

A.P. MØLLER HOLDING A/S

CSR REPORT

2018



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A.P. Moller Holding's statutory statement on CSR in accordance with section 99a of the Danish Financial Statements Act. The CSR report is part of the Annual Report for 2018.

A.P. MOLLER HOLDING

This report represents the statutory consolidated statement of A.P. Møller Holding A/S on CSR in accordance with section 99a of the Danish Financial Statements Act. It represents policies, activities and results achieved in 2018 for entities owned and controlled by A.P. Møller Holding A/S.

A.P. Møller Holding A/S (A.P. Møller Holding) is 100% owned by A.P. Møller og Hustru Chastine Mc-Kinney Møllers Fond til almene Formaal (A.P. Møller Foundation), one of the largest, industrial foundations in Denmark.

As the investment arm of the A.P. Møller Foundation, our purpose is to exercise the Foundation's role as an engaged owner in the spirit of A.P. Møller and to ensure that the Foundation can continue to contribute to society in the form of donations for generations to come. We fulfil this purpose by safeguarding the long-term viability of our companies and by investing in and building value creating businesses that have a positive impact on society and on our name.

As stated above we are investing in and building new businesses that have a positive impact on society "Nyttig virksomhed", as defined by our founder A.P. Møller. Our Africa Infrastructure Investment Fund and our focus on Geothermal energy are examples of such, and "Nyttig virksomhed" is a key element in our investment strategy going forward. As stated in our strategic beliefs in our Annual Report 2018, we are open to reconsider ownership of a business, if its business model does not have a positive impact on society. Social responsibility is integrated into our purpose and is core in everything we do.

In 2018, we continued the implementation of new policies and systems to secure a solid basis for our future activities as an engaged investment company. We have among other things been implementing General Data Protection Regulation (GDPR) policies and systems as well as formulated Anti Money Laundering (AML) and Anti Bribery and Corruption (ABC) policies. As such we have high focus on mitigating the risk of being abused for money laundering or financing of terrorism by third parties that A.P. Møller Holding engages with. This is especially relevant in relation to our investments, where we always conduct proper and adequate AML due diligence measures on relevant counterparties being advisors, co-investors etc.

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

OUR INVESTMENTS

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

The Board of Directors of each of our Large Investments, A.P. Møller - Maersk, Danske Bank, Maersk Drilling, Maersk Tankers, Maersk Product Tankers and our Fund Manager, A.P. Møller Capital define their own specific CSR policies and Code of Conduct. We are represented on each board, and these representatives ensure that CSR policies, including human rights, climate change and environmental impact, are enforced. Policies are adapted to meet the circumstances in which each of the affiliates operates.

CSR POLICIES AT A.P. MOLLER HOLDING

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

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

We strongly believe that implementing a “Code of Conduct” will create value for all parties and this is a step to establish a long-term sustainable relationship with our business partners, our employees and the societies where we operate.

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

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

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

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

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

In this report, the CSR reports of A.P. Møller - Mærsk A/S, Maersk Drilling Holding A/S and Maersk Tankers Group - each outlining company-specific policies, activities and results for 2018 - have been combined. Furthermore, there is a section on APMH Invest A/S and A.P. Møller Capital P/S, which is not publishing a CSR report on its own.

WE ARE GUIDED BY OUR FIVE CORE VALUES



CONSTANT CARE



HUMBLENESS



OUR NAME



UPRIGHTNESS



OUR EMPLOYEES

APMH INVEST

In the fully owned holding company, APMH Invest A/S, A.P. Moller Holding continuously assesses and decides upon which companies should be invested in given its CSR policies

CSR POLICY OF THE INVESTMENT COMPANIES

As of 31 December 2018, the investment companies fully owned by A.P. Møller Holding A/S comprise:

- APMH Invest A/S
- APMH Invest III ApS
- APMH Invest IV A/S
- APMH Invest V ApS

APMH Invest III ApS and APMH Invest V ApS are dormant companies as of 31 December 2018.

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

APMH INVEST IV A/S

APMH Invest IV A/S is holding A.P. Moller Holding's activities on geothermal energy. We are seeking to introduce geothermal energy on a large scale in Denmark and potentially outside of Denmark. Geothermal energy is a renewable and currently untapped energy source with potential to cover approximately 30% of Denmark's energy supply for district heating. The project is still in its early stages and with a number of uncertainties, but the

potential for renewable energy in Denmark is very interesting and The A.P. Moller Group has the capabilities from subsurface operations, to try.

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

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

A.P. MOLLER CAPITAL

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

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

A.P. Moller Capital launched its first fund, The Africa Infrastructure Fund in August 2017.

With over a century of combined experience among its senior team, A.P. Moller Capital is not just a passive investor. The team has an advisor network and industry partners in more than 40 African countries.

The senior team will leverage strong industrial knowhow with operational backgrounds and capabilities, paired with private equity fundamentals and experience. The combination of the two is the key formula in optimising overall value creation. Environmental, Social and Corporate Governance (ESG) are a key element and an integrated part of the entire investment life cycle.

ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE (ESG)

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

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

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

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

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

THE AFRICA INFRASTRUCTURE FUND I (AIF I)

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

AIF I is targeting infrastructure projects within power and transportation infrastructure. The fund has an initial target of 10 to 15 investments, and an operation period of 10 years.





A.P. MOLLER - MAERSK

The Sustainability Report for 2018 is
enclosed on the next pages

2018

Sustainability Report

A.P. Møller - Mærsk A/S



MAERSK

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ABOUT THE REPORT

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

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

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

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

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Towards a breakthrough in climate change



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PORTFOLIO NOTE

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

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

Sustainability data for Hamburg Süd is included for 2018.

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



“

We have begun a journey towards having net-zero CO₂ emissions from our own operations by 2050. This is an important ambition and one we can only deliver on in collaboration with many other stakeholders.

”

Foreword by the CEO

Dear reader,

This is A.P. Møller - Maersk's 10th annual report on our company's sustainability strategy and performance. During the past decade, A.P. Møller - Maersk has changed in line with our global context. Over the last two years, A.P. Møller - Maersk has moved from being a conglomerate with activities in a broad range of industries, towards becoming one integrated company focusing on end-to-end services in container logistics, simplifying and connecting our customers' supply chains.

In 2018, we reached several key milestones on our strategic journey. In line with our intent to exit the oil and oil-related businesses, in Q1 we closed the sale of Maersk Oil to Total, and in Q3 we announced our intention to pursue a separate listing of Maersk Drilling in 2019.

In September, we announced the integration of the commercial organisation of Maersk Line with Damco which is going to market under the Maersk brand as of January 2019. We have successfully progressed on integrating Hamburg Süd, completing the integration of operations and realising synergies above expectations. We have also seen the appointment of a new Executive Board.

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

Zero emissions by 2050

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

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

In 2018, A.P. Møller - Maersk established the most ambitious goal for reducing CO₂ emissions within our industry. We have begun a journey towards having net-zero CO₂ emissions from our own operations by 2050. This is an important ambition and one we can only deliver on in collaboration with many other stakeholders by innovating and developing the technologies needed to reach the target.

New approach to safety

In 2018 we have also taken significant steps to renew and step up our approach to safety in A.P. Møller - Maersk. While the last decade brought improvements in safety performance, we have reached a plateau at which we have not been able to eliminate the high-potential accidents, including the number of fatalities occurring as part of our operations. In 2018, we experienced seven fatalities, and my Executive Board colleagues and I are deeply distressed by this.

We know that accidents are never intentional, they occur as a result of a number of factors coinciding, and there is rarely a correlation between the efforts made to prevent minor events and injuries and high-potential accidents or events. In the future, we will increase our focus on building the organisational capacity and operational controls that will act as barriers to accidents being escalated to life-changing or fatal outcomes. We have established a corporate safety function and new levels of both leadership and employee engagement in safety. I will be at the forefront of these efforts, consistently communicating on the right and obligation to stop unsafe work

and the importance of being prepared for the unexpected.

Global trade will change

We publish this report at a time where tensions over global trade are stronger than what we have seen for many years. So far, global trade has not been severely diminished by these tensions, even though we remain alert to different trends in the years to come. Our 100-year history has taught us that trade is nothing if not resilient. When the benefits of global trade are questioned, as they are now, the result is that trade changes. A positive outcome will depend on an orderly process to alter the global rule book on trade. It must reflect the need for greater balance, inclusivity and sustainability in trade, and A.P. Møller - Maersk is putting our leverage and insights to work in that direction. We are committed and taking action to assist more people around the world in trading, through empowering small businesses, by reducing complexities and advocating the reduction of indirect trade costs.

Continuously committed

In 2018, A.P. Møller - Maersk contributed to The Ocean Cleanup project which is addressing the issue of ocean plastic pollution. I am pleased to see our company being part of the efforts to solve this significant issue, and it is clear to me that our small part in this project is a source of pride for many A.P. Møller - Maersk employees.

To me, it demonstrates the importance of contributing when and where we can make a difference. We will continue to do so, by running our business with high integrity, supported by our values and policies, and our continued commitment to the UN Global Compact principles.

Søren Skou

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

OUR COMMITMENTS

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

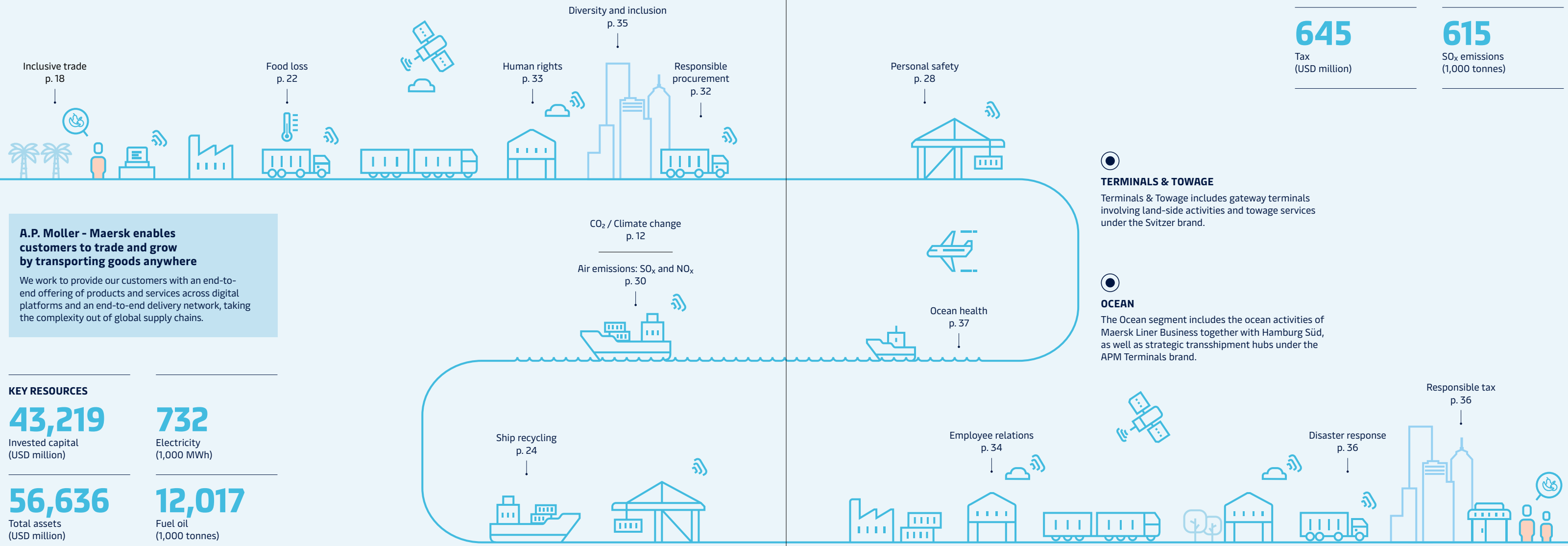
We support and commit to contribute positively to the United Nations Sustainable Development Goals, while also reducing our potential negative impact on the goals.



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

Our business

A.P. Moller - Maersk employs over 84,000 people across operations in over 130 countries. The company comprises container shipping, ports and terminals, supply chain management and other businesses operating within four main segments. Examples of where some of our material sustainability issues can occur across our businesses and value chains are shown below.



A.P. Moller - Maersk enables customers to trade and grow by transporting goods anywhere
 We work to provide our customers with an end-to-end offering of products and services across digital platforms and an end-to-end delivery network, taking the complexity out of global supply chains.

KEY RESOURCES

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

ENERGY

After the sale of Maersk Tankers to A.P. Moller Holding and Maersk Oil to Total S.A. respectively, the Energy division consists of two business units, Maersk Drilling and Maersk Supply Service. A.P. Moller - Maersk has decided to pursue a demerger via a separate listing of Maersk Drilling in 2019. The pursuit of a solution for Maersk Supply Service is continuing.

OUTCOMES

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

TERMINALS & TOWAGE

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

OCEAN

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

MANUFACTURING & OTHERS

Manufacturing & Others includes the activities of Maersk Container Industry with the production and sale of reefer containers. In January 2019, a decision was made to exit the dry container business altogether.

LOGISTICS & SERVICES

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

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

Our sustainability strategy and governance

The A.P. Moller - Maersk sustainability strategy is designed to support our business strategy and contributes to the UN Sustainable Development Goals. We work in partnerships to fulfil our ambitions.

Over the past two years, A.P. Moller - Maersk has been on a journey of change, reshaping from a shipping and energy conglomerate into a focused transport and logistics company. Our ambition is to become the global integrator of container logistics, providing our customers with end-to-end services for a simplified and connected supply chain.

Our sustainability strategy was reviewed and updated in 2017 with this ambition in mind. It is made up of four shared value programmes for our integrated container logistics business and is based on responsible business practices on all material issues (see graphic on next page).

We see the four shared value areas as the major issues where we can use our business to develop large-scale

solutions that can alleviate some of the world's major sustainability challenges while at the same time supporting the development of our business. For example, the goal of decarbonising container logistics will support our business in living up to the demands of our customers for low-carbon transportation, as well as meeting the need for cost-efficient energy and helping us prepare for new legislative measures, such as a tax on carbon emissions. At the same time, we will be one of the companies driving progress towards carbon-neutral options in the transportation sector, which is essential for tackling climate change.

Fulfilling the new role of business
With the launch of the United Nations' 17 Sustainable Development Goals (SDGs),

the world set itself a global and shared framework with a common direction and a vocabulary to discuss and invent solutions and transformational actions towards 2030.

The SDGs also defined a new and enhanced space for business to contribute to solving major global challenges.

Looking across the SDGs and underlying targets, the business of A.P. Moller - Maersk touches, directly or indirectly, on all 17 goals. However, for five of the goals we have the ability to contribute to transformations at scale and we can match these goals with our sustainability strategy's shared value programmes (see graphic below).

For example, trade is central to eliminating poverty, creating decent jobs and assisting inclusive industrialisation

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



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

PARTNERSHIPS

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

OUR SUSTAINABILITY STRATEGY



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

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

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

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

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

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



MATERIALITY 2018

Our materiality model assesses and groups sustainability issues in terms of whether they constitute a risk, responsibility or a shared value opportunity for A.P. Moller - Maersk. Materiality is an important contributor to our strategy development and review processes. Our overall thinking on what materiality means continues to evolve. For example, our work on sustainability risk management and investor engagement, particularly in the context of the recommendations from the Task force on Climate-related Financial Disclosures (TCFD), (read more on page 15), has prompted us to reconsider some of the strategic and financial risks relative to our material issues.

We have not performed a full materiality update in 2018, but have made three changes compared to 2017 in the risk and responsibility categories:

- The issue of land acquisition and resettlement by linked third parties has become less material following changes in business strategy, resulting in fewer or no green field investments, and has therefore been taken out.
- The issue of physical impacts of climate change has been added as an assumed long-term financial risk following the results of research done this year in the area of climate risks.
- In a human rights impact assessment we performed internally in 2015, labour rights in indirect hiring and subcontracted workers, transport and other services to/from conflict areas and armed services were identified as lacking in governance and mitigation. We have resolved these management gaps, and are replacing the three issues with the broader issues of human rights and labour rights.

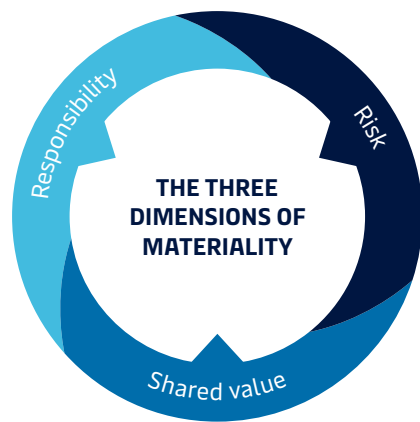
RESPONSIBILITY

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

Issues:

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

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



SHARED VALUE

Where can we, through our business, pursue and scale solutions to meet significant systemic challenges for the benefit of society and, at the same time, create opportunities for our business?

Issues:

- Disposal of vessels and rigs for recycling
- Decarbonising logistics
- Multiplying the benefits of trade
- Food loss

RISK

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

Issues:

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

Governance reflects strategy

In 2018, a new governance approach was developed and will continue to evolve, as our business transformation progresses further. The overall governance responsibility for sustainability now resides directly with the Executive Board rather than a separate Sustainability Council, as was the case in the conglomerate structure. The company's sustainability function brings proposals for new programmes or positions to the Executive Board for approval as and

when relevant. An annual progress report is compiled for the Executive Board to support oversight on strategic priorities, trends and key issues. The Board of Directors receives sustainability strategy updates, and also reviews and approves the annual Sustainability Report.

Each of our sustainability strategy's four shared value programmes are guided by a task force with executive level sponsorship and management-level representatives from both line of business and sustainability. Each

task force is chaired and served by the sustainability department helping to drive and facilitate projects and collaborations.

Governance on responsible business practices resides with line management which has, in line with our change towards becoming one company, taken on greater responsibility for issues management and risk mitigation.

POLICIES GOVERNING OUR ACTIONS

Our work is guided by internal policies based on our Core Values, external standards and commitments. Key international standards and references are listed below.

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

* Rules are comprehensive and mandatory statements of policy and responsibilities in the A.P. Moller - Maersk central governance system.

Transformation and our business

The business world is increasingly called upon to use its powers of change and implementation to help solve major societal challenges. A.P. Moller - Maersk focuses on where we have the greatest leverage and potential impact on issues that are material to us.

Our sustainability strategy calls out four areas where A.P. Moller - Maersk through our business can pursue solutions and call for others to act. These efforts may result in significant system changes and respond to challenges faced by the global society, and at the same time create opportunities for our business.

The four areas are climate change, inclusive trade, food loss and ship recycling, and we report on progress and developments in all of these, while also explaining how we understand

and approach these issues with a view to transformation.

The issues of climate change and inclusive trade are given special attention in this year's report. They are issues that will be fundamentally transformative to how we operate. How they develop will impact business strategy, performance and market conditions globally – for us as well as our supplier and customer base.



Towards a breakthrough in climate change

Climate change is one of the world's most pressing challenges. An effective response will make a difference to how the next decades play out and how the next generations are able to live.

The 2018 report from the Intergovernmental Panel on Climate Change (IPCC) incontrovertibly states that the effects of climate change cannot fully be prevented, and today the average global rise in temperatures is already 1.0 degree. The report also clearly states that to keep climate change at manageable levels, we need to create a carbon-neutral economy by around 2050.¹

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

Very ambitious targets

In 2018, the Executive Board of A.P. Moller - Maersk approved a new company ambition for climate change: to have net-zero CO₂ emissions from our own operations by 2050.² We do not by net-zero refer to off-setting CO₂ emissions from fossil fuels. By committing to this target, we believe we will drive the transformation of the shipping industry towards use of carbon-neutral fuels.

Based on our experience, we know that efficiency can only keep shipping emissions stable, not reduce or eliminate them. Nevertheless, until decarbonisation is achieved, decoupling

business growth from emissions is a necessity, and we have set an efficiency target of 60% relative reduction in CO₂ by 2030 from a 2008 baseline.

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

A decade of learning

A.P. Moller - Maersk has for ten years pursued ways to reduce our relative CO₂ emissions, and had set a target of 60% relative reductions by 2020, using a 2007 baseline.

By the end of 2018, our reductions had reached 47% since 2007. This is not enough to reach 60% in two years' time.

NEW TARGETS

ZERO

net-emissions from our own operations by 2050.

60%

relative reduction of CO₂ emissions by 2030 (2008 baseline).

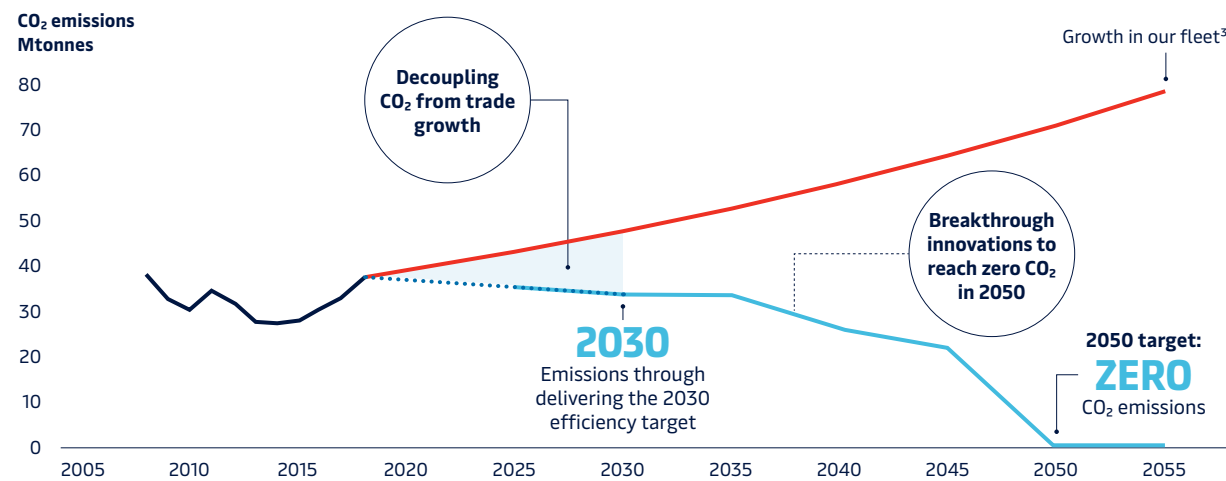
2018 RESULTS

41%

relative reduction in CO₂ emissions from our activities compared to 2008 baseline.

2050 SCENARIO

— Historic emissions — Number of vessels — Projected emissions 2030 efficiency target — Pathway to zero CO₂



1 Global Warming of 1.5°C, Intergovernmental Panel on Climate Change, 2018.
 2 Our target is net-zero CO₂ emissions, because using e.g. biofuels will emit CO₂ when burned on a vessel. However, if the feedstock used to produce the biofuel absorbs CO₂ equal to the emissions produced when burned (and the production process of the fuel is also CO₂-neutral) then specific biofuels can be CO₂ neutral.
 3 The 2050 scenario is based on a simulation, which builds on our expectations for the development of our business activities until 2050 and the reductions coming from exchanging old vessels with zero carbon vessels. It does not however, include post 2030 reductions coming from further reductions on the remaining part of the old fleet.

We knew our 2020 target was a stretched target, and we are convinced that aiming high has pushed us to do more than we would have without setting the bar high.

Our efficiency work to date has allowed us to decouple our emissions from trade growth. We are now changing our efficiency target to align both target year and baseline with the IMO strategy for greenhouse gas (GHG) reductions in shipping, aiming for a 60% reduction relative to cargo moved by 2030, compared to a 2008 baseline. This means that we will be able to sustain decoupled CO₂ emissions from our growth, and as a company we are proud to already be aligned with the IMO industry target.

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

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

Collaboration towards breakthrough

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

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

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



OVERVIEW OF A.P. MOLLER - MAERSK CO₂ EMISSIONS

As part of the work on our new climate change targets, we established a baseline overview of CO₂ emissions for our full value chain. This analysis showed that 65% of our greenhouse gas emissions come from our own activities (scope 1), and of this, 98% of our scope 1 emissions come from ocean transport. Purchased electricity (scope 2) is only 1% of our value chain footprint.

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

to purchased ocean services. As a consequence, out of our total emissions, more than 70% relate to ocean transport, which makes it the natural place for us to focus our efforts in our new CO₂ targets.

Our strategy to become an integrator of container logistics and provide customers with easy access to end-to-end services will necessarily lead to increased activity on land. As we progress, our decarbonisation strategy will also address our land transport and inland assets.

IN BRIEF

AMBITIONS

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

TARGETS

2018: 60% relative CO₂ reduction by 2020.*

Develop low-carbon offerings to customers.

2019: Net-zero CO₂ emissions from own operations by 2050.

Efficiency target of 60% relative reduction in CO₂ by 2030 (2008 baseline).

Develop approach to managing risks from physical climate change.

GOVERNANCE

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

SDG TARGETS



7.3



13.1



17.16

2018 TARGETS MET?

In full

DOMINANT DIMENSION OF MATERIALITY

Responsibility

Shared value

Risk

* Note: target closed in 2018



involved to collaborate on incentives and develop innovative solutions that help the industry to effectively tackle the transformation towards zero-carbon vessels. A.P. Moller - Maersk will dedicate resources and efforts towards research collaborations, technical

development, customer engagement, and regulatory advocacy. In addition, we want to begin a dialogue with cargo owners, regulators, researchers, investors and technology developers, and together set the foundation for a sustainable industry.

Zero emissions vessels on the water by 2030

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

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

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

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

Shipping is crucial to reaching the climate change goals set by companies and countries alike. Through partnerships and innovation, supply chains must reduce their carbon footprint, as a contribution to the Paris Agreement and in Nike's case to our Moonshot ambition of doubling our business while halving our environmental impact.

KEITH LAMBERT
VP Global Logistics at Nike

GROWING CUSTOMER INTEREST IN CLIMATE CHANGE

For many of our largest customers, attention to sustainability in their supply chain is growing. We see our customers making bold company commitments to significantly reduce CO₂ emissions from their business, in many cases to zero emissions. Currently, 35 of our top 150 customers are using science-based targets and many other customers are working on targets. By reducing emissions in our operations, we can help these customers achieve their CO₂ goals and ambitions. A 2018 customer survey showed us that 72% seriously consider sustainability parameters when managing their company's supply chain, pointing to emissions reductions and low-carbon logistics as their main challenges today. Alongside this dependency, we see an

increasing acknowledgement among these customers that continued and significant CO₂ reductions require investments. Specifically, we see that the number of customer tender requests including climate and other sustainability-related requirements is increasing approx. 30% year on year. Also, our direct sustainability collaborations or partnerships with 40 key clients over the past five years have evolved from customers making basic demands for CO₂ emissions data to more long-term and action-oriented requests for low CO₂ solutions along with tangible CO₂ reduction pilot projects. We are currently working on offering different low-carbon solutions to our customers across transport modes.

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

Delivering on efficiency

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

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

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

For the last part of the reductions in CO₂ emissions, we will rely on innovation. We have demonstrated that we are able to innovate and operationalise innovation, and we intend to continue these efforts.

Our 2030 efficiency target is strong enough to ensure that we continue to decouple CO₂ emission levels from growth in trade and volumes shipped. With this target, we will not exacerbate our contribution to climate change while we grow our business, serve global trade and support job creation.

Physical impacts of climate change

In their 2018 report, the Intergovernmental Panel on Climate Change (IPCC) clearly states that the physical effects of climate change are already here in the form of changes in, for example, weather patterns and biodiversity.⁴ This is substantiated by the fact that in 2017, the macroeconomic impact of global weather disasters was around USD 330 billion, making 2017 one of the costliest years ever.⁵

As part of our response to climate change, A.P. Moller - Maersk works to manage the risks to our assets as well as the risks to the value of our business, which are caused by the physical impacts of climate change.

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

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

Reporting according to TCFD

The TCFD recommends that companies report on both transition risks, understood as risks encountered while working with CO₂ reductions, and physical risks which are risks caused by changes in weather etc., within the categories of governance, strategy, risk management and metrics.

Governance

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

Strategy

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

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

Based on this overview, we have given priority to the geographical

regions where the value of our business faces the greatest risk, and selected two high-risk clusters which we will investigate more in-depth in 2019 to deliver what will be our approach to managing risks from physical climate change.

The next step for us is to begin pilot projects on the ground, to gain a detailed understanding of the value at risk and not least how we can best approach managing the risk. There is an added complexity to this, given that our assets are always part of a larger ecosystem, which will also be affected by climate change.

Risk management

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

Metrics and targets

Read about our strategy and targets for decarbonising logistics on the previous pages. Targets for managing the physical impacts of climate change are not available yet.

GLOBAL WEATHER IMPACT

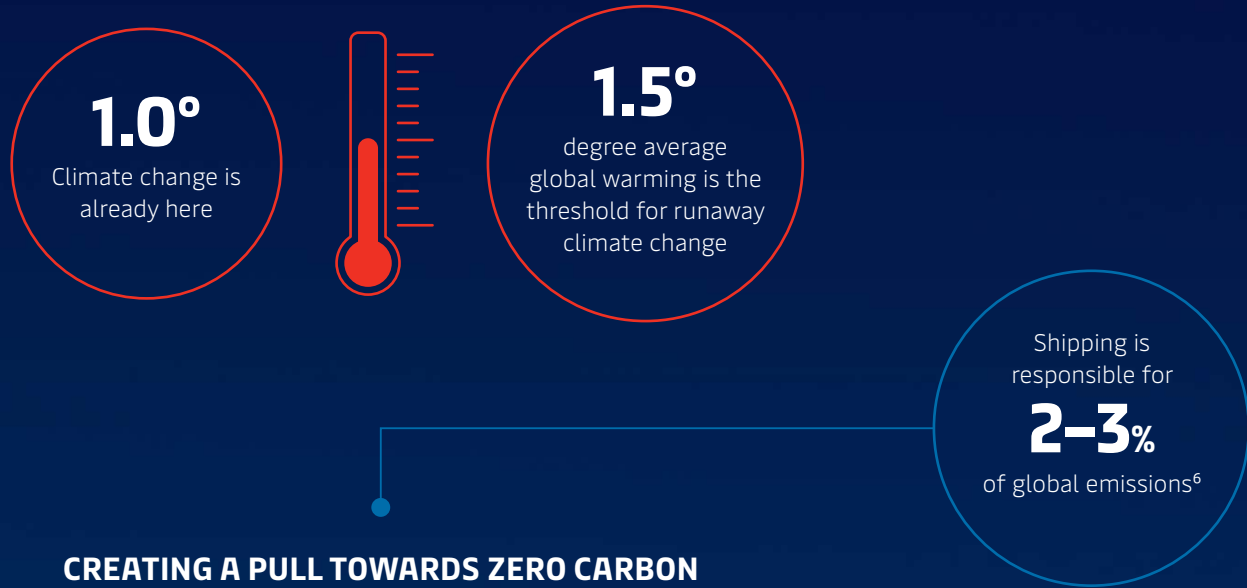
A total of

330bn

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

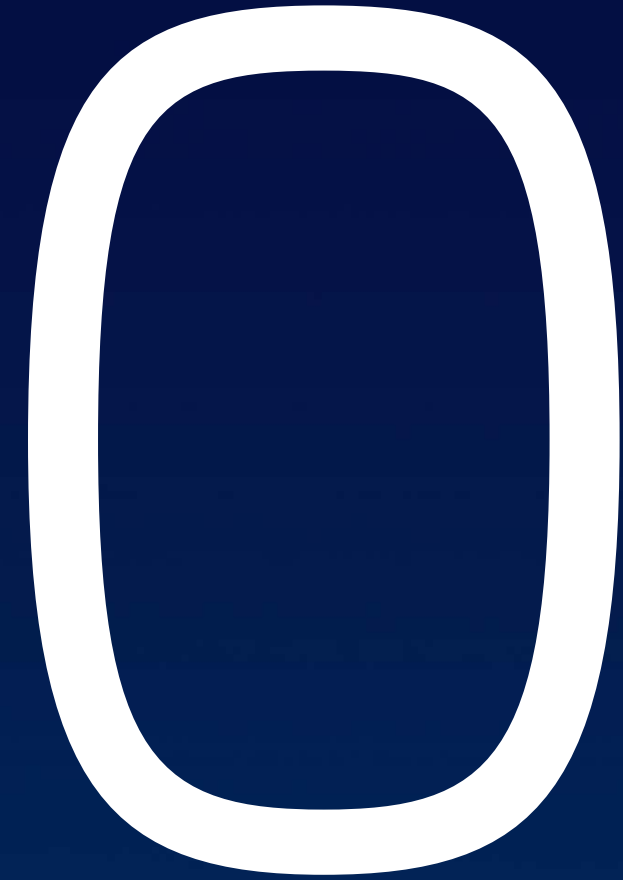
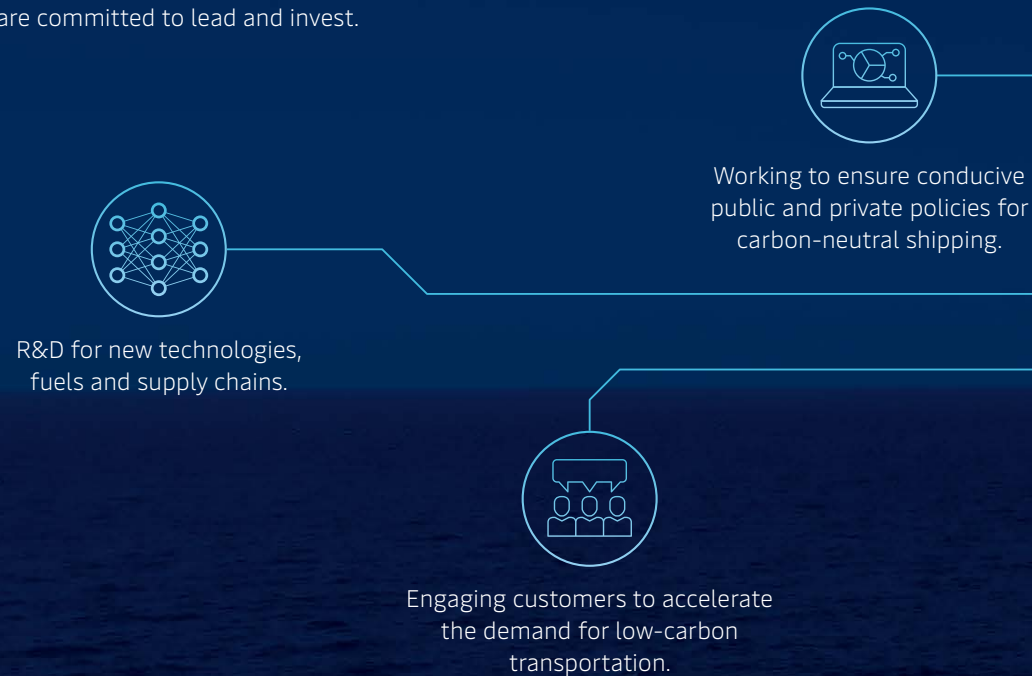
⁴ <http://www.ipcc.ch/report/sr15/>
⁵ <https://www.munichre.com/topics-online/en/climate-change-and-natural-disasters/natural-disasters/2017-year-in-figures.html>

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

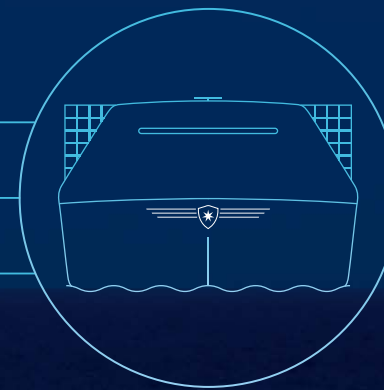


CREATING A PULL TOWARDS ZERO CARBON

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



by **2050**



2030

By 2030, commercially viable zero emissions vessels must be a proven, realistic option.

