A.P. MØLLER - MÆRSK A/S

Sustainability Report 2015
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### About the report

The report covers activities in the calendar year 2015. Our approach to reporting 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.

It is possible to access the Group’s Sustainability accounting principles and previous year’s data on our website, where our Communication on Progress to the UN Global Compact is also available. Please go to www.maersk.com/sustainability.
This is the Maersk Group

The Maersk Group is a worldwide conglomerate operating in 110 countries. In addition to being one of the world’s largest shipping companies, the Group is involved in a wide range of activities across ports, energy, and the oil and gas industries.

Maersk Line
- A leading global container shipping company
- Revenue: £10.4bn
- Employees: 13,857

Maersk Oil
- An international oil and gas production and development company
- Employees: 2,247

APM Terminals
- A global port operations company
- Employees: 16,514

Maersk Drilling
- A specialist in offshore drilling
- Employees: 4,160

Maersk Supply Services
- A provider of maritime logistic services
- Employees: 5,695

Maersk Offshore
- A provider of offshore services
- Employees: 5,695

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Our Values
- Redefine the possible
- Be market leaders
- Lead with constant care
- Fulfil our promises
- Be transparent and inclusive
- Be role models for others

The Maersk Group has
- 89,207 employees
- USD 2015 t fi
- 122
- 0.36
- 6

We read more p. 28–29

Performance on social, environmental and economic indicators

<table>
<thead>
<tr>
<th>Maersk Group</th>
<th>Maersk Line</th>
<th>Maersk Oil</th>
<th>APM Terminals</th>
<th>Maersk Drilling</th>
<th>Maersk Supply Services</th>
<th>Maersk Offshore</th>
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</thead>
<tbody>
<tr>
<td>Employees</td>
<td>88,355</td>
<td>13,857</td>
<td>2,247</td>
<td>16,514</td>
<td>5,695</td>
<td>5,695</td>
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<tr>
<td>Shareholder equity</td>
<td>40.3bn</td>
<td>4,111</td>
<td>2,871</td>
<td>63</td>
<td>22</td>
<td>114</td>
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<tr>
<td>Targets</td>
<td>76%</td>
<td>3%</td>
<td>3%</td>
<td>3%</td>
<td>3%</td>
<td>3%</td>
</tr>
<tr>
<td>Carbon intensity</td>
<td>4.7bn</td>
<td>0.63</td>
<td>0.11</td>
<td>0.11</td>
<td>0.13</td>
<td>0.13</td>
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<tr>
<td>Social impact</td>
<td>0.36</td>
<td>0.36</td>
<td>0.36</td>
<td>0.36</td>
<td>0.36</td>
<td>0.36</td>
</tr>
<tr>
<td>Economic impact</td>
<td>6.2bn</td>
<td>0.36</td>
<td>0.36</td>
<td>0.36</td>
<td>0.36</td>
<td>0.36</td>
</tr>
</tbody>
</table>

Maersk Group 2015 Sustainability Report
The current business environment is harsh for the industries in which we operate. In spite of this, there should be no doubt that our commitment to sustainability in our businesses is unfaltering, as is our commitment to the United Nations Global Compact.

While the Group is in good shape, we too need to adjust to the market outlook in order to stay competitive. On this basis, we have had to say goodbye to employees mainly in Maersk Oil, Maersk Supply Service, Maersk Drilling and Maersk Line. In line with our Group Core Values, we try to provide support through these transitions.

**Sustainability is business**

Sustainability is not a luxury. It is a responsibility and a precondition for long-term competitiveness. To the Executive Board the responsibility is personal. It is our obligation to deliver our Company and our Name in better shape than when we stepped onto the bridge.

We welcome the global deal reached in Paris during COP21 which is an important step towards ensuring that global warming stabilises below 2 degrees Celsius. Future growth must occur while simultaneously containing climate change. We continue our decoupling of growth in traded volume and CO2 emissions in Maersk Line, our container shipping business, through investments in new vessels, retrofitting of older ones and enhanced planning. We do this as a matter of principle and because it makes business sense.

**A continuous effort to reach zero**

The Maersk Group has two areas on which our target is to reach zero. These are the areas of work-related fatalities and major oil spills. We are not satisfied with our performance on either.

In 2015, 7 people died while working for us. These fatal accidents occur in spite of our sustained prevention efforts through the work of our substantive and dedicated safety organisation. The fate of each of these people is deeply unsettling to me, and I want to assure all our employees’ families that we will continue to press forward to reach our ultimate target: to return all our people home safely at the end of the working day. This continues to be our highest sustainability priority.

We had three larger oil spills in 2015, which were contained and cleaned up when they occurred. Our analysis shows that spills mainly occur when work processes are not followed. An increased focus on process safety, which may help in avoiding spills in the future, is in progress across the Group’s businesses.

**Improvements in partnership**

A number of sustainability issues related to our industries require thought leadership and the creation of the knowledge, partnerships and collaboration necessary to induce real change.

Today, the majority of ships are dismantled and recycled at facilities on beaches. Here, the standards and practices often do not adequately protect the people working at the facilities and the natural environment. We have decided to play a role in changing this situation. Alone and in partnership with others, we will work to upgrade conditions at recycling facilities on the beaches in the Alang area, India, while we remain committed to responsibly recycle our own ships and rigs.

**Opportunity for growth**

The coming year will be challenging for our businesses, but also one with ample opportunity for those who are prepared to seize the many opportunities presented. As a competitive Group with a highly engaged workforce and performing in volatile markets this is what we will do to unlock growth – for the company and for society.

**Nils S. Andersen**

CEO of the A.P. Moller - Maersk Group
Sustainability governance is needed to ensure high-level accountability and decision-making that will allow us to fulfil our ambitions, manage our risks and address the expectations of stakeholders.

Our main governance and supervisory body is the Sustainability Council. It reports directly to the Executive Board and oversees progress on the Group’s sustainability strategy. The Sustainability Council’s functions are laid out in a charter:

- To oversee compliance with the Group’s sustainability standards and policies in the Commit framework (see governance framework graphic below).
- To endorse sustainability strategies and positions and to keep track of the most prominent movements on sustainability across the Maersk Group.
- To guide execution of approved strategies and positions.
- To prioritise and approve projects related to the execution of the 2014–2018 Sustainability Strategy within the investment framework provided by the Group’s Executive Board.

Each of the Group’s operating businesses have established governance structures to implement and manage sustainability. Management is held accountable for this through bi-annual reporting and CEO reviews (see next page).

**Governance members discuss progress and performance during the Sustainability Council meeting on November 10, 2015.**

The Sustainability Council’s 2015 actions

An important item on the Council’s agenda for 2015 was the development of a strategy and project on ship recycling (see p. 14).

Other topics in 2015 included updates on the core Group sustainability programmes (Anti-Corruption, Responsible Procurement, Global Labour Relations and Diversity & Inclusion), approval of the Group’s position on the global cap on sulphur oxides, discussion of sustainability criteria in MKA, approval of enabling trade projects and development of a global education pipeline model, the viability of which will be discussed and determined during 2016. A Group safety update is the first topic on the agenda at each of the Council’s four annual meetings.

**The Sustainability Council has seven members representing key Group Functions and businesses. Their deep knowledge of our businesses makes for insightful discussions, decision setting and decision-making.**

In 2015, the Sustainability Council members were:

- Claus V. Hemmingsen (Chairman and member of the Group Executive Board) and also CEO of Maersk Drilling.
- Carol McDiarmid, acting Head of Legal and CSR in Maersk Oil.
- Morten H. Engesvik, CEO of APM Terminals.
- Søren Toft, COO of Maersk Line.
- Kevin Furniss, VP of HSSE APM Terminals.
- Annette Stube, Head of Group Sustainability.
- Steen Karstensen, Head of Group Procurement.
- Morten H. Engelstoft, CEO of APM Shipping Services.
- Claus V. Hemmingsen (Chairman of the Sustainability Council).

The Sustainability Council is where the interests of business and sustainability are aligned across the Maersk Group for optimal outcomes.”

**Chairman of the Sustainability Council.**

Below: The Sustainability Council debates, sets direction and decides on future actions on our material sustainability issues.

The dashboard provides an overview of performance on key indicators related to Group targets and progress on sustainability integration in the businesses. It also shows status on implementation of centrally driven programmes, including where relevant, compliance as determined by the Commit assurance process (see figure on right).

Categories in the dashboard are: safety, 

| CO2 emissions, oil spills, anti-corruption, responsible procurement, global labour relations, diversity and inclusion, and sustainability integration in the business units. |

**Overseeing CEO Reviews**

Group Sustainability every year conducts reviews of the businesses’ progress and performance on sustainability. These are based on informed dialogue between business CEOs and sustainability staff and Group Sustainability. Each business is reviewed every second year. In 2016, reviews were performed in Maersk Oil, Svitzer, APM Terminals and Maersk Line. Results of the reviews are reported to the Sustainability Council and to the Executive Board.

