

ALL THE WAY

2022

A.P. Moller - Maersk Tax Report

Strategy

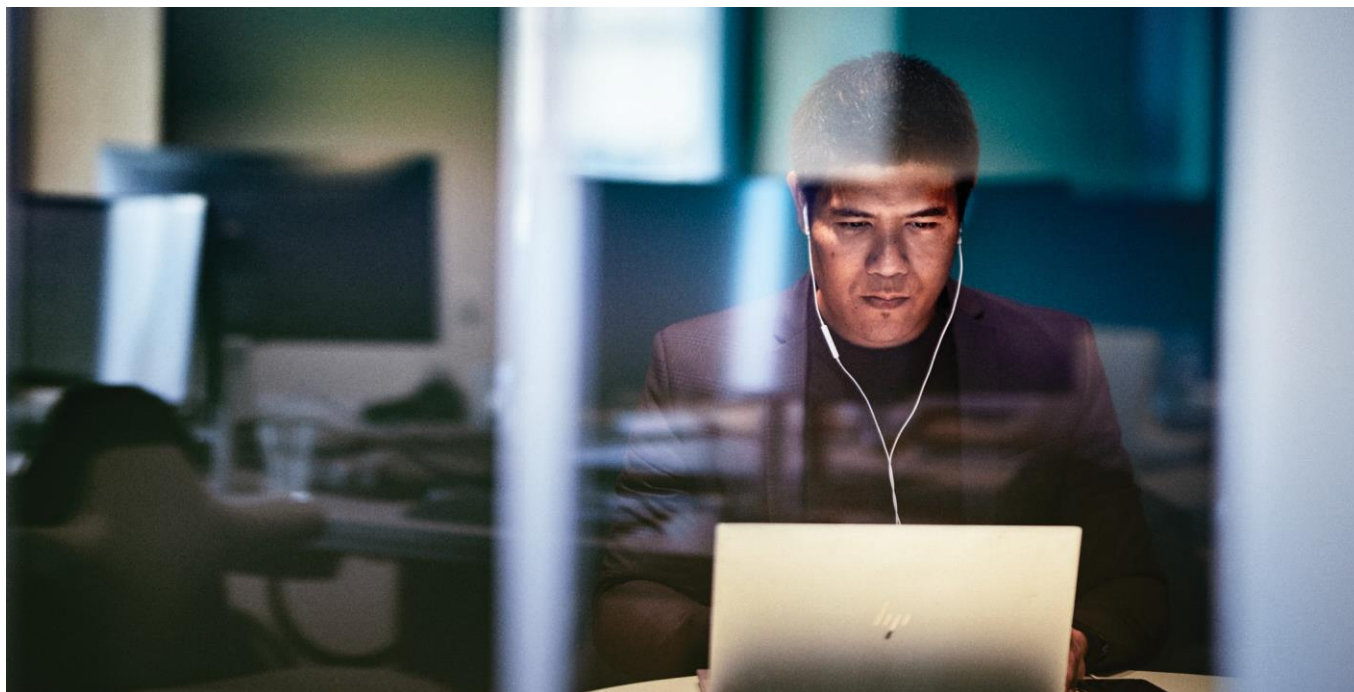
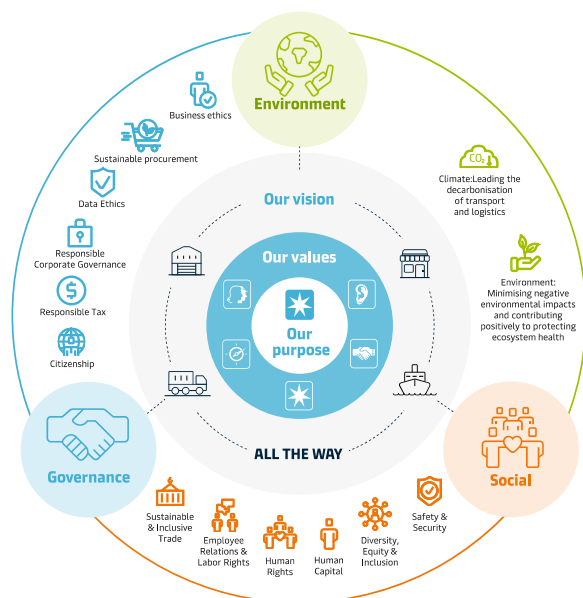
2022 marked the fifth year of A.P. Moller - Maersk's transformation from a diversified conglomerate to be the global integrator of container logistics, connecting and simplifying customers' supply chains. Despite the highly dynamic market situation, progress throughout 2022 continued to be strong, with customers rewarding A.P. Moller - Maersk with managing an increasing share of their logistics business. The strength of A.P. Moller - Maersk's strategy has carried the company through two years of significant supply chain disruptions and has positioned A.P. Moller - Maersk well to tackle the further challenges the industry and its customers will face in light of the shifting economic outlook.

