MOODY'S INVESTORS SERVICE

ASSESSMENT
8 May 2024

Send Your Feedback

Contacts

Simon Boemer
Associate Lead Analyst-Sustainable Finance
simon.boemer@moodys.com

Camille Bienayme
Sustainable Finance Associate
camille.bienayme@moodys.com

Adriana Cruz Felix
VP-Sustainable Finance
adriana.cruzfelix@moodys.com

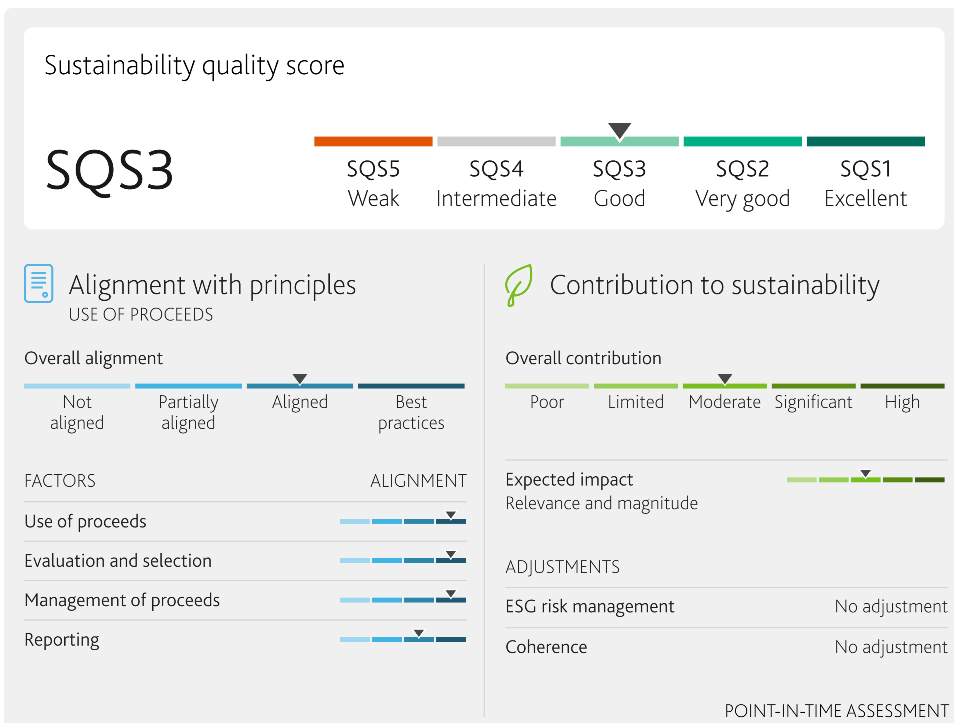
Rahul Ghosh
MD-Sustainable Finance
rahul.ghosh@moodys.com

Royal Schiphol Group N.V.

Second Party Opinion – Green Finance Framework Assigned SQS3 Sustainability Quality Score

Summary

We have assigned an SQS3 sustainability quality score (good) to Royal Schiphol Group N.V.'s (RSG) green finance framework dated April 2024. RSG has established its framework with the aim of financing projects across three eligible green categories: green buildings, energy efficiency and clean transportation. The framework is aligned with the four core components of the International Capital Market Association's (ICMA) Green Bond Principles (GBP) 2021 (including the June 2022 Appendix 1), and the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications & Trading Association's (LMA/APLMA/LSTA) Green Loan Principles (GLP) 2023. The framework also demonstrates a moderate contribution to sustainability.



Scope

We have provided a Second Party Opinion (SPO) on the sustainability credentials of RSG's green finance framework, including the framework's alignment with the ICMA's GBP 2021 (including the June 2022 Appendix 1) and the LMA/APLMA/LSTA's GLP 2023. Under its framework, the issuer plans to issue green finance instruments, including bonds, private placements and loans to finance projects under three green categories — green buildings, energy efficiency and clean transportation (as outlined in Appendix 2 of this report).

Our assessment is based on the last updated version of the framework received on 25 April 2024, and our opinion reflects our point-in-time assessment[1] of the details contained in this version of the framework, as well as other public and non-public information provided by the company.

We produced this SPO based on our Framework to Provide Second Party Opinions on Sustainable Debt, published in October 2022.

