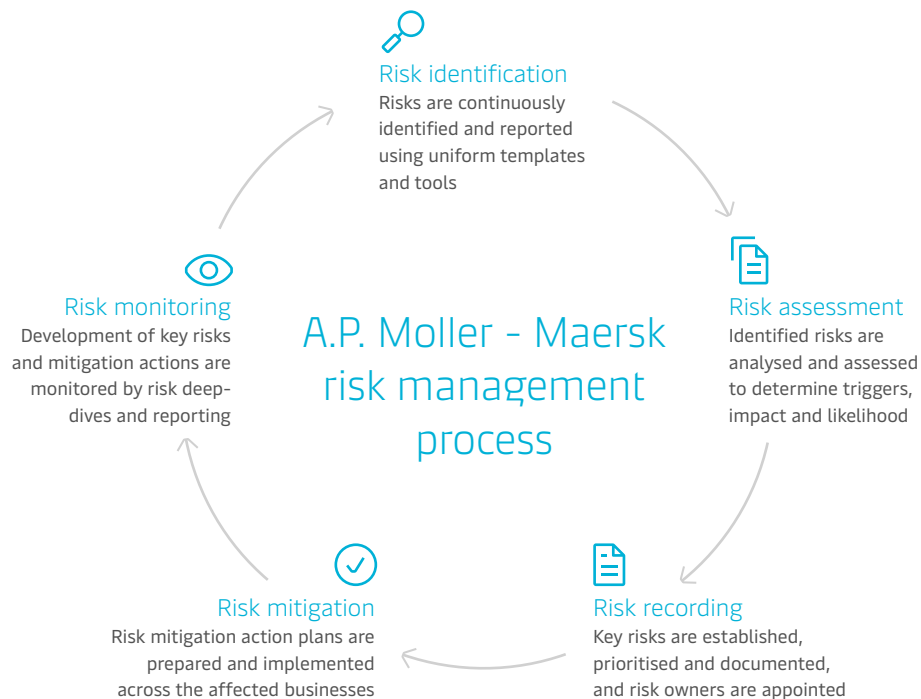


Risk management 2020

Risk management

Risk management at A.P. Moller - Maersk is strategically focused and designed to contribute to the achievement of the company's business objectives in the medium-term and to ensure the longevity of the company in the long-term.



A.P. Moller - Maersk is accelerating its transformation to become the global integrator of container logistics. The transformation success hinges on the ability to perform and transform at the same time through deployment of critical change levers such as technology, processes and people. It is essential that risks inherent to the business activities and risks associated with the transformation are managed well to keep the potential financial and reputational impact of such risks within acceptable levels.

With a defined roadmap in place for the transformation, the risks associated with the

transformation at its current stage are largely execution risks relating to, e.g., customer service levels, technology roadmap, market risks for the Ocean segment, growth capabilities for the Logistics & Services segment, and people capabilities. These risks require active management and monitoring as described in the 2021 Key risk analysis described below.

A.P. Moller - Maersk is exposed to a variety of risks in the conduct of its business and execution of its strategy. A.P. Moller - Maersk has a well-established Enterprise Risk Management (ERM) process to

The Coronavirus (COVID-19)

The COVID-19 pandemic continues to impact the global economy and the world's supply chains. The global demand growth for containers contracted by around 2% in 2020, albeit with large fluctuations in demand during the year. Overall, A.P. Moller - Maersk was able to manage the impact on demand through tight cost and agile capacity deployment.

After the initial steep disruption of demand in the first quarter, a strong and unexpected recovery in the demand for containerised goods during a period where services remained curtailed, implied an extreme challenge to cope with in terms of cost and capacity management.

As A.P. Moller - Maersk manages its way through the pandemic, three objectives continue to guide its decisions: protecting its employees, serving its customers by keeping its global network and ports operating, and helping societies fight the virus.

Proactive risk management, deployment of effective crisis and business continuity management, and a strong resolve from employees ensure that so far, the operational impact of COVID-19 has been minimised.

