Mission, ambition and strategy

In 2018, we continued to see significant growth in passengers and, at our regional airports, also in air traffic. Amsterdam Airport Schiphol has now reached its ceiling for air transport movements of 500,000 per year. New agreements are necessary for moderate sustainable growth in order to continue optimally connecting the Netherlands with the rest of the world in future years.
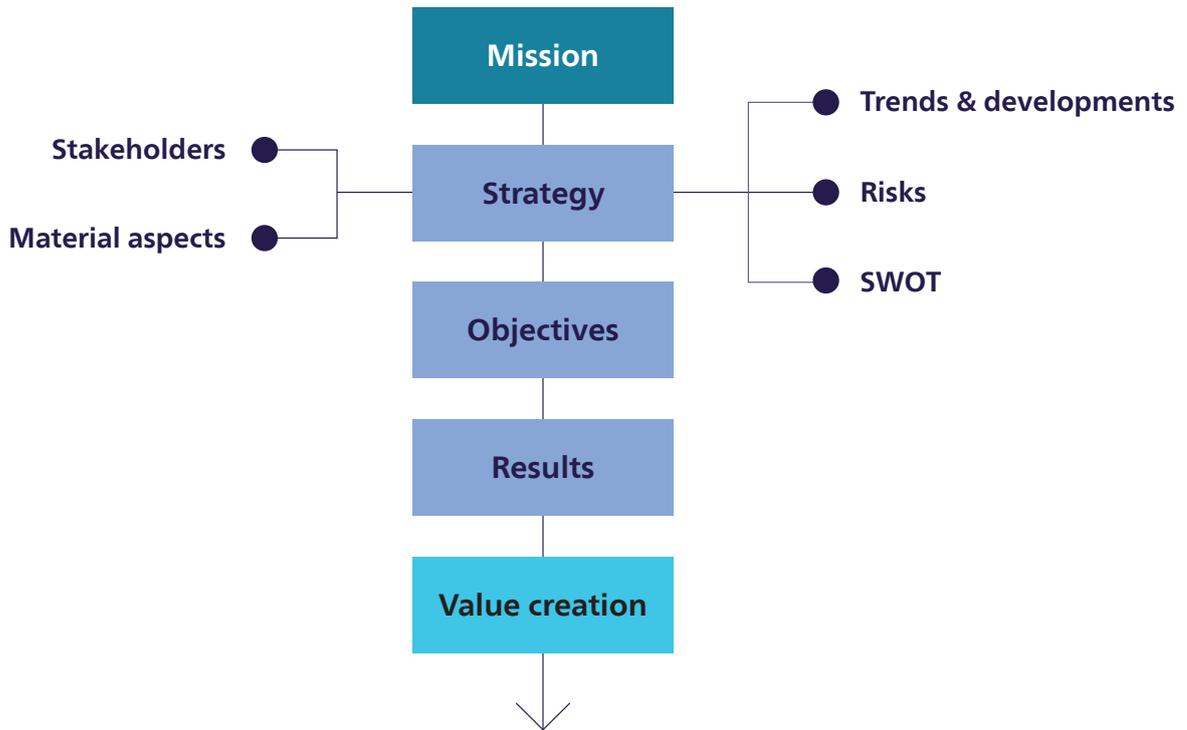
Our mission: Connecting the Netherlands

'Connecting the Netherlands' embodies the core mission of Royal Schiphol Group: to connect the Netherlands and its people with the wider world, while providing access to our country to those outside our borders. Our airports allow international trade, tourism and knowledge exchange to flourish by providing top-quality aviation infrastructure and air transport facilities for passengers and cargo.

By ensuring optimal air connectivity for the Netherlands, we are not only supporting the economy, but also helping to promote the traditional Dutch values of openness, tolerance and international-mindedness for which we are known around the world. We do this with the support of our partners in the aviation sector and beyond. These include airlines, Customs, national and local governments, business partners, landside infrastructure providers, air traffic control and other key stakeholders. Schiphol is well aware that our activities impact different groups in different ways. We therefore strive to balance the important contribution we make in providing optimal links to connect the Netherlands to the rest of the world with the negative effects of

Reporting summary

```
                              Mission

                                                    ●  Trends & developments
    Stakeholders  ●
                              Strategy              ●  Risks
    Material aspects  ●
                                                    ●  SWOT

                              Objectives

                              Results

                              Value creation
```

aviation on the quality of life of our local residents. We do this through careful monitoring of issues such as noise pollution, local air quality and carbon emissions.

