

Risk management

Risk Management and Internal Control form an integral part of managing our business. Schiphol, with its vital role in Dutch infrastructure to connect the Netherlands in a safe, secure and financially robust manner, faces a broad range of strategic, operational, financial and compliance risks.



Schiphol's approach to enterprise risk management

Our company plays a vital role in the Dutch infrastructure to connect the Netherlands in a safe, secure and financially sound manner. For this role, Schiphol has defined its ambition, value model and objectives. A wide range of strategic, operational, financial and compliance risks could potentially prevent us from achieving these objectives and ambitions.

The objective of risk management is to ensure that we have sufficient control over our risks by continuously evaluating the risks and opportunities.

Our definition of risk management is 'a systematic process to identify, assess, manage and control potential events or situations to provide assurance on the achievement of our objectives and top performance indicators (TPI's)'.

We have an obligation to our stakeholders to manage these risks appropriately and demonstrably to, amongst others, maintain our license to operate, comply with the Dutch Corporate Governance Code and inform our stakeholders through our annual report. Risk management and internal control therefore form an integral part of the management of our business.

Risk management is carried out throughout our organisation, including our partners, and at all levels. Enterprise Risk Management (ERM) has a Schiphol group-wide focus on our key risks and is aligned with Operational Risk Management (ORM). ORM is defined as risk management at business unit level, with a more detailed focus on specific operational requirements and laws and regulations.

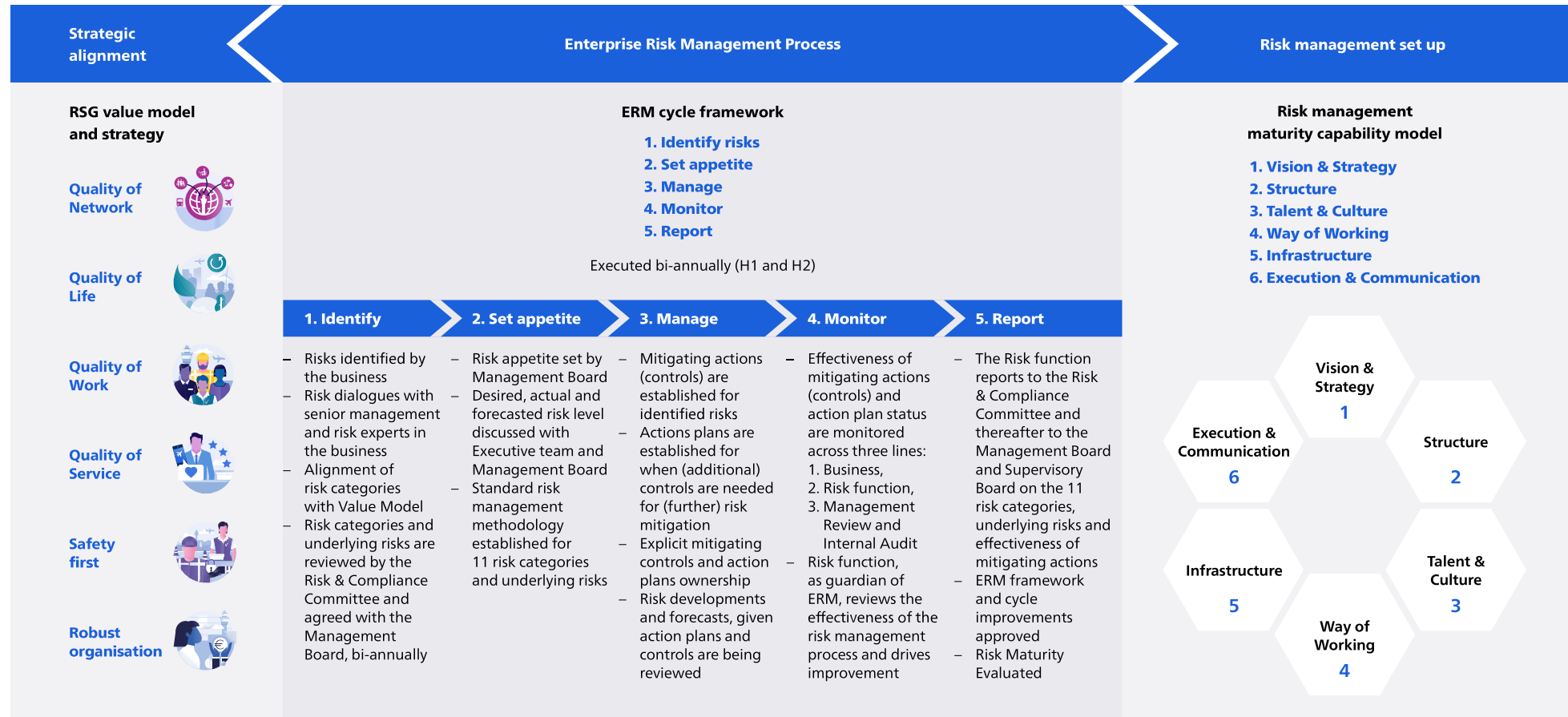
At Schiphol, we manage our risks at three levels, in line with COSO best practice: the first level, which owns the risks and controls within the business operations, operates controls to mitigate operational risks and defines actions to improve processes and mitigate risks; the second level – the risk function –, which facilitates, supports and challenges the first level in identifying, monitoring and mitigating risks; and the third level, our internal audit, which provides independent and objective assurance and advice to (senior) management on the adequacy and effectiveness of governance and risk management.

