

# Schiphol Group Annual Report 2013



# Report of the Supervisory Board

## A. Supervision

The Supervisory Board can look back on a dynamic and exciting 2013, a year in which Schiphol's socio-economic function once again took centre stage. It was a year of investment: investment in relationships and in the Mainport. In this report, the Supervisory Board explains how it exercised its supervision and supported the Management Board in an advisory role. The report also examines the major issues that attracted the Board's involvement this year.

### Strategy and environs

Amsterdam Airport Schiphol operates in a challenging environment, while the strategic context remains of utmost importance to the airport. First and foremost, the continuing economic crisis has been a new reality for the aviation sector since 2008, with one of the visible effects at Schiphol being low consumer confidence. On top of this, airlines are facing difficult conditions. Several of them were forced to make large-scale cutbacks.

At the same time, the aviation sector is a growth market. It is therefore essential for Schiphol Group to make long-term investments. While this may appear at times to be at odds with short-term circumstances, such as the economic crisis, Schiphol

Group takes a long-term view of its responsibility. For this reason, 2013 saw a lot of hard work on the development of non-Schengen Central Security. This project was dictated in part by the increasingly strict European regulations in relation to security. The Supervisory Board also discussed the progress of the Master Plan, including the development of the area of Pier A. Part of the reason behind these investments was to ensure sufficient investment in quality improvements for passengers and to increase capacity with a view to facilitating the growth in passenger numbers and larger aircraft. The investments were based on the expected growth in aviation, on changes in legislation and on the current infrastructural constraints. By adopting an anticipatory investment strategy, Schiphol Group aims to be and remain Europe's Preferred Airport for its passengers, both now and in the future.

A third important factor for Schiphol is its relationship with airlines. Naturally the financial interests of the airlines are an important factor in the planning process. One of Schiphol Group's key goals is to develop a competitive market place, for both the airport and the Schiphol region. Rising competition from airports in the Middle East and Turkey was also a concern in 2013, and poses a growing threat to Schiphol's future success. The changing world is visible across the sector, with new airlines altering the playing field. Not

### Annual Report

The Supervisory Board is pleased to present the annual report, which includes the financial statements for 2013. The financial statements were compiled by the Management Board. PricewaterhouseCoopers Accountants NV have audited the financial statements and issued an unqualified audit opinion. For further details, see 'Other information' under the Financial Statements section of this report. The Audit Committee has discussed the financial statements extensively with the Chief Financial Officer (CFO), her team and the external auditor. The Supervisory Board subsequently discussed the annual report with the Management Board in the presence of the external auditor. These discussions have convinced the Supervisory Board that this annual report meets all relevant regulations and fulfils all governance and transparency requirements and that it provides a sound basis for our Board's supervisory accountability.

The Supervisory Board approves the financial statements and concurs with the Management Board's proposal to distribute a dividend of 135 million euros on the issued share capital. After a withdrawal from the revaluation reserve amounting to 5 million euros and a release from the other statutory reserves of 5 million euros, the remaining portion of 93 million euros will be added to the retained earnings. The financial statements will be put before the General Meeting of Shareholders for adoption on 16 April 2014. The Supervisory Board proposes that the Management Board be granted discharge in respect of the management carried out, that the Supervisory Board be granted discharge for the supervision exercised and that the financial statements be adopted.

only is competition from low-cost airlines increasing, but airlines from the Middle East are increasingly expanding their operations in Europe and with larger and larger aircraft. In 2013, Schiphol drew up a document titled 'Essential Elements of the Mainport', the aim of which was to clearly set out the airport's view of network quality and the importance of its Mainport status.

Finally, the creation of sustainability is a key strategic factor. On the one hand, this means conducting business with respect for people, the community and the environment. Schiphol does this by creating sustainable value for its customers and stakeholders, always with a careful balance between people, planet and profit. Another aspect of achieving long-term sustainability centres on Schiphol Group's international strategy. Schiphol focused on foreign investment in several areas in 2013. In this year the collaboration with Aéroports de Paris was reviewed as successful, and Schiphol worked with Aéroports de Paris and two Brazilian partners to submit a bid for an interest in Galeão International Airport in Rio de Janeiro. The Supervisory Board was closely involved in the preparation of the bid, and regrets that the consortium was not successful. A participating interest in an airport in a growing economy with a rapidly growing middle class would be an excellent way to strengthen the long-term position of the Mainport.

