

2018

Corporate governance statement

A.P. Møller - Mærsk A/S

Statutory corporate governance statement

Cf. section 107B of the Danish Financial Statements Act

This statutory corporate governance statement for A.P. Møller - Mærsk A/S (also referred to as the Company) covers the accounting period 1 January to 31 December 2018 and is prepared pursuant to section 107b (1) and (3) of the Danish Financial Statements Act. The statement forms part of the Directors' report in the Annual Report for 2018.

This statement includes a short description of the Company's management structure, main elements of the Company's governance structure and the Company's comments on the status of compliance with the "Recommendations for Corporate Governance" issued by the Danish Committee on Corporate Governance. The recommendations have been

implemented by Nasdaq Copenhagen in the Rules for issuers of shares ("Regler for udstedere af aktier").

Management structure

A.P. Møller - Mærsk A/S has a two-tier management structure comprising of the Board of Directors and the Executive Board.

The Board of Directors

Pursuant to the Articles of Association, the Board of Directors shall consist of 4-13 members elected by the General Meeting. The Board members are elected for a two-year term in such a way that there are Board members up for election every year. Board members are eligible for re-election. The Board elects its Chairman and one or two Vice Chairmen among its members. Presently, the Board consists of 10 members; information about each member of the Board of Directors is available at

<http://investor.maersk.com/corporate-governance>.

The Board of Directors plans seven to nine ordinary board meetings a year and is otherwise convened when deemed necessary. In 2018 the Board of Directors held 10 meetings.

The Chairmanship is comprised of the Chairman and one or two Vice Chairmen. The Chairmanship performs certain preparations and planning in relation to board meetings as well as co-ordination with the Executive Board. In 2018, the Chairmanship held nine meetings.

The Audit Committee consists of three to four Board members appointed by and among the Board members. The current Audit Committee members are: Arne Karlsson (chairman), Jim Hagemann Snabe and Robert Routs. A majority of the members are independent. A more detailed description of the Audit Committee and its members is available at <http://investor.maersk.com/corporate-governance>. In 2018, the Audit Committee held eight meetings.

The Nomination Committee consists of three Board members, one of whom is the Chairman of the Board. The members are elected by and among the Board members, and the Board appoints the chairman of the committee. The current Nomination Committee members are: Ane Mærsk Mc-Kinney Ugglå (chairman), Jim Hagemann Snabe and Robert Mærsk Ugglå. A more detailed description of the Nomination Committee and its members is available at <http://investor.maersk.com/corporate-governance>. In 2018, the Nomination Committee held five meetings.

The Remuneration Committee consists of three Board members, one of whom is the Chairman of



| The Board of Directors | Members of the Chairmanship | Members of the Audit Committee | Members of the Nomination Committee | Members of the Remuneration Committee | Members of the Transformation & Innovation Committee |
|------------------------------------------|-----------------------------|--------------------------------|-------------------------------------|---------------------------------------|------------------------------------------------------|
| Jim Hagemann Snabe, Chairman | 1 | 2 | 2 | 1 | 2 |
| Ane Mærsk Mc-Kinney Ugglå, Vice Chairman | 2 | | 1 | | |
| Dorothee Blessing | | | | | |
| Niels Bjørn Christiansen | | | | | 1 |
| Arne Karlsson | | 1 | | | |
| Jan Leschly | | | | | |
| Thomas Lindegaard Madsen | | | | | |
| Robert Routs | | 2 | | 2 | |
| Jacob Andersen Sterling | | | | | |
| Robert Mærsk Ugglå | | | 2 | 2 | 2 |

Member Chair

the Board. The members are elected by and among the Board members. The current Remuneration Committee members are: Jim Hagemann Snabe (chairman), Robert Mærsk Uggla and Robert Routs. A majority of the members are independent. A more detailed description of the Remuneration Committee and its members is available at <http://investor.maersk.com/corporate-governance>. In 2018, the Remuneration Committee held three meetings.

The Transformation & Innovation Committee consists of three to four Board members appointed by and among the Board members. The current members are: Niels Bjørn Christiansen (chairman), Jim Hagemann Snabe and Robert Mærsk Uggla. A majority of the members are independent. A more detailed description of the Transformation & Innovation Committee and its members is available at <http://investor.maersk.com/corporate-governance>. In 2018, the Transformation & Innovation Committee held four meetings.

The Executive Board

The members of the Executive Board are appointed by the Board of Directors and carry out the day-to-day management of the Company. As of 1 January 2018, the members of the Executive Board were Søren Skou (CEO), Claus V. Hemmingsen (Vice CEO), Jakob Stausholm (Chief Finance, Strategy and Transformation Officer), Vincent Clerc (CCO), Morten H. Engelstoft (CEO of APM Terminals), and Søren Toft (COO). On 31 March 2018, Jakob Stausholm stepped down and left the Company. On 1 January 2019, Carolina Dybeck Happe took up the position as Chief Financial Officer (CFO) and became a member of the Executive Board. Further information about the members of the Executive Board can be found at <http://investor.maersk.com/management>.