Our risk appetite describes the extent to which we accept risk in the pursuit of our objectives. Given Schiphol's vital role in the Dutch infrastructure, we have a very low to moderate risk appetite.

Our ERM approach has three distinct elements:

- Strategic alignment: alignment with the value model of Schiphol, strategic objectives and top performance indicators. Our development and progress on values, objectives and (top) performance indicators in 2023 are explained in the section 'Our results' of this annual report.
- The ERM process: completion of the ERM cycle (risk identification, set appetite, manage, monitor and report). The ERM (net) results are described in the following paragraphs of Schiphol's risk profile, including the rating of the 11 risk categories.
- Risk management set-up: We follow a generally accepted risk management maturity capability model where Schiphol strives to achieve a mature risk management set-up that enables us to achieve our objectives.

Enterprise Risk Management approach



Risk profile

The risk profile provides context to the level of risk exposure, our risk environment and highlights the main areas of risk that Schiphol currently faces.

Our risk exposure has decreased slightly compared to 2022. Several risks still exceed our risk appetite and the outlook for 2024 does not appear to change significantly, although many measures are in place to keep our risks at the same level. Schiphol Group is exposed to a number of strategic, operational, financial and compliance risks. In the risk assessment, a number of other key risks appear more prominent.

Social and Political Debate' increases the risks to our connectivity ambitions

The risks in our network quality are reduced mainly due to better connectivity compared to other airports. However, there is uncertainty about how this will develop in the coming years. Political uncertainty and the uncertainty of government policy (yet to be formed) increase the risk. Among other things, decisions on the number of permitted aircraft movements, which are also driven by (geo)political constraints, have an impact on our operations.

Better balance will be required between quality of life in the surrounding area and the airport

Schiphol published an eight-point plan called Quieter, Cleaner, Better to restore the balance between quality of life in the surrounding area and Schiphol Airport, in particular in relation to noise. Schiphol cares about quality of life and has strong sustainability ambitions and is working on implementing the Most Sustainable Airports Roadmap. In the second quarter of 2023, we concluded that our CO₂e targets are below the current targets of the Duurzame Luchtvaart Tafel (DLT). In addition, it is important that the issue is sufficiently on the agenda, both internally and with external partners, especially in view of the realization of our increased investment project portfolio.

Fast forward to address the operational issues from 2022

Schiphol launched the Fast Forward programme to improve the labor conditions and attractiveness in the whole sector and to change our operating model enabling to work more closely and integrally with our partners. This enables Schiphol to get more insight into its supply chain constraints and resolve issues jointly. While issues have been adequately addressed and resolved in 2023, Schiphol will going forward strengthen their operational risk management and drive better (internal) control over the operations in the coming years to avoid similar operational issues.

Attractiveness of Schiphol improved

Schiphol has also regained its attractiveness for airlines and passengers as the operational challenges for 2022 have been resolved. Vigilance will be required to maintain sufficient staff for all operational airport services, including the shared responsibility of partners. New commercial strategies have been developed to further improve the attractiveness of Schiphol, including the upgrading of lounges, parking facilities and retail shops, but attractiveness is also expected to be impacted in the short term as the significant asset maintenance and lounge improvement projects may disrupt the passengers journey. The 'Consumer and end user experience' paragraph in the *Quality of Service* chapter outlines the initiatives which has and will further improve the airport service and our passenger attractiveness score.

