance of diversified pricing dependent on carbon footprint.

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

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

John Kornerup Bang
Chief Advisor, Climate Change

¹¹ EEIO – Energy Efficiency Operational Indicator – is calculated as g CO₂/(Ton x Nm). For further details, please see the Sustainability Accounting Principles on https://www.maersk.com/about/sustainability/reports.

¹² https://www.epa.gov/energy/greenhouse-gas-equivalencies-calculator
The fuel is carbon neutral from a vessel perspective and saves an estimated 85% CO₂ on a life-cycle basis, including all emissions from the production, transportation and combustion of the fuel.

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

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

**Focusing in on viable technologies**
We will co-develop decarbonised fuel types together with technology developers, researchers, investors, customers and other shipping companies and logistics providers.

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

- For alcohol and biomethane, the main advantage is the relatively simple transition from existing ship designs and infrastructure, whereas the main drawback is uncertainty about the availability of biomass feedstock as demand increases. For biomethane there is the additional challenge of methane leaks, which is a greenhouse gas 30 times more potent than CO₂.
- For ammonia the main advantage is that it can be 100% carbon free, and its scalability and the flexibility of production pathways as it can be produced from both natural gas combined with carbon capture and storage, as well as from renewable electricity. The main drawback is related to safety as ammonia is toxic. It also presents itself as the more disruptive transition in terms of replacing existing vessels and infrastructure.

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

In 2019, we also established the LEO coalition, working to develop a new bioethanol for shipping based on lignin and ethanol. Lignin is isolated in large quantities as a byproduct of the production of some types of bioethanol,
and at pulp and paper mills. Currently lignin is often incinerated to produce steam and electricity. If trials are successful, however, LEO fuel has the potential to be a viable solution for today and not just a future vision. Testing on actual vessel engines will begin in 2020. The coalition consists of Maersk and Wallenius Wilhelmsen, University of Copenhagen and major customers, including BMW Group, H&M Group, Levi Strauss & Co. and Marks & Spencer.

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

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

At present there is a clear competitiveness gap between fossil and zero-emission fuels. This needs to be closed, which requires political action. There are several possible policy tools available to do this, including carbon levy and subsidies for carbon-neutral fuels, and we will be following developments in this area closely to prepare our business to be able to comply with new demands. As always, our main concern is that regulatory measures create a level playing field and do not punish first movers.

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

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

These challenges put our business value at risk in new ways, and illustrate why the financial community’s interest in climate change is rising rapidly. Investors, lenders, insurers and more want to ensure that business leaders understand and are preparing for the effects of climate-related events on their business.

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

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

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

Our transition work, including our CO2 reduction target and efforts to decarbonise logistics, is governed by a task force owned by and headed by a member of our Executive Leadership Team.

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

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

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

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

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

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

Metrics and targets
The distribution of our CO2 emissions is presented on page 16. Our target is to have net-zero CO2 emissions from our own operations in by 2050. To decouple growth in volume from emissions, we have a target of 60% reduction in CO2 emissions by 2030, compared to 2008. Targets for managing the physical impacts of climate change are not available yet.
Our journey towards carbon-neutral shipping

Massive breakthroughs are needed to reach our net-zero CO₂ emissions target in 2050. We are encouraged by what was achieved in 2019 and not least by the high levels of interest all stakeholders are showing in collaborating and partnering to decarbonise logistics.

→ 2019 progress

**Policies:**
collaborate for best possible framework conditions

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

**Technology:**
explore new fuel and supply chain solutions

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

- Concluded that we will focus on three working hypotheses on future fuels:
  - Alcohol (ethanol and methanol)
  - Biomethane
  - Ammonia

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

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

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

**Market:**
accelerate demand

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

- Concluded that we will focus on three working hypotheses on future fuels:
  - Alcohol (ethanol and methanol)
  - Biomethane
  - Ammonia

- December 2019 progress

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→ Going forward 2020–2050

2020s
Develop and market more carbon neutral products.

2020 onwards
60 of our 100 most important customers have set ambitious carbon emission reduction targets for the next decades.

2020–2023
Explore the three working hypotheses for future fuels.

2023–2027
Vessel design and supply chains pilots.

2027–2030
First vessels in production.

2030
First carbon neutral vessel in business viable operation.

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

2030–2050
Change fleet to carbon-neutral vessels.

2050
Net-zero CO₂ emissions from own operations.

2023
Revision of IMO strategy for climate change.

Mid-2020s
Policy measures to bridge the competitiveness gap between net-zero and current fuel types under development, taxes, incentives, penalties and subsidies are all viable options.

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Mid-2020s
Policy measures to bridge the competitiveness gap between net-zero and current fuel types under development, taxes, incentives, penalties and subsidies are all viable options.
How we prepared for IMO 2020

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

For many people, their day begins with shower, breakfast and the weather forecast. For inhabitants of Shanghai, there is one more factor to consider: the continuously updated air quality index. Why? Because Shanghai and its surrounding Yangtze River Delta suffers from high levels of air pollution, creating health risks at potentially the same level as tobacco. The area is also host to one of the busiest port clusters in the world. And there is a link.

A recent study has shown that ship-related global health impacts include approximately 137,000 premature deaths from lung cancer and cardiovascular disease and around 7 million childhood asthma cases annually. The same study estimates that lower sulphur fuels in shipping will significantly reduce both these numbers.

Our target is to always comply with and to aid in ensuring global enforcement of regulations. In 2019, we had five cases of non-compliance with sulphur dioxide (SO₂) emissions in regulated zones, caused by errors during fuel switch.

The biggest change in decades

The International Maritime Organization’s (IMO) 0.5% global cap on the content of sulphur in fuels came into effect at the turn of the year from 2019 to 2020. The health benefits described are why we have been supportive of this legislation since it was established in 2008. It is enforced through a ban on carrying non-compliant fuels on vessels, except for vessels where scrubbers cleaning the exhaust gasses are installed.

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

How we prepared for compliance

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

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

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

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

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

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

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

15 The influence of spatiality on shipping emissions, air quality and potential human exposure in the Yangtze River Delta/Shanghai, China, Atmos. Chem. Phys., 19, 6167–6183.
16 https://www.nature.com/articles/s41467-017-02774-9?utm_source=commission_junction&utm_medium=affiliate
There has never been any question of whether Maersk will comply with the global cap. Only about how we could prepare in a way that enables us to ensure compliance with this legislation, that will reduce our negative environmental impacts significantly, and minimise financial risk to our business due to the significant extra fuel costs.

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

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

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

As a consequence, industry supply and demand are unpredictable and fuel prices volatile. This situation makes purchasing the right amount of fuel to meet our delivery promises highly challenging, and it increases the amount of buffer fuel we need to purchase and store. It also makes it difficult for our customers to accurately predict their fuel cost or to have confidence that they are not under- or over-paying for fuel as fuel costs are passed on.

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

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

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

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

In that way, we see the preparations for SOx compliance as a learning opportunity for the next waves of regulations and cost sharing that will come. This will take place around not only but most importantly CO2, as the shipping industry sets out to deliver on the CO2 targets set by the IMO.

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

Jacob Schmidt Johansen
Senior Portfolio Manager, Danske Bank Asset Management
How we care for the oceans

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

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

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

A rule book for oceans and companies

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

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

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

Ocean health is deteriorating

The global oceans cover 71% of Earth’s surface and contain about 97% of its water. They redistribute CO2 and heat, supply people and communities with food, water, renewable energy, and build livelihoods through tourism, trade and transport.¹⁷

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

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

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

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

¹⁷ The Ocean and Cryosphere in a Changing Climate, IPCC, September 2019
**Doing no harm**

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

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

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

**Building knowledge**

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

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

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

**Contributing to removing plastic from the oceans**

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

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

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

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

**Sailing through the Arctic**

One of the unfortunate consequences of increasing CO₂ levels in the atmosphere, is the melting of the Arctic ice cap. As a result, it has become possible to sail through the Northern Sea route for a few months during summer. On the one hand this can cut thousands of miles off shipping routes between Europe and Asia, reducing transport time and CO₂ emissions. On the other hand, it is currently associated with severe environmental risks.

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

**Performance on compliance targets in 2019**

- We only dispose of food waste at sea. All other waste is carried to port. With measures going beyond current regulation, we dispose of waste where appropriate waste handling facilities are available.
- Zero cases of non-compliance with the Ballast Water Management Convention.
- Installation of ballast water treatment systems progressing according to plan.
- We registered 0 spills above 10 m³.
- Implementation of new procedures for handling flexitanks and a new flexible hydraulic hose management strategy. This will continue in 2020.
How we tackle responsibility and opportunities on land

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

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

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

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

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

Customers want more than simplicity

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

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

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

Considering sustainability in MEAs

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

We include sustainability considerations in our expansion by using a reference tool developed for this very purpose, integrating issues such as environmental and community impacts, health and safety, technology, tax, labour standards, in the investment due diligence. If a sustainability related risk is thought to be material to the investment, it will be included in the proposal made for the Maersk investment committee.
Logistics suppliers that help address major pain points in the supply chain, notably emissions and waste, but also social issues.

Logistics suppliers that can offer end-to-end visibility of the logistics supply chain and material impacts.

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

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

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

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

Our current approach to supply chain issues revolves around our responsible procurement programme which is described in more detail on page 34. The programme is currently focused on managing our own risks and opportunities through contractual and control measures such as our Third-Party Code of Conduct, including due diligence processes, pre-qualifier assessments and audits.

**Initiatives to manage third-party risks**
To improve our management of third-party risks, we are already implementing new approaches across several high-risk areas.

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

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

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

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

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

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

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

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

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

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

We immediately launched an investigation of the working conditions in the port of Mombasa. The observations brought to us indicated that our usual control measures in this case had not functioned satisfactorily, and we took action to address this.

The most important steps taken were to adjust our contract with the supplier under investigation to ensure workers are paid legal wages, and the launch of a series of improvement actions regarding working conditions. We also initiated a review of all contracts in the Mombasa region and similar contracts across various other ports in Africa, strengthening our risk management through specific trainings for our staff on the ground, and equipping them with knowledge to better detect any such violations.
In this section, we report on 10 issues representing key material responsibilities and shared value opportunities. We also outline our approach to materiality and stakeholder engagement.
Materiality and stakeholder engagement

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

Applying this materiality analysis from three different perspectives allows us to have more advanced conversations about the nature and impact of an issue. We are also able to include a wider range of sources for discussing and assessing materiality, and we achieve better guidance on how a given issue should be managed, compared to the more traditional materiality matrix¹⁸.

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

### Materiality 2019

<table>
<thead>
<tr>
<th>Responsibility</th>
<th>Risk</th>
</tr>
</thead>
<tbody>
<tr>
<td>Where do we have a responsibility to mitigate significant potential negative impact on people, society or the environment?</td>
<td>Where do sustainability issues pose a significant financial or reputational risk to our business?</td>
</tr>
<tr>
<td>Safety</td>
<td>Air emissions</td>
</tr>
<tr>
<td>Human rights</td>
<td>Spills</td>
</tr>
<tr>
<td>Employee relations</td>
<td>Anti-corruption</td>
</tr>
<tr>
<td>Diversity and inclusion</td>
<td>Responsible procurement</td>
</tr>
<tr>
<td>Disaster response</td>
<td></td>
</tr>
<tr>
<td>Responsible tax</td>
<td></td>
</tr>
<tr>
<td>Ocean health</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Shared value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Where can we, through our business, pursue and scale solutions to meet significant systemic challenges for the benefit of society while creating opportunities for our business?</td>
</tr>
<tr>
<td>Issues:</td>
</tr>
<tr>
<td>Climate change</td>
</tr>
<tr>
<td>Inclusive trade</td>
</tr>
<tr>
<td>Food loss</td>
</tr>
<tr>
<td>Ship recycling</td>
</tr>
</tbody>
</table>

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¹⁸ For more information about our materiality approach, please see our 2017 Annual Sustainability Report.
(in Maersk's approach called ‘responsibility issues’), but also material risks to the business, particularly the potential or actual impacts of climate-related risks and opportunities on the performance, development and position of a company. We have begun work to be able to perform this type of reporting (read more on page 17 about the physical impacts of climate change), and we have increased our engagement with investors.

**Stakeholder engagement**

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

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

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

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

- **The financial community**, whose interest in climate change has increased significantly. In regard to Maersk, investors are particularly interested in the implications of our decarbonisation targets on our business performance and financial stability. Our dialogues with investors, banks and insurers centre around capital expenditure requirements, asset depreciation and security, as well as cost and risk sharing in market and technology development for net-zero shipping.

- **Employees**, where we in 2019 developed virtual communities using platforms such as Yammer, and carried out six townhall events and workshops in three different regions, communicating what Maersk is doing globally on sustainability, how regions can leverage sustainability commercially and how employees can engage locally. We also leveraged our partnership with The Ocean Cleanup as a platform for local employee engagement around the world on World Cleanup Day on 21 September 2019.

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

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

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

Our safety targets now reflect the positive attention we put on engaging with workers, building capacity and promoting a learning culture. The targets highlight not the absence of accidents, but the presence of capacity and effective controls to eliminate as many of the factors contributing to the occurrence of accidents as possible and managing the outcome of an accident.

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

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

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

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

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

Palle Laursen
Chief Technical Officer of Maersk

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

Tim Smith, Manager of APM Terminals for South Asia
Safety at work is a basic human right, and workplace conditions directly influence workers as well as their families and communities. Keeping our people safe is our first and primary responsibility as a company, a core value for us and an unequivocal expectation from our employees, their families and communities. We still see fatal accidents occurring as part of our operations.

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

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

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

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

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

Fatalities in 2019

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

<table>
<thead>
<tr>
<th>Business segment</th>
<th>Location Description</th>
<th>Employed by</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ocean</td>
<td>A crew member was lost overboard</td>
<td>Employee</td>
</tr>
<tr>
<td>Logistics &amp; Services</td>
<td>A contractor fell from height</td>
<td>Contract worker</td>
</tr>
<tr>
<td>Ocean</td>
<td>A crew member was lost overboard</td>
<td>Employee</td>
</tr>
<tr>
<td>Terminals &amp; Towage</td>
<td>A contractor fell from height</td>
<td>Contract worker</td>
</tr>
<tr>
<td>Terminals &amp; Towage</td>
<td>Crushed under heavy object</td>
<td>Employee</td>
</tr>
</tbody>
</table>
Reducing food loss

Why is it important?

The global food system must adapt to support a global population of 10 billion while global warming stays below 1.5 degrees. Reducing food loss and waste is key to this change. We transport about 25% of the world’s food commodities, and targeted efforts in our activities may help to reduce food loss. At the same time, it is a clear business priority to grow our cold chain business.