Group Internal Audit

Group Internal Audit was established in 1998, and provides assurance to the Board of Directors and the Audit Committee and acts independently of the Executive Board. Group Internal Audit's main focus is on reviewing the effectiveness of internal controls, procedures and systems to prevent and detect irregularities. The Head of Group Internal Audit reports to the Chairman of the Board of Directors and to the Audit Committee.

Recommendations on corporate governance in Denmark

The Board of Directors of A.P. Møller - Mærsk A/S continuously considers the "Recommendations for Corporate Governance" implemented by Nasdaq Copenhagen in the "Rules for issuers of shares". In this statutory corporate governance statement, the Company:

- Complies with 37 of the recommendations (of the 47 recommendations in total)
- Complies partly with five of the recommendations, i.e.: 1.3.1, 3.3.2, 3.4.2, 3.4.6 and 4.1.2.
- Does not comply with five of the recommendations, i.e.: 3.1.6, 3.3.3, 3.4.8, 4.2.2 and 4.2.3.

Some of the Danish Recommendations for Corporate Governance introduced in November 2017 reflect elements of the Shareholder Rights Directive. However, the Shareholder Rights Directive has not yet been implemented in Danish legislation. Thus, this statutory corporate governance statement and the Company's governance practices in 2018 do not incorporate all elements of the Directive.

The main elements of the company's internal control and risk management systems in connection with its financial reporting

The Company's risk management and internal controls in connection with its financial reporting are planned with a view to reducing the risk of errors and omissions in the financial reporting.

Control environment

The Board of Directors/Audit Committee and the Executive Board regularly assess material risks and internal controls in connection with the Company's financial reporting process. The Audit Committee has a supervisory responsibility and reports to the entire Board of Directors. The responsibility for the everyday maintenance of an efficient control environment in connection with the financial reporting rests with the Executive Board. The managements of the brands and business units are responsible for ensuring an efficient control environment for the respective brand or business unit.

Based on the applicable rules and regulations, the Board of Directors and the Executive Board prepare and approve the general policies, procedures and controls in significant areas in connection with the Company's financial reporting.

The starting point is a clear organisational structure, clear chains of command, authorisation and certification procedures and segregation of duties as well as adequate accounting and consolidation systems, including validation controls.

In addition, the Company has set up policies, manuals and procedures within significant areas in connection with its financial reporting. The policies,

manuals and procedures adopted are updated and disseminated on an ongoing basis.

Risk assessment and management

At least once a year, as part of risk assessment, the Board of Directors/Audit Committee and the Executive Board undertake a general identification and assessment of risks in connection with the financial reporting, including the risk of fraud, and consider the measures to be implemented in order to reduce or eliminate such risks.

Decisions on measures to reduce or eliminate risks are based on an assessment of materiality and probability of errors and omissions.

Control activities

Specific control activities have been defined for each significant brand and business unit. The performance of such control activities is monitored on both brand/business unit and on a corporate level. This monitoring includes controller reports with follow-up on findings and recommendations as well as an annual statement of representation from management of the most significant brands and business units.

Information and communication

The Board of Directors is overall responsible for the Company having information and reporting systems in place to ensure that its financial reporting is in conformity with rules and regulations. For this purpose, the Company has set out detailed requirements in policies, manuals and procedures and a global consolidation system with related reporting instructions implemented. Also, risk and control catalogues have been established and collated for all significant brands and business units as well as for corporate functions.

Monitoring

The monitoring of risk management and control systems in connection with financial reporting takes the form of ongoing assessments and control at different levels within the Company.

Any weaknesses, control failures and violations of the applicable policies, manuals and procedures or other material deviations are communicated upwards in the organisation in accordance with relevant policies and instructions. Any weaknesses, omissions and violations are reported to the Executive Board. The Board of Directors/Audit Committee receive reports from the Executive Board and from Group Internal Audit on the compliance with the guidelines, etc., as well as on the weaknesses, omissions and violations of the policies, procedures and internal controls found.