Working conditions are being addressed

In 2023, the focus was on improving the quality of work, including improving working conditions and improving our employment practices. After the operational challenges in 2022, the main focus was on improving the security process together with our partners. Some issues, such as the impact of emissions and working conditions in baggage basements, remain at risk and are being addressed through action plans. The details of our action plans for further improvements can be found in the 'quality of work' paragraph in 'our results' section.

State of assets may impact passenger experience

The majority of our risk levels for business continuity and IT & data risks, including cyber, remain at the same level due to provided efforts. While we are investing significantly in our airport infrastructure we still have a maintenance backlog which currently pose a foreclosed risk towards our quality of service objectives. In the *Airport capacity* paragraph in 'Our Results' you can read how Schiphol is investing to improve the state of the assets. A calamity organisation is in place to respond quickly to an event minimizing the impact on the passenger experience.

Increased airport charges to improve efficiency, adaptability and resilience

To improve our efficiency, adaptability and resilience, a major effort is being made to improve our assets over the coming years, putting pressure and more risk on the delivery of the project portfolio. The major investment programme doubles our capital expenditure. In addition, our operating costs are increasing due to inflation, to provide better working conditions, to become more sustainable and to resolve short-term operational issues and to increase headcount to ensure project delivery. These increases have an impact on future airport charges and put pressure on the airline consultation process.

Operating model Schiphol is under revision

Our operating model is under revision since 2023 to address and resolve the issues we experienced in 2022 by securing better our supply chain in terms of availability of people, suppliers (capacity) and materials, improving our quality of work and improving our airport services. 2024 will be an interim year where a new CEO will come on board, the Dutch government is being (re)formed, political and social debates around Schiphol find new agreements and new airport changes for the three years to come are being discussed with the airlines and set by our regulator. In this interim year we will focus on risks surrounding our 'infrastructure', our 'people' while ensuring 'regulatory compliance'.

The board of Schiphol has made the following risk appetite statements guiding our (risk) management decisions:

1. We recognize the need to strike a balance between our socio-economic role (low risk appetite) and our commercial ambitions (moderate risk appetite).
2. Our primary focus is to ensure the continuity of our business in a safe and secure manner, whatever the circumstances. Risks that threaten this continuity should therefore be minimised, resulting in a very low risk appetite.
3. Maintaining our minimum single 'A' credit rating (S&P) is key, which includes ensuring a sound financial position, transparency and reliability of our financial reporting. Our financial and reporting errors risk is therefore low..
4. We strive to comply with all applicable laws and regulations, focusing on those necessary for the continuity of our aviation activities and business requirements, such as EASA, health and safety, security, environmental, competition, tendering, sanctions, privacy and information security laws.

Financial resilience

Schiphol remains a financially healthy and robust company which is important for attracting talent, working with partners to build a quality airport and having access to good financing facilities, thus continuing to create value for the Netherlands. Financial resilience remains required to ensure sufficient cash flow and costs coverage during large and long-lasting disruptions, from e.g. pandemics and war, are adequately covered through our financing facilities, airport charges, settlements and agreements with the airlines. Settlement income from prior years in future airport charges in accordance with the regulatory regime is a key component for building up our financial resilience. More details on our organisational robustness can be found in the 'Our results' section including more details on the financial solidity of our company.

Financial disclaimer

Due to the nature of our activities, Schiphol Group is exposed to a variety of financial risks, including market risk, counterparty risk and liquidity risk. A credit rating downgrade could negatively affect our access to the financial markets and/or the interest rates on future debt instruments. The financial risk management programme focuses on the unpredictability of the financial markets and minimising any adverse impact this may have on our financial results. Schiphol Group uses derivative financial instruments to hedge certain risks. Financial risk management is carried out by the central treasury department (Finance) and is

part of the approved policy of the Management Board. In addition to the establishment of written guidelines for financial risk management, the Management Board determines the policy for certain key areas, such as currency risk, interest rate risk, credit risk, the use of derivative and non-derivative financial instruments and the investment of temporary liquidity surpluses.

