

# Annual Remuneration Report 2019

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# Introduction

Maersk embarked on the strategy of becoming a global container transport and logistics company, transforming to an integrated company and building on our strong position in container shipping, ports and container-based land-side logistics. Our vision is to help our customers connect and simplify their global supply chains by delivering end-to-end logistics solutions, leveraging the opportunities of digital technology to improve the customer experience.

To support the achievement of this vision, we are leading the transformation of the industry. The ambition of the transformation is to deliver profitable growth to maximise shareholder value, while enabling competitive, simple and sustainable global trade.

We passed several milestones of our transformation plan in 2019. Our business performance met the expectations, the financial performance was improved, and the overall outcome was assessed at 119% of target. Our key financials, including EBITDA, cash return on invested capital and gross profit of Logistics & Services, were in line with expectations, even though the macroeconomic conditions continued to weaken throughout the year.

The total remuneration of the Executive Board members is tied to the overall business performance, and how Maersk is progressing towards delivering stable financial performance while at the same time transforming our business to become the global integrator of container logistics.

This Remuneration Report provides a summary of our Remuneration Policy and detailed information of how it has been implemented for our Board of Directors and Executive Board in 2019. More information regarding our business strategy and 2019 performance can be found in the Annual Report.

## Remuneration Committee priorities in 2019

Realising our growth ambition requires a dedicated, passionate leadership team working together to achieve results, and our remuneration packages are designed to promote these behaviours and reward the achievement of business goals. In 2019, the Remuneration Committee (the Committee) focused on the following:

- Evaluating the market competitiveness of Maersk's executive remuneration arrangements.
- Setting key performance measures and targets for the short-term incentive.
- Ensuring the continuity of long-term incentive arrangements in the context of the Maersk Drilling demerger.
- Considering changes and the long-term improvement of the Remuneration Policy.

## Looking ahead to 2020

In 2020, the Committee will undertake a review of the long-term incentive plan to ensure that it continues to support our business strategy and Remuneration Policy objectives, while also enabling the attraction and retention of executive leaders.

In line with the Danish Companies Act, our goal is to support shareholder engagement and provide transparency around executive remuneration. We are mindful of the amended remuneration disclosure requirements that form part of the Danish Companies Act from 2020 onwards. Because of these changes, and to create transparency on our Remuneration Policy and its implementation in 2019, we have already adopted several disclosure requirements ahead of the required reporting deadline.

## Remuneration Policy summary

The Incentive Guidelines and Remuneration Policy (jointly referred to as "the Policy") applicable to members of the Executive Board and Board of Directors for 2019 were approved by the shareholders of A.P. Møller - Mærsk A/S (the "Company") at the Annual General Meeting (AGM) in 2018.

Remuneration consists of a fixed base salary, a short-term incentive and long-term incentives to ensure a link between remuneration and business performance – both in the short and long-term.

The Policy, including the purpose and key aspects of each of the remuneration elements, is summarised in Table 1.

Considering the new requirements listed in Section 139a of the Danish Companies Act, the Board of Directors will present a revised Remuneration Policy for approval at the AGM 2020. Subject to AGM approval, a full version of the Remuneration Policy will be available under the "Corporate Governance" page on our Company website.

**Table 1 Remuneration Policy 2019 summary**

Component	Purpose and link to strategy	Size of the award
<i>Board of Directors</i>		
Fixed fee	Attracts individuals with a broad range of experience and skills; rewards Board of Directors members for setting strategy and overseeing its implementation.	Fixed fees are set to reflect the role of each Board of Directors member in terms of requirements and responsibilities.
Shareholding requirement	Aligns the interests of the Board of Directors members and shareholders.	The share purchasing is at the Board of Directors member's own account.
<i>Executive Board</i>		
Base salary (inclusive of pension and company car)	Recognises market value, the nature of the role in terms of scale, complexity and responsibility and the Executive Board members' experience, sustained performance and contribution.	Subject to annual remuneration review, it may change in the context of the individual's long-term performance, market pay positioning and consideration of wider employee group.
Short-term incentive	Rewards the achievement of annual Company goals guided by the long-term business strategy.	Up to 50% at target and 100% at maximum of the base salary.
Long-term incentives	Links executive remuneration to the achievement of long-term shareholder value creation and supports the retention of the executives.	<p>It is delivered through the Restricted Shares and Stock Options plans.</p> <ul style="list-style-type: none"> <li>• Restricted Shares: set as a fixed amount on individual level but up to 25% of the base salary. Lapse in case of resignation.</li> <li>• Stock Options: 25% of base salary. The exercise price is set at 110% of the grant share price. Lapse in case of termination of employment.</li> </ul> <p>The actual value is directly linked to the share price development and there are no additional performance measures.</p>
Benefits	Provide for the Executive Board members' health and welfare needs; certain benefits may be provided to support relocation if applicable.	As per the respective benefits policy and may vary on individual level.