The auditors elected by the Annual General Meeting account for any material weaknesses in the internal control systems related to financial reporting in the Auditor's Long-form Report to the Board of Directors. Minor irregularities are reported in Management Letters to the Executive Board. •

The below report concerns the financial year 1.1.2018 – 31.12.2018

| Recommendation | The explanation for complying partially/not complying with the recommendation | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. Communication and interaction by the company with its investors and other stakeholders | | |
| 1.1. Dialogue between company, shareholders and other stakeholders | | |
| <p>1.1.1. The Committee recommends that the board of directors ensure ongoing dialogue between the company and its shareholders so that the shareholders gain relevant insight into the company and in order for the board of directors to be aware of the shareholders' views, interests and opinions in relation to the company.</p> | <p>The company complies</p> | <p>To facilitate an ongoing dialogue with analysts, shareholders and potential investors and other stakeholders and to ensure that views and opinions are shared, the Company's Investor Relations department holds open telephone conferences in connection with the publication of financial reports.</p> <p>In addition, annual Capital Market Days are held providing a more detailed insight into the Company's strategy and goals.</p> <p>Shareholder relevant information incl. all financial reports is available under 'Investor Relations' on the Company's website.</p> |
| <p>1.1.2. The Committee recommends that the board of directors adopt policies on the company's relationship with its stakeholders, including shareholders, and that the board of directors ensure that the interests of the stakeholders are respected in accordance with company policies.</p> | <p>The company complies</p> | <p>The Company has adopted internal rules and policies on the Company's relationship with its stakeholders and shareholders. The policies are supplemented by mandatory standards on e.g. Health Safety & Environment, Responsible procurement, Anti-Corruption, Labour standards, Sustainability reporting, interaction with governments and public authorities. Furthermore, internal policies on external communication and Tax Principles have been adopted.</p> |
| <p>1.1.3. The Committee recommends that the company publish quarterly reports</p> | <p>The company complies</p> | |
| 1.2. General meeting | | |
| <p>1.2.1. The Committee recommends that in organising the company's general meeting, the board of directors plans the meeting to support active ownership.</p> | <p>The company complies</p> | <p>To support and facilitate active ownership, all shareholders can address questions directly to the management via a Q&A tool on the Company's website prior to the annual general meeting.</p> <p>All documents relating to the annual general meeting are published on the Company's website as required by law and are furthermore submitted to all shareholders who have requested to receive such.</p> |

| Recommendation | | The explanation for complying partially/not complying with the recommendation |
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| | | <p>Shareholders with voting rights are encouraged to vote at the general meetings either by proxy or by postal votes.</p> <p>In addition, the Chairman's report at general meetings is broadcasted live to shareholders and others prevented from participating in the meeting.</p> |
| <p>1.2.2. The Committee recommends that proxies or votes by post for the general meeting allow shareholders to consider each individual item on the agenda.</p> | <p>The company complies</p> | <p>Postal vote and proxy forms are made available on the Company's website allowing all registered holders of A-shares to vote on each individual agenda item.</p> |
| <p>1.3. Takeover bids</p> | | |
| <p>1.3.1. The Committee recommends that the company set up contingency procedures in the event of takeover bids, from the time that the board of directors has reason to believe that a takeover bid will be made. The contingency procedures should establish that the board of directors should not without the acceptance of the general meeting, attempt to counter the takeover bid by making decisions which, in reality, prevent the shareholders from deciding on the takeover bid themselves.</p> | <p>The company complies partially</p> | <p>The Rules of Procedure for the Board include a contingency procedure for takeover bids. If the Board of Directors has reason to believe that a takeover bid will be submitted, a working group will be established with internal and external specialists to support the Board of Directors in making the necessary arrangements. The Board of Directors shall not attempt to counter the takeover bid by making decisions which in reality prevent the shareholders from deciding on the takeover bid. Due to the Company's shareholder structure it is less relevant to include a requirement for obtaining acceptance from the general meeting in the contingency procedure. The recommendation is thus only partially complied with.</p> |
| <p>2. Tasks and responsibilities of the board of directors</p> | | |
| <p>2.1. Overall tasks and responsibilities</p> | | |
| <p>2.1.1. The Committee recommends that at least once annually the board of directors consider the matters that should be included in the board's performance of its work.</p> | <p>The company complies</p> | <p>The Board of Directors reviews its annual wheel at least once a year along with the Board's Rules of Procedure.</p> |
| <p>2.1.2. The Committee recommends that at least once annually the board of directors consider the overall strategy of the company with a view to ensuring value creation in the company.</p> | <p>The company complies</p> | |
| <p>2.1.3. The Committee recommends that the board of directors ensure that the company has a capital and share structure which supports that the strategy and long-term value creation of the company are in the best interest of the shareholders and the company, and that the board of directors explain this in the management commentary and/or on the company's website.</p> | <p>The company complies</p> | <p>The Board regularly and at least once a year evaluates the Company's capital and share structure to ensure that the Company has funds to fulfil its existing and future liabilities and to support the business strategy on an ongoing basis in the best interest of the shareholders and the Company.</p> |