Concluding

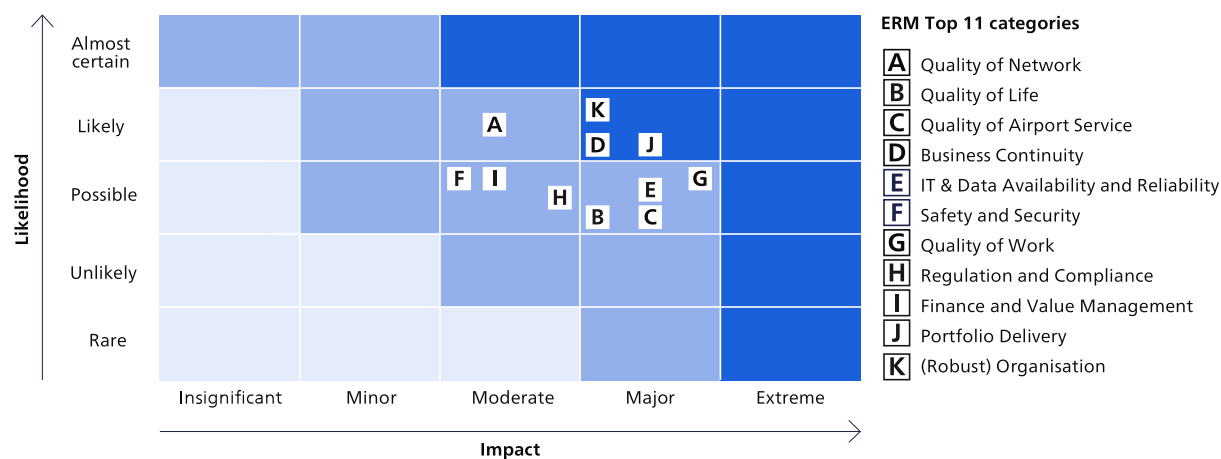
In conclusion Schiphol's risk profile has slightly decreased due to many improvement actions compared to 2022, predominately

outlined in 'Our results' section. However looking forward the risk profile is not expected to significantly change in 2024 as risks continue to emerge, political decision making is volatile and mitigating actions take time to materialize. The focus in 2024 will be on monitoring our risks related to infrastructure, employment and compliance in support of a quieter, cleaner and better airport.

Top risks

Our enterprise risk register is reviewed twice a year with the involvement of the business, including senior management, with the aim of verifying and updating the risks to ensure the register reflects the most recent and emerging risks. The identified risks are grouped into risk categories. Each category is assessed, and the results are shown in the risk matrix (impact and likelihood). The potential impact is measured either financially (for example, more than 25 million euros in EBITDA) or non-financially (for example, reputational impact). The position indicates the residual risk reflecting the effectiveness of mitigating actions. Residual risks are evaluated by senior management and discussed with the Management Board.

Schiphol's risk heat map 2023






Risk categories, developments and mitigation

The outcome of the 2023 risk assessment has led to the following principal 11 risk categories depicted in our risk heatmap on the previous page and detailed out below.