## Remuneration peer group

As we compete for high-calibre talent, remuneration remains as one of the enablers to attract and retain desired individuals by offering an appropriate level of remuneration against market practice of a predefined peer group.

The remuneration peer group is guided by looking at the market where we compete for talent, and it consists of European and Nordic peer companies. The companies are selected based on the size and complexity while excluding financial services companies.

## Remuneration report – Board of Directors

### Fixed fee

Members of the Board of Directors ("the Board") receive an annual fixed fee, which varies based on their role.

additional duties beyond the normal responsibilities of a Board member receive an additional annual fee.

The fee for the Chairman of the Board is inclusive of committee work and all other additional duties. Other Board members serving on Board committees or performing

Table 2 outlines the total remuneration awarded to the Board for their Board and Committee(s) work in the financial year 2019, subject to approval at the 2020 AGM.

Table 2 Total fixed fee – Board of Directors (DKKm)

Name	Annual Board fee	Committee fee(s)	Total
Jim Hagemann Snabe (Chairman)	7.00	-	7.00
Ane Mærsk Mc-Kinney Ugglå (Vice Chairman)	1.90	0.15	2.05
Arne Karlsson	0.95	0.60	1.55
Dorothee Blessing	0.95	-	0.95
Niels Bjørn Christiansen	0.95	0.41	1.36
Jacob Andersen Sterling	0.95	-	0.95
Thomas Lindegaard Madsen	0.95	-	0.95
Robert Mærsk Ugglå	0.95	0.45	1.40
Bernard L. Bot <sup>1</sup>	0.71	0.23	0.94
Marc Engel <sup>1</sup>	0.71	0.06	0.78
Jan Leschly <sup>2</sup>	0.32	-	0.32
Robert J. Routs <sup>2</sup>	0.32	0.20	0.52

<sup>1</sup> Joined the Board of Directors on 2 April 2019.

<sup>2</sup> Retired from the Board of Directors on 2 April 2019.

## Remuneration – Executive Board

### Remuneration mix

Traditionally, the composition of the remuneration elements for the Executive Board has been heavily leaning towards base salary in line with what was, and to some extent still is, the common practice in the Nordic market.

common in the European market although the proportion of variable pay has increased over the last years.

As our industry continues to be volatile and highly dependent on external factors, the base salary of our Executive Board members weighs slightly heavier than what is

In line with our strategy, our ambition is to transform the business to become less impacted by external factors. In this connection, the Board intends to review the overall remuneration structure with a focus to strengthen the link between pay and performance, as well as the need for a long-term commitment from the Executive Board

members. This will be achieved by adjusting the proportion of the short-term and long-term incentives over time, leading to a more market-aligned pay mix.

Chart 1 shows the remuneration mix at target level for current Executive Board members as per 31 December 2019. While the balance today is close to 50% base salary and 50% on a combination of short-term and long-term incentives, the intent in the coming years is to adjust the pay mix primarily through the long-term incentives.

### 2019 Remuneration at a glance

Table 3 presents the remuneration awarded to the Executive Board members by element in financial year 2019. The short-term incentive will be paid out in April 2020. The long-term incentive information provided here deviates from that of the 2019 Annual Report.

