

Schiphol Group  
**Annual Report**  
2012



# Report of the Supervisory Board

## A. Supervision

### Main events in 2012

Schiphol Group faced a number of significant challenges in 2012. It was a year with different faces; the socio-economic function of Schiphol Group played a central role throughout the year. In this report, the Supervisory Board explains how it exercised its supervision and supported the Management Board in an advisory role. This report also examines the major issues that attracted the Board's involvement this year.

### Top Connectivity and Sustainable Performance

Schiphol fulfils an important socio-economic function. Not only does it connect the Netherlands and Dutch passengers to the rest of the world, Schiphol is also a crucial economic driving force. Consequently, it is Schiphol's task to contribute to and promote the continuity, quality and network development of the airport as a vital link in the Dutch economy. In the fulfilment of its task, Schiphol strives for constant improvement of its facilitating function in the interest of multimodal transport for passengers and cargo.

The cooperation between Schiphol Group, KLM and the government is crucial for the success of the Mainport. Schiphol Group and KLM reinforce each other. Schiphol Group provides high quality airport infrastructure, which is structured largely in accordance with the airport's function as a hub; KLM provides the majority of the destination network for the Mainport.

Operationally, the cooperation between Schiphol and KLM is excellent. However, recently the relationship has come under pressure regarding strategic and commercial issues. Topics of discussion were, in particular, Schiphol's charges for airlines, the evaluation of the Aviation Act, competition, selectivity and the expansion plans of Schiphol. As a result of the discussions regarding selectivity, at the initiative of the government, KLM and Schiphol, the Shared Vision Committee was appointed in August 2012 under the chairmanship of Mr Alders. Representatives of the government, KLM and Schiphol are part of this committee. Mr Hazewinkel, a member of the Supervisory Board of Schiphol, is a member of the committee on behalf of Schiphol. The investigation carried out by the committee concerns two issues: compliance with the agreements regarding selectivity and the future development of the

### Annual Report

The Supervisory Board is pleased to present the annual report accompanied by the financial statements for 2012. The annual report was drawn up by the Management Board. PricewaterhouseCoopers Accountants N.V. have audited the financial statements and issued an unqualified audit opinion, which can be found under Other information as part of the Financial Statements 2012 section of this report. The Audit Committee 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 rules 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 108 million euros on the issued share capital. After an addition to the revaluation reserve amounting to 6 million euros and a release from the other statutory reserves of 15 million euros, the remaining portion of 111 million euros will be added to the retained earnings. The financial statements will be put before the General Meeting of Shareholders for adoption on 17 April 2013. The Supervisory Board proposes that the Management Board be granted discharge in respect of the management carried out by them, that the Supervisory Board be granted discharge for the supervision exercised and that the financial statements be adopted.

airport, including the related airport charges. In December 2012, the committee published an interim report on selectivity in which it also announced its intention to continue its investigation in 2013.

As is the case for the committee and the Management Board of Schiphol Group, the Supervisory Board is also of the opinion that it is crucial that Schiphol Group and KLM work on restoring trust. So that, the existing cooperation can be developed into a true partnership in order to ensure that the successful cooperation in the past will continue in the future.

The Supervisory Board shares the opinion of the Shared Vision Committee that the government plays an important role in the success of the Mainport. The government creates the necessary preconditions. This concerns first and foremost an unambiguous policy by the various ministries. The Aviation Policy Document specifies various objectives for Schiphol, whereby the support of the hub network is regarded as crucial. In the interests of the passenger, the benefit of competition is also acknowledged. The government demands that Schiphol Group must meet specific requirements with regard to profitability and financial independence. To this end, it is necessary that the economic regulations establish a clear framework that is feasible and sustainable. At the same time, Schiphol is expected to serve the passenger as well as possible in view of its public role. This also involves fulfilling the wishes of major airlines to the best of its ability, while Schiphol must also be able to independently balance the interest of the Mainport as a whole.

As always, Schiphol was often in the news in 2012. This underlines the socio-economic role that the company has in the Netherlands. Although Schiphol was often in the news positively, there was also criticism. This mainly concerned the relationship between Schiphol Group and the airlines. The Supervisory Board weighs this criticism carefully.

All in all, the Supervisory Board regards the socio-economic function of the Schiphol Group as inextricably linked to KLM and the government. Only when all three parties contribute and work together, can the success of the Mainport be continued in the future.