One of the biggest COVID-19 challenges for A.P. Moller - Maersk has been performance of crew changes for the vessels, mainly due to prevailing restrictions. A.P. Moller - Maersk proactively addressed this serious issue through collaboration with governments, airlines, airport operators, hotels, and port authorities, and use of special A.P. Moller - Maersk charter flights.

The pandemic continues to impact the transportation and logistics industry operationally and financially. It is difficult to predict the business impact in 2021, which will depend wholly on the duration of the pandemic and the resulting lockdowns of countries and economies globally, as well as on the associated changes in demand patterns.

identify, assess and respond to key risks that can threaten A.P. Moller - Maersk's ability to achieve its business objectives. The process is integrated into strategy review, business planning and performance management.

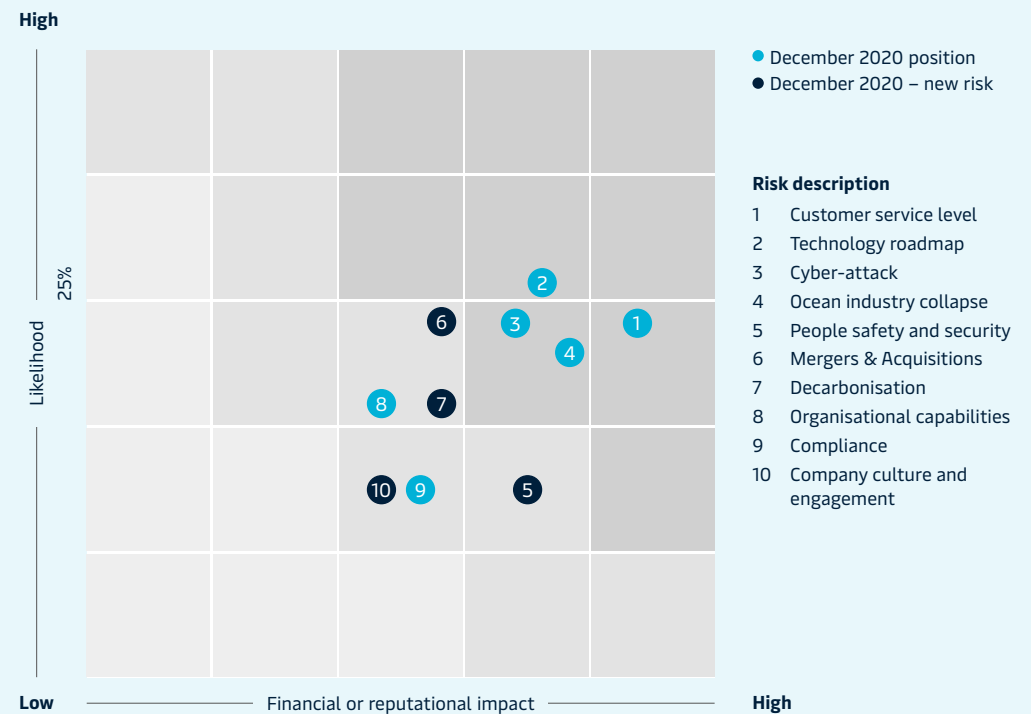
Each year, risks are identified and assessed following a comprehensive process covering the enterprise and the individual brands. The enterprise risks identified are validated for relevance and significance by senior business leaders. Finally, the Executive Leadership Team reviews the risks and decides the key risks to the strategy and the business plan.

The Executive Leadership Team appoints a risk owner for each key risk to oversee the management of the risk, including the preparation and execution of mitigation action plans. Once the plans for the management of the risks are finalised, the progress and effect of such plans are monitored by the Executive Leadership Team and the Audit Committee in designated and regular sessions. Where the progress of mitigating actions is falling behind schedule, or where mitigating actions are not achieving the effect they were designed to have, corrective actions are taken.

The ERM process for 2021 was carried out in the second half of 2020. It identified ten key risks that may have a significant impact on the business plan, including on earnings, financial position and achievement of other strategic objectives.

2021 Key risk analysis

The key risks to achieving the A.P. Moller - Maersk 2021-2025 business plan, the assessment of each risk, and the mitigation strategies deployed are described in the following.