With most of the foundational work that has characterised these first years of the transformation journey rapidly completing, the group is shifting more weight on efforts to build infrastructure and proprietary technology that will create direct value for customers. This includes providing customers comprehensive visibility of their supply chain along with greater control. Data and AI-optimised solutions are key to this next phase of the transformation journey.

As a global leader within transport and logistics, A.P. Moller - Maersk takes the responsibility to customers, society and the environment very seriously. ESG is core to the purpose of the company, an integral part of the business strategy, and a prerequisite for success of the Global Integrator.

Building on many years of sustainability progress, our ESG strategy charts an even more ambitious course and establishes ESG as core to our purpose, intrinsic to our strategy and operations. During 2022, our main focus has been on ensuring strong governance across and within each of our 14 ESG categories whereas Responsible tax is one of them (see illustration).

For further information on our ESG work and strategy, please refer to the Maersk Sustainability Report on [Maersk.com](https://www.maersk.com/sustainability).



Core Values

Our company builds on an impressive heritage of pioneering success and growth. Our long legacy and our Values guide our business every day and ensure that we can do business tomorrow. Our Maersk Core Values are embedded in the way we work and form the foundation for our Tax Principles.



Constant Care

Take care of today, actively prepare for tomorrow

Whether solving today's challenges or exploring opportunities to shape the future, we anticipate, innovate, and strive to improve everything we do.



Humbleness

Listen, learn and share to create value for others

We stay curious, open-minded and respect other perspectives, always seeking to learn from each other, our customers and the world around us. We only succeed together.



Uprightness

Our word is our bond

Every day, we earn the trust of our customers and partners. They can rely on us to keep our promises and do the right thing, even when it's hard. We speak openly and honestly, and always act with integrity.



Our Employees

The right environment for our people

Connected by real purpose, we create opportunities to grow, develop and exceed expectations. We win together as a diverse and global workplace where people feel safe, valued and empowered.



Our Name

Everything we stand for

Our name is a promise and a commitment to trust and excellence. We are all ambassadors representing and safeguarding the Maersk name, striving for a more sustainable and integrated world.

Message from the CFO

Maersk acts responsibly and with integrity in all tax matters, ensuring full compliance in every jurisdiction across the world in which we operate. We work closely with tax authorities to ensure that we fully disclose relevant information and pay the correct amount of taxes whilst balancing our obligations towards our shareholders. In accordance with our ESG strategy we are committed to ensure responsible business practices both now and in the future. In this report we provide insights into our responsible tax principles and go beyond current statutory disclosure obligations, to increase understanding of this complex area.

We believe that integrating the world through global trade has a positive impact on society. We also recognise the importance of the taxes applicable to the activities that we perform as a business. Well-functioning tax systems, both locally and internationally, help finance education, healthcare, transport, infrastructure and other public services that support sustainable development, local societies, businesses and trade. This aligns with our mission to improve life for all by integrating the world.

We have taken a position in the fight against global warming and for shipping we are suggesting a global carbon price combined with a fuel standard and other measures¹. We are aware that the solution needed may involve multiple mechanisms, including carbon taxation, and we are ready to endorse effective global initiatives.