Our ambition:
Europe's Preferred Airport

Our ambition is to be Europe's airport of choice for passengers, airlines, logistics service providers and businesses. This does not necessarily involve Amsterdam Airport Schiphol being larger or cheaper than our competitors, but rather that we consistently deliver high-quality visitor experiences. Above all, quality is reflected in smooth operational processes, short curb-to-gate times, attractive retail offerings, and hospitality in everything we do. We strive to maintain this ambition while addressing the challenges presented by the limits on air transport movements and managing the pressure of growing passenger numbers.

Our strategy to connect the Netherlands: Five themes

The guiding principles of our strategy have been formulated in the Strategic Plan for 2016-2020 and are focused on how we can enhance and expand the connectivity of the Netherlands in a way that is safe and sustainable. We will continue to develop Amsterdam Airport Schiphol as Europe's gateway to the Netherlands and as an internationally leading hub airport with an intricate network of scheduled destinations. Our regional and overseas airports also contribute towards achieving our goals.

Strategic themes
Our mission and role in society are based on five strategic themes, each with its own focus: Sustainable & Safe Performance, Top Connectivity, Excellent Visit Value, Competitive Marketplace, and Development of the Group. Together, these different strands of our strategy allow us to capitalise on industry trends and opportunities and respond effectively to new challenges and developments.

Sustainable & Safe Performance
Sustainability and safety as foundations

Sustainability and safety are fundamental principles governing the actions and activities of all aviation and non-aviation activities across our Group. Schiphol has a responsibility to uphold these principles, which is an integral consideration in the many decisions we make as an organisation. In this sense, Sustainable & Safe Performance is not only an important theme in its own right, but also directly underpins each of the four other themes that form the basis of our strategy.

As we grow, and our passenger numbers expand, maintaining a healthy and safe working environment for staff and safe surroundings for passengers and local residents has never been more important. Working in close collaboration with our partners, and following the advice of the Dutch Safety Board (OVV), we continue to prioritise, and enhance, our safety management processes, both at Schiphol and our regional airports. In this way, we strive to be a High Reliability Organisation (HRO) with a proactive health and safety culture.

We make every effort to increase the positive effect of our activities and to minimise any negative impact. In particular, we realise that noise disturbance and air quality are key sources of current concern with regard to our airports' future growth and, as a committed neighbour, we are engaged in continuous consultation on these issues.

Schiphol Group aims to lead by example within the aviation sector when it comes to sustainability. Our ambition is to become the most sustainable airport operator in the world, while paying particular attention to four key topics: (1) sustainable aviation, (2) zero-emissions, (3) zero-waste, and (4) wellbeing. We collaborate with partners on these themes and we have defined two long-term goals: ensuring the airports operated by Schiphol Group are zero-waste and zero-emissions by 2030.

Our objectives are closely linked to national and international climate-related ambitions. These include the Dutch aviation sector's 'Smart and Sustainable' action plan (for further details, see the People, environment and community section in Our results) as well as the International Air Transport Association (IATA) targets, the Paris Agreement and the UN Sustainable Development Goals (SDGs).

Objective	Progress	Achieved in 2018
Sustainable We will be acknowledged as a leading enterprise in the field of Corporate Responsibility	●	– Recognition of Schiphol's leading international role in driving sustainability in the aviation sector: ACI Europe Eco-Innovation Award – Dutch aviation sector collaborates with Smart and Sustainable action plan – As of 2018, all Group airports run entirely on renewable electricity generated in the Netherlands – Europe's largest fleet of fully electric buses: 100 Connexxion electric passenger buses added to routes to, from and around Schiphol
Safe We are developing into a High Reliability Organisation with a proactive safety culture	●	– On track towards an HRO Level-4 safety culture by 2020 – The Integral Safety Management System (ISMS) is initiated in collaboration with sector partners

Sustainable Development Goals

In 2016, we examined our activities in light of the UN Sustainable Development Goals (SDGs). Of the 17 SDGs, six are highly relevant to our activities and our role in the value chain. We are working to increase our positive impact and reduce our negative impact with regard to each of these six SDGs to help ensure a futureproof aviation industry.