Heatmap	Risk category	Risk relates to	Risk trend vs. 2022	Risk development in 2023	Mitigation	TPI link	More information
A.	Quality of Network	Structural airline industry changes, uncertain demand, competing airports, government policy setting on ATM's and slot allocation mechanism		Schiphol still has good connectivity in comparison to other major European airports. However, the allowable ATMs is an ongoing discussion topic which gives pressure to the connectivity as it remains uncertain how our network will develop the upcoming years.	Advocating for the importance to accelerate the revision of the EU Slot Regulation and new rules with clear limits for noise and CO ₂ e emissions (8-point plan). Active engagement with the government to find solutions that harmonise our network's integrity with environmental stewardship.	ICA destinations	Learn how one of Schiphol Group's priorities is to always maintain its superior network standard in our Quality of network paragraph under 'Our results'.
B.	Quality of Life	Ambition and progress on sustainability of airport and aviation (Greenhouse gasses/UFP/Waste/Nitrogen/Noise) impacting the license to operate		Royal Schiphol Group has strong sustainability ambitions and works on executing the Roadmap Most Sustainable Airports. The goal is to achieve a zero emission and zero-waste airport by 2030. A 'better and balanced' plan was created to reduce the CO ₂ e emission and the 8 point plan Quieter, Cleaner Better was published to improve the quality of life at Schiphol. In 2023 Schiphol, Eindhoven Airport and Rotterdam The Hague Airport have achieved to reach the highest level of the Airport Carbon Accreditation-program.	Coming years Schiphol focusses on 1) Getting CSRD ready; 2) Improve awareness and knowledge and (3) embed the ambitions and strategy in the Schiphol organisation.	CO ₂ e emissions Local resident reputation score	Read how Schiphol Group aims to operate the world's most sustainable Airports in our Quality of Life paragraph under 'Our results'.
C.	Quality of Airport Service	Airport quality of service including the attractiveness and capacity to accommodate all airlines and passengers during peak times		Political discussions about the shrinkage, increased cost, and process times due to legislation/working conditions improvements have an impact on the airport services and its attractiveness. 2023 show improved service levels with smooth operations during the holiday seasons.	Several projects have been initiated to improve the quality of services of Schiphol including overhaul of the train stations, the retail shops, the plaza, parking facilities and the lounges.	On-time performance Net promoter score	Understand how Schiphol is committed to deliver a seamless and engaging passenger experience in the Quality of Service paragraph under 'Our results'.
D.	Business Continuity	Disruption of critical business processes or functions due to loss of key facilities, assets, utilities, IT infrastructure or key suppliers and services		Ramping up the capacity, including our sector partner, has been a challenge due to the tight labour market. The security employee problem is resolved. However, parts of the process is not controllable by Schiphol due to dependency on third parties (Airlines/ Ground handlers/ KMar./ LVNL), that must deal with staff shortages and the impact of regulation that has an impact on occupational health and safety conditions.	The AirPort Operations Centre (APOC) is further intensifying the cooperation and exchange of data with chain- and sector partners. To reduce future technical asset failure, the Portfolio Planning for 2024-2026 has a focus on asset replacements (47%) in the multi-year maintenance plan (MJOP 2024-2026) and beyond.	On-time performance Net promoter score	Read how Schiphol has an internal calamity organisation that incorporates training activities, scenarios and governance to be applied in the event of a major disruption or crisis in the paragraph Business Continuity in Airport Service under 'Our results'.

Heatmap	Risk category	Risk relates to	Risk trend vs. 2022	Risk development in 2023	Mitigation	TPI link	More information
E.	IT & Data reliability & availability	IT failure or IT abuse (cyber) with negative business outcome on critical business processes		Schiphol is continuously exposed to cyber attacks however due to existing mitigations and failover mechanisms the impact is generally limited. We foresee more risk going forward due to the large (asset) maintenance program.	Improvement paths are ongoing with an increased steering and strategy 2024+ focus on improving the basics. This will contribute to better control of risks.	On-Time Performance Net Promoter Score	Read more on how Schiphol Cyber Security Centre (SCSC) remained vigilant, protecting the digital processes and sensitive data, while fostering a culture of resilience and awareness under the Cybersecurity paragraph in Airport Service under 'Our results'.
F.	Safety and Security	Serious safety and security incidents causing casualties, injuries or damage		Safety and Security is fundamental for safe and efficient airport operations. No major incidents occurred in 2023 and our Net Safety score was above our target of 95.	We work closely with the KMAR, Dutch Customs, private security firms, airlines and other partners to drive compliance with relevant security laws and regulations in a customer-friendly, cost-efficient way.	Net Safety Score	Read further on how Schiphol Group aims to provide safe, secure and responsible travel for everyone who visits and uses our airports each day under the Safety First paragraph in the 'Our results' section.
G.	Quality of Work	Offer people good work and attractive working conditions, ensuring healthy, safe and pleasant working environment		Many actions have been executed to improve our position as a preferred place to work and the circumstances under which the work is done including improving the employee journey and welfare. Part of this is covered in the extension and renewal of the social agreement and our total plan with the sector for physical labour. Furthermore, we recovered in number of people where the greatest scarcity was evident (security). Last but not least our employee net promotor score increased to 24.	The recent renewal of the social agreement, is expected to have a risk mitigating effect due to its formalizing impact on working conditions. A Schiphol Group, including sector wide, online and offline, employer branding campaign has gone live in December 2023. In addition actions have been taken by investing in- and setting in motion the first batch of baggage handling support devices.	Employee Promoter Score	Read more on how Schiphol aims to redefine the essence of work at Schiphol Airport for everyone involved, contributing to our goal of becoming the world's most sustainable and high-quality airport in the Quality of Work paragraph under 'Our results'.
H.	Regulation & Compliance	Non-compliance with internal and external codes and/or laws and regulations		We achieved to get our nature permit and are certain we can fulfil the requirements but political uncertainties and legal procedures from interest groups could increase the risk for 2024. The compliance with the environmental requirements remains an area of focus. Not only because complying with applicable laws and regulations is our highest priority but also because the external supervisor continues to pay a lot of attention to this subject.	Schiphol is currently implementing a new HSE framework and organisation to manage this risk. Furthermore we are implementing several monitoring mechanism to control the nature permit requirements and noise limits. Schiphol has also started to develop a sector wide ambition on integrity and social safety. Our Fast Forward programme, our eight-point plan and the 'people first' approach foster the ethical behavior of our employees and partners.	Reputation Score	To learn more on how a compliance and integrity programme has been designed to monitor and manage compliance and integrity risks in the paragraph Robust organisation under 'Our results'.