<table>
<thead>
<tr>
<th>Executive Board</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commit framework*</td>
</tr>
<tr>
<td>Group governance framework</td>
</tr>
<tr>
<td>Group Core Values, Group Policies and Group Rules</td>
</tr>
<tr>
<td>Sustainability Council**</td>
</tr>
<tr>
<td>Approves and oversees positions, projects and strategies</td>
</tr>
<tr>
<td>Group Sustainability</td>
</tr>
<tr>
<td>Overall management of sustainability</td>
</tr>
<tr>
<td>Develop, implement and monitor sustainability strategies, policies and projects</td>
</tr>
<tr>
<td>Business Units</td>
</tr>
<tr>
<td>Develop governance processes and structures to integrate sustainability</td>
</tr>
<tr>
<td>Manage sustainability risks and commercial relationships</td>
</tr>
<tr>
<td>Implement programmes to comply with the standards and policies in the Commit framework</td>
</tr>
</tbody>
</table>

* Compliance with Commit items is the subject of an annual assurance process.
** Utilizes approved and oversees Group Core Values, Group Policies and Group Rules.
Determining our material issues

Knowing what our most material issues are helps us focus our reporting on what is important to our business and our stakeholders.

Assessing materiality

The materiality of issues to the Maersk Group is assessed through a process that considers issues that pose a risk to our business, and for that affect our stakeholders due to the impact of our activities. The result is a list of issues which is then assessed in terms of importance to our business and our stakeholders. We integrate input from stakeholders by leveraging contributions from issue owners and businesses, who regularly engage with stakeholders relevant to their area of work.

In September 2016, a materiality calibration workshop was conducted in which this year’s assessments were discussed with issue owners. The conclusions from this workshop were compared to materiality assessments conducted by the business units to ensure alignment.

The subject of personal safety is fundamental to our values and policies and will always be our top priority. As such, we do not assess this issue alongside other issues as part of the materiality assessment process.

Informing our reporting

The materiality matrix shows the relative importance of the issues assessed on their impact on cost, revenue, compliance and reputation, and correlates this with the estimated level of importance to employees, customers, regulators, the media, investors, local communities and NGOs. The materiality matrix informs our reporting as we mainly report on issues in the top right quadrant, but also include issues or obligations linked to our commitment to the UN Global Compact and regulation.

Changes from 2014 to 2015

Recycling of ships grew in importance to our business and stakeholders, which is reflected in both actions and reporting by the Group on this subject.

Diversity and inclusion was assessed as growing in importance due to increased risk of legal liabilities in some jurisdictions and a better understanding of the issue’s effect on Group opportunities, reputation and brand.

Strong safety measures, avoidance of major oil spills, and ensuring responsible business practices, including anti-corruption and aspects of human rights, remain the issues which are of highest concern to both business and stakeholders.

Maersk Group materiality matrix 2015

<table>
<thead>
<tr>
<th>Importance to A.P. Møller - Maersk</th>
<th>Personal safety</th>
<th>Corruption</th>
<th>Labour relations and labour standards</th>
<th>CO₂ emissions</th>
<th>Major oil spills</th>
<th>SLO</th>
<th>Process safety</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chemical transportation and storage</td>
<td>Diversity and inclusion</td>
<td>Arctic activities</td>
<td>Ecosystems and biodiversity</td>
<td>Waste management</td>
<td>Water use management</td>
<td>Decommissioning of platforms</td>
<td>Ballast water</td>
</tr>
</tbody>
</table>

Our sustainability strategy

The ambition of our 2014–2018 sustainability strategy is to enable growth through trade and education while limiting transport’s impact on climate change.

Our sustainability strategy focuses on three areas of opportunity where we can accelerate the positive impacts of our business: enabling trade, climate change, and education.

In 2015, we reduced CO₂ emissions, progressing toward our Group target and decoupling growth in volume from CO₂ emissions. We also participated actively in partnerships and high-level advisory groups on carbon emissions in transportation.

In the area of enabling trade, we continued our work in three pilot projects and enhanced our advocacy of the WTO trade facilitation agreement.

We mapped and evaluated current investments in education and developed a model for upgrading the skill levels of a country, the viability of which will be determined during 2016.

The strategy also stipulates that we will continue to integrate sustainability in our operations, mitigate risks and improve performance levels. Our progress is described throughout the chapters in this report.

Change in drivers of progress

Two years into the strategy period we are making adjustments to the sustainability strategy as a result of learnings achieved and changing framework conditions.

While we originally designed the evolution of our Group target setting for the three themes (enabling trade, climate change, and education) to follow the same format, this approach is now less relevant. Whereas the key drivers for the enabling trade work are growth and innovation, climate change is driven by cost reduction and for education the original driver has changed along with the business climate in the energy sector. Consequently, we will have different approaches to the three themes going forward and are changing our approach to scaling up the projects from model to solution integrated in our businesses.

Unlocking growth

Why we do it

By raising the bar on energy efficiency, we can respond to a global challenge, supporting the need to decouple economic growth from CO₂ emissions while lowering our cost. See page 10–11.

Access to global markets can help generate economic development and employment supporting businesses and people through new opportunities for exports and income. See page 8.

Education and employment provide opportunities for people and communities to develop and prosper while supporting relationship building for the Group in select markets. See page 34.

Welcoming the sustainable development goals

In September of 2015 the United Nations general assembly representing 193 countries, approved 17 new and global sustainable development goals.

The private sector is expected to play a critical part in achieving these goals, and the goals have the potential to serve as a guiding light for companies searching for the right way to release their businesses potential to deliver on sustainability.

For the Maersk Group, the goals and expectations are closely aligned with our sustainability strategy’s focus on unlocking growth and the partnerships in which we are already engaged.
Systemic issues require leadership and collaboration

Acknowledge, commit, act, lead, and collaborate. Five key concepts in tackling issues where our own actions will be insufficient to mitigate the risks to our business objectives or to maximise synergies between business growth and creation of societal value.

For some sustainability issues, change at a systemic level is the only way to effectively address and solve the issue. In order for this to occur many actors will have to move in the same direction at the same time. In addition to their systemic nature, they pose material risks to the individual businesses’ objectives and they are issues that stakeholders believe are at least in part our responsibility. To simultaneously meet our responsibilities, mitigate risks and enhance opportunities, we need to take actions in our own business that allow us to demonstrate leadership. Only then can we legitimately and knowledgeably participate in the building of broad coalitions or in other ways collaborate to begin to address the issue at a systemic level.
Enabling trade through projects and advocacy

Trade is a key driver of growth and development and a core element in our sustainability strategy to unlock growth for countries and communities.

World Bank research has shown that no country in the last 50 years has sustained high levels of growth and significantly increased incomes without greatly expanding trade. However, there are many systemic challenges in unlocking growth, which create myriad bottlenecks holding back the expansion of trade.

Maersk Line has approximately 15% capacity market share in global container shipping. APM Terminals is the third largest port operator in the world and Danco handles logistics services for some of the world’s largest companies. In spite of these facts, actions we take in our own business will not begin to solve the systemic problems involved in enabling trade. Only if other parties get involved, will meaningful change be possible.

The Maersk Group’s position allows us to take the lead in understanding how to enable trade. We have for some years now investigated the effect of trade and infrastructure investments on economic development. We have studied the impact of APM Terminals’ presence in Apapa, Nigeria, the effect of establishing new trading routes in Latin America with specialised vessels, the impact of liner connectivity on growth in global trade. Together with our partner, TradeMark East Africa, we continue to work on the pilot projects initiated in 2013.

Advocating trade facilitation

The World Trade Organisation’s (WTO) Trade Facilitation Agreement (TFA) from 2013 is by all accounts closer than ever before to coming into force. The Maersk Group has been vocal in our support of this agreement, which aims to reduce non-tariff barriers to trade across borders and cutting red tape. We continue to explore opportunities for private and public sector collaborations to realise the one trillion-dollar increase in global domestic product, equal to 11 million new jobs, which is the estimated effect of implementing the TFA1.

As implementation of the TFA draws closer we have made our technical knowledge available to the relevant stakeholders. We participated in the WTO’s Aid for Trade meeting in Geneva, Switzerland, the WTO Public Forum in Geneva, and the corporate side event related to the tenth WTO Ministerial Conference in Nairobi, Kenya. As another way of strengthening our commitment to enabling trade, we accepted a seat in the steering group of the Global Alliance for the Trade Facilitation Agreement. This initiative continues the public-funded investments in trade facilitation from the US, UK, Germany and Canada with the corporate insights into bottlenecks in trade from corporations, including the Maersk Group, DHL, Walmart and others.

Why this matters to society

According to the WTO, every dollar invested in trade support creates between $20 and 30 US dollars of exports. Experts create jobs and increased incomes provide benefits to society and opportunities for development.

Why this matters to the Maersk Group

Close to 75% of the total Maersk Group revenue is related to global trade. Allowing barriers to trade will allow more small and medium-sized enterprises and economies to engage in global trade, creating business opportunities in which our future revenue depends.

Our ambitions

We will enable trade through building partnerships with stakeholders in our sector that will allocate trade barriers, allowing us to promote opportunities for growth beyond those provided by our everyday business.

Our progress

Broad stakeholder support in East Africa for piloting the Shipping Information Pipeline Technology

Joined the Global Alliance for the Trade Facilitation Agreement

Agreement signed with the Inter-American Development Bank on ConnectAmericas.com

Alliance for the economic development of Bitung

A replicable model for the economic development of all of Indonesia.

“Transport and logistics costs in East Africa are on average still between 50% and 60% higher than in the US and Europe. Reducing trade costs and allied processes will help enable East African companies to improve business competitiveness and provide access to trade for millions in the region.”