### **Excellent Visit Value and Competitive Marketplace**

In 2012, Schiphol booked good operating results together with its partners. After a strong increase in the traffic and transport figures in 2011, the number of passengers at Schiphol increased again during the past year. That resulted, certainly in the summer months, in extra pressure on Schiphol's operations. Due to the very good operational cooperation with KLM and sector partners, the quality of

the services both for final destination and for transfer passengers remained unimpaired and 2012 can be viewed as the best operational year to date.

The Supervisory Board is also proud of Schiphol's employees. The Supervisory Board applauds the fact that the office personnel of Schiphol provided assistance in the terminal as service assistants in the busy summer months. This demonstrates a large degree of involvement in the operational processes. The same also applies with regard to the employees who keep the runways free of snow in wintertime.

One of the important objectives of Schiphol is to develop a competitive market place, both for the airport and for the Schiphol area. Due to increasing competition from airports in the Middle East and Turkey, the success of Schiphol can no longer be taken for granted. The changing world is also visible in the entire sector, where new airline companies are changing the playing field. Not only is the competition from low-cost airlines increasing, but airlines from the Middle East are also continuing to further expand their operations in Europe and are servicing the market with increasingly larger aircraft.

Again in 2012, the on-going economic crisis also had a major impact on the aviation business. This is not only visible in the confidence and the budgets of governments, companies and passengers, the airline companies that service Schiphol are also under pressure due to deteriorating economic conditions and high fuel prices. Consequently, Schiphol has adopted a moderate airport charges policy for the past several years which takes into account the challenging circumstances under which airlines have to operate. For that reason, the Management Board has prepared a moderate and phased proposal in 2012 for investments in the coming years, which has been approved by the Supervisory Board. This long-term investment plan is an investment programme that ensures that Schiphol can continue to function as a high quality Mainport in the future. The Supervisory Board supports the manner in which the Management Board has prepared these plans for the future which were calculated in a modular fashion and in various scenarios.

When drawing up these plans, the financial interests of the airline companies at Schiphol were, of course, taken into account. However, Schiphol also has its own responsibility to ensure that it invests sufficiently in improving quality and increasing capacity to facilitate the growth in the number of passengers and the use of larger aircraft. The investments are based on the expected growth in air traffic. As a first part of the long-term investment plan, the Supervisory Board approved the investments in 2012 in connection with the project Central Security Non-Schengen. The increasingly



stringent European regulation in the field of security was one of the factors that gave rise to this project.

In the interest of passengers, the expansion of the airport is necessary; however, the pre-conditions governing expansion must always be clear. In order to be able to take decisions about large investments, it is essential that Schiphol obtains clarity with regard to the economic regulations framework and about the profitability requirements of our shareholders. The consequences of investments for the airport charges were also an important theme in 2012 in the consultations with both the government and KLM and the other airline companies. In addition, it is of great importance for the continuity of the Mainport that Schiphol remains able to attract funding independently and that it maintains its credit rating.

### Other subjects

- In 2012, Schiphol modified its planning process by presenting a three-year plan in addition to a five-year plan. In August 2012, the Supervisory Board discussed and approved the five-year *Strategic Plan 2013-2017* including the investment and finance plan. In December, the three-year *Tactical Plan 2013-2015*, including the budget 2013, was discussed and approved. The budget also contained a sensitivity analysis for the various uncertainties such as numbers of passengers, real estate development and the outcome of the evaluation of the Aviation Act.
- In the summer of 2012, two extra Supervisory Board meetings were held to discuss the long-term investment plan, the modified and phased investment programme and the evaluation of the Aviation Act. The developments in connection with the Shared Vision Committee were also discussed.
- Strategy days were held in April and in October; during these meetings, the Supervisory Board discussed the Schiphol Group with the Management Board in a broader context and discussed developments in the longer term. During both meetings, attention was given to Schiphol's international strategy. A topic of discussion was the relationship between the attention for Mainport Schiphol, on the one hand, and the international activities, on the other hand.
- Furthermore, through its Audit Committee, the Supervisory Board discussed the internal and external risk management systems and the most important risks confronting Schiphol Group. The Supervisory Board endorses and supports the internal risk management system (as described in the Risk management section of this Annual Report). The Supervisory Board also reviewed risk management in October. The *risk appetite* regarding, for instance, foreign activities was also discussed and the possible simultaneous occurrence and accumulation of various risks was examined. Together with the Management Board, the Supervisory Board concludes that

the risks that remain after risk mitigation measures have been taken, have increased in recent years.