Issuer profile

Royal Schiphol Group N.V. (RSG) is a holding company of a group that owns and operates Amsterdam Airport Schiphol, Rotterdam The Hague Airport, Lelystad Airport, 51% of Eindhoven Airport and, since June 2023, 40% of Maastricht Aachen Airport, which together constitute most of the airport capacity in the Netherlands. In addition, RSG has minority investments in a number of international airports. RSG is currently 70% owned by the Government of Netherlands, 20% by the Municipality of Amsterdam, 2% by the Municipality of Rotterdam and 8% by the company's treasury. As part of its environmental, social and governance (ESG) strategy, RSG aims to transform its airports to zero-emissions airports and achieve zero waste airport operations by 2030 and make them energy-positive and fully circular by 2050. In 2023, it received level five ,the highest level of accreditation, from the Airports Council International (ACI), which implies that the company has achieved a net-zero carbon balance on scopes 1 and 2, and addresses scope 3 emissions sources where feasible. Since 2018, RSG has issued three green bonds to mainly fund investments in its sustainable infrastructure and buildings.

Strengths

- All eligible categories have relevant objectives and benefits.
- The selection and evaluation process for eligible projects is traceable, involves relevant expertise and includes continuous monitoring.
- There will be an independent verification of the allocation of proceeds toward eligible projects at least at the category level.
- Commitment to transparently communicate the share of refinancing before each issuance and to not invest unallocated proceeds in greenhouse gas (GHG)-intensive or otherwise controversial activities.

Challenges

- There will not be an independent verification of the reported environmental impact of financed projects.
- Most of the proceeds will be allocated to the construction of new buildings, for which life cycle assessments will not be carried out in all instances.

Alignment with principles

RSG's green finance framework is aligned with the four core components of the ICMA's GBP 2021 (including the June 2022 Appendix 1) and the LMA/APLMA/LSTA's GLP 2023:

- ☑ Green Bond Principles (GBP)
- ○ Social Bond Principles (SBP)
- ☑ Green Loan Principles (GLP)
- ○ Social Loan Principles (SLP)
- ○ Sustainability-Linked Bond Principles (SLBP)
- ○ Sustainability Linked Loan Principles (SLLP)

Use of proceeds

Not aligned | Partially aligned | Aligned | **Best practices** ▼

Clarity of the eligible categories – BEST PRACTICES

RSG has clearly communicated the nature of expenditures, which will be on assets, investments, capital spending and operational expenditures. Further, the company has clearly defined the eligibility and exclusion criteria for all eligible categories. All eligible assets and projects will be located in the Netherlands.

Clarity of the environmental or social objectives – BEST PRACTICES

RSG has clearly outlined a relevant environmental and social (E&S) objective associated with the eligible categories, which is coherent with international standards. The objective is climate change mitigation. The framework references relevant United Nations (UN) Sustainable Development Goals (SDGs), and environmental objectives in the European Union (EU) Taxonomy to articulate eligible category objectives.

Clarity of expected benefits – BEST PRACTICES

RSG has identified clear expected environmental benefits for all the eligible categories, and the benefits are assessed to be relevant based on the projects likely to be financed under each category. The identified benefits include GHG emissions reduction, energy savings and an increase in installed capacity of renewable energy. These benefits are assessed to be measurable and will be quantified in the company's reporting, where feasible. RSG has clarified that in case of refinancing, assets and capital spending shall qualify without a lookback period, and provided an explicit commitment to disclose the estimated share of refinancing per issuance to investors before issuance.

Best practices identified - use of proceeds

» Eligibility criteria are clearly defined for all project categories

» Objectives set are defined, relevant and coherent for all project categories

» Relevant benefits are identified for all project categories

» Benefits are measurable and quantified for most projects, either ex-ante with clear baselines or with a commitment to do so in future reporting

» Commitment to transparently disclose the share of proceeds used for refinancing

» Commitment to transparently communicate the associated lookback period(s) where feasible

Process for project evaluation and selection

Not aligned	Partially aligned	Aligned	Best practices

Transparency and quality of the process for defining eligible projects – BEST PRACTICES

RSG has established a clear process for evaluating and monitoring eligible projects, which is formalized in its publicly available framework. The roles and responsibilities for project evaluation and selection are clearly defined, and include relevant expertise. The company has established the Schiphol Sustainability Committee, which comprises members of the Corporate Treasury Department, the ESG Reporting team, the Corporate Development Department and subject matter experts. This committee is responsible for the identification of eligible projects. The Sustainability Committee is also responsible for monitoring continued compliance of projects with the eligibility criteria. This process is carried out throughout the life of the outstanding instruments. In case a project ceases to be compliant or is disposed of, the Sustainability Committee will exclude it from the portfolio of eligible projects and will replace it on a best-efforts basis. The decision-making process is documented in the form of committee meeting minutes.