Chart 1 Pay mix at target (DKK m)

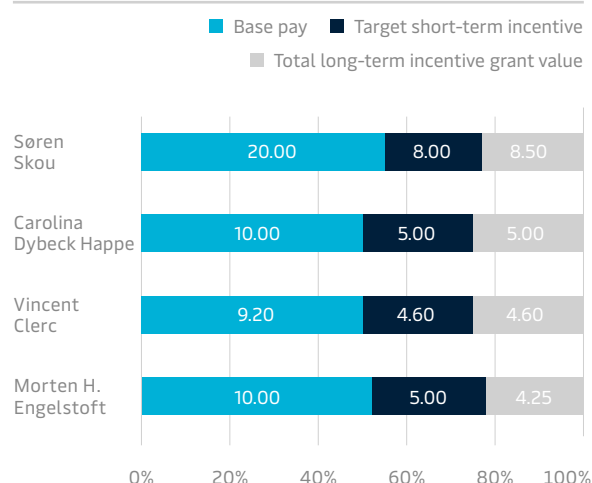


Table 3 Total remuneration – Executive Board (DKK m)

Name	Position	Base salary	Short-term incentive (achieved)	Restricted Shares (value at grant)	Stock Options (value at grant)	Benefits	Other payments	Total remuneration
<i>Current member</i>								
Søren Skou	CEO	20.00	9.52	3.50	5.00			38.02
Carolina Dybeck Happe <sup>1</sup>	CFO	10.00	5.95	2.50 (Lapsed)	2.50 (Lapsed)	0.15	3.44	19.53
Morten H. Engelstoft	CEO, APM Terminals	10.00	5.95	1.75	2.50			20.20
Vincent Clerc <sup>2</sup>	CEO, Ocean & Logistics	8.30	4.94	1.89	2.08	0.29		17.49
<i>Former member</i>								
Claus V. Hemmingsen <sup>3</sup>	Vice CEO & CEO of Energy Division	12.00	3.21				2.40	17.61
Søren Toft <sup>4</sup>	COO	8.30	4.18	1.75 (Lapsed)	2.00 (Lapsed)	1.33		13.81
Jacob Stausholm <sup>5</sup>	CFO	6.91					4.00	10.91

1 Carolina Dybeck Happe joined as CFO on 1 January 2019. In line with market practice to offer sign-on awards to attract targeted individuals, the Company offered a cash award to compensate Carolina Dybeck Happe for awards foregone when she joined. This cash award is included under "Other payments". The company provided relocation support and the cost is included as "Benefits" in the table above. Carolina Dybeck Happe served notice of termination in November 2019. Granted Stock Options and Restricted Shares in 2019 were lapsed in accordance with the terms and conditions of the incentive plans, and therefore excluded from the total remuneration reported in the table above.

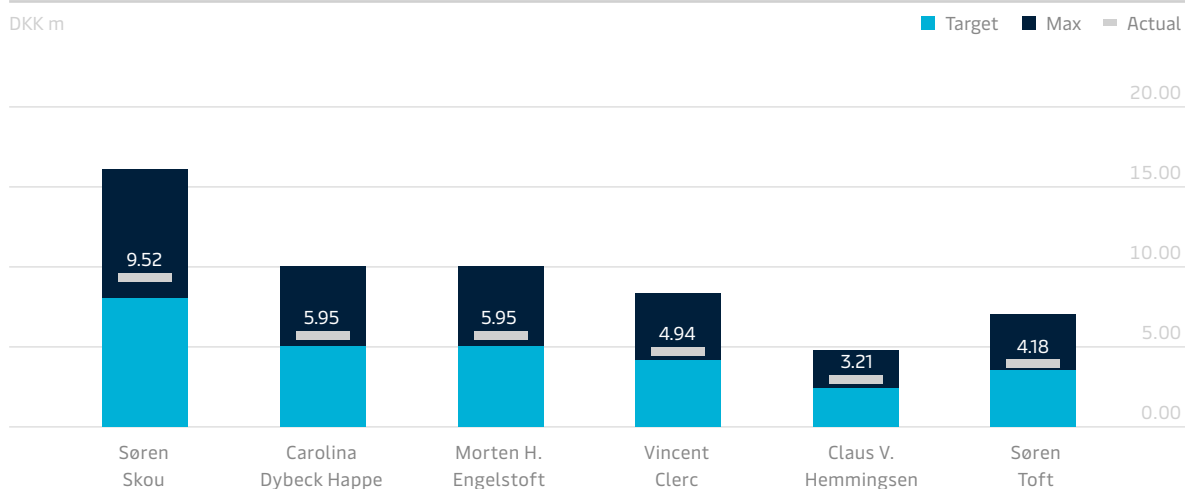
2 Vincent Clerc's benefits value presented in the table above is pertaining to the schooling support which has been part of his contractual terms before the appointment to the Executive Board.