| Recommendation | | The explanation for complying partially/not complying with the recommendation |
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| <p>2.1.4. The Committee recommends that the board of directors annually review and approve guidelines for the executive board; this includes establishing requirements for the executive board's reporting to the board of directors.</p> | <p>The company complies</p> | <p>The Rules of Procedure for the Board includes specific tasks and responsibilities for the Executive Board as well as requirements for the Executive Board's reporting to the Board of Directors. In order to maintain simplicity and to ensure coherence between the obligations of the Board of Directors and the Executive Board respectively, the Board has decided not to establish separate rules of procedure for the Executive Board.</p> <p>Furthermore, the Board of Directors has defined limits on the authority of the Executive Board.</p> |
| <p>2.1.5. The Committee recommends that at least once annually, the board of directors discuss the composition, developments, risks and succession plans of the executive board.</p> | <p>The company complies</p> | <p>At least once a year, the Board of Directors evaluates and discusses the composition and performance of the members of the Executive Board. The annual wheel of the Board of Directors includes a meeting with specific focus on succession plans and talent pipeline and development.</p> |
| <p>2.2. Corporate social responsibility</p> | | |
| <p>2.2.1. The Committee recommends that the board of directors adopt policies on corporate social responsibility.</p> | <p>The company complies</p> | <p>The Company joined the UN Global Compact in 2009, which has since served as a frame for the Company's policies on corporate social responsibility and sustainability.</p> <p>The Company publishes an annual Sustainability Report describing the Company's progress relative to the UN Global Compact (UNGC). The Sustainability Report is available on the Company's website.</p> |
| <p>2.3. Chairman and vice-chairman of the board of directors</p> | | |
| <p>2.3.1. The Committee recommends appointing a vice chairman of the board of directors, who will assume the responsibilities of the chairman in the event of the chairman's absence, and who will also act as effective sparring partner for the chairman.</p> | <p>The company complies</p> | |
| <p>2.3.2. The Committee recommends that, if the board of directors, in exceptional cases, asks the chairman of the board of directors or other board members to perform special activities for the company, including briefly participating in the day-to-day management, a board resolution to that effect should be passed to ensure that the board of directors maintains its independent, general management and control function. Resolutions on the chairman's or other board members' participation in day-to-day management and the expected duration hereof should be publicly announced.</p> | <p>The company complies</p> | |

| Recommendation | The explanation for complying partially/not complying with the recommendation | |
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| 3. Composition and organisation of the board of directors | | |
| 3.1. Composition | | |
| <p>3.1.1. The Committee recommends that the board of directors annually evaluate and in the management commentary account for</p> <ul style="list-style-type: none"> • the competencies that it must have to best perform its tasks, • the composition of the board of directors, and • the special competencies of each member. | The company complies | |
| <p>3.1.2. The Committee recommends that the board of directors annually discuss the company's activities to ensure relevant diversity at management levels and prepare and adopt a policy on diversity. The policy should be published on the company's website.</p> | The company complies | <p>The Board of Directors annually discusses the Company's activities and diversity at management level and revisits and/or adopts a policy on diversity for the Company. Moreover, the Board of Directors adopts targets for diversity at Board level.</p> <p>In 2015, the Board of Directors increased its target for the share of the underrepresented gender on the Board of Directors and set a deadline for reaching this target as required by Danish legislation. The Executive Board sets targets for diversity at management level and below.</p> <p>Both the targets and a description of the diversity policy are included in the Sustainability Report which is available on the Company's website. The diversity policy is likewise available on the Company's website.</p> |
| <p>3.1.3. The Committee recommends that the selection and nomination of candidates for the board of directors be carried out through a careful and transparent process approved by the board of directors. When assessing its composition and nominating new candidates, the board of directors should, in addition to the need for competencies and qualifications, take into consideration the need for integration of new talent and diversity.</p> | The company complies | <p>The Board has established a Nomination Committee to provide an overview of competencies required on the Board and to review the structure, size, composition, succession planning and diversity on the Board. When the Committee assesses the composition of the Board and recommends new candidates, the independence and diversity criteria as well as the need for new talent is considered.</p> |
| <p>3.1.4. The Committee recommends that the notice convening a general meeting where the agenda includes the election of members to the board of directors, include (in addition to the statutory requirements) a description of the qualifications of nominated candidates, including information about the candidates'</p> <ul style="list-style-type: none"> • other executive functions, including positions on executive boards, boards of directors and supervisory boards, including board committees, in Danish and foreign enterprises, and • demanding organisational tasks. | The company complies | |