Environmental and social risk mitigation process – BEST PRACTICES

The E&S risk mitigation process applied is publicly disclosed. The process implemented is continuous, and includes a combination of identification, management, mitigation, monitoring and control measures. The Sustainability Committee is responsible for identifying potential risks or negative externalities associated with financed investments. In addition, a Sustainability & Safety Committee is set up at the supervisory board level, which supports the Supervisory Board in decision-making on safety, sustainability and stakeholder-related matters. Identification of potential risks and continuous monitoring are carried out throughout the projects' life cycle.

Best practices identified - process for project evaluation and selection

» The roles and responsibilities for project evaluation and selection are clearly defined and include relevant expertise

» There is evidence of continuity in the selection and evaluation process through the life of the financial instrument(s), including compliance verification and procedures to undertake mitigating actions when needed

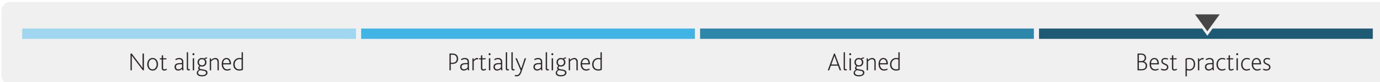
» The process for project evaluation and selection is traceable

» Material environmental and social risks for most project categories are identified

» Presence of corrective measures to address environmental and social risks across projects

» ESG controversies are monitored

Management of proceeds



Allocation and tracking of proceeds – BEST PRACTICES
RSG has defined a clear process for the management and allocation of instrument proceeds. Proceeds will be placed in the company's general treasury with appropriate means of tracking. The company's Treasury Department will allocate and manage the proceeds to ensure that an amount equal to all net proceeds is allocated to the eligible project portfolio at all times. The balance of the eligible proceeds will be adjusted at least annually. RSG has clarified that all proceeds raised via green instruments will be allocated immediately, and thereby inherently within a short period and significantly shorter than the 24 months, which is considered market best practice.

Management of unallocated proceeds – BEST PRACTICES
Temporarily unallocated proceeds will be managed in the company's treasury liquidity portfolio. Excess proceeds are held in cash, cash equivalents or other treasury business. RSG provided an explicit commitment to not invest temporarily unallocated proceeds in GHG-intensive or otherwise controversial activities. In case of postponement or divestment of an eligible project, the issuer will reallocate proceeds to other eligible projects on a best-efforts basis.

Best practices identified - management of proceeds

- Broad disclosure of a clearly articulated and comprehensive management of proceeds policy to external stakeholders; bondholders or lenders at a minimum
- Short allocation period, for example typically less than 24 months
- Disclosure on temporary placement and presence of exclusion criteria toward environmentally or socially harmful activities
- Commitment to reallocate proceeds to projects that are compliant with the framework

Reporting

Not aligned | Partially aligned | **Aligned** | Best practices

Transparency of reporting – ALIGNED

RSG will publicly report on the allocation of proceeds and the E&S impact of the eligible projects at the category level on an annual basis. The report will be published as a green bond progress report as part of the standardized annual reporting, which will be published on the company's website. This means that reporting on the allocation and the impact of individual issuances will continue throughout their life. The reporting indicators are assessed to be clear, relevant and exhaustive, and the issuer commits to report on extraordinary significant developments or controversies associated with a project financed under this framework. The methodologies and assumptions used to report on the E&S impact of eligible projects are part of the green bond progress report and are thereby publicly disclosed in the company's annual report.

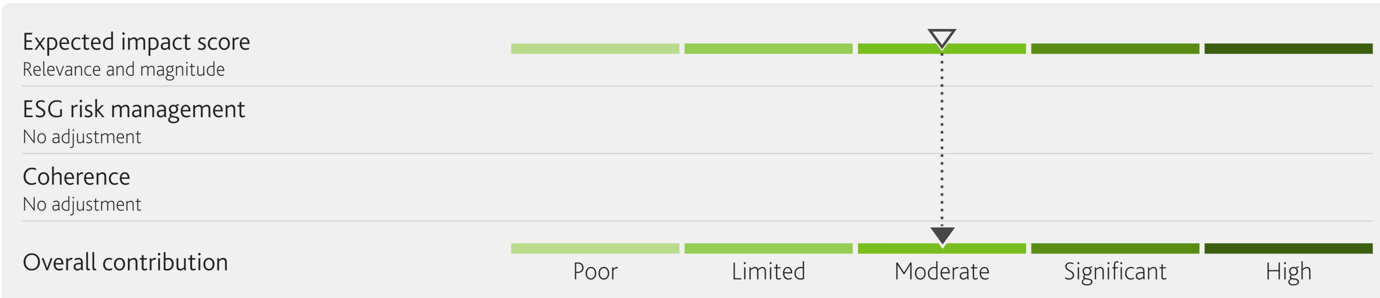
RSG's allocation report will be audited with limited assurance by an external auditor on an annual basis and in case of significant changes on a continuous basis. The company's impact reporting will not be verified externally.