3 Claus V. Hemmingsen stepped down from the role of Vice CEO on the Executive Board on 30 June 2019 and his employment will cease on 30 June 2021. He will continue to receive base salary until the end of June 2021 in accordance with our Remuneration Policy and his service contract, and a prorated short-term incentive pay-out up until June 2019, based on the defined annual scorecard of the Energy Division. Awarded Stock Options and Restricted Shares lapse/vest as per the general terms and conditions of the incentive plans. An additional severance payment as per the exit agreement is included as "Other payments" in the table above.

4 Søren Toft resigned from the role as COO on 11 November 2019. Søren Toft was released of his duties immediately. He will receive his base salary up until 30 November 2020 and prorated short-term incentive up until 11 November 2019. Granted Stock Options and Restricted Shares in 2019 were lapsed in accordance with the terms and conditions of the incentive plans and therefore excluded from the total remuneration reported in the table above. In accordance with the benefit policy, which is also applicable to the wider employee population based in Denmark, a seniority compensation of two months' base salary was awarded as a gratuity for Søren Toft's 25th anniversary and is presented as "Benefits" in the table above.

5 Jacob Stausholm, the former CFO, left the role on 31 March 2018 and receives a base salary amount until the end of March 2020 after a proportional offset from his new job pay. Jacob Stausholm was not entitled to any short-term and long-term incentive awards in 2019. The additional severance payment made in 2019 in accordance with the exit agreement is included as "Other payments" in the table above.

## Chart 2 2019 Short-term incentive pay-outs (Actual vs. target and maximum)



In 2019, Claus V. Hemmingsen had an annual scorecard with specific deliveries of the Energy Division reflecting the strategic focus to complete the structural solutions for the oil and oil-related businesses. The 2019 performance of the Energy Division was assessed by the Board at 135% of target as opposed to 119% applied to the remaining Executive Board.

In the Annual Report, long-term incentive amounts are provided based on accounting rules, whereas the values in this Remuneration Report represent the value at the time of grant, which is considered part of the total annual target remuneration.

### Pay for performance – Short-term incentive

The short-term incentive, also known as the cash bonus, is closely aligned with our pay-for-performance philosophy. It provides Executive Board members with an opportunity for an annual cash award that rewards the achievement of defined Company performance targets for the relevant financial year.

For 2019, the Committee has undertaken a rigorous exercise to ensure that the determination of annual short-term incentive measures is aligned with the long-term business plan, and that annual performance targets are sufficiently challenging to achieve in the context of the Company's business strategy and wider market analysis.

### Alignment with strategy

Our 2019 performance was assessed against a global scorecard, which consisted of five performance measures. The measures are a combination of consolidated financial figures for continuing business, acting as trailing indicators for performance over time as well as strategic priorities as relevant leading indicators for Maersk's transformation.

Table 4 outlines the performance measures determining the 2019 short-term incentive pay-out.

### 2019 Short-term incentive performance and pay-outs

Annual performance is expressed as a score ranging between 0 and 200, where 100 is target, 0 is threshold and 200 is outstanding performance.

The 2019 scorecard achievements are based on deliverables against the five performance measures and respective targets. The Board has reviewed the 2019 performance and approved it as above expectation at 119% of target, reflecting improved financial performance and transformation progress.

Accordingly, the 2019 performance led to annual bonus outcomes greater than target level. The pay-out level of each member is further shown in Chart 2.

To emphasise the need for all Maersk employees to work closely together to deliver on the Company's aspirations, we have implemented one global short-term incentive plan in 2019, in which many of our workforce participate. Although the target performance levels and pay-out opportunities vary depending on job level and geographic location, actual bonus pay-out levels for this group of employees are based on the same annual business performance measures shown in Table 4 for the Executive Board members.

