

SECOND PARTY OPINION¹

ON THE SUSTAINABILITY OF THE ROYAL Schiphol GROUP'S GREEN FINANCE FRAMEWORK

March 2020

SCOPE

Vigeo Eiris was commissioned to provide an independent opinion (thereafter “Second Party Opinion” or “SPO”) on the sustainability credentials and management of the Green Finance Framework (the “Framework”) created by Royal Schiphol Group (“Schiphol” or the “Issuer”) to govern the issuance of Green Finance Instruments².

Our opinion is established according to Vigeo Eiris’ Environmental, Social and Governance (“ESG”) exclusive assessment methodology and to the latest version of the International Capital Market Association’s (ICMA) Green Bond Principles (“GBP”) voluntary guidelines (edited in June 2018), and of the Green Loan Principles (“GLP”) voluntary guidelines developed by the EMEA Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications & Trading Association (last revised in December 2018).

Our opinion is built on the review of the following components:

- 1) **Issuer:** we assessed the Issuer’s ESG performance³, its management of potential stakeholder-related ESG controversies and its involvement in controversial activities⁴.
- 2) **Issuance:** we assessed the Framework, including the coherence between the Framework and the Issuer’s environmental commitments, the Green Finance Instruments’ potential contribution to sustainability and their alignment with the four core components of the GBP & GLP 2018.

Our sources of information are multichannel, combining data (i) gathered from public sources, press content providers and stakeholders, (ii) from Vigeo Eiris’ exclusive ESG rating database, and (iii) information provided from the Issuer, through documents and email responses from the Issuer’s managers, via a telecommunications system.

We carried out our due diligence assessment from March 27th to March 31st, 2020. We consider that we were provided with access to all the appropriate documents we solicited. To this purpose we used our reasonable efforts to verify such data accuracy.

VIGEO EIRIS’ OPINION

Vigeo Eiris is of the opinion that the Green Finance Framework of Schiphol is aligned with the four core components of both the Green Bond Principles and the Green Loan Principles 2018.

We express a reasonable assurance⁵ (our highest level of assurance) on the Issuer’s commitments and on the contribution of the contemplated Green Finance Instruments to sustainability.

1) Issuer (see Part I):

- ▶ As of November 2019, Schiphol displays an overall advanced ESG performance, ranking 7th in our “Transport & Logistics” sector which covers 46 companies. The Issuer’s managerial approach appears advanced in the Environmental pillar, limited in the Social pillar and good in the Governance pillar. Our assurance that the Issuer’s risk factors are adequately managed is reasonable, including reputational, human capital, legal and operational risks.
- ▶ As of today, Schiphol is facing one stakeholder-related controversy related to the Environment domain (criteria Energy and criteria Management of atmospheric emissions). The frequency of the controversy

¹ This opinion is to be considered as the “Second Party Opinion” described in the GBP voluntary guidelines (June 2018 Edition) edited by the International Capital Market Association (www.icmagroup.org).

² The “Green Finance Instruments” include, but are not limited to, green bonds, including private placements, and green loans, subject to the discretion of the Issuer. The name “Green Bond” or “Green Loan” will be decided by the Issuer: it does not imply any opinion from Vigeo Eiris.

³ The Issuer’s ESG performance was assessed in November 2019 by a complete process of rating and benchmark developed by Vigeo Eiris. All potential evolutions and data published after this date are not included in the rating.

⁴ The 17 controversial activities screened by Vigeo Eiris are: Alcohol, Animal welfare, Cannabis, Chemicals of concern, Civilian firearms, Fossil Fuel Industry, Coal, Unconventional Oil and Gas, Gambling, Genetic engineering, Human Embryonic Stem Cells, High interest rate lending, Military, Nuclear Power, Pornography, Reproductive Medicine and Tobacco.

⁵ Definition of Vigeo Eiris’ scales of assessment (as detailed in the Methodology section):

- Level of Evaluation: Advanced, Good, Limited, Weak.
- Level of Assurance: Reasonable, Moderate, Weak.

is considered isolated. The severity of its impact on both the company and its stakeholders is considered high. Schiphol is considered reactive.

- ▶ The Issuer appears to not be involved in any of the 17 controversial activities screened under our methodology.

2) Issuance (see Part II):

The Issuer has described the main characteristics of the Green Finance Instruments within a formalized Green Finance Framework which covers the four core components of the GBP and GLP 2018 (the last updated version was provided to Vigeo Eiris on March 31st, 2020). The Issuer has committed to make both the Framework and this Second Party Opinion publicly available on its website⁶, in line with good market practices.

We are of the opinion that the Green Finance Framework is coherent with Schiphol's main sector sustainability issues, with its publicly disclosed strategic sustainable development priorities, and that it contributes to achieve its sustainable development commitments and targets.

Use of Proceeds

- ▶ The net proceeds of the Green Finance Instruments will exclusively finance and/or refinance, in part or in full, an Eligible Project Portfolio of new and existing Eligible Projects falling under two Green Project Categories ("Eligible Categories"), namely: Green Buildings, and Clean Transportation. We consider the Eligible Categories are clearly defined and relevant.
- ▶ The Eligible Categories are intended to contribute to one main environmental objective (climate change mitigation). The objective is formalized in the Framework and considered clearly defined and relevant.
- ▶ The Eligible Categories are considered to provide clear environmental benefits. The Issuer has committed to assess and, where feasible, quantify the expected environmental benefits of the Green Finance Instruments. An area for improvement consists in defining *ex-ante* quantified environmental targets, for each Eligible Category.
- ▶ The Eligible Categories are likely to contribute to four of the United Nations' Sustainable Development Goals ("SDGs"), namely: Goal 9: Industry, Innovation and Infrastructure, Goal 11: Sustainable Cities and Communities, Goal 12: Responsible Consumption and Production and Goal 13: Climate Action.
- ▶ The Issuer commits to report on the share of refinancing in its reporting after one year from the issuance (evolving due to the portfolio approach). An area for improvement is to commit to a maximum look-back period of 36 months in case of refinancing.