Best practices identified - reporting

- Reporting until full bond maturity or loan payback
- Reporting covers material developments and issues related to the projects or assets
- Reporting on allocation of proceeds and benefits done at least at eligible category level
- Exhaustive allocation reporting – balance or % of unallocated funds, types of temporary investments (e.g. cash or cash equivalent) and share of financing vs re-financing
- Clear and relevant indicators to report on the expected environmental/social impact of all the projects, where feasible, or eligible categories
- Disclosure of reporting methodology and calculation assumptions to bondholders or lenders at a minimum
- Independent audit of the tracking and allocation of funds at least until full allocation and in case of material changes

Contribution to sustainability

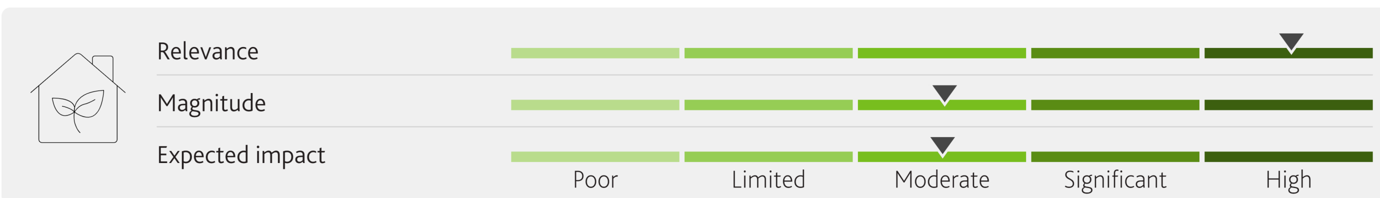
The framework demonstrates a moderate overall contribution to sustainability.



Expected impact

The expected impact of the eligible projects on the E&S objectives is moderate. Based on information provided by the issuer, we have used the estimated allocation of proceeds to weight the categories. Around 90% of funds are likely to be invested in the construction, acquisition and the refurbishment of buildings and airport infrastructure over the foreseeable future. Since we lack visibility into the exact distribution of the remaining proceeds, we expect that the categories of renewable energy and clean transportation receive an equal share of the remaining funds; therefore, we assign an equal weight to these two categories.

Green buildings

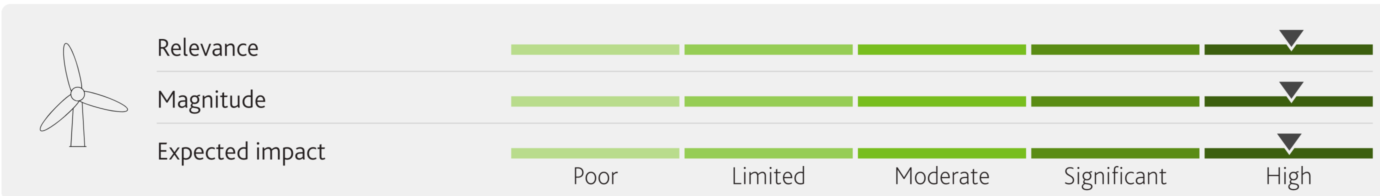


Under this category, RSG plans to fund investments in sustainable infrastructure and buildings, including commercial infrastructure, office buildings and airport buildings. Such investments will make up the vast majority of all proceeds allocations.

As an airport operator, RSG manages a sizable real estate portfolio. Therefore, next to promoting sustainable aviation practices wherever possible, ensuring good environmental performance of buildings is assessed to be a highly relevant issue for the issuer and one of the key issues in its sector. In the EU, buildings account for more than 40% of energy consumption, making them the single most important energy-consuming sector, and are responsible for 36% of energy-related GHG emissions[2]. All of the company's eligible buildings are located in the Netherlands, a country with a stock of office buildings that have a somewhat higher average energy consumption (184 kWh/m^2/year) than the European average.