The goals that are most relevant to Schiphol are: SDG 8 Decent work and economic growth, SDG 9 Industry innovation and infrastructure, SDG 11 Sustainable cities and communities, SDG 12 Responsible consumption and production, SDG 13 Climate action, and SDG 17 Partnerships for the goals.

This year, we have added the underlying KPIs. You can read more about the KPIs and our activities supporting these goals in the People, environment and community section of Our results.

Top Connectivity
The best connections

The strength of Mainport Schiphol lies in its extensive network of destinations, the majority of which are served by our home carrier KLM and its partners. Through Schiphol, the Netherlands has direct links with approximately half of global GDP and 80% of European GDP. However, a strong position today is no guarantee for the future. In 2018, the airport witnessed a decrease in full freighter movements, together with a fall in cargo volumes. Our strategy is to facilitate moderate and controlled growth at Schiphol, with a focus on Mainport-related traffic. Although demand for air traffic keeps increasing, a moderate growth path is required to balance the benefits and negative consequences of air travel. Our regional airports will keep their respective roles in serving their regions and handling holiday flights.

Further development of both the airside and landside infrastructure at Schiphol-hub is also essential in order to accommodate a growing passenger volume and to continue

delivering a quality service to travellers and airlines. In addition to creating new capacity - through the construction of the new pier and terminal, as well as other projects - our strategy involves making full use of the existing space in and around the terminal. Additional parking capacity and 'Kiss & Ride' areas are needed. Schiphol is also investing in flexible parking capacity, which can be easily converted into multi-purpose mobility space as required.

Landside accessibility is top of mind. In particular, we view the extension of the North-South metro line from Amsterdam South to the airport as a key priority going forward. In the meantime, we are working on further developing the railway station area at Schiphol, with expansion and refurbishment needed to manage crowds and improve comfort for public transport users. We are working closely with the Transport Authority Amsterdam (Vervoerregio Amsterdam), Dutch Railways (NS), ProRail and the Ministry of Infrastructure and Water Management (I&W) to deliver these upgrades.

Objective	Progress	Achieved in 2018
Network Maintaining a network with more than 300 destinations	●	– Number of destinations at Schiphol: 327 – Number of passengers at Schiphol: 71.1 million
Accessibility Projects for improving landside accessibility have been prepared	◐	– MIRT exploratory study for the development of the Schiphol Multimodal Hub – Improved accessibility by rail
Airport capacity Capital Programme Development of Lelystad Airport	◐	– Construction of the new pier and preparatory work for the new terminal under way, with progress made on landside infrastructure adjustments – Construction of Lelystad infrastructure on schedule for a 2020 opening
Growth Agreements with our stakeholders will enable moderate growth after 2020	◐	– Discussions within the Schiphol Local Community Council (ORS) have been concluded. No agreements were reached, but progress has been made. – Government is preparing for the opening of Lelystad Airport – Environmental impact assessment presented in draft form

★ Excellent Visit Value
An attractive airport

Amid intensifying competition from Europe's other hub airports and, increasingly, smaller airports too, providing the highest levels of quality across all of our processes, facilities and commercial offerings has never been more important. In short, we must work hard to ensure excellent visit value if we are to realise our ambition of being Europe's preferred airport.

Visit value is the combination of various different elements. While ticket prices, flight frequencies and the range of available destinations remain the principal determinants for travellers when choosing an airport, an attractive, varied retail and dining offering is also important. Ultimately, if a passenger has an enjoyable, smooth and seamless flying experience, they will be happy to travel via Schiphol again. By expanding and optimising the spaces within our terminals and providing new products and concepts, we are exploring new ways to enrich the experiences of our visitors, offering new concepts and exclusive products that have a clear Dutch signature and provide a lasting reminder of the Netherlands.

Above all, we strive to offer our visitors a high level of quality on each visit. We are aware that major renovation and construction activities may have an impact on Schiphol's visit quality in the coming years. Additional efforts and solutions are in place to minimise disruption to passengers and maintain a good customer experience. Digitisation is an effective tool in this regard, helping us to relieve congestion and make better use of our available capacity. In particular, automation of passport control helps streamline our passenger-management and crowd-control processes, while new technologies and innovations improve the flow of information to customers and stakeholders.