Ambitions

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

Targets 2019 and 2020

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

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

Progress 2019

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

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

As part of our partnership with WRI, three pilot projects were carried out to quantify the amount and causes of food losses that occur during handling and storage between the farm and the freighter. This includes losses due to damage by pests, sun exposure, rough handling, and prolonged transit time. The pilots are set to identify possible solutions to reduce those losses. Candidates include improved handling processes, introduction of cold storage technologies and better logistics management. Scheduled for completion in 2020, the pilots follow citrus fruits in South Africa, avocados in Kenya, and grapes in Peru.

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

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

Better cold chains equal less food loss

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

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

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

Despite many ship owners having policies for responsible ship recycling, 90% of vessels were still dismantled on the ship recycling beaches in Southeast Asia, where there is strong and documented criticism of the environmental, health and safety conditions. As a leader in the shipping industry, we can make a real impact in driving responsible practices.

We want to radically change the global ship recycling industry to be dominated by responsible practices for the benefit of workers and the environment, as well as responsible yards and ship owners.

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

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

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

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

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

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

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

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

Why is it important?

When international companies make purchasing decisions, they impact environmental, social and economic conditions all over the world. If we are not able to monitor and address the sustainability risks in our supply chain, our stakeholders’ trust in us, our brand and our leadership will be damaged.

Ambitions

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

Targets 2019 and 2020

2019:
Ensure compliance with Third-Party Code of Conduct.
Sharpen the focus on risk management through ‘risk score’ methodology.
Align supplier due diligence processes across segments in a consistent manner.

2020:
Ensure compliance with our Supplier Code of Conduct.
Review responsible procurement programme to align with evolving risk picture from expansion of activities on land.
Participate in collaborative efforts focused on trucking.

Progress in 2019

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

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

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

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

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

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

Audits and assessments in 2019

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

Suppliers in the high-risk categories +/-3,000

Control actions carried out

Shipbuilding yard audits

Other audits

Other self-assessments

Pre-qualification assessments

Qualified suppliers

Improvement plans established to address critical and major findings
Anti-corruption

Corruption undermines social and economic development. It destabilises the business environment, adds to the cost of participating in global trade. It affects external confidence as well as company morale. Non-compliance with legislation on bribery and corruption may lead to legal and reputational risks, extra costs, inefficiencies in our business, fines, imprisonment and ultimately debarment from markets.

Why is it important?

Ambassadors for compliance

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

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

The 61 business compliance ambassadors have been appointed for a period of 2–3 years, to cover over 70 countries with high corruption and other compliance risks.

The ambassadors will perform their new role in addition to their core job responsibilities.

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

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

Ambassadors

Introduction

This is how we work

Progress and activities

Progress summary

Data and assurance

Progress in 2019

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

Ambitions

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

Targets 2019 and 2020

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

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

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

- Solid performance on facilitation payments. We registered zero such payments on our own vessels in 2019, and a 47% reduction by chartered ships compared to 2018. We will stay focused on our own vessels and drive improvements on chartered ships and other non-vessel related payments (landside).
- Implementation of management processes for third parties including due diligence processes, with a customised and automated tool.
- Risk assessments across the company on anti-corruption, competition law and foreign trade controls. The outcomes feed into our annual mitigation plans which include training and communication, monitoring via spot checks and the implementation of our business compliance ambassadors’ network (see case).

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

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

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

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

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

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

Why is it important?

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

Ambitions

2019:
Anchor human rights due diligence in the company’s overall governance system.
Continue to close identified gaps in relation to standards for employees in our company and in the supply chain.
Conduct further analysis of human rights risks related to the digitisation of our business.

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

Targets 2019 and 2020

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

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

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

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

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

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

Human rights in this report

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

Air emissions

The right to the highest attainable standard of health.

Safety

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

Ship recycling

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

Responsible procurement

Human rights principles and standards related to labour.

Employee relations

Human rights principles and standards related to labour, for example freedom of association and collective bargaining, equal treatment, child labour, forced labour, working hours, compensation, privacy, rest and leisure.

Diversity and inclusion

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

Why is it important?

The way we treat our employees is fundamental to the way we want to do business, and our employees are essential to the success of Maersk. This begins with ensuring respect for internationally recognised human rights and labour standards in all our workplaces.

Ambitions

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

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

Targets 2019 and 2020

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

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

In 2019, the bi-yearly labour self-assessment against the Commit Rule on Global Employee Relations included data from our seafarers for the first time. No major issues or concerns were reported. We found that the complaint and grievances procedure is clearly documented, and it was confirmed that including bullying and harassment as a complaint category in 2020 will contribute to increased awareness of on-board conduct.

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

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

Progress in 2019

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.

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

New technologies require good communication

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

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

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

Why it important?

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

Ambitions

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

Targets 2019 and 2020

Board of Directors: target for 2023
Three women on the Board of Directors, if the Board consists of less than twelve members, and four women, if the Board consists of twelve or more members.

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

At the end of 2019, there were two women on the A.P. Møller - Mærsk A/S Board of Directors¹⁹. This means our target was not met. At the time of the search for new Board candidates it was not possible to match the competences needed with the available female candidates. The target has been extended to 2023, but we will continuously assess whether it is still ambitious.

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

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

- Ran Maersk’s first company-wide diversity and inclusion-week with 52 events involving 15,000 employees.
- Launched a new e-learning, ‘Beating Bias’ on understanding inclusion and mitigating unconscious bias. 56% of our onshore operations completed the e-learning globally.
- Conducted leadership training including embedding diversity and inclusion in the new ‘Leading Maersk’ with 1,188 first-time leaders in Maersk globally completing the training.
- Continued to focus on increasing gender diversity with over 390 women participating in our flagship Strategies for Success programme in 14 global workshops.
- Made on-line sexual harassment awareness training and support guides available to all employees via our global intranet in support of our policy of zero tolerance.
- Continued our work on LGBT inclusion with Maersk participation in five pride parades on three continents, backed by four internal webinars available to employees globally.

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

The Maersk gender diversity and inclusion policy was revised in 2019. The policy provides details of our targets and actions to increase gender diversity and is available on the Maersk website²⁰.

Senior management: Targets and performance on diversity and inclusion

<table>
<thead>
<tr>
<th>Representation of women</th>
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<tbody>
<tr>
<td>Executives → 20%</td>
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<tr>
<td>18%</td>
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<tr>
<td>17%</td>
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<tr>
<td>Senior leaders → 18%</td>
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<tr>
<td>14%</td>
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<tr>
<td>14%</td>
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<tr>
<td>Leaders → 25%</td>
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<tr>
<td>24%</td>
</tr>
<tr>
<td>22%</td>
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<tr>
<td>Senior managers → 35%</td>
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<td>29%</td>
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<td>29%</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Representation of persons not from high-income OECD countries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executives → 30%</td>
</tr>
<tr>
<td>14%</td>
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<tr>
<td>16%</td>
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<tr>
<td>Senior leaders → 21%</td>
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<tr>
<td>19%</td>
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<tr>
<td>18%</td>
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<tr>
<td>Leaders → 38%</td>
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<tr>
<td>29%</td>
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<tr>
<td>30%</td>
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<tr>
<td>Senior managers → 52%</td>
</tr>
<tr>
<td>43%</td>
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<tr>
<td>45%</td>
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</table>

¹⁹ A.P. Møller - Mærsk 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.

²⁰ https://www.maersk.com/careers/maersk-culture/diversity
Disaster response

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

Why is it important?

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

Ambitions

Participate, as part of the Logistics Emergency Team (LET), in filling operational gaps in case of complex emergencies and large-scale natural disasters.

Targets 2019 and 2020

Contribute in LET preparedness activities such as training and knowledge sharing on transport and logistics capacity as well as site access at selected locations.

Progress in 2019

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

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

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

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

Responsible tax

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

Why is it important?

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

Ambitions

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

Targets 2019 and 2020

Ensure full compliance with tax regulations in all countries where we operate.

Progress in 2019

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

In line with our target on continued dialogue, we participated in The Tax Dialogues organised by Oxfam IBIS, the B Team’s responsible tax project, the ICC International Chamber of Commerce Taxation Commission, and the UN Committee of Tax Experts (observer status).

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

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

<table>
<thead>
<tr>
<th>Issues</th>
<th>Inclusive trade</th>
<th>Decarbonising logistics</th>
<th>Food loss</th>
<th>Ship recycling</th>
<th>Safety</th>
<th>Air emissions</th>
<th>Spills</th>
</tr>
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<tbody>
<tr>
<td>SDG targets</td>
<td>(p. 11)</td>
<td>(p. 14)</td>
<td>(p. 32)</td>
<td>(p. 33)</td>
<td>(p. 30)</td>
<td>(p. 20)</td>
<td>(p. 22)</td>
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<tr>
<td>8.2</td>
<td>9.3</td>
<td>17.10</td>
<td>7.3</td>
<td>15.1</td>
<td>17.16</td>
<td>2.1</td>
<td>12.3</td>
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</table>

**By 2025:**
- Connect 50% of global containerised trade to digital solutions that reduce supply chain barriers.
- Help connect 100,000 small and medium-sized enterprises, including women-operated businesses, to international trade.
- SME customers account for 10% of total revenue and 30% of e-commerce logistics revenue.
- Contribute to trade facilitation reforms in 30 developing countries.

<table>
<thead>
<tr>
<th>Targets</th>
<th>Inclusive trade</th>
<th>Decarbonising logistics</th>
<th>Food loss</th>
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<td>8.3</td>
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**Progress 2019**
- A total of 95 container terminals are connected to TradeLens. Ocean carriers representing more than half of global container trade and 15 customs authorities have committed to joining the TradeLens network.
- We have reduced CO₂ emissions by 41.8% since 2008, with 5.2% achieved in 2019. Mapped and focused on three working hypotheses for future fuels; established the LED Coalition developing a new type of biofuel, introduced "Maersk ECO Delivery" to market (a carbon free shipping product), and were co-founders of the Getting to Zero Coalition.
- Net-zero CO₂ emissions from own operations by 2050. Efficiency target of 60% relative reduction of CO₂ by 2050 (2008 baseline).
- Establish two global partnerships to address loss points in the food supply chain.
- Develop a metrics framework for food loss contribution and to guide the shared value of our business-related investments.
- Continue to invest in and work with selected yards in Alang.
- Develop the wider Alang area.
- Actively support and participate in the development of the Ship Recycling Transparency Initiative.
- In wider Alang we continued to support medical outreach activities in partnership with local NGOs.
- Successfully completed preparations for implementation of the IMO’s global cap on sulphur dioxide from 1st January 2020.
- Registered five cases of non-compliance with SOx emissions requirements in regulated zones, caused by errors during fuel switch.

**Governance**
- Our commitment to reducing food loss is owned by our Executive Leadership Team. A task force with an executive sponsor and key leaders from relevant parts of the business is responsible for setting and achieving the targets set.
- Climate-related risks and opportunities are part of our Enterprise Risk Management system reporting to the Executive Leadership Team and the Board of Directors quarterly.
- Decarbonisation and CO₂ reduction targets are governed by a task force with an executive sponsor.
- Our commitment to reducing food loss is owned by our Executive Leadership Team. A task force with an executive sponsor and key leaders from relevant parts of the business is responsible for setting and achieving the targets set.
- A.P. Moller – Maersk’s Responsible Ship Recycling Standard is approved by the Executive Leadership Team. The ship recycling project is overseen by a steering group with an executive sponsor.
- Our HSE management system is part of Commit, Maersk’s central governance system, which is overseen by the Commit Council. The implementation of the Safety Differently strategy is overseen by an implementation board led by a member of the Executive Leadership Team.
- Our work is guided by a high-level cross-organisational steering committee on SOx compliance and readiness established by the Executive Leadership Team.
- We manage our efforts to avoid spills through the rules and guidance in our HSE management system. This is part of Commit, Maersk’s central governance system, which is overseen by the newly-established Commit Council.
### Issues

**Inclusive trade**  
**SDG targets**

8.2

**parts of the business**

leaders from relevant

Executive Leadership

benefits of trade
to multiplying the

joining the TradeLens

more than half of

carriers representing

TradeLens. Ocean

container terminals

facilitation reforms

Contribute to trade

30% of e-commerce

total revenue and

SME customers

100,000 small

supply chain barriers.

trade to digital

By 2025:

8.5

17.16

17.6

17.1

**Ocean health**

14.1

17.6

14.3

17.6

**Responsible procurement**

12.6

**Anti-corruption**

16.3

17.6

16.5

17.6

**Human rights**

8.5

8.7

8.8

8.8

**Employee relations**

8.5

16.3

16.3

16.3

**Diversity and inclusion**

5.1

10.2

10.3

17.6

**Disaster response**

17.6

**Responsible tax**

17.1

### Ocean health

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

- 2020: Ensure compliance with Supplier Code of Conduct. Review programme to align with risk picture from expansion on land. Participate in collaborative efforts focused on trucking.

### Responsible procurement

Performed 68 audits, 742 self-assessments and 627 pre-qualification assessments of suppliers. Began further integration of inland activities into our supplier assessment system, particularly focusing on the trucking category. Participated in sector initiative on responsible trucking.

### Anti-corruption

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

### Human rights


2020: Continue to embed human rights into governance and compliance systems.

### Employee relations

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

### Diversity and inclusion

2023: Three women on the Board of Directors, if the Board consists of less than twelve members, and four women, if the Board consists of twelve or more members. Targets for senior management representation of 1) women and 2) persons from countries that are not in the OECD high-income countries list.

### Disaster response

Participate, as part of the Logistics Emergency Team (LET), in filling operational gaps in case of complex emergencies and large-scale natural disasters. Contribute to LET preparedness activities.

### Responsible tax

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.

### Collaboration

Collaborated with the global shipping community on collecting ocean data, and with The Ocean Cleanup project on removing plastic waste from the ocean. Took part in developing and launching the UN Global Compact’s ocean principles. Zero cases of non-compliance with the BWMC. Ballast water treatment systems installation progressing as planned.

- Our health compliance activities are governed through the Commit Rule on HSE management and overseen by the Commit Council. Our collaboration with the Ocean Cleanup is owned by the Executive Leadership Team.
- Our work to combat all forms of corruption is governed through Commit, Maersk’s central governance system, which is overseen by the newly-established Commit Council.
- Our human rights provisions are governed through Commit, Maersk’s central governance system, which is overseen by the newly-established Commit Council.
- We have a Global Employee Relations Rule, which is based on international labour standards. Compliance with the policy is governed through Commit, Maersk’s central governance system, and overseen by the newly-established Commit Council.
- Our Diversity and Inclusion programme is owned by our Chief Human Resources Officer. Standards for non-discrimination of employees are part of the Global Employee Relations Rule.
- The Executive Leadership Team owns our participation in LET, and approves the contribution of Maersk resources according to criteria set in the LET partnership.