Process for Projects Evaluation and Selection

- ▶ The governance and process for the evaluation and selection of the Eligible Projects are formalized in the Framework. We consider that the process is reasonably structured, transparent and relevant.
- ▶ The process relies on explicit eligibility criteria (selection and exclusion), relevant to the environmental objectives defined for the Eligible categories.
- ▶ The identification and management of the environmental and social risks associated with the Eligible Projects are considered good.

Management of Proceeds

- ▶ The rules for the management of proceeds are clearly defined and will be verified. We consider that they would enable a documented and transparent allocation process.

Reporting

- ▶ The reporting process and commitments appear to be good, covering both the funds allocation and the environmental benefits of the Eligible Projects.
- ▶ The selected reporting indicators of the fund's allocation and environmental benefits are relevant but partially clear and partially exhaustive.

⁶ <https://www.schiphol.nl/en/schiphol-group/page/green-bond-framework/>

Schiphol has committed that its Green Finance Instruments will be supported by external reviews:

- **A pre-issuance consultant review:** the hereby Second Party Opinion delivered by Vigeo Eiris, covering all the features of the Green Finance Instruments, based on pre-issuance assessment and commitments, to be made publicly available by the Issuer on its website⁷.
- **An annual verification:** an external verification performed by a third-party auditor, covering the allocation of the Green Finance proceeds to the Eligible Green Project Portfolio and their alignment with the eligibility criteria, one year after issuance or after full allocation or following any material events .

An area for improvement is to have an external verification performed by a third-party auditor on the impact reporting, on an annual basis until the full allocation of the proceeds and in case of any material change.

This Second Party Opinion is based on the review of the information provided by the Issuer, according to our exclusive assessment methodology and to the GBP & GLP voluntary guidelines (2018). Schiphol acknowledges that in case of changes of such standards and market practices and expectations, VIGEO EIRIS shall exclude any liability regarding the use of the concerned Second Party Opinion and its compliance with then-current standards and market practices and expectations.

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Disclaimer

Transparency on the relation between Vigeo Eiris and the Issuer: Vigeo Eiris has executed one audit missions for Schiphol until so far. No established relation (financial or commercial) exists between Vigeo Eiris and the Issuer.

This opinion aims at providing an independent opinion on the sustainability credentials and management of the Bond, based on the information which has been made available to Vigeo Eiris. Vigeo Eiris has neither interviewed stakeholders out of the Issuer's employees, nor performed an on-site audit nor other test to check the accuracy of the information provided by the Issuer. The accuracy, comprehensiveness and trustworthiness of the information collected are a responsibility of the Issuer. The Issuer is fully responsible for attesting the compliance with its commitments defined in its policies, for their implementation and their monitoring. The opinion delivered by Vigeo Eiris neither focuses on the financial performance of the Bond, nor on the effective allocation of its proceeds. Vigeo Eiris is not liable for the induced consequences when third parties use this opinion either to make investments decisions or to make any kind of business transaction.

Restriction on distribution and use of this opinion: The deliverables remain the property of Vigeo Eiris. The draft version of the Second Party Opinion by Vigeo Eiris is for information purpose only and shall not be disclosed by the Schiphol. Vigeo Eiris grants the Issuer/Borrower all rights to use the final version of the Second Party Opinion delivered for external use via any media that the Issuer Borrower shall determine in a worldwide perimeter. The Issuer Borrower has the right to communicate to the outside only the Second Party Opinion complete and without any modification, that is to say without making selection, withdrawal or addition, without altering it in any way, either in substance or in the form and shall only be used in the frame of the contemplated concerned bond(s) issuance. The Issuer acknowledges and agrees that Vigeo Eiris reserves the right to publish the final version of the Second Party Opinion on Vigeo Eiris' website and on Vigeo Eiris' internal and external communication supporting documents.

⁷ <https://www.schiphol.nl/en/schiphol-group/page/green-bond-framework/>

DETAILED RESULTS

Part I. ISSUER

Royal Schiphol Group is a Dutch airport operator that owns Amsterdam Airport Schiphol, Lelystad airport, Rotterdam The Hague Airport and holds a majority share in Eindhoven Airport. It provides various services and facilities to airlines, passengers and handling agents.

Level of ESG performance

The Issuer's ESG performance was assessed through a complete process of rating and benchmark.

As of November 2019, Schiphol displays an overall good ESG performance, ranking 7th in our "Transport & Logistics" sector which covers 46 companies.