Fast-tracking Schiphol's digitisation programme serves to enhance our consumer and retail offering and stimulate shopping intention. Through initiatives such as FLIO, an international app for airport facilities, and personalised wifi-based advertising in our terminals, we are finding new ways to meet the wishes and demands of our customers. Besides technology, initiatives such as temporary retail units, pop-up stores and airside delivery services are just some of the many ways we are catering to the interests and needs of visitors and passengers.

Objective	Progress	Achieved in 2018
Digitisation Digital solutions in all our activities	●	– Ongoing digital innovations and solutions including SMART buildings and SmartGate planning – Seamless Flow – Omnichannel 24/7 traveller assistance and information
Comfort We have implemented measures to improve waiting comfort	◑	– Upgrade of pier waiting areas in progress – Redevelopment of Terminal 1 in progress, resulting in a more efficient security process
Competitive charges Competitive airport charges in Europe. We continue to optimise our operational processes, together with our business partners	●	– Despite increased airport charges due to large investments, charges remain competitive

Competitive Marketplace
A prime location

Royal Schiphol Group's airports are important engines of economic growth for the Netherlands. Proximity to an airport is often a decisive factor for companies when selecting a location, while features such as accessibility, the supply of accommodation and office space, and logistics are also important considerations for today's business community.

We are working constantly to improve and refine the Schiphol AirportCity concept, which stands for quality with regards to the working environment and accommodation, as well as excellent accessibility and convenient parking options. We offer a wide range of quality facilities - such as retail and food and beverage outlets - and services, for businesses, travellers and visitors alike. Offices, meeting facilities and hotels near the terminal are all performing well, as are logistics services based along the periphery of the airfield. Our real estate portfolio is being developed accordingly. We are working continuously to improve the quality of the business environment at Schiphol by expanding the range of facilities, and by offering innovative, flexible leasing concepts and services.

Amsterdam Airport Schiphol also plays a central logistical role within the surrounding region. We are currently enhancing this aspect of our service offering by adding new technologies and digital processes as part of the Smart Cargo Mainport Programme. Recent innovations include a registration system allowing logistics service providers and truckers to better plan cargo delivery and collection in the hangars, from the lorry park.

Our regional airports also work with local government authorities and developers to offer companies tailored accommodation options on and around the airport grounds.

Objective	Progress	Achieved in 2018
Non-aviation Guaranteeing revenue flow from non-aviation activities	●	– Strong retail revenues and real estate occupancy – Digitisation and an omnichannel approach to strengthen our retail offering and support shopping intention – Proactive development of parking products; continued success of valet parking service; extension of P3 parking garage
Central Business District Increasing activity in the Central Business District. Widening the range of services, establishing an attractive working environment and ensuring high occupancy rates	●	– Sustained positive momentum in the real estate sector; high office occupancy rates – Expansion work started on The Base complex, to include the new The Base D building – Ever-increasing range of services; success of SPOT: a community of airport-based businesses and employees

Development of the Group
A strong Group

The synergies between Schiphol's various divisions and areas of activity are among our core strengths. Schiphol Group aims to get the most out of the interactions between Amsterdam Airport Schiphol, the regional airports and the Group's international activities. We are also implementing further organisational improvements by strengthening the business culture at Schiphol and by taking full advantage of new commercial opportunities. This process is aligned with our ongoing evolution as we strive to become a flexible and sustainable High Performance Organisation (HPO).

Our focus is increasingly on developing quality physical infrastructure and capacity, while maintaining adequate yields in order to continue financing these investments independently. We strive for moderate aviation growth at our airports, in balance with the environment. Schiphol is the first European airport to issue a green bond of 500 million to support investment in sustainability projects. We coordinate our large investment projects in an integrated manner, creating synergies principally through increased efficiency within our own airport network. This network is further strengthened through our international collaborations and activities.