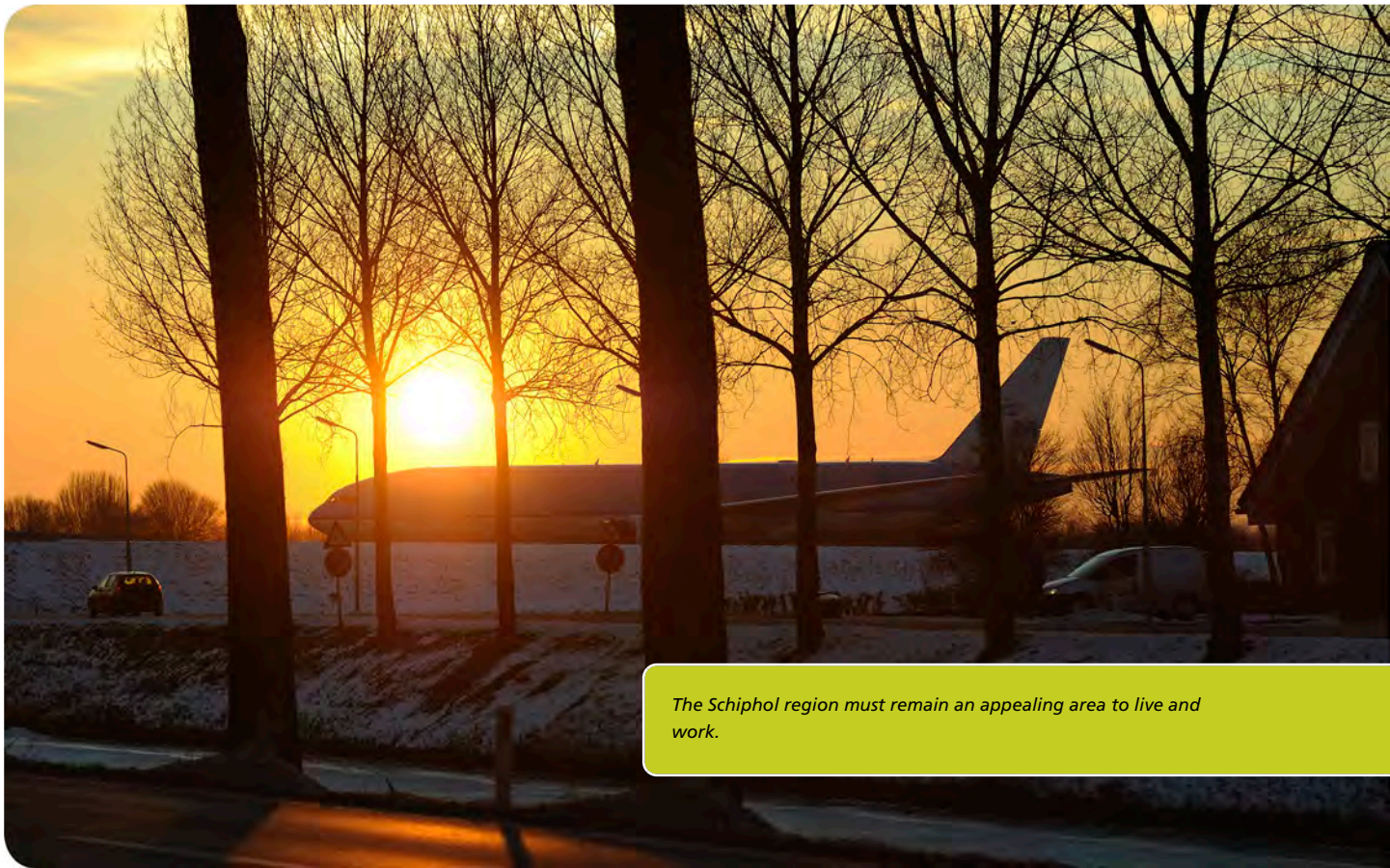
- Corporate Responsibility is an integral part of Schiphol's strategy. Consequently, Corporate Responsibility was an important subject on the agenda of the Supervisory Board. The Supervisory Board is very pleased with the progress that Schiphol has made in the CR area, both with regard to strategic issues and with regard to the awareness within the organisation.
- During various meetings, the Supervisory Board and the Management Board discussed the relationship with the Schiphol shareholders. This concerned matters such as the evaluation of the Aviation Act, requirements regarding profitability, policy with regard to airport charges, the remuneration policy and the appointment of new and the reappointment of existing Management Board members.
- In December 2012, the Management Letter of the external auditor was discussed with the Audit Committee. During this meeting, attention was paid to ICT processes and the compliance with processes for business operations carried out by third parties.