The Supervisory Board concludes that Schiphol's current strategy in this arena is being fully implemented. The Supervisory Board supports the Management Board in the forward-looking positioning of Amsterdam Airport Schiphol. The Supervisory Board will explain the specific developments in 2013 in further detail below.

### Principal developments in 2013

In 2012 and 2013, the Shared Vision Commission, chaired by Mr Alders, conducted research into, and produced reports on, various subjects that affect the mainport. These subjects were selectivity policy, the fees that Schiphol charges the airlines, the evaluation of the Aviation Act, as well as competition and Schiphol's plans to expand. Commission members included representatives of the government, KLM and Schiphol. Mr Hazewinkel, Supervisory Board member at Schiphol, represented Schiphol in the commission. The Shared Vision Commission presented its final report to the three commissioning ministries (the ministry of Infrastructure and the Environment, the ministry of Finance and the ministry of Economic Affairs) in May 2013. The Supervisory Board has spoken during various meetings about the developments concerning the Shared Vision Commission and is of the opinion that this commission has ensured a constructive dialogue between the government, KLM and other stakeholders. The Supervisory Board is also pleased that the discussions have led to the basic principles underlying the new Aviation Act. The ministry of Infrastructure and the

Environment and the ministry of Economic Affairs reported their findings in this area to the Lower House in a letter of 5 June 2013. As part of the discussions with the Shared Vision Committee about the public role that Schiphol fulfils, a sentence was added to the objects clause in Schiphol's Articles of Association in 2013 confirming that part of the company's object is to 'contribute to and facilitate the continuity, quality and network development of Amsterdam Airport Schiphol as a key component of the Dutch economy'.

The subject of the Shared Vision Commission's activities is closely related to competition legislation. In July the Dutch Authority for Consumers and Markets (ACM) started an investigation related to the Shared Vision Committee and the relationship with KLM.

In addition to the evaluation of the Aviation Act, the Supervisory Board devoted a great deal of attention to cost control and to the efficient construction and management of Schiphol's infrastructure, as well as to total cost of ownership in 2013. The Supervisory Board believes that these issues play an essential role in maintaining the airport's competitive position. The Supervisory Board is pleased that the Management Board will also place a strong focus on these areas in 2014, also in view of the large number of prospective investments. Schiphol achieved excellent operational results in 2013, together with KLM, other airlines and industry partners. In their role as service assistants, Schiphol office staff once again supported the employees working in the airport terminal. The Supervisory Board is proud of these employees and of the employees who, alongside their usual responsibilities, kept the landing runways free from snow and ice in the cold winter months at the start of 2013.

### Other subjects

- The Supervisory Board discussed and approved the five-year *Investment Finance Plan 2014-2018*, in August 2013. The three-year *Tactical Plan 2014-2016*, which includes the 2014 budget and the corresponding *Funding Plan*, was discussed and approved in December. Amongst other things, the budget contained a sensitivity analysis for a number of uncertainties such as passenger numbers and property development.
- Strategic days were held in April and October, during which the Supervisory Board and the Management Board discussed Schiphol Group in a broader context as well as the group's long-term developments. Amongst other things there was a discussion of external market developments in the aviation sector, the Supervisory Board sought advice on developments in European legislation regarding Liquids, Aerosols & Gels, and Schiphol's cargo strategy was addressed. Both meetings also looked at Schiphol's international strategy, particularly with regard to a potential investment in Brazil.

- The minister of Finance published a new Participations Policy memorandum in October 2013. This memorandum was discussed by the Supervisory Board, particularly in relation to governance.
- The Supervisory Board also discussed, through its Audit Committee, Schiphol Group's internal and external risk management systems as well as the major risks that face Schiphol Group. The Supervisory Board endorses and supports the internal risk management system (as described in the Risk Management section of this report). The Supervisory Board also focused on risk management in October. The risk appetite in relation to issues such as foreign activities was discussed, and the potential concurrence and accumulation of various risks was examined along with Schiphol's ability to cope with risks should they materialise. The Management Board and Supervisory Board concluded that the risks posed by rising competition from the Middle East and Turkey have increased. It is the general view of the Supervisory Board that the residual risks remaining after management measures have increased in the last few years. The Supervisory Board concludes that the Management Board has operated within Schiphol's risk appetite.
- Corporate Responsibility is a core aspect of Schiphol's strategy. It therefore follows that Corporate Responsibility was a key point on the Supervisory Board's agenda in 2013. The Supervisory Board is highly positive about the progress that Schiphol is making in relation to CR, both in terms of strategic issues and awareness within the organisation. With regard to noise and the local community, the Supervisory Board has sought advice on the New Standards and Enforcement System.
- The Supervisory Board had several meetings with the Management Board regarding the relationship with the various Schiphol Group shareholders. Topics addressed included matters relating to the Shared Vision Commission, the evaluation of the Aviation Act, required returns, policy on airport charges, remuneration policy and the appointment of new, and re-appointment of current, members of the Management Board.
- The external auditor's Management Letter was discussed with the Audit Committee and the Supervisory Board in December 2013. The quality of the internal control system with respect to financial reporting was deemed to be adequate. Specific financial and non-financial (e.g. in the field of Corporate Responsibility) recommendations were made on certain subjects, which Schiphol Group has followed up (or will follow up).
- The Supervisory Board nominated a new external auditor in December 2013 as required by new legislation concerning the compulsory rotation of audit firms. The General Meeting of Shareholders ratified the appointment of this new auditor in early 2014.
- In addition to the presentations made by the Management Board, the Supervisory Board also received advice from