Objective	Progress	Achieved in 2018
High Performance Higher scores on the High Performance Organisation (HPO) benchmark		– Implementation of recommendations from the 2017 HPO measurement on track
International New international strategy		– International activities account for a significant portion of the Group's financial results – New strategy developed

Risks

Schiphol Group faces strategic, operational, financial and compliance risks. We have identified the key risks which could stand in the way of achieving our mission, and have taken the appropriate measures to mitigate these risks. Risk management is an integral part of our business operations.

An overview clarifying the relationship between the key risks facing Schiphol Group, its strategic themes and material aspects is presented in Cohesion.

The key risks are as follows:
– **Airport accessibility (landside)**: accessibility by rail and road is under pressure and not meeting the desired level of quality
– **Airport capacity (airside and terminal)**: limited capacity to achieve qualitative objectives
– **Business continuity management**: disruption of critical processes or functions due to a long-term or permanent loss of key facilities, utilities, IT infrastructure or key suppliers
– **Connectivity performance**: connectivity performance under pressure
– **Environmental regulatory changes**: impact of new/ increased environmental regulation
– **Information security**: failure to implement or update technologies, processes and practices designed to protect networks, computers, programmes and data from attack, damage or unauthorised access

– **Project execution**: failure to deliver project benefits on time, within budget and of the required quality
– **Regulation and compliance:** violation of laws, internal policies or Code of Conduct
– **Safety and security**: risk of a serious safety or security incident
– **Workforce**: inability to attract and retain personnel

Control measures are covered in greater detail in the section on Risk management.

Power outage

On 29 April 2018, a voltage drop in TenneT's high-voltage grid interrupted the power supply to parts of Amsterdam Airport Schiphol. The power outage caused the failure of a number of crucial operational processes in the terminal. A large number of flights were subsequently cancelled, causing significant inconvenience to passengers, while the closure of key access roads disrupted traffic to and from the airport, resulting in further reputational damage.

Schiphol commissioned the Netherlands Organisation for Applied Scientific Research (TNO) to carry out an investigation into the incident. The interim findings revealed that the failure in critical operational processes was the result of a sequence of events in the power supply and the data network, including misaligned settings in an emergency power generator in Terminal 3. Schiphol immediately followed up these findings and addressed issues in its emergency power generator and data network.

We have asked TNO to help us address the technical side of this malfunction and offer recommendations to prevent similar incidents in the future. The organisation recommends that Schiphol apply the same standards for temporary systems, such as those used during renovations, as for permanent systems. The recommendations also advise testing the (temporary) systems under maximum operating conditions and, due to the number of changes, regularly analysing system dependencies and the settings of critical systems.

Lastly, TNO has provided recommendations for strengthening the reporting, signalling and escalation processes in the event of disruptions in the data infrastructure, as well as setting up a multidisciplinary technical incident team. Schiphol is implementing all of TNO's suggestions and is monitoring their impact closely. We have also evaluated our communication procedures with the various organisations involved, and especially with the municipality of Haarlemmermeer.

Objectives

Every year, we translate our long-term strategy into a four-year tactical plan, which also incorporates the budget for the next three years. The tactical plan sets out, in clear terms, how we plan to achieve all of Schiphol Group's strategic milestones. An important condition of the plan is that it meets the requirements of a sound financial policy. The company must maintain its creditworthiness (S&P rating of A+) and be robust enough to weather any financial setbacks. Royal Schiphol Group also aims to meet or exceed the return required by the Dutch government, which for 2019 has been set at 5.6% (return on equity of Schiphol Group). The tactical plan also results in a management agenda, which sets out concrete actions and targets for management for the year ahead.

The Management Board has decided to create a new focus within the Group, which is reflected in the 2019 Management Agenda. This enables Schiphol Group to create one language across the Group, to align all activities within the Group and to ensure a focus on the most value-adding activities. In order to do this, we have selected five key focus groups: local residents, passengers, airlines, employees and shareholders. We have selected our 'Top 8' performance indicators. Three of these indicators are overarching: safety, network and sustainability. The remaining five are linked to the focus groups. Together with a list of major deliverables, the 'Top 8' performance indicators form the 2019 Management Agenda. The 2019 performance indicators aim for an improved performance on all KPI's compared to 2018.

2019 Management Agenda
Priorities

Safety
Index Safety Incidents: 88.3 (2018: 100)
This index is based on the number of lost-time injuries and the number of runway incursions with potential safety consequences.