| Recommendation | The explanation for complying partially/not complying with the recommendation | |
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| <p>Furthermore, it should be indicated if the candidates to the board of directors are considered independent.</p> | | |
| <p>3.1.5. The Committee recommends that members of the company's executive board be not members of the board of directors and that a resigning chief executive officer be not directly elected as chairman or vice chairman for the same company.</p> | <p>The company complies</p> | |
| <p>3.1.6. The Committee recommends that members of the board of directors elected by the general meeting be up for election every year at the annual general meeting.</p> | <p>The company does not comply</p> | <p>The members of the Board of Directors are elected for a two-year period. The two-year term is considered appropriate to ensure a measure of necessary continuity in the work of the Board and reflects the long-term nature of the business.</p> |
| <p>3.2. Independence of the board of directors</p> | | |
| <p>3.2.1. The Committee recommends that at least half of the members of the board of directors elected by the general meeting be independent persons, in order for the board of directors to be able to act independently of special interests.</p> <p>To be considered independent, this person may not:</p> <ul style="list-style-type: none"> • be or within the past five years have been a member of the executive board, or senior staff member in the company, a subsidiary or an associated company, • within the last five years, have received significant remuneration from the company/ group, a subsidiary or an associated company in a different capacity than as member of the board of directors, • represent or be associated with a controlling shareholder, • within the past year, have had significant business relations (e.g. personally or indirectly as partner or employee, shareholder, customer, supplier or member of management in companies with corresponding connection) with the company, a subsidiary or an associated company. • be or within the past three years have been employed or been a partner in the same company as the auditor elected by the general meeting, • be part of the executive management in a company with cross-management representation in the company, • have been a member of the board of directors for more than 12 years, or • be a close relative with persons who are not considered independent. | <p>The company complies</p> | <p>Following the election of Board members at the Annual General Meeting in 2018, five of the 10 members of the Board of Directors were considered to be independent. An indication of which Board members are considered to be independent can be found on the Company's website.</p> |

Recommendation**The explanation for complying partially/not complying with the recommendation**

Even if a member of the board of directors is not covered by the above criteria, certain conditions may exist that will lead the board of directors to decide that one or more members cannot be regarded as independent.

3.3. Members of the board of directors and the number of other management functions

3.3.1. The Committee **recommends** that each member of the board of directors assess the expected time commitment for each function so that the member does not take on more functions than he/she can complete at a satisfactory level for the company.

The company complies

3.3.2. The Committee **recommends** that the management commentary, in addition to the provisions laid down by legislation, includes the following information about the members of the board of directors:

The company complies partially

The Annual Report provides information on the Board members' existing and, if relevant, previous position, as well as other management duties, incl. directorships. The Annual Report also states when each member joined the Board of Directors, the current election period, year of birth, gender and whether each member is considered independent. The Annual Report for 2018 discloses the participation rate of each Board member in Board and Board Committee meetings.

- the position of the relevant person,
- the age and gender of the person in question,
- the person's competencies and qualifications that are relevant to the company
- whether the member is considered independent,
- the member's date of appointment to the board of directors,
- expiry of the current election term,
- the member's participation in the meetings on the board of directors and committee meetings,
- other management functions, including memberships in executive boards, boards of directors, and supervisory boards, including board committees in Danish and foreign enterprises and demanding organisational tasks, and
- the number of shares, options, warrants and similar owned by the member in the company and other group companies, as well as changes to the member's portfolio of the mentioned securities which have occurred during the financial year.

Any trading of the Company's shares by Board members must be reported to and is published by the Danish Financial Securities Authority pursuant to the provisions of the EU Market Abuse Regulation. The Board members' trading in the Company's shares during a financial year and individual Board member's total shareholding is not disclosed in the Annual Report, why the recommendation is only partly complied with.

3.3.3. The Committee **recommends** that the annual evaluation procedure, cf. section 3.5, include an evaluation of what is regarded as a reasonable level for the number of other management functions, where the number, level and complexity of the other individual management functions are taken into account.

The company does not comply

The assessment of what is regarded as a reasonable level of other management functions etc. will depend on the specific situation. The flexibility to perform such assessment should be preserved, and the Company has thus decided not to define what is a reasonable level for the number of other management functions. Please also refer to recommendation 3.3.1., which calls for the Board members' own assessment of time commitments.

Recommendation**The explanation for complying partially/not complying with the recommendation**

In connection with the annual Board evaluation, an individual assessment is made of all Board members incl. their capabilities, contribution to the Board and attendance rate. This assessment would capture if a Board member does not allocate sufficient time to discharge his/her responsibilities to the Company.

3.4. Board committees

3.4.1. The Committee **recommends** that the company publish the following on the company's website:

- the terms of reference of the board committees,
- the most important activities of the committees during the year and the number of meetings held by each committee, and
- the names of the members of each committee, including the chairmen of the committees, as well as information regarding which members are independent members and which members have special competencies.

The company complies

The Terms of References and Rules of Procedures for the Board Committees as well as a description of the most important activities during the year, information about members and chairmen of Committees and the number of meetings held during the year is disclosed on the Company's website.

