

INVESTOR BRIEFING

**ITF PRIORITIES
FOR MAERSK
INVESTORS
2023**

**ENSURING A.P. MØLLER – MÆRSK A/S
DELIVERS ON ITS ESG COMMITMENTS FOR
TRANSPORT WORKERS**

MARCH 2023



ITF

THE INTERNATIONAL TRANSPORT WORKERS' FEDERATION (ITF) IS A DEMOCRATIC, AFFILIATE-LED GLOBAL FEDERATION OF 670 TRADE UNIONS IN 147 COUNTRIES, REPRESENTING OVER 18 MILLION WORKING MEN AND WOMEN IN ALL TRANSPORT SECTORS. THE ITF PASSIONATELY CAMPAIGNS FOR TRANSPORT WORKERS' RIGHTS, EQUALITY AND JUSTICE.

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OVERVIEW

As one of the largest global shipping companies with increasing investment in port terminals and logistics, A.P. Moller - Maersk's environmental, social and governance policies impact on many thousands of workers within global supply chains and across all regions of our planet.

The International Transport Workers' Federation (ITF) engages with the Maersk Group on a range of issues which are priorities for seafarers, dockers and haulage and warehouse workers. Maersk has made welcome public commitments on net zero, respect for human rights and labour rights and achieving a just transition as part of its corporate strategy outlined to shareholders. This briefing for investors analyses the Maersk Group's approach to Environmental, Social and Governance issues. It highlights examples of good practice which our affiliate unions have identified, as well as areas of risk where improvement is needed to deliver on Maersk's stated ESG commitments.

INVESTOR ACTION

Key points that we would like investors to raise in their engagement with Maersk:

- Environment – ensure that the strong focus on achieving net zero includes clear plans for a just transition with genuine worker involvement
- Social – meeting Maersk's existing commitments requires a more consistent approach to respect for labour rights across the whole group and meaningful human rights due diligence which covers the company's operations and supply chains
- Governance – greater transparency over wage differentials and tax.

We recommend that investors support shareholder proposals on respect for human rights and labour rights and tax fairness at the 28 March 2023 AGM

ENVIRONMENTAL

EFFECTIVE PLANNING TO DELIVER A JUST TRANSITION



Maersk are confident that leading customers are willing to pay a premium for green delivery and have signalled to investors that they want to position themselves as cutting their own carbon emissions now and providing customers with sustainable supply chain transport and logistics solutions¹. But investment in green fuel technologies is only part of successfully delivering a solution: it is essential that Maersk demonstrates the active involvement of workers in achieving ambitious climate goals.

As stated in [Maersk's Sustainability Report \(2021\)](#), the company has committed to “incorporate a human-centred approach to decarbonisation...adhere to international human rights standards and continue to engage with stakeholders”, including workers and unions.² Currently Maersk explicitly recognises the need for a Just Transition but the role that unions will concretely play in achieving that goal is less clear.

1 Presentations at Maersk ESG Investors Day November 2022

2 Sustainability Report 2021, p.27

There are already some examples of good practice: ITF affiliates in the United Kingdom report that towage subsidiary Svitzer UK has been proactive in policies and training on a just transition, looking towards a decarbonisation strategy that will see the company become fully carbon neutral by 2040.

The next step is to join the dots by including an explicit role for unions and worker involvement within the ESG Strategic Framework as part of a coherent Maersk Group approach to delivering sustainable supply chains.

INVESTOR ACTION

Asks for investors to put to the company:

- How will the company ensure workers and their unions (employees and contractors) are actively involved in social dialogue to develop the company's plans for a just transition and monitor its progress? How can this be explicitly incorporated into its Climate Action plan?
- Recognising the challenges and risks linked to alternative fuels³, what are Maersk's plans to work with the ITF to ensure proper training and skills, and occupational health and safety standards, are in place across the board for crews and terminal operators before the vessels launch?
- Governance – greater transparency over wage differentials and tax.

3 See for example [Maritime Just Transition Taskforce, 'Mapping a Maritime Just Transition for Seafarers', Position Paper, November 2022](#)

SOCIAL

CONSISTENT TRADE UNION ENGAGEMENT AND RESPECT FOR RIGHTS ACROSS THE GLOBAL BUSINESS

In Maersk's Sustainability Report (2021), the company has made a commitment to respect "fundamental labour rights and constructive employee relations". ITF is pleased that Maersk's commitment is based on core international labour conventions and Maersk's Sustainability Report explicitly states that "constructive employee relations can only exist by respecting the rights to freedom of association and collective bargaining, which means actively engaging with trade unions."

However, this model of constructive employee relations is not followed in practice across all the subsidiaries within the group. For example, in January 2022 Svitzer management in Australia ignored Maersk's professed global commitments and core values to uphold collective bargaining and made application to Australia's Fair Work Commission to terminate its long-standing collective bargaining agreement (CBA) with the three Australian maritime unions covering more than 500 employees.

If the termination application for the CBA is successful it could see salaries slashed by 47% at a time when Svitzer Australia Towage workers have not had a pay rise in four years, and further threaten secure, permanent jobs. These actions by Svitzer completely offend Maersk Group's stated core values of "Constant Care", "Humbleness", "Our Employees", "Uprightness" and "Our Name".

When the Termination application was on the brink of failure due to changes in Government legislation, Svitzer abandoned its core values and made application to "lockout" its workforce in 16 Australian Ports. This tactic failed in a full bench court decision of the Fair Work Commission because of the significant threat to the Australian economy as well as causing untold reputational damage, to the Maersk/Svitzer brand.

Maersk subsidiary Svitzer's Safety and Sustainability policy states that the company "is anchored in the Maersk Group's core values and code of conduct" yet the planned lockout of crew and termination of the Collective Bargaining Agreement undermines the collective bargaining process and Maersk's own commitment to social dialogue.