⁶ Third IMO Greenhouse Gas Study 2014.

Making the case for open and inclusive trade

Open trade enables prosperity and growth for people and societies. But these benefits are not accessible to all. A.P. Moller - Maersk wants to be a cornerstone of an inclusive and sustainable global trading system that can help eradicate poverty and deliver decent work for all.

In 2018, we adopted an ambitious set of commitments to help multiply the benefits of trade (see pages 20–21). We will use our capabilities to reduce complexity in global value chains, so that more countries and more companies can do business simpler, cleaner, faster and cheaper. We will also work to empower small businesses, the ‘conveyor belts’ of innovation and job creation, to have better access to the benefits of trade.

Trade is key to progress

Looking ahead to 2030, trade will be key to achieving the UN Sustainable Development Goals. On average, 137,000 people have lifted themselves out of poverty every day for the past 25 years.⁷ Many of them through the jobs and benefits generated by trade. Without cross-border trade, the real incomes of the average consumer would be half what they are today and even less for the poorest.⁸ By keeping trade open in the 21st century, extreme poverty may be eradicated for the first time in human history.

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

2018, we have not seen major effects on global trade. But in the coming years, we expect that at their current level, trade tensions may reduce growth in containerised trade by around 0.3% annually. This is potentially significant in a global market growing only 2–4%.

Rewriting the rule book on global trade

The current trade tensions go to the heart of the multilateral rules-based trading system, and include disagreements over dispute resolution, investment protection and fair, market-based competition. There is an acceptance that the rule book on global trade needs updating in these areas to ensure a level playing field. We are hopeful that WTO member states will agree on reforms to ensure a rules-based global trading system that keeps trade open, market-based and inclusive.

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

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

Need for inclusive policies

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

This smart mix of open trade and inclusive policies in turn requires a rules-based trading system in which countries have room to decide when and how they open up to trade. This involves balancing the potential adverse impacts of open trade on specific groups with the overall benefits for workers, companies and consumers of having access to global markets, lower prices, higher wages and more economic vitality.

GROWTH AND JOBS

Reducing logistics barriers to trade could increase GDP by nearly

5%

adding millions of jobs to the global economy.⁹

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

Trade and sustainable consumption

Past industrial revolutions that lifted the majority of mankind out of extreme poverty in just two centuries,¹⁰ were powered by fossil fuels. This is no longer sustainable. An emerging subject in trade debates is sustainable consumption, often defined as consumption patterns where human activities do not impact the natural environment beyond what this can accommodate.

The dilemma is that this cannot be at the expense of inclusive growth. Shifting consumption patterns, higher prices, and slower growth will affect some countries and some groups harder than others. If left unaddressed, such negative impacts may threaten the acceptance of policies to address climate change. This may particularly impact countries that already struggle with mass unemployment. 600 million new jobs are needed in developing

countries alone by 2030 just to keep up with growing populations.¹¹

The debate and ideas for reconciling the diverging dilemmas and trade-offs are hugely important to the world and to our company. For A.P. Moller - Maersk, the business imperative is clear: to be sustainable, the global trade and consumption patterns on which we base our business need to be compatible with nature. Shifts in mindsets and innovative solutions will be necessary to achieve sustainable consumption and growth. We are following the conversations closely and understand that we have to be ready to contribute to the solutions. Our work on climate change is a major part of this, as are the interventions and solutions being developed in our efforts to multiply the benefits of trade (see next pages).

IN BRIEF

AMBITIONS

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

TARGETS

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

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

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

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

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

GOVERNANCE

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

SDG TARGETS



8.2
8.3
8.5



9.3



17.10
17.16

2018 TARGETS MET?

In full

DOMINANT DIMENSION OF MATERIALITY

- Responsibility
- Shared value
- Risk

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

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

Multiplying the benefits of trade – our commitment

As a global integrator of container logistics, A.P. Moller - Maersk is committed to multiplying the benefits of trade. To achieve this goal, we have

set new, ambitious targets to deliver on three key priorities for making global trade more inclusive: reducing complexity in global value chains;

empowering small businesses to benefit from trade; and supporting reforms to level the playing field for inclusive global trade.



REDUCE COMPLEXITY IN GLOBAL VALUE CHAINS

The opportunity: Trade needs to be simple. By digitising global trade, we can help remove friction in global supply chains, enabling our customers to trade more. Reducing barriers to trade leads to new growth with the potential to add more than 20 million new jobs to the global economy every year.¹²

What we are doing: In December 2018, A.P. Moller - Maersk and IBM announced the commercial availability of TradeLens, which is an open and neutral industry solution using blockchain technology to facilitate global trade. Today's cumbersome and siloed processes for trade documentation, administration and

data sharing creates delays and uncertainties in global supply chains. The cost of such barriers by far exceeds the cost of formal customs tariffs.

TradeLens allows all actors involved in cross-border trade to interact in a simple, secure and real-time environment. This offers significant efficiency gains and new revenue models for all actors in the logistics ecosystem. As of January 2019 the solution is actively engaged with more than 100 organisations. This includes over 60 network members including nine ocean carriers, three inland carriers, 46 worldwide ports and terminals, and nine customs authorities spanning the globe.

HELP LEVEL THE GLOBAL TRADING FIELD

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



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

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

REDUCE COMPLEXITY

We will connect

50%

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

EMPOWER SMALL BUSINESSES

A share of

10%

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

We will help

100,000

SMEs build capacity together with partners, including women-operated businesses, to engage in cross-border trade by 2025.

LEVEL THE TRADING FIELD

We will support

30

countries in implementing the WTO trade Facilitation Agreement in collaboration with the Global Alliance for Trade Facilitation by 2025.



EMPOWER SMALL BUSINESSES TO BENEFIT FROM TRADE

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

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

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

Empowering entrepreneurs through partnerships

In 2018, A.P. Moller - Maersk became a partner to the SheTrades initiative by the International Trade Centre. The purpose of SheTrades is to enable women entrepreneurs to access the benefits of trade, aiming to connect three million women entrepreneurs to markets by 2021. This is good for inclusion – but it is also just good business. Closing the global economic gender gap could add 26% to annual global GDP by 2025.¹⁶ Together with SheTrades, A.P. Moller - Maersk will help women entrepreneurs in developing countries engage in trade by sharing our expertise on transport and logistics with the women entrepreneurs.

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

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

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

BENEFITS AND CHALLENGES OF DIGITISATION

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

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

concentration through exponential technologies and big data.

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

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

more closely connected to trade.

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

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

¹² Enabling Trade, Valuing Growth Opportunities, World Economic Forum 2013

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

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

¹⁵ World Trade Report 2016 Levelling the trading field for SMEs, WTO 2016

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

Reducing food loss – a business opportunity

Working to reduce food loss will create value for a wide range of stakeholders as well as the A.P. Moller - Maersk business.

The issue of food loss and waste is positioned right in the nexus between the growth and sustainability priorities of A.P. Moller - Maersk. We already transport about 27% of the world's refrigerated containers and 25% of the world's food commodities, and our business strategy gives priority to the development and growth of our cold chain business. From a sustainability point of view, our large market share and place in the value chain imply opportunities for leverage to reduce food loss, particularly in the stages where most food loss is generated:

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

What we can do

Our commitment to help halve food loss by 2030 is a new area in our sustainability strategy established in 2017. We are currently shaping our activities and growing our insights and understanding of the issue. For example, how inadequate food storage and transportation conditions create large-scale food loss, particularly in emerging markets, and how partnerships can contribute to changing this situation.

The ultimate goal is to build capabilities along the supply chain in countries with high prevalence of food loss in the production and transportation stages and enhance their ability to

benefit from food loss-reducing solutions. This includes capacity building to reduce post-harvest loss by improving harvesting techniques and handling of products, as well as improving framework conditions for agriculture, infrastructure and trade, which will help governments fulfil national food loss targets.

“ We see a great potential for help tackling the global challenge of food loss in partnership with A.P. Moller - Maersk, due to their expertise in cold chain logistics and wide-reaching network. ”

RAFAEL FLOR
Director, Food, The Rockefeller Foundation

Furthermore, enhanced capabilities at the production stage, adequate infrastructure and trade conditions as well as temperature-controlled transportation can enable landlocked countries to access ocean shipping with their perishable goods, as they can be transported with freshness intact to trading ports, even if these are located thousands of kilometres away. This enables producers to participate in global trade.

Building partnerships

Aspiring to create shared value, A.P. Moller - Maersk in 2018 worked

to establish partnerships to pilot solutions to the food loss occurring in the production, handling and storage stages.

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

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

Wide-reaching potential benefits

With the projected global population growth in the coming decades, the demand for perishable food is projected to increase by 20% annually. It is clear that with the current system's inefficiencies, meeting this demand will put an even more unsustainable pressure on resources such as land and water, and increase CO₂ emissions at a time where these need to decrease. One way to address this challenge is to make the system more efficient and sustainable, and we want to contribute to this.

If successful, our partnership-based efforts to halve food loss by 2030 will have multiple benefits, as farmers will have more crops to sell, and communities will benefit from job creation with ensuing local economic development.

FOOD LOST EVERY YEAR

350m

tonnes due to inadequate storage and delays during transportation.



GETTING INDIAN BANANAS TO EUROPE

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

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

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

IN BRIEF

AMBITIONS

To leverage our services, products and capabilities in order to halve food loss in logistics, and simultaneously enhance our cold chain business and support sustainable development.

TARGETS

2018: Working in partnerships, we will invest in innovations reducing food loss in the supply chain, using our competencies within the establishment of cold chains for transport.

2019: Establish two global partnerships to address loss points in the food supply chain.

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

GOVERNANCE

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

SDG TARGETS



2.1 2.2 12.3



17.16

2018 TARGETS MET?

Partly

DOMINANT DIMENSION OF MATERIALITY

- Responsibility
- Shared value
- Risk

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

Momentum towards responsible ship recycling in Alang

The journey to transform ship recycling continues with a multi-stakeholder partnership to increase transparency. A significant number of yards in Alang, India are now investing in responsible practices.

Despite strong and documented criticism of the environmental, health and safety conditions on the ship recycling beaches in Southeast Asia, 90% of vessels were still dismantled there in 2018.¹⁸ This is the case in spite of several shipowners having policies for responsible ship recycling. A key factor in this is the lack of international regulations on ship recycling because the Hong Kong Convention on ship recycling, established by the IMO in 2009, still has not entered into force, as it has yet to be ratified by the required number of countries.

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

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

Improving fast

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

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

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

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

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

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

ROGER STREVS
Vice President, Global Sustainability, Wallenius Wilhelmsen Logistics

FAST IMPROVEMENTS

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

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



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

progress in Alang. It does not, however, change the fact that international legislation will be necessary to create a level playing field in ship recycling.

The EU List

The European Union (EU) is set to introduce its own ship recycling safety and environmental standards from the start of 2019. Under these rules, vessels carrying EU flags at the end of their life cannot be recycled in yards not approved by the EU. Yards approved by the EU will be included in what is known as 'the EU List'.

The incentive to get on the EU List is currently encouraging the transformation of Alang seen in the many yards investing in change (see table below). We believe the EU can be a real driver for sustaining investment and upgrading in the whole area by including Indian yards that comply with EU regulations in the EU List.

The current version of the list comprises 23 facilities from within the EU and three non-EU facilities (one in the US and two in Turkey).¹⁹ The list does not yet include Indian yards, however, it will be updated on an ongoing basis.

In 2018, 11 yards in Alang have officially asked to be added to the EU List. Out of these, two were inspected and conclusions were not available by the end of 2018. We strongly believe that transparency in the assessment process is crucial to keep improving conditions in Alang.

Transformation requires transparency and engagement

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



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

transformation we are aiming for. For this reason, we welcomed the launch in 2018 of the Ship Recycling Transparency Initiative (SRTI), in which we participate together with five other shipowners and six financial institutions. Two of our large-brand customers are active on the advisory panel.

Through an annual survey, the SRTI encourages all shipowners to report on their ship recycling practices against a comprehensive set of disclosure criteria. The information collected will form a public database providing transparency and in turn accountability for choices made in the dismantling of end-of-life-vessels. The SRTI's online platform was launched in December 2018.

Introducing health services to the Alang community

Another stated vision for engaging with ship recycling yards in Alang was to contribute to improving conditions for the wider Alang community.

In late 2017, a survey was carried out to establish gaps in existing health care services if the needs of the workers and their families were to be met. It concluded that both general and emergency health care services were sorely lacking.

A.P. Moller - Maersk and partners Indian Red Cross and the Ship Recycling Industry Association (SRIA) established a mobile health van with a team of professionals that provides general health care to all ship recycling workers in Alang as well as to the local community of the wider Alang area.

Since May 2018, nearly 10,000 people from the wider Alang area received free, general health care from the health van, improving access to health services significantly.

For 2019, developing emergency care will be in focus. We will work with local health sector partners to be able to offer basic emergency care services in Alang, and to offer first aid training of the yard workers.

IN BRIEF

AMBITIONS

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

TARGETS

2018 and 2019: Continue to invest and work with selected yards in Alang.

Develop the wider Alang area.

Drive the development of the Ship Recycling Transparency Initiative.

GOVERNANCE

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

SDG TARGETS



2018 TARGETS MET?

In full

DOMINANT DIMENSION OF MATERIALITY

- Responsibility
- Shared value
- Risk

TWO-THIRDS OF YARDS IN ALANG INVEST IN RESPONSIBLE PRACTICES

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

Source: Ship Recycling Industries Association (India)

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

18 Source: www.shipbreakingplatform.org/platform-publishes-list-2018/

Progress, actions and ambitions

A.P. Moller - Maersk is committed to ensuring that our business practices are safe, responsible and transparent.

In this section, we provide a brief and concise overview of progress, actions and ambitions on responsible business practices on 11 issues. We work on these issues by managing risk as well as by living up to the responsibility defined by our Core Values and the principles of the UN Global Compact on human rights, labour rights, environment and anti-corruption.

The issue of personal safety for our employees merits particular attention because our approach to safety has undergone a thorough review and renewal in 2018.

12

On all other responsibility and risk issues in this section, we report across selected key categories of disclosure including ambitions; why the issue is important and how it is material; targets for 2018 (as reported in our 2017 Sustainability Report); targets for 2019 or ahead, if revised; progress for this year; and governance. We also connect our work with the relevant UN SDG targets and indicators.



25



Safety: A fundamental shift

Focusing on leadership, organisational capacity, operational controls and employee engagement will propel us forward in the next phase of employee safety.

At the beginning of 2018, the A.P. Moller - Maersk Executive Board decided to conduct a thorough review of the company's safety performance, as no significant improvements had been achieved during the past 4-5 years.

The review showed that we had reached a plateau in safety performance, with the frequency of incidents not improving. More importantly, high-consequence events, particularly those resulting in fatalities, continued to occur. In the past five years alone, 34 colleagues have lost their lives while working for A.P. Moller - Maersk.

The loss of five colleagues due to a fire on the Maersk Honam in March 2018 only underlined the need for A.P. Moller - Maersk to reevaluate its safety approach.

As a result, the Executive Board appointed a safety task force, chaired by Vice CEO Claus V. Hemmingsen, charged with reviewing and re-thinking the company's approach to safety and focusing on making A.P. Moller - Maersk a Safe Place to Work.

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

Three main elements

Moving forward, addressing three priorities becomes critical:

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

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

Clear authority, roles, tasks, and objectives for safety at all levels in the company are and will remain important parts of the safety transformation journey.

Impacts of change come later

The new safety approach will be rolled out from leadership level, starting January 2019. To guide the process of change, a new corporate safety function was established in late 2018, to formulate the overall safety strategy and to facilitate best practice sharing and governance across the company.

In 2018, our overall LTIF has increased to 1.29 from 0.89 (see side bar). This is primarily due to a positive change in safety maturity across our terminals where improvements in employee engagement have led to increased transparency in the reporting of lost time injuries. There has also been an increase in the number of terminal facilities fully in scope for reporting on safety.

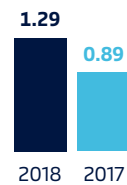
were developed and implemented to improve safety across our container vessels, building on a review of over 3,000 United Nations categories of hazardous materials.

The safety of our employees is our responsibility and focus, and the loss of seven colleagues in 2018 alone, clearly underlines the need for change in our safety approach to make sure all employees can go to work not only feeling safe, but being safe.

SØREN SKOU
CEO of A.P. Moller - Maersk

SAFETY PERFORMANCE

Lost-time injury frequency



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

Building capacity for safety

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

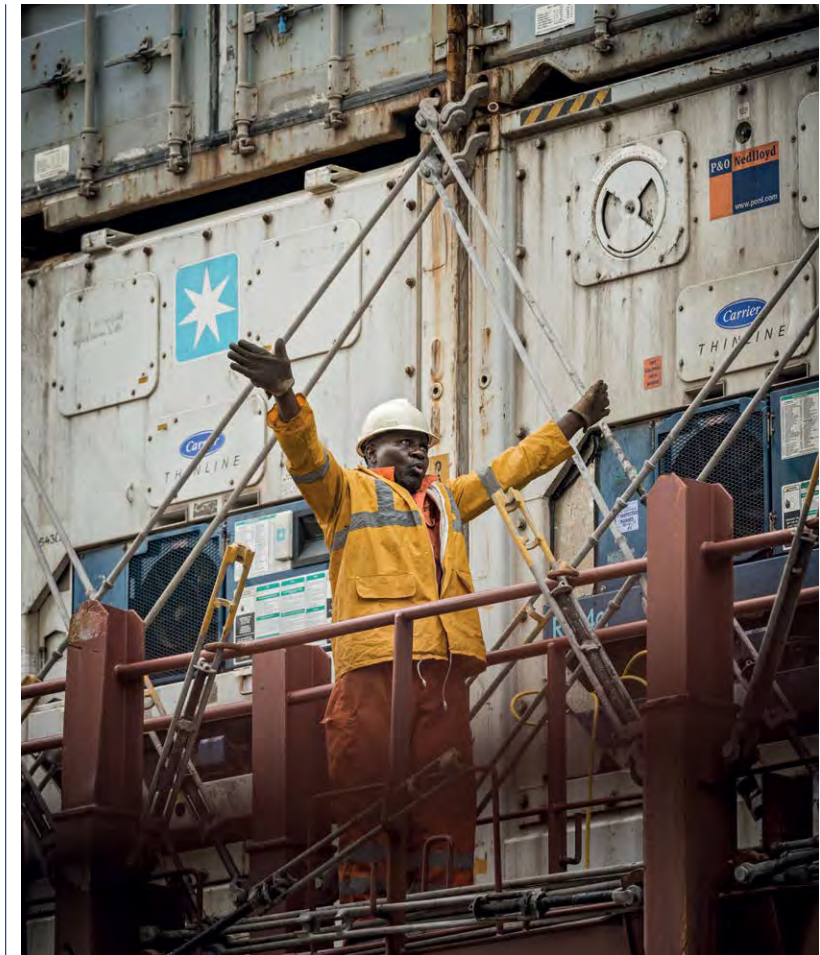
We have previously targeted zero accidents. Going forward, the target we communicate and use as motivator is to make A.P. Moller - Maersk a safe place to work. We will encourage the elimination of the risk of accidents through designing a safe work place where as many risk factors as possible are controlled,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

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

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

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

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



IN BRIEF

AMBITIONS

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

TARGETS

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

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

WHY IS IT IMPORTANT?

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

GOVERNANCE

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

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

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

Air emissions: SO_x and NO_x

AMBITIONS

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

TARGETS

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

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

WHY IS IT IMPORTANT?

Air emissions from ocean-going shipping have negative effects on human health and the natural environment. We support regulation which will significantly reduce these effects, as evidenced by a 2018 survey showing that areas in Europe with regulation-limited sulphur content in fuel saw a drop in sulphur concentrations in the air by up to

60%. But, without a level playing field in terms of compliance and the enforcement of regulation, the competitiveness and profitability of compliant companies will be hurt. The International Maritime Organisation's 0.5% global cap on sulphur dioxide (SO_x) content in fuels for shipping will enter into force from 1 January 2020. To enable enforcement of the global cap, the IMO in 2018 decided on a carriage ban for non-compliant fuels on board vessels. Vessels with scrubbers cleaning the exhaust gasses installed are exempted from this ban. OECD estimates the cost of switching to new, compliant fuels at up to USD 15 billion per year for the container shipping industry.²⁰ Our own estimation is around USD 2 billion annually for A.P. Moller - Maersk alone.

PROGRESS IN 2018

- To prepare for the 2020 global cap, we:
- Invested in sufficient supply of compliant 2020 fuels through a long-term agreement with an independent tank storage operator, making Rotterdam one of our global hubs for low-sulphur bunker fuel. Here, we will store some 20% of our total annual fuel requirements. We are exploring more such options.
 - Began dialogue with our customers over additional fuel costs, among other things announcing upcoming bunker surcharges. These will recover

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

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

NO_x

IMO legislation exists to achieve progressive reductions in NO_x emissions from ships. It is being implemented through the establishment of NO_x emission control areas (NECAs). A.P. Moller - Maersk is preparing for the 2021 enforcement of NECAs in the Baltic Sea and the North Sea.

GOVERNANCE

Our work is guided by a steering committee on SO_x compliance and readiness.

SDG TARGETS



2018 TARGETS MET?

Partly

DOMINANT DIMENSION OF MATERIALITY

- Responsibility
- Shared value
- Risk

SO_x NON-COMPLIANCE CASES 2018

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

²⁰ Reducing sulphur emissions from ships, OECD/ITF, 2016

Spills

AMBITIONS

Zero oil spills.

TARGETS

2018 and 2019:
Zero non-contained oil spills above 10 m³.

WHY IS IT IMPORTANT?

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

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

PROGRESS IN 2018

- No oil spills over the 10 m³ limit were reported in 2018.
- A new global operating standard for Spill Prevention, Control and Response was rolled out across our terminals and inland service depots, with all locations completing spill risks assessments at their facilities, and implementing improvement plans over the short to medium-term to reduce spill risks by strengthening prevention controls, and better

preparing, resourcing and testing response plans. As part of the implementation of the new standard, an environmental performance objective was included in our terminals' performance scorecard for the first time.

GOVERNANCE

Our efforts to avoid spills are governed through the rules and guidance on HSE management stated in the central A.P. Moller - Maersk governance system.

SDG TARGETS



2018 TARGETS MET?

In full

DOMINANT DIMENSION OF MATERIALITY

- Responsibility
- Shared value
- Risk

Anti-corruption

AMBITIONS

We aim to eliminate corruption in the maritime industry through both multi-stakeholder collaboration and our own operations.

TARGETS

2018 and 2019:
Comply with legislation on anti-corrupt practices, which ultimately translates to zero bribery and facilitation payments.

WHY IS IT IMPORTANT?

Corruption undermines social and economic development. It destabilises the business environment, adds to the cost of participating in global trade and has significant negative impact on the markets and countries we operate in. Furthermore, it affects external confidence (public trust) as well as company morale. For A.P. Moller - Maersk, non-compliance with legislation on bribery and corruption may lead to legal and reputational risks, extra

costs, inefficiencies in our business and ultimately debarment from markets.

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

PROGRESS IN 2018

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

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

GOVERNANCE

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

SDG TARGETS



2018 TARGETS MET?

In full

DOMINANT DIMENSION OF MATERIALITY

- Responsibility
- Shared value
- Risk

Responsible procurement

AMBITIONS

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

TARGETS

- 2018:**
- Ensure compliance with Third-Party Code of Conduct.
 - Introduce 'country risk' as additional criteria for engagement.
 - Introduce assessment approach to the high-risk category 'terminals'.

The last two targets replace a previous target. This change was made as part of a re-evaluation of the Responsible Procurement programme in 2018.

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

WHY IS IT IMPORTANT?

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

PROGRESS IN 2018

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

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

- Continued work on subcontractor conditions, particularly in shipbuilding yards and terminal construction sites with due diligence through audits and improvement plans.
- Conducted focused training on labour relations through a joint programme with Global Employee Relations team.
- Piloted an assessment approach for the supplier category 'terminals' at 10 terminals in high-risk countries.

We were alerted by a Danish media outlet to a sub-contractor's working conditions in Mombasa's port terminal, operated by Kenya Ports Authority, which was not in compliance with our Third-Party Code of Conduct. We investigated the case and are addressing the gaps identified.

As a member of the UN Global Compact Action Platform on Decent Work in Global Supply Chains, we have signed six broad commitments on decent work in global supply chains.

GOVERNANCE

Governed through requirements set out in the central A.P. Moller - Maersk governance system.

SDG TARGETS



12.6

2018 TARGETS MET?

Partly

DOMINANT DIMENSION OF MATERIALITY

- Responsibility
- Shared value
- Risk

Human rights

AMBITIONS

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

TARGETS

- 2018:**
- Full integration of human rights in sustainability governance.

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

WHY IS IT IMPORTANT?

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

As a company with a global presence, we support effective and balanced regulation that promotes a global level playing field for responsible business.

PROGRESS IN 2018

- Initiated efforts to integrate human rights in sustainability governance with completion in 2019 in alignment with expected changes to our governance system.
- Performed forward-looking analysis to understand how our impact on human rights will be affected by external and internal transformations. Key areas include upholding labour standards in an increasingly fragmented supply chain; the impact of new technologies on the future of work in logistics; and the potential consequences for human rights of big data analytics, sensors and artificial intelligence in global trade digitisation.
- Responded to a joint communication from two United Nations Special Rapporteurs on Human Rights regarding potential adverse human rights impacts of ship recycling. Our statement, which applies the UN Guiding Principles on Business and Human Rights, is available on our website. The Rapporteur on Human Rights and Toxics included a statement on the subject in his report to the UN Human Rights Council in September 2018.

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

GOVERNANCE

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

SDG TARGETS



8.5

8.7

8.8



16.3

2018 TARGETS MET?

Partly

DOMINANT DIMENSION OF MATERIALITY

- Responsibility
- Shared value
- Risk

AUDITS AND ASSESSMENTS IN 2018

We engage with suppliers through audits and assessments and establish improvements plans in case of critical and major findings. 2017 numbers in brackets.¹



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

HUMAN RIGHTS IN THIS REPORT

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

Material issue	Human rights at stake	Page
Safety	The right to life and the right to the highest attainable standard of health.	28–29
Employee relations	Human rights principles and standards related to labour, for example freedom of association and collective bargaining, equal treatment, child labour, forced labour, working hours, compensation, privacy, rest and leisure.	34
Diversity and inclusion	The right to freedom from discrimination and the right to family life.	35
Responsible procurement	Human rights principles and standards related to labour, see examples above.	32
Ship recycling	Human rights principles and standards related to labour, in particular the right to life and the right to the highest attainable standard of health.	24–25
Air emissions	The right to the highest attainable standard of health.	30

Employee relations

AMBITIONS

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

TARGETS

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

WHY IS IT IMPORTANT?

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

PROGRESS IN 2018

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

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

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

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

GOVERNANCE

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

SDG TARGETS



2018 TARGETS MET?

Partly*

DOMINANT DIMENSION OF MATERIALITY

- Responsibility
- Shared value
- Risk

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

CLOSING TWO FACTORIES

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

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

NEW TECHNOLOGIES IN THE WORKPLACE

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

- Timely identification of upcoming technological changes, so that we can support our employees in building the skills required.
- Proactive and open dialogue with employees and their representative bodies. In 2018, we met with trade union representatives from the International Transport Workers' Federation to openly share and discuss our approach and plans for technical innovations in our business.
- Ensuring that we have support in place for employees whose jobs disappear due to the adoption of new technologies.

Diversity and inclusion

AMBITIONS

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

TARGETS

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

WHY IS IT IMPORTANT?

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

PROGRESS IN 2018

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

1. Inclusive leadership capabilities

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

2. Local and leader-led agendas

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

GOVERNANCE

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

SDG TARGETS



2018 TARGETS MET?

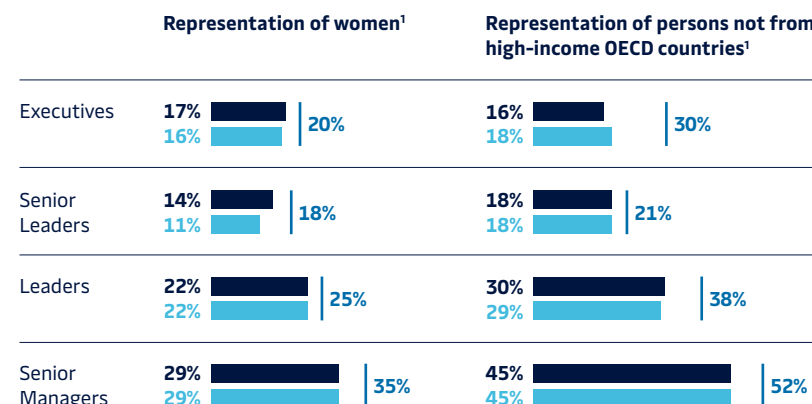
Partly

DOMINANT DIMENSION OF MATERIALITY

- Responsibility
- Shared value
- Risk

TARGETS AND PERFORMANCE ON DIVERSITY AND INCLUSION

■ 2018 ■ 2017 | Target 2020



Representation of women on our boards²



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

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

Disaster response

AMBITIONS

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

TARGETS

2018 and 2019:

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

WHY IS IT IMPORTANT?

When natural or human-incurred disaster strikes, emergency logistics

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

PROGRESS IN 2018

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

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

- Contributed to the response plan following the earthquake in Indonesia in September, with information on the country's infrastructure and ocean freight options, and reserving containers to support disaster relief if needed.
- After a cholera outbreak in Yemen in 2017, we collaborated with LET partners in donating four refrigerated containers to store medical supplies.
- Continued to map freight and logistics options to secure the Global Logistics Cluster's preparedness in risk-prone areas.

GOVERNANCE

The Executive Board decides on activation of support to large-scale natural disasters upon request from the Global Logistics Cluster. A dedicated contact point coordinates requests from the LET to A.P. Moller - Maersk representatives in relevant locations.