¹A.P. Moller – Maersk position paper: "IMO – need for strong leadership to decarbonize global shipping": [imo-position-paper \(2\).pdf](#)

We support both international and domestic political endeavors towards meaningful and effective taxation, securing a level playing field for fair competition. We continue to support and engage, where relevant, in the OECD's process of addressing the issues of tax base erosion and profit shifting. Currently we are preparing for the implementation of the OECD Pillar two in our organisation. We support the EU public Country by Country directive and will comply when implemented by the EU member states. In this report we disclose our corporate income taxes paid per country, region and business for 2022.

As a founding member, we endorsed the Responsible Tax Principles of the B Team and aim to offer greater transparency into our approach to tax. In our effort to meet stakeholder's expectations, we are also guided by other reporting standards and new developments on ESG reporting.

Patrick Jany

Chief Financial Officer

Taxation of activities

Overview

As a global Integrator of container logistics, we generate profits from ocean, air and land-based activities.

Our land-based activities, which are subject to regular domestic corporate income tax, include terminals, logistics, services and shipping agencies, through which we operate one of the world's most comprehensive port and integrated logistics service networks. Our portfolio of 66 terminals handle around 30,000 vessel calls and 37 million TEUs per year.

Our logistics products now include transportation, warehousing and distribution – including cold storage, customs services and supply chain management services. The expanding land-based activity has continued to prompt the establishment and acquisition of entities in numerous countries.

On the ocean, we move over 24 million TEUs (Twenty Foot Equivalent Units) every year and operate 707 vessels delivering cargo to every corner of the globe, including dry cargo commodities, refrigerated

cargo and dangerous cargo. During 2022 our ocean activity has been subject to unprecedented circumstances, resulting in abnormally high revenue and profit from international shipping activities. This international shipping income may be subject to special shipping tax rules, including tonnage and freight taxes. Accordingly, taxation of our ocean-based business activities is further described in this document.

International Shipping Activities and global tax reform

For our land-based activities income is taxed in the country where activities are carried out and operations are conducted. By contrast, shipping income is generated by vessels providing services on the high seas (international area), calling at multiple ports across the globe. Consequently, the application of normal country-based taxing rights is problematic and allocation to many jurisdictions is highly complex.

A pragmatic solution has long been established through international consensus whereby the taxation of international shipping income is outlined in Article 8 of the OECD Model Tax Convention ("Shipping Article"). Under the Shipping Article, activities are taxable in the

jurisdiction where the operating (liner) entity is resident. Within Maersk, this is predominantly in Denmark, but also in Singapore, Hong Kong, Brazil and the United States of America. Many countries have adopted this approach, enabling a longstanding and a well-functioning multilateral shipping taxation system.