Frank Matsaert

CEO, TradeMark East Africa

The project is owned and run by the Inter-American Development Bank with main partners from Google, DHL, Visa and Alibaba. In 2015, Maersk Line’s intra-Americas shipping line, Sealand, signed a Letter of Intent with the Inter-American Development Bank and began the development of training and information programmes for inclusion in the platform.

Our contribution will include information on areas such as logistics planning and customs procedures. At first, this is directed at Colombia, Mexico and Peru, with information prepared for these specific countries. We will also include guidance on price levels for goods transport, to allow companies to better understand their total cost of trade and thus competitiveness on international markets. We expect the training modules to be publicly available in 2018.

Developing a trading hub in East Indonesia

The area of Bitung in East Indonesia, has been earmarked for development by the country’s government. One measure applied is to establish Bitung as a hub port for shipping commodities to global markets. In support of these plans and activities, the Alliance for the economic development of Bitung was officially established in late 2015. When a Letter of Intent was signed between relevant ministries and the Maersk Group.

The alliance investigates the two most prevalent commodities in the area, tuna and coconuts, to document the challenges in the exporting of these products, including clearance, terminal handling and regional as well as global connectivity of the Bitung area. The alliance intends to improve the port, support local manufacturing, create jobs and possibly invest in infrastructure. When the Bitung project is documented and the effects established, the actions can be replicated in other locations.

“With Connect-Americas, SMEs will have tools to release their export potential and grow to the benefit of people and societies.”

Matias Bendersky

Chief of Partnerships and Resource Mobilisation Unit, Inter-American Development Bank

The Alliance’s ambition to develop a replicable model for increasing trade by developing industries and provide growth to local communities would have vast implications for the economic development of all of Indonesia.”

Edy Putra Irawidy

Executive Director of the Indonesia National Logistics System/Deputy Coordinating Ministry for Economic Affairs of Indonesia for Commerce and Industry

Taking the lead on climate change

The Maersk Group continued to reduce CO₂ emissions while growing our business in 2015. Based on our learnings from this decoupling, we advocate and advise on the role of transport in limiting climate change.

Climate change is one of the main challenges facing global society. When addressing the climate change challenge, it must be done in a way that allows for simultaneous reduction in emissions and enhanced growth and development. If not, we will not redress people’s and communities’ ability to grow.

The Maersk Group continued to reduce CO₂ emissions while growing our business in 2015. Based on our learnings from this decoupling, we advocate and advise on the role of transport in limiting climate change.

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Everyone’s problem

Nearly all economies today run mainly on fossil fuels and we are driven by growth in global demand for goods and services. The energy sector is a main contributor to the climate change challenges we face and at the same time a key driver for growth and development, particularly in some of the poorest regions of the world. As a result, the potential for decoupling economic growth from CO₂ emissions is critical.

The Maersk Group

We believe that establishing a global carbon pricing scheme could be instrumental in ensuring a level playing field that will enable competition on the basis of carbon performance. This will only be the case, however, if the scheme has global coverage or in other ways addresses the issue of higher costs in regions where carbon pricing is implemented.

Progress on reduction targets

CO₂ emissions at group level grew in absolute numbers, but we are on track to achieve the Group target of a relative reduction in CO₂ emissions of 30% in 2020 compared to a 2010 baseline. By the end of 2015, a 23% reduction was achieved in total.

Maersk Line’s target is to reduce CO₂ emissions per container moved by 60% by 2020 compared to a 2007 baseline. Even in times of low oil prices, a reduction of 42% was reached. Simultaneously, Maersk Line saw growth in volume transported, sustaining the decoupling of CO₂ emissions and trade volume. We also maintain our estimated 10% lead in CO₂ efficiency compared to industry benchmarks.

Our progress

Maersk Group’s relative CO₂ reduction across the Group has declined by 25% (2011–2015) (2% in 2015).

Maersk Line’s CO₂ emissions (g per container moved) declined by 4.5% compared to 2014, and 4.2% compared to 2007.

Next steps

Further roll out of carbon pricing.

Increased focus on climate change resilience.

Carbon pricing in focus

We are evaluating the best means of integrating carbon pricing across our businesses. In Maersk Oil all major projects sanctioned in 2015 assessed CO₂ emissions and avoided or offsetting in the analysis of an investment’s sensitivity to carbon pricing regulations.

We believe that establishing a global carbon pricing scheme could be instrumental in ensuring a level playing field that will enable competition on the basis of carbon performance. This will only be the case, however, if the scheme has global coverage or in other ways addresses the issue of higher costs in regions where carbon pricing is implemented.

Maersk Tankers reduced emissions by 23% in 2015, mainly through a focus on energy use in ports, where consumption fell by 6.9% (2014 baseline). Maersk Oil’s CO₂ emissions level grew due to a general increase in production activities, while CO₂ efficiency numbers improved in 2015.

Bringing in customers

In 2014, Maersk Line entered into the first carbon parts, which are multi-annual agreements with a customer committing Maersk Line to a tailored CO₂ target in alliance with the customer. For example, Maersk Line and Philips signed a five-year carbon pact in 2015, with Maersk Line undertaking to cut CO₂ emissions by 25% for every Philips container moved between 2016 and 2021, as well as integrating CO₂ and other sustainability indicators into the commercial supplier relationship.

Global engagement and positioning

Essential to unlocking solutions to systemic changes is the building of coalitions and partnerships. For the Maersk Group, this began in 2019 by engaging with the High Level Carthage Forum and the Clean Cargo Working Group, a business-to-business initiative on the environmental impact of maritime container transport. We also support the Caring for Climate initiative, a UN-driven framework for business leaders who set goals, develop strategies and practices, and publicly disclose emissions.

A sizeable share of recent years’ reductions in the container shipping industry have been achieved through slow steaming, made possible by alterations in the container ship’s design and practices, and publicly disclose emissions.

We are engaged in a dialogue with the International Maritime Organisation (IMO) puts shipping’s global share of emissions at 2.2%, which is engaged in efforts to phase out all forms of fuel regulation of CO₂ emissions in the shipping sector, which needs to be global, fair, regional and not at the expense of the most vulnerable.

As such, we were disappointed that shipping was not included in the Paris agreement approved at the COP21. We will sustain our engagement in this in the IMO and UNFCCC, going forward.

We are encouraged by the UN Secretary General’s, Ban Ki Moon, statement that he wants transport as a focal point for the next years. We are dedicated members of Ban Ki moons high level cross sector panel on sustainable transportation, advising him on how to bring sustainable transport into the forefront of the development agenda since 2015 and look forward to being part of producing the first UN global outlook report on sustainable transportation under the auspices of the Secretary General.

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Corruption is a systemic issue with customs and practices deeply ingrained in societies and communities. These practices are not easily altered and taking a stand can, in many cases result in significant consequences (see case story on the next page). We work to reduce and eliminate facilitation payments, which are commonplace in the shipping and logistics industries. To increase the likelihood of success, we were instrumental in creating a collaborative forum to combat corruption in the maritime industries. However, such actions are only effective if those responsible can show credible improvements in their own performance.

**Significant reduction in facilitation payments**

Facilitation payment demand remains a challenge for some parts of our businesses in some parts of the world. As such, they remain a focus area for our anti-corruption compliance programme. At the end of 2016, facilitation payments made by the Group’s shipping and logistics businesses had been reduced by 34% compared to 2014.

**Site visits performed**

The Group Legal department, often together with compliance teams from the businesses, conducted 12 individual site visits in business unit facilities in Bangladesh, India and Vietnam, and business unit headquarters in Denmark. In 2015, Businesses involved were Maersk Line, Damco, Maersk Supply Service, Maersk Drilling and Maersk Line as well as Maersk Line and Maersk Tankers’ crew manning agency.

The visits evaluated compliance with key elements of this Group’s anti-corruption programmes, assessed the risks of documentation errors, which can result in bad demands from government officials during port calls, and included training and town hall sessions on compliance. They also included meetings with key service providers to emphasise the Maersk Group’s compliance requirements and evaluate the provider’s compliance actions.

**Emphasising compliance**

The compliance visit showed that there is widespread awareness of corruption and the importance of compliance. In some locations we want to enhance training on the Group’s stand on facilitation payments, and focus on integrating compliance into daily operations as well as continuously increasing local management focus on compliance.

In 2015, the Group CEO and business CEOs have frequently communicated the importance of our values and anti-corruption compliance to our business and customers, and urged all managers to put compliance high on their agenda, particularly in gaining business.

**Collaborating for change**

Elimination of facilitation payments requires commitments from governments, international organisations, the private sector and individuals. Recognising this necessity, Maersk Line in 2011 initiated the Maritime Anti-Corruption Network (MACN) together with eight like-minded peers from the shipping industry. In 2012, MACN was formally established as a network of vessel-owning companies and others across the maritime supply chain.

MACN promotes good corporate practice in the maritime industry for tackling bribes, facilitation payments and other forms of corruption, and collaborates with local governments and other actors to identify and mitigate the root causes of corruption in the industry. The Maersk Group chairs MACN today, which has grown to over 65 participating companies. The partnership works to strengthen members’ anti-corruption programmes and to contribute to improvements in the operating environment. For example, a programme focused on Nigerian ports has been running since 2012. MACN activities in 2015 included the planning of integrity training sessions with government officials and a best practice sharing session with port officials from inside and outside Nigeria. Both will take place in early 2016 and the outcomes will be used to develop tools to professionalise ports globally. Also in 2015, Maersk Line took a leading role in a MACN-driven “Say No” campaign in the Suez Canal to eliminate facilitation payments related to canal transit.