SDG TARGETS



17.6

2018 TARGETS MET?

In full

DOMINANT DIMENSION OF MATERIALITY

- Responsibility
- Shared value
- Risk

Responsible tax

AMBITIONS

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

TARGETS

2018 and 2019:

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

WHY IS IT IMPORTANT?

Well-functioning tax systems locally and

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

PROGRESS IN 2018

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

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

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

GOVERNANCE

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

SDG TARGETS



17.1

2018 TARGETS MET?

In full

DOMINANT DIMENSION OF MATERIALITY

- Responsibility
- Shared value
- Risk

Ocean health

AMBITIONS

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

TARGETS

2018:

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

2019:

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

WHY IS IT IMPORTANT?

Ocean health is pivotal to the health of nature and people. Higher sea temperatures and the proliferation of plastic waste indicate that ocean health is under threat. We are obligated to act, as emissions from our activities contribute to acidification and rising temperatures, and as a citizen of the oceans to contribute to finding solutions.

PROGRESS IN 2018

- We registered one case of reported non-compliance with ballast water regulation in Montreal, Canada. The case was related to reporting errors and we received a fine of USD 9,100.
- Established collaboration with the Ocean Cleanup project, contributing around USD 2.0 million in vessel services and equipment for the installation of the first full-scale ocean plastic clean-up system, as well as providing open-top containers for the collected plastic.

- Collaborated with the National Oceanic and Atmospheric Administration (NOAA), under the U.S. Department of Commerce, to deploy 16 drifter buoys which as part of NOAA's network of around 1,000 buoys collect data for marine and climate sciences. During 2019, we will continue to work with NOAA in collaboration with the World Ocean Council's 'Smart Oceans - SMART Industries' initiative to develop a programme to improve data collection from selected areas.
- Joined and launched the UN Global Compact Sustainable Ocean Business Action Platform, a three-year project.

GOVERNANCE

Our ocean health activities are governed through the rules and guidance on HSE management in the central A.P. Moller - Maersk governance system. Our collaboration with the Ocean Cleanup Project is under the sponsorship of the Executive Board.

SDG TARGETS



14.1



17.6

14.3

2018 TARGETS MET?

Partly

DOMINANT DIMENSION OF MATERIALITY

- Responsibility
- Shared value
- Risk

HELPING THE OCEAN CLEANUP PROJECT SUCCEED

Over 5 trillion pieces of plastic are estimated to litter all the major ocean basins. The source of this problem is primarily insufficient waste management on land, rivers and sea. Therefore, making the oceans healthy will require a multi-layer solution with a multitude of innovation and change.

As responsible citizens of the ocean, we want to contribute to alleviating the problem by assisting in removing the plastic which is already in the oceans. The Ocean Cleanup Project, a non-profit organisation, has developed a 600 m-long floating buoy system with a screen to collect plastic debris for recycling.

The first offshore cleaning system was towed and installed by a Maersk Supply Service vessel in the Great Pacific Garbage Patch, located 1,200 nautical miles off the coast of San Francisco. The patch contains an estimated 1.8 trillion pieces of plastic and covers an area twice the size of Texas. After installation, our vessels are further monitoring progress and operations.



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

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

Overview of targets and progress

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

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

Performance data

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

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

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

■ Described in the Generally Accepted Accounting Principles – data from other sources than the financial and operational scoped data. Since 2017 gender and nationality data is reported by headcount, previously by FTE. See our Sustainability Accounting Principles at <https://www.maersk.com/about/sustainability/reports>

2017 data includes performance data for continuing operations and discontinued operations (Maersk Oil, Maersk Drilling and Maersk Supply Services). Maersk Oil is not part of sustainability reporting for 2018. Maersk Drilling and Maersk Supply Service continue to be classified as discontinued operations and are included in this report with data presented on aggregate level.

COMMENTS ON 2018 PERFORMANCE DATA

Social performance

Our employees

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

The increase in target nationalities in leadership for A.P. Moller - Maersk is due to different entities that we are reporting on. The entities for 2018 have a steady number of target nationalities and fewer non-target nationalities at this level, therefore the % of target nationalities has increased. Further comments on our performance on diversity and inclusion, along with our targets and performance on representation of women on the Board of Directors and representation of women and persons from countries that are not in the OECD high-income countries list, can be found on p. 35.

LTI¹ has increased mainly due to a positive change in safety maturity across our terminals where improvements in employee engagement have led to increased transparency in the reporting of lost time injuries. There has also been an increase in the number of terminal facilities fully in scope for reporting on safety. More details about our safety performance can be found on pages 28–29.

Environmental performance

Energy consumption

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

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

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

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

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

Greenhouse gas (GHG) emissions

Increase in GHG emissions is due to increases in energy consumption.

98% of our scope 1 emissions come from the operations of our fleet. Increase in direct GHG emissions is due to increase in fuel oil consumption.

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

Other air emissions

SO_x is produced from the combustion of heavy fuel oil. Increase in SO_x emissions is due to increases in fuel oil consumption.

NO_x is produced from the reaction of nitrogen and oxygen gases in the air during combustion of fuels. Increase in NO_x emissions is due to increases in fuel oil consumption.

Other resource consumption

Increase is mainly due to changed methodology for calculating waste generation on our vessels (see Accounting Principles 2018). 2017 and 2018 numbers are non-comparable.

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

Spills (hydrocarbon)

No spills above the threshold of >10m³.

Economic performance

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

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

There is a decrease in all indicators for discontinued operations due to the sale of Maersk Oil.

Independent assurance report

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

A. P. Møller - Mærsk A/S engaged us to provide limited assurance on the data and information described below and set out in the Sustainability Report of A.P. Møller - Mærsk A/S for the year ended 31 December 2018.

Our conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us not to believe that data and information in the A.P. Møller - Mærsk A/S Sustainability Report for the year ended 31 December 2018 are without any material misstatements and have been prepared, in all material respects, in accordance with the accounting policies as stated on <https://www.maersk.com/about/sustainability/reports>.

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

What we are assuring

The scope of our work was limited to assurance over data and information in the A.P. Møller - Mærsk A/S Sustainability Report for the year ended 31 December 2018.

Professional standards applied and level of assurance

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

Our independence and quality control

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

Copenhagen, 21 February 2019

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR no. 3377 1231



Mogens Nørgaard Mogensen
State Authorised Public Accountant
mne21404

A.P. Møller - Maersk

Understanding reporting and measurement methodologies

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

Work performed

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

- Conducted interviews with management at corporate and Brand level responsible for the sustainability strategy, management and reporting;
- Performed an assessment of materiality and the selection of topics for the 2018 A.P. Møller - Mærsk A/S Sustainability Report and comparison to the results of a media search;
- Read and evaluated reporting guidelines and internal control procedures at corporate level and in two major Brands regarding the data to be consolidated in the 2018 Sustainability Report;
- Conducted analytical review of the data and trend explanations submitted by all Brands and Business Units to A.P. Møller - Maersk Accounting & Controlling for consolidation;
- Evaluated internal and external documentation to determine whether information in the 2018 Sustainability Report is supported by sufficient evidence.

Management's responsibilities

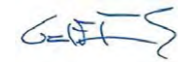
Management of A.P. Møller - Mærsk A/S is responsible for:

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

Our responsibility

We are responsible for:

- Planning and performing the engagement to obtain limited assurance about whether data and information in the 2018 A.P. Møller - Mærsk A/S Sustainability Report are free from material misstatement, whether due to fraud or error;
- Forming an independent conclusion, based on the procedures we have performed and the evidence we have obtained; and
- Reporting our conclusion to the Stakeholders of A.P. Møller - Mærsk A/S.



Gert Fisker Tomczyk
State Authorised Public Accountant
mne9777

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

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

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

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



EXTERNAL REPORTING FOR A.P. MOLLER - MAERSK

A.P. Møller - Maersk has tailored the external financial reporting towards the needs of our different stakeholders with two annual publications.



The Annual Report focuses on the detailed legally required information, whereas the Annual Magazine focuses on providing an overview of key developments during the year. The publications can be read individually or combined depending on our stakeholders' interests.

The Annual Report is available electronically in English at investor.maersk.com.



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



Presentations tailor-made for investors and the financial markets are also uploaded every quarter at maersk.com.

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

The Interim Reports, presentations and webcasts can be found on our Investor Relations website investor.maersk.com.

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

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



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

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


NEWS

Online



Maersk.com
[Maersk.com/yearinreview](https://www.maersk.com/yearinreview)
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DANSKE BANK

The Sustainability Report for 2018 is enclosed on the next pages

Corporate Responsibility 2018

UN Global Compact
Communication on
Progress



About this report

This report constitutes Danske Bank Group's Communication on Progress to the UN Global Compact and covers the financial year 1 January 2018 to 31 December 2018. With this document, we fulfil the requirements regarding the management's report of section 135a and b of the Danish Executive Order on Financial Reports for Credit Institutions and Investment Companies, etc.

The report covers the activities in Danske Bank Group. In order to provide a balanced overview of corporate responsibility matters related to our business, we assess and report on material issues, see p. 15.

To ensure data consistency, definitions and descriptions of data are provided in our business procedures, and internal control procedures have been established to ensure that data is reported according to the definitions outlined in our Corporate Responsibility Reporting Principles, see p. 38. Danske Bank has engaged Deloitte to verify selected performance data according to the ISAE 3000 assurance standard, as outlined in the independent assurance report, see p. 37.

Danske Bank Group's annual reporting suite for 2018 includes the Annual Report 2018, Risk Management 2018 and this report. In addition to presenting detailed and segmented data on corporate responsibility issues in our Corporate Responsibility Fact Book 2018, we also issue a Statement on Modern Slavery Act 2018 and a Statement on Carbon Neutrality 2018, all of which are available at danskebank.com/societal-impact.

We always value feedback and strive to improve our reporting, so we welcome any comments or suggestions you may have regarding this report or our performance. Please contact Jeanette Fangel Løgstrup, Head of Societal Impact and Sustainability, at jl@danskebank.dk.

danskebank.com/societal-impact

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*Foreword by
Jesper Nielsen*



Dear reader,

In many ways, 2018 has been a year of challenges and change for Danske Bank.

The overriding issue has been the suspicious transactions at our Estonian branch from 2007 to 2015 and the major deficiencies that allowed these to take place. As the largest financial services provider in Denmark and one of the largest financial institutions in the Nordic region, we have a particular responsibility to conduct our business in a sustainable and transparent manner. The Estonia case clearly shows that we have failed to live up to this responsibility.

It is disappointing and unacceptable, and we continue to offer our apologies.

The case has led to intense self-scrutiny and justified public scorn. Today, we are in a different place than when the events in Estonia took place. Several anti-money laundering measures have been implemented over the past years, and we have decided to make substantial investments in 2019 to further accelerate our ability to prevent financial crime and terrorist financing. We cannot guarantee that suspicious transactions will not take place, but to prevent something similar from ever happening again, nourishing a strong compliance culture, improving our systems to fight financial crime and working closely with the authorities and others will remain of the highest priority for us.

We know we have a huge task ahead of us to regain our stakeholders' trust, and taking our corporate responsibility efforts to the next level is an important part of this journey.

Strengthening our societal impact

In May 2018, we launched our Nordic Integrator corporate strategy to help bring Danske Bank closer to our customers, colleagues and society. Key elements of the strategy centre upon ensuring sustainable core business processes as well as making a positive difference in the societies we are part of. We refer to this as our societal impact and have developed a separate Societal Impact and Sustainability Strategy to guide the way forward towards 2025.

This strategy builds on the achievements of our Corporate Responsibility Strategy 2015-18, which is summarised in this report along with our 2018 performance.

The strategy draws upon the UN's 2030 Agenda for Sustainable Development and the 17 Sustainable Development Goals, and we continue to support and align the way we conduct business with the 10 principles of the UN Global Compact. Our goals for 2025 are to help people and businesses become financially confident and secure in a digital age, help social entrepreneurs grow their positive impact on society, and help society transition to a net-zero carbon economy through green financing.

A first initiative was the launch of a new Nordic digital hub named +impact to help purpose-driven start-ups increase their impact on society. Another 2018 example is our support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). This cements our commitment to integrate climate considerations into our governance setup, strategies, risk management framework, metrics and external reporting.

Transparency and engagement with stakeholders is important to us, and we invite you to engage in dialogue with us on our role and responsibilities in the transition towards a sustainable future.

Jesper Nielsen
Interim Chief Executive
Officer of Danske Bank





The Estonia case

The Estonia case has been a major focus point for Danske Bank and all our stakeholders in 2018.

The findings from the investigation of the non-resident portfolio at the Estonian branch, published in September, showed that a series of major deficiencies in governance and control systems in Danske Bank made it possible to use Danske Bank's branch in Estonia for suspicious transactions.

The approximately 10,000 customers in the non-resident portfolio carried out transactions for around EUR 200 billion in the period from 2007 to 2015, but only a small part of these customers and transactions were reported as suspicious to the authorities at the time. The investigation includes additional customers with non-resident characteristics. In September, it was reported that most of the customers investigated by that time (6,200 customers, starting with the customers hitting the most risk indicators) should have been classified as suspicious and reported to authorities.

It is clear that we have not lived up to our own standards, our responsibility and the expectations of our stakeholders in this case. We did too little too late both in terms of closing the portfolio down and realising the seriousness and scope of the problems. We failed to grasp the magnitude of the case and to adjust our response and communication accordingly. This is disappointing and unacceptable, and we offer our apologies to all of our stakeholders - not least our customers, investors, employees, regulators and society in general. We acknowledge that we have a big task ahead of us in regaining their trust. We are working hard to get to the bottom of the matter and to learn from it, so that we can take all necessary steps to prevent something similar from happening

again. In this process, we wish to be as transparent as possible and we share all relevant findings with the authorities on an ongoing basis.

The case has led us to take a number of actions:

- Several members of management as well as staff connected with the case have left Danske Bank, among these former CEO Thomas F. Borgen. On the Board of Directors, the Chairman of the Board and the Chairman of the Audit Committee were replaced in December. Another two members will step down at the upcoming Annual General Meeting.
- As reported in September, eight former employees of our Estonian branch have been reported to the police, and a further 42 employees and agents have been reported to the Estonian Financial Intelligence Unit (FIU).
- We have strengthened our anti-money laundering (AML) measures and financial crime compliance efforts and continue to do so. We have also increased the number of people working to combat financial crime considerably. We are using this experience to learn and to improve our efforts in financial crime compliance in order to prevent something similar from happening at Danske Bank again.
- On the basis of learnings from the Estonia case and following a full review at the end of the year of our efforts and ambitions within AML, we have decided to accelerate our AML improvement efforts over the next three years through earmarked investments of up to DKK 2 billion. The purpose is to improve both the

quality and the efficiency of our controls and to integrate the processes into the customer journey as part of our ambition to offer the best customer experience.

- Our governance and control systems have also been improved. Danske Bank's new Chief Compliance Officer is a member of the Executive Board and reports directly to the Board of Directors and day-to-day to the CEO. Furthermore, on top of basic and mandatory AML training, our new AML Academy provides specialised training in detecting and combating financial crime for relevant employees.
- We have also taken several steps to increase our financial strength. We have increased our Pillar II requirement by DKK 10 billion and have cancelled our share buy-back programme, resulting in an additional DKK 3.1 billion of CET1 capital. Furthermore, we will not launch a share buy-back programme in 2019.
- The estimated gross income from the non-resident portfolio in Estonia in the period from 2007 to 2015 of DKK 1.5 billion has been set aside net of confiscation as a donation for measures to combat financial crime. The donation will be transferred to an independent foundation, which will be set up to support initiatives aimed at combating international financial crime, including money laundering. The foundation will be set up independently from Danske Bank with an independent board.
- It has been very important to us to engage with our customers and address any concerns and questions that they may have. At the end of 2018, we had held around

150 town hall meetings at our branches all across Denmark. We also encourage our staff across the organisation to use all customer-facing opportunities to talk about the issue and the measures we have taken to prevent something similar from happening again. Our customer satisfaction scores have been adversely impacted, especially among Danish retail customers. We remain committed to regaining the trust of our customers, but we acknowledge that this will not happen overnight.

The investigation into the customers in the terminated non-resident portfolio* of the Estonian branch continues, and we keep the authorities informed of all progress on an ongoing basis.

The timing of the completion of the investigations, the outcome and the subsequent discussions with the authorities are subject to uncertainty. It is not yet possible to reliably estimate the timing or amount of any potential settlement or fines, which could be material.

Below is a short summary of the key events related to the Estonia case in 2018 and 2019:

- On 3 May, the Danish Financial Supervisory Authority (FSA) published its assessment of the role of Danske Bank's management and senior employees in relation to the Estonian case. Danske Bank received eight orders and eight reprimands from the FSA and immediately launched measures to comply with all requirements.
- On 18 July, we announced that we do not wish to benefit financially from suspicious transactions in Estonia in the period from 2007 to 2015. Consequently, we decided to donate the estimated gross income from the non-resident portfolio in that period to an independent foundation supporting initiatives to combat international financial crime.
- On 19 September, we published the findings of the Estonia investigations. We also announced the resignation of CEO Thomas F. Borgen, and on 1 October, he was relieved of his duties. Jesper Nielsen was appointed Interim CEO as of the same date.
- On 4 October, it was announced that we had received requests for information from the US Depart-

ment of Justice (DoJ) in connection with a criminal investigation relating to our Estonian branch conducted by the DoJ. We also remain under investigation by the Danish FSA and the Estonian FSA, as well as the Danish State Prosecutor for Serious Economic and International Crime (SØIK) and the Estonian Office of the Prosecutor General (the Estonian FIU). We cooperate fully with all authorities.

- On 4 October, the Danish FSA ordered us to reassess our solvency need with a view to adding an absolute minimum of DKK 10 billion to our Pillar II requirement. In addition to increasing our Pillar II requirement, we revised our CET1 capital target from 14-15% to around 16% and our total capital target from above 19% to above 20%. At the same time, the share buy-back programme for 2018 was discontinued.
 - The Estonia case has also impacted our ratings. Following the publication of the findings of the investigations, Moody's downgraded Danske Bank's issuer rating from A1 to A2 and changed the outlook to negative, while Fitch and S&P both maintained their issuer ratings of Danske Bank but also changed the outlook to negative.
 - On 2 November, we published the results of the EU-wide stress test conducted by the European Banking Authority. In the adverse scenario, Danske Bank had a CET1 capital buffer of almost DKK 10 billion. The test took into account the capital need and assumed costs in relation to the Estonia case, within the scope of the Danish FSA decision of 4 October 2018.
 - On 19 and 21 November, Interim CEO Jesper Nielsen participated in AML hearings at the Danish and European parliaments, respectively. He answered questions from politicians regarding the Estonia case and our efforts to prevent something similar from happening again.
 - On 28 November, SØIK presented Danske Bank with a preliminary charge.
 - On 7 December, an Extraordinary General Meeting was held to elect two new members to the Board of Directors. These were Karsten Dybvad and Jan Thorsgaard
- Nielsen. They replaced Ole Andersen and Jørn P. Jensen, who both stepped down. Karsten Dybvad is now Chairman of the Board of Directors.
- On 9 January 2019, an action was filed in New York by an alleged holder of Danske Bank's American Depositary Receipts, representing its ordinary shares, against Danske Bank. The complaint seeks unspecified damages on behalf of a putative class of purchasers of Danske Bank's American Depositary receipts between 9 January 2014 and 23 October 2018. Danske Bank intends to defend itself against the claims. The timing of completion of the lawsuit and the outcome is uncertain.
 - On 11 January, we announced that we had received a letter from the French Tribunal de Grande Instance de Paris summoning Danske Bank to an interview to discuss matters relating to the ongoing investigation into organised money laundering of tax evasion proceeds. The letter states that the judge envisages placing Danske Bank under formal investigation after having previously changed Danske Bank's status in the case to that of an assisted witness.
 - On 16 January, we issued USD 3 billion worth of new funding in non-preferred senior format. The transaction demonstrated that despite the Estonia case, Danske Bank retains good market access. We acknowledge, however, that current spreads are significantly wider than those applying to our NPS issuance in June 2018 and that this is due partly to the negative impact of the Estonia case on our reputation.

As is clear from the above, the Estonia case has had a substantial impact on Danske Bank, and the case will probably continue to impact us in 2019. However, we remain dedicated to learning from this case in order to prevent anything like this from happening again. Consequently, going forward we will continue our efforts to get to the bottom of the case and will keep the authorities informed of all progress and findings.

More insights

Find more details about the Estonia case at danskebank.com/investigations.

* Terminated portfolio as defined in the report by Bruun & Hjejle as of 19 September.

Our business in brief

Danske Bank Group is a Nordic universal bank with bridges to the rest of the world. Since our foundation in Denmark in 1871, we have been providing banking services for retail and commercial customers, and today our home market has expanded to cover the entire Nordic region.

In May 2018, we launched our corporate strategy, Nordic Integrator, designed to bring Danske Bank employees closer to our customers, their colleagues and the societies in which we operate.

The Nordic Integrator Strategy builds on the Essence of Danske Bank, which sets out our vision, strategic core, customer promise and core values. The strategy serves as the foundation for all our business activities across all units and countries. We combine financial expertise with innovative

products, solutions and services, and we engage with our customers at our branches and through a wide range of self-service and digital transaction solutions.

With our ambition to be a solid, balanced and predictable bank, we are committed to delivering value to our key stakeholders and to making a positive societal impact in the societies we are part of. We can only create value if our key stakeholders trust us to do so, and we earn this trust by working in an integrated manner in alignment with our aspirations framework.

The Essence of Danske Bank

Vision

To be recognised as the most trusted financial partner

Strategic core

We are a modern bank for people and businesses across the Nordics with deep financial competence and leading, innovative solutions

Customer promise

We help customers be financially confident and achieve their ambitions by making daily banking and important financial decisions easy

Core values

We deliver expertise - *make knowledge relevant*

We act with integrity - *be responsible*

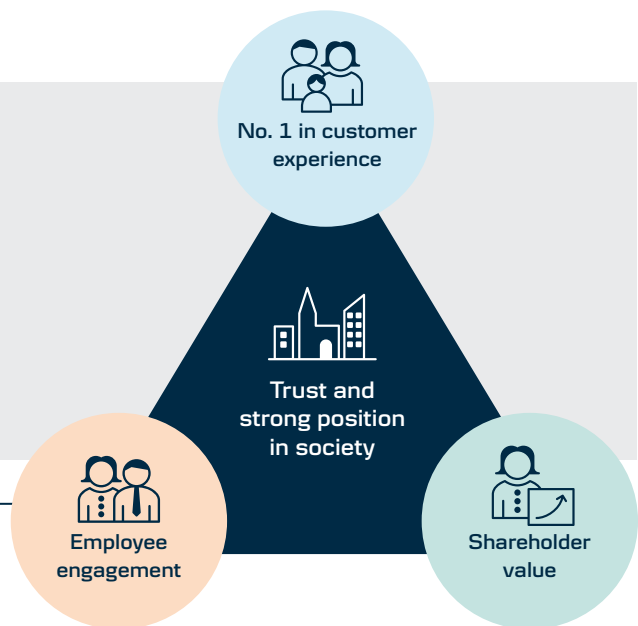
We create value - *make a difference*

We progress through agility - *embrace change and be responsive*

We believe in collaboration - *engage, listen and act*

Aspirations framework

Our customers are at the front and centre in our overarching aspiration of becoming No. 1 in customer experience.



More insights

More details of our financial performance, market positions and corporate strategy can be found in our Annual Report 2018 and in our quarterly financial fact books.

A Nordic universal bank

With branches located across our core markets of Denmark, Norway, Sweden and Finland, as well as in Northern Ireland, Estonia, Latvia and Lithuania, we operate to service our Nordic-affiliated personal, business and institutional customers. In addition, we also have offices in several other European countries, the US, China and Russia, as well as support functions in India.

Our offices outside the Nordic markets offer gateways to the rest of world for Nordic customers and points of entry to our region for international customers whose activities are anchored in the Nordic countries.



DANSKE BANK IN NUMBERS

16
countries

237
branches

3.3 million
Customers, end-2018*

20,683
full-time employees

DKK 1,769 billion
loans issued

DKK 1,575 billion
assets under management

DKK 44.4 billion
total income

DKK 19.7 billion
profit before tax

DKK 4.7 billion
tax on profit

9,8%
return on equity

* Customers in Banking DK, Banking Nordic, Corporates & Institutions, Wealth Management (Private Banking customers only), and Northern Ireland.

SERVING OUR CUSTOMERS THROUGH FIVE BUSINESS UNITS

Banking DK serves retail and commercial customers in Denmark. The unit offers personal customers advice tailored to their financial needs and is a leading provider of daily banking, home financing, investment and retirement planning solutions. For business customers, the unit provides targeted advice and solutions based on the size and situation of the customers' business.

1,700,000 customers	3,341 employees	DKK 7.3 billion profit before tax
------------------------	--------------------	--------------------------------------

Banking Nordic serves retail and commercial customers in Sweden, Norway and Finland, providing customer offerings similar to those of Banking DK. In addition, the unit includes the Group's global asset finance activities, such as lease activities.

1,135,000 customers	2,442 employees	DKK 5.6 billion profit before tax
------------------------	--------------------	--------------------------------------

Corporates & Institutions is the wholesale banking division of the Group, serving the largest corporate and institutional customers. We offer our expertise in debt and equity raising, corporate finance advisory services, risk facilitation, daily banking, trade finance and investment services.

1,815 customers	1,858 employees	DKK 4.3 billion profit before tax
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Wealth Management serves the Group's entire customer base through a range of products and services within wealth and asset management, investments, pension savings and insurance. This unit consists of Danica Pension, Danske Invest, Asset Management and Private Banking.

64,000 customers	2,201 employees	DKK 3.2 billion profit before tax
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Northern Ireland is one of the leading financial institutions in its market serving personal and business customers through leading digital channels and a network of branches and business centres.

437,000 customers	1,322 employees	DKK 0,7 billion profit before tax
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The current business unit structure was implemented during 2018. In addition to these business units, Danske Bank Group offers mortgage financing through Realkredit Danmark, real estate brokerage through home, and leasing through Nordania Leasing.

Taking stock of the 2015-18 strategy

2018 has been a year of strategic transition and was the final year of our four-year Corporate Responsibility Strategy. A key strategic focus has been to build the foundation for integrating corporate responsibility into our core business.

Since 2015, we have worked in accordance with our Corporate Responsibility Strategy. With its two strategic themes and five focus areas, the strategy aimed to integrate corporate responsibility into our core business. The two strategic themes, Fostering financial confidence and Accessible finance for everyone, every day, not only defined our programme and initiatives for building financial confidence in the next generations, in start-ups and in growth companies, but they also supported our commitment to a responsible transition to future financial services.

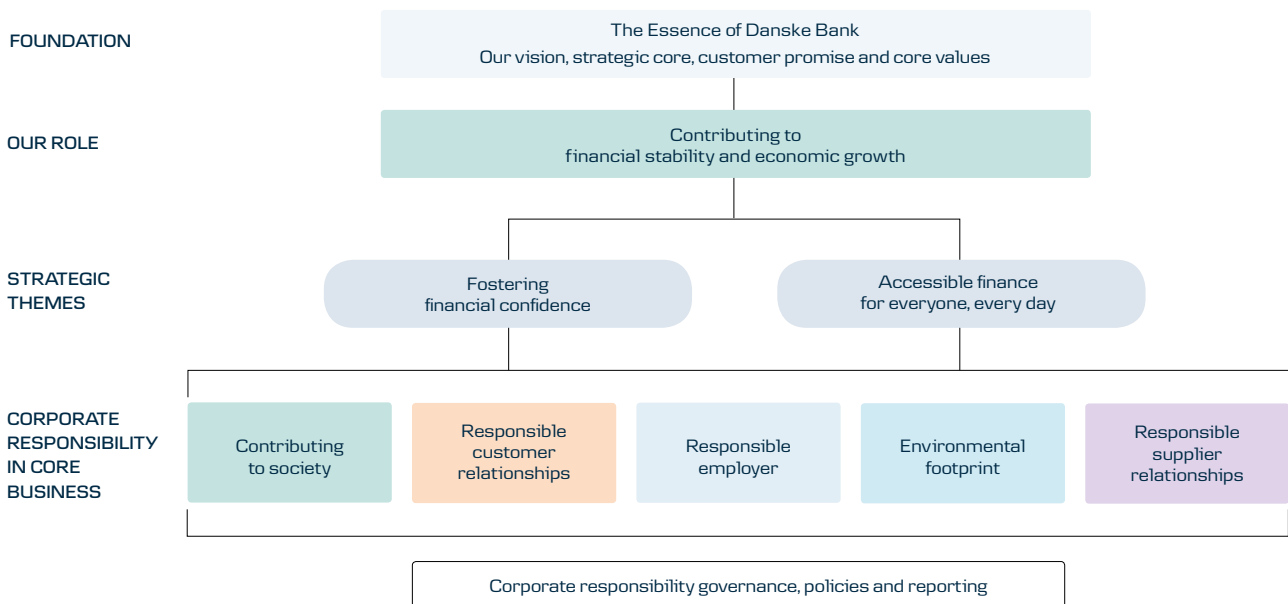
Integrating corporate responsibility into our core business has been a key element in building the foundations that exist today. Our five focus areas have been: contributing to society, fostering responsible customer relationships, being a responsible employer, reducing our environmental footprint, and ensuring responsible supplier relationships.

Corporate responsibility is an ever-changing field where new sustainability issues continue to arise and mature. As well as being able to adapt to new developments, our Corporate Responsibility Strategy also accommodated

an increased focus on specific areas, as has been the case with the area of combatting financial crime. Another key objective of the strategy has been the alignment of our strategic themes with the UN Sustainable Development Goals (SDGs), where we have focused on quality education (SDG 4) and on decent work and economic growth (SDG 8). A status for our contribution towards the SDGs can be found on p. 16 and 18.

Building on our achievements from the strategy period, we are now ready to move ahead and take our corporate responsibility efforts to the next level.

Corporate Responsibility Strategy 2015-18



Key achievements

During the strategy period, we steadily increased our efforts to embed corporate responsibility in our core business processes, and we launched programmes and initiatives within our strategic themes. Across the Group, we focussed on strengthening our shared governance setup, policies and reporting. Below we highlight our areas of focus and key achievements 2015-18 - some of these achievements can be attributed to our new Societal Impact and Sustainability Strategy, see p. 12.

Strategic themes	Key achievements 2015-18
Fostering financial confidence Building financial confidence in the next generations as well as in growth companies	<ul style="list-style-type: none"> • Educational programmes, tools and free online universes for children, teachers and parents • Pocket Money app for children • Digital hubs and accelerator programmes for Nordic start-ups and social entrepreneurs
Accessible finance for everyone, every day Ensuring a responsible transition to future financial services	<ul style="list-style-type: none"> • Customised solutions for people with special requirements, including seniors and the visually impaired • MobilePay partnership for Nordic banks • Digital solution for homeless people in partnership with the Hus Forbi organisation

Core business area	Key achievements 2015-18
Contributing to society Enhancing transparency, creating long-term value and local community engagement	<ul style="list-style-type: none"> • Tax policy to increase transparency and seek a proactive, open and cooperative relationship with the tax authorities • Stakeholder engagement principles to guide our engagement with various stakeholder groups • Public debates and knowledge sharing on responsible growth and financial confidence • Partnership with ISOBRO on fundraising for charities via MobilePay • Employee volunteering in local communities
Responsible customer relationships Providing sustainable finance solutions and strengthening our compliance practices	<ul style="list-style-type: none"> • Significant strengthening of sustainable investment and lending strategies, integrating environmental, social and governance (ESG) into core processes • Topic- and sector-specific position statements for investment, lending and procurement • European Corporate Sustainable Bonds fund and impact investment funds on climate and water • Disclosure on active ownership as well as CO₂ footprint of selected funds • Supported the recommendations of the Task Force on Climate-related Financial Disclosures • Established centre of anti-money laundering (AML) expertise to further enhance AML service quality and efficiency across the Group • Annual mandatory Code of Conduct e-learning for employees • Data security platform, Keep it safe, for customers and employees • Extensive collaboration within and outside the financial sector on combatting fraud
Responsible employer Fostering an inclusive and diverse culture and providing a healthy and safe working environment	<ul style="list-style-type: none"> • Human rights risk assessment in accordance with the UN Guiding Principles on Business and Human Rights (UNGPs) • Diversity and inclusion initiatives, including focus on gender composition • Core values integration in peoples practices • Human rights guideline and statement on sexual harassment
Environmental footprint Reducing our own carbon footprint	<ul style="list-style-type: none"> • 100% renewable electricity supply and signatory of RE100 • CO₂ offsets to uphold carbon neutrality • Danske Bank funds invested in green bonds
Responsible supplier relationships Developing and implementing an improved responsible sourcing process	<ul style="list-style-type: none"> • Supplier Code of Conduct aligned with UNGPs • Environmental requirements for selected products and services • Assessment of high-risk suppliers as part of responsible sourcing process • Audit programme for suppliers

Moving ahead with new 2025 strategy

Our new Societal Impact and Sustainability Strategy is an integral part of our corporate strategy and was launched in May 2018. Towards 2025, we will accelerate the integration of societal impact into our business model.