The Maersk Tax Principles guide our work and are translated into rules and guidance in Commit, Maersk’s central governance system, which is overseen by the newly-established Commit Council.
Performance data

A.P. Moller - Maersk Sustainability Report 2019

Data and assurance

Performance data

Social performance

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<tbody>
<tr>
<td>Our employees</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Number of employees</td>
<td>86,279</td>
<td>85,689</td>
<td>N/A</td>
<td>83,512</td>
<td>82,806</td>
<td>N/A</td>
<td>2,767</td>
<td>2,883</td>
<td>N/A</td>
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<tr>
<td>Women in leadership</td>
<td>27%</td>
<td>25%</td>
<td>23%</td>
<td>27%</td>
<td>25%</td>
<td>26%</td>
<td>–</td>
<td>10%</td>
<td>16%</td>
</tr>
<tr>
<td>Gender – female/total</td>
<td>29%</td>
<td>27%</td>
<td>26%</td>
<td>29%</td>
<td>27%</td>
<td>28%</td>
<td>–</td>
<td>8%</td>
<td>10%</td>
</tr>
<tr>
<td>Target nationalities</td>
<td>39%</td>
<td>37%</td>
<td>31%</td>
<td>39%</td>
<td>37%</td>
<td>40%</td>
<td>–</td>
<td>12%</td>
<td>9%</td>
</tr>
<tr>
<td>Target nationalities</td>
<td>71%</td>
<td>70%</td>
<td>69%</td>
<td>71%</td>
<td>71%</td>
<td>74%</td>
<td>–</td>
<td>23%</td>
<td>40%</td>
</tr>
<tr>
<td>Fatalities (headcount)</td>
<td>5</td>
<td>7</td>
<td>7</td>
<td>5</td>
<td>7</td>
<td>6</td>
<td>–</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Lost-time injury frequency (based on exposure hours)</td>
<td>1.16</td>
<td>1.29</td>
<td>0.89</td>
<td>1.16</td>
<td>1.30</td>
<td>0.93</td>
<td>–</td>
<td>0.91</td>
<td>0.58</td>
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Environmental performance

Energy consumption

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<tbody>
<tr>
<td>Fuel oil (1,000 tonnes)</td>
<td>11,173</td>
<td>12,017</td>
<td>10,369</td>
<td>11,173</td>
<td>11,994</td>
<td>10,318</td>
<td>–</td>
<td>23</td>
<td>50</td>
</tr>
<tr>
<td>Gas fuels (1,000 tonnes)</td>
<td>10</td>
<td>17</td>
<td>369</td>
<td>10</td>
<td>17</td>
<td>17</td>
<td>–</td>
<td>0</td>
<td>352</td>
</tr>
<tr>
<td>Other fuels (1,000 tonnes)</td>
<td>130</td>
<td>118</td>
<td>160</td>
<td>130</td>
<td>118</td>
<td>109</td>
<td>–</td>
<td>0</td>
<td>51</td>
</tr>
<tr>
<td>Biofuels (1,000 tonnes)</td>
<td>8</td>
<td>–</td>
<td>–</td>
<td>8</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Electricity (1,000 MWh)</td>
<td>656</td>
<td>732</td>
<td>816</td>
<td>656</td>
<td>730</td>
<td>700</td>
<td>–</td>
<td>2</td>
<td>116</td>
</tr>
<tr>
<td>Energy consumption (total, TJ)</td>
<td>463,815</td>
<td>498,209</td>
<td>449,578</td>
<td>463,815</td>
<td>497,233</td>
<td>428,381</td>
<td>–</td>
<td>976</td>
<td>21,197</td>
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</table>

Greenhouse gas (GHG) emissions (1,000 tonnes CO₂ eq)

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</tr>
</thead>
<tbody>
<tr>
<td>GHG emissions</td>
<td>36,491</td>
<td>39,165</td>
<td>35,981</td>
<td>36,491</td>
<td>39,087</td>
<td>33,864</td>
<td>–</td>
<td>78</td>
<td>2,117</td>
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<tr>
<td>Direct GHG emissions</td>
<td>36,204</td>
<td>38,826</td>
<td>35,579</td>
<td>36,204</td>
<td>38,749</td>
<td>33,519</td>
<td>–</td>
<td>77</td>
<td>2,060</td>
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<tr>
<td>Indirect GHG emissions</td>
<td>287</td>
<td>339</td>
<td>402</td>
<td>287</td>
<td>338</td>
<td>345</td>
<td>–</td>
<td>1</td>
<td>57</td>
</tr>
<tr>
<td>Relative CO₂ reduction (percentage vs. 2008 baseline)</td>
<td>41.8%</td>
<td>38.6%</td>
<td>35.9%</td>
<td>41.8%</td>
<td>38.6%</td>
<td>35.9%</td>
<td>–</td>
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Other air emissions

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</thead>
<tbody>
<tr>
<td>SO₂ (1,000 tonnes)</td>
<td>569</td>
<td>615</td>
<td>531</td>
<td>569</td>
<td>615</td>
<td>530</td>
<td>–</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>NOₓ (1,000 tonnes)</td>
<td>888</td>
<td>955</td>
<td>826</td>
<td>888</td>
<td>953</td>
<td>820</td>
<td>–</td>
<td>2</td>
<td>6</td>
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</table>

Other resource consumption

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</thead>
<tbody>
<tr>
<td>Waste (1,000 tonnes)</td>
<td>299</td>
<td>340</td>
<td>272</td>
<td>299</td>
<td>338</td>
<td>256</td>
<td>–</td>
<td>2</td>
<td>17</td>
</tr>
<tr>
<td>Water (1,000 m³)</td>
<td>1,696</td>
<td>2,256</td>
<td>2,971</td>
<td>1,696</td>
<td>2,244</td>
<td>2,661</td>
<td>–</td>
<td>12</td>
<td>310</td>
</tr>
</tbody>
</table>

Spills (hydrocarbon)

<table>
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<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>&gt;10 m³ (number of spills)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>–</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

Economic performance (USD million)

<table>
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<tr>
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<th></th>
<th></th>
<th></th>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>38,890</td>
<td>39,280</td>
<td>N/A</td>
<td>308</td>
<td>1,977</td>
<td>N/A</td>
</tr>
<tr>
<td>Profit/loss before depreciation, etc. (EBITDA)</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>5,712</td>
<td>3,809</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Capex</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>2,035</td>
<td>3,219</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Tax for the year</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>458</td>
<td>398</td>
<td>N/A</td>
<td>0</td>
<td>247</td>
<td>N/A</td>
</tr>
</tbody>
</table>

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

- Financial scope.
- Operational scope.
- Data from other sources than the financial and operational scoped data. Since 2017 gender and nationality data is reported by headcount, previously by FTE.
- Scope is limited to shipping operations and includes Hamburg Süd data from 2017. In 2019, we changed the indicator underlying our relative CO₂ reduction target.
- Relative CO₂ reduction is now measured using EEOI (Energy Efficiency Operational Indicator) as defined by IMO in MEPC.3/Circ.684 and calculated as g CO₂/Us n Mtm.
Comments on 2019 performance data

Social performance

Our employees


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

Further comments on our performance on diversity and inclusion, along with our targets and performance on representation of women on the Board of Directors and representation of women and persons from countries that are not in the OECD high-income countries list, can be found on p. 38.

LTIf has decreased due to a drop in the number of LTi cases particularly in our terminals and freight forwarding operations.

More details about our safety performance can be found on pages 30–31.

Environmental performance

Energy consumption

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

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

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

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

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

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

Greenhouse gas (GHG) emissions

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

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

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

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

Other air emissions

SO\textsubscript{x} is produced from the combustion of heavy fuel oil. Decrease in SO\textsubscript{x} emissions is due to decreases in fuel oil consumption.

NO\textsubscript{x} is produced from the reaction of nitrogen and oxygen gases in the air during combustion of fuels. Decrease in NO\textsubscript{x} emissions is due to decreases in fuel oil consumption.

Other resource consumption

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

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

Spills (hydrocarbon)

No uncontained spills above the threshold of $>10$ m\textsuperscript{3}.

Economic performance


The annual accounts and independent auditors’ report can be found at http://investor.maersk.com/
Independent assurance report

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


Our conclusion

Based on the procedures we performed and the evidence we obtained, nothing came to our attention that causes us not to believe that data and information in the A. P. Møller - Mærsk A/S Sustainability Report are free of material misstatements and prepared, in all material respects, in accordance with the accounting principles as stated at https://www.maersk.com/about/sustainability/reports.

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

What we are assuring

The scope of our work was limited to assurance over data and information in the A. P. Møller - Mærsk A/S Sustainability Report for the period 1 January – 31 December 2019.

Professional standards applied and level of assurance

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

Our independence and quality control

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

Understanding reporting and measurement methodologies

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

Work performed

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

• Conducted interviews with management at corporate and Brand level responsible for the sustainability strategy, management and reporting;
• Performed an assessment of materiality and the selection of topics for the Sustainability Report and comparison to the results of a media search;
• Read and evaluated reporting guidelines and internal control procedures at corporate level and reporting entity level regarding the data to be consolidated in the 2019 Sustainability Report;
• Conducted analytical review of the data and trend explanations submitted by all reporting entities to A.P. Moller - Maersk Accounting & Controlling for consolidation;
• Evaluated evidence.

Management’s responsibilities

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

• Designing, implementing and maintaining internal control over information relevant to the preparation of data and information in the Sustainability Report that are free from material misstatement, whether due to fraud or error;
• Establishing objective accounting principles for preparing data and information;
• Measuring and reporting data and information in the Sustainability Report based on the accounting principles; and
• The content of Sustainability Report for the period 1 January – 31 December 2019.

Our responsibility

We are responsible for:

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

Copenhagen, 20 February 2020

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR no. 3377 1231

Mogens Nørgaard Mogensen
State Authorised Public Accountant
mne21404

Lars Baungaard
State Authorised Public Accountant
Mne23331
Stay up to date

We value your feedback

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

A.P. Moller - Maersk
Esplanaden 50
1098 Copenhagen K
Denmark
Attn: Sustainability

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

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

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

News and Reporting

Online
Maersk.com
https://www.maersk.com/press
Investor.maersk.com
https://www.maersk.com/about/sustainability

Engage with us
LinkedIn.com/company/479080/
Facebook.com/Maersk
Twitter.com/Maersk
Youtube.com/Maersk
MAERSK DRILLING

The Sustainability Report for 2019 is enclosed on the next pages.
Sustainability Report 2019
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  06 Maersk Drilling and the oil and gas industry
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  08 Our sustainability approach

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16 Environmental management
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     – Chemical management
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     – Decommissioning

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Statutory Report for 99a and 99b according to the Danish Financial Statements act
Letter from the CEO

It is with great pride that I introduce the 2019 Maersk Drilling Sustainability Report, our first as a separately listed company since our demerger from A.P. Moller - Maersk.

As we set out on this next phase of Maersk Drilling’s history, we remain defined by our heritage and our Core Values. These are constant in a complex world. We actively prepare for tomorrow with constant care and with humbleness – we listen, learn, share and give space to others. Being upright requires that our word is our bond with customers, suppliers and partners and we put employees at the heart of the company, providing the right environment for the right people.

Our name is the sum of the values: the passion and pride for what we do and how we do it.

Climate change is a significant challenge facing society, and it will take time to develop new technologies to the efficiency and scale required to mitigate emissions from carbon-based energy. Even in the most rapid energy transition scenarios, the world will continue to use oil and gas for many years to come as a significant part of the energy mix. Maersk Drilling has an important role to play in this transition, ensuring this demand is met with responsible operations that reduce our impact on the environment. We work to reduce energy consumption and emissions from our operations, and fully support the Paris Climate Agreement and regulation to ensure efficiency in the industry – thereby protecting our environment and climate.

Our long-term presence in Norway, which has some of the most stringent regulations on sustainability, provides a testing ground for our most advanced solutions such as shorepowered rigs and low emission hybrid rigs. As the energy transition accelerates and the need for new technologies increases, we will continue to work with our customers to develop solutions that increase emissions efficiency.

As a standalone company, Maersk Drilling has joined the UN Global Compact to emphasise our continued commitment to universal sustainability principles and the UN Sustainable Development Goals (SDGs). Our dedication to long-term value creation for society is guided and inspired by the 10 principles of the Global Compact, the Universal Declaration of Human Rights, and the fundamental labour conventions of the International Labour Organisation (ILO).

Keeping our people safe is the most important thing we do as a company. The safety of people transcends commercial interests, and that is why I am pleased to report a reduction in the frequency and severity of incidents in 2019. This is movement in the right direction to reach our target of zero serious incidents. Safety is a continuous journey and we will never relent in our efforts.

Maersk Drilling seeks to do business in a responsible and sustainable manner. Acting with integrity and high standards of business ethics, respecting human rights and working against corruption is simply the right and best way to do business. This first year as a standalone, listed company has presented many new opportunities for our business in a rapidly changing industry. We have an important role to play in the future energy transition and as we continue to build on the sustainability efforts already integrated into our operations, we remain committed to creating long-term value for our people, our customers, our shareholders and the communities in which we operate.

Jørn Madsen
CEO, Maersk Drilling
Maersk Drilling provides high efficiency drilling services to energy companies around the world.

Maersk Drilling 2019 at a glance

Maersk Drilling

Number of rigs: 22
Employees: 2,850

Founded: 1972
Revenue (USD million): 1,222
EBITDA before special items (USD million): 415
Total assets (USD million): 5,517

Global rig locations

Location of jack-ups and floaters as per 31 December 2019. For rigs in between contracts, the location of the next contract has been referred to.
Maersk Drilling and the oil and gas industry

**Maersk Drilling**
Offshore drilling rig services
Reliability – Safety – Efficiency

---

**UPSTREAM**
- Exploration
- Finding oil and gas
- Drilling wells for exploration, appraisal, and production
- Production
- Extracting oil and gas
- Decommissioning the well

---

**MIDSTREAM**
- Transportation and storage, moving oil and gas to shore

---

**DOWNSTREAM**
- Refining, marketing and distribution to everyday products and transportation
Oil and gas is an integrated part of modern society

Oil and gas is a vital industry that supports job creation, economic growth and development in many local communities. Products derived from oil and gas are instrumental to help meet crucial needs through a wide range of uses.