Domain	Comments	Opinion
Environment	Schiphol's performance in the Environment pillar is advanced. Schiphol has made references to environmental protection in its Annual Report and sets specific targets regarding its energy consumption and related emissions. In addition, it is a signatory of the Global Compact and communicates on this principle.	Advanced
	In terms of direct impacts, the Company has set quantified targets with regard to its energy consumption that cover the entire group, and these targets are ambitious relative to the sector. Furthermore, Environmental performances are measured against targets and externally verified. Royal Schiphol Group aims to become 'natural gas-free' by 2030 and all its operated airports will achieve zero-emissions by 2030. However, the company does not disclose quantitative data on SO2 emissions (direct and indirect) linked to energy consumption.	Good
	Concerning local pollution, Schiphol monitors noise, continuous lighting and landscape aesthetics. They monitor parameters such as the noise disturbance level and the number of people impacted. However, the noise disturbance from residents increased by 53% from 7,472 complaints in 2014 to 11,409 complaints in 2018.	Limited
	Finally, the reporting on environmental performances are externally verified and these include CO2 emissions, air quality and raw materials and residual waste performance.	Weak
Social	Schiphol's performance in the Social pillar is limited. Schiphol's performance in the Human Rights domain is limited. The Company made references to respect and promote human rights in society in its Annual Report and is a signatory of the Global Compact. However, the statement remains general and the percentage of the company covered by systems to promote human rights is insufficient.	Advanced
	On Human Resources, its performance is limited. The references to the freedom of association and the right to collective bargaining are made in the Annual Report and follow the guidelines of ILO C87 and ILO C98. Such rights are covered for 93.9% of its employees. However, there is no disclosure on the monitoring of freedom of association nor the commitment to manage reorganizations responsibly.	Good
	Social and economic development are addressed in the Annual Report, but visibility of this policy is lowered by its absence of formalization. Schiphol takes actions to improve social integration such as employment and training of local personnel.	Limited
	In terms of responsible contractual agreements, Schiphol comprehensively commits to informing clients on their rights, before signing a contract and to keep clients fully informed during the execution. Its annual report includes such details as well as the target to achieve a Net Promoter.	Limited
	As for integration of social factors in the supply chain, Schiphol reports its commitment in the Annual Report. Such commitment applies throughout the company and the support of the senior management is integrated. However, there is no quantitative data on the share of social problems in the supply chain that were addressed by corrective measures.	Weak
Governance	Schiphol's performance in the Governance pillar is good. Schiphol's performance in the Corporate Governance domain is advanced. All members are non-executive directors, and the majority are independent. The roles of Chairman and CEO are separated, and the Chairman is considered independent. The CSR committee is part of the Board and evaluation of Board's functioning and performance are carried out but with no disclosure on the results. Moreover, all audit members are non-executive directors, and the majority are independent, and they cover most of the CSR risks inherent to the company's business operations. CSR reporting on key material issues are published with an independent	Advanced
		Good

	third-party assessment of the reliability of key performance indicators; however, with limited level of the assurance.	Limited
	On Business Behaviour, Schiphol has made references to passenger safety and / or logistics safety in its Annual Report. In addition, a target has been set to have less than 46 of Runway incursions in a year. However, coverage of the prevention systems is unclear. Commitment to the responsible contractual agreements and/or the quality of the services delivered is documented in its Annual Report and sets target of achieving a Net Promoter Score (NPS) of 35. However, this target was not achieved for the year 2018. Moreover, visibility of the company's commitment to ensuring transparency and integrity of lobbying practices is insufficient.	Weak

Management of stakeholder-related ESG controversies

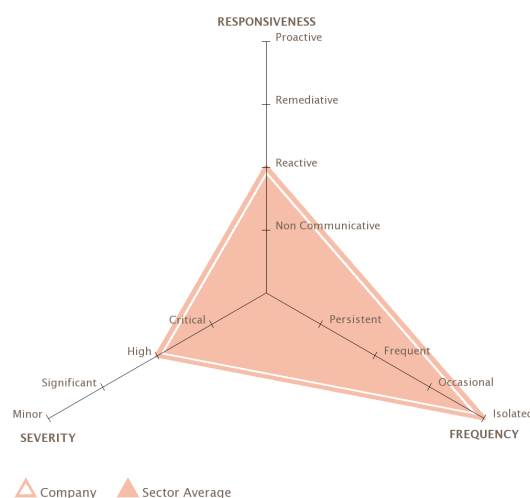
As of today, Schiphol is facing one stakeholder-related ESG controversy, linked to one of the six domains we analyse:

- Environment, in the criteria of “Energy” and “Management of atmospheric emissions”.

Frequency: the controversy is considered isolated, in line with the sector average.

Severity: The severity of its impact on both the company and its stakeholders is considered high – in line with the sector average.

Responsiveness: Schiphol is reactive, in line with the sector average: The Issuer reports in a detailed way on its position on the case.



Involvement in controversial activities

The Issuer appear to be not involved in any of the 17 controversial activities screened under our methodology, namely: Alcohol, Animal welfare, Cannabis, Chemicals of concern, Civilian firearms, Fossil Fuel Industry, Coal, Unconventional Oil and Gas, Gambling, Genetic engineering, Human Embryonic Stem Cells, High interest rate lending, Military, Nuclear Power, Pornography, Reproductive Medicine and Tobacco.

The controversial activities research provides screening of companies to identify involvement in business activities that are subject to philosophical or moral beliefs. The information does not suggest any approval or disapproval on their content from Vigeo Eiris.

Part II. ISSUANCE

Coherence between the Issuance and the Issuer

Context note: Aviation is one of the most energy and carbon intensive modes of transport, whether measured per passenger km or per hour travelling. The major concern for the industry is greenhouse gas emissions and their impact on climate change. The aviation industry produces around 2-2.5% of the world's man-made CO₂ emissions of CO₂, according to the United Nations Intergovernmental Panel on Climate Change (IPCC). Considering the rapid growth of aviation in recent years, and expected continuous trend, the IPCC forecasts that its share of global man-made CO₂ emissions will increase to around 3% in 2050.

Although aviation and airports can play an important role in local and global economic development, the aviation industry faces the challenge of meeting strong passenger growth while reducing its environmental impacts. Airports contribute to climate change impact of aviation indirectly, through contributing to the growth of air travel and traffic, and directly, through their own operations. While considering the impact of aviation broadly is beyond the scope of this Opinion, our assessment exclusively focuses on direct impacts caused by the operation of airports.