### Financial reporting

Every month, the Supervisory Board received reports from the Management Board, in which the actual results were compared with the budget for 2012, the latest estimate for the year 2012 and the results of 2011. These reports were also discussed in the joint meetings. Subjects that were discussed included the development of the operating and commercial results and costs, the development of traffic and transport figures and the impact of this on the budget, the development of profitability as well as the funding and liquidity position of the company.

In view of the difficult economic conditions, the Supervisory Board monitored the effect of the development of profitability, balance sheet ratios and the equity position on the creditworthiness of the company very closely. The Supervisory Board is pleased to observe that the credit ratings of Standard & Poor's and Moody's were maintained in 2012. In 2012, a funding plan was drawn up to safeguard the company's financing for the present and the future.

In 2012, Schiphol entered into a real-estate collaboration with Aéroports de Paris. In the consultations and decision-making process regarding the transaction, the double role of Mr Graff was taken into account, as he was both a Supervisory Board member at Schiphol and President of Aéroports de Paris. Also in general, attention was paid to Mr Graff's double role (which also applies to his successor) in matters such as discussing competition-sensitive information and projects where the interests of Aéroports de Paris do not run exactly parallel. No other transactions took place whereby there were conflicting interests of Management Board members, Supervisory Board members, shareholders



*The Schiphol region must remain an appealing area to live and work.*

and/or external auditors that were of material significance for the company and/or the relevant Management Board members, Supervisory Board members, shareholders and/or external auditors.

### Central works council

In 2012, the Supervisory Board, the Management Board and the Central Works Council (CWC) discussed issues such as the evaluation of the Aviation Act and the long-term investment plan. Members of the Supervisory Board attended three consultative meetings between the Management Board and the Central Works Council. The members of the Supervisory Board found these meetings to be constructive and informative.

## B. Quality assurance

### Composition

All members of the Supervisory Board are independent within the meaning of the Corporate Governance Code, with the exception of Mr Graff, who was the CEO of Aéroports de Paris, and Mr Wijn, who is a member of the board of ABN Amro Bank. Mr Graff is a French national; the other members are Dutch citizens. Mr Graff was a member

of the Supervisory Board of Schiphol Group up to and including 11 November 2012.

At the end of 2012, the Supervisory Board had two female and five male members. The Management Board has one female member and three male members. In the coming period, the Supervisory Board will continue to make an effort, together with the Management Board, to arrive at an as diverse as possible distribution of positions within both bodies. With its development and leadership programme, Schiphol ensures that both sufficient men and women can develop their potential and qualify for higher management and board positions. Further personal details on each member of the Supervisory Board can be found in the next section of this annual report.

In the appointment of its members, the Supervisory Board aims for a complementary composition, in particular with regard to the fields of expertise that are relevant for Schiphol; these are specified in the profiles of the Supervisory Board members (annex A to the Supervisory Board Regulations). The table below specifies which Supervisory Board members represent which area of expertise. When filling new vacancies, the distribution of areas of expertise as specified below is taken into account.

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	•		•		•					•	
P. Graff*	1947 French	2009	•	•	•		•						
H. Hazewinkel	1949 Dutch	2009			•		•	•				•	
M. Scheltema	1954 Dutch	2010	•				•			•		•	
W. Stevens*	1938 Dutch	2002					•				•	•	•
J. Wijn	1969 Dutch	2012	•				•		•		•		•

\* stepped down in 2012

### Permanent education

In connection with the permanent education of the whole Supervisory Board, the slot coordinator Ms Ditvoorst held a presentation in 2012 about the European and Dutch system of slot allocation at airports. During the strategy day, the Supervisory Board was informed extensively about the evaluation of the Aviation Act and possible improvements of the economic regulations. In addition, Mr Ruys (Chairman of the Supervisory Board) visited South Korea in relation to the cooperation between Schiphol, Aéroports de Paris and Incheon International Airport.

### Evaluation

In 2012, the Supervisory Board carried out an internal evaluation, which included completion of a questionnaire. The recommendations from the external evaluation in 2010 and the resulting action list were used as a guideline for the evaluation. The Supervisory Board plans to carry out an extensive evaluation in 2013 also in view of a number of new appointments to the Board.