We want to improve our customers' lives and make societies more prosperous and to do so in a sustainable way. Our new Societal Impact & Sustainability strategy is firmly embedded in Danske Bank's corporate strategy and defines our 2025 ambition of driving sustainable progress and positive impact in the societies that we are part of. We see the integration of societal impact and sustainability into our business model as part of our license to operate and as a source of value creation.

The Societal Impact and Sustainability Strategy outlines how we will further embed corporate responsibility into our core business. The strategy includes four foundational factors that address sustainable core business processes and products and which are essential to

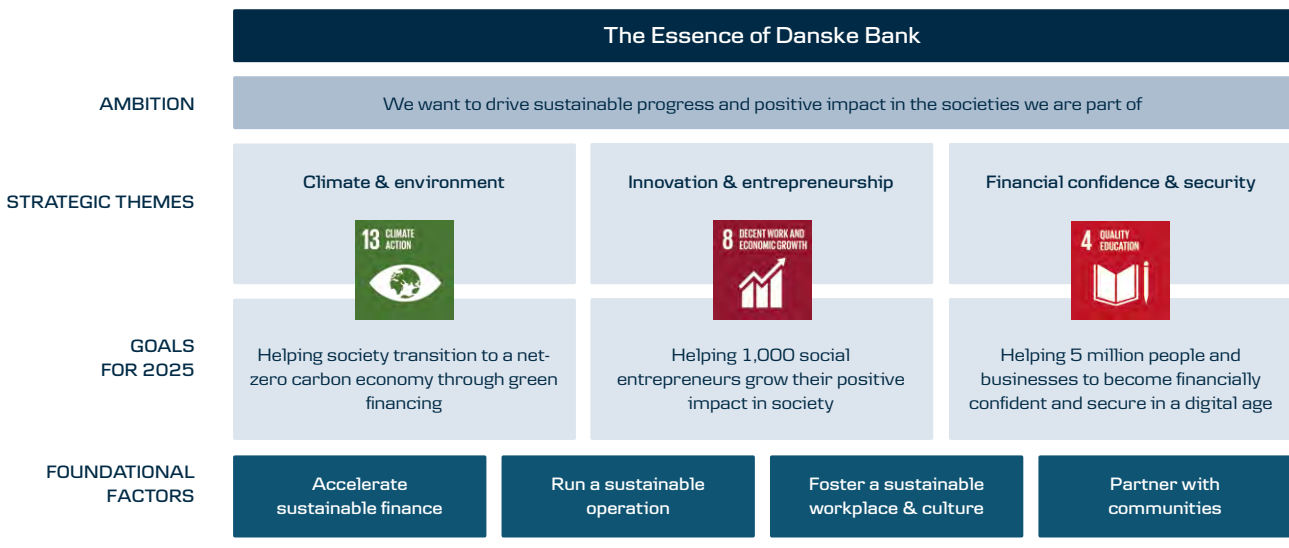
ensure that we live up to market expectations and international principles. The four factors are: accelerating our work on sustainable finance, continuing to run a sustainable operation, fostering a sustainable workplace & culture and partnering with local communities to create value.

In addition, we will apply our skills and expertise within three strategic themes where we aim for a measurable impact on sustainable development and can contribute to the UN Sustainable Development Goals (SDGs). The first theme is Climate & environment, where we see a significant impact potential by offering green financing and encouraging customers and portfolio companies to take climate action, thereby contributing to SDG 13. The second theme is Innova-

tion & entrepreneurship, where we can generate significant societal impact by helping entrepreneurs to drive employment and economic growth, thereby contributing to SDG 8. The third theme is Financial confidence & security, where we can leverage our stronghold in financial confidence, IT security and fraud prevention to educate our customers, thereby contributing to SDG 4.

To enable us to accelerate the integration of societal impact into our business model, we have during 2018 doubled the number of full-time employees working with sustainability at both Group and business unit level. A continuous strengthening of our governance setup, ongoing stakeholder dialogue and transparent reporting will further support our ambition to raise our standards.

Societal Impact and Sustainability Strategy 2025



Strategy development and 2019 outlook

The Executive Board initiated the strategy-development process in autumn 2017, and the strategy was signed off by the Board of Directors in May 2018. As well as customer surveys, workshops with employees and managers, and market analysis and benchmarking, this process also included an in-depth analysis of Danske Bank's sustainable finance positions and processes.

We are in the process of conducting a comprehensive analysis of performance indicators (KPIs) so that we can select the right KPIs for tracking our impact in a reliable and measurable way. This is part of our outlook for 2019.

Continued commitment to international principles

In our past and new strategy, and in associated policies, we recognise the importance of international commitments aimed at helping businesses to operate responsibly. In our Societal Impact & Sustainability Policy (October, 2018), we state our support of the following:

- 2030 Agenda and the UN Sustainable Development Goals
- The UN Global Compact
- The OECD Guidelines for Multinational Enterprises
- The UN Guiding Principles on Business and Human Rights
- The UN-supported Principles for Responsible Investment
- The UN Environment Programme Finance Initiative
- The Universal Declaration of Human Rights
- The ILO Declaration of Fundamental Principles of Rights at Work

Additional industry-specific international principles and conventions that guide our lending, investment and procurement activities are detailed in our publicly available position statements.

Strategic themes	2019 outlook
Climate & environment Developing financial products and services that support the transition to a greener economy	<ul style="list-style-type: none"> • Increase volume of green lending • Issue Danske Bank green bonds • Continued facilitation of customers' green bond issuance • Further implement the Task Force on Climate-related Financial Disclosures (TCFD) recommendations
Innovation & entrepreneurship Developing tools and services to enable entrepreneurs to succeed	<ul style="list-style-type: none"> • Further develop +impact hub with tailor-made tools and support for social entrepreneurs • Continue to develop +impact Accelerator programme for social entrepreneurs • Further develop The Hub from start-up job board to talent management platform
Financial confidence & security Providing knowledge, education, products and services to help customers become financially and digitally confident	<ul style="list-style-type: none"> • Develop financial confidence tools for children and parents • Launch primary school programmes and activities • Implement new tools and activities to increase data security and prevent fraud
Foundational factors in core business	2019 outlook
Sustainable finance Integrating ESG factors into our investment and lending decisions to decrease risk and leverage opportunities	<ul style="list-style-type: none"> • Continued environmental, social and governance (ESG) education and training programmes for portfolio managers • Strengthen our ESG integration through an improved ESG data platform and tools • Implement IT-supported ESG processes and training of frontline and credit staff
Sustainable operation Incorporating ESG considerations into operational business practices including compliance, sourcing, customer advice, products, tax, lobbying, accessibility and IT security	<ul style="list-style-type: none"> • Maintain and continue to improve high standards for anti-money laundering, counter-terrorist financing and financial sanctions • Publish new policy on anti-corruption • Strengthen partnerships on data security and fraud with national and international law enforcement agencies and industry networks • Integrate ESG considerations in product approval process • Further strengthen ESG screening of suppliers
Sustainable workplace & culture Providing a good physical, structural and cultural working environment for our employees and limiting our CO ₂ footprint	<ul style="list-style-type: none"> • Increased focus on initiatives related to mental health • Continue focus on hiring a diverse workforce, equal pay and increasing the share of female leaders • Strengthen compliance awareness among all employees • Continue to optimise energy consumption in building portfolio
Partner with communities Ensuring presence and positive impact in national and local communities	<ul style="list-style-type: none"> • Launch employee volunteer programme Time to Give • Strengthen local community engagement and stakeholder dialogue • Activate local sponsorship strategy

A strong focus on compliance and sustainability governance

Financial services are based on trust and there should be no doubt that complying with the law and adhering to international principles for responsible business conduct is fundamental to Danske Bank. Strengthening our compliance culture and our governance setup is – and will always be – an ongoing priority for us.

Our compliance culture is supported by our core values, policies, procedures and training. The Code of Conduct Policy, to which all staff must adhere, provides employees with guidance on the subject of prudent behaviour. We ensure that awareness of the code remains high at all times, which is supported by a mandatory annual e-learning course for all employees.

In 2018 we introduced an Escalation Policy to set the requirements for appropriate and timely internal reporting of potentially problematic cases across Danske Bank Group. This policy ensures that such cases are reported to the Executive Board and reported onwards to the Board of Directors.

The anchoring of Group Compliance has been further strengthened with the introduction of direct reporting lines to the CEO, and as of November 2018 the Chief Compliance Officer is a permanent member of the Executive Board. This will reinforce the collaboration with the business and will integrate compliance even further into how we do business. In addition to ensuring that all applicable laws,

market standards and internal rules are complied with across the Group, Danske Bank's Group Compliance function also provides advice on how to mitigate against compliance risks.

Improved whistleblower system and mandatory training

A healthy feedback culture should be a mainstay of Danske Bank. However, when feedback and knowledge sharing with colleagues and superiors are not enough, whistleblowing plays a vital role. Employees can report their concerns anonymously if they become aware of incidents of non-compliance or wrongdoing, such as money laundering, fraud, sexual harassment or other failure to comply with applicable regulation, laws or internal standards.

Over the past few years, we have strengthened our whistleblower system by transferring the responsibility for investigating submitted reports to Group Compliance. We have improved our processes for handling reports, and Group Compliance's correspondence with supervisory authorities forms part of reporting to the Board of Directors. We

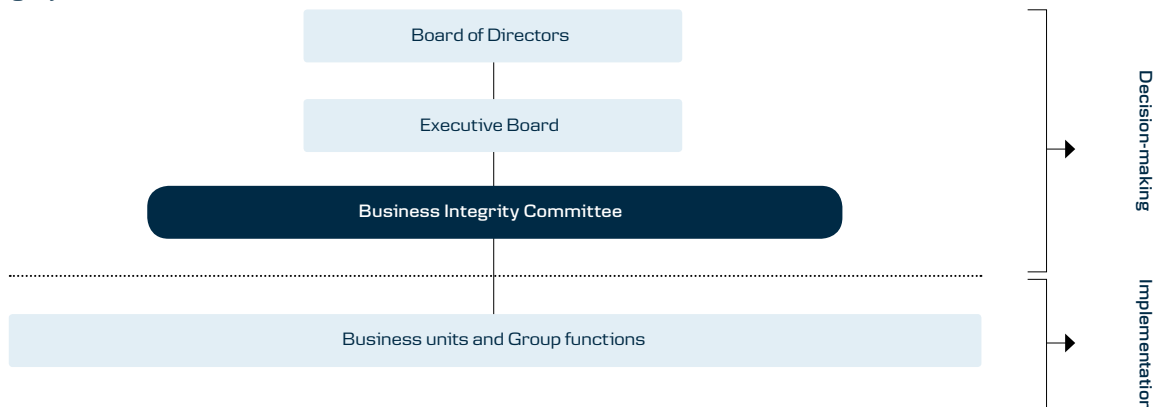
ensure proper protection of employees who report wrongdoings. The Group does not tolerate any form of reprisals against whistleblowers.

All employees are introduced to Danske Bank's whistleblower system as part of their annual mandatory e-learning training. In 2018, the number of whistleblower reports continued to rise in relation to past years. We believe that this increase can be directly attributed to our strong focus on training and on raising awareness.

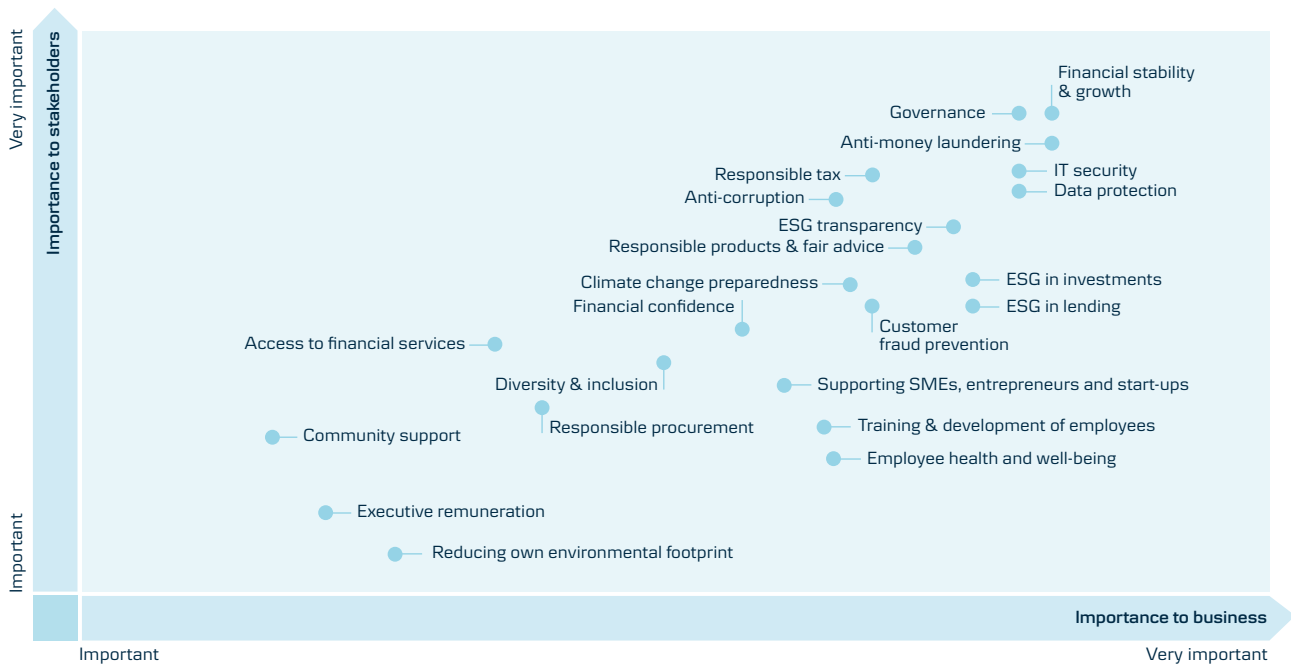
Sustainability governance

The Board of Directors receives an update on our sustainability performance on an annual basis. The Board approved the new Societal Impact and Sustainability Strategy and policy in May 2018 and October 2018 respectively. The policy confirms our commitment to responsible business practices in accordance with internationally recognised sustainability principles for environmental protection, human and labour rights, business ethics and anti-corruption, see p. 13.

Business Integrity Committee



Materiality assessment 2018



Since 2014, our Business Integrity Committee has developed and overseen the implementation of our strategies and policies related to sustainability. Our Interim CEO, Jesper Nielsen, chairs the Business Integrity Committee, which consists of the Executive Board, the CEO of Danica and the Head of Societal Impact and Sustainability. The Board convened five times in 2018 to discuss, among other things, strategic KPIs, sector exclusions as part of our sustainable finance activities, as well as the annual materiality assessment.

In addition to coordinating the implementation of decisions made by the Business Integrity Committee, our Societal Impact and Sustainability function also tracks progress on the strategy and is responsible for our annual corporate responsibility reporting.

Assessing material ESG topics

Our Societal Impact and Sustainability Strategy and associated policies and procedures address key sustainability risks and impacts across our business. To guide our reporting and help identify issues that represent significant risks or opportunities for our business and soci-

ety, we annually assess the materiality of environmental, social and governance (ESG) related topics. This report provides details of our performance and mitigation of identified risks. The materiality assessment is based on information gathered from our most recent customer and employee surveys, from workshops with key internal stakeholders, as well as from ESG rating agency surveys, which we use as a proxy for investor importance.

When we conducted the assessment in October 2018, climate change preparedness was introduced as a new topic. The assessment also showed that topics such as AML and ESG in investments and lending activities have increased in perceived importance - for us and for our stakeholders. Many of the topics have a human-rights dimension, and all topics in the matrix are reflected in this report.

In 2019, we will develop our materiality assessment by aligning the classifications further with our risk framework, and we will engage with additional internal and external stakeholders to help us better understand their expectations.



Relevant policies

Group policies of specific relevance to our corporate responsibility include:

- Anti-Money Laundering (AML), Counter-Terrorist Financing (CTF) and Sanctions Policy
- Code of Conduct Policy
- Compliance Policy
- Conflict of Interest Policy
- Credit Policy
- Diversity and Inclusion Policy
- Escalation Policy
- Remuneration Policy
- Security Policy
- Societal Impact & Sustainability Policy
- Stakeholder Policy
- Supplier Code of Conduct
- Sustainable Investment Policy
- Tax Policy
- Whistleblower Policy

More insights

Further information on executive remuneration and how we govern our business and manage risks can be found in our Corporate Governance Report 2018 and in our Risk Management Report 2018.

Building financial confidence in a cashless society

Children's understanding of the value of money has changed fundamentally with the digitalisation of the financial infrastructure. This poses a societal challenge, and we consider it as part of our role to help enhance the next generation's financial confidence and ability to navigate in a cashless society.

Since 2007, we have been focussing on the core of financial literacy by bringing financial teaching into schools and by creating new platforms where children can learn about finances. With the digi-



Digital pocket money

Parents can use our Pocket Money solution as a starting point for conversations about money with their children. Pocket Money consists of an app, a pocket money card for children aged 8 to 14, and a feature in our Mobile Banking app for parents. The solution, which has had 24,650 users since its launch in 2017, is available in Denmark, Norway, Sweden and Finland. Our national websites also offer inspiration and advice on pocket money.



SDG 4 is about ensuring inclusive and equitable quality education and promoting lifelong learning opportunities for all.

We measure our contribution to SDG 4 by the number of children and young people in our markets we have helped improve their financial skills.

In 2018, more than 16,269 children and young people participated in our educational programmes - a figure that exceeds our 2018 target of 12,500.

talisation of the financial infrastructure, children are exposed to a world where they engage with money not as cash or coins, but as swipes and taps. Money has become seamless and intangible, and a Danske Bank survey from June 2018 confirms that 70% of Danish parents believe digital money makes it harder for children to grasp how much money they spend.

We believe that developing financial confidence will help children to develop a sense of financial rights and wrongs to guide them through a challenging world of money. We will continue to develop tools and educational programmes that help both parents and teachers build financial confidence and good financial behaviour in the next generation. This ambition is in line with our new strategic theme Financial confidence & security in our Societal Impact and Sustaina-

bility Strategy, and this work is part of our strategic focus on UN Sustainable Development Goal (SDG) 4 concerning quality education.

Our on-line universes

In 2018, we closed some of our financial literacy online universes. The former Control your money website will be replaced by a free learning universe to be launched in 2019. The new universe will be an educational website that teachers can use to teach pupils aged 10 to 15 about personal finances, the sharing economy and digital security. Our popular Moneyville game, which since its launch in 2008 has had approximately 8 million users, is being updated. In Moneyville, children aged 5 to 9 can play their way to a better understanding of how money is earned, how to prioritise spending, and the importance of saving.

Our educational programmes for schools

SMART Money in Denmark

Our programme where pupils aged 13 to 15 can receive a visit from a Danske Bank financial adviser to discuss financial assets and pitfalls and learn how to protect themselves against cybercrime.

Launch: 2015
Partners: Danish Association of Teachers of Mathematics
Outreach: 2,943 pupils participated in 2018

Money Week in Denmark

A programme where pupils aged 13 to 15 can attend a guest lecture at their school about digital security, budgeting and personal finances given by a financial adviser from Danske Bank or another Danish financial institution.

Launch: 2014
Partners: Finance Denmark and the Danish Association of Teachers of Mathematics
Outreach: 327 classes and 7,728 pupils participated in 2018

SMART in Northern Ireland

Our programme delivered in the classroom by Danske Bank Youth Ambassadors. Post-primary school pupils learn about budgeting and saving, credit and debit, buying and renting property, and entrepreneurship. Primary school children are introduced to money through interactive activities.

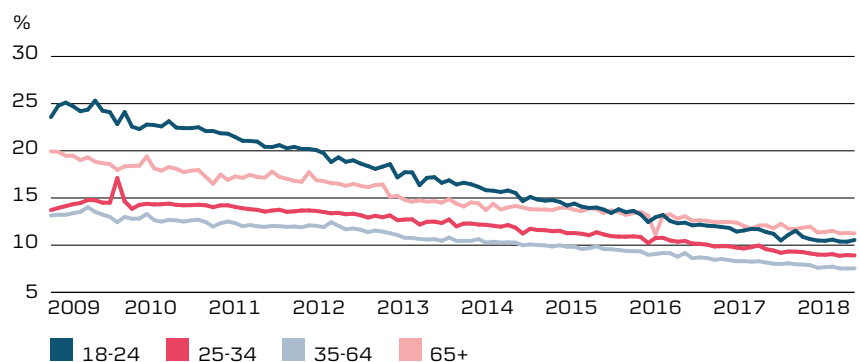
Launch: 2015
Outreach: In 2018, 40 schools and 5,455 pupils participated

Accessible finance for everyone

A cashless society with digitalised financial services increases the risk of excluding vulnerable groups from making financial transactions. It is part of our responsibility to ensure that our services are accessible and easy to use for all customer groups.

According to the European Commission's 2018 digital index, the Nordic countries are the best-performing countries when it comes to digitisation. This is a trend that is reflected in our customers' adoption of mobile and digital banking solutions as their main point of contact with us. From 2015 to 2018, we saw an increase in the number of self-service eBanking transactions from 17.7 million to 50 million, and self-service mobile and tablet banking transactions rose from 10.8 million to 51 million. In the same period, the number of ATM transactions decreased from 43 million to 32 million. However, some customer groups are less comfortable with digitalisation or have special requirements, so we offer customised solutions to accommodate the needs of these customers.

Cash payment in Denmark – share of total expenditure 2009-2018



The number of cash payments is in decline, and we are seeing significant decreases in both the amount of cash withdrawn and the frequency of withdrawals. This is due to the increase in card payments and the use of services such as MobilePay, which makes it easy to make person-to-person payments without using cash. Today, cash payment represents only 8% of total expenditure in Denmark compared to 2009 where the share was 15%. The most dramatic drop in cash payment is seen among young people under the age of 25, although the use of cash by seniors has also decreased and is today in line with other age groups.

Our financial services for people with special requirements



Cash card

The Danske Bank cash card is aimed at customers in Denmark who are unable to visit branches or ATMs, have difficulty remembering a PIN, or need someone to make payments on their behalf. The card, which can be used at ATMs and shops that accept Mastercard, has an easy-to-remember PIN, a maximum balance of DKK 7,500 and no overdraft facility.



Easy Banking

In Denmark, customers who do not feel confident using digital banking can use our Easy Banking solution, which is a simplified version of our eBanking solution. The system has only three functions: account overview, bill payment and transfers – including transfers to a cash card.



Ordinary mail and mail payment

Customers who have difficulties with digital communication can choose correspondence by post at no extra cost. For a minor fee, these customers can also send us their invoices and we will take care of payment.



Cash deposits

Cash can be deposited at selected ATMs in Denmark, Norway, Finland and Northern Ireland. In 2018, we established 31 new deposit ATMs, bringing the total to 327.



Step-by-step meetings

At Step-by-step meetings held at our local branches, senior customers in Denmark can acquire basic knowledge about our digital services and can develop the skills they need to use these services.



MobilePay for the homeless

Homeless vendors of the Hus Forbi magazine on the streets of Denmark can receive payments via MobilePay and have this money transferred to a cash card that is not linked to a personal bank account. In 2018, MobilePay was used by 396 vendors.



Braille services

To help visually impaired customers, many ATMs in Denmark, Sweden and Northern Ireland have braille keyboards and synthetic speech. In Denmark, we also offer monthly account statements in braille and home deliveries of cash once a month.



Partnering up to support impact start-ups

Helping companies scale their business lies at the core of our business. Using our experience to enable purpose-driven start-ups increase their impact on society is a natural extension of our ambition to support the UN Sustainable Development Goals.

Since 2015, we have been engaging with partners in a collaborative effort to help start-ups grow their businesses. Experience from our digital platform, The Hub, show that focusing on the ecosystem for entrepreneurs is worthwhile, and in May 2018, we launched a new Nordic digital hub named +impact.

The +impact hub is the first step in a wider initiative seeking to help purpose-driven start-ups increase their impact on society in line with our new strategic theme Innovation & Entrepreneurship in our Societal Impact and Sustainability Strategy. The +impact hub focuses on companies that address one or more of the UN Sustainable

Development Goals (SDGs) and that have the potential to scale and accelerate sustainability - also from a business perspective.

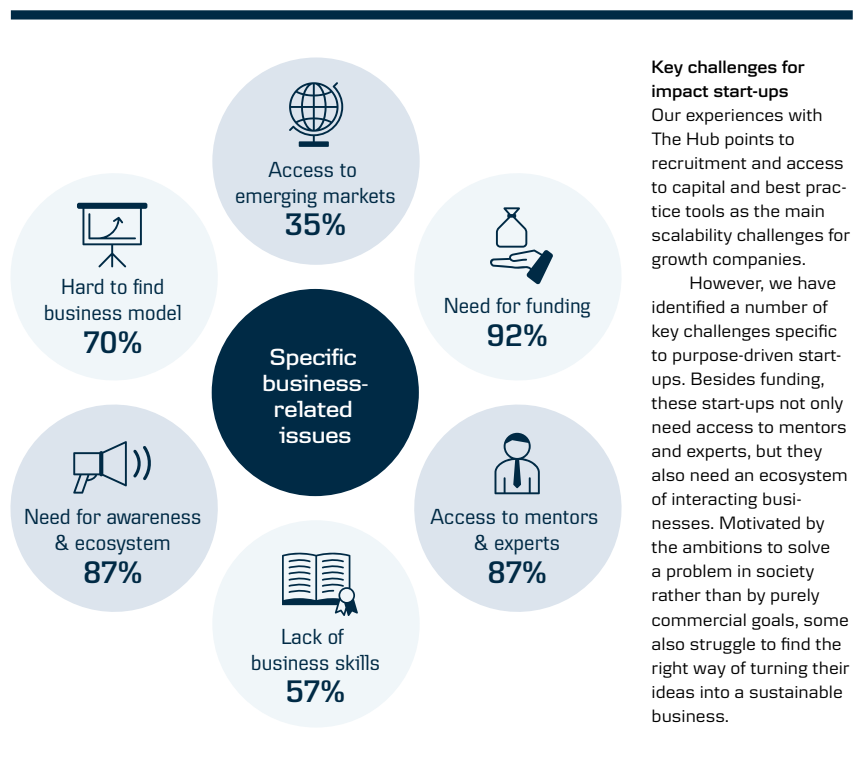
The Nordic impact start-up scene is growing fast and many companies are already making a difference. Our hope is that the Nordic countries can be-



SDG 8 is about promoting sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.

We measure our contribution to SDG 8 by the number of jobs posted on The Hub and the number of applications.

With 171,379 applications for 13,194 jobs posted, we exceeded our 2018 targets of 80,000 applications for 9,000 jobs.



Key challenges for impact start-ups

Our experiences with The Hub points to recruitment and access to capital and best practice tools as the main scalability challenges for growth companies.

However, we have identified a number of key challenges specific to purpose-driven start-ups. Besides funding, these start-ups not only need access to mentors and experts, but they also need an ecosystem of interacting businesses. Motivated by the ambitions to solve a problem in society rather than by purely commercial goals, some also struggle to find the right way of turning their ideas into a sustainable business.

come a centre for entrepreneurs who drive sustainable development, and together with likeminded partners, we can help facilitate that development. Our work to support start-ups grow their business and contribute to sustainable development in the Nordic countries and beyond is part of our strategic focus on SDG 8 on decent work and economic growth.

+impact accelerator programme

Building on the +impact hub, we launched a 10-week free-of-charge accelerator pilot programme in October 2018 together with the Norwegian company Katapult. Nine early-stage Nordic start-ups whose products are designed to help solve environmental or social issues were handpicked for the programme. All nine start-ups were offered a temporary base at SingularityU in Copenhagen, and through mentoring, training and networking, the programme helped them fine-tune their business models and prepare them for the stakeholders at the next stages of growth. In 2019, we will evaluate the pilot and decide how best to build upon what we learned from the programme.

Supporting female entrepreneurship

In 2018, we continued a number of activities to support female entrepreneurship. Although the Nordic societies are focusing on gender equality, we still have a long way to go when it comes to unleashing the hidden potential and to providing the same opportunities to all.

In Sweden, we sponsored and co-organised the Femtech Hackathon in partnership with Startup Weekend SingularityU and Norrsken. A total of 50 women participated and had the opportunity to network, team up and create business ideas.

Our initiatives to help start-ups to scale

The Hub

Our free, digital community platform tailored to the needs of growth start-ups. As well as receiving assistance with their recruitment of talent and connecting with investors, these start-ups also gain access to best-practice tools such as employment contract and pitch deck.

Launch: Denmark in 2015, Norway, Sweden and Finland in 2016, and the UK in 2018

Partners: Rainmaking in Denmark, Nordic Impact in Norway, SingularityU in Sweden, Maria O-1 in Finland and Catalyst Inch in UK

Outreach: 5,000+ start-ups, 12,000+ jobs, 120,000+ job applications since 2015

Danske Bank Growth

Our Centre of Excellence for start-ups and growth companies with advisers specialised in understanding the start-ups and their business models and in guiding the young growth companies on their journey.

Launch: September 2016

Partners: Accountants, lawyers, co-working spaces and investors

Outreach: 50+ advisers across our business and market areas

+impact

Our free, cross-Nordic digital platform, where purpose-driven start-ups can share their challenges with and receive advice from expert volunteers from organisations such as Boston Consulting Group, Implement, E&Y, PA Consulting, IBM and Danske Bank.

Launch: May 2018

Partners: Strategic partnership with Rainmaking in Denmark

Outreach: 40+ Nordic start-ups in 2018

In Norway, about 1,000 women participated at two SHE FUTURE Conferences, where the focus was on diversity, tech and female potential. We sponsored and co-organised both conferences and held a pitching contest, sourced through The Hub, and awarded a Danske Bank Silicon Valley Prize.

In Denmark, we arranged and hosted a similar conference, Unleash Female Potential event, in partnership with DIF and PwC. Here, the winner of the pitching contest received a Danske China and nHack prize that included a study trip to

China. More than 100 women attended the conference.

In collaboration with nHack, we also gave presentations and moderated investor panels in Shanghai where the focus was on diversity, tech and female potential.

Lastly, we hosted three informal Female Founder breakfast events in Denmark, at which women who have founded their own companies shared their stories with the 80 participants.



To articulate our focus, profile our activities and receive feedback, we have been active at a number of events for start-ups across the Nordic countries throughout 2018. These events included: in Norway, KatapultFuture Fest, SHE conference and Oslo Innovation Week; in Denmark, TechBBQ, Tech Festival and Global Entrepreneurship Week; in Sweden, SingularityUNordic Summit; and in Finland, Slush and GreenTechChallenge Day.

Creating long-term value

Dialogue with our key stakeholders to enhance transparency, long-term value creation and local community engagement has been a main focus over the course of the strategy period 2015-18. As a natural consequence of the Estonia case, we focused much of our stakeholder dialogue in 2018 on explaining how this could happen and on communicating what we are doing to combat financial crime.

Banks play an important role in society as providers of the financial infrastructure, and they have a large impact on society through the way capital is deployed by lending money to private individuals and businesses and by investing capital on behalf of customers.

Danske Bank is Denmark's largest financial services provider, one of the largest financial institutions in the Nordic region and one of Denmark's systemically important financial institutions. We fully recognise the responsibilities this entails, and it is our ambition

to support financial stability by being a solid, balanced and predictable bank.

Overall, Danske Bank's financial value creation since 2015 has been quite stable. The main variations have been seen in asset management and shareholder distribution, where there have been some significant increases over the period.

In 2017, we exceeded our target of achieving at least 12.5% return on shareholders' equity (ROE) by 2018 at

Value creation



Banking customers

DKK 1,769 billion

DKK 1,609 billion (2015)

Loans issued to banking customers in 2018.

Loans to Banking DK customers represent 43% of all loans, and loans to Banking Nordic customers account for 29%.



Asset management

DKK 1,575 billion

DKK 714 billion (2015)

Assets under management consists of our conventional life insurance business, asset management and assets under advice (the investment decision is taken by the customer) from personal and business customers.



Shareholders

DKK 17.1 billion

DKK 10.5 billion (2015)

Distributed in 2018 to our approx. 270,000 shareholders, including share buy-backs totalling DKK 7.8 billion. 51% of our shareholders are based in Denmark, 12% in the UK, 15% in the rest of Europe, 17% in the US and Canada and 5% in the rest of the world.