The most critical issue related to airport operations is linked to climate change with GHG emissions generated from the use of heat and electricity by airport buildings, the use of airport vehicles and ground support equipment, the combustion of aviation fuel from aircrafts, on-site engine testing and surface access requirements. Their environmental impacts could also include noise and nuisance, loss of land and habits (through the construction of new infrastructure) as well as the prevention of water pollution (due to aircraft de-icing and cleaning, and other chemical-heavy aircraft operations).

Besides, buildings account for approximately a third of the world's energy consumption and greenhouse gas emissions. The adoption of a sound environmental strategy is a key issue for the sector. In particular, real estate companies are expected to integrate environmental considerations in their investment and management decisions. Since existing buildings will be standing for the next decades, the improvement of energy efficiency is a priority for climate change mitigation.

We are of the opinion that the Green Finance Framework is coherent with Schiphol's strategic sustainability priorities and sector issues, and contribute to achieving the Issuer's sustainability commitments and targets.

Schiphol acknowledges its environmental responsibility both as an airport operator and a commercial real estate manager and has designed a "Future Sustainability" strategy to address a number of its environmental challenges, focusing on renewable energy and energy consumption, circular economy, optimum mobility, employment and environment, noise and air quality.

Schiphol aims to lead by example when it comes to sustainability in the airport sector. In 2019, Schiphol published its roadmap '*Most sustainable airports 2030*', as part of its *Vision 2050*, with ambitious targets to become zero-emissions airports and zero-waste airports by 2030, in order to inspire and advocate for net-zero-carbon aviation in 2050. In addition:

- In agreement with the Dutch Government, Schiphol is committed to ensuring that the annual rise in its energy consumption between 2005 and 2020 is 2% lower than forecast based on passenger volumes and expansion of the real estate portfolio.
- Schiphol joined transport organisations and knowledge institutions to present Minister Van Nieuwenhuizen of Infrastructure and Water Management with a "Smart and Sustainable" plan of action to make aviation more sustainable. The plan displays an objective to reduce CO₂ emissions from Dutch civil aviation originating in the Netherlands by 35% by 2030. Schiphol has already taken relevant measures such as replacing cooling and air handling units with thermal energy storage at its locations, and arranging sustainable management of buildings and maintenance contracts with its main contractors.
- Schiphol wants to be the leader in reducing NO_x, particulate matter (PM) emissions and fine particles produced by motorized transport. Schiphol supports the development of electric transport to and from Schiphol, installs charging stations for both its own buses and passengers' electric cars, and replaces passenger buses with electric models to transport passengers between their aircraft and their gate.

By creating a Framework to issue Green Finance Instruments (e.g. green bonds, including private placements, and green loans, etc.) to finance and/or refinance assets related to "Green Buildings" and "Clean Transportation", the Issuer coherently aligns with its sustainability strategy and commitments, and addresses the main issues of the sector in terms of sustainable development.

Use of proceeds

The net proceeds of the Green Finance Instruments will exclusively finance and/or refinance, in part or in full, an Eligible Project Portfolio of new and existing Eligible Projects falling under two Green Project Categories (“Eligible Categories”), namely: Green Buildings, and Clean Transportation. We consider the Eligible Categories are clearly defined and relevant.

The Eligible Categories are intended to contribute to one main environmental objective (climate change mitigation). The objective is formalized in the Framework and considered clearly defined and relevant.

The Eligible Categories are considered to provide clear environmental benefits. The Issuer has committed to assess and, where feasible, quantify the expected environmental benefits of the Green Finance Instruments. An area for improvement consists in defining *ex-ante* quantified environmental targets, for each Eligible Category.

The Issuer commits to report on the share of refinancing in its reporting after one year from the issuance (evolving due to the portfolio approach). An area for improvement is to commit to a maximum look-back period of 36 months in case of refinancing.

Schiphol Framework			Vigeo Eiris Analysis
Eligible Categories	Definition / Eligibility Criteria	Environmental objectives and benefits	
Green Buildings	<p>New or existing investments in, or expenditures on, properties that meet at least one of the following criteria:</p> <p>1) New, existing or refurbished buildings which have received at least one (or more) of the following classifications:</p> <ul style="list-style-type: none"> a. LEED⁸: Platinum, Gold b. BREEAM⁹: Outstanding, Excellent, Very Good c. EPBD¹⁰: A d. Refurbished buildings with at least two steps improvement in energy label up to at least EPBD label B. <p>2) Individual investments in Green Buildings to ensure environmental improvements such as renewable energy projects (e.g. solar panel installations), sustainable/circular furniture, energy efficient lighting (such as LED), thermal energy storage systems, cool roof and any other sustainability-oriented construction materials, waste diversion, collection and reduction, water and energy-saving technologies and materials and improvements recognized by sustainable rating systems.</p> <p>General note: sourcing and construction of both new built and renovations are as far as practicable executed according to our circular principles, which includes the development according to circular design (ensuring low maintenance design, including use of modular and standardised components) and use of circular materials, which are materials which are healthy, sourced from fastly renewable resources, have a sustainable mining and production process, can be reused / recycled and have a materials passport.</p>	<p>Climate change mitigation</p> <p><i>Reduction of greenhouse gas emissions</i></p>	<p>The definition of the <u>Eligible Category</u> is clear and relevant.</p> <ul style="list-style-type: none"> - The certifications and/or labels used to define and select the Green Buildings rely on recognized sector standards at international and European levels and relevant thresholds have been defined, for both new and existing (i.e. refurbished) buildings. Of note, Schiphol uses a portfolio approach and the aggregated portfolio will satisfy the targeted improvement in energy efficiency. <p>The Eligible Projects/Assets are intended to contribute to one main environmental objective (i.e. climate change mitigation), which is considered clearly defined and relevant.</p> <p>The Eligible Projects/Assets under the first and second sub-categories are considered to be able to provide clear, relevant and measurable environmental benefits in terms of reduction of greenhouse gas emissions.</p> <p>Quantitative targets are defined at project level, to the extent that eligible projects need to align with minimum requirements in terms of ratings and certificates for buildings (underlying quantitative targets on which the label and certificate schemes are based).</p>

8 LEED (Leadership in Energy and Environmental Design) is the most widely used green building rating system, which provides for a framework that can be used to create healthy, highly efficient and cost-savings green buildings
9 BREEAM (Building Research Establishment Environmental Assessment Method) is a leading sustainability assessment method for amongst others infrastructure and buildings whereby it assesses and certifies an asset's environmental, social and economic sustainability performance.