All positions are residual risk after current mitigation.

During 2020, A.P. Moller - Maersk has worked systematically on mitigating key risks shown in the Annual Report 2019 to further reduce residual risk levels. Among other things, the risk reductions achieved in 2020 imply that risks relating to IMO 2020 low sulphur fuel, cost excellence in Ocean,

and the APM Terminals transformation are not perceived to be among key risks into 2021. Also, the risk relating to standardisation of core processes is now included in the technology roadmap risk. Residual risk levels of continuing risks and new risks by December 2020 are depicted on the heatmap above.

1 Customer service level

2 Technology roadmap

3 Cyber-attack

4 Ocean industry collapse

5 People safety and security

Risk description

A.P. Moller - Maersk's strategy to become a global integrator of container logistics hinges on the ability to deliver a superior service level to customers. A.P. Moller - Maersk needs to deliver operationally on the service level promised to customers in order to build long-term trust and brand reliability.

A.P. Moller - Maersk's growth strategy is dependent on its ability to transform its digital foundation. If there is serious delay or failure to modernise technology, execute the Technology roadmap, and standardise core business processes, there is a risk that Maersk is unable to orchestrate value and stable revenue streams via its technology platforms.

As A.P. Moller - Maersk becomes increasingly digitalised, more devices and control systems are connected online resulting in a wider technology surface across the Information Technology and Operational Technology infrastructure, which could be compromised. Should a successful cyberattack materialise, operational disruption and/or data breaches may occur.

Although there have been signs of structural improvements in the Ocean segment, there is still a non-negligible risk that the Ocean industry could again become financially challenged in another downturn cycle.

The business of A.P. Moller - Maersk requires many of the employees and other external contractors to work in high-risk locations both in terms of frontline operations as well as in terms of working in geographical areas with elevated risk.

2021 Risk assessment

The delivery promise introduced as part of the integrator strategy is key to building customer trust and thereby retaining strong brand reputation of A.P. Moller - Maersk. Not being able to deliver operationally can weaken the foundation of the A.P. Moller - Maersk global integrator strategy.

A.P. Moller - Maersk has made progress on its technology roadmap and standardisation of its core business processes. However, since A.P. Moller - Maersk is expanding into new business areas, the business processes and workflows are complex, and the current IT landscape is fragmented, it is likely that A.P. Moller - Maersk will see some delays, as it progresses the road map.

Following the cyberattack in 2017 several measures to improve cyber security have been implemented. However, as the external threat continues to develop, a cyberattack could still occur leading to financial losses, loss of customer confidence, reputational damage, regulatory sanctions for data breaches, and/or operational accidents.

Another downturn of the Ocean industry over the coming years could become a distraction to A.P. Moller - Maersk's strategy execution and hamper its ability to invest. If the risk materialises, A.P. Moller - Maersk may be forced to focus on improving its short-term financial performance.

A.P. Moller - Maersk has over the years continued to have accidents, some of which have unfortunately had very serious and even fatal outcomes. This not only causes business disruption and affects A.P. Moller - Maersk's name and reputation, but more importantly brings into focus the duty of care towards people.

Mitigation strategies

A.P. Moller - Maersk is permanently improving its business processes and systems to deliver on the new delivery promises. In addition, the service levels are continuously monitored for swift actions to mitigate adverse developments, and business continuity strategies are designed and rolled out to withstand operational disruptions.

A.P. Moller - Maersk has prioritised technology modernisation, standardisation of core business processes and development of data as a differentiating asset. To achieve the right customer and business outcomes, A.P. Moller - Maersk is transforming the engagement model between Technology and business platform owners to drive greater cross functional collaboration and accountability.

Current mitigation includes a cyber security programme, business continuity plans, and cyber-risk insurance. The initial three-year cyber security program was completed in 2020. The next phase to further mitigate the threat associated with the enhanced digital interface with customers is already underway.