Employees

DKK 14.3 billion

DKK 13.9 billion (2015)

Salaries, bonuses and social security costs paid in 2018 to our 20,683 full-time employees.

At the end of 2018, gender representation among our employees was split evenly with 50% women and 50% men.



Suppliers

DKK 8.9 billion

DKK 8.8 billion (2015)

Payments for products and services delivered by our 11,095 suppliers in 2018.

Most of our suppliers are in the premises and facilities management, IT, and professional services fields.



Tax authorities

DKK 4.7 billion

DKK 4.6 billion (2015)

Tax on profit for 2018.



the latest. A new target based on relative performance has been introduced. Our long-term ambition is to rank among the top three of our major Nordic peers in terms of ROE. In 2018, we reached a ROE of 9,8%, and we are awaiting the performance of our peers to evaluate our 2018 ranking.

The decrease in ROE and net profit from 2017 was driven mainly by difficult conditions on the financial markets, which had a negative impact on trading as well as fee income. The results also reflect the donation of the estimated gross income from the non-resident portfolio in Estonia from 2007-2015 of DKK 1.5 billion.

Economic value in society is also created through our payment of salaries and social security costs to our employees, as well as through procurement and tax payments. According to a ranking list presented by the Danish tax agency in December 2018, Danske Bank was the second largest payer of corporate tax among all Danish companies in 2017.

Tax transparency

Tax compliance and the risk of tax fraud and tax evasion are critical issues, and our stance on these issues is clearly stated in our Tax Policy.

Published in 2017, the policy sets out our commitment to being transparent and to seeking a proactive, open and

cooperative relationship with the tax authorities. It also details our commitment to disclosing our tax payments in accordance with national and international requirements and in line with good practice among our peers. If it comes to our attention that any of our customers or business partners are engaging in tax fraud or tax evasion, we will cooperate with the relevant authorities in accordance with applicable rules and regulations.

To be able to identify risk indicators of tax evasion, the main principles of the policy and an understanding of the global tax framework are included in our mandatory employee training related to anti-money laundering (AML).



CONTRIBUTING TO SOCIETY

Policy commitment

"We conduct our business in a responsible and transparent manner and support financial stability by being solid, balanced and predictable. We are driven by an ambition to create value for all our stakeholders and use our expertise to drive sustainable progress and make a positive impact in the societies we are a part of.

We engage with all our stakeholders through collaboration and dialogue and we make our expertise available for the benefit of the societies we are part of. We engage employees in local volunteering activities and events, and we are involved in solving relevant societal challenges at a national level."

Societal Impact & Sustainability Policy, October 2018

Ambitions and strategy 2015-18

- Create value for all our stakeholders
- Contribute to financial stability
- Contribute to economic growth
- Transparent tax payments
- Transparency, contributing to communities and stakeholder engagement

Key actions 2018

- Continued to contribute to economic growth and financial stability through our services and innovation of the financial infrastructure
- Trained all employees in identifying risk indicators of tax evasion as part of mandatory e-learning in AML
- Held customer and investor meetings where we explained and discussed the conclusions of the Estonia investigations
- Published a new study on Danes' financial confidence, including a Nordic outlook
- Launched set of guidelines for employee voluntary work to be rolled out in 2019

More insights

More details on our financial performance, tax payments and value distribution can be found in our Annual Report 2018.

Stakeholder dialogue

At Danske Bank, we welcome dialogue with all our stakeholders – no matter what their views. In recent years, we have increased our stakeholder engagement, the general principles and guidelines for which are outlined in our publicly available Stakeholder Policy.

In 2018, the overriding issue has naturally been the Estonia case. In addition to having close talks and meetings about the case with many personal and business customers, we have also been engaged in an ongoing dialogue with various authorities, politicians and other stakeholders. Our website has a specific section where we publish the most recent developments relating to the investigations into Danske Bank's Estonian branch.

We have a huge task ahead of us in restoring the trust of our customers and society at large, and we will continue to maintain an open dialogue with all of our stakeholders in the months and years to come. Below are some notable examples of how we engaged with stakeholders in 2018.

Public hearings into the Estonia case

In November 2018, Danske Bank's Interim CEO, Jesper Nielsen, attended two public hearings about financial crime and money laundering in the

Danish and European parliaments. At the hearings, he answered questions regarding suspicious transactions at our Estonian branch. These hearings were not part of any legal process.

We fully understand that politicians in both Denmark and at EU level are critical of Danske Bank in connection with the Estonia case, and it is only natural that the topic of money laundering in general should attract their attention. We are determined to be as open as possible and will continue make ourselves available for questions and dialogue concerning the case.

Dialogue with customers and investors

After the publication of the results from the Estonia investigation, we invited retail, commercial and institutional customers to town hall meetings. At these meetings, of which more than 150 were held in our branches across Denmark, we explained and discussed the conclusions of the Estonia investigations and answered questions about the case and about the work we are doing to combat money laundering. We will encourage further intensive dialogue over the coming months, and we will continue to meet with customers in all our markets to discuss the Estonia case as long as the need exists.

As a consequence of the Estonian case, interest from investors and shareholders on issues related to our governance and anti-money laundering measures has increased, leading to several meetings and calls with our compliance department and/or Executive Board members. The extraordinary general meeting held on 7 December 2018, where a new chairman and a member of the Board of Directors were elected, was convened at the request of our main shareholder A.P. Møller Holding A/S.

Attending political festivals

As part of our common engagement practices, we attended the annual

political festivals that take place across the Nordic countries: Folkemødet in Denmark, Almedalsveckan in Sweden, Suomi Areena in Finland, and Arendalsuka in Norway. Danske Bank hosted events and engaged in debates with politicians, opinion makers and customers on the topic of corporate responsibility. Naturally, the Estonia case was high on the agenda, especially in Denmark.

Seminars on growth and financing

In 2018, we continued to hold quarterly seminars to support and facilitate important debates on growth and financing. To ensure a broad input of perspectives, a wide range of stakeholders were invited to attend these seminars, including politicians, experts, interest organisations and think tanks.

The first of these four seminars focused on the issues that had attracted the greatest interest at the 2017 seminars, namely how to prevent promising Danish growth companies from being sold to foreign investors with the consequence that jobs, innovation and tax revenue disappear abroad. The second seminar focused on the UN Sustainable Development Goals and the challenges facing impact start-ups; also addressed here were the questions of how these challenges can be solved and what role the Nordic countries should play. The third seminar addressed alternative investment, and the fourth seminar focused on sustainable finance, green bonds and responsible investments.

Annual report on financial confidence

In order to put financial confidence on the public agenda and share our knowledge of how people actually feel about their personal finances and financial prospects, we publish a yearly report on the financial confidence of citizens living in Denmark. The 2018 report included a survey on the financial confidence across the Nordic countries and showed that the Nordic citizens in general have a high degree of financial confidence due to factors such as high incomes and low unemployment.

Our engagement principles

- We want to share our knowledge and expertise with our stakeholders
- We act and operate with transparency and integrity
- We want to create value for all our stakeholders and to form long-term partnerships of mutual value
- We make ourselves available for dialogue and respond to input and feedback in a timely and agile manner
- We believe in collaboration and base our engagement on genuine dialogue – we engage, listen and act

More insights

Visit danskebank.dk/tryghed to learn more about our study on financial confidence among citizens resident in Denmark (in Danish). Find more details about the Estonia case at danskebank.com/investigations.

Employee volunteering and charity

For many years, we have encouraged our employees to volunteer and share their time and expertise for the benefit of local communities. We partner with a number of organisations to provide volunteering opportunities in the countries where we operate.

Guidelines for employee volunteering

Building on our existing activities, we have in 2018 developed new guidelines for employee volunteering. The guidelines, which will be fully rolled out in 2019, are aligned with the three strategic themes in our new Societal Impact and Sustainability Strategy and include a Group-wide Time to Give programme allowing all employees to participate in volunteer activities for one day per year paid by the Group. Below, you can read about some of our local activities from 2018.

Time to Give in Northern Ireland

In 2018, 305 employees in Northern Ireland volunteered 2,100 hours through their local Danske Time to Give programme. The employees participated in community activities through the organisations Action Mental Health, Business in the Community, Keep Northern Ireland Beautiful, Ulster Wildlife, and Young Enterprise. Together with our customers, we also raised over £60,000 to fund Healthy Me, an Action Mental Health programme for 8 to 11 year olds.

Helping youngsters in Finland manage finances

In Finland, 43 employees volunteered for the Financial knowledge and skills programme aimed at helping young people who are not in employment, education or training to manage their personal finances. The programme is a collaboration between the three largest banks in Finland and the Finnish Ministry of Education and Culture.

Mentoring immigrants in Sweden

We cooperate with the Swedish organi-

sation Mitt Livs Chans, which helps individuals with a foreign background to enter the Swedish labour market. Danske Bank employees have volunteered as mentors for academics who have recently arrived in the country.

Debt counselling in Denmark

In 2018, four financial advisers provided debt counselling at debt counselling centres established across the country. These centres were established by Finance Denmark in cooperation with other organisations such as the Danish



A total of DKK 408,420 was donated in our annually recurring Christmas Donation in Denmark, Finland, Norway Sweden and Northern Ireland. In Denmark, the donation was given to Danske Hospitalsklovne.

YMCA's Social Work. The advisers offer impartial, confidential and free advice to enable citizens to manage their personal finances and thereby improve their quality of life.

Charity work in Norway

About 200 employees participated in our Norwegian initiative, Danske Charity, in which employees are given a paid day off to do corporate volunteering work at an NGO. The majority participated in activities at the Church Mission and Blue Cross, which help people harmed by alcohol and drugs, as well as at the Sunnaas Foundation, which is a hospital for spinal cord injury that we also support financially.

Little Hearts Foundation in India

In collaboration with the NGO Need Base India, we founded the Danske Little Hearts Foundation in 2016 to support the rehabilitation and education of

underprivileged children and orphans in India. The programme provides housing, medical attention and special training to cover any educational gaps, and the children stay in the programme until they complete their secondary education. In 2018, 32 boys and 29 girls were enrolled in the programme, and 51 employees spent a total of 237 hours teaching the children English, Maths and Hindi.

Supporting students in Latvia

In Latvia, we support gifted and underprivileged students by granting university study scholarships in collaboration with the Vītols Fund. In the academic year 2017/18, we supported 13 students, who each received a monthly contribution of EUR 150.

Vilnius Marathon

In 2018, we were again the main sponsor of the Danske Bank Vilnius Marathon. The event, which is the largest sporting event in Lithuania, attracts more than 17,000 runners from over 50 countries and promotes a healthy lifestyle for locals. Our employees prepared for the marathon in the

Endomondo challenge, tracking their sports activity with the app. In total, 4 million calories were burned and converted into 67,000 food portions, which were donated to vulnerable social groups through the Maisto Bankas project.

Christmas donations

The Christmas Donation is an annually recurring charity in Denmark, Finland, Norway, Sweden and Northern Ireland. In 2018, DKK 408,420 was donated to the Danske Hospitalsklovne, the Finnish Hyvä Joulumieli campaign, the Norwegian Blue Cross Barnas Stasjon, the Swedish Musikhjälpen Sveriges radio, and the Air Ambulance, Almost Home Animal Rescue and the Children's Hospice in Northern Ireland. In addition, the Danske Bank Fund made 26 donations totalling DKK 1,289,000 million.

Customer engagement

Building long-term relationships with our customers is fundamental for us. Since 2015 we have been working to provide sustainable finance solutions and strengthen our compliance practices. In 2018, we continued to develop our defences against financial crime and fraud to safeguard our customers and Danske Bank.

Delivering a good customer experience and providing sound solutions to our more than three million customers has never been more important. Negative sentiments aroused by the Estonia case have resulted in some customers choosing to leave Danske Bank, particularly in Denmark. This is a matter that we take very seriously, and we have engaged with our customers about the circumstances and will continue to do so, see p. 22.

Customer satisfaction

The Estonia case has had a negative effect on our image, which also affects our customer satisfaction. In the second half of 2018, we saw a decline in customer

Conduct standards

Our Code of Conduct Policy communicates the behaviour and conduct expected by our employees in their daily activities and we have a mandatory annual e-learning Code of Conduct course covering the following areas:

- Conduct in customer interactions
- Customer complaints
- Personal conduct
- Anti-money laundering, counter-terrorist financing and financial sanctions
- Anti-corruption and bribery
- Gifts and hospitality
- Handling conflicts of interest
- Inheritance from customers
- Data protection and confidentiality
- Insider information and market manipulation
- Whistleblowing
- Remuneration
- Human rights

satisfaction for personal and business customers especially in Denmark, but also in Norway and Sweden. For Private Wealth Management, we have seen a drop in satisfaction across markets, and in our business unit Corporates & Institutions (C&I) the satisfaction results have been mixed. C&I still ranks number one in customer satisfaction across the Nordic region, while perception of the Danske Bank brand has declined across all markets among corporate clients.

We recognise the impact the Estonia case has had on customer loyalty and satisfaction, and we acknowledge that there is no quick fix to the situation. Our customer satisfaction target of being ranked among the top two in all our core markets will remain one of our parameters for measuring progress over the coming years. Delivering the best customer experience at all points of contact will continue to be a key priority for us.

Know your customer

Central to our customer relationships and our anti-money laundering efforts are the regulatory Know Your Customer (KYC) measures. In practice, KYC means that our customers must verify their identity and that we may have to ask them to answer detailed questions about certain transactions. This is to ensure that we know who they are and how they expect to use our products and services. In 2018, we initiated a common Nordic KYC utility with other Nordic banks to establish best practice, see p. 26. We will ensure continuous focus on our risk and compliance culture to embed it deeper into our way of doing business.

Customer advising

To ensure that our customer advisers act in the best interests of our customers and offer the most suitable products

and advice, our customer advisers do not have sales-related targets. Communications, regardless of the channel and the customer, should be open, truthful and unambiguous. If customers are not satisfied with our services, they can use our customer complaints functions and we use the feedback to improve the customer experience.

Anti-corruption and bribery

We express our zero-tolerance stance on corruption and bribery in our Code of Conduct Policy. In practice we are working to mitigate the risk of bribery and corruption through our compliance infrastructure, which includes controls, centralisation of processes, training and escalation procedures.

We operate according to three principles: not to accept or solicit bribes in any form; not to make or accept facilitation payments; and not to give or receive gifts above a token value, except for gifts given or received in specific situations. We keep a register of gifts and hospitality, and the principles are described in more detail in directives. To avoid conflicts of interest or accusations of bribery and corruption, employees should consult their manager or Group Compliance if they are in doubt. Group Compliance also operates as a sounding board for employees if employees have any question relating to gifts and hospitality.

In 2018, we initiated work on developing criteria for sponsorship agreements. These will be implemented in 2019, when we also will publish a new separate policy on anti-corruption.

Data protection

The EU General Data Protection Regulation (GDPR) requirements entered into force in May 2018, and we made

substantial investments to prepare the Group and our IT systems for the introduction. We appreciate that many of the processes and solutions launched to protect data and individual privacy are still new to our employees and cus-

tomers, and we will continue to assist a smooth implementation of the data protection principles.

Transparency should be at the core of a good GDPR customer experience. As

an example, we created a new area in our Mobile Bank app called MyProfile giving customers easy access to their own data.



RESPONSIBLE CUSTOMER RELATIONSHIPS

Policy commitment

“We act with integrity to ensure the trust of our customers by ensuring compliance across all business activities, by preventing financial crime and by eliminating all forms of corruption. We build long-term responsible customer relationships by providing responsible and sustainable advice across customer segments and through easy and secure access to financial products and services. We ensure that customer data is kept safe and secure with respect to data privacy.”

“When our customers entrust us with their assets and savings, it is our duty to serve their interests by providing investment solutions with the goal of delivering competitive

and long-term performance. We integrate ESG matters into the investment process as factors alongside financial factors, and we are active owners who influence companies directly through dialogue, voting and collaboration with peers.”

“We ensure that loans and credit facilities are granted on the basis of a professional credit assessment, which includes ensuring that our customers understand the implications of taking out loans. We do not conduct business with customers whom we believe disregard or deliberately violate UN-based principles on environmental protection, human rights, labour rights and anti-corruption.”

Societal Impact & Sustainability Policy, October 2018

Ambitions and strategy 2015-18

- Provide responsible customer advice
- Prevent financial exclusion by offering access to financial products and services
- Improve the customer experience
- Offer responsible investment opportunities for customers
- Integrate responsible lending principles into credit practices
- Build customer trust through reliable IT security

Customer satisfaction target

Ranked among the top two in all our core markets

Performance 2018

Banking DK:

- Personal customers: Below target
- Business customers: Below target

Banking Nordic:

- Personal customers:
On target in 2 of 3 countries
- Corporate business:
On target in 2 of 3 countries

Corporate & Institutions:

- Number 1 overall in the Nordics.
On target in 3 of 4 countries

Wealth Management:

- Private Wealth Management:
Below target in all countries
- Asset Management:
Number 1 overall in the Nordics.
On target in 2 out of 4 countries

Key actions 2018

- Approved a new sustainable investment strategy that promotes the integration of environmental, social and governance (ESG) into our investment process
- Updated our sustainable lending strategy that further integrates ESG into our KYC and lending processes
- New position statement on Human Rights and exclusions on coal, tar sands and certain forms of nuclear weapons
- Launched impact investment funds on climate and water
- Supported the recommendations of the Task Force on Climate-related Financial Disclosures
- Strengthened governance for our whistleblower system, including launch of a new Escalation Policy
- Continued consolidation of anti-money laundering services into one centre of expertise, including new IT systems and automation
- Initiated common Nordic KYC utility together with other Nordic banks
- Dedicated additional resources to the collaboration within and outside the financial sector to combat fraud, including the Nordic Financial CERT
- Substantial investment to ensure that our organisation and IT systems are GDPR compliant

More insights

More information on our customer satisfaction target and performance can be found in our Annual Report 2018.

Fighting financial crime



AML 2018 figures

- **Resources:** More than 1,200 full-time employees worked on combating financial crime, including 1,000 AML professionals in AML CSD.
- **Training:** Every employee underwent mandatory AML training – 63 different AML training curriculums were offered and total of 46,000 hours were invested in training by employees across the Group.
- **Customer screening:** About 15 million customers (Danske Bank Group, including Danica Pension and MobilePay) were screened weekly against Politically Exposed Persons (PEPs) and sanctions lists.
- **Transaction screening:** All Danske Bank Group's cross-border transactions, and some domestic transactions including Finnish, Estonian, Latvian and Lithuanian transactions, were screened in real time against sanctions lists.
- **Warnings:** Around 1,35 million sanction warnings together with around 240,000 matches on politically exposed persons were reviewed manually.
- **Rejections:** Around 1,050 transactions were rejected due to possible international sanctions breaches.
- **Reports:** Around 10,000 reports were sent to the authorities regarding suspicious matters.

Money laundering and other financial crime have major adverse implications for societies across the world. Being a member of the global financial community, Danske Bank conducts business in several jurisdictions around the world, and regardless of jurisdiction, we are committed to developing and maintaining high standards with regard to anti-money laundering (AML), counter-terrorist financing (CTF) and financial sanctions.

Towards the end of 2018, we initiated a comprehensive review of our AML programme in order to see what could be done to further improve our AML performance. In addition to uncovering opportunities to strengthen internal governance and organisational performance, the programme review also supported the acceleration of our IT deliveries. Embedding this programme will be an ongoing process throughout the coming year. In many areas, we can still improve our ability and step up our efforts, and we will never be in a position where there is nothing more that can be done.

In 2018, a new head of Group Compliance joined the Executive Board, and risk management and compliance became an integral part of performance agreements for all members of the Executive Board and senior managers.

Centre of AML expertise

In order to achieve better AML service quality and efficiency across the Group, the global AML Customer Service Delivery (AML CSD) unit continued its work of consolidating AML services into one centre of expertise throughout 2018. In parallel, a competency development and training framework has been built to support both the intake of new activities and the on-boarding of new employees. Today, the AML CSD executes the majority of AML-related activities across Banking DK, Nordics, Wealth Management, and Corporates & Institutions, including our international units and the Baltics.

New IT systems and automation

New IT systems and increased automation of work routines, in general terms as well as specifically in relation to AML controls, are important measures for ensuring better surveillance of transactions and customers. In 2018, we developed eight robots to support AML

professionals in areas such as ongoing due diligence, transaction screening and customer screening. Handling repetitive AML execution activities and minimising the possibility of human errors, the robots allow AML professionals to focus more on investigative work where more analysis and decision making is needed to ensure regulatory compliance.

Mandatory AML training

Our compliance knowledge and culture continued to be strengthened throughout 2018 by means of management focus and extensive annual mandatory training for all employees.

In 2017, we established an AML Training Academy, and in 2018 we developed a continuous AML/CTF training methodology. The ongoing training sessions focus on providing sufficient AML/CTF knowledge to relevant employees. These sessions train employees to recognise activities that may be related to money laundering or terrorist financing and ensure they are educated and aware of how to proceed in such situations. The primary objective of the training is to protect Danske Bank from possible financial crime.

Dialogue and collaboration

Criminals and criminal networks are continuously testing our controls, and their methods are becoming more and more sophisticated. Working closely with authorities and the financial sector to establish the most effective possible defence against the criminal networks will remain a priority in years to come.

In view of the Estonia case, we have been highly engaged with our key stakeholders in a number of dialogues and through public hearings in the Danish and European Parliaments, and shared information with the relevant authorities, see p. 22.

In 2018, we initiated a common Nordic know your customer (KYC) programme with other Nordic banks to consolidate our KYC processes. This was established because collecting and validating publicly available customer data has become a critical component in fighting financial crime. By pooling our financial and compliance resources, we can establish best practice, increase quality, ensure efficient services and cooperate on preventing financial crime.



Protecting our customers against fraud

Online fraud continues to be a challenge for individuals and businesses, and we are doing our best to provide our customers with a strong line of defence against fraud. When fraud does occur, we try to secure the best possible outcome for our customers, and we offer guidance on how to report the fraud to relevant authorities. In addition to this, we assist law enforcement agencies around the world in their work to bring perpetrators of fraud to justice. In 2018, the Danish Police and the Federal Bureau of Investigation (FBI) in the US were among the authorities we assisted.

Our Keep it safe online platform, which we launched in 2017, helps our customers to stay safe when they are online, and it also supports our employees in preventing internal IT issues. In 2018, the platform had 44,324 unique visitors and was also launched in Northern Ireland.

Detecting card and payment fraud

To analyse and detect fraudulent card and payment transactions, we use real-time fraud-prevention systems and we proactively alert our customers to potential fraud. When possible, we halt fraudulent transactions before funds are moved. During 2018, we continued to invest in both people and technology, and the total number of customers impacted by fraud decreased from the 2017 level.

In 2018, around 3,600 of our customers were affected by card and payment fraud each month. Card fraud continues

to be the most common type of fraud and the average retail customer loss from card fraud was DKK 573 in 2018. Payment fraud is on the rise with investment scams, romance scams, ID theft, CEO fraud and Beneficiary Account Change as the most common fraud types. In 2018, the average retail customer loss to payment fraud was DKK 9,980 and the average commercial customer loss was DKK 330,172.

Online fraud is particularly challenging because it is always changing. For this reason, we continuously analyse individual fraud cases and gather intelligence so that we can provide a rapid response. Highly advanced systems are needed to detect fraud in real-time, and to mitigate card fraud we expanded our fraud-detection infrastructure in 2018 with a new real-time adaptive behavioural analytics solution.

This new system will be fully implemented in 2019, and we are working on finding similar solutions to strengthen our payment-fraud-prevention infrastructure further.

Joint efforts against fraud

Danske Bank is an active participant in private and public forums dedicated to combatting fraud. In addition to being a member of the steering committee for the Danish Forum against Economic IT Crime, founded by the Danish police, we also participate in Europol's European Cybercrime Centre, where we are member of both the Advisory Group on Financial Services and the European Payment Council's Card Fraud Prevention Forum.

In 2018, we also dedicated additional resources to the Nordic Financial CERT, where Nordic banks exchange information and best practice with a view to reducing the risk of fraud.

In 2017, we contributed to the My Digital Self-Defence app launched by Tænk, the Danish Consumer Council. This app offers specific advice on how to avoid fraud and what to do if you become a victim of fraud. The app continues to attract new users and has approximately 26,000 active users a month. As of 31 December 2018, the app had been downloaded a total of 100,300 times.



Counter-fraud 2018 figures

- **Resources:** More than 90 employees worked to fight against fraud.
- **Payment screening:** Every month, more than 10 million payments were screened, more than 10,000 payments were manually verified, and an average of 253 fraudulent payments occurred.
- **Disputed card transactions:** Customers on average disputed 17,417 card transactions every month.
- **Replaced cards:** 3,242 cards proactively replaced on average every month.

More insights

Visit danskebank.dk/erhverv/find-hjaelp/keep-it-safe-en to learn more.

Sustainable finance

In a world facing growing challenges from climate change and social inequality, the provision of sustainable finance is of the utmost importance. This is underscored by the EU Commission's adoption of the action plan for sustainable finance, which was launched in 2018 to promote a financial system that supports a sustainable economy.

Over the past years, we have become increasingly transparent about how we are working to integrate environmental, social and governance (ESG) criteria into our financial services. As part of our new Societal Impact and Sustainability Strategy, we will further scale our efforts to finance the transition to a net-zero carbon economy by providing green finance solutions.

Supporting TCFD recommendations

In September 2018, Danske Bank signed up to supporting the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). This cements our commitment to integrating climate considerations into our gov-

ernance, strategy, risk management, metrics, as well as into our external reporting. An internal working group has been set up and is in the process of defining a governance structure and developing an implementation plan. A key element of this is to include TCFD disclosures in our future reporting.

As society moves towards a low-carbon economy, having a comprehensive understanding of climate-related risks and opportunities is vital if we want to continue to support the business needs of our customers. With this in mind, we are engaging in dialogue with experts and customers to exchange experience about TCFD tools, climate scenarios and practical case examples.

Sector position statements

Since 2016, we have published position statements to serve as input to our credit and investment procedures for different sectors. The statements are also important for us when we engage with our stakeholders on sustainability issues, especially in relation to ESG ratings that are becoming increasingly important among our customers across the Nordic countries.

In 2018, we updated these statements and developed a position statement on human rights to supplement our cross-sectors and sector-specific statements on agriculture, arms and defence, climate change, forestry, fossil fuels and mining and metals. In the review process, the Executive Board decided that Danske Bank should no longer invest in or lend to companies with a revenue of 30% or more derived from thermal coal mining, thermal coal utilities or the extraction of oil from tar sands – activities that have a negative impact on the environment. This reflects our endorsement of the Paris Pledge for Action to help limit global warming to a maximum of 2 degrees Celsius.

Due to the indiscriminate effects and disproportionate harm caused by weapons prohibited by international law or weapons deemed controversial, Danske Bank has also decided not to grant new loans or invest in companies directly involved in the research and development or production of such weapons. This decision also extends to the production of nuclear warheads, activities related to core nuclear missile components and involvement in the upgrading or enhancement of nuclear weapons.

Following the implementation of investment restrictions related to thermal coal, tar sands and nuclear weapons, we have published an annual list of companies in which we do not invest.

Green bonds on the rise

Sustainable finance includes the issuance of green bonds – an area that is receiving increasing interest from Nordic companies. Green bonds are debt instruments whose proceeds are most often separated from general corporate purposes and used exclusively for projects that have a positive impact on the environment. Sweden has dominated the green bond market since 2014, but since 2017 the Danish market has picked up with more companies seeing the potential that issuing green bonds offers for attracting new investors.

As a partner with the Climate Bond Initiative, not only did we continue to help companies issue green bonds in 2018, we also acted as a joint lead manager for Ireland's inaugural 12-year green bond transaction. From our own balance sheet we have developed a framework for issuing green bonds, which we plan to launch in 2019, and we also plan to offer green loans. Danske Bank has been a signatory of the Green Bond Principles since 2014, and we also invest part of our own funds in green bonds, see p. 32.



Sustainable investment insights

- **Voting:** We voted at 313 general meetings in 2018, and we publish details of our voting records in an active ownership report semi-annually.
- **Dialogue:** We held more than 500 dialogues with over 300 companies in 2018, and we publish details on our active ownership report semi-annually.
- **Carbon footprint:** As signatory of the UN's Montreal Carbon Pledge, we measure and publish the CO₂ footprint of a selected range of our funds annually.

More insights

Read more about our sustainable finance at danskebank.com/societal-impact/sustainable-business.

Sustainable investment

Over the course of 2018, we developed a new sustainable investment strategy that promotes the integration of ESG into the core of our investment processes. This strategy, which we call ESG Inside, focusses on making better-informed investment decisions and addresses the issues of risk, problems and dilemmas. It also employs active dialogue to influence portfolio companies to contribute to a positive outcome. Our strategy supports our commitment to serve our customers and meet their growing demand for investment solutions that can deliver competitive and long-term performance whilst simultaneously contributing to sustainable development.

As stated in our updated Sustainable Investment Policy, our approach is aligned with the UN-supported Principles for Responsible Investment and the Danish Stewardship Code. The implementation of our investment strategy is overseen by our own Sustainability & Impact Investment Committee.

Active ownership through dialogue

We are active owners who focus on making a difference by using our ability and power as an investor to influence companies through dialogue and voting. Rather than divesting from companies and hoping that others will solve the issues, we contribute to a positive development by addressing challenging issues, risks, or problems.

Our dialogue with the companies we have invested in is driven by our portfolio managers. We believe that this approach is the most effective way to influence companies and contribute to a positive outcome. These managers engage on a regular basis with portfolio companies on material ESG matters in order to understand these companies' risks and opportunities and to support their growth and development.

We seek to be transparent on our progress and results, and in 2018 we launched our first report on our active ownership activities. We also launched a digital platform disclosing how we vote at the general meetings of companies whose shares are held in actively managed funds and in which we have significant holdings. Sustainable investment is an important and ongoing journey for us, and we will continuously update our customers and stakeholders on our progress.

Sustainable lending

In support of our sustainable finance ambitions, we have approved a sustainable lending strategy. The implementation of this strategy, which will be overseen by our Sustainable Lending Committee, will begin in 2019. During the course of 2018, we also updated our directives for sectors with elevated ESG risks and revised our ESG guidelines based on in-depth ESG analyses of specific sectors.

Assessing and promoting ESG

When we grant a loan, we begin a long-term commitment with our customers. To gain an understanding of a customer's financial situation, we always make a careful evaluation and consider the purpose for which our lending products are to be used. We offer loans that are appropriate to our customers' needs and financial capacity, and we make sure that customers understand their financial obligations.

As well as conducting our own assessment of possible ESG risks associated with lending to our business customers, we also engage third party providers to screen potential and current lending customers for ESG risks. Customers flagged in the screening will have their ESG risks assessed by us. We endeavour to reach an understanding with customers so that they will conduct their business in accordance with international principles promoting and safeguarding the environment, human rights, labour rights and anti-corruption.

In 2018, to assist our advisers in their dialogues with customers on ESG matters, we developed ESG materials and sector factsheets. We take a risk-based approach and focus our dialogues on customers for whom the risk of adverse impact is highest, with any dilemmas discussed at the Sustainable Lending Committee. In some cases, sustainable lending means that we must refrain from providing loans to customers.



Impact investment funds: Climate and water

In 2018, we launched two impact investment funds committed to creating returns and making a positive societal impact. The first is a climate fund, which invests in companies that develop solutions that support the transition to a low-carbon society; the second is a water fund, which invests in companies that develop solutions to ensure water supply security, clean water and sanitation. This initiative has been well received by customers, who in 2018 invested DKK 710 million in the funds.



Responsible ship recycling

In 2018, we adopted the Responsible Ship Recycling Standards (RSRS). Backed by a number of financial institutions, this initiative is a step towards sustainable funding for the shipping industry, and we will promote these standards when dealing with our shipping-industry customers.

The initiative aims to minimise the environmental and social impact associated with ship scrapping, and the standards are leading principles for the dialogue between banks that finance ships and representatives of the international shipping industry.

People and culture

Fostering an inclusive and diverse culture and providing a healthy and safe working environment for our employees have been key priorities since 2015. In 2018 we started to implement MyTalk, our new performance-management initiative that focusses on core values behaviour – an element central to our ongoing cultural transformation.

In support of our new Danske Bank corporate strategy, which was launched in May 2018, we have adjusted our Group structure and made changes to our Executive Board. Further changes at executive-management level and on the Board of Directors were implemented following the September 2018 publication of the results from the Estonia investigations. These included a change of CEO and a new Chairman of the Board of Directors.

Overall, 2018 has been a year of challenges and changes, and this has naturally had an impact on our employees. We highly appreciate their understanding and loyalty.