10 EPBD is the Energy Performance of Buildings Directive, which is an European directive to enforce measurement of energy performance of buildings. Please note that the EPBD requires all new buildings from 2021 to be nearly zero-energy buildings (NZEB).

Schiphol Framework			Vigeo Eiris Analysis
Eligible Categories	Definition / Eligibility Criteria	Environmental objectives and benefits	
Clean Transportation	New or existing investments in fixed electrical ground power and preconditioned air units, zero emission equipment for remote handling, electric vehicles for passenger transportation at the airport premises, electric charging points for these vehicles, electric charging points for taxi's and consumer cars, equipment for electric taxiing, investments to facilitate the development of sustainable aviation fuel facilities and investments to further improve access to public transportation.	Climate change mitigation <i>Reduction of greenhouse gas emissions</i>	<p>The definition of the <u>Eligible Category</u> is clear and relevant.</p> <ul style="list-style-type: none"> - The Clean Transportation investments are limited to electric vehicles for passenger transportation at the airport premises and charging stations for Schiphol busses and public transport. - For fixed electrical ground power and preconditioned air units, the use of the use of kerosene or diesel-powered generators are excluded. <p>The Eligible Projects/Assets are intended to contribute to one main environmental objective (i.e. climate change mitigation), which is considered clearly defined and relevant.</p> <p>The Eligible Projects/Assets under the first and second sub-categories are considered to be able to provide clear, relevant and measurable environmental benefits in terms of reduction of greenhouse gas emissions.</p>

In addition, the Eligible Categories are likely to contribute to four of the United Nations’ Sustainable Development Goals (“SDGs”), namely: Goal 9: Industry, Innovation and Infrastructure, Goal 11: Sustainable Cities and Communities, Goal 12: Responsible Consumption and Production and Goal 13: Climate Action.



Eligible Green Categories	UN SDGs identified	UN SDGs targets
Green Buildings	SDG 9. Industry, Innovation and Infrastructure	9.1 Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all 9.4 Upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities
	SDG 11. Sustainable Cities and communities	11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality, municipal and other waste management
	SDG 12. Responsible Consumption and production	12.2 By 2030, achieve sustainable management and efficient use of natural resources.
	SDG 13. Climate Action	/
Clean Transportation	SDG 9. Industry, Innovation and Infrastructure	9.4 Upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities
	SDG 13. Climate Action	/

Process for Project Evaluation and Selection

The governance and process for the evaluation and selection of the Eligible Projects are formalised in the Framework. We consider that the process is reasonably structured, transparent and relevant.

The process for evaluation and selection of Eligible Projects is clearly defined and formalized in Schiphol's Green Finance Framework.

The evaluation and selection of Eligible Projects is based on relevant internal expertise, with well-defined roles and responsibilities:

- The 'Schiphol Sustainability Committee' (the "Committee") is in charge of project evaluation and selection, which is formed by members of the Corporate Treasury Department, the Corporate Development Department and other parties to be nominated as subject matter experts.
- The project identification is ensured by the Treasury Department, based on their overview of the investments within Schiphol. For investments higher than EUR 25 million, Treasury also needs to perform a second opinion on the (financial) business case.
- The Committee relies on the involvement of each dedicated "project team", composed with people within Schiphol organization responsible for developing and executing eligible projects (such as project leader, business controller(s), project manager(s), business analyst(s) and supporting staff).
- Via the documentation and dedicated Q&A, the Committee consults the project team in order to evaluate the eligibility of each potential Eligible Project.
- A summarized proposal is established for each project integration in the Portfolio, leading the Committee to select Eligible Projects in the Portfolio. The Committee meeting frequency is flexible, based on the number of proposed projects, but at least twice a year.
- No external expertise is involved in the evaluation and selection (only verification role post-selection).

The traceability and verification of the selection and evaluation of the projects is ensured throughout the process:

- Each potential Eligible Project is documented by the project team for the Committee: project description, timelines, investment amounts, detailed ESG targets and procedures (e.g. which energy label and certification will be targeted, procedures to keep labels and certificates up to date, procedures to keep relevant technology up to date) and relevant risks and mitigants (incl. ESG due diligence).
- Minutes will be made for each committee meeting, reflecting questions, recommendations and decision making, and all projects are monitored within a dedicated internal IT system
- The verification is internally ensured by the Internal Control Department at project level, *via* the control system applied for all capital allocation decisions.
- The selection of Eligible Green Buildings is based on required certifications and/or labels, which include an external verification by third parties. There is no external review for clean transportation projects, which are not significant when looking at the selected Portfolio at the date of the issuance.

The process relies on explicit eligibility criteria (selection and exclusion), relevant to the environmental objectives defined for the Eligible categories.

- The selection is based on the Eligible Projects defined in the Use of Proceeds section of the Framework.
- The "circular principles" are applied to green building projects (building materials), and where feasible, to electric vehicles and charging stations (especially on technologies and batteries), considering eco-design principle and project life-cycle approach in the project evaluation and selection
- Additional minimum ESG requirements, identified according to a materiality matrix, are incorporated in the design phase, tendering phase and/or the contracting phase of the selected projects
- The Issuer also commits in the Framework that, for new building activities, it aims to achieve the highest BREAAAM and LEED standards, in which factors such as circularity, biodiversity and water efficiency are also included.