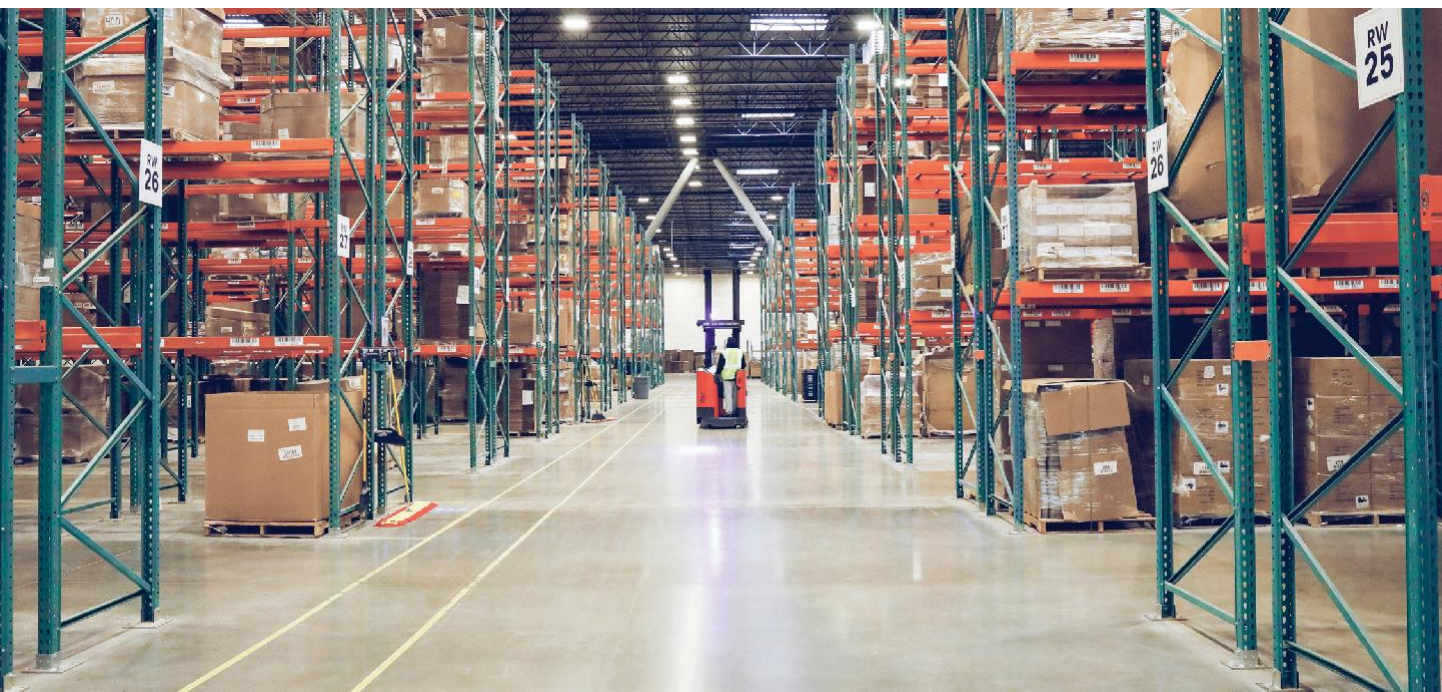
International top-up tax (OECD Pillar two)

The OECD Pillar two model rules are designed to ensure that multinational enterprises, with an annual global turnover exceeding EUR 750 million, pay a minimum effective tax rate of 15% on income arising in each jurisdiction where they operate.

The APMM Group, together with A.P. Moller Holding A/S as the ultimate parent entity (UPE), is resident in Denmark. Therefore, we will be covered by the Danish implementation of the EU Minimum Directive, adopted in December 2022, implementing the OECD Pillar two model rules in the EU.

Whilst the non-shipping income of our Group will be included, in line with the OECD framework report, "International Shipping" income is expected to be excluded. However, the current Pillar two definition of "International Shipping" does not align with that included in Article 8 of the OECD Model tax convention. The current wording shows deviation, which may result in elements of International Shipping income being subject to a top-up tax.

Considering that the initial compliance is proposed for FY2024, we are preparing our organisation to collect the relevant data for this comprehensive global administrative exercise. Whilst the EU directive has not yet been adopted, some jurisdictions have commenced the implementation of the OECD Pillar two model rules.



Reallocation of tax base (OECD Pillar one)

According to the current OECD draft, a Group is in scope for Pillar one where, in any fiscal year, the revenue of the Group exceeds EUR 20 billion and the pre-tax profit margin is greater than 10% on average across five years and, also, in two out of the four prior years. If requirements are met, 25 % of the residual profit (i.e. that above the 10% profit margin) is eligible for taxation in the "Market Jurisdictions", as defined by the rules.

By contrast to Pillar two, OECD Pillar one does not provide any exclusion for International Shipping income which therefore partly erodes the impact of the "Shipping article", as the taxing rights are reallocated from the jurisdiction where the ship-owning and operating entity is resident to the Market Jurisdictions. Although the intention of Pillar one is merely to reallocate the tax base between countries, for International Shipping income, it may result in additional tax payments in the "market jurisdictions".