3.4.2. The Committee **recommends** that a majority of the members of a board committee be independent.

The company complies partially

The majority of the committee members in each of the Audit Committee, the Transformation & Innovation Committee and the Remuneration Committee are independent.

The majority of the Nomination Committee members are not considered independent. The composition of the Nomination Committee reflects that A.P. Møller Holding A/S holds a majority of the voting rights in the Company and therefore the right to decide the composition of the Company's Board of Directors. The recommendation is thus only partially complied with.

3.4.3. The Committee **recommends** that the members of the board of directors set up an audit committee and that a chairman is appointed who is not the chairman of the board of directors.

The company complies

3.4.4. The Committee **recommends** that, prior to the approval of the annual report and other financial reports, the audit committee monitor and report to the board of directors about:

- significant accounting policies,
- significant accounting estimates,
- related party transactions, and
- uncertainties and risks, including in relation to the outlook for the current year.

The company complies

Recommendation**The explanation for complying partially/not complying with the recommendation****3.4.5.** The Committee **recommends** that the audit committee:

- annually assesses the need for an internal audit function and, in such a case, presents mandates and recommendations on selecting, appointing and removing the head of any internal audit function and on the budget of the internal audit function,
- ensure that if an internal audit has been established, a description of its functions is available and approved by the board of directors,
- ensure that if an internal audit has been established, adequate resources and competencies are allocated to carry out the work, and
- monitor the executive board's follow-up on the conclusions and recommendations of the internal audit function.

**The company
complies**

3.4.6. The Committee **recommends** that the board of directors establish a nomination committee, which is at least, responsible for the following preparatory tasks:

- describing the qualifications required by the board of directors and the executive board and for a given position, indicating the time expected to be spent carrying out a specific position, as well as assessing the competencies, knowledge and experience found in the two governing bodies,
- annually assessing the structure, size, composition and results of the board of directors and the executive board and recommend any changes to the board of directors,
- annually assessing the competencies, knowledge, experience and succession of the individual members of management and report to the board of directors in this respect,
- recommending candidates for the board of directors and the executive board, and
- proposing an action plan to the board of directors on the future composition of the board of directors, including proposals for specific changes.

**The company
complies partially**

In 2018, the Board of Directors has established a Nomination Committee consisting of three members of the Board, one of whom is the Chairman of the Board.

The Nomination Committee shall generate an overview of competencies required on the Board of Directors and review the structure, size, composition, succession planning and diversity on the Board as well as the application of the independence criteria in relation to the Board members. Furthermore, the Nomination Committee shall prepare the Board's recommendation of Board candidates for election at the general meeting.

Due to the majority of the members of the Nomination Committee not being independent, the Committee does not describe or assess the qualifications, competencies, structure, size, etc. of the Executive Board nor does the Committee recommend Executive Board candidates to the Board of Directors. These elements remain a matter for the plenary session of the Board of Directors.

3.4.7. The Committee **recommends** that the board of directors establish a remuneration committee, which is at least, responsible for the following preparatory tasks:

- recommending the remuneration policy (including the "General Guidelines for incentive-based Remuneration") to the board of directors and the executive board for approval by the board of directors prior to approval by the general meeting,
- making proposals to the board of directors on remuneration for members of the board of directors and the executive board, as well as ensuring that the remuneration is in compliance with the company's remuneration policy and the assessment of the performance of the persons concerned. The committee should

**The company
complies**

The Company has set up a Remuneration Committee, its members being the Chairman and two Board members. The Committee makes recommendations to the Board of Directors on the remuneration of the Board of Directors, the Executive Board and top high-earners below Executive Board level. The Remuneration Committee further recommends the remuneration policy and incentive guidelines for approval by the Board of Directors prior to submission to the general meeting, as well as reviews and recommends incentive schemes. Also, the Remuneration Committee assists the Board by preparing remuneration reports and other public disclosures on pay.