A key learning is that even when joining forces, companies cannot solve corruption challenges on their own. Success also requires genuine willingness from national governments to combat corruption at home, and visible support and leverage from other governments and international institutions.

**Launch of new anti-corruption e-learning**

To integrate learnings from the first five years of operating a whistleblower system, we worked to update and further promote the system in 2015. Changes include technical improvements, better user interface and improved reporting categories. There were 51 genuine whistleblower reports (excluding fraud) made through the system in 2015, of which 4 alleged corruption, down from 13 in 2014. The total number of reports through the system in 2015 was 258, down from 328 in 2014. All were investigated following Group procedures, and if substantiated, appropriate remedial actions occurred. These included dismissal, reprimands, earnings and additional training, changes in operations, procedures and systems, and reports to regulators.

**Why this matters to society**

Corruption undermines growth and social and economic development. As an obstacle to trade and undermining clean and fair business, it creates costly business interruption, difficulty in planning and executing business activities, which reduces societies’ ability to grow and prosper.

**Why this matters to the Maersk Group**

Eliminating corruption is in line with Group values, necessary to comply with legal obligations and required by our customers, employees and the society in which we operate.

**Our ambitions**

Pursuing the Group’s 2016–18 compliance strategy, we will:

- Continue to integrate compliance into daily business.
- Enhance efforts through support and assurance.
- Strengthen external stakeholder engagement.

**Our progress**

34% reduction in facilitation payment (2014 baseline).

11,541 employees in total trained in anti-corruption across the Group (29% in 2014).

11 audits and spot checks performed.

Ten communication efforts.

**Next steps**

Continued focus on facilitation payment reductions (line in with the Group’s target).

Execute on the compliance strategy.

Continued audit checks and audits.

Launch of new anti-corruption e-learning.
Ship recycling is a heavily debated issue known to attract great stakeholder attention, mainly due to work practices on beaches. Media coverage of such beaching facilities has pointed to issues with child labour, frequent fatalities and only little control over spills of oil and chemicals. To many, ship recycling has become synonymous with negative environmental and human rights impacts and has become a symbol of systemic issues.

The right policy – but costly and limited

Since 2009 it has been the Maersk Group’s policy to only recycle ships responsibly. This policy was reaffirmed in 2015. Currently, this is only possible in a limited number of yards in China and Turkey. On average, using one of these yards has an added cost of one to two million US dollars per recycled vessel.

Also, our policy does not consider the fact that the majority of our vessels are sold off before they reach end of life. These vessels are not necessarily recycled responsibly, and some stakeholders have claimed that we employ double standards by accepting these actions.

An ageing fleet inspires action

The number of vessels up for recycling by Maersk Group companies has been limited for the past decade, but in the next five years a larger number of assets owned by the Group will reach end of life.

Out of a total of 768 ships dismantled globally in 2015, 469 – representing 74% of the total gross tonnage (GT) scrapped – were sold to facilities on the three beaches with ship recycling yards in India, Pakistan and Bangladesh. Despite our and other shipowners’ insistence on responsible recycling there has been no change in practices.

Using only responsible recycling facilities is estimated to incur extra costs of more than 150 million US dollars, compared to using upgraded facilities in India. Moreover, new regulation of the area from the EU is also expected, and further down the line the Hong Kong Convention on ship recycling might enter into force.

Investigating the options

Driven by this situation, the Group conducted two visits at upgraded beaching facilities in Alang, India in 2015. Conditions at these yards were compared to criteria in the Hong Kong Convention and the proposed EU Ship Recycling Regulations, combined with the Group’s Third Party Code of Conduct criteria for anti-corruption, labour and human rights as well as subcontractor matters.

The main conclusion was, that an upgrade to meet the necessary criteria would be possible depending on the commitment of the facilities themselves and the local governments.

Taking action on our own

As a consequence, the Group Sustainability Council decided that the Group should initiate engagement with a number of carefully selected yards in Alang, India. We will work directly with these to upgrade their practices to comply with our standards.

Involving other ship owners

We will engage with facilities as they receive our ships for recycling by having Maersk Group-employed staff on-site to ensure upgrading of standards and conditions are made.

Involving other ship owners

At the same time, we know that the problem extends far beyond our own vessels. We also recognise that the vessels we sell off before end of life, will most probably continue to go to facilities on beaches with lower standards.

To mitigate this larger problem, we want to engage a broader coalition to help upgrade the Alang area to get better waste facilities, hospitals and a genuine upgrade of all the facilities on the beach. The more ship owners that commit to engaging over this issue, the greater the leverage for change.

Why this matters to society

More than 70% of all ships reaching end of life globally are recycled in beaches where serious challenges exist to improve current negative environmental and societal conditions.

Our ambitions

To make more responsible recycling facilities available, regardless of location and method applied.

Our progress

Development of a standard, combining the Hong Kong Convention and the Group’s Third Party Code of Conduct demands.

Next steps

Upgrade selected ship recycling facilities in Alang, India.

Initiate upgrade of the greater Alang area.

Take an active role in promoting responsible recycling actions, regardless of method and location.

Exploring solutions for ship recycling

Facts

- **USD 1-2m** extra cost of recycling each vessel at existing responsible yards
- **768** ships recycled globally in 2015
- **469** vessels recycled on beaches in India, Pakistan and Bangladesh in 2015

Recycling in 2015

- Maersk Drilling recycled one drilling rig at a recycling facility in China. Maersk Supply Services and Maersk Line recycled one vessel each at facilities in Turkey. All facilities meet our requirements for ship recycling and the work was supervised by an independent third party.
Global partnerships for change

We collaborate on a range of subjects and with a range of partners. Successful resolution of sustainability issues will rely on an integrated approach. Only when joining forces can significant change take place and alter the premises and solutions space for those involved. Established partnerships may break down traditional barriers of competition or opposition when partners come together to explore how they can join forces to achieve an ambitious target.

On these pages are some of the most significant global, partnership-based initiatives and organisations in which the Maersk Group participates.

UN Global Compact
As a member of UN Global Compact programme, the Maersk Group has joined other companies striving to further the development, implementation and disclosure of responsible and sustainable corporate policies and practices.

Clean Cargo Working Group
Maersk Line participates alongside other leading cargo carriers and customers in the Clean Cargo Working Group (CCWG) to tackle sector related systemic issues in climate change response. Members share the vision of environmental performance improvements in marine container transport through measurement, evaluation, and reporting on cargo-related emissions.

Caring for Climate
Caring for Climate is a UN Global Compact initiative that mobilizes business leaders to implement and recommend climate change solutions and policies. Supporters set climate change goals, develop strategies and practices, and publicly disclose emissions.

Maritime Anti-Corruption Network (MACN)
As part of the Maersk Line, participating in the Maritime Anti-Corruption Network (MACN) in 2011 – the first of its kind within the maritime industry – is a step to foster a collaborative approach towards stamping out the systemic issue of corruption and enable fair trade to benefit society at large. It promotes good corporate practice in the maritime industry for tackling bribes, facilitation payments, and other forms of corruption.

World Economic Forum
World Economic Forum (WEF) is an international institution working to improve the state of the world through public-private cooperation. The Maersk Group interacts with WEF through high-level meetings, research networks and task forces, involving political, business, academic and other leaders in collaborative efforts to shape global agendas on global challenges.

World Ocean Council
World Ocean Council (WOCE) is a cross-sectoral industry alliance collaborating on stewardship of the world oceans, e.g. improving ocean science in support of safe and sustainable operations, engaged in ocean policy and planning, and developing science-based solutions to environmental challenges.

Maersk Line participates in the following sector-related systemic initiatives in climate change response.

- Post-2015 development agenda: providing input to the development of the UN’s Sustainable Development Goals
- Roadmap for integrated sustainability: providing input to the development of guidance material for integration of sustainability in organisations

UN High-level Advisory Group on Sustainable Transport
The Maersk Group is part of the UN Secretary-General Ban Ki-moon’s High-level Advisory Group on Sustainable Transport, working with governments, transport providers, businesses, financial institutions and civil society to tackle the systemic issue of climate change by finding viable solutions to promoting public health and safety, environmental protection and economic growth through sustainable transport.

Logistics Emergency Teams
The EITI is a global standard for the governance of a country’s oil, gas and mineral resources, implemented by governments, in collaboration with companies and civil society to combat the systemic issue of corruption. Maersk Oil supports the EITI as part of its transparency and anti-corruption activities.

Sustainable Shipping Initiative
The EITI is a global association working towards improving oil and gas industry operations and products to meet society’s expectations for environmental and social performance.

Maersk Line joined other leading companies from the shipping industry forming Forum for the Future’s Sustainable Shipping Initiative (SFI). The coalition works to achieve a vision of a shipping industry that is both profitable and sustainable by 2040.
Managing impacts of our businesses

When Maersk Group employees are at work, they are very often at open sea using heavy machinery to complete tasks that if not carried out with great care and foresight could result in significant harm to people and the natural environment.