A.P. Moller - Maersk has limited levers to impact the overall demand for container shipping. However, multiple mitigation strategies exist, such as closely monitoring supply and demand, de-commoditising products and services, focus on cost leadership, and growing Logistics & Services to reduce the exposure to Ocean volatility.

A new Safety & Resilience function has been established to combine knowledge and expertise in this area, have a unified strategy around the topic, embed the strategy through a leader-led approach across the organisation and through management of critical risks.

6 Mergers & Acquisitions

7 Decarbonisation

8 Organisational capabilities

9 Compliance

10 Company culture and engagement

Risk description

A key driver to long-term Logistics & Services growth is the expansion of product and people capabilities through successful Mergers & Acquisitions (M&A). Acquiring new capabilities is a prerequisite to serve customers end-to-end, and A.P. Moller - Maersk will need to make acquisitions in the coming years.

Decarbonisation is becoming a business necessity and a license to operate. It is critical for A.P. Moller - Maersk to decarbonise the end-to-end supply chain at a speed that meets customers' and investors' expectations. Primary focus is the decarbonisation of own emissions.

Delivering a digitally transformed business model as part of A.P. Moller - Maersk's global integrator strategy requires right balance of capabilities and skills at all levels in the organisation.

It is imperative for A.P. Moller - Maersk to conduct its business in compliance with legislation and regulatory standards. The regulatory landscape is becoming increasingly complex, and A.P. Moller - Maersk could be hit by a major compliance case in respect of violations of anti-corruption laws, anti-trust regulations, and/or international sanctions.

The A.P. Moller - Maersk culture is strong with many elements that must be retained. These strong cultural elements were critical in getting through the cyberattack in 2017 and most recently in the COVID-19 pandemic, but there is a need to change and adapt parts of this culture and to further enhance employee engagement to support the transformed business model.

2021 Risk assessment

Some of the acquisitions may be substantial, and if A.P. Moller - Maersk fails to integrate one or more of these, it will create a risk to successfully executing the A.P. Moller - Maersk integrator strategy.

A.P. Moller - Maersk has made a commitment of carbon neutrality by 2050. With increasing demand from customers and investors, A.P. Moller - Maersk needs to further innovate sustainable supply chain solutions and accelerate its decarbonisation initiatives.

A.P. Moller - Maersk made good progress in acquiring new and diverse capabilities and skills, especially for Logistics & Services and Technology. Still, the strategy execution could be hampered if the right balance of capabilities and skills are not maintained at all levels of the organisation.

In respect of corruption, A.P. Moller - Maersk operates in high-risk geographies and high-risk sectors (e.g. the terminals and logistics services sectors). A.P. Moller - Maersk is the largest container carrier and in an industry with many industry cooperation agreements. A.P. Moller - Maersk thereby naturally has the attention of competition authorities globally.

Most notably, customer centricity is a cultural attribute, which must be honed to a different level than today. Another element that must be further cultivated is the ability to work across functions with shared ownership and accountability for outcomes.

Mitigation strategies

A post-merger integration office has been established to develop and manage integration processes and embed learnings. Integration capabilities have been upskilled through external sourcing. Further actions are planned to develop seamless transition between acquisition and integration activities, with clear accountabilities and business ownership.

In 2020, a strategic review of climate scenarios and transition pathways was conducted with the conclusion that climate action is a strategic imperative for A.P. Moller - Maersk. Consequently, a new Decarbonisation function has been launched in 2021 to further embed and accelerate the decarbonisation agenda, including coordinating the efforts to reduce the climate impact of operations and developing relevant customer offerings.

A.P. Moller - Maersk Capability Framework was established to define key organisational capabilities to support strategic goals. Further actions are in progress to build/buy competencies through functional and leadership programmes and targeted recruitment campaigns.

A.P. Moller - Maersk has a robust compliance programme for anti-corruption, competition law and economic sanctions, and export controls designed to fulfil the global requirements and many initiatives are in place to improve focus and emphasis on compliance awareness and training.

Actions were launched to assess and address employee engagement levels on a more frequent basis. Further initiatives will be launched to further strengthen the A.P. Moller - Maersk behaviours and elevate the company culture.