The identification and management of the environmental and social risks associated with the Eligible Projects are considered good.

The Issuer applies risk management measures in its capital allocation decisions, supported by a company-wide planning, reporting and controlling system.

- The Safety, Sustainability and Stakeholders committee is set up at the Board level, which prepares the Supervisory Board's decision-making in respect of safety, sustainability and stakeholder-related matters.
- Monitoring health safety and environment (HSE) performance within the departments takes place via the relevant line organisation. Since 2017, a central HSE office has been set up to assist the line managers and to ensure a uniform HSE organisation within Schiphol Group.

Environmental risks

- **Environmental management and eco-design:** For both Eligible Categories, environmental procedures are based on the ISO criteria and an Environmental Impact Assessment is systematically carried out in accordance with relevant laws and regulations. Based on the "circular principles", the identification and management of environmental risks and impacts throughout the project lifecycle, including the physical risks related to climate change (weather events), are taken into account at the design stage of the project. Schiphol commits to take into consideration the eco-design of the vehicles and equipment and relevant environmental criteria (CO2 avoidance and energy consumption) in its decision-making process. In relation to the first Eligible Category, when LEED and/or BREAAAM certification is applied, the environmental management system is externally reviewed, including biodiversity protection measures.
- **Energy use:** In relation to the first Eligible Category, Schiphol provides information on the energy performance of its buildings based on the Energy Performance Building Directive (EPBD) and monitors energy efficiency on a quarterly basis. Energy efficient technologies are adopted, such as the use of LED lighting, efficient air cooling and treatment units and heat cold storage units (WKO), and sustainable management and maintenance contracts are agreed with main contractors. From 1 January 2018, Schiphol only runs on renewable energy generated in the Netherlands. In relation to the second Eligible Category, electricity consumption from electric vehicles and charging stations is monitored. Some measures to ensure vehicle maintenance appear to be appropriate, with detailed maintenance planning and dedicated resources available in case of emergency maintenance.
- **Reducing GHG emissions:** This is an objective embedded in the selection under both Eligible Categories. Selected projects of the Portfolio only concern fully electrical vehicles (and equipment), with no atmospheric emissions, and electricity used is produced from renewable energy generated in the Netherlands by additional built wind farms.
- **Other environmental impacts:** In relation to the first Eligible Category, a few initiatives in terms of cooperation with tenants appear to be in place to reduce the environmental impacts from the use of its buildings, such as awareness raising via tenant's consultation platforms.
- **End-of-life impacts:** Where feasible, Schiphol intends to apply the "circular principles" for clean transportation projects, and some initiatives are reported in terms of end-of-life management.
- **Integration of environmental factors in the supply chain:** Schiphol reports to consider some environmental factors in procurement. However, there is insufficient information to assess the details of the factors considered and how they are integrated. In addition, an area for improvement is to identify and consider environmental and social criteria relevant to the battery supply chain and of end-of-life management during the project evaluation and selection process.

Social Risks

- **Health and safety of the users:** In relation to the first Eligible Category, the aviation industry is heavily regulated regarding occupant safety (European legislation (EASA) and global safety guidance (ICAO)). Health and well-being of building users topic is included in all certifications and/or labels used to define and select the Eligible Projects. Dedicated measures appear to be in place in terms of occupant health management (such as indoor air quality, healthy materials, and ventilation) and are managed by a dedicated technical expertise center. For building construction, Schiphol has set up dedicated rules of safety applying at project level and an H&S risks analysis is also conducted, with associated control measures. CSR and social factors are included in contractual agreements and in the supplier code, which suppliers need to adhere to.

- **Local social and economic development:** For the first Eligible Category, the buildings are fully integrated in and around Airport Premises, where relevant measures to promote the accessibility and connectivity of buildings are allocated, such as access to public transportation and promotion of electric vehicles.
- **Integration of social factors in the supply chain:** Schiphol reports to consider some social factors in procurement. However, there is insufficient information to assess the details of the factors considered and how they are integrated. For both Eligible Categories, CSR and social factors are included in the process for selection of suppliers of the vehicles and equipment and in the supplier code, which the suppliers need to adhere to.

Management of proceeds

The rules for the management of proceeds are clearly defined and will be verified. We consider that they would enable a documented and transparent allocation process.

The allocation and management of the proceeds are clearly defined:

- The net proceeds of the Green Finance Instruments will be managed within the treasury liquidity portfolio and allocated to the Portfolio by the Corporate Treasury Department.
- The Issuer intends to maintain at all times a Portfolio that is at least equal to the aggregate net proceeds of the Green Finance Instruments concurrently outstanding, then the expected net proceeds of the Green Finance Instruments will be no greater than the Portfolio value.
- In case of unallocated proceeds, they would be held and/or invested in Schiphol's treasury liquidity portfolio, in cash or other short term and liquid Instruments, in line with good market practices.
- In case of projects postponement, cancelation, divestment or ineligibility, or in case an Eligible Project/Asset has matured, Schiphol reported that such projects/assets will be removed from the Eligible Green Project Portfolio and replaced with new Eligible Projects/Assets. Although this is not explicitly formalised in the Framework, it is considered in line with general practices for a portfolio approach.

Areas for improvement include:

- to define a maximum period for the allocation of proceeds;
- to commit that the temporary placements and instruments for unallocated proceeds do not finance GHG intensive activities, controversial activities, or activities facing material ESG issues.