Maersk Drilling works to continuously improve our impact on people and environment. The figures shown below highlight key areas for our sustainability work. How we work in these areas is described in further detail in the following chapters.

- **Improving standards of life**
  - E.g. enabling cooking and heating in places with no or unstable power supplies

- **Pharmaceuticals**
  - E.g. as the base materials for medical products

- **Road transport**
  - E.g. diesel and gasoline for lorries and cars enabling transport and logistics

- **Air transport**
  - E.g. jet fuel for global air travel

- **Building materials**
  - E.g. insulation in building foundations reducing energy loss

- **Chemicals**
  - E.g. used in industrial products such as dyes

- **Sea transport**
  - E.g. fuel for container vessels which supports global trade

- **Roads**
  - E.g. asphalt used in highways and roads

- **Oil and gas**
  - E.g. as the base materials for global trade and transportation

- **Improving standards of life**
  - E.g. enabling cooking and heating in places with no or unstable power supplies

- **Pharmaceuticals**
  - E.g. as the base materials for medical products

- **Road transport**
  - E.g. diesel and gasoline for lorries and cars enabling transport and logistics

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  - E.g. asphalt used in highways and roads

- **Oil and gas**
  - E.g. as the base materials for global trade and transportation
Our sustainability approach

We have over many years built a strong sustainability foundation and operational culture based on the Maersk Core Values, which we still embrace in our new role as an independent company. With Maersk Drilling’s first Sustainability Report as a separately listed company, we present our approach to and efforts within sustainability, focusing on our specific role in the oil and gas value chain.

Through the lens of sustainability, Maersk Drilling’s role in the oil and gas value chain is to be a responsible drilling partner for our customers, shareholders, our employees, and for society as whole.

Sustainability is an integral part of how we do business. It is considered in our strategic decisions and integrated into our daily operations as part of the organisation’s key functions such as health and safety, procurement, human resources, legal, and commercial. Importantly, our people working offshore all have vital roles in ensuring that sustainability standards are upheld.

Governance and Policies
The Board of Directors is the highest authority on sustainability in Maersk Drilling. In April 2019, a Safety and Sustainability Board Committee was established to oversee safety and sustainability issues and progress across the company.

The Safety and Sustainability Committee is currently comprised of the Chairman of the Board and two other board members. The main purpose of the committee is to oversee the identification, management and mitigation of risks, including targets, objectives, policies, activities and management systems related to sustainability.

Maersk Drilling’s Executive Leadership Team holds the operational responsibility for our sustainability performance with specialist support from dedicated working groups. Our Sustainability Policy provides high-level guidance on how we conduct a sustainable business and, in addition, sustainability is integrated into our operations.

Governance

Commitments
- UN Global Compact membership
- Universal Declaration of Human Rights
- Fundamental labour conventions of the ILO
- Support to the Paris Climate Agreement

Policies and codes
- Sustainability policy with sub-policies and codes such as:
  - HSSE policy
  - Diversity and Inclusion policy
  - Code of Conduct
  - Third Party Code of Conduct
  - Modern Slavery policy

Governing bodies
- Board of Directors including a sub-committee for Safety and Sustainability
- Executive Leadership Team

Working closely together with our customers on sustainability

When working with customers on drilling campaigns, the operational and legal responsibilities related to sustainability are simultaneously separate and intertwined. Maersk Drilling actively offers solutions to our customers, also within their areas of operational responsibility.

Maersk Drilling’s operational responsibility
- Training and technical skills of employees and contractors
- Safety of employees and third parties on board our rigs
- Handling of chemicals on rigs
- Spills of hazardous materials to sea
- Sorting of household waste on board our rigs
- Fuel consumption and emissions in between operations

Customer’s operational responsibility
- Appropriate disposal of drilling waste (cuttings)
- Impact assessment of drilling activities prior to drilling
- Fuel consumption and emissions during drilling operations
- Security of wells after drilling
- Safety of customer staff and upholding of Maersk Drilling safety instructions
overall Enterprise Risk Management system where sustainability risks are identified, evaluated and managed along with other business risks.

The Sustainability Policy is built on the ten principles of the UN Global Compact, the Universal Declaration of Human Rights, and the fundamental labour conventions of the International Labour Organisation (ILO). The overall policy is further supported by a number of subject-specific policies which guide us in our operations.

Focus areas
Out of the 17 SDGs, we have identified eight where we believe our business has the greatest direct impact within the areas of climate and energy, safety, people, local content and responsible business. These areas are at the core of our sustainability efforts.

While Maersk Drilling contributes positively to a number of the SDGs, via for example decarbonisation of drilling campaigns and decommissioning of oilfields, we are also aware of our impact on others, such as SDG 13 on Climate Action and SDG 14 on Life Under Water. Based on the projections demand for oil and gas in the next decades, we believe our main obligation is to ensure that this demand is met in a responsible way, with a focus on minimising the impact on people and the environment.
Climate and energy

In 2019, we announced the rebuilding of Maersk Integrator and Maersk Intrepid, converting them into our first low-emission drilling rigs. Thanks to the installation of battery technology, energy efficiency software and NOx-reducing catalysts, they offer leading technological solutions for rigs not running on shorepower.
Meeting society’s demand for oil and gas in a responsible way

The transition towards a low-emission society represents one of the most fundamental challenges that we face today. With more than 100 years of societal development based on combustion engines and carbon-based materials, this transition will take time.

With an expected rise in global population to almost 10 billion people by 2050, there will be an increasing demand for access to modern services that rely on stable and affordable energy sources, especially in developing countries. Most experts expect a significant rise in global energy consumption towards 2040.

The most rapid transition scenarios show that oil and gas will make up a significant part of the energy mix for years to come. While renewable energy will grow significantly to meet the overall increase in demand and to replace carbon-intensive coal, oil and gas are expected to account for a sizeable part of the energy mix towards 2040.

This entails a continued need for exploration and development of offshore oil and gas fields. Meeting this need in a responsible way is where Maersk Drilling can make an impact.

Norwegian fields are leading in energy efficiency improvement

Based on our long-standing leading position in Norway, we are well-versed in some of the most demanding sustainability requirements in the world. The average carbon footprint from upstream activities on the Norwegian fields is around half the global average of 18 kg CO₂ per barrel and it continues to drop. There are examples of fields in Norway where the carbon footprint has been brought down to below 1 kg CO₂ per barrel, due to the use of e.g. hydro-based shorepower.

In Norway, drilling for exploration and development accounts for approximately 5% of total carbon footprint of the oil and gas companies’ upstream and midstream activities, a relatively small proportion compared to the around 80% coming from production platforms and around 15% from storage and transport to onshore processing. Maersk Drilling's ambition is to offer solutions that allow our customers, the oil and gas companies, to significantly increase drilling efficiency, thereby reducing the total carbon footprint of each barrel of oil produced.
With our strategic ambition of Smarter Drilling for Better Value, we aim to deliver operational excellence while exploring new business models and innovative technologies that reduce complexity for our customers. By rethinking the traditional ways of organising drilling campaigns through partnerships, we have, in our current best case example, been able to save up to 36% on time and an equivalent saving on energy and emissions in a drilling campaign.

Norway and the wider North Sea region has been an incubator for our most advanced solutions such as our shorepowered rig and hybrid rigs. Over time, these solutions can be leveraged and offered to our customers in other regions, as the energy transition accelerates and increases the incentives for adopting new technologies and new ways of working.

The CO₂ emissions linked to the production of one barrel of oil vary a great deal from oilfield to oilfield. Despite the harsh offshore environment, Norway has achieved one of the lowest CO₂ footprints thanks to the adoption of energy and CO₂ efficient technologies.

Producing oil in the right way makes a difference

The CO₂ emissions linked to the production of one barrel of oil vary a great deal from oilfield to oilfield. Despite the harsh offshore environment, Norway has achieved one of the lowest CO₂ footprints thanks to the adoption of energy and CO₂ efficient technologies.

<table>
<thead>
<tr>
<th>Region</th>
<th>KG CO₂ per barrel</th>
</tr>
</thead>
<tbody>
<tr>
<td>Middle East offshore</td>
<td>6</td>
</tr>
<tr>
<td>Norway</td>
<td>8</td>
</tr>
<tr>
<td>North American shale</td>
<td>11</td>
</tr>
<tr>
<td>Offshore deepwater</td>
<td>13</td>
</tr>
<tr>
<td>Other onshore</td>
<td>18</td>
</tr>
<tr>
<td>Middle East onshore</td>
<td>19</td>
</tr>
<tr>
<td>Other offshore shelves</td>
<td>23</td>
</tr>
</tbody>
</table>

Source: Based on Rystad Energy study for the Norwegian Oil and Gas Association, September 2019
Removing inefficiencies from the value chain

Drilling campaigns are technologically challenging and complex projects.

Smarter Drilling for Better Value

Issue:
Many drilling campaigns suffer from inefficiencies caused by a complex supplier landscape and coordination challenges.

Aker BP alliance outcome:
36% reduction in time spent and CO₂ emitted.

Drilling campaigns are technologically challenging and complex. Drilling one offshore well can take between 25 and 250 days and involves over 60 suppliers, leading to multiple handover and coordination challenges. It is a central part of Maersk Drilling’s strategic ambition of Smarter Drilling for Better Value to eliminate these inefficiencies. Via orchestration, integrated services and incentive models based on shared benefits, Maersk Drilling has demonstrated an ability to reduce time and resource waste significantly in close collaboration with our partners. This has major positive effects on the project’s total energy consumption and CO₂ emissions. According to our own calculations based on our Norwegian operations, every day that can be cut from a drilling campaign with one of our XLE rigs saves around 20 tonnes of diesel and more than 50 tonnes of CO₂.

In 2017, Maersk Drilling signed a five-year alliance agreement with Aker BP and service company Halliburton. This aims at removing waste from the value chain through a joint incentive structure by the use of digital solutions, increased collaboration, standardisation and simplification of processes. On average, we have seen a time reduction in the range of 5–10%. In 2019, Maersk Invincible carried out an installation campaign under the alliance that was the most successful to date. A job installing 12 conductors (large pipes that are placed into the ground to provide the initial stable structural foundation for a well) was estimated to take 38 days and was completed in just 24, resulting in a 36% time and CO₂ reduction. No compromises were made on safety measures.
The energy consumption and air emissions of our activities derive from three main sources: operating rigs for customers as part of drilling campaigns, moving rigs and running stacked rigs and finally running our offices and onshore organisation. The impact of operating rigs for our customers is by far the largest of these.

In 2019, the fuel consumed by rigs in operation for customers increased by 6.6%, driven by an increase in the total number of contracted days by 4.7%. Fuel consumption for rigs off contract grew from 22.6 ktonnes to 28.5 ktonnes fuel oil due to more long-distance rig moves by our floaters, compared to 2018. Other air emissions also grew as they are directly related to the energy consumed.

New hybrid solutions announced in 2019
During 2019, a number of initiatives were introduced to reduce energy consumption and CO₂ emissions during operations and during rig moves. In May, we announced a hybrid, low-emission upgrade of Maersk Intrepid which, under contract with Equinor, will be fitted with a unique combination of technologies that enable low-emission drilling for rigs that cannot be connected to shorepower. In November, we announced the upgrade of a second hybrid rig, in connection with an agreement with Aker BP to install similar equipment on Maersk Integrator. Norway is currently the only country where emissions regulation and public funding provide a sustainable business framework for these hybrid, low-emission upgrades.

Our greenhouse gas (GHG) intensity, consisting mainly of CO₂ emissions, was quite stable at 55.4 tonnes/contracted day compared to 54.4 in 2018 and 57.8 in 2017. In 2019, there was an additional CO₂ impact from our shorpowered rig Maersk Invincible moving to a new location on the Valhall field. As the new location was not connected to the onshore grid, the rig was running on fuel oil instead of shorepower, which increased our 2019 fuel consumption and CO₂ emissions. The customer is planning to move the rig back to a shorpowered location on Valhall in 2020 as a result of which we should see a positive effect on fuel and emissions for 2020.
Reducing CO₂ emissions with slow-steaming

Since 2015, Maersk Drilling has worked to reduce fuel consumption during transit of our floaters from one part of the world to another. When transit speed is significantly reduced to save fuel and thereby CO₂ emissions, it is called slow-steaming. By reducing speed to 50–70% of maximum service speed, fuel consumption and thereby CO₂ emissions are reduced by approximately 30% compared to baseline.

In 2019, Maersk Drilling performed seven long distance rig transits using slow-steaming. This resulted in an average 30% lower fuel consumption and 10,100 tonnes CO₂ saved compared to rig transits at standard speed.
Environmental management
Respecting the marine environment

Maersk Drilling's ambition is to provide responsible drilling services, and reducing the environmental impact of our operations is an important part of this. We mainly target impacts relating to spills, waste and the use of chemicals onboard our rigs. Our Health, Safety, Security and Environment (HSSE) function works in close cooperation with our rigs to optimise activities governed by our HSSE Policy as well as our Corporate Major Accident Prevention Policy.

Spills

Major spills may have long-lasting adverse effects on both the environment and people and can cause substantial financial and reputational damage. Our goal is to have zero spills of hazardous materials.

The risk of major spills is small, but can never be completely eliminated. The main risk factors are:
- Loss of well control – a highly unusual event which Maersk Drilling has only experienced once, more than 40 years ago
- Spills from machines and pipes
- Spills in connection with fuel charging from supply ship to rig

We have set up rigorous procedures and systems to avoid spills. Through our incident and investigation processes, we closely evaluate any incident or near-miss which can help improve our performance.

In 2019, Maersk Drilling recorded one spill to the environment compared to zero in 2018. In June, Maersk Inspiner experienced a spill of hydraulic oil while docked at the Egersund yard in Norway. An environmental consulting agency was employed to perform third-party analysis, concluding that the spill posed little danger to the environment. The polluted soil was removed. Maersk Drilling has upgraded the rig’s hydraulic pressure system to ensure early warning in case of a future leak.

Chemical management

The safe use of chemicals on our rigs is an important part of our environmental management system. Chemicals can potentially pose a risk both to the environment and to our people’s health and safety.

When working with chemicals, we aim to minimise risks to health, safety and environment prior to usage and handling. All new operational chemicals undergo a product risk and assessment risk before being approved for use onboard. Use of high-risk chemicals is avoided when at all possible, or a lower risk substitute with the equivalent functionality is sought. When using chemicals, the user is provided with the necessary personal protection equipment and adequate training to handle the chemicals.