## C. Other issues

### Appointments and reappointments

#### Management Board

In 2012, important events occurred regarding the composition of both the Management Board and the Supervisory Board. First of all, after fifteen years of service, Mr Verboom stepped down as CFO of Schiphol Group. The Supervisory Board is very pleased with the extremely valuable contribution that Mr Verboom made towards the development of Schiphol Group, both in the Netherlands and abroad. Mr Verboom's expertise and experience were retained for Schiphol in 2012 through Mr Verboom's advisory activities for the participations of Schiphol in New York and Brisbane. The selection procedure for the vacancy of CFO started in 2011. In April 2012, the Supervisory Board appointed Ms De Groot as the new CFO for a term of four years.

In January and October 2012, Mr De Groof and Mr Nijhuis, respectively, were reappointed for a second term of four years. The reappointment of Mr Nijhuis will take effect on 1 January 2013. The decision to reappoint both Management Board members is based on the fact that the organisation has become more effective and more efficient under their management. In addition, the international competitive position of Schiphol has been strengthened and the quality at Schiphol has been improved. The Supervisory Board consulted the shareholders and Central Works Council in the decision-making process resulting in the reappointments. Finally, Mr Rutten will remain a member of the Management Board one year longer as COO (2014). An important task of the newly composed Management Board was and is to work on improving the relationship with KLM on a strategic level.

#### Supervisory Board

At the General Meeting of Shareholders in April 2012, Mr Stevens stepped down as a member of the Supervisory Board after a period of ten years. The Supervisory Board

would like to thank Mr Stevens for his legal acumen and his critical insights, whereby his experience with the political playing field has been very valuable. In accordance with the nomination of the Supervisory Board and with a positive recommendation from the Central Works Council, the General Meeting of Shareholders appointed Mr Wijn in May 2012 as a new member of the Supervisory Board for a term of four years. In the selection of Mr Wijn, the Supervisory Board took into account the need for expertise in the field of political and government relations, as specified in the expertise matrix of the Supervisory Board. After his appointment, Mr Wijn followed an extensive introduction programme. As part of this programme, Mr Wijn had various informative meetings with persons within Schiphol. Mr Wijn was also given a tour of the various operating units of Amsterdam Airport Schiphol.

In November 2012, Mr Graff stepped down as President and CEO of Aéroports de Paris. As a consequence, he also stepped down as a Supervisory Board member at Schiphol. In line with the agreement between the shareholders of Schiphol, the process to appoint a successor was started at the end of 2012. As of 1 February 2013, Mr De Romanet, the new President and CEO of Aéroports de Paris was appointed as a new Supervisory Board member. Following the changes in the composition of the Supervisory Board, the composition of the committees has also changed, for which reference is made to the following table.

### Meetings

The Supervisory Board convened ten times in 2012. 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. In addition, seventeen meetings were held by the different sub-committees. For a complete overview of the number of meetings as well as the attendance of the members of the Supervisory Board, reference is made to the following tables.

Supervisory Board	Audit Committee	Remuneration Committee	Selection & Appointments Committee	Public Affairs & Corporate Responsibility Committee
A. Ruys (Chairman)			• (c)	
T. Maas - de Brouwer (Vice-Chairperson)		•	•	• (c)
J. Brouwer	•			•
F. Cremers	• (c)		•	
H. Hazewinkel	•	• (c)		
A. de Romanet	•			
M. Scheltema		•		•
J. Wijn				•

(c) = Chairman

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 liaised with stakeholders from both within and outside Schiphol Group on a number of occasions, of which the above-mentioned Shared Vision Committee is a prime example.

The Supervisory Board wishes to sincerely thank the Management Board and Schiphol Group's employees for their outstanding dedication in 2012, both in airport operations and in other areas of the company.

Schiphol, 14 February 2013

The Supervisory Board

Anthony Ruys (Chairman)

Trude Maas - de Brouwer (Vice-Chairperson)