Traceability and verification of both the tracking method and allocation of the proceeds, are ensured throughout the process :

- The Treasury Department, in close cooperation with the Corporate Control Department, will track and monitor the development of all investments related to the projects selected in the Portfolio, via Schiphol's internal asset register (accounting for investments and relevant depreciation).
- This tracking will be done at least twice a year, but typically every quarter. The Committee will be kept up to date on the outcomes of this tracking process.
- The allocation of proceeds will be verified (post-issuance) by an external auditor one year after issuance, until full allocation or following any material events.

Monitoring & Reporting

The reporting process and commitments appear to be good, covering both the funds allocation and the environmental benefits of the Eligible Projects.

The processes for monitoring, data collection, consolidation, validation and reporting are clearly defined by the Issuer but partially formalized in the Issuer's Framework.

The processes are structured and based on relevant internal expertise and involve relevant departments of the Issuer:

- The Treasury Department will be in charge of the portfolio monitoring and reporting, based on internal information (access to whole assets of Schiphol and related data) and regular dialogue with relevant project teams.
- The Issuer commits to monitor potential cases of ESG controversy and opinion of the stakeholders within its corporate initiatives in place in terms of stakeholder consultation.

The issuer commits to annually and publicly report on the Green Finance Instruments, after a year from the issuance and until full allocation, or following any material events, which is in line with market practices.

The Issuer has committed to transparently communicate at Eligible Category level, on:

- Allocation of proceeds: the selected reporting indicators are clear and relevant but not exhaustive.

Reporting indicators
<ul style="list-style-type: none"> - The total amount of investments and expenditures in the Eligible Green Project Portfolio; - The number of new and existing investments and/or projects (financing and refinancing); - The balance of unallocated proceeds; - The geographical distribution of the assets (at country level).

The Issuer also commits to report on the share of refinancing in its annual reporting after one year from the issuance (evolving due to the portfolio approach), however, it is not listed as a reporting indicator in the Framework. An area for improvement is to also list the following reporting indicators in the Framework:

- A list of the Eligible Projects/Assets financed;
- The type and amount of temporary placement of unallocated funds;
- The % of refinancing, per Eligible Category; and
- To report on the amount of allocated proceeds per Eligible Category (not only the total amount in the Eligible Green Project Portfolio).

- Environmental benefits: the selected reporting indicators are relevant but partially clear and not exhaustive.

Eligible categories	Environmental benefits indicators	
	Outputs and outcomes	Impact Indicators
Green buildings	<ul style="list-style-type: none"> - Overview of sustainable labels and certificates for eligible buildings - Number of circular buildings and overview of circular products used 	<ul style="list-style-type: none"> - Annual CO₂ emission reduction - Annual energy savings
Clean transportation	<ul style="list-style-type: none"> - Number of fixed electric ground power units and pre-conditioned air units - Overview of zero emission equipment for remote handling and electronic taxiing - Number of electric vehicles - Number of charging points - Number of sustainable aviation fuel plants, liters of sustainable aviation fuel produced 	<ul style="list-style-type: none"> - Annual CO₂ emission reduction

Schiphol commits to have an independent external reviewer to verify the reported information on the allocation of the Green Finance proceeds to the Eligible Green Project Portfolio, one year after issuance or after full allocation or following any material events.

Areas for improvement include:

- To report at least to the investors in case of any ESG controversies or project modification relating to the Eligible Green Project Portfolio.
- To have an independent external reviewer to verify the reported information on the environmental benefits measured.
- To commit to publicly disclose the key methodologies and assumptions used to calculate the benefits of Eligible Projects.

METHODOLOGY

In Vigeo Eiris' view, Environmental, Social and Governance (ESG) factors are intertwined and complementary. As such they cannot be separated in the assessment of ESG management in any organization, activity or transaction. In this sense, Vigeo Eiris writes an opinion on the Issuer's Corporate Social Responsibility as an organization, and on the process and commitments applying to the intended issuance.

Vigeo Eiris' methodology for the definition and assessment of the corporation's ESG performance is based on criteria aligned with public international standards, in compliance with the ISO 26000 guidelines, and is organized in 6 domains: Environment, Human Resources, Human Rights, Community Involvement, Business Behaviour and Corporate Governance. Our evaluation framework of the material ESG issues have been adapted, based on the specificities of the Issuer's business activity.

Our research and rating procedures are subject to internal quality control at three levels (analysts, heads of cluster sectors, and internal review by the audit department for second party opinions) complemented by a final review and validation by the Director of Methods. Our SPO are also subject to internal quality control at three levels (consultants in charge of the mission, Production Manager, and final review and validation by the Director of Sustainable Finance and/or the Director of Methods. A right of complaint and recourse is guaranteed to all companies under our review, following three levels: first, the team in contact with the company, then the Director of Methods, and finally Vigeo Eiris' Scientific Council.

All employees are signatories of Vigeo Eiris' Code of Conduct, and all consultants have also signed its add-on covering financial rules of confidentiality.

Part I. ISSUER

NB: The Issuer's level of ESG performance (i.e. commitments, processes, results of the Issuer related to ESG issues), has been assessed through a complete process of rating and benchmarking developed by Vigeo Eiris.

Level of the Issuer's ESG performance

Schiphol's ESG performance has been assessed by Vigeo Eiris on the basis of its:

- Leadership: relevance of the commitments (content, visibility and ownership).
- Implementation: coherence of the implementation (process, means, control/reporting).
- Results: indicators, stakeholders' feedbacks and controversies.

Management of stakeholder-related ESG controversies

A controversy is an information, a flow of information, or a contradictory opinion that is public, documented and traceable, allegation against an Issuer on corporate responsibility issues. Such allegations can relate to tangible facts, be an interpretation of these facts, or constitute an allegation based on unproven facts.