Tonnage Tax

To encourage ship registration in Europe and ensure global competitiveness of the European maritime industry, the EU has approved a specific shipping tax regime. This is normally referred to as Tonnage Tax. Ambiguously, Tonnage Tax is a methodology to determine taxable income, not a tax. The tax basis is calculated using the net tonnage of the entire fleet of vessels operated by a liner. Normal corporate income tax is then applied to this income e.g. in Denmark at 22%. As a result, taxes due by liner entities are stable and independent of the actual commercial profit or loss.

Under the Tonnage Tax regime, no credit is given for losses and, despite massive capital investments in containers and vessels, no tax deductions are granted for depreciation or operating expenses. Given the cyclical nature of the industry, the Tonnage Tax regime in Denmark is for a mandatory period of 10 years, with no option

to withdraw until the end of the period. For Maersk, the previous regime ended on 31 December 2021 and a further 10-year period has commenced from 2022.

Freight Taxes

In addition to Tonnage Tax, in many jurisdictions, liner entities also pay corporate taxes based on various metrics e.g. a deemed profit margin on turnover linked to export volumes. These are collectively referred to as "Freight Taxes".

Corporate Income Tax

Land-based activities are taxed in the country where activities are carried out and operations are conducted e.g. terminals, depots, shipping agencies and warehouses. Local legislation dictates both the computation of taxable income and taxation thereon, with corporate income taxes being paid to local tax authorities. During 2022, the tax expense on land-based activities amounted to approximately 37% of attributable profits.

Tax Charge v Tax Paid

In accordance with standard accounting principles, the tax charge in our Annual Report is the amount of corporate income tax the Group expects will be due on current year profits. In addition, the tax charge includes prior year tax adjustments, arising when returns are finalized, typically the following year. Corporate income taxes paid in any year may relate to corporate tax liabilities for prior, current or future periods and will therefore be different to the reported annual tax charge.

Tax Paid

For the third year in a row, we are disclosing the tax paid by country, in accordance with the OECD Country by Country Reporting (CBCR) principles. The world map on page 9 shows total corporate income taxes paid of \$801m, by country and per region in 2022, where greater than \$5m. Where entities pay taxes in multiple overseas countries, CBCR dictates that these should be attributed to the resident jurisdiction of the entity. Consequently, some overseas taxes e.g. Freight Taxes are attributed to the jurisdiction of liner residence, not the jurisdiction of payment.

Both the tax charge and taxes paid relate to corporate income, withholding tax, tonnage tax and freight taxes. Other taxes e.g. VAT, GST, employee taxes and tax on dividends to shareholders are not included. Further details on corporate income tax are contained in the tax notes to our Annual Report.

Associates and Joint Ventures

Under accounting standards, taxes paid by our associated companies and joint ventures are not included either in the tax charge or tax paid. For CBCR these amounts are separately disclosed by country. For simplicity, the tax paid analysis on page 8 reconciles to that in our Financial Statements and therefore deviates from our CBCR disclosures.



Effective Tax Rate

As explained above, our shipping activity is subject to various tax regimes, including Tonnage Tax, which calculate corporate income tax based on the net tonnage of the fleet. These regimes apply to the vast majority of APMM's activities and result in a stable annual Tonnage Tax liability, irrespective of financial profits or losses. Consequently, the Effective Tax Rate (ETR) metric, which normally measures tax costs against profit, can fluctuate significantly. This is demonstrated in Table 1 to the left, which includes data on continuing operations from our 2022 Annual Report. Table 2 specifically shows the tax incurred on our shipping income and the ETR for our Ocean Segment.

The 2022 tax charge amounts to US\$910m and mainly consists of corporate income tax (US\$265m) on land-based activities (excluding agencies), in addition to taxes (US\$645m) on income from Ocean activities (including agencies). The exceptional shipping result in 2022 has altered our business mix, such that it now represents approximately 96% of group profit. Consequently, despite incurring 22% corporate income taxes on Land-based activities (excluding agencies), our overall ETR is unusually low at 3,0%.