third parties, for instance with regard to a potential investment in Brazil. The Supervisory Board also held discussions on a variety of subjects with key figures outside of the official meetings.

### Financial reporting

Each month, the Supervisory Board received reports from the Management Board that compared actual results with the 2013 budget, estimates for 2013 and the figures for 2012. These reports were also discussed during joint meetings of both Boards. Subjects discussed included the development of the company's operating and commercial results and costs, the development of the traffic and transport figures and its impact on the budget, the development of profitability, and the funding and liquidity position.

In view of the challenging economic conditions, the Supervisory Board has looked closely at the effect that the developments in the results, the balance sheet ratios and the financial position have had on the company's creditworthiness. The Supervisory Board is pleased to note that in 2013 we were again able to retain the credit rating awarded by Moody's, and that Standard & Poor's rating was increased to A+. In 2013, the *Funding Plan* formed the basis for formulating measures to guarantee the financing both now and in the future.

The decision-making process with regard to a bid for Galeão International Airport took into account the dual role of Mr De Romanet de Beaune, who was both a Supervisory Board member at Schiphol and president and CEO of Aéroports de Paris. There were no other transactions during the year involving conflicts of interest on the part of Management Board members, Supervisory Board members, shareholders and/or the external auditor that were of material significance to the company and/or the relevant Management Board members, Supervisory Board members, shareholders and/or external accountant.

### Central Works Council (COR)

The topics discussed by the Supervisory Board, the Management Board and the Central Works Council (COR) in 2013 included issues relating to the Shared Vision Commission, the evaluation of the Aviation Act and the long-term investment plan. Members of the Supervisory Board attended two of the five consultative meetings between the management and the COR. Various discussions also took place between the COR and the Supervisory Board member/confidential advisor. The members of the Supervisory Board experienced all of these meetings as constructive and informative. Ms Maas-de Brouwer acted as Supervisory Board member/confidential advisor until standing down in December 2013. Mr Cremers took over this role, and conducted various discussions with the COR in this capacity in 2013.



## B. Quality Assurance

### Members

At the end of 2013, the Supervisory Board had one female and five male members. The Management Board had one female member and three male members. In the period ahead, the Supervisory Board will continue to work with the Management Board to achieve as much diversity as possible among the seats of both bodies. Schiphol runs a development and leadership programme to ensure that both enough men and women receive the opportunity to develop themselves in preparation for upper-management and executive positions. Further personal details on each member of the Supervisory Board can be found in the next section of this Annual Report.

In making new appointments, the Supervisory Board aims to safeguard the complementary nature of its members, particularly in relation to the fields of knowledge that are relevant to Amsterdam Airport Schiphol; these are listed in the Supervisory Board Profile (Appendix A to the Supervisory Board Regulations). The overview included indicates the knowledge areas represented by each Supervisory Director. The division of knowledge areas as set out below will factor into the filling of any new vacancies that arise.

All the members of the Supervisory Board are independent within the meaning of the Corporate Governance Code, with the exception of Mr De Romanet de Beaune, who is president and CEO of Aéroports de Paris S.A., and Mr Wijn, who is a member of ABN AMRO Bank N.V. Management Board. Mr De Romanet de Beaune is a French national, while the other members are Dutch citizens. Mr De Romanet de Beaune was a Supervisory Board Member at Schiphol Group until 14 October 2013.