Moreover, we are a global company that have to ensure that we treat our employees with respect, and as a minimum, in line with local and international legislation and conventions. At the same time, employees in all locations around the world must be urged to act in line with the Maersk Group’s values and rules for responsible business conduct.

Our approach to dealing with these challenges is to run programmes that integrate the management of our material issues into our businesses’ operations. We acknowledge that our work on these issues will never be done and remain dedicated to be continuously improving our performance.
Having undertaken human rights due diligence process, we will further review five issues to better address the risks associated with adverse human rights impacts.

Two perspectives on risk
- When analysing human rights issues in our due diligence process and deciding on actions, we distinguish between two different approaches to risk, as traditionally understood in a business context, and responsibility as understood in a business context, and responsibility.

Prioritising human rights issues
- In the due diligence process we sought to look at activities and business relationships across our value chain, which have the greatest potential to cause, contribute or be linked to severe human rights impacts. We then prepared a priority list of five issues for further assessment (see box on right). Being on this list indicates that our due diligence process has shown that the issue, while currently managed on an ad-hoc basis, requires either further review or a more systematic and consistent approach across the businesses.

In addition to these five issues, other areas of concern were identified but not included in the priority list, because other programmes in the Maersk Group already work to manage these. Examples of this are trade union relations, which are being addressed through our global labour relations programme (see p. 25) and major oil spills near coastal areas, which are managed through our oil spill response plans (see p. 29).

Improving opportunities to raise human rights concerns
- As part of our continued efforts to integrate the UN Guidelines and building on the guidelines for grievance mechanisms we developed in 2014, we have taken two actions related to grievance reporting.

<table>
<thead>
<tr>
<th>Our five 2016–17 priority human rights issues</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Asset under Construction:</strong> In this key supplier category, some of the most common risks to human rights refer to the safety and employment conditions of sub-contracted workers’ buildings, for example, vessels, rig or terminals.</td>
</tr>
<tr>
<td><strong>Indirect hiring and recruitment:</strong> Recruiting workers and crew through third parties (hiring and employment agencies, local agents or partners), has been identified as a risk due to lack of direct control and daily oversight of the human rights of workers often recruited across multiple countries, for example, how they are hired and paid, if they have adequate visas or if personal documents are held back.</td>
</tr>
<tr>
<td><strong>Transportation and services to/from conflict zones:</strong> The Maersk Group’s global presence also means it is vulnerable to be used for illegal and illicit trade and transportation which may constitute a risk to human rights.</td>
</tr>
<tr>
<td><strong>Use of security services:</strong> The Maersk Group’s businesses may utilise security services to protect assets and people, in transport and storage, in high risk and conflict settings. While serving as a protection, deployment of security services may also constitute a risk to human rights if not executed properly.</td>
</tr>
<tr>
<td><strong>Land acquisition and resettlement:</strong> Resettlement and economic displacement are of great concern to the individuals and local communities affected by the development of, for example, a container terminal. These processes are often carried out by local authorities or business partners, challenging the Group’s ability to ensure respect for human rights in alignment with The Maersk Group’s values and international standards.</td>
</tr>
</tbody>
</table>

Maersk Oil and Maersk Tankers conducted a pilot project to map and assess their existing grievance mechanisms. One of the outcomes of the assessment was the development of a tool that will allow our businesses to map and assess their existing grievance mechanisms. The tool will be deployed to the rest of the businesses in the coming year. The pilot assessment in these two businesses showed that there is room for improvement in the ease of access to these grievance mechanisms. In relation to access, an update of the Group’s whistleblower system will be implemented in early 2018 (see page 10). It, among other things, makes it possible for internal and external parties to use the channel to report a larger scope of human rights concerns, e.g. actions harming persons, their livelihood or properties, child labour, human trafficking and forced labour related to our operations or our suppliers, contractors, or other business partners.

Respecting human rights

To identify issues within or linked to our operations with potential to have adverse human rights impacts, we conducted a human rights due diligence exercise based on the United Nations Guiding Principles on Business and Human Rights (UNGP) in all the Group’s businesses in 2015. This assessment was done with the expert support of The Danish Institute for Human Rights.

Next steps
- Develop action plan on prioritised issues for 2016–17. Roll out tools to assess grievance mechanisms.
Sustainability Report 2015

Managing impacts | Safety

Protecting our people

Safety is the most material sustainability issue in the Maersk Group. Staying safe in the industries and environments that we work in requires excellent safety management and procedures. Our license to operate depends on it.

Concerted efforts to improve our safety performance continued throughout 2015 with activities in our businesses, each of which has dedicated organisations pursuing detailed safety plans and targets. We aim to have a strong safety culture and see safety as a core element of our operations.

Port terminals in focus on fatalities

Although the Group strives to have zero fatalities, we regret that 7 employees lost their lives during our operations in 2016. We are working urgently to address this and will not consider our efforts adequate until avoided in 2016. In 2015, fatalities occurred.

Port terminals in focus on fatalities

It remains the case that most of the fatalities in the Group happen in the ports we operate in. In their continuous battle to combat fatal accidents, APM Terminals strengthened and reorganised their safety efforts in 2015.

Process safety in the spotlight

Process safety, which deals with the prevention of high impact – low likelihood incidents like fires, major spills and explosions, is the object of an even higher level of attention than previously in our companies. Our businesses in the offshore industry that remain highly dependent on process safety measures to secure their license to operate, are included in this drive for excellence.

Maersk Oil’s goal is to eliminate high-potential incidents in operations and raise performance compared to peers, and Maersk Oil’s operating units each developed a five-year process safety plan in 2015. The plans focus on four global themes: process safety, process safety in the spotlight, next steps, and the determined mindset on safety, already existing on the Norwegian North Sea for 10 years.

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Next steps

Increase cooperation and knowledge sharing on process safety across businesses.

Enable Group wide standardised incident investigation.

Organise Group wide Global Safety Day.

Explore opportunities to align training across the Group’s businesses.

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Next steps

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Enable Group wide standardised incident investigation.

Organise Group wide Global Safety Day.

Explore opportunities to align training across the Group’s businesses.

Why this matters to society

Our employees and their families should expect that working for the Maersk Group allows you to return home safe at the end of a workday.

Why this matters to the Maersk Group

Provision of safe workplaces for our employees is one of our most important values and responsibilities.

Our ambitions

Zero fatalities

Our progress

In 2015, regretfully 7 fatalities occurred as part of operations in the Maersk Group. Development in LTI is positive in six of the businesses. In three businesses performance declined in 2015.

Fatalities in 2015

<table>
<thead>
<tr>
<th>Business</th>
<th>Location</th>
<th>Description</th>
<th>Employed by</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gamsa</td>
<td>Ho-Chi-Minh City, Vietnam</td>
<td>Driver crushed by own truck at warehouse loading dock.</td>
<td>Third party</td>
</tr>
<tr>
<td>APM Terminals</td>
<td>Angola, Luanda</td>
<td>Training coach died from fall between two tugs.</td>
<td>APM Terminals</td>
</tr>
<tr>
<td>APM Terminals</td>
<td>Namibe, Angola</td>
<td>Stoware crushed between containers during unloading of vessel.</td>
<td>Contractor</td>
</tr>
<tr>
<td>APM Terminals</td>
<td>Mumbai, India</td>
<td>Security guard crushed between two trucks entering the port.</td>
<td>Contractor</td>
</tr>
<tr>
<td>APM Terminals</td>
<td>Johanneberg, South Africa</td>
<td>Security guard struck by moving trailer.</td>
<td>Contractor</td>
</tr>
<tr>
<td>APM Terminals</td>
<td>New York, USA</td>
<td>Dockworker struck by a top loader on passing through loading area.</td>
<td>APM Terminals</td>
</tr>
<tr>
<td>Svitzer</td>
<td>Bristol, the UK</td>
<td>Engineer caught between hulls during mooring alongside other tug.</td>
<td>Svitzer</td>
</tr>
</tbody>
</table>
Reducing the risk of labour disputes

The Maersk Group wants to build professional and productive relationships with the many unions and work councils that we work with.

Stresses and work stoppages are costly to workers, communities and companies involved. In 2015, we recorded 17 labour stoppages in our operations. After the introduction of a new Maersk Group global labour stoppages reporting tool in June 2015, eight were analysed using the tool. We estimate the commercial impact on business of these stoppages to be more than 4 million dollars.

We also carried out an analysis of potential adverse impacts on human rights from our labour practices. The process of analysing the results is ongoing, and the potential outcomes will be addressed in the businesses if relevant.

The labour relations framework

We began the roll-out of the Global Labour Relations Framework across the Group in 2015. The framework serves to further constructive and productive labour relations with employees and their representatives, ensuring that labour relations and labour conditions serve the interests of both employees and company.

It sets guidelines for how management should engage with employees and their representatives, introduces a reporting tool for labour issues, offers training in labour relations and negotiations, and strengthens the alignment and knowledge sharing across different businesses.

Building, sharing and using what we know

Knowledge about relevant laws and regulations was introduced in 2015. Furthermore, 94 people completed the e-learning modules on our global labour principles, bringing the total number of people to 1,753. In another effort to distribute best practices, we established communities of practice on labour relations.

At the end of 2016 we had these such groups covering the Middle East/North Africa, Latin America and in West Africa. Members are typically human resources specialists, labour relations specialists or operations managers.