Employee engagement in a changing organisation

Our employee engagement score fell over the course of the year, ending at an Engagement Index (three-month average) of 84% against our long-term ambition of 90% by 2020. It is our assessment that this decrease can be attributed to the reorganisation that took place over the course of the year. We take this very seriously and are focused on increasing our engagement over the course of 2019. Our new corporate strategy will be a strong driver behind the rebuilding of our engagement.

To reconnect with our core values, our new Performance Management initiative, MyTalk, will be rolled to all employees and leaders across the Group during 2019. Key in securing engagement and supporting our cultural transformation at all levels of the organisation, as well as addressing personal engagement, MyTalk promotes and rewards the right mind-set and behaviours based on our core values. We will reinforce our cultural transformation in 2019 by enlisting our top 500 leaders who, after participating in specifically designed camps, will begin the transformation in their own teams and across the wider organisation.

Redesigning recruitment

At Danske Bank, we are more than 20,000 employees, and during 2018 more than 3,000 new colleagues chose to join us. Therefore, the first logical step in our work to enhance the employee journey has been to focus on the joining journey. In 2018, we redesigned the entire joining journey process, starting when candidates first consider us as a future employer, through the actual recruitment process, and on to their final on-boarding and first 100 days with us.

We have established talent-acquisition teams based in Denmark, Sweden, Norway, Finland and Lithuania. Not only do these teams increase efficiency and quality of hiring, but they also provide better support to managers and ensure the successful on-boarding of new colleagues. The importance of cultural fit and value-based alignment between a candidate's personal values and our corporate core values is incorporated into test feedback and our on-boarding processes.

A diverse workforce

To succeed with our corporate strategy, we need access to a diverse pool of candidates; consequently, the new talent-acquisition teams have a strong focus on diversity. This includes working to reduce gender bias in recruitment by, for example, providing recruitment training for managers, screening job ads for gender neutrality and ensuring a gender-neutral use of recruitment channels. Another way we address gender equality is by monitoring equal pay and by reporting our numbers annually to the Danish Employers' Association for the Financial Sector.

With a view to promoting our diversity mind-set, a number of initiatives have taken place during 2018. In Sweden, for example, all new managers have received Danske Inclusion training, and in Corporates & Institutions, a diversity

education programme for young employees was piloted. A further example is the introduction of diversity as a KPI in the performance agreements for the management team in Corporates & Institutions.

Increasing the share of female leaders is an area of particular focus for us because we see this as a stepping-stone to unlocking other facets of diversity such as education, nationality, age, ways of thinking, seniority and experience.

In 2018, the Board of Directors revised the targets for the share of female leaders on the Executive Board, bringing our 2020 target to 25%. Our long-term ambition is 38-40%, which is in line with our target for female leaders at all management levels in Danske Bank. As a result of our systematic focus on diversity and best use of talents during the organisational changes carried out in May 2018, we came close to accomplishing the latter target with a 37% share of women in management positions. The share of women on the Board of Directors elected at the annual general meeting (AGM) was 38%, which meets our 2020 target.

Equality and non-discrimination

Our Group Human Resources (HR) function not only defines employee-related policies but also continuously addresses risks associated with our workforce.

In 2018, we introduced new internal guidelines on human rights to supplement our existing policies. These guidelines clarify how Danske Bank promotes equal treatment and underlines the fact that we do not accept any kind of discrimination. We also issued a statement that clarifies our zero-tolerance position on sexual harassment, and various preventive measures are in place, supported by established protocols, in the event breaches occur. Furthermore, employees can use our whistleblower

system for reporting gross HR-related misconduct.

Health and safety

A combination of an active working-environment organisation, councils, and collaboration with unions, employee representatives and local management enables Group HR to ensure our workplace is healthy and safe – both physically and mentally. Our TeamTalk tools engage managers and employees in dialogue on a local team level, and our monthly PULSE survey provides valuable insights into overall employee engagement and well-being across the Group. Another indicator of our working environment is the employees' average days of absence due to illness which in 2018 stands at 5.4.

In 2018, new work environment training was introduced in Sweden and Finland, and across the Group, the mental health of employees has been a priority in our collaboration and dialogue with

the working-environment organisation. Well-being, stress and failure to thrive are issues that we must talk about and address, and with this in mind we have updated our tools and established a HR mental health expert team to support managers in their engagement with employees. If employees experience

stress symptoms, they can also receive qualified, unbiased and anonymous help through our stress hotline.

Our work in this area will continue through 2019, and we plan to increase our focus on initiatives related to mental health and a healthy life style.

Employee-related performance 2015-2018

	2018	2017	2016	2015
Full-time employees (FTE)	20,683	19,768	19,303	19,049
Share of women in workforce (%)	50	49	50	51
Employee engagement*	84	85	66	-
Employee turnover (%)	13	12	11	11
Absence due to illness (avg. days)**	5.4	5.4	5.3	6.0

* In Q3 2018, one of the PULSE survey questions included in the engagement index was changed. It is our assessment that this technical change has shifted engagement index levels positively.

** In 2018, as a result of the implementation of a new HR system, we changed our reporting principle for Absence due to illness, see p. 38. Due to missing data for Finland in 2018, data only covers Denmark, Sweden and Norway. Data for 2015-2017 remains unchanged. Find more details and KPIs on p. 36.



RESPONSIBLE EMPLOYER

Policy commitment

"We promote a sustainable workplace and culture by focusing on the structural, cultural and physical working environment that we provide our employees. We are a responsible employer and we base our actions on our core values. We provide challenging and meaningful work, and give our employees the opportunity to develop and grow. We sustain a healthy and safe working environment and a collaborative culture where our employees feel engaged. We set clear expectations for our leaders to role model our values, drive customer centricity, and inspire their employees to succeed. We promote diversity and

an inclusive culture, ensure equal opportunity and eliminate discriminatory treatment. We protect our employees' right to freedom of association and collective bargaining, right to privacy and right to raising concerns without fear of retaliation." Societal Impact & Sustainability Policy, October 2018

"The Danske Bank Group is committed to working towards increasing the share of the underrepresented gender (women) in executive and managerial positions. The goal is to increase the number of female managers at all levels." Diversity and Inclusion Policy, October 2018

Ambitions and strategy 2015-18

- Integrate core values in people practices
- Develop a culture of continual learning
- Broaden the diversity and inclusion agenda
- Ensure a healthy and safe working environment
- Engage employees in corporate volunteering activities

Gender targets and performance

	Performance 2018	Targets 2020
Share of AGM-elected Board of Directors being women (%)*	38%	38%
Share of women on the Executive Board (%)	10%	25%
Share of women in management positions (%)	37%	38-40%

* The total share of women on the Board of Directors, including the employee-elected members, is 50%.

Key actions 2018

- Established a specialist talent-acquisition team with a strong focus on hiring a diverse workforce
- Ran early implementation of the new performance-management initiative MyTalk, ready for full roll out in 2019
- Introduced a guideline on human rights and a statement that clarifies our zero-tolerance position on sexual harassment
- Initiated several initiatives throughout the Group related to mental health focusing on well-being and engagement at work

More insights

Find more employee-related KPIs in our Corporate Responsibility Fact Book 2018.



Environmental performance

Our main environmental focus since 2015 has been on reducing our own carbon footprint. Nevertheless, we have not been able to reach our ambitious 2018 energy reduction target. We see our carbon footprint as an important indicator of how effectively we are driving sustainability internally and will continue to limit our emissions.

Climate change is a global challenge. It presents major risks to not only the environment, but also to societies worldwide, and the Financial Stability Board (FSB) regards climate-related risk as a potential driver of future financial instability. Consequently, the financial sector plays a key role in facilitating the societal transition to a net-zero carbon economy, and we are committed to

providing financial offerings that have a positive impact on climate change and the environment.

We seek transparency in all of our operations, and since 2010 we have been signatories to the Carbon Disclosure Project (CDP). Having signed the Montreal Carbon Pledge in 2016, Danske Bank is also obliged to disclose the carbon footprint of selected investment funds, which has been done since 2017. In September 2018, Danske Bank signed up to supporting the recommendations of the FSB's Task Force on Climate-related Financial Disclosures (TCFD). Read more about sustainable finance on p. 28.

more than DKK 3 billion in green bonds issued for large renewable energy projects and climate protection in Northern Europe. Green bonds represent a low-risk investment opportunity with competitive returns, and we evaluate new opportunities to invest in green bonds on an ongoing basis.

Energy efficiency in Danica Pension

By 2020, Danica Pension together with its business partners aim to have invested more than DKK 100 million in energy efficiency in 15 Danish shopping centres. The target is to reduce the energy consumption of the centres' shared service installations by 40% relative to the 2015 level, and it will save more than 20 GWh heat and electricity and 10,000 tonnes of CO₂. So far, DKK 54 million has been invested, resulting in a 20% reduction in the energy consumption of the shared service installations. One example from 2018 is the energy renovation of the shared service installations in Lyngby Storcenter, which will result in annual energy savings of 40%.

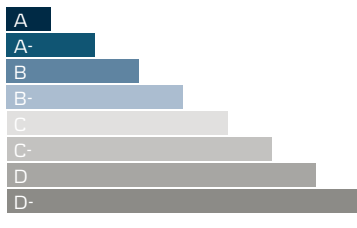
Decreased CO₂ emissions

Compared to other industries, Danske Bank has low carbon emissions. Nevertheless, we see our own carbon footprint as an important indicator of how effectively we are driving sustainability internally.

Energy-saving initiatives in 2018 included consolidating several sites into more energy-efficient facilities in Denmark, as well as upgrading light, heating and ventilation systems in our building portfolio in general. Despite our annual efforts, we have not been able to reach our ambitious 2018 energy target of a 15% reduction in overall energy consumption from the level in 2014. In 2018, there has been a minor decrease, which leaves us with an 8%

Carbon Disclosure Project score 2018

- Danske Bank: C
- Sector average: B-
- Regional average: B-



We have been disclosing our annual CDP score since 2015. In 2018, CDP aligned its questionnaire with the TCFD recommendations. With the revised CDP scoring categories and weighting, Danske Bank received an overall score of C, which is lower than both the sector average of B- and the Europe regional average of B-.

As part of our commitment to the TCFD, we will further strengthen the integration of climate considerations into our governance, strategy, risk management, metrics, as well as into our external reporting. This will be in line with the CDP recommendations for the next steps to be taken in order to improve our score.

Carbon neutrality

Danske Bank's operations have been carbon neutral since 2009, and we publish an annual Statement of Carbon Neutrality. We have achieved this by purchasing renewable electricity and carbon credits. One hundred percent of the electricity we purchase comes from renewable sources certified by Guarantees of Origin and International Renewable Energy Certificates. In addition, to underline our commitment and increase the demand for renewable energy, we joined RE100 in 2017.

To offset the emissions from transportation and consumption of heat and paper that we cannot eliminate, we purchase carbon credits. All carbon credits purchased by Danske Bank are for projects that guarantee a real reduction in CO₂ emissions and they have been verified according to international standards, such as the Gold Standard.

Investing in green bonds

We have allocated a total of DKK 4 billion for investment in green bonds, and since 2015, we have invested

reduction in overall energy consumption in the strategy period.

Environmental performance at our facilities is measured against the criteria in the green building rating system LEED (Leadership in Energy and Environmental Design). In 2018, some of our largest facilities in Denmark were LEED Gold certified. This certification not only guarantees that the buildings are energy efficient, but also guarantees that they save water, generate less waste and support human health. Danske Bank's future headquarters in Copenhagen, the construction of which will begin in 2019, will also meet the criteria for LEED Gold. In 2018 we also relocated our Helsinki corporate office to a more energy efficient facility.

As part of our environmental management, we also monitor and report on our consumption of paper and on our use of transportation. As a result of digitalisation initiatives related to customer service and documents, we have continued to reduce our paper consumption, which

fell by 31% in 2018, across the Group. Our use of road transportation also decreased by 7% in 2018, while air travel remained at the same level as in 2017.

Altogether, these savings result in a decrease in our CO₂ emission of 9% from 2017 to 2018. This is mainly due to a warm spring and summer, which

resulted in less need for heating. Our efforts to reduce our CO₂ emissions will continue through 2019, and we will further optimise the energy consumption of our building portfolio. Similarly, more documents will be digitalised, and we will maintain our drive to encourage employees to use trains and have online meetings and video conferences.

Environmental performance 2015-2018

	2018	2017	2016	2015
CO ₂ emissions (tonnes)	16,396	18,089	18,664	18,836
Electricity consumption (MWh)	59,135	57,203	60,311	57,166
Heat consumption (MWh)	51,912	56,213	53,130	54,542
Paper consumption (tonnes)	603	870	1,161	1,598
Road transport (company vehicles and employees' cars) (1,000 km)	11,660	12,485	13,883	13,969
Air transport (1,000 km)	73,013	72,003	67,570	61,392

Find more details and KPIs on p. 36.



ENVIRONMENTAL FOOTPRINT

Policy commitment

"We achieve a strong environmental performance by working systematically to limit the negative environmental impact of our business operations. We strive to minimise the environmental impact of our operations and reduce our CO₂

emissions through energy and environmental management."

"We integrate environmental considerations into the Group's own portfolio management"

Societal Impact & Sustainability Policy, October 2018

Ambitions and strategy 2015-18

- Revise the Climate Strategy
- Continue to develop the environmental management system
- Increase transparency and communication
- Reduce energy consumption 15% from the 2014 level (MWh)

Energy target 2018

15% reduction in overall energy consumption from the 2014 level

Performance 2018

8% reduction in overall energy consumption from the 2014 level

Key actions 2018

- Optimised energy consumption by consolidating several sites into more energy-efficient facilities in Odense and Kolding, Denmark (LEED Gold certified)
- Implemented a wide range of initiatives to reduce heating and electricity consumption (light upgrades, ventilation changed to efficient motors, district heating upgrades)
- Reduced paper consumption throughout the Group by means of digitalisation initiatives related to customer service and documents

More insights

Find more environmental KPIs in our Corporate Responsibility Fact Book 2018.

Read the Statement of Carbon Neutrality 2018 at danskebank.com/societal-impact.

Responsible sourcing

Our main focus over the course of the strategy period 2015 to 2018 was on developing and implementing a new Supplier Code of Conduct and an improved responsible sourcing process. We will continue to optimise our screening and assessment of high-risk suppliers in close dialogue with our partners and suppliers.

Responsible sourcing and collaboration with our suppliers is part of our value-chain approach to embedding environmental, social and governance (ESG) considerations throughout our business. Supplier selection is based on assessment of price, quality and sustainability performance. The price assessment takes into account the total cost of ownership, which includes purchase price, quality, delivery, current costs and disposal of the asset.

In 2018, we had a total spend of DKK 8.9 billion and 11,095 active suppliers. Our Group Procurement unit collaborated with branches, departments and business units across the Group on 1,033 new contracts. Group Procurement is responsible for setting a competitive landscape, optimising business value through market analysis, ten-

dering and implementing a negotiation strategy. The individual business units are accountable for the scope, budget, vendor selection and implementation of the contracts. Incorporating the EU General Data Protection Regulation (GDPR) compliance requirements into relevant contracts for suppliers who handle personal data on behalf of Danske Bank was an important and resource-heavy task in 2018.

Consolidation of our responsible sourcing process

Our improved responsible sourcing process was launched in 2016. The sustainability requirements for suppliers are specified in our Supplier Code of Conduct and are based on internationally recognised standards, including the UN Global Compact and UN Guiding Principles on Business and Human

Rights. In addition, we set specific environmental requirements for selected products and services such as office supplies, paper, merchandise, furniture, hardware, cleaning and conferences. Both the Supplier Code of Conduct and the environmental requirements are aligned with the commitments in our Position Statements.

Implementation efforts included training of all employees in Group Procurement, and responsible sourcing is now part of the introduction and training of new employees in Group Procurement. In 2018, we managed to get 97% of tenders in scope involving Group Procurement through the responsible sourcing process and thereby exceeded our target.

A risk-based approach to sourcing

Our responsible sourcing process ensures that suppliers comply with our sustainability standards. The process is based on dialogue, and we try to minimise burdening our suppliers with unnecessary and time-consuming questions. Our risk assessment process consists of three steps, but many suppliers need only go through the first.



Supplier Code of Conduct

The Supplier Code of Conduct applies to all suppliers that deliver goods or services to any of our business units and subsidiaries, and it is included in all contracts. The Code of Conduct states that suppliers must set the same or comparable standards for their subcontractors.



Step 1: Pre-qualification questions

We assess the risk profile of suppliers for contracts exceeding DKK 1 million on the basis of information about the type of products or services of the tender and where these are produced.



Step 2: Self-assessment questionnaire

Suppliers assessed as high-risk and suppliers of contracts exceeding DKK 10 million are asked to complete an additional in-depth questionnaire about their ESG policies and performance. We use Verisk Maplecroft and Ecodesk as external partners to assess the country and category risk and to evaluate the replies from the suppliers.



Step 3: Corrective action plan

If we deem the result of the self-assessment questionnaire to be unsatisfactory, we engage in dialogue with the supplier and agree on a corrective action plan, if needed. If this does not resolve the issues to our satisfaction, we may not select the supplier or may stop using their services.

Throughout 2018, we continued the consolidation of the process for screening and assessment of high-risk suppliers. Engaging with external partners has provided us with an overview of social and ethical risks in various countries, and this has enabled us to zoom in on the specific risks that may affect our supply chain, including conflict minerals and modern slavery. Under no circumstances will Danske Bank tolerate human trafficking or any type of forced labour, including work on a forced contract, slavery and other forms of work that are done against an employee's will or choice, as also stated in our annual Statement on Modern Slavery.

We are working closely with partners and suppliers to ensure an optimised screening and assessment process, and our performance in 2019 will form the baseline for setting new targets.

Independent audits

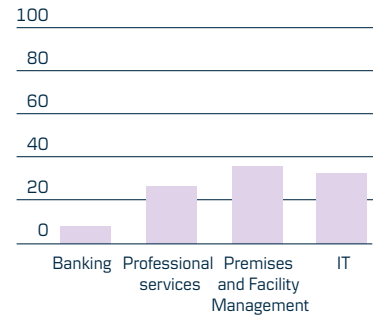
A new audit programme for suppliers was implemented in 2017. We have engaged an independent third-party auditor to conduct yearly audits, each covering one of the four categories in our self-assessment questionnaire: Social, Environment, Governance and

Supply chain. The suppliers are selected on the basis of their risk profile and on their impact on our business. Audits, which include both desk studies and announced on-site visits, evaluate whether the supplier's self-assessment (step 2) is sufficient and credible and whether their ESG policy and performance live up to our Supplier Code of Conduct. We go through the audit report with the supplier and agree on any areas in need of improvement. Our Responsible Sourcing Escalation Committee reviews all audit reports and decides upon the appropriate follow-up action based on the severity of the issues in question.

In 2018, we conducted two audits of key suppliers of facility management on their compliance to our Supplier Code of Conduct. The first audit was in India and covered the categories Social and Governance. The second audit was in Denmark and covered Supply chain management because the supplier in question works with subcontractors on behalf of Danske Bank. None of the conducted audits revealed any severe cases of non-compliance.

Spending per category in 2018

(% of total spend)



In 2018, our largest spending was on Premises and Facility Management and on IT. Premises and Facility Management covers rental of buildings for offices and branches; IT procurement covers hardware and software, as well as IT consultants, services and extra costs for the GDPR project. Professional services covers consultancy, HR, marketing and communications services, as well as services for travel, meetings and events. The largest share of the spending for Banking was on the procurement of market data.



RESPONSIBLE SUPPLIER RELATIONSHIPS

Policy commitment

"We ensure responsible supplier relationships by integrating ESG considerations into our procurement processes. We maintain constructive relations with our suppliers based on dialogue and improvement. We expect our suppliers to respect internationally recognised sustainability principles and to set similar standards in their supply chain. Furthermore, if a product potentially has an adverse environmental impact, we integrate environmental requirements."

Societal Impact & Sustainability Policy, October 2018

"The Code applies to all Danske Bank's suppliers that deliver goods and services to any of Danske Bank Group's business units and subsidiaries, and the criteria will be taken into account when selecting and evaluating suppliers. The Code is a total supply chain initiative, and the Group's suppliers are responsible for setting the same or comparable standards for their subcontractors. It is the responsibility of the supplier to ensure that their subcontractors are informed of the Code and uphold the requirements."

"The supplier has a duty to proactively report to Group Procurement any deviation from this policy."

Supplier Code of Conduct, December 2018

Supplier target 2018

80% of tenders involving Group Procurement to go through the responsible sourcing process

Performance 2018

97% of tenders involving Group Procurement went through the responsible sourcing process

Key actions 2018

- Conducted two on-site supplier audits with ESG focus, and revised the audit process for future audits
- Continued to assess and evaluate high-risk supplies through self-assessment questionnaires
- Implemented GDPR fulfilment requirements in contracts for suppliers handling personal data on behalf of Danske Bank

Key performance indicators

As part of our annual reporting practices, we include an overview of assured performance data related to our business operations, employees and the environment.

The Key Performance Indicators (KPIs) listed in the table provides an overview of our performance over the past four years for comparison.

Data performance related to employees and environment is elaborated on p. 30-33, and the data is prepared according to our reporting principles, see p. 38-39.

Assured KPIs

	2018	2017	2016	2015
Business operations (DKK millions)*				
Total income	44,365	48,149	47,959	45,611
Operating expenses	25,011	22,722	22,642	23,237
Profit before tax	19,722	26,288	25,357	17,762
Financial services employer tax and social security costs	1,826	1,802	1,659	1,520
VAT	1,248	1,207	1,126	933
Tax	4,721	5,388	5,500	4,639
Net profit for the year	15,001	20,900	19,858	13,123
Net profit for the year before goodwill impairment charges	15,001	20,900	19,858	17,724
Return on avg. shareholders' equity (%)	9,8	13,6	13,1	8,5
Return before goodwill impairment charges on avg. shareholders' equity (%)	9,8	13,6	13,1	11,6
Employees				
Number of full-time employees (FTE), end of year*	20,683	19,768	19,303	19,049
Percentage of women in workforce (%)	50	49	50	51
Percentage of women in management (%)	37	35	35	35
Employee turnover (%)	13	12	11	11
Average years of service	12	12	13	14
Absence due to illness (avg. number of illness days per employee)**	5.4	5.4	5.3	6.0
Employee engagement (%)***	84	85	66	-
Environment				
CO ₂ emissions (tonnes) [†]	16,396	18,089	18,664	18,836
CO ₂ emissions per employee (tonnes/FTE)	0.82	0.93	0.97	1.0
Energy consumption (electricity and heat) (MWh) ^{††}	111,046	113,416	113,441	111,708
Energy consumption per employee (MWh/FTE)	5.7	6.0	6.1	6.3
Electricity consumption (MWh) ^{††}	59,135	57,203	60,311	57,166
Heat consumption (MWh)	51,912	56,213	53,130	54,542
Road transport (company vehicles and employees' cars) (1,000 km) ^{††}	11,660	12,485	13,883	13,969
Air transport (1,000 km)	73,013	72,003	67,570	61,392
Paper consumption (tonnes) ^{††}	603	870	1,161	1,598

* Data are from Annual Report 2018 and Fact Book Q4 2018. For a definition of ratios, see Definition of alternative performance measures on p. 65 in Annual Report 2018.

** In 2018, as a result of the implementation of a new HR system, we changed our reporting principle for Absence due to illness, see p. 38. Due to missing data for Finland (FIN) in 2018, data only covers Denmark (DK), Sweden (SE) and Norway (NO). Data for 2015-2017 remains unchanged.

*** In 2017, we replaced our annual Employee Opinion Survey with new tools to facilitate a constructive ongoing dialogue on employee engagement. This means that the Employee engagement Index has replaced two HR indicators on Employee satisfaction and motivation as well as perceived opportunities for professional and personal development. In Q3 2018, one of the PULSE survey questions included in the engagement index was changed. It is our assessment that this technical change has shifted engagement index levels positively.

[†] Data covers DK, SE, NO, Ireland (IRL), Northern Ireland (NI), FIN and Lithuania (LIT) and include estimated figures for the remainder of the Group. We included exact figures from our operations in India (IN).

^{††} Data covers DK, SE, NO, IRL, NI, FIN and LIT. In 2017, we included figures from our operations in IN.

Independent auditor's assurance report

To the Management and the stakeholders of Danske Bank

We have assessed Danske Bank's 2018 Corporate Responsibility Report ('the Report') to provide limited assurance on selected 2018 data on page 36 of the Report. The Report covers Danske Bank's international activities from 1 January to 31 December 2018.

Our assessment was performed in order to assess whether:

- All environmental data and all employee data on page 36 in the Report have been stated in accordance with the criteria defined by the reporting principles;
- Danske Bank has offset its consolidated CO₂ emissions for 2018.

We express a conclusion providing limited assurance.

Management's responsibility

The Management of Danske Bank is responsible for collecting, analysing, aggregating and presenting the information in the report, ensuring that data are free from material misstatement, whether due to fraud or error. Danske Bank's non-financial reporting principles contain Management's defined reporting scope for each data type. The criteria for the reporting principles can be found on page 38-39 of the Report.

Auditor's responsibility

Our responsibility is to express a limited assurance conclusion on all environmental data and all employee data on page 36 in the Report. Furthermore, our responsibility is to provide limited assurance on whether Danske Bank has offset its consolidated CO₂ emissions for 2018. We have conducted our work in accordance with ISAE 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information, and additional requirements under Danish audit regulation to obtain limited assurance about our conclusion.

Deloitte Statsautoriseret Revisionspartnerselskab is subject to International Standard on Quality Control (ISQC) 1 and, accordingly, applies a comprehensive quality control system, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by FSR - Danish Auditors (Code of Ethics for Professional Accountants), which are based on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement. Considering the risk of material misstatement, we planned and performed our work to obtain

all information and explanations necessary to support our conclusion.

We performed our on-site reviews at Danske Bank's Head Office in Copenhagen in November and December 2018. Our work has included interviews with key functions in Danske Bank, inquiries regarding procedures and methods to ensure that selected CR data and information have been incorporated in accordance with the reporting principles. We have assessed processes, tools, systems and controls for gathering, consolidating and aggregating CR data at Group level, and performed analytical review procedures and tested CR data prepared at Group level against underlying documentation. Furthermore, we have received documentation that the consolidated CO₂ emissions have been offset by purchase of offset certificates. Finally, we have evaluated the overall presentation of the report, including the consistency of information.

We have not performed site visits or interviewed external stakeholders, nor have we performed any assurance procedures on baseline data or forward-looking statements such as targets and expectations. Consequently, we draw no conclusion on these statements.

Conclusion

Based on our work, nothing has come to our attention causing us not to believe that:

- the employee and environmental data subject to our review have been stated in accordance with the criteria mentioned in the reporting principles;
- Danske Bank has offset its consolidated CO₂ emissions for 2018.

Copenhagen, 1 February 2019

Deloitte

Statsautoriseret Revisionspartnerselskab
Business Registration No. 33 96 35 56



Jens Ringbæk
State-Authorised
Public Accountant



Helena Barton
Lead Reviewer

Identification No
(MNE) mne27735

Reporting principles

These reporting principles cover employee and environmental KPIs presented on p. 36. Reporting principles for Business Operation KPIs can be found in the Annual Report 2018.

The employee and environmental KPIs covers Danske Bank Group's (the Group's) five main business units (Banking DK, Banking Nordic, Corporates & Institutions, Wealth Management and Northern Ireland) as well as our activities in the Baltic countries and India.

We believe that the reporting provides a fair and balanced representation of our financial, environmental and social performance.

To ensure data consistency, data has been defined and described in business procedures. Internal control procedures have been established to ensure that the data is reported according to the definitions.

Data on employees

Full-time employees

The number of full-time employees (FTEs), end of year, is based on information registered in Danske Bank's accounting system at the end of Q4 2018.

Women in workforce

The percentage of women in the workforce is based on information registered in Danske Bank's Group Financial System (GFS) at the end of Q4 2018.

Women in management

The percentage of women in management is based on information registered in Danske Bank's GFS system at the end of Q4 2018.

"Management" is defined as employees with staff responsibility.

Employee turnover

Employee turnover is defined as the number of employees (head count) who retired or resigned divided by the number of employees (head count) per month and converted to a percentage rate. The information was retrieved from

Danske Bank's GFS system and covers the entire Group. The employee turnover rate is based on information registered from Q1 to Q4 2018.

Average years of service

Data on average years of service was retrieved from Danske Bank's GFS system at the end of Q4 2018.

Absence due to illness

Absence due to illness is defined as time lost due to the employee's own illness, including pregnancy-related sick leave, and occupational accidents and diseases.

The rate of absence is calculated as the total number of registered days of absence per employee divided by the total number of employees at the end of the year. The data may be underreported if employees do not register their illness. In 2015-2017, data covered Denmark, Sweden, Norway and Finland.

In 2018 we implemented a new HR system to improve data quality and to streamline and automate our registration and data aggregation processes. If an employee registers absence due to illness across a change of year, that absence and period will now be counted in the year the absence ends. Due to missing data for Finland, 2018 data only covers Denmark, Sweden and Norway. For this reason, data for 2018 cannot be compared directly against data from previous years.

Employee Engagement

Data on employee engagement is based on survey results from the PULSE survey covering the entire Group. The employee engagement index is based on replies to five questions in the PULSE survey: three on Encouragement and two on Enablement. The PULSE survey is conducted monthly, except for the month of July.

In Q3 2018, one of the PULSE survey questions included in the engagement index was changed. It is our assessment that this technical change has shifted engagement index levels positively.

Data on the environment

Environmental data covers the Group's operations in Denmark, Finland, Ireland, Northern Ireland, Norway, Sweden, Lithuania and India. The reporting period for the year 2018 runs from Q4 2017 to Q3 2018. Data is retrieved from the Credit 360 reporting system.

CO₂ emissions

CO₂ emissions (tonnes) are calculated on the basis of energy and paper consumption as well as data on travel by car and air. The quality of CO₂ emission factors may vary, depending on the availability of specific factors. We monitor emission factors to identify the most recent and specific ones available. For emissions from heat consumption, we use specific emission factors from energy companies whenever possible. Otherwise, we use average emission factors for heating for the country or region.

In accordance with the market-based methodology from greenhouse gas (GHG) Protocol Guidance, the emissions from electricity consumption were omitted owing to the purchase of renewable electricity certified by Guarantees by Origin and International Renewable Energy Certificates. For location-specific reporting, which is necessary for Carbon Disclosure Project (CDP) reporting, we use region- or country-specific factors from either electricity companies or the International Energy Agency.

For transport by car - both employee and company cars - we use emission factors from the Department of Environment, Food and Rural Affairs.

Emissions from air travel are reported directly by our travel agency, American Express, which provides data on the distance travelled and the number of trips. Emissions from paper consumption are based on average emission factors from the Department of Environment, Food and Rural Affairs.

We report GHG emissions in the CO₂ equivalent amounts. However, since the vast majority of greenhouse gases are CO₂ emissions, we have generally chosen to use the term CO₂ emissions without specifying equivalents.

For operations that do not have any measured consumption, we estimate CO₂ emissions on the basis of the average number of full-time employees provided by Group Finance from Q4 2017 to Q3 2018 and the average emissions per employee in the Group. These estimates represent 3% of the total CO₂ emissions in 2018.

CO₂ emissions per employee

CO₂ emissions per employee (tonnes/FTE) are calculated on the basis of the total amount of CO₂ emissions (tonnes) and the number of full-time employees provided by Group Finance from Q4 2017 to Q3 2018.

Energy consumption

Energy consumption from electricity and heat is either based on automatic data transfers from smart meters or quarterly meter readings or calculated on the basis of statements from energy companies and lessors received regularly during the year. Electricity consumption is calculated mainly on the basis of statements from energy companies, and heat consumption figures for our head offices are similarly based on actual readings by the energy companies. If no reading or statement is available, we estimate the consumption on the basis of the average electricity or heat consumption at the country unit and the floor space. Data on floor space covers all properties, including Danske Bank's own premises and leased premises, that Danske Bank and its subsidiaries use for their own operations in various countries.

In Sweden, heat consumption is calculated on the basis of information from www.boverket.se (energy labelling of buildings). The consumption figure is calculated on the basis of the Group's share of floor space in the various buildings in Sweden. According to this method, the heat consumption at properties without actual consumption in Finland is calculated by using the key figures for Sweden because of similar consumption patterns in the branches.

Energy consumption per employee

Energy consumption per employee (MWh/FTE) is calculated on the basis of the total energy consumption (MWh)

and the number of full-time employees provided by Group Finance from Q4 2017 to Q3 2018.

Electricity consumption

Electricity consumption is either based on automatic data transfers from smart meters or quarterly meter readings or calculated on the basis of statements from energy companies and lessors received regularly during the year. If no reading or statement is available, we estimate the consumption on the basis of the average electricity consumption at the country unit and the floor space.

Heat consumption

Heat consumption is either based on automatic data transfers from smart meters or quarterly meter readings or calculated on the basis of statements from energy companies and lessors received regularly during the year. If no reading or statement is available, we estimate the consumption on the basis of the average heat consumption at the country unit and the floor space.