### Permanent education

As part of the permanent education programme for all Supervisory Board members, in 2013 the Management Board organised a presentation on market developments in the aviation sector in which they were assisted by an external expert. During the Strategic Days, the Supervisory Board also took the opportunity to obtain extensive information on the evaluation of the Aviation Act (*Wet luchtvaart*) and possible improvements to the economic regulations, as well as on the economic and social circumstances that apply to conducting business in Brazil, also with input from external experts. Lastly, the Management Board gave a presentation to the Supervisory Board on winter operations at Schiphol.

Supervisory Board	Year of birth and nationality	Date of first appointment	1. EU / Globalisation	2. Aviation	3. Property	4. Retail / e-Business	5. Finance / accountancy / risk management	6. Corporate Responsibility	7. Marketing / Sales	8. Human resource management	9. Political and social climate Schiphol	10. Corporate governance	11. Expertise on Amsterdam and region
A. Ruys (Chairman)	1947 Dutch	2006	•			•			•			•	
T. Maas-de Brouwer (Vice-Chairperson)*	1946 Dutch	2001						•		•	•	•	
J. Brouwer	1955 Dutch	2011				•		•	•	•			
F. Cremers	1952 Dutch	2006	•		•		•					•	
H. Hazewinkel	1949 Dutch	2009			•		•	•				•	
A. de Romanet de Beaune**	1961 French	2013	•	•	•		•						
M. Scheltema	1954 Dutch	2010	•				•			•		•	
J. Wijn	1969 Dutch	2012	•				•		•		•		•

\* Stepped down in December 2013

\*\* Stepped down on October 14, 2013

## Evaluation

In 2013, the Supervisory Board conducted a self-evaluation which included a questionnaire. The evaluation was based in part on the recommendations from the external evaluation conducted in 2010, and the resulting action plan. The self-evaluation was discussed both before and after completion of the questionnaire during the closed sections of the Supervisory Board meetings. The Supervisory Board is in favour of this procedure, partly because it provides the opportunity to increase effectiveness.

## C. Other matters

### (Re)appointments

There were no new appointments or reappointments in the Schiphol Management Board during 2013.

During the General Meeting of Shareholders (AVA) held on April 2013, Mr Hazewinkel was appointed for a second and final four-year term at the nomination of the Supervisory Board and following a positive recommendation by the Central Works Council. Mr Hazewinkel will remain chairman of the Remuneration Committee and a member of the Audit Committee.

December 2013 saw the conclusion of Ms Maas-de Brouwer's third and final term. The Supervisory Board looks back with gratitude on the efforts and contributions made by Ms Maas-de Brouwer for both Schiphol and the Supervisory Board. Not only was Ms Maas-de Brouwer a highly valued member of the Remuneration Committee and the Selection and Appointments Committee, she also played a leading role in the development of the PACR Committee.

In October 2013, Mr De Romanet de Beaune left the Supervisory Board owing to a reorganisation of tasks within the Management Board of Aéroports de Paris. In line with the agreement in force among Schiphol shareholders, the succession procedure was initiated in late 2013. In early 2014 the General Meeting of Shareholders appointed Mr Galzy as member of the Supervisory Board as from February 10 on behalf of Aéroports de Paris.

The changes in Supervisory Board membership have led to changes in the composition of the committees. Please see the overview below for details.

### Meetings

The Supervisory Board met eight times in 2013. The Management Board was always present at the meetings of the Supervisory Board. Both prior and subsequent to these meetings, the Supervisory Board held private consultations. Seventeen meetings of the respective subcommittees also took place. For a complete overview of all meetings, as well as the attendance of the relevant members, please see the attached overviews.

In addition to these meetings, the Chairman and other members of the Supervisory Board discussed issues with the Management Board on numerous occasions. The members of the Supervisory Board also had contacts a number of times with stakeholders from both inside and outside the Schiphol Group, of which the aforementioned Shared Vision Committee is an important example.

The Supervisory Board wishes to warmly thank the Management Board and the employees of Schiphol Group for their dedicated commitment in 2013, both in operations and beyond.

Amsterdam Airport Schiphol, 13 February 2014

The Supervisory Board

Anthony Ruys (Chairman)

Jan Brouwer

Frans Cremers

Laurent Galzy

Herman Hazewinkel

Margot Scheltema

Joop Wijn

### Division in committees as per ultimo 2013

Supervisory Board	Audit Committee	Remuneration Committee	Selection & Appointments Committee	Public Affairs & Corporate Responsibility Committee
A. Ruys (Chairman)			• (c)	
F. Cremers	• (c)		•	
H. Hazewinkel	•	• (c)		
M. Scheltema		•		•
J. Brouwer	•			•
J. Wijn			•	•
Vacancy 1				
Vacancy 2				

(c) = Chairman

## Meetings of the committees of the Supervisory Board

### Audit Committee

The Audit Committee met three times in 2013. The Audit Committee spoke at great length with the Management Board and the internal and external auditors about the 2012 financial statements, the 2012 annual report, the 2013 interim report, the associated press releases, the Management Letter and the 2013 internal and external audit plan. The Funding Plan for 2013 and 2014 was discussed and approved by the Supervisory Board.