INVESTOR ACTION

Asks for investors to put to the company:

- Can the company identify and address the pockets of bad practice, for example in relation to Svitzer in Australia, to ensure that Maersk does respect the rights to freedom of association and collective bargaining by actively engaging with trade unions and upholding CBAs?
- To meet existing environmental, social, and corporate governance (ESG) commitments made by the Maersk Group, the senior leadership must demonstrate that its constructive approach to employee relations applies to all parts of the group, including subsidiaries and contractors, across all regions.

SOCIAL

IMPROVED HEALTH AND SAFETY MANAGEMENT



It is critical that Maersk invest in and improve health and safety management across its global business, and through its contracts.

In June 2022 the [ILO Declaration on Fundamental Principles and Rights at Work](#) was amended to include the right to a safe and healthy working environment. Maersk's Sustainability Report (2021) rightly emphasises safety and security – keeping all workers “*safe and free of harm while they perform their work duties at sea, in the air, in terminal, warehouses, and office*”.

The company reports 9 deaths in 2022, in the United States, Vietnam, Morocco and Indonesia.⁵ This figure included two Svitzer colleagues who died in a ferry incident in Tangier and another colleague who died in Indonesia during a road traffic accident on a journey between port and

5 Maersk Sustainability Report 2022.

warehouse. Subcontracted workers were also killed; two truck drivers and one crane mechanic died at work at a terminal belonging to APM Terminals in Los Angeles. This is a priority area of concern where ITF is engaging with the company at various levels.

To maintain a safe workplace and disruption-free operations, the ITF underscores the need for proper crewing levels on Maersk Line ships, and indeed all Maersk vessels, to avoid fatigue and overwork. Our affiliates have raised concerns regarding hours of work and rest. For example, chief mates on US flagged vessels report regularly working 90-hour weeks, and negotiations to employ an extra officer on board have not been successful.

INVESTOR ACTION

Asks for investors to put to the company:

- Given that Health and Safety is a core ESG performance goal for the Maersk Group, how do you ensure that work/rest hours are being accurately recorded aboard ship due to commercial pressures and the culture of “Make it work”? Have you listened to feedback from unions on adequate crewing on Maersk Line ships?
- According to ITF affiliates, some Maersk ships of different flags do carry an extra Third Mate to avoid work rest hour violations. This should be the standard across the Maersk fleet.

SOCIAL

CONSISTENT HUMAN RIGHTS DUE DILIGENCE ACROSS OPERATIONS, REGIONS, AND CONTRACTS



The company stands to benefit in the long run from consistent human rights due diligence across operations, regions, and contracts.

Maersk has recognised the need to integrate human rights into the company's existing due diligence processes, including "efforts to capture human rights relevant risks in third-party due diligence". This should include tug and towage operators, truck drivers, terminal, and warehouse workers.

In light of the new regulations on sustainable finance, corporate reporting and mandatory due diligence in value chains which the EU is currently developing, it is essential that the supply chain solutions which Maersk offers its top customers address human rights due diligence requirements as well as carbon emissions. Trade unions have an essential role to play in identifying salient human rights risks and proposing strategies to mitigate them.

INVESTOR ACTION

Ask for investors to put to the company:

- We encourage Maersk to adopt the [Seafarers Human Rights Due Diligence \(HRDD\)](#) approach that the ITF has been spearheading, and for Maersk to demonstrate concern and action about workers' terms and conditions whether they are directly employed by Maersk or its subsidiaries, or if the workers are contractors and sub-contractors.
- In addition, the trucking operations contracted by Maersk require proper due diligence, including investigations into pay and conditions. ITF's European affiliates have reported inhumane conditions and severe infringements on the rights of truck drivers. This salient risk must be addressed as part of meeting the Group's commitment to ILO Labour Standards and the UNGPs.
- ITF expects outsourced workers, for example in India, to receive the full bonus paid to direct employees, given their tremendous efforts and sacrifices throughout and before the pandemic. This ask is still outstanding from [the last AGM in March 2022](#).

GOVERNANCE

TRANSPARENCY IN TAX CONDUCT AND PAY INEQUALITY

In February this year, AP Moller-Maersk updated its earnings and profit guidance for the 2021 year-end to announce an expected revenue of USD \$61.8 billion (a 55% increase on 2020) and an expected USD \$24 billion profit (up 293% from 2020). Jacqueline Smith, ITF's Head of Maritime commented: "We don't begrudge Maersk their success, but what we do object to is that these record profits, derived mostly from record-high container prices seen during the pandemic, aren't being shared with the workers who have actually generated their success."

In India, ITF affiliates reported concerns about pay and conditions for contract workers at APM Terminals facilities. Multi-skilled contract workers operating forklifts, maintenance and utility vehicles are being paid less than the Statutory Minimum wage. The license agreement between APMT and JNPA Licensor Port Authority stipulates that workers of the private Terminals shall not be paid wages which are less than the wages paid by Licensor JNPA.

In its 2022 Tax report, Maersk states that it paid an effective tax rate of just 3%. [New analysis](#) by the Centre for International Corporate Tax Accountability and Research (CICTAR) in March 2023 demonstrated that this rate is substantially lower than the tax rates (including social security, healthcare and pension contributions) faced by workers in the countries Maersk operates.

INVESTOR ACTION

Ask for investors to put to the company:

- Maersk Sustainability Report 2021 states: "Our values and commitments to international labour standards obligate us to pay fair and equal wages to all employees." Can Maersk confirm that this also applies to contractors working at its terminals? Are contractor and agency employees being included in its planned work on a living wage?

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