| Recommendation | The explanation for complying partially/not complying with the recommendation | |
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| <p>have information on the total remuneration that members of the board of directors and the executive board receive from other companies in the group,</p> <ul style="list-style-type: none"> recommending a remuneration policy applicable for the company in general and assisting with the preparation of the annual remuneration report. | | |
| <p>3.4.8. The Committee recommends that the remuneration committee do not consult with the same external advisers as the executive board of the company.</p> | <p>The company does not comply</p> | <p>To ensure consistency of practice and co-operation, the Remuneration Committee consults with the same external advisors as the Executive Board. The Remuneration Committee is mindful of potential conflicts of interest, for instance in contentious matters, and will liaise with different external advisors or obtain a second opinion whenever the Committee deems appropriate.</p> |
| <p>3.5. Evaluation of the performance of the board of directors and the executive board</p> | | |
| <p>3.5.1. The Committee recommends that the board of directors establish an evaluation procedure for an annual evaluation of the board of directors and the individual members. External assistance should be obtained at least every third year. The evaluation should inter alia include:</p> <ul style="list-style-type: none"> contribution and results, cooperation with the executive board, the chairman's leadership of the board of directors, the composition of the board of directors (including competencies, diversity and the number of members), the work in the committees and the committee structure, and the organisation and quality of the material that is submitted to the board of directors. <p>The evaluation procedure and the general conclusions should be described in the management commentary and on the company's website. The chairman should account for the evaluation of the board of directors, including the process and general conclusions on the general meeting prior to the election of the board of directors.</p> | <p>The company complies</p> | <p>The Board of Directors has established an annual evaluation procedure for the Board of Directors as well as the individual members in accordance with the recommendation.</p> <p>The evaluation procedure and the general conclusions are further described in the management commentary in the Annual Report.</p> <p>Furthermore, the Chairman accounts for the evaluation of the Board of Directors, including the process and general conclusions on the general meeting prior to the election of the Board of Directors.</p> |
| <p>3.5.2. The Committee recommends that at least once annually, the board of directors evaluate the work and performance of the executive board in accordance with pre-defined criteria. Furthermore, the board of directors should evaluate the need for changes to the structure and composition of the executive board, in light of the company's strategy.</p> | <p>The company complies</p> | |

| Recommendation | | The explanation for complying partially/not complying with the recommendation |
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| <p>3.5.3. The Committee recommends that the executive board and the board of directors establish a procedure according to which their cooperation is evaluated annually through a formalised dialogue between the chairman of the board of directors and the chief executive officer, and that the outcome of the evaluation be presented to the board of directors.</p> | <p>The company complies</p> | |
| <h2>4. Remuneration of management</h2> | | |
| <h3>4.1. Form and content of the remuneration policy</h3> | | |
| <p>4.1.1. The Committee recommends that the board of directors prepare a remuneration policy for the board of directors and the executive board, which includes</p> <ul style="list-style-type: none"> • a detailed description of the components of the remuneration for members of the board of directors and the executive board, • the reasons for choosing the individual components of the remuneration, • a description of the criteria that form the basis for the balance between the individual components of the remuneration, and • an explanation for the correlation between the remuneration policy and the company's long-term value creation and relevant related goals. <p>The remuneration policy should be approved by the general meeting at least every fourth year and upon any material amendments and it should be published on the company's website.</p> | <p>The company complies</p> | <p>An updated remuneration policy was approved by the general meeting in 2018, and will be submitted for approval at least every four years going forward.</p> <p>The remuneration policy is published on the Company's website.</p> |
| <p>4.1.2. The Committee recommends that if the remuneration policy includes variable components,</p> <ul style="list-style-type: none"> • limits be set on the variable components of the total remuneration package, • a reasonable and balanced composition be ensured between remuneration for members of management and the value creation for shareholders in the short and long term, • clarity be established about performance criteria and measurability for the award of variable components, • it is ensured that variable remuneration not only consists of short-term remuneration components, and that long-term remuneration components must have a vesting or maturity period of at least three years, and | <p>The company complies partially</p> | <p>The Company's remuneration policy includes variable components of remuneration for the Executive Board. The value of these components is limited to a percentage of the fixed base salary in accordance with the remuneration policy and overall guidelines for incentive pay.</p> <p>The Company uses incentive pay, short-term as well as long-term, to secure a high degree of alignment of interests between the Executive Board and the shareholders, to strengthen attraction/retention and to promote value creation both in the short and long term.</p> <p>The long-term incentives consist of stock options and/or restricted shares. The stock options are exercisable three years at the earliest from the time of granting subject to certain conditions being fulfilled and lapse four years at the latest from when they first become exercisable.</p> |