Waste

Minimising and managing waste is important to protect the marine environment, save resources and reduce landfill. Maersk Drilling has developed thorough processes for sorting and handling of the waste generated by our drilling rigs. While our customers ensure that waste is handled responsibly once it leaves the rig, it is our task to secure optimal handling when the waste is onboard our rig.

Waste from drilling activities consists of two main elements:
- Waste from drilling operations, mainly bore cuttings consisting of rock, clay and other sediments but also the small amounts of chemicals used in the process
- Household waste, such as plastics, paper, metal, etc.

Waste from drilling operations constitutes the most critical area and Maersk Drilling has for many years optimised the control, cleaning and reuse of the drilling fluid as well as the handling of the cuttings. These services are currently under further development as part of our ambition to expand the scope of services offered to our customers.

As regards household waste, a pilot project was carried out during 2019 on the Maersk Highlander to test the opportunities to reduce the amounts of single-use plastic items onboard our rigs including items such as packaging material, cups and drinking bottles. The findings from the project will be used for evaluating further activities across our fleet.

Decommissioning

In 2018, Maersk Drilling and Maersk Supply Service founded the joint venture Maersk Decom to focus on the rising need to provide efficient and sustainable decommissioning of oil and gas fields. Maersk Decom provides scalable solutions to responsibly handle end-of-life installations, restore the seabed, extend the lifetime of materials and reduce risk in the process. In September 2019, the company signed its first contract together with Maersk Supply Service, to project manage removal, recycling and waste management of subsea infrastructure at the Thames field in the UK North Sea.

As part of our normal rig operations, Maersk Drilling has extensive experience in plug and abandonment (P&A), and our track record reflects our capability to provide these services efficiently and with minimal risk. Amongst the major P&A operations in 2019 were the activities carried out by Maersk Invincible on the Valhall field in Norway.
Relentless focus on safety

For Maersk Drilling, safety is a top priority. It is an unwavering commitment, rooted in our Core Values. Safety permeates everything we do and stand for, onshore and offshore, and it is the foundation for delivering reliable and efficient operations to our customers. Our ambition is to have zero serious incidents.

In 2019, Maersk Drilling made it one of its top four strategic priorities to develop and implement new approaches to safety in the entire organisation. In addition to our tried and tested safety practices and management systems, we have shared the learnings and results of this new approach with the wider industry as we consider safety to be a priority that transcends commercial interests.

Exploring new ground: Safety as Capacity

In 2019, we rolled out the new safety strategy under the name Safety as Capacity. The strategy aims at complementing the traditional safety approach with an increased attention to the human factor in safety incidents.

The new strategy targets the following three priority areas:

1. Making it simple to act safely

   We are freeing up time to focus on safety by removing complexity, reducing administrative tasks and making work processes more transparent. No one should lose focus due to administrative work, and no one should doubt how to perform a task safely.

   In 2019, we introduced a new Control of Work system, a fully digitalised solution which aggregates over 268 – often paper-based – processes in our safety management system into one framework. Control of Work integrates the execution of any task on a rig into one process framework which supports consistently safe and efficient operations across the fleet. Work instructions, permits, rescue and lift plans, checklists, etc. are all bundled into one user flow.

   By end 2019, the system was active on eight rigs and we expect the roll-out to be completed by mid-2020.

2. Leveraging the knowledge of our front line

   Traditionally, safety management in the drilling industry has been driven out of headquarters by centrally placed experts. In 2019, we aimed to strengthen the role of our offshore crews, building upon their knowledge and experience close to operations. Redefining the way we identify solutions to safety challenges, we introduced a series of new systems that are able to constantly capture the input from the front line and use these insights to address residual safety risks more systematically.

   In addition, we introduced quarterly safety awards which reward the brightest ideas, based on proposals from each of Maersk Drilling’s 23 rigs. By the end of 2019, we had received more than 232 improvement ideas and we are actively implementing many of them across the fleet.

3. Being prepared to handle the unexpected

   In 2019, we focused on building capacity that allows us to quickly and decisively respond to unexpected incidents. Bringing the human factor into the equation, we aimed to build situational awareness and ensure that crews were able to spot changing variables in the middle of operations.

   During 2019, we have strengthened the cooperation between headquarter and front line focusing on a deeper understanding of human behaviour during high-risk operations. This will form the basis for training the crew on the right mindset as well as help develop early indicators allowing the crew to detect and correct before things go wrong. An example has been the introduction of a load monitoring system on our lifting equipment that triggers an alarm when a lifting operation approaches a pre-set limit.

232 safety ideas were received and approved through a safety award campaign in 2019.
A strong safety culture

A cornerstone in Maersk Drilling’s safety approach has for many years been a continuously refined barrier management system. The system uses three types of barrier elements – technical, operational and organisational – to collectively form an effective safety barrier. When all three barrier elements are in place, the barrier function safeguards people from incidents, reduces severity, prevents incidents from escalating and enables us to quickly reestablish operations.

To continuously drive improvement of the barrier management system, all major incidents or near-misses are thoroughly investigated. In 2019, we significantly revamped our investigation model with the aim of improving root-cause understanding and ensuring that the right safety learnings are integrated into the barriers in the future.

No system is stronger than the people operating it and a strong safety culture begins with a solid introduction at the very first on-boarding of new employees. At our Starters’ Day courses, all new employees – onshore and offshore – are introduced to Maersk Drilling’s safety principles and the fundamental operational mandate Authorised to Say Stop. This gives all employees the right and the obligation to stop any unsafe activity.

The right safety behaviour is a constant theme in any employee’s career at Maersk Drilling. It is an integral part of our new leadership programme launched in 2019, it is part of all ongoing training activities for our crews, and it remains highly prioritised in Maersk Drilling’s internal and external communications.

Personal injuries and potential risk weight

During 2019, we registered a decreasing trend in the potential severity of our incidents. We have been pleased to note that no serious injuries have been registered since April.
2019 safety performance in numbers

In 2019, we improved our safety performance with a Lost Time Injury frequency of 0.75, an improvement compared to 0.92 in 2018 and below the industry average of 1.06.

We saw an increase in the frequency of serious injuries from zero in 2018 to 0.25 in 2019. The serious injuries frequency is a new indicator introduced in 2019 to track performance on our most fundamental concern – the serious injuries that cause permanent damage to people.

We are not satisfied with the number of serious injuries, but are encouraged to see that the severity grading of all incidents and high potential near-misses has trended down since spring and there have been no serious injuries since April. We see this as an indicator that our new Safety as Capacity strategy is effective and will support us in continuing this trend of reduced severity and frequency of incidents.

Governing safety throughout our organisation

To ensure that safety is well-anchored in our organisation, we have developed governance structures, organisational competence, capacity, and a leadership culture which promotes the highest safety standards. Our work with safety is embedded in our ‘Corporate Major Accident Prevention Policy’, our ‘Safety as Capacity’ strategy, and our fundamental operational mandate ‘Authorised to Say Stop’. Safety is overseen by the Executive Leadership Team’s Safety Board and ultimately by the Board of Directors’ Safety and Sustainability Committee.

Our safety performance 2017-2019

<table>
<thead>
<tr>
<th>LTIf frequency</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>0.53</td>
<td>0.92</td>
<td>0.75</td>
</tr>
</tbody>
</table>

LTIf measures the frequency of number of lost time injuries per million man hours. Lost time injuries is the sum of fatalities, permanent total disability, permanent partial disability, and lost work day cases.

<table>
<thead>
<tr>
<th>TRC frequency</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2.66</td>
<td>2.75</td>
<td>2.49</td>
</tr>
</tbody>
</table>

TRCf measures the frequency of all work-related fatalities, lost time injuries, restricted work cases/injuries, and medical treatment cases/injuries per million man hours.

<table>
<thead>
<tr>
<th>Serious injuries frequency</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>0.27</td>
<td>0.00</td>
<td>0.25</td>
</tr>
</tbody>
</table>

Serious injuries frequency is measured as injuries with partial or permanent disability per million man hours.

<table>
<thead>
<tr>
<th>Fatalities</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

Death directly resulting from work-related injury regardless of time between the injury and death. Excludes suicide, criminal and terrorist activity.
Value to society

Fast local onboarding in Equatorial Guinea

In June 2019, the Maersk Voyager moved from Ghana to Equatorial Guinea on a short-term contract to drill two wells. Operations commenced with 46% local offshore crew who were onboarded with a Safe Start-up Team Charter to guide safe and efficient operations. In addition, five local crane operators were upskilled on a course in Dubai. Despite the challenges of crew rotation, the Maersk Voyager has now drilled more than 1,000 days without a lost time incident.
Contributing to local societies

As a company guided by our Core Values, and with operations around the world, Maersk Drilling strives to positively impact the communities in which we operate through our local content efforts.

Maersk Drilling is present in a number of emerging economies. In many of these countries, governments have adopted local content requirements for the oil and gas industry, with the aim of creating local employment opportunities, building local capacity, and ultimately generating sustained and inclusive economic growth. Local content requirements can for instance include the percentage of local workforce, and of sourcing from local suppliers. Where possible, Maersk Drilling aims to go beyond local content requirements and contribute even more to the development of the local communities and economies that are impacted by our operations.

Local competencies are important for safe and efficient operations
A skilled local workforce is crucial for us to maintain safe and efficient operations in emerging offshore markets, such as parts of West Africa and South East Asia. In many areas of the world, not least in emerging economies, there tends to be a discrepancy between the needs of the oil and gas industry and the capabilities of the local workforce. The nature of the drilling business can entail short-term contracts with only transitory presence in a country. This makes the availability of local colleagues with the required specialised skills even more important for Maersk Drilling to deliver safe and efficient services to our clients. We see local content as not only our responsibility, but also a key factor in our ability to continue operating at the highest standards. We support this by contributing to building competencies and investing in the training and upskilling of the local workforce in the countries where we operate.

Local procurement
In addition to local content requirements on staff, many countries have requirements for local procurement. Maersk Drilling complies with requirements where they apply, and strives to procure locally when possible. This helps to support the emergence of a domestic economy and secure local supply for Maersk Drilling and others in the industry. Through working with local suppliers, we support development of the knowledge and skills necessary to live up to the standards of international customers in the oil and gas sector.

To support local procurement efforts, Maersk Drilling has hosted local Suppliers Days in a number of countries, inviting local suppliers to learn about Maersk Drilling’s responsible procurement policy and the standards required to work as a supplier to the oil and gas industry. By working with local suppliers, we play a part in developing emerging economies and, at the same time, benefit from increasing the range of products and services available to our industry in the local markets.

Overview of local content results in 2019

<table>
<thead>
<tr>
<th>Country</th>
<th>Local staff</th>
<th>Local procurement</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Target 2019</td>
<td>2018</td>
</tr>
<tr>
<td>Azerbaijan</td>
<td>90%</td>
<td>86%</td>
</tr>
<tr>
<td>Brunei</td>
<td>32%</td>
<td>78%</td>
</tr>
<tr>
<td>Egypt</td>
<td>49%</td>
<td>62%</td>
</tr>
<tr>
<td>Eq. Guinea</td>
<td>51%</td>
<td>n/a</td>
</tr>
<tr>
<td>Ghana</td>
<td>60%</td>
<td>54%</td>
</tr>
<tr>
<td>Mexico</td>
<td>20%*</td>
<td>n/a</td>
</tr>
<tr>
<td>Myanmar</td>
<td>24%</td>
<td>n/a</td>
</tr>
<tr>
<td>Timor-Leste</td>
<td>22%</td>
<td>n/a</td>
</tr>
<tr>
<td>Trinidad</td>
<td>54%</td>
<td>15%</td>
</tr>
</tbody>
</table>

* Note local content is related to cost in Mexico, not personnel headcount.

Related SDGs

- 17: Partnerships for the goals
- 8: Decent work and economic growth
- 9: Industry, innovation and infrastructure
- 12: Responsible consumption and production

Maersk Drilling Sustainability Report 2019
Training locals in Ghana

Maersk Drilling has been present in Ghana since 2011, with a substantial focus on using our core competencies to build local capacity. In 2019, we launched a three-month programme named Training Bright Minds for 20 young Ghanaians who had just completed National Service. The training was led by local colleagues. As part of the programme, the participants were introduced to operations in the oil and gas as well as the drilling industry, and trained in first aid, anti-corruption, and health and safety. Even before the programme was finished, two participants had been able to benefit from the training to secure employment with two different companies.

“This training has helped in bridging the skill gap facing the Ghanaian oil and gas sector and has boosted the local content drive of the local authorities. It was a great pleasure seeing Maersk Drilling allocating so much funding for this training.”

Nutifafa Kuivi
Assistant Rig Manager of Maersk Venturer
Developing people
A people business

Employee relations in Maersk Drilling are guided by our Diversity and Inclusion Policy as well as our Code of Conduct and Third Party Code of Conduct, which are in accordance with international labour standards.

In Maersk Drilling, we strive to uphold a supportive and productive working environment that stimulates the growth and development of our people. While our business involves operating some of the world's largest offshore drilling rigs in technically complex scenarios, Maersk Drilling is first and foremost a people business.

Training of offshore employees
Offshore, three levels of training ensure that employees can move forward in their career paths on a transparent trajectory.

**Level 1:** License-to-operate compliance training in line with regulatory and customer requirements.

**Level 2:** Maersk Drilling-specific procedural training, ensuring the ability to comply with operating procedures and systems.

**Level 3:** Leadership, values and performance training to enable consistent high performance.

Ambitious leadership development
To support a smooth and efficient transformation of Maersk Drilling, a new broad-based leadership programme was introduced in 2019 with the aim of building strong dialogue and listening skills, team orientation and openness to diverse mindsets and ideas. 70 people attended the four day-course during 2019. In 2020, another 350 leaders will undergo training.

The programme covers both on- and offshore leaders, emphasising cross-functional collaboration, curiosity and an increased sense of being 'one team'.

Engagement through dialogue
Our quarterly people survey, Compass, was launched in September 2018 and fully implemented in 2019. With Compass, we aim to improve the employee experience by using continuous conversations to drive development. This is a step-change compared to the annual employee satisfaction surveys that were used before. Compass has increased the frequency with which employees and leaders engage and this has so far been well received by employees as well as leaders on- and offshore.

Compass survey – a new way to engagement and dialogue
- Easy, quick and frequent
- 5–6 questions every quarter
- More than 2,000 comments every quarter
- High and growing completion rate

The Compass survey yields an Employee Net Promoter Score (eNPS), which reflects to what extent an employee will recommend Maersk Drilling as a great place to work. The score showed a slight improvement during the year – from -24 to -23. In 2020, initiatives have been launched to improve the company's eNPS score.