In Sweden, heat consumption is calculated on the basis of information from www.boverket.se (energy labelling of buildings). The consumption figure is calculated on the basis of the Group's share of floor space in the various buildings in Sweden. According to this method, heat consumption at properties without actual consumption in Finland is calculated by using the key figures for Sweden because of similar consumption patterns in the branches.

Road transport

Road transport includes transport in both company vehicles and employees' cars for business purposes. Transport in company cars is measured on the basis of odometer readings from drivers. Transport in employees' cars is calculated in kilometres as paid mileage allowance divided by mileage allowance payable according to current government tariffs.

Air transport

Air transport is calculated in kilometres on the basis of quarterly statements from our travel agency, American Express.

Paper consumption

Paper consumption is calculated on the basis of volumes purchased and registered in the Group's Dynamics AX system or on the basis of statements from external suppliers (only in Lithuania, India and to some extent Sweden and Denmark). Paper consumption is defined as copying and printing paper, letterhead and envelopes with logos, printed matter (internal and external publications) as well as miscellaneous (cards and books).

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MAERSK DRILLING

The Sustainability Report for 2018 is enclosed on the next pages

Sustainability Report 2018



Content

- 3 Letter from the CEO
- 4 Our approach to sustainability
- 6 Our position and role in the oil and gas value chain
- 7 Safety
- 9 Climate and environment
- 11 Our people
- 13 Local content
- 14 Responsible business
- 16 Ambition and progress
- 18 ESG index

Maersk Drilling at a glance

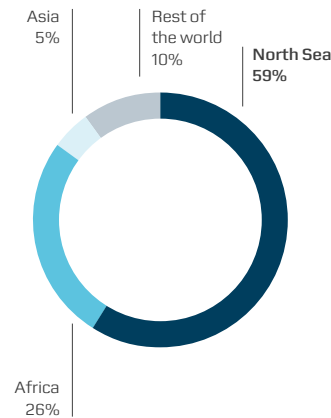
Maersk Drilling supports global oil and gas production by providing high-efficiency drilling services to oil and gas companies around the world



Founded 1972

~2,850
employees

Geographical presence Revenue 2018



23 Rigs



15 Jack-up rigs
8 Floaters

1.4 bn
Revenue 2018
(USD)

Statutory Report for §99a and b according to the Danish Financial Statements act

Letter from the CEO

Dear reader,
2018 has been a year of change for Maersk Drilling. With the pursuit of a separation from A.P. Moller-Maersk through a demerger and separate listing, we are facing a future of great opportunity. The 2018 Maersk Drilling Sustainability Report marks an important step on our way to becoming a stand-alone company.

Our commitment to sustainability remains strong. The world continues to be dependent on oil and gas; our ambition is to ensure that this demand is met in a responsible way, while continuously trying to reduce the negative impact on the environment. Our commitment to long-term value creation is built on the 10 Principles of the UN Global Compact, and we are inspired and guided in our activities by the UN Sustainable Development Goals. As we will be separating from A.P. Moller-Maersk's UN Global Compact membership, we decided to reconfirm our membership by rejoining the Global Compact as a stand-alone entity. This report constitutes our first own Communication on Progress (COP) Report to the UN Global Compact.

A company is defined by its values. Sustainability is not only our license to operate – it is a reflection of our core values. Through humbleness we give space to other, and pay attention in order to learn and grow as a company. Uprightness defines our way of doing business with customers, suppliers and partners. Constant care is important to us. We take care of

today and actively prepare for tomorrow. By looking ahead, we stay ahead. To build the right team and attract good people, we prioritise our employees and strive to give them good working conditions. We value our name, because it embodies our values, our passion and our tradition. Our values inform our actions as individuals and as a company, and they will continue to define who we are in our future as a stand-alone entity. We take pride in these values being part of our heritage.

Above all, the safety of our people is, and always will be, our number one priority. A strong safety culture permeates everything we do and stand for, offshore as well as onshore. After losing one of our colleagues in a fatal accident in 2017, we have continued our quest to find ways to prevent fatal accidents in the future. This has informed a redefinition of how we think of safety in Maersk Drilling, and led to the launch of a new "Safety as Capacity" strategy in 2018. We have worked, and will continue to work, strategically and innovatively with safety in our operations in line with our ambition to achieve industry leadership in HSSE performance. We do this because safety is the foundation of the operational success that Maersk Drilling is known for, and because we will not accept that our employees do not return home safely.

We are committed to contributing to economic and social development. We take pride in the fact that we help provide affordable energy to the world and contribute to the development of local communities

through our local content programmes. We provide great opportunities and professional development for our people, and we strive to conduct business in a responsible and sustainable manner through acting with integrity and upholding a high degree of business ethics. Respecting human rights and working against corruption in all forms is at the centre of our values. We believe this is not just the best, but also the right way to do business.

Looking ahead, we are excited to see what the next years will bring. The changing industry context brings challenges as well as opportunities. At Maersk Drilling, we are ready to unlock those opportunities with the aim of generating long-term shared value – for us as a company, our investors, and for society as a whole.



Jørn Peter Madsen
CEO

Our approach to sustainability

Our business model

At Maersk Drilling, we support the oil and gas industry by providing high efficiency drilling solutions for the Exploration and Production (E&P) and Plug & Abandonment (P&A) of oil and gas activities. The E&P constitutes the early phases of the oil and gas lifecycle that require the construction of wells in order to access oil and gas reservoirs, while P&A constitutes the last stages of the drilling activities. As a drilling contractor we are the first and last ones present at the drilling site, and we provide customers with a drilling rig, associated drilling equipment, and the skills and human resources necessary to conduct drilling operations. The natural resources extracted as a result of this process are the property of our customers.

Due to this inherent division in our business model, the operational and legal responsibilities of the environmental impact of drilling activities are divided between Maersk Drilling and our customers. This division is illustrated in the value chain on page 6, along with the most material environment and safety areas related to our core business activities.

In addition to our own direct operational responsibility, we also work to ensure that all people on our

rigs, whether our own employees, the employees of our customers or subcontractors, follow Maersk Drilling's safety procedures.

Apart from the impacts resulting directly from our drilling activities, we have a number of other sustainability topics related to our daily business operations. These include engagement with suppliers and other third parties, human and labour rights, security, and economic and social contribution to the communities in which we operate. These aspects are all reflected in how we work with sustainability.

Sustainability governance and risk management

Sustainability is an integrated part of how we do business. Sustainability performance is part of our general decision-making structures within key areas, such as health, safety, security and environment (HSSE), procurement, legal, and manning. As part of the preparation for the separation from A.P. Moller-Maersk through a demerger and separate listing, Maersk Drilling has developed our own policies and approaches during 2018, as well as taken over a number of sustainability-related processes from A.P. Moller-Maersk.

The Board of Directors is the highest authority of Maersk Drilling and oversees our sustainability work. At the beginning of 2019, Maersk Drilling established a new Safety and Sustainability Committee comprising of, among others, the Chairman of the Board. The Safety and Sustainability Committee will be the main governing body in managing sustainability issues across Maersk Drilling in the future. The main functions of the Sustainability Committee will include:

- Overseeing the identification, management and mitigation of risks, including the related policies associated with sustainability
- Endorsing strategies and positions on sustainability within Maersk Drilling

The Senior Management Team, consisting of the seven top executives in charge of daily operations in Maersk Drilling, has the overall responsibility for our sustainability programmes and performance with specialist support from appointed working groups.

Sustainability is integrated into the overall Enterprise Risk Management, and sustainability risks are identified, evaluated and managed together with other business risks.



Sustainability is not only our license to operate – it is a reflection of our core values.

Sustainability focus areas

Maersk Drilling’s Sustainability Policy provides guidance on how we conduct business. The policy is built on the ten principles of the UN Global Compact, the Universal Declaration on Human Rights, and the Fundamental Labour Conventions of the International Labour Organisation (ILO). This high level Sustainability Policy is supported by a number of subject-specific policies, which guide us in our daily operations. The Sustainability Policy was formulated in 2018, and approved in the beginning of 2019.

In 2018, we mapped out the UN Sustainable Development Goals (SDG’s), and identified the goals on which we have the largest impact through our business operations. Our business impacts all of the 17 SDGs, either directly or indirectly. However, we have identified and focused on the SDGs that we believe Maersk Drilling can influence the most through our

daily business. These goals cover issues that are already core to our sustainability efforts, including safety, climate and environment, anti-corruption, human and labour rights, responsible procurement and diversity. While Maersk Drilling contributes positively to a number of the SDGs, we also have a negative impact on SDG 13 related to Climate Action, as we contribute to the production of fossil fuels. Due to the projections for oil and gas dependence for the next decades, we see it as our main duty to ensure that this demand is met in a responsible way, with a focus on minimising the negative environmental impacts where possible. Through our growing focus on innovation, we will continue to seek ways to minimise our negative impact on the climate, as well as continue to strengthen our positive contribution to the other SDG’s. Please refer to the section Ambition and Progress on page 16 for further information on how we impact the SDGs.



Our Sustainability Focus Areas



Safety



Climate & Environment



Our People and Human Rights



Local Content



Responsible Business



Our position and role in the oil and gas value chain

Maersk Drilling operational responsibility

Training and technical skills of employees and contractors

Safety of employees and third parties on board our rigs

Handling of chemicals on rigs

Spills of hazardous materials to sea

Sorting of household waste on board our rigs

Fuel use in between operations

Customer operational responsibility

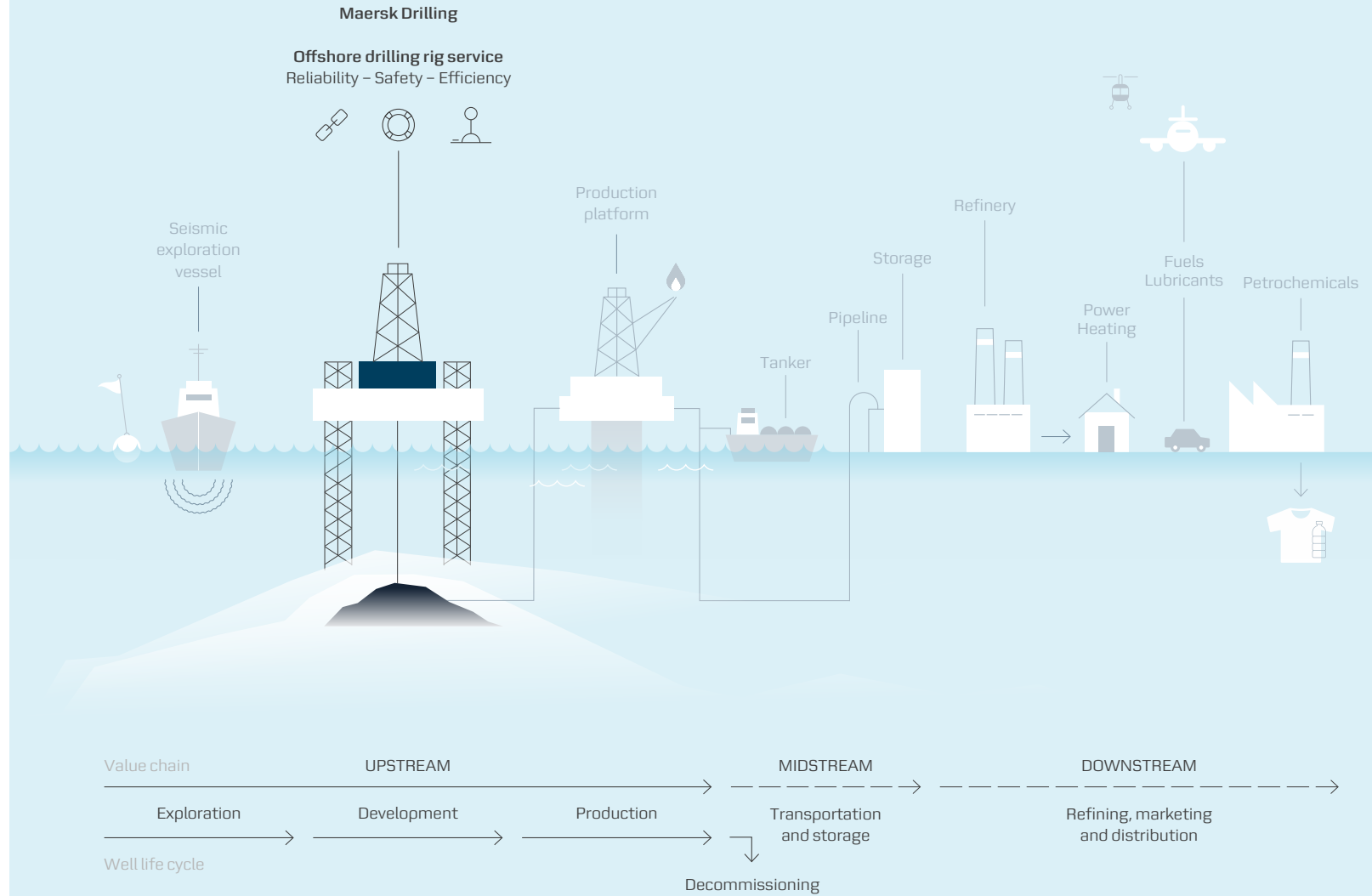
Appropriate disposal of drilling waste (cuttings)

Impact assessment of drilling activities prior to drilling

Fuel consumption during drilling operations

Security of wells after drilling

Safety of customer staff and upholding of Maersk Drilling safety instructions



Safety

The safety of our people is our number one priority. Safety is our foundation for delivering the operational excellence that Maersk Drilling is known for, safety permeates everything we do and stand for, offshore as well as onshore. Reaching our ambition of ZERO serious incidents requires excellent safety management and procedures, as well as commitment from leadership and all our employees. We work to strengthen the overall safety performance of the industry as a whole through close cooperation and knowledge sharing.

A strong safety culture

Building and maintaining a strong safety culture is a key objective for Maersk Drilling, as well as for our customers. We support the continuous involvement of our workforce in HSSE issues, and the development and improvement of the safety culture for all people working on board our rigs, whether customer, supplier or Maersk Drilling representative. Our safety culture is built around our four Safety Behaviours: Safe Start. Do It Right. Say Stop. Watch Out. Our fundamental operational mandate "Authorised to Say Stop" gives everyone, offshore and onshore, the right and the obligation to stop any job that he or she deems unsafe. Anchoring these safety behaviours into the DNA of how we work benefits each employee's personal safety and that of their colleagues and contractors, as well as the safety of our customers and third parties on board our rigs.

To support our HSSE efforts, we utilise our integrated digital Safety Management System SIRIUS.

This provides all employees, customers and other third parties access to safe and efficient process flows and reference documents that describe how activities are performed by Maersk Drilling.

The system is built to support delivery of high efficiency, high quality and high HSSE performance, and to support continuous improvement. SIRIUS is designed to comply with ISO 9001, OHSAS 18001, ISO 14001, IMO ISM Code, IMO ISPS Code and API Q2.

In December 2017, we lost one of our colleagues in a fatal accident in the North Sea. Investigating the root cause of this has had high priority throughout 2018, and we have seen it as our prime responsibility to ensure that we have the capabilities to prevent similar incidents in the future – not just at Maersk Drilling, but in the industry as a whole. We have therefore shared our learnings at a number of industry conferences, and have implemented several operational modifications, such as updating our lifting procedure.

The assumption is that our employees will often have to deviate from the planned procedure in order to accommodate for the changing environment in which they work. To manage the constant changes in the workplace, we have to identify and develop the capacity and controls that need to be in place in order to secure that our workers are equipped to follow safety procedures in spite of changes in the external environment. When we deviate, we have to acknowledge that hazards also develop, and then make sure to maintain the barriers between

reality of work and the emerging hazards. To do this, we need to identify and deeply implement Safety Behaviours and control mechanisms that will enable us to manage barriers and prevent the emerging hazards from becoming incidents.

This has redefined how we work with safety at Maersk Drilling, and has led to the launch of our new "Safety as Capacity" strategy in 2018. "Safety as Capacity" is built around three projects: Project X, Simple to Be Safe, and Out of Harm's Way.

Our safety performance	2018	2017	2016
LTI Frequency	0,92	0,53	0,49
TRC Frequency	2,61	2,66	2,44
Fatalities	0	1	0

In 2018, we experienced an increase in our Lost Time Incidents (LTI) frequency with low severity. Although this was mainly due to an increase of incidents related to dropped objects and lifts at the beginning of 2018, the development has not been satisfactory, and we have not been able to meet our safety targets for 2018. To reverse this trend and to make sure that our employees can return safely to their homes, we have completed a Safe Working with Loads project aiming at improving lifting competencies across our rigs. The updated lifting manual was rolled out in October 2018 and our focus is now on embedding the learning in the organisation. Focus has also been on Hands and Finger injuries and an updated Hands and Fingers Injury Prevention campaign has been rolled out



Reaching our ambition of ZERO serious incidents requires excellent safety management and procedures, as well as commitment from leadership and all our employees

simultaneously with a review of personal protective equipment. To manage drops, we have in 2018 piloted the use of augmented reality for drop inspections and if the pilot is successful, we expect full roll out in 2019.

We have been improving our ability to conduct advanced root cause analysis through training of our investigators in STAMP Advanced Root Cause Analysis. All these initiatives make us confident that we can further strengthen the prevention of accidents from occurring on Maersk Drilling rigs, as well as improve our performance within Total Recordable Cases (TRC) frequency

Strengthened barrier management

Barrier management is about setting up barriers to reduce the risk of a major accident. Maersk Drilling's Barrier Management programme provides a robust, integrated and consistent approach for management of these barriers using the Swiss Cheese logic – meaning that the following barrier will catch the error,

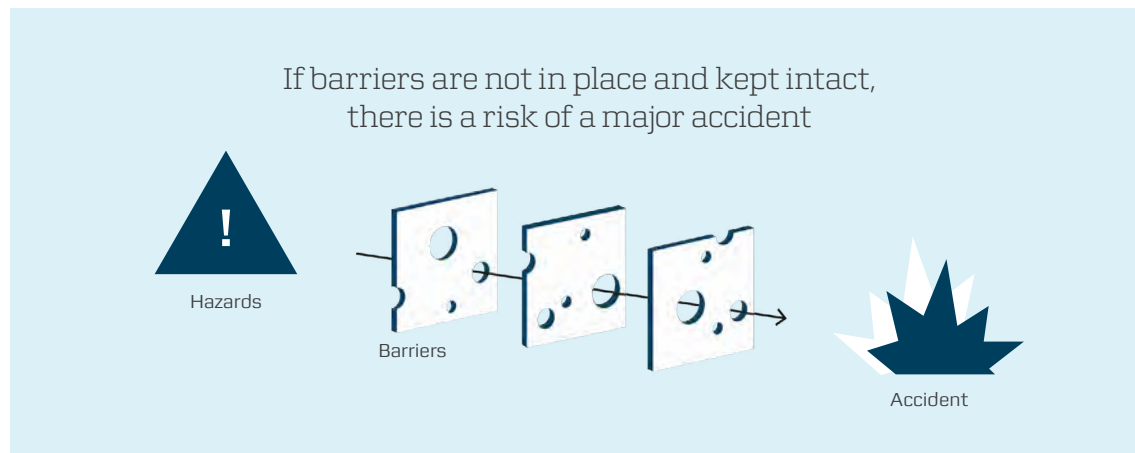
if the prior barrier misses this. We are currently in the 3rd generation of our barrier management, and we have in the past years been working on reviewing and updating the barrier management on board all of our rigs to ensure that we have the highest and most up to date standards and procedures. In 2018 we have, among other things, rolled out our e-learning courses to all of Maersk Drilling with focus on our strengthened barrier management strategy. This is one of the activities to support our building capacity philosophy.

Making safety smarter

Control of Work is a new innovative project under Simple to be Safe, aimed to make Maersk Drilling's work processes simpler, smarter and more fit for purpose.

Through use of innovative technology we work to:

- Improve visibility and make it easier to share knowledge related to safety on a real time basis
- Make it faster and easier for our employees to make informed safety-related decisions
- Significantly reduce administrative burdens in hazardous or complex work, and thereby free up time for high-quality safety conversations



Safety as capacity

Project X

Project X is about building the capacity of our people to prevent incidents from escalating, and recognise when something could go wrong.

We are redefining how we manage safety, from measuring incidents and near-misses to also measuring capacity.

In 2018, we have:

- Conducted training for 100% of our Offshore Installation Managers, HSSE advisors, and Senior Management Team
- Conducted master classes about the Safety as Capacity philosophy for the majority of our customers
- Worked on developing a framework for measuring capacity as a safety indicator

Simple to Be Safe

Nobody should ever be in doubt of how to perform a task safely. We are removing complexity, reducing administration, and innovating new solutions to digitalise and make our work processes more transparent. We want to make it Simple to Be Safe.

In 2018, we have:

- Piloted our Control of Work project on four rigs. Expected fleet-wide implementation is April 2019
- Digitalised our safety cards
- Continued implementation of our 3rd generation of barrier management
- Updated our lifting procedures to reduce the risk of incidents

Out of Harm's Way

In Maersk Drilling, we truly want to bring our people Out of Harm's Way. We are challenging how we work with safety, not only as a priority but as a commitment. We are thinking out of the box for ways to eliminate risk, and use of innovative technology and redesign of existing procedures, to move our people Out of Harm's Way.

In 2018, we have:

- All rigs have submitted 5 Out of Harm's Way initiatives and implemented 4-5 of their own initiatives on their rig.
- All submitted initiatives have been assessed by HQ specialists and 12 have been identified for implementation on rigs across our fleet. This will be the focus in 2019.

Climate and environment

Governments around the world are increasingly focused on enacting laws and regulations regarding climate change and regulation of greenhouse gases, and implementing measures aimed at reducing reliance on oil. While we at Maersk Drilling support the Paris Climate Agreement, the transition to a low carbon economy will take time, and projections show that the world will be dependent on oil and gas for decades to come. We are committed to supporting a smooth transition by providing drilling services in an environmentally responsible way and reducing the environmental footprint of our operations. Our Corporate Major Accident Prevention Policy is set in place to reduce the risk of major accidents occurring within our organisation to as low as reasonably practicable, and to comply with all relevant health and safety and environmental legislations.

Spills

We are working systematically towards achieving our ambition of ZERO spills of hazardous materials into the world's oceans. We are closely monitoring spills through a number of initiatives, including our Work Execution Process for planning and assessing risks, our incident report and investigation process, and our Plan Do Study Act (PDSA) methodology and after-action reviews focusing on major spills. We

Number of spills to sea	2018	2017	2016
>10m ³	0	0	0
> 0.16 m ³ < 10 m ³	0	1	0

have also implemented a number of behavioural initiatives to reduce minor spills to sea. An example of this is our approach of always carrying everything over the deck – this way we may not be able to prevent the spill, but we can contain it to ensure that it does not contaminate the sea. This way, we managed to avoid any larger spills to sea in 2018.

Energy efficiency

At Maersk Drilling, we are actively working to reduce the carbon footprint of our operations, and our fuel optimisation team calculates optimal load and speed of our rigs to ensure minimum fuel consumption. In 2018, we saw a slight increase in our own fuel oil usage and scope 1 Greenhouse Gas (GHG) emissions, mainly due to an increased number of rigs in operation, and longer transportation distances of our rigs. Having said this, our main climate footprint in this area relates to fuel use of our customers, while operating our rigs. We are supporting the carbon reduction ambitions of our customers, and are working through partnerships to find new innovative

and commercially viable solutions to reduce the fuel use and thereby the carbon footprint in the oil and gas supply chain.

Even though few drilling rigs were originally designed with fuel efficiency in mind, we have developed a fully digitalised fuel and energy monitoring system – Energy and Emissions Efficiency (EEE) – which provides near real time information. The system uses advanced analytics that can be used to learn and optimise towards more fuel efficient behaviour. While EEE is still in the development phase, and the commercial viability therefore still needs to be verified, we have worked with EEE on board an Ultra Harsh Environment Rig in Norway during 2018, resulting in a reduction of energy consumption of approximately 20% from the baseline, and a saving of 25 thousand tons CO₂ emissions for our customers. The EEE monitoring system also allows more precise decision making in terms of potentially introducing tailored energy efficiency solutions such as flywheels, battery based systems or equipment upgrades. In 2018, we have also worked with advanced analytics to be able to predict GHG emissions and energy consumption per well, in order to be able to target process optimisation and energy efficiency even further.



We are working systematically towards achieving our ambition of ZERO spill of hazardous materials into the world's oceans.



Chemical management

Apart from energy consumption and GHG emissions, the use of chemicals at our rigs pose a risk to the environment, as well as the health and safety of our employees.

At Maersk Drilling, we work systematically with chemical management to reduce the risk of negative impact to the long-term health of our workers, and to avoid a negative impact on the environment. Our chemical management team conducts risk assessments of all chemicals used by Maersk Drilling as well as third parties, and chemicals with a high risk factor are replaced with less hazardous chemicals wherever available. In 2018, we conducted a total of 497 chemical risk assessments.

Waste

At Maersk Drilling, we are committed to using resources efficiently, reducing our impact on the local environment and saving operational costs in line with our legal responsibilities. Our waste management can be divided into two main areas: waste from our operations (including hazardous waste) and household waste at our rigs. We work systematically to reduce our operational waste, including cleaning and reusing our drilling mud.

Cuttings (drilling waste such as earth and mud), are legally the responsibility of our customers. Though waste handling of our customers is not an integral part of our contract, we offer to assist our customers with handling and disposal, in order to ensure that this is done in an environmentally responsible manner. Furthermore, we sort all of our household waste at our rigs.

Innovation for climate change resilience

In 2018, we mapped our existing innovation portfolio, and defined focus areas for innovation to respond to the risks that climate change will pose to our business model and operations in the future.

In 2019, we will intensify our focus on innovation through our new "Green Greener Sustainable" project. Initiatives include further optimisation of energy efficiency of our rigs, exploring possible alternative sources for use of our assets, as well as investigating the development of our capabilities to be able to engage in alternative energy solutions.

Maersk Invincible

Since May 2017, Maersk Invincible has been the world's first harsh environment jack-up drilling rig to operate entirely on shore-power. Positioned in the North Sea, the rig is 100% powered by Norwegian hydropower through a 294 km long cable, and is thereby running entirely on green energy.

The shore-based power not only reduces emissions from operations, but also reduces cost and time for maintenance of diesel engines and generators, and gives a better work environment on the rig due to reduced noise and vibrations.

Our people

At Maersk Drilling, we are committed to fostering a work environment and company culture characterised by trust and respect. We believe in developing our employees and providing opportunities for healthy personal and professional growth for every one employed.

As a company operating all over the world, we keep a strong focus on the working conditions of our employees, and we are committed to respecting human rights, including the principles set forth in the International Declaration of Human Rights and the Fundamental Labour Conventions of the ILO. Our commitment to human and labour rights goes beyond our own employees, and also includes contractors and other people operating on our rigs and within our supply chain.

At Maersk Drilling, we aim to create the best opportunity for our employees to grow and thrive. With a strong focus on maintaining a good, inclusive and collaborative working environment and strong feedback culture, we ensure the best conditions for the personal and professional development of our employees, which is in line with our Core Values.

Developing our people

Maersk Drilling provides strong opportunities for development within international careers for our people. People Performance Management is an ongoing process throughout the year and is an integrated part of our everyday leadership. In 2018,

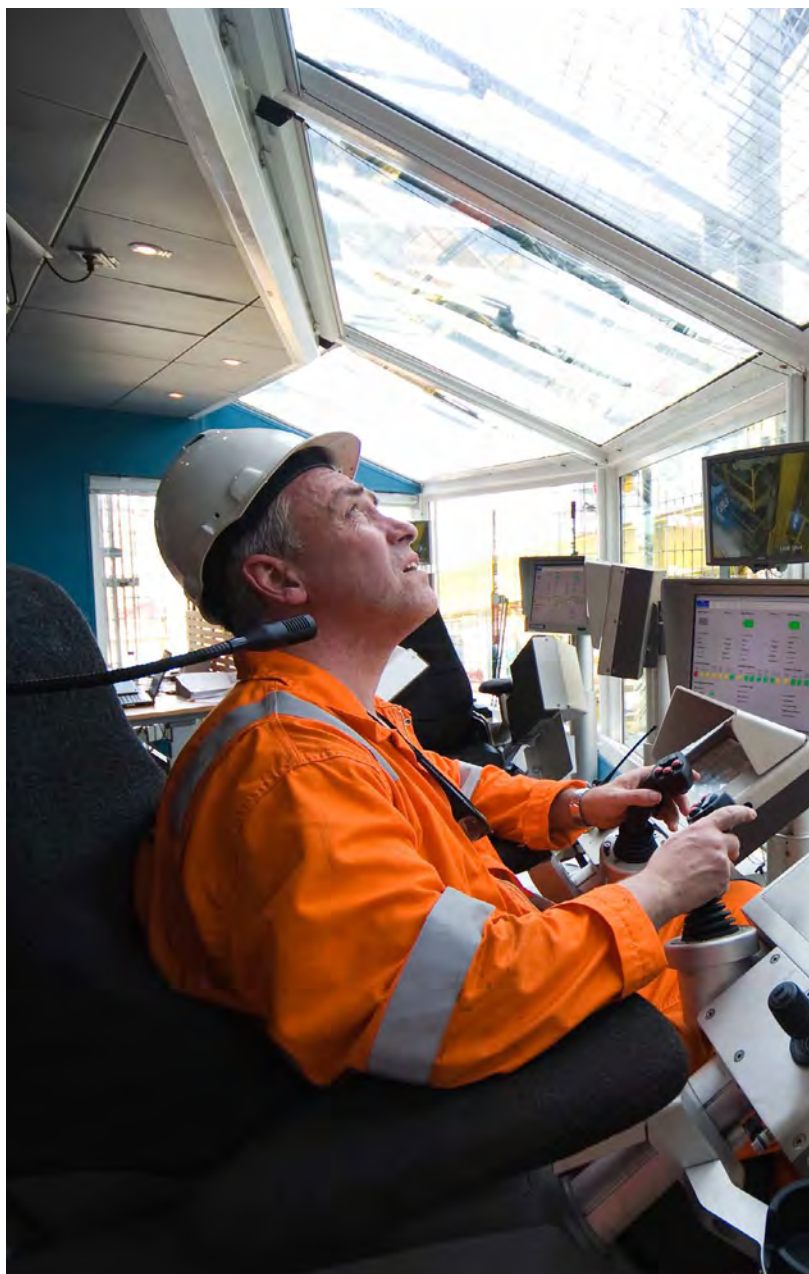
we have further strengthened our focus on feedback and meaningful career development conversations as a tool for People Performance Management.

Career development and training is not only key for us onshore, but also offshore. For our offshore employees, we have developed a three-level competence matrix that all our employees, including contractors, go through:

- Level 1: Our license to operate is the compliance training that guarantees compliance with regulatory and customer requirements.
- Level 2: In addition to level 1 training, we build specific Maersk Drilling competencies for all of our employees. This layer contains our procedural training, which secures the ability to comply with our operating procedures and systems.
- Level 3: Our leadership, values and performance training is designed to enable our leaders and teams to deliver consistent, high performance.

Our strong focus on development of our people not only ensures that we attract and maintain the strongest talent, but also ensures the employability of our employees in the future. Furthermore, it develops the skill base of employees locally, which is a benefit for our people, Maersk Drilling, and the local communities in which we operate.





Compass – our new employee experience survey

Throughout 2018, a key focus was to empower our employees. As a step in this process, we have replaced our annual engagement survey with Compass, a quarterly experience survey launched in September 2018. The aim of the transition is to facilitate feedback from the organisation, and to focus on employee experience throughout the year rather than on an annual basis.

The first survey showed that our employees truly care about the values of Maersk Drilling – these values define who we are, and will continue to do so, also as a stand-alone entity. Furthermore, Compass showed that our employees feel empowered to innovate through continuous improvement in their work. However, the past two years of insecurity about the future of Maersk Drilling also resulted in our employee loyalty score being below our target. In 2019, we will follow up on this through further studying the employee experience, and take diligent action to strengthen employee loyalty in the future.

Maersk Drilling employees in 2018	Female	Male
Employees – total	11%	89%
Employees – onshore	35%	65%
Employees – offshore	2%	98%
Managerial positions (level 5+)	19%	81%

Diversity

At Maersk Drilling, we work to create a diverse and inclusive organisation. We firmly believe that inclusion increases company performance and enables us to meet challenges and generate sustainable value. One of our most important differentiators is our people; we depend on being able to attract and retain diverse talents globally to succeed in our strategy and deliver on

our commitment to our customers. We strive to build a culture of professionalism, agility, innovation and reliability, and for this we need skilled, broad-minded and tolerant employees of diverse backgrounds.