The Audit Committee devoted attention to Schiphol's international activities, and the policies on insurance and taxes were also discussed. The Audit Committee placed a special focus on risk management and pensions. In February and December 2013, the Audit Committee held discussions with the external auditor (PricewaterhouseCoopers Accountants N.V., PwC) which were not attended by the members of the Management Board and/or the internal auditor. Lastly, in 2013 the Audit Committee was heavily involved in the selection process that led to the nomination of a new external auditor.

### Selection and Appointments Committee

The Selection and Appointments Committee met seven times over 2013. Mr Wijn joined the Committee as part of the selection and appointment procedure for the new Supervisory Board members. The selection procedure was implemented with assistance from an external consultant; in December 2013, the Supervisory Board nominated two candidates for appointment during the General Meeting of Shareholders in

2014. The Committee devoted special attention in 2013 to the practical implications of the Management and Supervision (Public and Private Companies) Act (*Wet Bestuur en Toezicht*). Late in 2013, the succession of Mr De Romanet de Beaune was discussed. The Committee maintained regular contact with both the Central Works Council and the shareholders with respect to the above (re)appointments.

The Selection and Appointments Committee also implemented the succession procedure in 2013 for Mr Rutten as COO, as he will be retiring in August 2014. Lastly, the Committee organised the internal Supervisory Board self-evaluation.

### Remuneration Committee

The Remuneration Committee met four times in 2013. In 2010 and 2011, consultations were held between the Supervisory Board members and Schiphol shareholders in order to arrive at a new, more moderate remuneration policy for newly appointed Management Board members. In February 2012, it appeared out that not all shareholders were in agreement with the new policy. A decision concerning the matter was therefore postponed at the shareholders' request. In the meantime, the minister of Finance issued a new Holdings Policy in 2013, which also described the ministry of Finance's remuneration policy guidelines for state shareholdings. These guidelines formed the basis for a new draft remuneration policy by the end of 2013. In early 2014, it was submitted for approval during the General Meeting of Shareholders.

### Supervisory Board attendance at Supervisory Board meetings in 2013

	A. Ruys	T. Maas-de Brouwer*	F. Cremers	A. de Romanet de Beaune**	H. Hazewinkel	M. Scheltema	J. Brouwer	J. Wijn
Supervisory Board	8	7	7	1 (3***)	8	7	8	7
Audit Committee	N/A	N/A	3	0 (1***)	3	N/A	3	N/A
Remuneration Committee	N/A	3	N/A	N/A	4	3	N/A	N/A
Selection & Appointments Committee	7	6	7	N/A	N/A	N/A	N/A	4 (van 5)
Public Affairs & Corporate Responsibility Committee	N/A	3	N/A	N/A	N/A	2	3	3
<b>Totaal</b>	<b>15</b>	<b>19</b>	<b>17</b>	<b>5</b>	<b>15</b>	<b>12</b>	<b>14</b>	<b>14</b>

\* Stepped down in December 2013

\*\* Stepped down on October 14, 2013

\*\*\* L. Galzy substitute

## Public Affairs & Corporate Responsibility Committee

The Public Affairs & Corporate Responsibility Committee met three times in 2013. The auditor's verification of the Corporate Responsibility reporting in the annual report was discussed, as well as the CR objectives that were set for the Management Board in 2012 and 2013.

In 2013 the Committee took an extended look at the processes and communication surrounding the Shared Vision Committee, and the evaluation of the Aviation Act (*Wet Luchtvaart*). Stakeholder management was also examined by the Committee, including the new standards and enforcement system. The Public Affairs & Corporate Responsibility Committee also devoted a lot of attention to passenger interests at Schiphol in 2013. The Committee was delighted at the enthusiasm with which the CR policy was developed. Lastly, the awareness of Corporate Responsibility within the organisation was also discussed in 2013.

Meetings	Number
Supervisory Board	8
Audit Committee	3
Remuneration Committee	4
Selection & Appointments Committee	7
Public Affairs & Corporate Responsibility Committee	3
<b>Total</b>	<b>25</b>