A new approach to competence assurance globally
In 2019, Maersk Drilling started rolling out a competence assurance system (CAS) across the global fleet. The system adheres to the UK HSE guidelines for the management of competency of personnel engaged in offshore oil and gas operations. The UK HSE guidelines are generally recognised as the most stringent in the industry, building on two main pillars:

1. Onboarding checklists which provide a practical introduction to rig layout and specific safety critical equipment and systems.
2. A structured approach to assessment of competencies and skills related to positions.

The digitalised CAS system sets a high bar regardless of where the rig is operating, and has replaced several local systems with a single corporate standard. This helps to ensure that even when shifting personnel between rigs, Maersk Drilling can maintain the same high efficiency and safety standards.
Towards more diversity

Maersk Drilling does not discriminate based on age, gender, nationality, socioeconomic background, disability, religion or sexual orientation. We believe that diversity and inclusion can contribute to improved performance and high quality decision-making, and is essential to innovation and organisational learning; critical elements to maintaining our position as a leading player in the offshore drilling industry.

In the oil and gas industry, diversity can be a challenge and women continue to be underrepresented. The Petroleum Equipment and Services Association in 2018 found that only 15% of the worldwide oil and gas workforce is female, and even fewer hold technical and management roles. With a traditional stronghold in the North Sea, the majority of Maersk Drilling’s workforce is Scandinavian or British nationals.

Continuing improvements in gender diversity
Our share of female employees increased from 10% in 2018 to 13% in 2019 and the share of female leaders rose slightly from 10% to 11%. Offshore, women only make up 2% of the workforce, all employed in non-managerial positions. Onshore, women represent 37% of our workforce. Female leaders made up 23% of our onshore leadership in 2019 compared to 24% in 2018. Our ambition is to ensure that more women progress into senior leadership positions.

We believe that strengthening our pipeline of female talent and leadership, on- and offshore, will increase diversity. In order to achieve this, we aim to address structural and cultural barriers by:

• Enhancing recruitment – through awareness of biases in candidate selection and by applying a structured assessment process.

• Promotions – through consideration of a broader and more diverse candidate field for leadership positions.

• Succession planning – through identifying diverse successors with a special view to senior management positions.

• Acceleration programmes – through putting a diverse selection of employees on a targeted career path.

In 2020, we will initiate a process to further explore the cultural and behavioural barriers to diversity in Maersk Drilling’s leadership on- and offshore, with the aim of identifying additional responses to the diversity challenges. Our ambition extends beyond gender to include other diversity parameters, such as nationality and age. Alongside these efforts, we will continue to build awareness of the benefits of an inclusive culture through training and communication.
Board diversity
Maersk Drilling's overall ambition is to work towards an equal gender distribution on the Board of Directors. The target is to have two female board members elected by Maersk Drilling's shareholders no later than at the annual general meeting in 2022. Additionally, Maersk Drilling's target is that at least 1/3 of the Board of Directors are non-Danish citizens.

Upon the establishment of Maersk Drilling as a separate legal entity 2 April 2019, one shareholder-elected board member was female and five were male. Four shareholder-elected board members were non-Danish citizens and two were Danish citizens. As part of the composition of the Board of Directors, diversity was considered in a broader sense, including gender as well as nationality, international experience and qualifications. During the first year as a separately listed entity no changes to the board composition has taken place and the 2022 target in regards to gender distribution has therefore not yet been met.

Gender distribution in 2019

Nationality distribution off- and onshore in 2019

Nationality distribution 2017–2019 – total population
Responsible operations
Ethical business practices around the world

As a company with operations all around the globe, Maersk Drilling is committed to comply with applicable regulations on anti-corruption, competition, sanctions, export controls and the protection of personal data. We uphold our high standards for business ethics across the globe with our customers, suppliers, regulators, governments and other parties. Ensuring adherence with the letter and spirit of the law and our own Core Values also plays an important role in our commitment to upholding and driving responsible business conduct.

Anti-corruption
Maersk Drilling is pioneering the integration of drilling services to increase efficiency for our customers. Bringing together dozens of sub-suppliers during a drilling campaign requires increased coordination and alignment of incentives. For Maersk Drilling to be an effective integrator of services, we have to work even more closely with new counterparts, and employ new ways of doing business. This fosters innovation and collaboration, but also increases exposure to business ethics risks.

Maersk Drilling possesses a tried and tested anti-corruption toolbox, which includes strong governance and due diligence processes. For instance, red flags such as unclear ownership structures and known instances of past corrupt behaviour can be revealed during the due diligence process. If our potential counterparts do not work with us to mitigate these red flags, we do not hesitate to end collaboration.

To further support responsible operations, we carry out site visits as part of our assurance process. During these visits, we engage in conversation with our colleagues and key partners and probe their day-to-day work processes to understand where operational business ethics risk arises and how that risk is mitigated, at the front lines and on a daily basis. This personal and hands-on approach to assurance serves to uphold our contractual obligations and to spread Maersk Drilling's ethical business approach to societies across the globe. During 2019, five site visits were conducted in Azerbaijan, Brunei, Egypt, Mexico and Norway. These visits strengthened alignment between headquarters and shorebase sites, and no legal breaches or serious violations of our Code of Conduct were identified.

Ensuring a high degree of business ethics among Maersk Drilling employees
It is essential to Maersk Drilling that our people understand how to maintain a high degree of business ethics in our daily operations. In 2019, we further solidified our Code of Conduct for employees, consultants and third parties. The Code of Conduct is presented to new employees at Maersk Drilling Starters’ Day and is included in employment contracts as required behaviour. It is our aim to integrate this into Employee Handbooks globally. The code specifies our commitment and expectations within the areas of Health, Safety, Sustainability and Environment; Our People; Our Assets; and Our Interaction with Third Parties.

Should anyone inside or outside our company experience or witness a breach of our business ethics principles amongst Maersk Drilling employees, consultants, agents, suppliers or any other partner, we want to know. We encourage reports to Maersk Drilling line management, legal department, or HR representative and, if the reporter feels those avenues are inappropriate or requires anonymity, via our Ethics Hotline. The hotline is an anonymous and confidential reporting tool, which is administered by an independent third party and accessible to employees and the general public via the Maersk Drilling website and intranet sites.

Business ethics in growth markets
Several of our growth markets lie outside our core region of Northern Europe and the North Sea, where standards for business ethics are firmly established and enforced. Legal compliance risk assessments are an integrated part of Maersk Drilling entering new jurisdictions. We consider risks related to, among other factors: internationally accepted measures of perceived levels of corruption, exposure to financial and trade sanctions, general rule of law and internationally accepted reports regarding observance of human rights. Following the assessment of risks, appropriate risk mitigation measures are identified and implemented.
Responsibility in the supply chain

The social and environmental impact of Maersk Drilling extends beyond our own gates. We acknowledge that not all suppliers have the same starting point on issues such as human rights, labour rights, environment and anti-corruption. Therefore, our Responsible Procurement Programme has been designed to leverage our long-term business relationships and promote continuous improvement by partners in our supply chain.

We want to work with suppliers with the lowest risk of adverse impacts on human rights, labour rights, the environment and anti-corruption. Where there may be gaps, we work with our suppliers to make improvements. Maersk Drilling has defined a number of high-risk categories, which guide our supplier assessment and due diligence. The categories are depicted to the right.

Our Responsible Procurement Programme includes tools such as questionnaires, desktop supplier assessments, supplier audits and corrective action plans. In 2019, we conducted 15 supplier assessments, compared to 22 in 2018. The lower number reflects our efforts to limit the overall base of key suppliers with only a few additions in 2019. The assessments have focused on human rights and labour conditions, environmental management and health and safety. Corrective action plans have been established by the audited companies and non-conformities have been duly handled.

Contractors

In Maersk Drilling, we hire local employees directly whenever possible. However, when we do not have employment entities at the countries of operation, which mostly applies to shorter contracts, we use manning agencies to contract local employees. In these cases, we contractually demand decent working conditions of our contractors. Our commitment to respecting and promoting human and labour rights is also reflected in our approach to contractors, and we oppose all forms of forced and bonded labour, child labour, human trafficking and all other forms of exploitation. All our manning agencies are subject to risk assessments in line with our Responsible Procurement Programme.

High-risk categories

High-risk categories have been identified based on potential adverse impact on human rights, labour rights, the environment and anti-corruption. We work with these high-risk suppliers as part of our Responsible Procurement Programme, to focus our efforts on the highest risk and improve our suppliers’ performance on sustainability.

<table>
<thead>
<tr>
<th>Yards</th>
<th>pose risks from the perspectives of anti-corruption, health and safety, human and labour rights, environment and climate, as a result of use of heavy machinery, chemicals, and other hazardous materials.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Services</td>
<td>pose reputational risks in part due to the use of sub-contractors. Risks are related to anti-corruption, health and safety, human and labour rights and environmental compliance.</td>
</tr>
<tr>
<td>Security</td>
<td>provided by sub-contractors poses heightened risk of corruption and potentially exposes security personnel to physical hazards.</td>
</tr>
</tbody>
</table>
# Ambition and progress

## Impact on society

<table>
<thead>
<tr>
<th>Issue</th>
<th>Climate and Energy</th>
<th>Environmental management</th>
<th>Protecting people</th>
<th>Value to society</th>
<th>Developing people</th>
<th>Business ethics</th>
<th>Responsibility in the supply chain</th>
</tr>
</thead>
<tbody>
<tr>
<td>The transition towards a low-emission society represents one of the most fundamental challenges that society faces today. Failure to meet this challenge could lead to adverse impacts.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

## Ambition

<table>
<thead>
<tr>
<th>Issue</th>
<th>Climate and Energy</th>
<th>Environmental management</th>
<th>Protecting people</th>
<th>Value to society</th>
<th>Developing people</th>
<th>Business ethics</th>
<th>Responsibility in the supply chain</th>
</tr>
</thead>
<tbody>
<tr>
<td>With our strategic ambition of Smarter Drilling for Better Value we aim to deliver operational excellence and new technologies to significantly increase efficiency, thereby reducing the total upstream carbon footprint of oil and gas.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

## Progress and performance

<table>
<thead>
<tr>
<th>Issue</th>
<th>Climate and Energy</th>
<th>Environmental management</th>
<th>Protecting people</th>
<th>Value to society</th>
<th>Developing people</th>
<th>Business ethics</th>
<th>Responsibility in the supply chain</th>
</tr>
</thead>
<tbody>
<tr>
<td>We started the rebuild of two jack-up rigs with low-emission solutions. Slow steaming was used on seven major rig transits. Relative CO₂ emissions – or CO₂ intensity – were quite stable at 55.4 tonnes/contracted day compared to 54.4 in 2018 and 57.8 in 2017. Total GHG emissions increased by 56.9 tonnes, an 8.8% increase driven by 4.7% more contracted days and more rig moves.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

## SDGs impacted

<table>
<thead>
<tr>
<th>SDGs impacted</th>
</tr>
</thead>
</table>

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## ESG performance data

### Environmental performance*

#### Energy consumption (rigs on contract)

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fuel oil (1,000 tonnes)</td>
<td>101.9</td>
<td>95.6</td>
<td>93.6</td>
</tr>
<tr>
<td>Electricity (1,000 MWh)</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>Energy consumption (TJ)</td>
<td>4,338.7</td>
<td>4,068.4</td>
<td>3,982.4</td>
</tr>
<tr>
<td>Fuel intensity (tonnes fuel oil/contracted day)</td>
<td>16.1</td>
<td>15.9</td>
<td>16.9</td>
</tr>
</tbody>
</table>

#### Energy consumption (other)

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fuel oil (1,000 tonnes)</td>
<td>28.5</td>
<td>22.6</td>
<td>20.9</td>
</tr>
<tr>
<td>Electricity (1,000 MWh)</td>
<td>2.0</td>
<td>2.1</td>
<td>1.9</td>
</tr>
<tr>
<td>Energy consumption (TJ)</td>
<td>1,220.4</td>
<td>969.6</td>
<td>896.6</td>
</tr>
</tbody>
</table>

#### GHG emissions (rigs on contract)

(1,000 tonnes CO₂ eq.)

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct GHG emissions (scope 1)</td>
<td>349.7</td>
<td>327.9</td>
<td>321.0</td>
</tr>
<tr>
<td>Indirect GHG emissions (scope 2)</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>Carbon intensity (tonnes CO₂ eq./contracted day)</td>
<td>55.4</td>
<td>54.4</td>
<td>57.8</td>
</tr>
</tbody>
</table>

#### GHG emissions (other)

(1,000 tonnes CO₂ eq.)

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct GHG emissions (scope 1)</td>
<td>97.7</td>
<td>77.7</td>
<td>71.6</td>
</tr>
<tr>
<td>Indirect GHG emissions (scope 2)</td>
<td>0.7</td>
<td>0.8</td>
<td>0.7</td>
</tr>
</tbody>
</table>

### Definitions

- Marine Diesel Oil (MDO) and Marine Gas Oil (MGO).*
- Purchased electricity.*
- Direct energy and indirect imported energy.*
- Tonnes of fuel oil per contracted day.*
- Marine Diesel Oil (MDO) and Marine Gas Oil (MGO).*
- Includes purchased electricity and district heating consumed in onshore offices.*
- Direct energy and indirect imported energy.*
- Total greenhouse gas emissions from sources at facilities owned (partly or wholly) and/or operated by the company. Direct GHG emissions correspond to Scope 1 emissions as defined by the GHG Protocol and WRI/WBCSD.*
- Greenhouse gas emissions that occur at the point of energy generation (owned or operated by a third party) for electricity, heat or steam imported (i.e. purchased) for use on site. Indirect GHG emissions from imported energy correspond to Scope 2 emissions as defined by the GHG Protocol and WRI/WBCSD.*
- Tonnes of GHG emissions (CO₂ equivalents) per contracted day.*

---

* The scope of reporting on energy, GHG and other emissions has been changed in 2018 from financial scope to operational scope. This means that consumption and emissions while working for customers is now also shown. This is to further increase transparency of GHG emissions from Maersk Drilling's operations while on contract for customers. Figures from 2018 and 2017 have been restated according to financial scope.
# ESG performance data

## Environmental performance

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Other air emissions (rigs on contract)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SOx (1,000 tonnes)</td>
<td>0.20</td>
<td>0.19</td>
<td>0.19</td>
</tr>
<tr>
<td>NOx (1,000 tonnes)</td>
<td>8.00</td>
<td>7.50</td>
<td>7.34</td>
</tr>
<tr>
<td>SOx intensity (tonnes SOx/contracted day)</td>
<td>0.03</td>
<td>0.03</td>
<td>0.03</td>
</tr>
<tr>
<td>NOx intensity (tonnes NOx/contracted day)</td>
<td>1.27</td>
<td>1.25</td>
<td>1.32</td>
</tr>
<tr>
<td><strong>Other air emissions (other)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SOx (1,000 tonnes)</td>
<td>0.06</td>
<td>0.05</td>
<td>0.04</td>
</tr>
<tr>
<td>NOx (1,000 tonnes)</td>
<td>2.2</td>
<td>1.8</td>
<td>1.6</td>
</tr>
<tr>
<td><strong>Other production consumption</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Waste (1,000 tonnes)</td>
<td>2.7</td>
<td>1.7</td>
<td>1.2</td>
</tr>
<tr>
<td>Water (1,000 m³)</td>
<td>9.6</td>
<td>11.4</td>
<td>12.7</td>
</tr>
<tr>
<td><strong>Spills</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of spills to environment &gt; 10m³</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Number of spills to environment 0.16 m³ – 10m³</td>
<td>1</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Number of contained spills &gt; 10m³</td>
<td>0</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Number of contained spills 0.16 m³ – 10m³</td>
<td>3</td>
<td>4</td>
<td>0</td>
</tr>
</tbody>
</table>

---

### Definitions

- Sulphur oxide (SOx) emissions are calculated indirectly using fuel consumption and conversion factor.
- Mono-nitrogen oxides (NOx) emissions are calculated indirectly using conversion factors for energy consumption.
- Tonnes of SOx emissions per contracted day.
- Tonnes of NOx emissions per contracted day.