Jan Brouwer

Frans Cremers

Herman Hazewinkel

Augustin de Romanet

Margot Scheltema

Joop Wijn

<b>Supervisory Board attendance at Supervisory Board meetings in 2012</b>	<b>A. Ruys</b>	<b>T. Maas - de Brouwer</b>	<b>J. Brouwer</b>	<b>F. Cremers</b>	<b>P. Graff*</b>	<b>H. Hazewinkel</b>	<b>M. Scheltema</b>	<b>W. Stevens*</b>	<b>J. Wijn</b>
Supervisory Board	9	7	8	10	6 (of 9)	9	10	3 (of 3)	4 (of 7)
Audit Committee	N/A	N/A	2 (of 2)	3	0 (of 2)	3	N/A	0 (of 1)	N/A
Remuneration Committee	N/A	4	N/A	2 (of 2)	N/A	4	1 (of 2)	N/A	N/A
Selection & Appointments Committee	5	4	N/A	6	N/A	N/A	N/A	3 (of 3)	N/A
Public Affairs & Corporate Responsibility Committee	N/A	4	2 (of 2)	N/A	N/A	N/A	4	1 (of 1)	1 (of 1)
<b>Total</b>	<b>14</b>	<b>19</b>	<b>12</b>	<b>21</b>	<b>6</b>	<b>16</b>	<b>15</b>	<b>7</b>	<b>5</b>

\* stepped down in 2012



## Meetings of the Supervisory Board committees

### Audit committee

The Audit Committee met three times in 2012. After Mr Stevens stepped down, Mr Brouwer joined the Audit Committee in July 2012. The Audit Committee spoke at great length with the Management Board and the external auditor about the 2011 financial statements, the 2011 annual report, the 2012 interim report, the associated press releases and the 2012 internal and external audit plan. The funding plan 2012 and 2013 was discussed and approved by the Supervisory Board.

The Audit Committee paid attention to horizontal supervision by the Dutch Tax and Customs Administration, which was officially introduced in 2012. The policy with regard to insurance and taxes was also reviewed. Finally, the Audit Committee devoted special attention to risk management and pensions. In February and December 2012, the Audit Committee held discussions with the external auditor (PricewaterhouseCoopers Accountants N.V.) to which the members of the Management Board and/or internal auditors were not party.

### Selection and Appointments Committee

The Selection and Appointments Committee met six times in 2012. In the beginning of this year, Mr Cremers, as the Chairman of the Audit Committee, attended a number of meetings in connection with the selection and appointment procedure for the new CFO. The selection procedure was followed together with an external advisor and the committee is pleased that the General Meeting of Shareholders decided to appoint the Supervisory Board nominee, Ms De Groot as CFO. After Mr Stevens stepped down, Mr Cremers joined the committee as a permanent member in July 2012.

In 2012, the Selection and Appointments Committee also carried out the procedure for the appointment of a successor for Mr Stevens. This resulted in the recommendation to nominate Mr Wijn for appointment. At the end of 2012, the appointment of a successor for Mr Graff was discussed and the preparations were started for the reappointment and appointment of Supervisory Board members in 2013. Finally, the committee carried out the preparations for the reappointment of Mr De Groof, Mr Nijhuis and Mr Rutten.

With regard to the above appointments and reappointments, the committee has constantly liaised with both the Central Works Council and the shareholders.

### Remuneration Committee

The Remuneration Committee met four times in 2012. After Mr Cremers withdrew from the committee, Ms Scheltema joined the Remuneration Committee as a new member in July 2012. In 2010 and 2011, extensive consultations were held between the members of the Supervisory Board and the shareholders in order to arrive at a new, more moderate remuneration policy for newly to be appointed members of the Management Board. In February 2012, it became apparent that not all shareholders approved of this new policy. Decision making on this topic was postponed at the request of the shareholders. In the mean time, the Finance Minister has announced that the remuneration policy for state participations will be re-evaluated. The Supervisory Board will use the results of this re-evaluation as the basis for determining the new remuneration policy.

### Public Affairs & Corporate Responsibility Committee

The Public Affairs & Corporate Responsibility Committee met four times in 2012. The verification of the Corporate Responsibility reporting in the annual report by the external auditor was discussed as well as the CR objectives for the Management Board in 2011 and 2012. The spear points of the CR policy were also discussed and a report was presented to the committee about the strategic workshop held by the Management Team Schiphol Group in which the strategic ambitions with regard to CR were discussed for the coming years. The Committee is pleased with the enthusiasm with which the CR policy is being implemented. Furthermore, significant attention was devoted to strategic communication and stakeholder management in 2012. Together with the Management Board, the Committee members are of the opinion that the passenger is of crucial importance to Schiphol in this regard. In 2012, the Public Affairs & Corporate Responsibility Committee reaffirmed Schiphol's strategy with regard to exercising restraint in the media where it concerns discussions with its customers while, on the other hand, conducting a very active dialogue with its stakeholders.

Meetings	Number
Supervisory Board	10
Audit Committee	3
Remuneration Committee	4
Selection & Appointments Committee	6
Public Affairs & Corporate Responsibility Committee	4
<b>Total</b>	<b>27</b>