We do not tolerate discrimination against any employee or job applicant based on the individual’s race, colour, religion, gender, sexual orientation, national origin, age, disability, or any other personal attributes. In 2018, we have formulated a new Diversity and Inclusion policy, emphasizing our commitment to ensuring a diverse workforce and management, and to maintaining an inclusive work environment that builds on our core values.

In 2018, our Board of Directors consisted of three members, all of which were male, which means that the diversity target for the Board of Directors was not met in 2018. As part of the preparation process for the demerger through a separate listing from A.P. Moller-Maersk, new members for the board were announced in January 2019. The new board consists of five members, of which one is female. Our target is to have two female board members elected no later than at the annual general meeting to be held in 2022.

Our industry is statistically dominated by males, especially among our offshore employees. However, Maersk Drilling works actively, to increase the level of women in managerial positions. When assessing employees for promotion, we take into account that the population is diverse in terms of gender. Furthermore, our maternity policy is aimed at attracting and retaining talent across Maersk Drilling. The policy gives all female employees a minimum of 18 weeks of maternity leave (or longer, if set by local legislation), and the opportunity for a 4 day work week for the first 12 months.

Local content

It is at the core of Maersk Drilling's values to contribute to economic and social development, develop local employees, and transfer knowledge to local communities. In order for an operation to be a success, it has to be mutually beneficial to both the operator, the country in which we operate, and Maersk Drilling. For this reason, we prioritise our local content programmes in our operations, focusing on employment, procurement, local investments and community engagement. Our overall ambition is to increase shared value by proactively engaging with the different stakeholders. Many of the countries in which we have a long-term presence, have very high local content requirements for employment and procurement. Nevertheless, our aim is to move beyond compliance by reaching or, where possible, outperforming these targets. We do this by actively engaging to develop the skills and capacity of employees and suppliers in the local communities in which we operate, which in turn allows us to recruit and source locally as much as possible.

Working with local employment is a natural part of our value set, growth ambitions and way of working. When a local employee is hired, an individual training plan is prepared based on the employee's previous experience, competencies and allocated training programme. These programmes include courses to up-skill employees to the required level prior to attending regular courses as part of the rig specific training matrix or on-the-job training. Furthermore, all employees attend an Offshore Starters Day course, with focus on safe behaviour, successful collaboration, and the

values of Maersk Drilling. Through these initiatives, we have managed to reach our targets in the majority of our local content programs.

In Egypt and Azerbaijan it has been difficult to find local employees for staffing highly qualified positions, which is why our target has not been met in these countries. Therefore, we are working on providing employees with additional experience at our rigs during our trainee programs and to facilitate practical experience, which is aimed at developing the skills of local employees.

Local vendors are selected in accordance with our Third Party Code of Conduct and our Responsible Procurement program, and we conduct local Supplier Days, where we inform, develop skills and capacity, and work together with local suppliers to help them meet the expectations in our Third Party Code of Conduct.

Overview of Local Content programs in 2018

	Local Staff		Local Procurement	
	Target	Result	Target	Result
Ghana*	40%	54%	40%	40%
Brunei	70%	78%	34%	42%
Egypt	70%	62%	N/A	30%
Azerbaijan	90%	86%	N/A	37%
Malaysia**	N/A	25%	N/A	16%
Trinidad**	N/A	15%	N/A	40%

* 40% is average across categories. ** Stacked. No longer in operation.

Contractors

In Maersk Drilling, we hire local employees directly whenever possible. However, when we do not have employment entities at the countries of operation, which mostly applies to shorter contracts, we use manning agencies to contract local employees. In these cases, we contractually demand decent working conditions of our contractors. Our commitment to respecting and promoting human and labour rights is also reflected in our approach to contractors, and we oppose all forms of forced and bonded labour, child labour, human trafficking and all other forms of exploitation. All our manning agencies are subject to risk assessments in line with our Responsible Procurement programme. In 2018, we have conducted on-site audits of manning agencies in Ghana, Malaysia and the United Kingdom. For each of the audits, corrective action plans have been established, and we are following up on these on an ongoing basis.

Maersk Drilling in Ghana

Maersk Drilling has been engaged in Ghana since 2015. Through our continuous engagement with local stakeholders and communities, and through continuous investments in building capacity locally, we have been able to reach our local content target in 2018. We have invested approximately USD 3 million in the Rigworld Training Centre in Takoradi.

The centre specialises in providing customer focused safety training services and products to several industries, including offshore oil and gas, maritime, underwater and construction. Rigworld Training Centre was OPITO certified in 2018 and thereby strengthens Ghana's training capacity by providing a world class facility for offshore and on-shore industrial training.

Responsible business

Anti-corruption

Corruption is illegal, harms society and is against our Core Values. Maersk Drilling works actively to ensure that we do not engage in corruption of any kind. Maersk Drilling is committed to acting in an upright manner when dealing with customers, suppliers, government representatives and all other third parties.

In order to ensure that our suppliers and business partners comply with our Code of Conduct, and to mitigate the risk of third parties engaging in corrupt practices on our behalf, we have developed an extensive legal compliance due diligence framework, consisting of identifying and assessing risks, and defining mitigating measures to address those risks. Our legal department conducts anti-corruption and legal compliance due diligence of the third parties with which Maersk Drilling transacts. The risk assessments are conducted using a set of pre-defined risk screening parameters and tools, depending on the risk category of the third party.

Furthermore, legal compliance risk assessments are an integrated part of our operations when entering new jurisdictions or countries. We assess specific compliance risks related to the country's relative incidence of corruption, its competition laws and the foreign trade controls that apply to transactions involving the country, as well as the general rule of law and any risk of acute disregard of human rights. For each of the identified risks, appropriate risk mitigation measures are defined and implemented.



In 2018, we conducted 22 supplier assessments within the framework of our Responsible Procurement programme

Anti-corruption and legal compliance risk assessments in 2018

Risk category	Due diligence level	Number of assessments
I	Providers of Compliance-Neutral Goods & Services	7,335 assessments of MD suppliers and suppliers' banks
II	Consulting & Professional Services	35 assessments
III	New Potential Customers with 100% Local Ownership	2 assessments
IV	Providers of Compliance Sensitive Goods and Services	70 assessments
V	Business Partners, eg. JV partners	3 assessments

Ensuring a high degree of business ethics among Maersk Drilling employees

It is of utmost importance to us that our employees share the commitment to anti-corruption and maintain a high degree of business ethics in our daily operations. In September 2018, we launched a new Code of Conduct for employees, consultants and third parties, which specifies our commitment and expectations within the areas of HSSE, Our People, Our Assets, and Our Interaction with Third Parties. The Code of Conduct has been extensively communicated throughout the organisation, both onshore and offshore.

All of our onshore employees receive regular anti-corruption, fair competition, foreign trade controls and data protection compliance training as defined by the Maersk Drilling compliance training matrix,

which specifies training topic, audience and type (in-person, e-learning, written information briefs).

We have strict requirements regarding giving and receiving gifts and entertainment, which are specified in our gifts and hospitality guidelines. We only provide and accept gifts and entertainment that are for genuine business purposes, of a legitimate nature and not overly extravagant or frequent. All gifts and entertainment events given to third parties are transparently captured in our Enterprise Resource Planning system, and any gift or hospitality received on an exceptional basis in excess of the pre-defined limits must be recorded in our Hospitality Book.

Ethics Hotline

In 2018, Maersk Drilling launched our new Ethics Hotline, a reporting tool accessible via our website

which is available to internal and external stakeholders, and is managed by an independent third party. The aim of the Ethics Hotline is to enable reporting of any observations of legal violations or violations of Maersk Drilling policies or Code of Conduct, and we have communicated the launch of our Ethics Hotline extensively in connection with the launch of our new Code of Conduct. All legitimate reports received are investigated according to our established procedures.

Reported cases in 2018

Number of reported cases closed in 2018	8
Number of substantiated cases closed in 2018	4

In 2018, we closed four substantiated cases relating to conflicts of interest, theft/misuse of company assets, and improper modification of company records due to lack of understanding of applicable procedures. All cases have been duly handed and appropriate remedial and mitigating actions taken to minimise risk of future reoccurrence. Mitigating actions were mainly related to reinforcement and insurance of proper execution of existing processes, as well as HR disciplinary measures.

Security

Maersk Drilling operates across the world in areas with diverse security risks. Wherever we conduct business, it is our priority to ensure our employees and anyone physically present at a Maersk Drilling facility, as well as our assets and operations, are secure.

Maersk Drilling’s security team is responsible for onshore and offshore security in accordance

with our security management framework, which is based upon industry best practice standards, including ISO 31000, as well as the IOGP and API Security Risk Assessment (SRA) guidelines.

The team provides and maintains an overview of the security threat and risk landscape of Maersk Drilling’s global operations. Security risk assessments are conducted in countries of medium-high security risk, and are an inherent part of all of our business decisions and operations, from our choice of entering a new market or area, and throughout the operational life cycle. For each identified risk, appropriate control and mitigation measures have been defined, in order to mitigate the identified security risks for our people and operations.

We never use non-approved protection measures in our security operations, and our security policies and measures are in accordance with UN Global Compact, the Universal Declaration of Human Rights, Voluntary Principles on Security and Human Rights, GDPR, as well as international and national laws and standards. We did not have any severe security incidents in 2018.

Responsible procurement

At Maersk Drilling, we are committed to working with our business partners to promote responsible practices throughout our supply chain around the world. Our aspiration is to ensure that all our partners acknowledge our values and share our commitment to conducting business in an ethical, legal and socially and environmentally responsible manner. Through our Responsible Procurement programme, which is based on our Third Party Code of

Conduct, we work to ensure that our suppliers live up to our requirements of anti-corruption, health and safety, labour and human rights, environment, and subcontractor management.

In order to ensure a targeted supply chain due diligence process with an emphasis on suppliers with the highest risk of adverse impacts on human rights and the environment, we have defined a number of high risk categories, on which our due diligence is focused. This encompasses our Responsible Procurement questionnaire, desktop supplier assessments, supplier audits and supplier corrective action plans. In 2018, we conducted 22 supplier assessments within the framework of our Responsible Procurement programme, as well as six on-site audits focusing on human rights and labour conditions, environmental management, and health and safety. Corrective action plans have been established by the audited companies, and non-conformities have been duly handled.



High risk categories

Rigs under construction






Security and safety (guard services)

Professional services (HR services)

Ambition and progress

Issue	Safety	Climate	Environment	People
Impact on people and society	Safety at work is a basic human right. The ultimate risk is that a major accident or fatality will occur in connection with our operations.	Air emissions from our drilling activities have a negative impact on the natural environment and contribute to climate change. More severe weather events, higher extinction rates for animals, more acidic oceans and higher sea levels are the consequences of rising temperatures due to climate change.	Major spills of hazardous materials to the world's oceans may have serious and long-lasting impacts on the environment, ocean health and biodiversity, as well as human health.	Our people are at the centre of our performance, and the key enablers of our business results. A working environment without sufficient motivation or opportunities for development will not only impact the overall well-being and job satisfaction of our employees, but may also impact our business performance. Discrimination prevents people from living up to their full potential, creates inequality as well as less stable and prosperous societies.
Ambition	Keeping our employees safe is our ultimate responsibility as an employer. Safety goes beyond compliance and license to operate – it is about our key values. Our ambition is to achieve ZERO serious incidents.	Operating in the oil and gas sector, we are a part of a value chain in which the end-product is contributing to greenhouse gas emissions. Nevertheless, the world will remain dependent on oil and gas for a foreseeable future. In partnerships with our customers, we are working to reduce the carbon footprint of drilling activities in our operations.	Our ambitions is to achieve ZERO major spills of hazardous materials to the world's oceans.	We are committed to fostering a work environment and company culture characterised by trust and respect. We work to create a diverse and inclusive organisation because we believe it strengthens our company and enables us to meet challenges and generate sustainable value. We do not tolerate discrimination against any employee or job applicant based on personal attributes, and we aim to achieve an equal gender distribution in managerial positions.
Progress in 2018	We have redefined our approach to safety and launched our Safety as Capacity strategy, including a number of innovative initiatives related to the three projects Project X, Simple to Be Safe and Out Of Harm's Way. We have worked to transform our safety system, developed further controls and capacity to recover from major incidents, and embedded new safety habits among our employees.	In collaboration with our customers, we have worked to develop and implement new viable solutions to reduce the carbon footprint in the oil and gas supply chain, for example through implementing our new EEE program on an Ultra Harsh Environment Rig in Norway. We have increased our focus on innovation and defined our focus for green innovation projects for the next years.	We work to minimise spills to sea through our Work Execution Process for planning and assessing risks, our incident report and investigation process, and our Plan-Do-Study-Act (PDSA) methodology and after action reviews focusing on major spills. As a result, we have managed to avoid any major spills of hazardous materials.	We have launched Compass, our new quarterly employee experience survey. We have increased the level of women in the organization from 10% in 2017 to 11% in 2018, as well as increased the level of women in managerial positions from 17% in 2017 to 19% in 2018.
Impact on sdg's	 <p>8.8 Protect labour rights and promote safe and secure working environments for all workers</p>	 <p>13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries</p>  <p>17.7 Enhance the global partnership for sustainable development to support the achievement of the SDGs</p>	 <p>12.4 By 2020, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle,</p>  <p>14.1 By 2025, prevent and significantly reduce marine pollution of all kinds</p>	 <p>5.1 End all forms of discrimination against all women and girls</p> <p>8.5 By 2030, achieve employment and decent work for all</p> 
Outlook	We will continue to work strategically and innovatively with safety, focusing on strengthening the capacity of our employees as well as utilising new technology to make our safety systems simpler, smarter and more fit for purpose.	In 2019, we will look into possible innovative solutions as a part of our Green Greener Sustainable project. We will conduct an in-depth assessment of how climate change risks may impact out business in the short, medium and long term, drawing on the TCFD recommendations	We will continue our targeted efforts to reduce spills to sea. We will increase our focus on handling the drilling waste of our customers, in order to ensure that this is done in the most environmentally correct way.	In 2019, we will work to raise employee loyalty across all of Maersk Drilling to reach our target. We will closely examine the possibility of conducting gender bias training in our recruitment process.

Ambition and progress (continued)

Issue	Local content	Anti-corruption	Security	Responsible procurement
Impact on society	Local employment, procurement, and transfer of knowledge to local communities is a pre-requisite for our operations to contribute to economic and social development in the countries, in which we operate. However, lack of local talent, as well as the inability of local suppliers to live up to our expectations in our Third Party Code of Conduct, may result in an inability to fulfil our local content targets, and therefore limit our contribution to the countries and local communities in which we operate.	Corruption is a systemic issue in many of the countries in which we operate, undermining social and economic development and destabilising the business environment. Non-compliance with legislation on bribery and corruption may lead to legal and reputational risks, extra costs, inefficiencies in our business, and ultimately debarment from markets.	Many of the locations in which we operate have diverse security risks. If these risks are not managed and mitigated correctly, they may pose significant security risks for our people, assets and operations.	Procurement practices of companies have an impact on environmental, social and economic conditions around the world, either furthering or holding back the development of a more sustainable world. At Maersk Drilling, we engage with a considerable number of local and international suppliers, not all of which necessarily share our commitment to responsible business practice. We have identified three procurement categories, which we deem as having an especially high risk of adverse impacts on human rights and the environment; 1) Rigs under construction, 2) Manning agencies and 3) Security personnel.
Ambition	Our overall ambition is to move beyond compliance with local content requirements, and to increase shared value by proactively engaging with stakeholders. We work to build capacity of local employees, and host supplier days to raise awareness of the possibilities and our expectations regarding ethical business conduct for local suppliers.	We work actively to ensure that we do not engage in corruption of any kind. We are committed to acting in an upright manner when dealing with customers, our suppliers, government representatives and all other third parties. Our overall ambition is to be able to stay true to our Core Values by always complying with all applicable laws regarding ethical business conduct.	Our ambition is to achieve ZERO security incidents. We fulfil our duty of care by applying the PEARS model, protecting in order of importance, People, Environment, Assets, Reputation, and Stakeholders from potential harm.	Our commitments and values oblige us to ensure that our suppliers' business practices do not impact negatively on environmental or social issues. Our commitment to respecting and promoting human and labour rights are applied to everyone engaged in our supply chain, and we oppose all forms of forced and bonded labour, child labour, human trafficking and all other forms of exploitation.
Progress in 2018	We have managed to achieve local employment ratio beyond our target in four out of six of our local content programmes. All of our procurement initiatives are beyond legal requirements, and thereby Maersk Drilling driven.	In 2018, we have launched a new Code of Conduct for employees, as well as our own ethics hotline.	We have continued to conduct security risk assessments of all countries in which we operate from our choice of entering a new market or jurisdictions, and throughout the operational life cycle. We have not had any severe security incidents in 2018.	We have conducted six on-site audits related to human rights and labour conditions, environmental management, and health and safety. Three of these audits have been of manning agencies in Ghana, Malaysia and United Kingdom, respectively.
Impact on sdg's	 <p>8.5 By 2030, achieve employment and decent work for all</p>  <p>12.6 Encourage companies, especially large and transnational companies, to adopt sustainable practices</p>	 <p>16.5 Substantially reduce corruption and bribery in all forms</p>	 <p>16.3 Promote the rule of law and ensure equal access to justice</p>	 <p>8.7 Take immediate and effective measures to eradicate forced labour, end modern slavery and human trafficking and eliminate the worst forms of child labour, by 2025 end child labour in all its forms</p> <p>8.8 Protect labour rights and promote safe and secure working environments for all workers</p>
Outlook	We will continue to work to fulfil the local content plans regarding staffing and procurement for the countries, in which we have not reached our target.	In 2019, we will continue to work to ensure a high degree of compliance and business ethics in our operations. We will continue to conduct risk assessments of the third parties with whom we transact.	We will continue to prioritise security in our operations. We will look into the possibility of an ISO 31000 Risk Management certification.	We will continue to assess suppliers through our Responsible Procurement programme, and engage with local suppliers to increase their focus on the principles outlined in our Third Party Code of Conduct. We will set up a process for re-assessing our high risk categories bi-annually.

ESG index

	2018	2017	2016	Accounting practice
Environmental performance				
Energy consumption				
Fuel oil (1,000 tonnes)	22.6	20.9	23	Direct and indirect fuel oil on board a ship for activities like steam & electricity generation, in marine boilers, heating, ship's main & auxiliary engines etc. Financial scope Excluding exported fuel
Gas fuels (1,000 tonnes)	0	0	0	Direct and indirect gas fuel in gas engines, gas turbines, gas boilers, gas heaters Financial scope Natural gas is converted to metric tonnes based on temperature and pressure at point of delivery, using appropriate conversion factors.
Other fuels (1,000 tonnes)	0	0	0	Fuels (petroleum derived) used in engines, such as stationary diesel generators, lifts, trucks, forklifts, container handlers, aviation activities, building heating etc. Excluding fuel used for company cars and employee business travel
Electricity (1,000 MWh)	2.1	1.9	2	Purchased electricity heating consumed in operational activities for use in onshore offices, industrial machines, etc. divided by country of purchase
Greenhouse gas (GHG) emissions (1,000 tonnes CO2 eq)				
GHG emissions	78.5	72.3	79	The reporting boundaries reflect the Green House Gas Protocol (scope 1 and 2). Quantity of greenhouse gas emissions (carbon dioxide and methane) emitted to the atmosphere from combustion and other processes. Greenhouse gas emissions are defined as the emission of all greenhouse gases expressed as carbon dioxide equivalents over a 100-year time horizon.
Direct GHG emissions (scope 1)	77.7	71.6	78	Direct GHG emissions: total GHG emitted from sources at a facility owned (partly or wholly) and/or operated by the company. Direct GHG emissions correspond to Scope 1 emissions as defined by WRI/WBCSD.
Indirect GHG emissions (scope 2)	0.8	0.7	1	Indirect GHG emissions from imported energy: GHG emissions that occur at the point of energy generation (owned or operated by a third party) for electricity, heat or steam imported (i.e. purchased) for use on site by the reporting entity. Indirect GHG emissions from imported energy correspond to Scope 2 emissions as defined by WRI/WBCSD
Other air emissions				
SO _x (1,000 tonnes)	0.05	0.04	0	Emissions for SO _x energy values follow the same principles as defined by the GHG protocol, using various schemes for default conversion factors.
NO _x (1,000 tonnes)	1.8	1.6	2	Emissions for NO _x energy values follow the same principles as defined by the GHG protocol, using various schemes for default conversion factor.

	2018	2017	2016	Accounting practice
Other resource consumption				
Waste (1,000 tonnes)	1.7	1.2	1.3	Quantity of waste disposed of, resulting from worksite activities, spill response/ clean-up; and replacement or upgrade of existing facilities Scope Financial. Ship recycling activities are out of scope
Water (1,000 m ³)	11.4	12.7	14	Total quantity of fresh water withdrawn Financial scope. Ballast water, water for re-injection and water produced/desalinated for use is out of scope
Spills (hydrocarbon)				
Number of spills to water >10 m ³	0	0	0	Number of hydrocarbon liquids spilled to water greater than 10 m ³ / 63 barrels (bbl) / 9938 Litres, resulting from any unintended release associated with current operations, from primary or secondary containment. Operational scope Once previously reported, spilled materials in the environment from historical losses (i.e. historical or past leakage/spills that reached the environment from tanks, pipes or other vessels, but not associated with a current release) and controlled discharges to water are out of scope
Number of contained spills >10 m ³	0	0	0	Number of hydrocarbon liquids contained greater than 10 m ³ / 63 barrels (bbl) / 9938 Litres, resulting from any unintended release associated with current operations, from primary or secondary containment. Operational scope Once previously reported, spilled materials in the environment from historical losses (i.e. historical or past leakage/spills that reached the environment from tanks, pipes or other vessels, but not associated with a current release) and controlled discharges to water are out of scope
Number of spills to water – 0.16 m ³ < 10 m ³	0	1	0	Number of spills of hydrocarbon liquids spilled to water, greater than 0.16 m ³ / one barrel (bbl) / 159 Litres, and less than 1590 Litres / 10 barrels (bbl) resulting from any unintended release associated with current operations, from primary or secondary containment. Operational scope Once previously reported, spilled materials in the environment from historical losses (i.e. historical or past leakage/spills that reached the environment from tanks, pipes or other vessels, but not associated with a current release) and controlled discharges to water are out of scope
Number of contained spills – 0.16 m ³ < 10 m ³	4	0	0	Number of spills of hydrocarbon liquids contained, greater than 0.16 m ³ / one barrel (bbl) / 159 Litres, and less than 1590 Litres / 10 barrels (bbl) resulting from any unintended release associated with current operations, from primary or secondary containment. Operational scope Once previously reported, spilled materials in the environment from historical losses (i.e. historical or past leakage/spills that reached the environment from tanks, pipes or other vessels, but not associated with a current release) and controlled discharges to water are out of scope

ESG index (continued)

	2018	2017	2016	Accounting practice
Social performance				
Our employees				
Number of employees (FTEs)	2,854	2,865	3,325	FTEs calculated per compensated hour Calculated based on average throughout the year
Gender – female/total	11%	10%	9%	Female/total - % based on headcount All Brands /Segments, global service centres, Group Functions, and Boards; Out of scope: joint ventures and data not included in SAP
Women in leadership (% based on headcount)	19%	17%	13%	Gender - Women in management at level 5 and above (% based on headcount) All Brands /Segments, global service centres, Group Functions, and Boards; Out of scope: joint ventures and data not included in SAP
Fatalities (headcount)	0	1	0	A death directly resulting from work related injury regardless of time between the injury and death, excluding suicide or death resulting from an attempted suicide, criminal or terrorist activity, and incidents which occur off vessel, but where the consequences appear onboard at some later time. Operational scope
Lost-time Incident frequency	0.92	0.53	0.49	LTI: The sum of fatalities, permanent total disability (PTD), permanent partial disability (PDD) and lost work day cases (LWC). A Lost Workday Case (LWC) is any work related injury, other than a fatal injury, which results in a person being unfit for work on any day or shift after the day of occurrence of the occupational injury. "Any day" includes rest days, weekends, leave days, public holidays or days after ceasing employment. Any time spent on delays in connection with medical assistance is not included in this determination. Calculation is based on exposure hours: The total number of work hours in which an employee and Mode 1 & 2 contractors, where applicable, is exposed to work related hazards and risks. Excludes leave and non-work-related sickness. Operational scope.
Governance				
Reports in Ethics Hotline	8	N/A	N/A	Total number of reported cases in the Ethics Hotline that were closed in 2018. Includes reports through the A.P. Moller-Maersk Ethics Hotline and the Maersk Drilling Ethics Hotline. Reports that still are being investigated are excluded.
Substantiated reports in Ethics Hotline	4	N/A	N/A	Total number of closed reported cases in 2018, that have been classified as substantiated; meaning cases related to corruption/bribery, health/safety/environment/ working conditions, harassment, retaliation, financial accounts fraud, conflicts of interest. Reports that still are being investigated are excluded.

Colophon

Board of Directors,
Maersk Drilling Holding A/S
 Claus V. Hemmingsen, Chairman
 Robert M. Uggla, Vice Chairman
 Robert Routs
 Kathleen McAllister
 Martin Larsen
 Mads Winther

Executive Management,
Maersk Drilling Holding A/S
 Jørn Madsen (CEO)
 Jesper Ridder Olsen (CFO)

Editors
 Maersk Drilling Corporate
 Communication and Branding

Design and layout
 e-Types

Produced in Denmark 2019



Constant care

Take care of today,
actively prepare for tomorrow



Humbleness

Listen, learn, share,
and give space to others



Uprightness

Our word is our bond



Our employees

The right environment
for the right people



Our name

The sum of our Values:
passionately striving higher

Our five core values

Our values are part of our heritage from our founders, the Moller Maersk family. We take pride in these values, and they continue to guide us in our development and everyday operations.

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

We welcome feedback on its contents.



MAERSK TANKERS GROUP

Sustainability Report for 2018 is
enclosed on the next pages

Sustainability Update 2018

Sustainability in action



About Maersk Tankers

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

Maersk Core Values

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

For more information:
www.maersktankers.com

Sustainability contact:
sustainability@maersktankers.com

Sustainability Priorities 2017-2019

Summary of Priorities



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

Why this matters:

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



We are exploring technology and fuel options to ensure a costeffective compliance.

Why this matters:

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



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

Why this matters:

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



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

Why this matters:

This benefits the environment and the social fabric of society.

Safety

Personal Safety, Operational Safety and Security

We are committed to achieving excellence in health, safety, security and environmental (HSSE) performance. This means achieving our goals of zero accidents and incidents and ensuring that safety remains a top priority for Maersk Tankers.

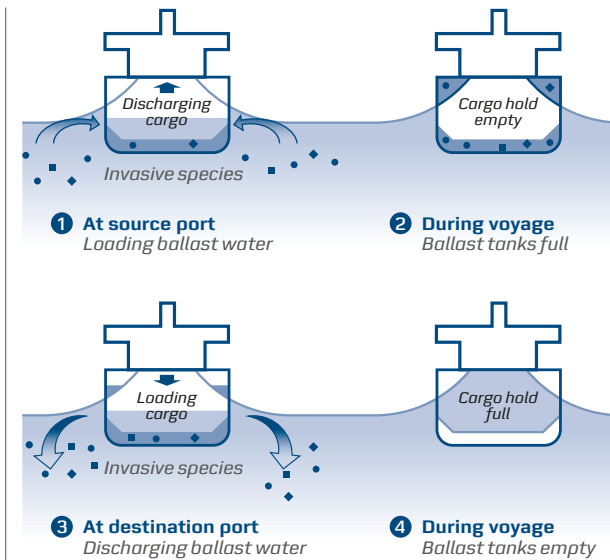
We encourage an open dialogue and proactive feedback throughout the company in all HSSE matters, which includes promotion of innovative solutions to traditional safety issues. In this regard, we will continue to develop our digital capabilities and our involvement in data sharing projects. These initiatives will create leading indicator tools that supplement our current safety tools.

All Maersk Tankers employees are empowered to intervene to prevent hazardous situations from developing. It is our responsibility to protect ourselves and our colleagues from harm.

Safety underpins our overall company strategy; keeping people, assets and cargoes safe.

Utilizing Power BI for trending and analysis

Regulatory



Spread of harmful aquatic (invasive) organisms

Rules and Regulations

The Ballast Water Management Convention, which entered into force on 8th September 2017, sets out the regulations which vessel operators must follow to prevent the spread of harmful aquatic organisms from one region to another. In accordance with the Convention, Maersk Tankers is in the process of ensuring its vessels are equipped with the necessary equipment to meet the standard. Retrofitting the vessels with the equipment will commence in 2019.

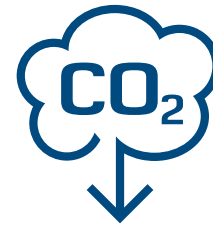
The Hong Kong Convention for the Safe and Environmentally Sound Recycling of Ships and the EU Ship Recycling Regulation both require that an inventory of hazardous material is maintained on board vessels. Whilst the Convention has not yet been ratified, the EU compliance deadline is set for the 31st of December 2020. Maersk Tankers has proactively begun work on ensuring the vessels comply with both regulations prior to the EU compliance deadline.

Environment

Fuel Efficiency and Emissions

Maersk Tankers continuously seeks to improve vessel efficiency, while reducing cost as well as CO2 emissions. Backed by a new way of using data we are optimising vessel fuel consumption and hull cleaning, amongst other initiatives. Additionally, linking market rates, bunker prices and weather conditions helps to determine the right speed for the vessels, which will also have a positive CO2 impact.

The vessels in our newbuilding programme will see further efficiency improvements, e.g. optimisation of the auxiliary engine consumption. For this, we have received the Maritime Singapore Green Ship Award. Further, Maersk Tankers, along with partners Norsepower, ETI and Shell, has installed two 30-metre tall rotor sails on an LR2 product tanker vessel, targeting a reduction in fuel consumption and associated emissions of 7-10% on typical global shipping routes. Testing has commenced.



Environmental Compliance

Maersk Tankers persists in reiterating and enforcing its compliance culture amongst its employees, both at sea and shore. The above is crucial as Maersk Tankers continues to advocate for a level playing field amongst relevant stakeholders.

An example is a push from the industry (via IMO) for the ban on the carriage of non-compliant fuel (unless the vessel uses alternate means to comply) by vessels once the 0.50% global sulphur cap comes into effect on 01 January 2020. This, for ease of enforcement and to ensure compliance by all parties. This proposal is on its way to becoming a requirement.

Responsible Business

Anti-Corruption

Maersk Tankers has a zero-tolerance policy towards corruption and demonstrates this through its membership of the Maritime Anti-Corruption Network (MACN), which works towards eliminating corruption and enabling fair trade in the maritime industry. To that end, we have implemented a Zero Facilitation Payment (FP) Policy on 1 October 2017. Due to the tremendous efforts of our vessel Masters, the number of facilitation payments has been significantly reduced since the policy was introduced.

Any demands, harassment or suspicion for bribes or facilitation payments will continue to be escalated and reported to appropriate authorities and industry bodies.

Responsible Procurement

Maersk Tankers works with in a large and complex network of suppliers world-wide. We ensure direct and indirect suppliers take a responsible approach towards people, environment and assets, in accordance with our own and international standards.

In 2018, the priority is to revise the existing responsible procurement programme to further identify improvements and ways to strengthen the engagement with suppliers. This includes reviewing and confirming high-risk categories and respective approaches, while exploring higher internal involvement for on-site audits.

Labour and Human Rights

Maersk Tankers complies with the Maritime Labour Convention and Principles of Global Labour Relations.

Whilst supporting the basic principles of the International Labour Organisation (ILO), we are working to integrate the principles in the supply chain by providing policies and guidance to strategic suppliers.

Seeking sustainable solutions



Our commitment to sustainable and responsible business remains steadfast. In accordance with our policy, our implementation of Zero Facilitation Payments is well underway thanks to a tremendous effort by the sea and shore staff.

We will continue to unlock growth for societies and our business through facilitating the trade of energy. In this, we are continuously exploring and developing new ways that can help us conduct our operations in a sustainable and responsible manner.

Christian M. Ingerslev
CEO of Maersk Tankers

Dear Reader,

The 2018 Maersk Tankers Sustainability Update comes at a time when the shipping industry must find solutions to large and complex environmental challenges such as how to limit CO2 emissions and deal with new sulphur regulations. We welcome these proposed changes and believe that a global set of rules will provide a level playing field for us as vessel operators.

For example, the 2020 Global Sulphur Cap will impact the cost of bunkers substantially. We are evaluating options to mitigate this cost while remaining committed to the environmental benefit this will bring. The way forward will be an effective and consistent enforcement of the regulations across the industry.

The safety of people, environment and assets continue to be at the forefront of our operations. Therefore, we will also continue to demand the highest standards for safety to continuously strengthen our own and the industry's safety performance.