---

* The scope of reporting on energy, GHG and other emissions has been changed in 2018 from financial scope to operational scope. This means that consumption and emissions while working for customers is now also shown. This is to further increase transparency of GHG emissions from Maersk Drilling’s operations while on contract for customers. Figures from 2018 and 2017 have been restated according to financial scope.
ESG performance data

Social performance

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
<th>Definitions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Our employees</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of employees (FTEs)</td>
<td>2,850</td>
<td>2,854</td>
<td>2,865</td>
<td>Full-time equivalents (FTEs) are calculated based on the total number of compensatable hours (days) in a work year compared to the number of hours (days) in a ‘norm’ work year. Employees on unpaid leave, contractors, and temporary staff are excluded.</td>
</tr>
<tr>
<td>Gender – female/total %</td>
<td>13%</td>
<td>11%</td>
<td>10%</td>
<td>Headcounts are regular employees not on leave, paid leave, nor unpaid leave. Contractors and temporary staff are excluded.</td>
</tr>
<tr>
<td>Women in leadership (% based on headcount)</td>
<td>10%</td>
<td>10%</td>
<td>11%</td>
<td>Women in management at level 5 and above.</td>
</tr>
<tr>
<td>Fatalities (headcount)</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>Death directly resulting from work-related injury regardless of time between the injury and death. Excludes suicide, criminal and terrorist activity.</td>
</tr>
<tr>
<td>Lost-time Incident frequency</td>
<td>0.75</td>
<td>0.92</td>
<td>0.53</td>
<td>LTif measures the frequency of number of lost time injuries per million expose hours. Lost time injuries is the sum of fatalities, permanent total disability, permanent partial disability, and lost work day cases.</td>
</tr>
</tbody>
</table>

Economic performance

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
<th>2017</th>
<th>Definitions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>USD million</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td>1,222</td>
<td>1,429</td>
<td>1,439</td>
<td>Financial data is taken from the audited Annual Report of Maersk Drilling. The annual accounts and independent auditor’s report can be found at: investor.maerskdrilling.com/financial-reports-presentations</td>
</tr>
<tr>
<td>EBITDA before special items</td>
<td>415</td>
<td>611</td>
<td>683</td>
<td></td>
</tr>
<tr>
<td>Total assets</td>
<td>5,517</td>
<td>5,718</td>
<td>8,256</td>
<td></td>
</tr>
<tr>
<td>Number of contracted days</td>
<td>6,310</td>
<td>6,024</td>
<td>5,553</td>
<td></td>
</tr>
</tbody>
</table>
Board of Directors
Claus V. Hemmingsen, Chairman
Robert M. Uggla, Vice Chairman
Martin Larsen
Alastair Maxwell
Kathleen McAllister
Robert Routs
Caroline Alting
Glenn Gormsen

Executive Management
Jørn Madsen (CEO)
Jesper Ridder Olsen (CFO)

Editors
Maersk Drilling Corporate Communication and Branding

Design and layout
Extrasmallagency

Print
Printed in Denmark in 2020 by Rosendahls,
an environmentally certified printing agency, on Arctic Matt
MAERSK TANKERS

The Sustainability Report for 2019 is enclosed on the next pages.
About Maersk Tankers

- Operates one of the world’s largest fleets of product tankers
- Founded in 1928
- Signatory to the UN Global Compact
- Member of the Maritime Anti-Corruption Network (MACN)
- Green Award certified for oil and chemical
- Founding member of High Impact Low Frequency Maritime Risk Management (HiLo MRM)

Maersk Core Values

- Constant care: Take care of today, actively prepare for tomorrow
- Humbleness: Listen, learn, share, give space to others
- Uprightness: Our word is our bond
- Our employees: The right environment for the right people
- Our name: The sum of our values, passionately striving higher

Sustainability in action

We ensure the safety of our employees and contractors, assets and protection of the environment.

Why this matters:
Safety relates to personal safety, operational safety and security, and we are responsible for carrying out our business efficiently and incident free.

We are exploring technology and fuel options to ensure a cost-effective compliance.

Why this matters:
Compliance with regulations requires investment and commitment, which should be shared equitably between all stakeholders in the industry.

We reduce the environmental impact of our operations by reducing CO2 and other harmful emissions.

Why this matters:
Climate change affects everyone, and we have a part to play by doing business in a way that minimizes our environmental impact.

We uphold our values and protect our name. Responsible business relates to anti-corruption, responsible procurement and respect for labour and human rights.

Why this matters:
This benefits the environment and the social fabric of society.

For more information:
www.maersktankers.com
Sustainability contact:
sustainability@maersktankers.com
Ensuring a sustainable future

Safety

Personal Safety, Operational Safety and Security

The tanker industry requires careful risk management and an unrelenting focus on safety due to its inherent high-risk nature. Incidents can have severe effects on people, the environment and vessels, which is why safety is a top priority for Maersk Tankers.

Our goal remains zero incidents. To achieve this, we rely on the support of our employees to foster an effective safety culture, driven by procedural compliance, a healthy reporting culture, Stop Work Authority and pro-active communication.

Effective utilization of data is important. We are enhancing our trending and analysis capabilities using Power BI and Live Predictive risk modeling to prevent high impact incidents. Real time data is also being used to monitor and optimize voyage execution with the use of internally developed digital tools.

Our Sustainability Policy has been updated to now include business continuity and cyber security, thus strengthening the resilience of the organization.

Being a signatory to the United Nations Global Compact (UNGC), Maersk Tankers is committed to conducting its business in a sustainable and responsible manner in accordance to the relevant UN Sustainable Development Goals (SDG).

Together with our strategic ambition for CO2 reduction, the above will assist us to positively shape the future.

Together with our strategic ambition for CO2 reduction, the above will assist us to positively shape the future.

Dear Reader,

I am pleased to present the Maersk Tankers Sustainability Update 2019, the final one under the ‘Sustainability in action’ tag line. KPIs materiality assessment will be conducted in due course which will identify Sustainability Priorities for the 2020–2022 period.

As the implementation date for the 2020 Global Sulphur Cap is imminent, Maersk Tankers has kept all options for compliance open, including the use of scrubbers. Whilst most of our vessels will use low sulphur fuel for compliance, Maersk Tankers has also witnessed the installation of scrubbers on four of our vessels.

With our ongoing focus on safety, we now want to compare the strength of the safety culture across the fleet to identify areas for improvement. We want to move from a reactive culture to an intervention culture so that the default reaction of everyone in the organization is to see their stop work procedure when witnessing hazardous conditions.

**Regulatory**

Maersk Tankers is a compliance company and continues to remain on the radar for our compliance culture amongst its employees, both on sea and onshore.

Ongoing activities to ensure compliance with forthcoming high-impact regulations:

- **Ballast Water:** Ballast Water Management Conventions. 10 vessels are already fitted with Ballast Water Treatment Systems and we are going a bit of operational experience. As a result, novel projects have been successfully completed and testing was performed against EMESC criteria.
- **Inventory of Hazardous Materials (IHM):** 82% of the current fleet has had the IHM process initiated. Class has completed the process on 12% of vessels and approved 40% of vessels as per the fleet. 75% of the fleet have given their Statement of Compliance (DOC) for European Union Ships. The Plan of Ballast Water Management and IHM Compliance is a step forward for compliance with the IHM process, with the majority of vessels being compliant.
- **SOx:** All Maersk Tankers vessels are being contracted for the installation of scrubbers on one of the existing LR2 vessels, as well as three LR2 newbuildings.
- **CO2:** The tanker industry requires careful risk management and an unrelenting focus on safety due to its inherent high-risk nature. Incidents can have severe effects on people, the environment and vessels, which is why safety is a top priority for Maersk Tankers.

**Fuel Efficiency and Emissions**

Maersk Tankers is now using three pillars to measure and monitor our compliance culture amongst its employees, both on sea and onshore.

Ongoing activities to ensure compliance with forthcoming high-impact regulations:

- **Ballast Water:** Ballast Water Management Conventions. 10 vessels are already fitted with Ballast Water Treatment Systems and we are going a bit of operational experience. As a result, novel projects have been successfully completed and testing was performed against EMESC criteria.
- **Inventory of Hazardous Materials (IHM):** 82% of the current fleet has had the IHM process initiated. Class has completed the process on 12% of vessels and approved 40% of vessels as per the fleet. 75% of the fleet have given their Statement of Compliance (DOC) for European Union Ships. The Plan of Ballast Water Management and IHM Compliance is a step forward for compliance with the IHM process, with the majority of vessels being compliant.
- **SOx:** All Maersk Tankers vessels are being contracted for the installation of scrubbers on one of the existing LR2 vessels, as well as three LR2 newbuildings.

**Environmental**

Maersk Tankers are a founding member and have a seat on the Board of Directors.

Maersk Tankers is now using three pillars to measure and monitor our compliance culture amongst its employees, both on sea and onshore.

Ongoing activities to ensure compliance with forthcoming high-impact regulations:

- **Ballast Water:** Ballast Water Management Conventions. 10 vessels are already fitted with Ballast Water Treatment Systems and we are going a bit of operational experience. As a result, novel projects have been successfully completed and testing was performed against EMESC criteria.
- **Inventory of Hazardous Materials (IHM):** 82% of the current fleet has had the IHM process initiated. Class has completed the process on 12% of vessels and approved 40% of vessels as per the fleet. 75% of the fleet have given their Statement of Compliance (DOC) for European Union Ships. The Plan of Ballast Water Management and IHM Compliance is a step forward for compliance with the IHM process, with the majority of vessels being compliant.
- **SOx:** All Maersk Tankers vessels are being contracted for the installation of scrubbers on one of the existing LR2 vessels, as well as three LR2 newbuildings.

**Anti-Corruption**

Maersk Tankers faced challenges on some of our vessels in Egypt, including when transiting the Suez Canal because of our zero tolerance towards corruption. Field inspection payments were requested, and when these were not forthcoming, services to the concerned vessels were withheld. These issues were escalated to the highest local authorities as they happened. Additionally, they have also been brought to the attention of MNAH.

We are pleased to state that our Masters stood firm in the enforcement of the Maersk Tankers Anti-Corruption Policy while ensuring the safety of the crew and vessel.

**Responsible Procurement**

Maersk Tankers is conscious of the fact that our procurement decisions can impact the environment and society. Thus, we are committed to manage these risks by continuously assessing our supplies in high-risk categories. Through close collaboration and dialogue, we ensure adherence to our company's [thirty-year code of conduct](https://www.maersktankers.com/who-we-are/UNSustainability/Corporate-Governance/Our-Code-of-Conduct). Our ambition is to further align our Responsible Procurement setup to the company strategy for CO2 reduction. By focusing on our suppliers’ responsibilities, we will further improve our supply chain performance.

**Labour and Human Rights**

Maersk Tankers continuously monitors improvement plans for our current newbuilding shipyards, i.e. Samsung Heavy Industries (Angang) Co. Ltd. and Dalian Shipbuilding Industry Co. Ltd. This focuses on labour and human rights, including the same for subcontractors. External auditors are being used for the verification of resolved non-conformances using their local knowledge and proximity to location.
MAERSK PRODUCT TANKERS

Please see Maersk Tankers, p. 93.
KK WIND SOLUTIONS

The Sustainability Report for 2019 is enclosed on the next pages.
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<td>18</td>
</tr>
</tbody>
</table>

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**Powering a brighter future**

KK Wind Solutions is a dedicated wind company in the renewable energy industry – and as such, sustainability is the core of our company.

This report provides an overview of our efforts, including overall focus areas and concrete activities as well as our results for the past year and goals for the coming period.

Wind Power Impact

With a strong company vision of ‘Enable a Wind Powered Future’, sustainability and dedication towards the UN Sustainable Development Goals are fundamental in the way we operate and govern our company.

Developing and manufacturing solutions for the wind industry, the most positive impact we have on sustainability is obtained through our own and our customers’ solutions.

Our core competencies, technology and solutions contribute to sustainable energy production, and together with the rest of the wind industry, we are continuously innovating to lower the cost of wind energy making it even more competitive compared to fossil fuels. Part of this work involves close cooperation with universities and industry partners.

Ongoing commitment to sustainability

To further reduce the environmental impact of our operations and support the wind industry, we are continuously ensuring that our global electricity consumption is covered by wind power or other renewable energy sources.

It’s in our DNA that we continuously assess and improve the environmental impact of our operations. We do this through a product lifetime approach to development, continuous waste reduction in our supply chain and innovative logistics solutions that are both better for the environment and our customers.

We remain committed to and focused on our corporate social responsibility – both when it comes to human rights, employees, environment, anti-corruption and society in general.

Kind regards,

Chlinton A. Nielsen
Chief Executive Officer
In KK Wind Solutions, we support and recognise that all the UN Sustainable Development Goals are essential. However, we focus our efforts on those that are within our sphere of influence and where we can make the greatest impact and most positive effect.

Based on principled prioritisation of all SDG's we committed ourselves to fully contribute to the targets in SDG 7 and 13.