Sustainability
CO_2 emissions Royal Schiphol Group: 150,000 tonnes CO_2 (rounded figure) (2018: 154,726 tonnes)
Decrease in CO_2 emissions taking into account Scope 1 (natural gas and fuels, own vehicle fleet), Scope 2 (electricity) and Scope 3 (diesel fuelled at airside, commuter traffic and business travel by car or aircraft).

Network
Number of ICA destinations: 135, while maintaining 300+ destinations in total (2018: 135 ICA and 327 in total)
The number of direct intercontinental destinations for passengers and cargo.

Passengers
Net promoter score: 34 (2018: 32)
Measurement of customer appreciation by asking to what extent passengers are satisfied with our services.

Airlines
On-time performance: 71% (2018: 70.7%)
The punctuality of outbound traffic is the percentage of commercial flights that depart on time.
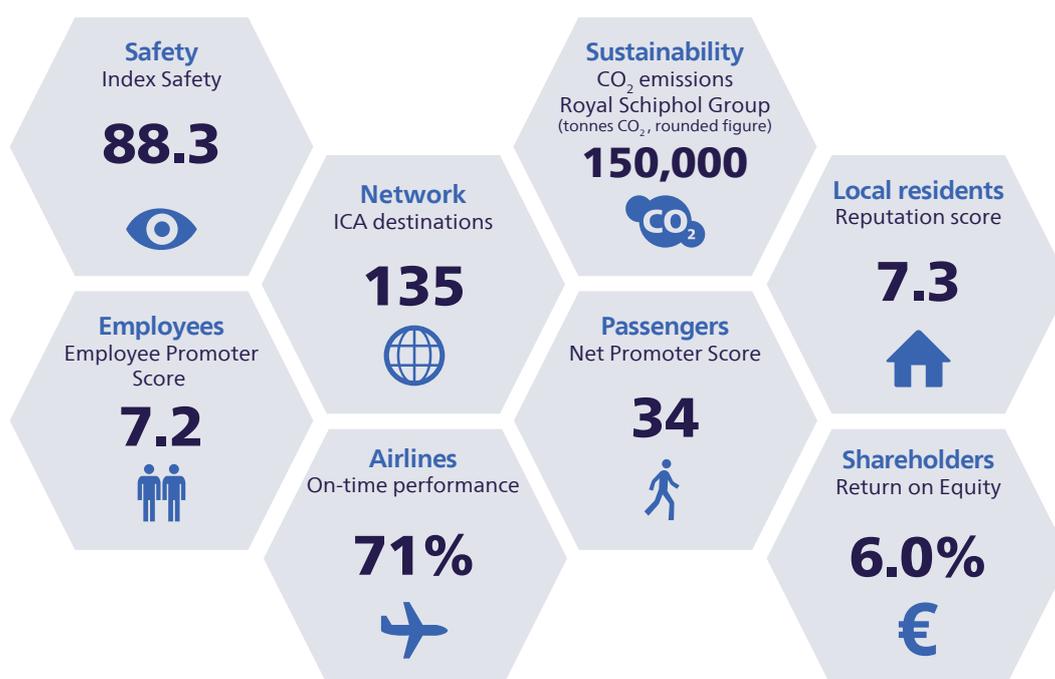
Local residents
Reputation score: 7.3 (2018: 6.7)
This score is based on reputation and engagement surveys and the number of complaints received by Bewoners Aanspreekpunt Schiphol.

Employees
Employee Promoter Score: 7.2 (2018: 7.2)
The EPS is determined, on a ten-point scale, by asking the question 'how likely is it that you will recommend our company as an employer to family or friends?'

Shareholders
Return on equity: 6.0% (2018: 5.4%)
Healthy financial return for shareholders based on profit after income tax adjusted for fair value gains and losses on investment property, divided by average equity.

Safety
Index Safety
88.3

Network
ICA destinations
135

Sustainability
CO_2 emissions
Royal Schiphol Group
(tonnes CO_2, rounded figure)
150,000

Local residents
Reputation score
7.3

Employees
Employee Promoter Score
7.2

Passengers
Net Promoter Score
34

Airlines
On-time performance
71%

Shareholders
Return on Equity
6.0%

Our results