Local strategies for stable business

The Middle East and North Africa community of practice on labour relations is an example of how collaboration and best practice sharing can bring about the results we aim to achieve with the global labour relations framework. One of the objectives of the framework is to implement a clear vision and strategy on labour relations at local level. The businesses in the community of practice all operate along the East-West shipping route. This region is of strategic importance for the Maersk Group’s businesses. The many changes in the region after the so-called Arab spring also impacted the labour environment. In several countries new trade unions were created and the area became a focal point for the International Transport workers Federation.

At a workshop in Cairo, Egypt in November 2015, the participating businesses, APM Terminals, Maersk Oil, Maersk Line, Svitzer and Damco, discussed the group’s different approaches to labour relations in the region. This resulted in a commitment by all companies to develop their own labour relations strategies and visions in line with the global labour relations framework and adapted to local circumstances.

A clear vision and strategy in place sets direction and enables leadership and proactivity on labour relations. Also, they provide the ability to share the direction and purpose with employees and their representatives, as opposed to a more reactive approach to labour relations where communication mainly concerns requests made by representatives or changes to business operations. We believe that this will have a positive influence on the relationships between employers and employees which in turn increases the likelihood of stable operations and reduces the risk of commercial damages.

Why this matters to society

Decent work conditions and labour relations are expected in modern societies, to protect individuals and to enable growth through the stability offered by predictable labour relations.

Why this matters to the Maersk Group

Building trust and relationships with our employees is part of our strategy. It is important to us to limit the risk of labour disputes as they can significantly impact costs to both company and communities.

Our ambitions

To mitigate the risk of substantial commercial costs associated with labour disputes and work stoppages, through constructive and productive labour relations.

Our progress

Roll-out of Global Labour Relations Framework including reporting tool for labour stoppages.

Training of 94 people through e-learning.

No increase in labour disputes.

Establishment of three communities of practice on labour relations.

Next steps

Complete roll-out of Global Labour Relations Framework in all businesses.

Reach global coverage with Communities of Practice on Labour Relations.

Embed training on labour relations and negotiations in Group Training programme.
### Building an inclusive mindset

Allowing all of our employees to reach their potential is important for the Maersk Group’s ability to be competitive and reach its goals.

**Targets and performance on diversity and inclusion**

<table>
<thead>
<tr>
<th>Representation of women</th>
<th>Target 2018</th>
<th>Target 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senior Managers</td>
<td>32%</td>
<td>8%</td>
</tr>
<tr>
<td>Leaders</td>
<td>24%</td>
<td>8%</td>
</tr>
<tr>
<td>Line leaders</td>
<td>12%</td>
<td>6%</td>
</tr>
<tr>
<td>Executives</td>
<td>12%</td>
<td>NA</td>
</tr>
</tbody>
</table>

**Diversity and inclusion**

- **Why this matters to society**: Equivalence to working regardless of gender, nationality, beliefs, etc., enables individuals to fulfill their potential which supports growth and stability in societies.

- **Why this matters to the Maersk Group**: Competing in a global marketplace requires global perspectives. The Group needs to be able to attract and retain employees in all the locations it operates in and benefit from the diversity of thought.

- **Our ambitions**: Our ambition is to create a diverse and inclusive work environment where everyone can reach their potential. We set targets for the representation of women and nationalities in management.

- **Our progress**: Separate table with detailed targets and performance.

### Next steps

- **Launch and promotion of global maternity retention programmes**: Continue to launch out inclusive leadership and unconscious bias tools across the organisation.
- **Increase focus on accelerating women and gender-market leaders in senior roles**: Build momentum within the business units through the diversity dashboards.

### Tax transparency

**Civil society, national regulators, OECD, UN and responsible investors are advocating for multinational companies to increase transparency on their tax affairs, including where profits are made and where taxes are paid.**

**During 2015, the Maersk Group was actively engaged in this dialogue and prepared for an increase in transparency on the Group’s tax matters, in accordance with new regulatory demands.**

**Participating in tax dialogues**: The Group continues its participation in forums debating corporate taxation, as it is in our interest to increase clarity and reduce misunderstandings over the subject. Through dialogue we aim to ensure that the debate on transparency and fair tax is based on facts regarding international tax systems and corporate practices.

- **Participating in tax dialogues**
- **Preparing for mandatory reporting**
- **Moving on tax transparency**
- **Next steps**
- **Why this matters to society**: Corporate tax revenues are one of the sources of investment in institutions such as education, health care, infrastructure and societal systems, characterizing successful societies.

**Why this matters to the Maersk Group**: We recognize that well-functioning public institutions are fundamental to our business activities.

**Our ambitions**: Comply with applicable tax regulations in local legislation and pay taxes as required by law. In areas of uncertain tax law we will take a responsible approach and be transparent to authorities. Where special incentives are available under local law it is company policy to make use of these.

**Our progress**: New tax transparency structures to align practice and the new OECD BEPS requirements.

**Active participation in dialogue on corporate taxation.**

<table>
<thead>
<tr>
<th>Tax payment</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit before tax</td>
<td>6,620</td>
<td>5,311</td>
<td>1,447</td>
</tr>
<tr>
<td>Tax</td>
<td>3,277</td>
<td>2,972</td>
<td>522</td>
</tr>
<tr>
<td>Tax as percentage of profit before tax</td>
<td>49%</td>
<td>56%</td>
<td>36%</td>
</tr>
</tbody>
</table>

The change in payment of Maersk Line’s income tax is not deductible against taxable incomes, leading to a negative tax for the year compared to the result in 2014.
Managing environmental risks and compliance

In 2015, Maersk Oil, as part of its process safety work programme, reviewed oil spill contingency plans, to ensure that plans and access to equipment are adequate. The management of this risk is continuously improving.

Mitigating the risk of oil spills

Contrary to our ambition of zero oil spills, in 2015, three spills above 100 m³ occurred as well as 21 smaller spills “below 10 m³”. The three spills above 100 m³ were:

- Maersk Line’s vessel Nea Maersk experienced an accidental spillage of 350 m³ into water during a routine operation of fuel transfer between tanks 70–80 miles off the Catalan coast. Initial root cause investigation revealed breaches of various internal procedures. Corrective and preventive actions have been shared, and modifications of the in-board alarm systems are in progress on relevant vessels.

- Maersk Drilling experienced a 75 m³ mud spill of which 25 m³ were oil in relation to Maersk Resolute’s work in the North Sea. Bulk transfer work practices and supporting procedures were entirely reviewed and the elimination of spills in the company wide initiative was enhanced. Field wide environmental KPIs were rewritten with greater focus on eliminating spills and data analysis strengthened.

- Svitzer’s vessel Svitzer Grand Bahama experienced a 13 m³ spill into the harbour in Freeport, Bahamas during an internal fuel transfer. The spill was cleaned up and subsequent investigation showed the root cause to be human errors. Svitzer updated procedures and risk assessments which were communicated across the company’s vessels. A training programme on internal fuel transfers and bunkering is under development.

Other incidents

In March 2015, the Maersk Tankers vessel, Carla Maersk, was involved in a collision with a bulk carrier in the Houston Ship Channel in Texas, USA. Carla Maersk sustained a breach to two ballast water tanks and a cargo tank containing Methyl Tertiary Butyl Ether. A salvage plan was successfully implemented. The official investigation of the incident is ongoing.

New sulphur emission limits in force

The emission of sulphur oxides into air has been proven detrimental to human health and for this reason a 0.1% limit on sulphur in fuel has been in force for all emission control areas (ECAs) since January 1, 2015. The existing ECAs cover the Baltic Sea, the North Sea, the English Channel, most of the US and Canadian coast and parts of the Caribbean. For the Maersk Group, the compliance with the 0.1% limit is around 500 million 1 US dollars per year based on a price premium of around 50 US dollars per tonne of 0.1% fuel.

The Maersk Group has been active in pushing for strict enforcement of the rules and will continue to do so. The risk of non-compliance by ship owners is real with potential savings on certain routes for non-compliant ship owners of more than 1 million US dollars annually which threatens to skew the competitive playing field.

In 2016, countries with parts in the current ECAs agreed to step up efforts to ensure stronger enforcement and will require one in every 20 ships to be inspected in ports under the new regime. We welcome this development.

Our collaboration with partners in the Trident Alliance over advocacy for stronger enforcement continues. At the annual meeting of this organisation in October 2015, it was decided to maintain focus on national enforcement within the ECAs while also beginning to address the enforcement problems with a global cap on sulphur of 0.5% in fuel. This may take effect already in 2016, pending a fuel availability study which will be presented to the IMO in October 2016. Enforcement of the global cap at sea will be left to the ship flag states and there is some doubt whether all flag states have the resources to lift that responsibility.

Ballast water in approval stalemate

Discharge of ballast water from one marine environment into another may introduce non-native species into the recipient marine ecosystem, with the potential to disturb local eco-systems and damage human health. To alleviate this threat, the IMO passed the Ballast Water Management Convention. This has still not been ratified, but the USA is enforcing its own regulation. The cost to the company of compliance with both IMO and US Coast Guard regulations is at present estimated to be in the area of 450 million US dollars over a five-year period.