### Table 4 2019 Short-term incentive measures

Value driver	Performance measures
Group financial performance	Cash Return on Invested Capital
	EBITDA
Transformation	Non-Ocean Revenue Growth
	Logistics & Services Gross Profit
	Transformation Progress

## Long-term incentives

In line with our Policy, Executive Board members received annual grants under the long-term incentive plans in 2019, in the form of Restricted Shares and Stock Options.

In May 2019, in connection with the demerger of Maersk Drilling, the Board exercised its right to adjust the unvested Restricted Shares and Stock Options granted under the former A.P. Møller - Maersk structure, which Maersk Drilling was a part of, to maintain the same fair value of the awards. This adjustment was completed in accordance with the general terms and conditions, and the methodology and calculations were reviewed by external advisors from Willis Towers Watson and PricewaterhouseCoopers.

The number of unvested Restricted Shares was increased by 13%. The number of Stock Options remained the same, however, the exercise price was revised to keep the same fair value per option. The exercise prices for 2017, 2018 and 2019 were adjusted to DKK 10,630, DKK 9,435 and DKK 7,670, respectively, as opposed to the previous prices of DKK 12,791, DKK 11,524 and DKK 9,550.

Table 5 presents the annual grant value of share-based long-term incentive awards for each Executive Board member after the demerger adjustment.

**Table 5 Long-term incentive grant 2019 (after the adjustment made for the Maersk Drilling demerger)**

Name	Restricted Shares						Stock Options					
	Grant year	Grant date	Grant share price <sup>1</sup> (DKK)	Grant value <sup>2</sup> (DKK)	No. of shares <sup>3</sup>	Vesting date	Grant value <sup>2</sup> (DKK)	No. of options	Option value <sup>4</sup>	Exercise price <sup>5</sup> (DKK)	Vesting date	Expiry date
<i>Current member</i>												
Søren Skou	2019	01 April 2019	8,682	3,500,000	455	01 April 2024	5,000,000	2,805	1,782	7,670	01 April 2022	01 April 2025
Carolina Dybeck Happe <sup>6</sup>	2019	01 April 2019	8,682	2,500,000	324	-	2,500,000	1,402	1,782	7,670	-	-
Morten H. Engelstoft	2019	01 April 2019	8,682	1,750,000	227	01 April 2024	2,500,000	1,402	1,782	7,670	01 April 2022	01 April 2025
Vincent Clerc	2019	01 April 2019	8,682	1,750,000	227	01 April 2024	2,000,000	1,122	1,782	7,670	01 April 2022	01 April 2025
	2019	23 December 2019	8,682	137,500	17	01 April 2024	75,000	41	1,782	7,670	01 April 2022	01 April 2025
<i>Former member</i>												
Søren Toft <sup>6</sup>	2019	01 April 2019	8,682	1,750,000	227	-	2,000,000	1,122	1,782	7,670	-	-
Claus V. Hemmingsen	Not eligible for 2019 grant											
Jacob Stausholm	Not eligible for 2019 grant											

1 The "grant share price" is set before the demerger of Maersk Drilling, as the volume-weighted average share price of A.P. Møller - Mærsk A/S B shares, traded on NASDAQ Copenhagen on the five trading days immediately following publication of the Company's 2018 Annual Report.

2 The grant value corresponds to the individual's long-term incentive entitlement as a percentage of their base salary or fixed amount per their contractual terms. The number of Restricted Shares awarded is calculated based on the grant value divided by the grant share price, and the number of Stock Options is determined based on the grant value divided by the fair value per stock option using the Black Scholes Valuation Model.

3 The number of shares presented is after the upwards adjustment of 13% in connection with the demerger of Maersk Drilling to retain the same value at the time of the grant.

4 Black Scholes Valuation Model and the valuation parameters applied for 2019 grants are A) Historic share volatility of 32.1% based on the last 10 years; B) Dividend of DKK 150 per share; C) Time to maturity set as 80% of the total option maturity; D) Interest rate based on the Danish Government Bonds' 5-year and 10-year yield (-0.360% for 5 years and -0.280% for 5.75 years); E) Grant share price and exercise price as shown in the table above.

5 The exercise price presented is the adjusted price in connection with the demerger of Maersk Drilling to retain the same option value at the time of the grant.

6 The 2019 awards lapsed due to resignation.