Table 1

	2022	2021	2020	2019	2018	2017
Continuing Operations						USD Million
Profit/ (loss) before tax	30.231	18.730	3.307	967	-357	-214
Tax	-910	-697	-407	-458	-398	-232
Profit/ (loss)	29.321	18.033	2.900	509	-755	-446
Effective Tax Rate	3.0%	3.7%	12.3%	47.4%	-111.5%	-108.4%

Table 2

	2022	2021	2020	2019	2018	2017
Ocean (OCE)						USD Million
Profit/ (loss) before tax	29.043	16.973	2.179	103	-299	67
Tax	-645	-249	-141	-128	-134	-113
Profit/ (loss)	28.398	16.725	2.038	-25	-433	-46
Effective Tax Rate	2.2%	1.5%	6.5%	124.4%	-44.9%	168.5%

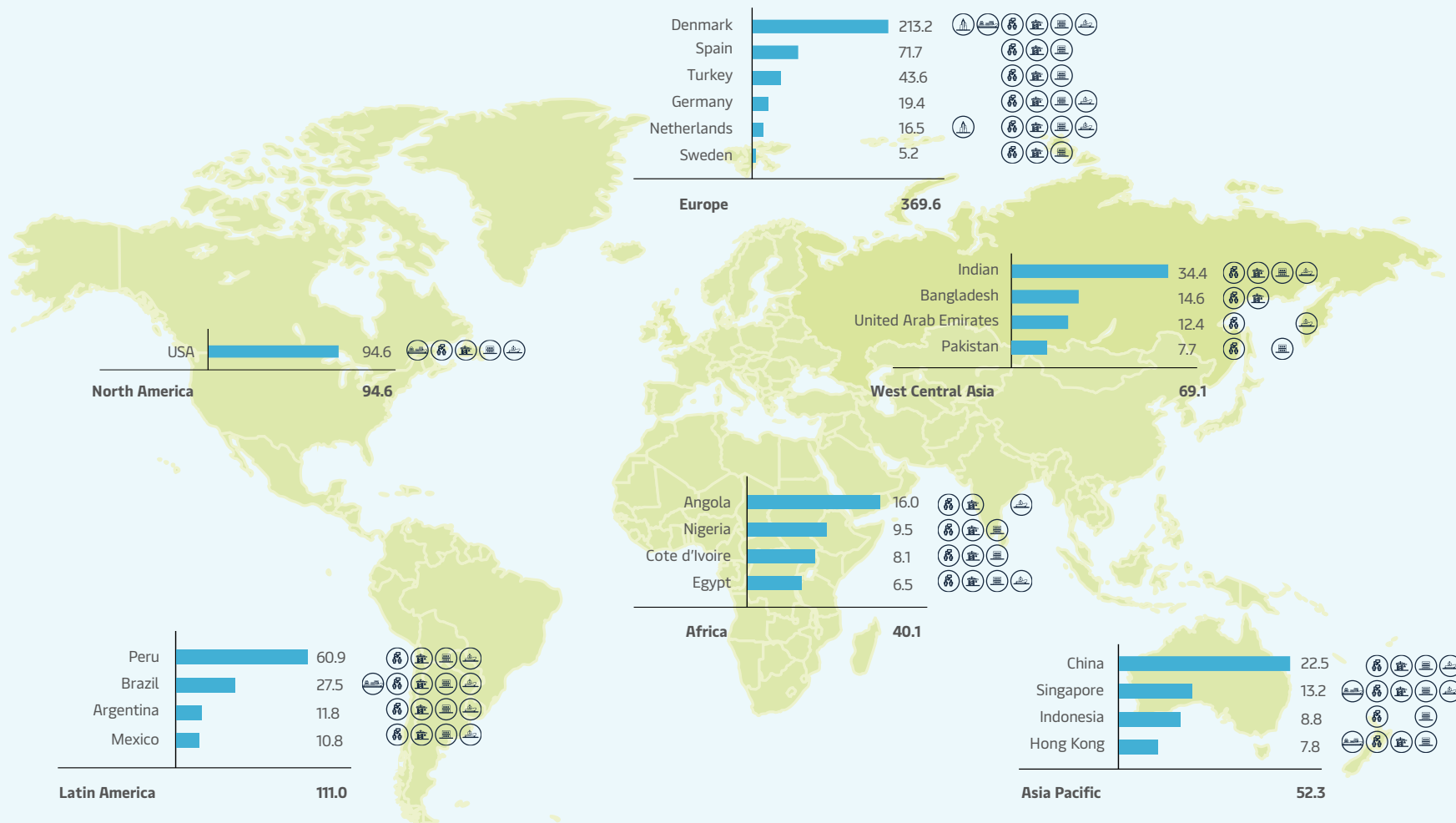
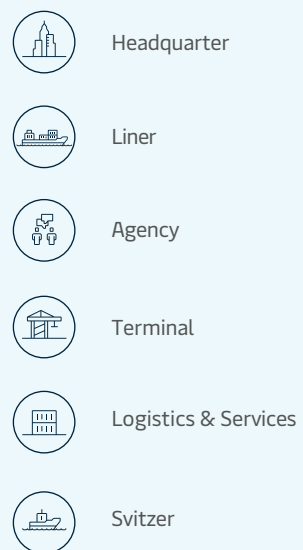
2022 Tax Paid Per Country Over US\$5m