Vigeo Eiris reviewed information provided by the Issuer, press content providers and stakeholders (partnership with Factiva Dow Jones: access to the content of 28,500 publications worldwide from reference financial newspapers to sector-focused magazines, local publications or Non-Government Organizations). Information gathered from these sources is considered as long as it is public, documented and traceable.

Vigeo Eiris provides an opinion on companies' controversies risks mitigation based on the analysis of 3 factors:

- Frequency: reflects for each ESG challenge the number of controversies faced. At corporate level, this factor reflects on the overall number of controversies faced and scope of ESG issues impacted (scale: Isolated, Occasional, Frequent, Persistent).
- Severity: the more a controversy will relate to stakeholders' fundamental interests, will prove actual corporate responsibility in its occurrence, and will have adverse impacts for stakeholders and the company, the highest its severity. Severity assigned at corporate level will reflect the highest severity of all cases faced by the company (scale: Minor, Significant, High, Critical).
- Responsiveness: ability demonstrated by an Issuer to dialogue with its stakeholders in a risk management perspective and based on explanatory, preventative, remediating or corrective measures. At corporate level, this factor will reflect the overall responsiveness of the company for all cases faced (scale: Proactive, Remediate, Reactive, Non- Communicative).

The impact of a controversy on a company's reputation reduces with time, depending on the severity of the event and the company's responsiveness to this event. Conventionally, Vigeo Eiris' controversy database covers any controversy with Minor or Significant severity during 24 months after the last event registered and during 48 months for High and Critical controversies.

Involvement in controversial activities

17 controversial activities have been analysed following 30 parameters to verify if the company is involved in any of them. The company's level of involvement (Major, Minor, No) in a controversial activity is based on:

- An estimation of the revenues derived from controversial products or services.
- The specific nature of the controversial products or services provided by the company.

Part II. ISSUANCE

The Framework has been evaluated by Vigeo Eiris according to the GBP & GLP 2018 and on our methodology based on international standards and sector guidelines applying in terms of ESG management and assessment.

Use of proceeds

The definition of the Eligible Projects and of their sustainable objectives and benefits are a core element of Green Bonds or Loans standards. Vigeo Eiris evaluates the definition of the Eligible Categories, as well as the definition and the relevance of the aimed sustainability objectives. We evaluate the definition of the expected benefits in terms of assessment and quantification. In addition, we evaluate the potential contribution of Eligible Projects to the United Nations Sustainable Development Goals' targets.

Process for evaluation and selection

The evaluation and selection process has been assessed by Vigeo Eiris on its transparency, governance and relevance. The eligibility criteria have been assessed on their explicitness and relevance vs. the intended objectives of the Eligible Projects. The identification and management of the ESG risks associated with the Eligible Projects are analysed based Vigeo Eiris' ESG assessment methodology, international standards and sector guidelines applying in terms of ESG management and assessment.

Management of proceeds

The rules for the management of proceeds and the allocation process are evaluated by Vigeo Eiris on their transparency, coherence and efficiency.

Reporting

Monitoring process and commitments, reporting commitments, reporting indicators and methodologies are defined by the Issuer to enable transparent reporting on the proceeds allocation and tracking, on the sustainable benefits (output and impact indicators) and on the responsible management of the Eligible Projects financed. Vigeo Eiris has evaluated the reporting based on its transparency and relevance.

VIGEO EIRIS' ASSESSMENT SCALES

Performance evaluation		Level of assurance	
Advanced	Advanced commitment; strong evidence of command over the issues dedicated to achieving the objective of social responsibility. Reasonable level of risk management and using innovative methods to anticipate emerging risks.	Reasonable	Able to convincingly conform to the prescribed principles and objectives of the evaluation framework
Good	Convincing commitment; significant and consistent evidence of command over the issues. Reasonable level of risk management.	Moderate	Compatibility or partial convergence with the prescribed principles and objectives of the evaluation framework
Limited	Commitment to the objective of social responsibility has been initiated or partially achieved; fragmentary evidence of command over the issues. Limited to weak level of risk management.	Weak	Lack or unawareness of, or incompatibility with the prescribed principles and objectives of the evaluation framework
Weak	Commitment to social responsibility is non-tangible; no evidence of command over the issues. Level of insurance of risk management is weak to very weak.		



Vigeo Eiris is an independent international provider of environmental, social and governance (ESG) research and services for investors and public & private organizations. We undertake risk assessments and evaluate the level of integration of sustainability factors within the strategy and operations of organizations.

Vigeo Eiris offers a wide range of services:

- ▶ **For investors:** decision making support covering all sustainable and ethical investment approaches (including ratings, databases, sector analyses, portfolio analyses, structured products, indices and more).
- ▶ **For companies & organizations:** supporting the integration of ESG criteria into business functions and strategic operations (including sustainable Loan, corporate ratings, CSR evaluations and more).

Vigeo Eiris is committed to delivering client products and services with high added value: a result of research and analysis that adheres to the strictest quality standards. Our methodology is reviewed by an independent scientific council and all our production processes, from information collection to service delivery, are documented and audited. Vigeo Eiris has chosen to certify all its processes to the latest ISO 9001 standard. Vigeo Eiris is an approved verifier for CBI (Climate Bond Initiative). Vigeo Eiris' research is referenced in several international scientific publications.

With a team of more than 240 experts of 28 different nationalities, Vigeo Eiris is present in Paris, London, Brussels, Casablanca, Hong Kong, Milan, New York, Rabat and Santiago de Chile.

The Vigeo Eiris Global Network, comprising 4 exclusive research partners, is present in Brazil, Germany, Israel and Japan.

For more information: www.vigeo-eiris.com