Heatmap	Risk category	Risk relates to	Risk trend vs. 2022	Risk development in 2023	Mitigation	TPI link	More information
I.	Finance & Value Management	Low return on equity, credit rating downgrade(s), lack of liquidity and access to capital markets, CAPEX project selection, material financial reporting errors and fraud		The return on our equity for 2023 is below the anticipated target largely due to lower pax numbers. Schiphol however remains a financially healthy and secure company with a positive return and good credit rating (A/A-1).	New airport charges, strong cost discipline and new commercial initiatives will help to keep this risks at par for 2024..	Return on Equity	Read more about the financial solidity and our financial performance in 2023 in the Robust Organisation and Financial Performance paragraphs in 'Our results'.
J.	Portfolio delivery	Portfolio Delivery and Project Execution fail to deliver value on time, within budget and with required quality		The topmost challenge is the realisation of a large and complex project portfolio, increasingly focusing on maintenance and replacement of existing assets. Given the attention for environmental issues, a widening future focus (beyond Nitrogen) of this risk is expected. Construction and project resources, especially specialists, remain scarce, both for contractors as well as own staff resources.	A robust and realistic portfolio planning is currently concluded for the tactical 2024 portfolio and in Q1 2024 for the tactical 2025 strategic portfolio 2026 – 2028. By monitoring the Portfolio 2023-2026 realisation more intensely, early insights in constraints and their solutions are obtained for current and future improvement of the portfolio delivery.	All TPIs	Read more on how Schiphol is undertaking an extensive investment programme to support our short, medium and long-term capacity needs, with several major projects underway or in preparation in the Airport capacity paragraph under Quality of Service in the 'Our results' section.
K.	Organisation	Adapt and improve as an organisation		Our operating model is under revision, addressing the problems for the short term, the newly appointed CEO will further drive the organisation for the longer term towards new revised goals. A series of 'deep listening sessions' with a broad set of supplier employees took place in 2023 to understand how they experience their work at Schiphol Airport and what suggestions they have for improvement.	In 2024, Schiphol aims to transition to a robust and improved supplier management model within the sector build on trust and long-term, equal relationships to deliver higher 'Quality of Work and Service' across the airport.	All TPIs	Read further on how Schiphol actively worked on improving collaboration with its strategic suppliers to create a more balanced ecosystem where all parties work together at Schiphol to achieve a quieter, cleaner and better airport in the Robust Organisation paragraph under 'Our Results'.

Statement of the Management Board

We seek to minimize the likelihood of errors, wrong decisions and the impact of surprises due to unforeseen circumstances. However, we cannot exclude the possibility of being exposed to risks that we are currently unaware of, or which may not have been considered important thus far.

No risk management or internal control system can provide an absolute safeguard against failure to achieve corporate objectives, nor fully prevent any possible loss, fraud or breach of rules and regulations. Furthermore, as an airport, Schiphol is susceptible to adverse weather conditions and other natural phenomena; we cannot prevent or influence these. However, we can ensure that the consequences remain as limited as possible. In light of the above, we believe that the risk management and internal control systems provide a reasonable degree of assurance concerning financial reporting risks and that the financial reporting does not contain any material misstatements.

The Management Board declares, considering the above, that, to the best of its knowledge:

- The financial statements provide a true and fair view of the financial assets, liabilities, financial position and profits of Schiphol Group, as well as the combined consolidated enterprises;
- The financial statements have legitimately been prepared on a going concern basis for Schiphol Group, given its strong financial position;
- The annual report describes the material risks and uncertainties that are relevant to the assessment of the continuity of Schiphol Group for a period of 12 months following the publication of the report;
- The annual report provides a true and fair view of the situation on the balance sheet date and of developments over the course of the financial year; and
- The principal risks facing Schiphol Group are described in this annual report.