2022 Total Tax Paid amounts to US\$ 801m.

Tax Paid over US\$ 5m per country totals US\$ 736.7m (92%).

Tax Paid under US\$ 5m per country totals US\$ 64.3m (8%) across 124 countries.

Amounts in USD Million



Tax approach

We recognize that well-functioning and reliable tax systems finance education, healthcare infrastructure and other public services that support sustainable development, local societies, business and trade.

Our tax strategy is to conduct and manage our tax affairs in accordance with our Tax Principles. These are updated accordingly and approved by the Board of Directors annually and are closely aligned with the Group's core values, code of conduct and business strategy.

We strive to be a compliant and accountable taxpayer with responsible and transparent tax practices to:

- Ensure full compliance with tax regulations in all countries where we operate.
- Manage our tax risk and reputation.
- Continuously engage with our stakeholders on tax matters.



Tax Principles





Accountability & Governance

The Maersk Board of Directors approves our Tax Principles, and exercises governance over our tax affairs, based on the recommendation of our Group CFO. Brand CFO's ensure compliance with our Tax Principles in all entities.

Our tax affairs are managed by the Global Head of Tax, along with a suitably qualified team of tax professionals and supported by external tax advisers. The tax team is organised with both functional and regional leads, making sure that our network of tax professionals represents both tax technical and geographical experts. Our approach to tax risk management aligns with Maersk's enterprise risk management and internal control framework, which includes tax controls. We constantly identify and manage tax risks to ensure adherence to our tax principles. A clear procedure is in place for assessment, management and reporting of identified tax risks. The Tax team reports on both tax risks and tax strategy on a quarterly basis to the executive leadership team. Our tax governance framework is overseen by the Audit Committee of the Maersk Group Board of Directors, with key issues reviewed continuously. Responsible tax governance is considered an essential part of our overall corporate ESG strategy.

Compliance

We aim to comply with relevant tax laws and regulations, including the OECD's arm's length principle, in all jurisdictions in which we operate.

Using tax technology to improve efficiency and accuracy, we seek to provide full and timely disclosures in over 40,000 tax filings and pay the right amount of tax at the right time, whilst ensuring staff keep updated on changing local requirements.

Where the tax regulations, governing business transactions, allow for different interpretations or choices, we will adopt a tax position which is supported by a reasonable legal basis. If a legal interpretation is unclear, we may seek applicable guidance and practice from either external advisors or engage in transparent dialogue with the tax authorities. Only tax positions that we trust are in line with the purpose

of the law and which we are prepared to defend in the appropriate tribunals or courts are adopted.

Given our classification as a large multinational enterprise, we have fully disclosed Country by Country information, as required by the OECD, to the Danish tax authorities. To comply with the EU Cross Border Disclosure rules, known as DAC6, we have implemented procedures to identify and file reportable transactions with the authorities.