The US Coast Guard has made it clear that the maritime industry and vendors need to collaborate to bring approved systems to market based on US regulations. At present, vendors are testing close to 20 systems under conditions outlined by the US Coast Guard. The resulting reports will be submitted for approval, but there is no clear indication of when this may happen. Until approval is available for specific types of systems, ship owners run the risk of incurring costs from installing systems that might not be approved for use in US waters.

The regulations are particularly relevant for Maersk Line, Maersk Tankers and Maersk Supply Service. Maersk Line has ballast water systems installed on Triple E vessels and 14 smaller vessels. We have been installing systems on new builds, and will retrofit relevant parts of the fleet where type approval and convention ratification is in place.

Engagement in the Arctic unchanged

The Maersk Group’s activity-level in the Arctic is low. The sensitive and unique environment found in the Arctic is fully recognised and we respect that the sanctity of nature and peoples in this region must not be compromised.

Maersk Oil continues to hold exploration licences in the Barents Sea in Norway and off the coast of North West Greenland. Opportunities are currently being evaluated but in the current price environment, Maersk Oil has no concrete activities planned.

Maersk Drilling continues to explore possible drilling solutions for the Arctic area. No specific plans are in place at this point in time.

Maersk Tankers continues to deliver various types of refined oil products to Greenland in line with the five year contract entered into force in 2012.

1 The definition of spills was revised for the year 2015, resulting in reporting of spills above 3 “10m³” (versus known), including various (up) sizes.

"Besides the impact on the environment, oil spills cause loss of revenue and are stressful to the employees involved. Neither risk is acceptable to us."

Robert Ugga
CEO of Svitzer

Managing impacts | Environment

Transportation and energy are industries with high potential impact on the environment. Consequently, our activities are closely monitored and regulated.

The main environmental issues for the Maersk Group are oil spills, ballast water and emissions to air. Nearly all of our businesses have activities where the risk of oil spills must be assessed and mitigated. This is done through externally approved oil spill response/contingency plans which are activated in the event of a spill occurring. Training is carried out on both prevention (process safety) and response (see p. 22).

Maersk Drilling experienced a 75 m³ mud spill of which 25 m³ were oil in relation to Maersk Resolute’s work in the North Sea. Bulk transfer work practices and supporting procedures were entirely revised and the elimination of spills in the company wide initiative was enhanced. Field wide environmental KPIs were rewritten with greater focus on eliminating spills and data analysis strengthened.

Svitzer’s vessel Svitzer Grand Bahama experienced a 13 m³ spill into the harbour in Freeport, Bahamas during an internal fuel transfer. The spill was cleaned up and subsequent investigation showed the root cause to be human errors. Svitzer updated procedures and risk assessments which were communicated across the company’s vessels. A training programme on internal fuel transfers and bunkering is under development.

Other incidents

In March 2015, the Maersk Tankers vessel, Carla Maersk, was involved in a collision with a bulk carrier in the Houston Ship Channel in Texas, USA. Carla Maersk sustained a breach to two ballast water tanks and a cargo tank containing Methyl Tertiary Butyl Ether. A salvage plan was successfully implemented. The official investigation of the incident is ongoing.

New sulphur emission limits in force

The emission of sulphur oxides into air has been proven detrimental to human health and for this reason a 0.1% limit on sulphur in fuel has been in force for all emission control areas (ECAs) since January 1, 2015. The existing ECAs cover the Baltic Sea, the North Sea, the English Channel, most of the US and Canadian coast and parts of the Caribbean. For the Maersk Group, the compliance with the 0.1% limit is around 500 million 1 US dollars per year based on a price premium of around 50 US dollars per tonne of 0.1% fuel.

The Maersk Group has been active in pushing for strict enforcement of the rules and will continue to do so. The risk of non-compliance by ship owners is real with potential savings on certain routes for non-compliant ship owners of more than 1 million US dollars annually which threatens to skew the competitive playing field.

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**Strategic change in responsible procurement**

After 2015, mitigating the risk of irresponsible business conduct in our supply chain revolves around suppliers in 10 high-risk categories.

We interact with more than 100,000 suppliers every year in more than 100 countries. Out of these we have a contractual relationship with more than 20,000 companies. Based on our list of high-risk categories, we narrowed this group down to between 1500–5,000 suppliers, and assess these using a combination of audits, self-assessments and documentation reviews.

Depending on the outcome of these assessments we work to improve on findings. We have a small group of suppliers with whom we have recurring business with high monetary value, allowing for a closer relationship and cooperation over sustainability issues. These are all part of our responsible procurement programme.

A tighter focus

The Maersk Group’s Responsible Procurement programme underwent a change of strategy in 2015. From focusing on high spend and critical suppliers, we will focus on suppliers in high-risk categories. By changing the strategy we aim to achieve a better risk coverage and more effective process for identifying and making improvements.

In collaboration with the businesses, Group Procurement established a list of 10 categories with the highest risk of negative impact (see the list on right). We define a high-risk category as having high risk of severe social or environmental impact when sourcing, producing, or delivering to us either directly or through subcontractors.

To align with this new approach, we have prepared a guide for each of the high-risk categories, with an overview of the common social and environmental risks related to each category. For example the risk of unacceptable working conditions for subcontractors related to assets under construction, the risk of violation of minimum wage requirements related to ‘cleaning and canteen services’ and the risk of harms to others related to the category ‘security companies’.

Input was compiled through stakeholder consultations, on-site audits, and CSR documentation reviews of more than 1,300 Maersk Group suppliers.

**Overview of the 10 categories with highest risk of negative social or environmental impact:**
1. Assets under construction
2. Machinery and catering agencies
3. Security companies
4. Chemicals and paint
5. Cleaning and canteen services
6. Classification and certification*
7. Warehousing and distribution
8. Promotional items
9. Logistics and transportation
10. Raw materials

* By operation maintaining and monitoring the high standards for health and safety in all locations.

**Timing is a challenge**

In 2014 and 2015 we identified 86 suppliers with critical findings, and 641 suppliers with major findings. While 100% of the suppliers with critical findings have an improvement plan, only 63% of suppliers with major findings have an improvement plan.

The reason for this discrepancy between existing plans and suppliers with major findings is the challenge related to making and closing improvement plans with suppliers while they are still in a contractual relationship with us. Up until now we have often begun this process halfway through the contract signed with a Maersk Group company which has often not left time for completion of improvement plans or processes before the contract ended.

**Getting in at the beginning**

We addressed this timing challenge in 2015, by making it mandatory for The Maersk Group’s buyers to establish an improvement plan with a supplier in a high-risk category with major and critical findings already at the contract signing. This process will be implemented in early 2016 and will enable us to have a closer dialogue with suppliers early in the relationship and to have sufficient time to monitor implementation of improvements.

Making global supply chains more inclusive

Small and medium-sized (SME) enterprises find it more challenging to implement the policies, systems and improvements that we require. To address this challenge, a new approach of collaborating with suppliers was tested when Maersk Line and Maersk Drilling involved local UN Global Compact representatives in workshops for SME suppliers in Turkey and Ghana, respectively.

It is our experience, that suppliers are better able to take ownership of their improvement plan by providing access to local guidance and network.

**Why this matters to society**

Global supply chains reach far into societies and states, who are responsible for protecting the rights of their citizens and the natural resources they live off. Demands for responsible business conduct support this ambition.

**Why this matters to the Maersk Group**

We have a responsibility to use our scale to impact standards and encourage responsible practices in our supply chains. This also enables us to mitigate the risk of disturbances to our business, as well as protect our reputation.

**Our ambitions**

Ensure that we effectively strengthen the sustainability resilience of our supply chain, by understanding, managing, and mitigating potential risks and promoting high social and environmental performance standards.

**Our progress**

Change of strategic focus to suppliers in high-risk categories. Our diligence review of suppliers in high-risk categories made mandatory.

33 supplier workshops for Maersk Line, Maersk Supply Services and Maersk Drilling.

**Next steps**

Integrate supplier assessments into the sourcing process. Integrate improvement management process.

Monitor compliance with supplier due diligence in the future.

Incorporate UK Modern Slavery Act into the responsible procurement process.

---

**Learning from new contracts in high-spend categories**

In August 2015, the Maersk Group received a letter co-signed by four NGOs expressing their concern over working conditions for subcontractors at a ship yard in relation to the Maersk Third Party Code of Conduct.

We take enquiries made by external stakeholders seriously and in line with our established process entered into dialogue with the NGOs. The outcome of this dialogue was an agreement that the NGOs concerns would be included in an already scheduled audit of a shipyard in question.

We have learned from earlier audits that sub-contractor working conditions can be a concern in relation to shipyards. For some time now, the Maersk Group has worked to establish a robust process around sustainability issues in procurement of large spend items in high-risk categories, for example vessels and ships. We trust that the changes in policies approved in 2015 will accommodate this need in the future (see next page).
Community engagement and investment

In all corners of the earth, as here in the streets of Bogota, Colombia, the Maersk Group businesses connect with the daily lives of people and countries. Communities depend on us to deliver energy and goods and enable their participation in global trade, and we on them for business and employees and stable business conditions.

In light of this close relationship between the Maersk Group and global and local communities, we engage and invest in activities that are not rooted in a specific strategic objective but in the responsibility that comes from being able to make a difference through our business activities.
The reach and breadth of our business creates many touch points with communities and their challenges. We engage in education and capacity development to build a competent workforce. In many parts of the world, there is a skills mismatch between labour market needs and the education levels of the workforce. To achieve significant reach and impact, such an initiative will require co-funding as well as close engagement of development and implementation partners both at global and national levels. Final determination of project viability will take place in 2016.