| Recommendation | The explanation for complying partially/not complying with the recommendation | |
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| <p>it be ensured that the company has the ability to reclaim, in full or in part, variable components of remuneration that were paid on the basis of information, which subsequently are found to be incorrect.</p> | <p>Ownership of the restricted shares is transferred to the Executive Board member five years after granting, subject to the Executive Board member not having resigned.</p> <p>So-called "claw-back" clauses are used in the Company's remuneration agreements for the Executive Board when required by the nature of the remuneration programme and its components. So far, this has not been required, and the possibility of filing legal action for recovery has been adequate. The recommendation is thus only partly complied with.</p> | |
| <p>4.1.3. The Committee recommends that remuneration of members of the board of directors does not include share options or warrants.</p> | <p>The company complies</p> | |
| <p>4.1.4. The Committee recommends that if, in relation to long-term incentive programmes, a share-based remuneration is used, the programmes should have a vesting or maturity period of at least three years after being allocated and should be roll-over programmes, i.e. the options should be granted periodically.</p> | <p>The company complies</p> | <p>The Company's Annual Report provides information on the granted, outstanding, exercised and forfeited restricted shares/share options and other share-based remuneration. Please also refer to the explanation re. recommendation 4.1.2.</p> |
| <p>4.1.5. The Committee recommends that the total value of the remuneration relating to the notice period, including severance pay, do not exceed two years of remuneration, including all components of the remuneration.</p> | <p>The company complies</p> | |
| <p>4.2. Disclosure of remuneration</p> | | |
| <p>4.2.1. The Committee recommends that the company's remuneration policy and compliance with this policy be explained and justified annually in the chairman's statement at the company's general meeting.</p> | <p>The company complies</p> | |
| <p>4.2.2. The Committee recommends that shareholders at the general meeting consider proposals for approval of remuneration for the board of directors for the current financial year.</p> | <p>The company does not comply</p> | <p>The Board of Directors seeks the shareholders' approval of the Board's remuneration for the past year as part of the approval of the Annual Report. This allows the shareholders to assess the remuneration in light of the past year's achievements and the work of the Board of Directors.</p> <p>The recommendation is therefore not complied with.</p> |
| <p>4.2.3. The Committee recommends that the company prepares a remuneration report that includes information on the total remuneration received by each member of the board of directors and the executive board from the company and other companies in the group and associated companies for the last three years, including information on</p> | <p>The company does not comply</p> | <p>The Company has decided to await the Danish implementation of the Shareholder Rights Directive and the ensuing clarification of the specific requirements for disclosure of individual pay. This will ensure consistency in the disclosed information.</p> |

Recommendation

the most important content of retention and resignation arrangements and that the correlation between the remuneration and company strategy and relevant related goals be explained.

The remuneration report should be published on the company's website.

The explanation for complying partially/not complying with the recommendation

The Company's Board of Directors and Executive Board each consists of several members. The members of each board share certain responsibilities, and tasks are performed by coordinated and concerted efforts.

For these reasons, the Company has decided not to comply with the recommendation to disclose remuneration for individuals.

The period of notice from the Company's side for the members of the Executive Board is up to 24 months. The members of the Board of Directors and the Executive Board do not have a Company-paid pension scheme.

Contracts of employment for members of the Executive Board contain terms customary in Danish listed companies, including termination notice and non-compete clauses. Retention schemes are described above (see 4.1), in the Company's Remuneration Policy and General Guidelines on Incentive Pay.

5. Financial reporting, risk management and audits**5.1. Identification of risks and transparency about other relevant information**

5.1.1. The Committee **recommends** that the board of directors consider and in the management commentary account for the most important strategic and business-related risks, risks in connection with the financial reporting as well as for the company's risk management.

The company complies

The Board of Directors determines and oversees the framework for management of risks. The Audit Committee monitors the execution of risk management processes and the management of key risks. Every year, the Executive Board establishes the key risks pertaining to the business plan based on a comprehensive risk assessment. The Executive Board appoints a risk owner (an Executive Board member) for each key risk to oversee the management of the risk, including the preparation and execution of mitigation action plans. The risk owner presents and discusses the plans with the Executive Board and the Audit Committee in designated risk deep dive sessions. A description of the Enterprise Risk Management framework is included in the Annual Report.

5.2. Whistleblower scheme

5.2.1. The Committee **recommends** that the board of directors establish a whistleblower scheme for expedient and confidential notification of serious wrongdoing or suspicions thereof.

The company complies

The Company has established a global whistleblower scheme which allows for confidential and anonymous notification of possible or suspected wrongdoings. More information about the whistleblower scheme is available in the Company's Sustainability Report.

Recommendation
The explanation for complying partially/not complying with the recommendation

5.3. Contact to auditor

5.3.1. The Committee **recommends** that the board of directors ensure regular dialogue and exchange of information between the auditor elected by the general meeting and the board of directors, including that the board of directors and the audit committee meet with the auditor elected by the general meeting at least once annually without the executive board present. This also applies to the internal auditor, if any.

**The company
complies**

The dialogue between the Board of Directors and the auditors is ensured partly via the statutory Auditor's Long-form Report, partly via the Audit Committee reporting to the Board of Directors after each Audit Committee meeting. The auditors attend the Board of Directors' meeting at which the Annual Report is evaluated. The members of the Audit Committee meet with the auditors as well as with the head of internal audit several times a year with and without the Executive Board being present.

5.3.2. The Committee **recommends** that the audit agreement and auditor's fee be agreed by the board of directors and the auditor elected by the general meeting based on a recommendation from the audit committee.

**The company
complies**