Business structure

We operate in over 137 countries through more than 1000+ legal entities, structuring our business in accordance with our commercial and economic needs. We pay tax where value is created, within the boundaries set by legislation and in accordance with relevant authority guidelines. In making commercial decisions, we seek to be tax efficient including the prevention of double taxation, interest charges, tax penalties and pay only tax which is due.

Our legacy as a conglomerate, with multiple business units, actively acquiring and divesting commercial groups, has resulted in structures including entities or operations in low tax countries and/or on the EU non-cooperative tax jurisdictions list. In 2022, we have activities in three of these jurisdictions: 1) in Panama we paid US\$ 1.9m withholding taxes and taxes on a profit of US\$ 6.4m. 2) In Trinidad & Tobago we paid US\$ 53k taxes on a loss of US\$ -23t (the payment relates to previous year). In Bahamas we paid zero taxes on a profit of US \$ 8.2m.²

Effective Danish CFC (Controlled Financial Companies) rules prevent abusive use of such low tax jurisdictions. If there is no business reason to keep these entities our policy is to eliminate them.

² APMM activities in the Bahamas consists only of towage operations, carried out by Svitzer Bahamas Ltd, and, in accordance with domestic legislation, no corporate tax is either due or payable there."

Relationships with Tax Authorities

We maintain trustworthy, transparent and professional working relationships with tax authorities around the world using established procedures and channels for all dealings. In addition to the preparation and filing of required tax returns, we seek early and proactive engagement on transactions, making accurate and timely disclosures in response to appropriate tax authority enquiries. To increase certainty, where feasible, we obtain Advance Pricing Agreements (“APA”) from the relevant tax authorities. Main APA countries in Maersk include China and India. We are also open to co-operative compliance arrangements with tax authorities where this is available.

Where questions or assessments from tax authorities appear not to be legitimate or are based on misunderstandings of fact or the law, we cooperatively work with tax authorities to identify the issues and constructively explore options to resolve misunderstandings. We will only pay tax upon receipt of a lawful demand. Any bribe or payment in kind of tax officials are strictly against Maersk Code of Conduct on which all employees are annually trained and tested.

Seeking & Accepting Tax Incentives

We acknowledge our fiduciary obligations to our shareholders to minimize cost and maximize company earnings. We therefore do not pay more tax than required by law. Incentives are carefully considered where they support investment, employment or economic development and fit within our investment or business strategy.

Supporting Effective Tax Systems

We engage constructively at national and international level, through public consultation, on both responsibly conducted tax practices and sustainable, effective and efficient tax systems. To this end, we actively engage with tax authorities, government policy makers, industry bodies, civil society and international institutions (e.g. OECD & EU). In doing so, we comply with all disclosure requirements in local legislation and seek transparency in all dialogues.

Transparency

Maersk is represented in various associations and committees covering a broad spectrum of tax related matters. On a general level such representation can be divided into three categories;

- 1) Reporting and transparency on sustainable tax (e.g the B-Team),
- 2) General international business taxation (e.g International Chamber of Commerce) and
- 3) Tax on International Shipping activities (e.g World Shipping Council).

Our participation and engagement with stakeholders and associations provides us with insight into impending tax regulations, helping us better meet future expectations as part of our tax risk management.

We will engage in public policy advocacy on tax in line with our corporate values and, depending on the matter, will engage directly with legislative bodies or representative associations to share our input on suggested legislation.

In compliance with local tax transparency requirements, we provide regular information to our stakeholders considering business confidentiality and other legislation e.g. competition law, GDPR, stock exchange provisions etc. Additional information requests from third parties on our tax affairs are appropriately managed and evaluated by our Communications Department.

As part of providing regular information to our stakeholders, including investors, policy makers, employees, civil society and the general public about our approach to tax and taxes paid, we publish the following:

- Sustainability Report
- Annual report 2022
- Company overview (part of the annual report)

Link: [Financial Reports - A.P. Møller - Mærsk A/S \(maersk.com\)](https://www.maersk.com/financial-reports)



A.P. Møller - Mærsk A/S

Esplanaden 50, DK-1098 Copenhagen K

+45 33 63 33 63

www.maersk.com

investorrelations@maersk.com