Investing in education projects across the Maersk Group

111 projects across nine businesses and 33 countries

AFO Terminals and Maersk Oil has the highest number of projects

Strongest geographical presence of projects is in Qatar, Angola, Brazil, USA and the UK.

Main target group for the projects is university students

The bulk of the projects are either local community projects or CSR initiatives such as university scholarships

Helping in emergencies

When there are large disasters, experience and response in transportation and logistics are often needed.

Since 2010, the Maersk Group has been a member of the Logistics Emergency Team (LET), whose current members are three of the largest, global logistics and transportation companies: Agility, the Maersk Group, and UPS. In cases of large sudden onset natural disasters, the LET’s capabilities can be requested by the UN Logistic Cluster led by the World Food Programme to become part of the assistance provided to the affected countries.

In 2015, the Group was part of LET emergency preparedness efforts, and participated in the collection and consolidation of logistics capacity in Nigeria and Papua New Guinea. Four Maersk Group employees were involved in the assessment of current port, waterways and road capacity in Nigeria, and one person in Papua New Guinea. This type of information is essential for speedy and relevant interventions in case of a disaster.

Maersk Group employees also participated in the annual LET training on humanitarian logistics, contingency operations and the natural disaster context. Beyond the LET activities, we continued our support for the West African countries affected most by the Ebola crisis, Liberia, Sierra Leone and Guinea. Convoys, transporting free-of-charge relief items and supporting humanitarian organizations in their logistics operations. In the period from October 2014 to March 2015, Maersk Group businesses carried 494 containers of relief items, equal to a donation of 11,200 tonnes of shipping capacity, and provided 77 containers. The containers with cooling capacity were mainly used for storage in medical centres while dry containers were used for storage in warehouses and for inland transportation.

Also in 2015, Maersk Line and Damco provided support to World Food Programme’s partners working in Nepal after the two earthquakes, donating 40 containers and transportation. Use of the containers as intermediate storage options were vital in order to reach the populations in more remote and hard-to-reach areas where pre-existing structures were either lost in the quake or used for temporary shelter for the affected people.

Locally, Maersk Group businesses are already engaged in a large number of education initiatives, partners both at global and national levels. Final determination of project viability will take place in 2016.

As part of our strategic focus on education, we are investing in education projects across the Group and reviewed opportunities for Group investment in training and education to build the workforce skills base in selected growth markets.

Our assessment is that the greatest potential for societal and business value lies in capacity development of vocational technical education, particularly through training teachers and developing curriculum, and in expanding access to technical educational opportunities for underrepresented populations, particularly women.

To achieve significant reach and impact, such an initiative will require co-funding as well as close engagement of development and implementation partners both at global and national levels. Final determination of project viability will take place in 2016.

For the Maersk Group, the business case for investing in education has changed since the launch of the sustainability strategy in early 2014, as markets previously characterised by high economic growth have slowed down, and the outlook for the oil industry is more challenging. Growth remains a priority for the Group, but primarily through acquisitions rather than organically. Investing in skills development, however, is more challenging. Growth remains a priority for the Group, but primarily through acquisitions rather than organically.

However, the Group’s main contribution to the lives of refugees from this area, continues to be the search and rescue operations in the Mediterranean sea. It is estimated that more than 100,000 refugees have crossed the Mediterranean to reach Europe in the course of 2015. Maersk Group ships have assisted in rescuing 5,704 refugees since the beginning of 2014, 1,805 in 2015 alone.

The Maersk Group follows international maritime law and crews participate diligently when asked to take part in rescue operations at sea.

In September of 2016, the Group and the Ad Mollar and Cheamuket Menkinye Maller Foundation donated 2 million Danish Kroner (close to 300,000 USD) to a national drive to gather financial support for the internally displaced in Syria and refugees in neighbouring countries.

Maersk Group

Ebola response

484 containers of relief items transported equal to

11,200 tonnes in shipping capacity

donated

77 containers for storage and transit transportation, provided
Independent Assurance Report

To the readers of the Sustainability Report 2015
We were engaged by the Management Board of A.P. Moller - Maersk A/S (further ‘the Group’) to provide assurance on the Sustainability Report 2015 (further ‘The Report’). The Management Board is responsible for the preparation of The Report, including the identification of material issues. Our responsibility is to issue an assurance report based on the engagement outlined below.

Scope
Our assurance engagement was designed to provide limited assurance on whether The Report is presented, in all material respects, in accordance with the reporting criteria. We do not provide any assurance on the achievability of the objectives, targets and expectations of the Group.

Procedures performed to obtain a limited level of assurance are aimed at determining the plausibility of information and are less extensive than those for a reasonable level of assurance.

Reporting criteria and assurance standard
The Group applies internally developed criteria as described in the Group’s sustainability accounting principles 2015. It is important to view the performance data in the context of these criteria. We believe these criteria are suitable in view of the purpose of our assurance engagement.

We conducted our engagement in accordance with the International Standard on Assurance Engagement (ISAE) 3000: “Assurance Engagements other than Audits or Reviews of Historical Financial Information”. This standard requires, among others, that the assurance team possesses the specific knowledge, skills and professional competencies needed to provide assurance on sustainability information, and that they comply with the requirements of the Code of Ethics for Professional Accountants of the International Federation of Accountants to ensure their independence.

Work undertaken
Our procedures included the following:
- A risk analysis, including a media search, to identify relevant sustainability issues for the Group in the reporting period.
- Reviewing the suitability of the reporting guideline, including conversion factors used.
- Interviewing management at corporate and business level responsible for the sustainability strategy, management and reporting.
- Interviewing relevant staff and reviewing internal control procedures on the data in The Report.
- Conducting an analytical review of the data and trend explanations submitted by all business units for consolidation at corporate level.
- Evaluating internal and external documentation, based on sampling, to determine whether the information in The Report is supported by sufficient evidence.

Conclusion
Based on the procedures performed, as described above, nothing came to our attention to indicate that the The Report is not presented, in all material respects, in accordance with the reporting criteria.

Amsterdam, 10 February 2016

KPMG Sustainability
Part of KPMG Advisory NV.

Wim Bartels
Partner

Copenhagen, 10 February 2016

KPMG Statsautoritets Revisionspartnerselskab

Henrik O. Larsen
State Authorised Public Accountant
### Maersk Group: Performance Data 2015

<table>
<thead>
<tr>
<th>Category</th>
<th>2015</th>
<th>2014</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue (USD)</td>
<td>40.3bn</td>
<td>37.7bn</td>
<td>6%</td>
</tr>
<tr>
<td>Employees (salaries)</td>
<td>88,355</td>
<td>82,863</td>
<td>6%</td>
</tr>
<tr>
<td>Environmental impact</td>
<td>415,362</td>
<td>380,957</td>
<td>9%</td>
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<tr>
<td>Production (1,000 TEUs)</td>
<td>18,366</td>
<td>17,740</td>
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<tr>
<td>Lost-time injury frequency</td>
<td>0.13</td>
<td>0.11</td>
<td>18%</td>
</tr>
<tr>
<td>Waste (1,000 tonnes)</td>
<td>5,639</td>
<td>5,661</td>
<td>-0.5%</td>
</tr>
<tr>
<td>Oil spills (2007 baseline)</td>
<td>415</td>
<td>424</td>
<td>-2.1%</td>
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<tr>
<td>Financial statements</td>
<td>456,196</td>
<td>420,396</td>
<td>8.5%</td>
</tr>
</tbody>
</table>

*Note: The above data reflects the performance of various Maersk Group businesses across different sectors.*
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
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1098 Copenhagen K
Denmark
Att: Group Sustainability

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

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Maersk Group has tailored the external financial reporting specifically towards the needs of our different stakeholders with two annual publications. The Annual Report has a focus on the detailed legally required information, whereas the Group Annual Magazine has a focus on providing an overview of key developments during the year. The publications can be read individually or combined depending on our stakeholders’ interests. The Annual Report is available electronically in English on http://investor.maersk.com/financials.cfm.

The Group Annual Magazine provides an overview of the operations and performance of the Maersk Group in a concise and easy-to-read format. The publication is not a substitute for the Annual Report and does not contain all the information needed to give full an understanding of the Maersk Group’s performance, financial position and future prospects as provided in the Annual Report. The Group Annual Magazine is available in hard copy and electronically in English and Danish on http://investor.maersk.com/financials.cfm.

Maersk Group also produces Interim Reports for each of the first three quarters of the year. Presentations tailor made for investors and the financial markets are also uploaded every quarter. Maersk Group also hosts a Capital Markets Day on a regular basis, which can be followed through a live webcast and the speakers’ presentation slides can be accessed via links. The Interim Reports, presentations and webcasts can be found on our Investor Relations website: http://investor.maersk.com/

The Board of Directors of A.P. Møller – Maersk A/S continues to consider the “Recommendations for Good Corporate Governance” put forward by NASDAQ OMX Copenhagen.

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

Maersk Group also produces Sustainability Report 2016 which provides detailed information about the Maersk Group’s progress in implementing the principles of the United Nations Global Compact and supporting broader UN goals. Additional COP content can be found on our website: www.maersk.com/sustainability

We welcome feedback on its contents.

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