We define a unique purpose for our company, explaining the core reason for us going to work every day and why we do what we do. We want to make Wind Power Impact which directly supports the realisation of SDG 7 and 13.

Being a responsible and sustainable company in all matters is part of our DNA. We constantly challenge and break the boundaries of wind system solutions to make wind energy the most cost-effective energy source, providing affordable and clean energy to the world.

We leverage our customers' strengths to achieve the greatest possible impacts: a more competitive and profitable wind industry and a meaningful contribution to global sustainability.

**New objectives**

Going forward, we will continue to improve by setting ambitious targets and implementing processes that support sustainability and by influencing our stakeholders and suppliers.

In 2020, we will re-assess our impact on the remaining development goals, by conducting a self-assessment based on the SDG Lens created by DNV GL.
Governing sustainability while growing the grassroots

To take sustainability at KK Wind Solutions to the next level, a Sustainability Committee with cross-functional participation has been established. This section describes how sustainability is managed and governed.

During the past years, sustainability matters have been passionately communicated by the executive management to mobilise a grassroots movement, uniting people to undertake actions and promote change inside our company. We want to sustain and grow this movement, but realise that to take our sustainability actions to the next level, we need to apply a focused management system and governance.

In 2019, a Sustainability Committee with cross-functional participation was established and will continue to evolve, as our business transformation progresses further.

The role of the Sustainability Committee is to develop, prioritise, oversee, and coordinate cross-functional sustainability initiatives in KK Wind Solutions and ensure sustained conformity according to UN Global Compact.

The committee reports to the Executive Management with a planned meeting frequency of four times a year, bringing proposals for new programmes for approval as and when relevant. The Executive Management receives sustainability strategy updates, and also reviews and approves the annual Sustainability Report.

Responsibility for sustainability performance and responsible business practices resides with the functional departments.
Principles of the UN Global Compact

The UN Global Compact (UNGC) outlines ten principles that companies should embrace, support and enact. A set of core values and fundamental responsibilities in the areas of human rights, labour, environment and anti-corruption.

Human rights
1. Businesses should support and respect the protection of internationally proclaimed human rights.
2. Businesses should make sure that they are not complicit in human rights abuses.

Labour
3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.
4. Businesses should uphold the elimination of all forms of forced and compulsory labour.
5. Businesses should uphold the effective abolition of child labour.
6. Businesses should uphold the elimination of discrimination in respect of employment and occupation.

Environment
7. Businesses should support a precautionary approach to environmental challenges.
8. Businesses should undertake initiatives to promote greater environmental responsibility.
9. Businesses should encourage the development and diffusion of environmentally friendly technologies.

Anti-corruption
10. Businesses should work against corruption in all its forms, including extortion and bribery.
Our ambition is to continuously develop our sustainability actions as we remain committed to ensuring that our business practices are safe, responsible and transparent. Hence, we have concentrated our communication around the following four themes.

**Human rights**
We are committed to the protection of human rights and support the United Nations universal declaration of human rights and the International Labour Organization’s declaration on fundamental principles and rights at work.

**Focus areas**
By regularly conducting risk assessments of our suppliers in compliance with our Code of Conduct, we have ensured an active integration with our CSR policies.

Also, we have integrated appropriate sustainability measures and our Code of Conduct in screening and assessing new suppliers and in finding accessible areas of improvement.

As we continue and expect future growth and globalisation, we persistently focus on safety and human rights, both in regards to our own and collaboration partners’ employees.

**Employees**
It is our goal to remain a company that encourages and supports the development of our employees and creates attractive jobs. Furthermore, we are dedicated to ensuring a safe and healthy working environment that meet the highest standards.

**Focus areas**
We aim to keep developing our highly skilled workforce whose contribution is meaningful and recognised. Our approach includes structured introduction schemes, extensive training and consistent follow-up on safety and performance.

Moreover, we have established a unique global leadership programme educating our people within leadership and cross-cultural collaboration. The programme encourages personal development while empowering people to lead transformation and execute our strategy effectively.

We remain convinced that by focusing even more on leadership, we will be able to tap into a significant pool of so far unutilised and hidden resources, recently documented by our Employee Engagement Survey.

**Environment**
As part of the renewable energy industry, we aim at maximising our positive impact on the environment, not only through the products we develop but also through our actions aimed at managing the business in an ever more sustainable manner.

**Focus areas**
We direct our attention to improving our products and operations across the entire product lifecycle and the supply chain. This includes taking appropriate actions to reduce energy consumption, minimise waste, and increase the share of waste that is recycled.

During 2019, we succeeded in increasing our recycled share of waste to 87% and reducing our heating consumption by 9.6%. However, our electricity consumption increased by 3.9% due to an increase in activity levels across our facilities.

Going forward, we aim at keeping this high level of recycled waste along with maintaining a low level of energy consumption. We continuously ensure that our electricity consumption across our facilities is covered by wind energy or other renewable energy sources.

**Anti-corruption**
We are committed never to engage in any form of bribery, corruption, extortion, embezzlement or any illegal method to influence public officials, the judiciary or any other private parties.

**Focus areas**
We direct our attention to securing that all employees fully understand the importance of following company ethical guidelines despite local culture and practices. To ensure commitment from our employees, we require that all new employees sign our Code of Conduct.

New contracts with agents, intermediaries and consultants include a section on anti-corruption. The contract holder must comply with all applicable laws and regulations along with our Code of Conduct.

Entering new markets and regions, we will seek to create an organisational setup that ensures CSR compliance.
Reinforcing our Code of Conduct

We continuously work to reinforce our Code of Conduct to secure responsible business practices in our operation and towards our suppliers.

Status
We continuously work to ensure that we have the right measures and assessments in place when it comes to ensuring responsible business practices in our operation and supply chain. We realise that it requires continuous training and integration of our processes to achieve this implementation. For that reason, we focus first of all on our employees and our suppliers.

We expect our suppliers to respect and comply with our Code of Conduct and require that they sign our Code of Conduct as a part of our supplier contracts.

To ensure our standards are met, we have made a risk assessment of our suppliers in regards to compliance with the Code of Conduct and integrated CSR measures.

Progress
In 2019, we initiated a process for all employees to sign our Code of Conduct to ensure strong internal understanding and commitment. Signing the Code of Conduct, is now a part of the standard onboarding process.

We continued our efforts emphasising the importance of safe working conditions and sound processes in our operations. We also expect our suppliers and their sub-suppliers to follow and ensure the standards.

A significant part of our CSR footprint comes from our supply chain, and we are committed to ensure that our suppliers uphold the same standards as we put forward. Consequently, all expectations towards suppliers within this area are covered by our Code of Conduct, which is included in all contracts with new suppliers.

We will continue to secure commitment from suppliers to our Code of Conduct in which we recognise the importance of clear communication of expectations and cooperation with suppliers.

All existing suppliers are continuously being rated through several risk parameters. These parameters have helped to prioritise the efforts in screening our supplier base. The parameters are based on the 10 principles from UN Global Compact.

Our Code of Conduct includes:
- Human and labour rights
- Health and safety
- Environment
- Business ethics
- Legal compliance

During 2019, we have ensured that all suppliers in the medium or high-risk categories sign our Code of Conduct or prove that they live up to the same high standards.

Furthermore, we have assessed suppliers in the high and medium risk category. New suppliers delivering components in the low to high-risk category have also signed our Code of Conduct or proven similar standards during own programs, audits or self-assessments.

All medium to high-risk suppliers will automatically be assessed and prioritised on ethical matters in the same way as quality is assessed and prioritised.

New objectives
In 2020, we will increase focus on sustainability and continue to focus on labour rights, health, safety and environmental impact at suppliers and their sub-suppliers. If we discover or suspect any non-compliances with our Code of Conduct or insufficient focus on health and safety, we will block the approval and use of that supplier.

In order to ensure the commitment from our suppliers, we will initiate a new procedure for signing the Code of Conduct. In 2020, all suppliers will sign the Code of Conduct during our supplier introduction process, ensuring that all suppliers have understood and accepted the requirements.

Finally, we will ensure that all remaining employees will sign our Code of Conduct by the end of 2020.

Figure illustrating four different supplier categories that require different actions and levels of attention.
Creating impact through collaboration

We are committed to the protection of human rights and rights at work. In addition, we support local communities and regions in which we operate.

**Status**
Our Code of Conduct ensures our commitment towards employee rights at work and responsible business conduct.

**Progress**
By regularly conducting risk assessments of our suppliers in compliance with our Code of Conduct, we continuously ensure human rights are protected and decent work conditions are provided throughout our supply chain.

**New objectives**
As we continue to expand our global footprint and supplier base, we persistently direct our attention towards human rights and work environment.

**Corporate citizenship**
In 2019, we decided to contribute and support local communities on a number of areas:

- **Universities**
  In 2019, we partnered with many new interns as part of our global cooperation with universities.
  We supported the ‘Energy Sponsor Programme’ at Aalborg University which enables us to strengthen technology cooperation while encouraging the next generation of Wind Power Wizards.
  Furthermore, we sponsored the annual event ‘Innovation Days’ and graduation price ‘Best Engineering Thesis’ at Aarhus University.

- **Partnerships**
  We are proud to support local sport activities in the vicinity of our headquarters by sponsoring the FC Midtjylland soccer team and Herning BlueFox ice hockey team, both clubs playing in the top Danish leagues.
  Furthermore, we partnered up with Project Wild to help protect some of the last wild places in the world.
  We also joined CO2 Neutral Website, to provide visitors with a sustainable online experience.

- **Charity**
  We have provided financial support for the national Danish fundraiser “Knæk Cancer” to help beat cancer.
  Among others, we continue to support SOS Children's Villages.

We are proud to support the local communities and regions in which we operate through various good causes and strong partnerships.

Chlinton A. Nielsen, CEO, KK Wind Solutions
Continued focus on health & safety

It is our goal to maintain a culture that encourages and supports the development of our employees. Furthermore, we are dedicated to ensuring a safe and healthy working environment that meets high ethical standards.

Status
In the past year, we have sustained the OHSAS18001 certification and will adapt to the new ISO 45001 standard. This certification ensures our commitment to continuous implementation and improvement of the way we manage our health and safety systems.

Progress
Our target was to have a maximum absence of 4.5% for blue collars and 2.5% for white collars. Aiming at achieving zero working accidents, our short term target was to have less than 3 accidents per 1 million work hours.

In 2019, employee absence was reported at 6.2% for blue collars and 3.1% for white collars, while unfortunately 7.2 working accidents per 1 million work hours were registered.

We continuously use risk analysis to prevent accidents, and during 2019 many corrective actions were performed and safety awareness further intensified. As a result, we achieved 100 consecutive days without accidents in October.

Building team resilience was an integrated part of the leadership programme we launched in 2019. We see leadership focus on building resilience as a natural part of being a responsible employer and increase employee well-being.

During 2019, we continued our internal ‘Safety First’ campaign for all employees, to further increase safety awareness and behaviour.

New objectives
In the coming year, we will implement Vision Zero to improve the health, safety and well-being of our employees. This assessment tool will furthermore enhance our knowledge-sharing capabilities across our different sites.

In addition, we will continuously improve our health and safety culture and launch new initiatives to stimulate stronger preventative safety awareness in all employees.

Our vision is to achieve zero accidents throughout the company and a 2020 target of less than 3 accidents per 1 million work hours.

Safety principles
• All accidents can be avoided
• All dangerous situations can be controlled
• Management is accountable for safety
• People are the determining factor when it comes to safety
• Working safely is a pre-requisite for employment
Renewable electricity and increased recycling

As part of the renewable energy industry, we aim at maximising our positive impact on the environment, not only through the products we develop but also through our actions aimed at managing the business in an ever more responsible manner.

Status
Our production facilities are certified according to the international environmental standard ISO14001, which ensures a systematic organisation and documentation of internal environmental procedures.

For wind to be a viable alternative to traditional fossil fuels, it has to be competitive. At KK Wind Solutions, we contribute to advancing the wind industry by continuously improving our products and developing new innovative solutions that contributes to the optimisation of wind energy. Furthermore, we are working in partnership to extend lifetime and reduce cost of wind turbines.

Progress
In the past year, our focus has been reducing the environmental impact of our operations and increasing the share of recycled waste to 87%. Moreover, we have recycled and partially recycled 97.8% of our waste.

In 2019, we restructured our power supply to ensure that our global electricity consumption was covered by renewables. We entered into renewable electricity purchase agreements directly with local utilities. In countries where local utilities could not provide these contracts, we purchased certificates to ensure that our electricity consumption was covered by sustainable sources.

To further raise the awareness of environmental issues, more information about environmental practices and behaviours has been added to the introduction process for new employees.

New objectives
At KK Wind Solutions, we remain committed to further reduce the environmental impact of our operations. We will continuously work towards reducing our energy consumption and ensuring that our electricity consumption is fully sustainable. Our target for recyclable waste remains at the current high level.

New products within energy storage have been added to the portfolio and will be further developed, to remove the need for offshore diesel generators and reduce short term fluctuations in wind power output. By offering repowering and control system retrofit solutions, we strive to increase wind turbines lifetime and performance, providing a strong and sustainable business case for asset owners.

Furthermore, we are currently developing localised supply chain solutions to support our customers locally in a more sustainable manner.

100% of our global electricity consumption will be covered by wind power or other renewable energy sources in 2020.
Business ethics and anti-corruption

We are committed never to engage in any form of bribery, corruption, extortion or embezzlement, or any illegal method to influence public officials, the judiciary or private parties.

Status
Our Code of Conduct ensures our commitment to continuously focus on running our business in an ethical and responsible manner.

However, we see a need for increasing our focus on keeping a very high ethical level as we become an increasingly globalised company.

Excellent standards and responsible business practices is an essential part of our corporate culture and behaviour.

Progress
In the past year, our target was to have zero corruption incidents. We have not registered any form of breach on our Code of Conduct in connection with corruption, extortion or bribery.

To ensure that all employees fully understand the importance of following our Code of Conduct this has special attention when onboarding new employees.

New objectives
KK Wind Solutions remains committed never to engage in any form of corruption, extortion or bribery. In 2020, we will implement a gift policy detailing when and what type of gifts are appropriate to give or receive as part of a business relation.

We will continue to investigate the best possible ways of keeping a culture with very high ethical standards and zero tolerance towards corruption.
About KK Wind Solutions
Building on more than 35 years of experience in electro-mechanical systems for wind, KK Wind Solutions’ capabilities span development of state-of-the-art technologies, high quality lean manufacturing, cost-efficient supply chain solutions and flexible service of turbines.