The renovation and construction of new buildings under this category demonstrate a moderately positive impact in reducing GHG emissions related to the aviation sector. The majority of buildings eligible for financing will demonstrate a material reduction in energy consumption, with buildings built after 31 December 2020 requiring a primary energy demand (PED) of at least 10% lower than the threshold for Nearly Zero-Energy Buildings (NZEB). In addition, the projects will obtain minimum BREEAM “Very Good” or LEED “Gold” green building certifications, which are not the most stringent under their respective certification scheme. The building renovation projects are likely to lead to significant amounts of avoided GHG emissions, with the eligible projects aiming for a minimum 30% reduction in PED. While this threshold is not the most ambitious energy sector standard, it remains in line with relevant EU Taxonomy requirements. Based on historical information, majority of the proceeds are expected to be allocated toward newly constructed buildings, which can be less impactful in reducing GHG emissions than renovated buildings. RSG does not systematically assess embodied emissions related to newly constructed buildings, which can account for a significant share of a building’s overall lifecycle emissions. Certain negative externalities related to the aviation sector, weigh on the buildings' contribution to climate mitigation. Construction of aviation-related infrastructure, such as terminals and piers, are also eligible for financing. These buildings could help either maintain or increase the airport’s air travel capacity, perpetuating lock-in effects from travel-related GHG emissions for the hard-to-abate aviation sector. Although the risk of increased air travel capacity associated with such constructions is mitigated by a cap on the maximum number of flights per year, growing passenger volumes are projected and additional infrastructure directly related to air travel is expected to prolong associated negative externalities.

Renewable energy

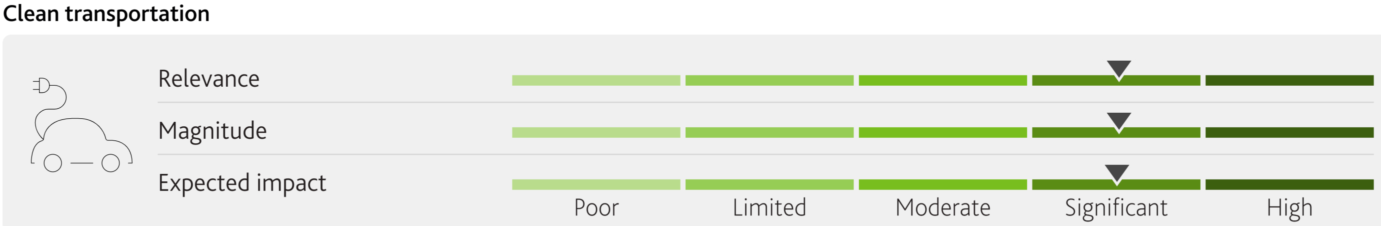


Under this category, RSG plans to finance the installation of on-roof solar panels and the extension of its proprietary electricity grid, including some equipment to help improve energy efficiency, such as smart monitoring and metering devices. Overall, investments in projects under this category are likely to be relatively limited compared to the rest of the portfolio.

Activities financed under this category are assessed to be highly relevant for the issuer and its sector. Additional installations to increase the absolute capacity, as well as the relative share of clean types of energy sources are necessary, as electricity generation in the Netherlands remains dependent on fossil fuels. In 2022 only 40% of the country's total electricity generation came from renewables[3]. In contrast, Schiphol has reported a majority of renewable energy sources used in the same year (69%). Investments in higher grid capacities enable the continued electrification of operations at airports, which is expected to yield substantial potential for future GHG emissions reductions.

In terms of magnitude, we consider planned investments under this category to have a highly positive long-term impact. Solar energy is one of the cleanest types of energy sources and has a very high potential to avoid GHG emissions. At Schiphol Airport, the share of solar energy in total energy consumption is growing, and on-site solar panels produced 2.3 million kWh in 2023. Investments under this category are likely to facilitate further growth under RSG's strategic objective to operate energy-positive airports in the future. In addition, the expansion of the company's electricity grid capacity will address the problem of capacity constraints, which led to the postponement of the rollout of additional electric vehicle (EV) chargers in 2023. Such investments would thereby serve as an enabling activity to support RSG's objective of decarbonizing air- and land-based transportation at the airport in the long term.

Clean transportation



Under this category, RSG plans to finance on-ground modes of transport mainly via the installation of EV charging points and the purchase of zero-tailpipe emissions vehicles for the use of the airport. In addition, the company is planning to finance more zero-emission ground-handling equipment, about which we do not have more detailed information. Overall, investments in projects under this category are likely to be relatively limited compared to the rest of the portfolio.

The relevance of the decarbonization of ground transportation is assessed to be significant in the context of the issuer, its sector and its location. As in most developed countries, the transportation sector accounts for a significant share (around 25%) of the total carbon footprint in the Netherlands, indicating a substantial need for implementing decarbonization measures. The country is already on the path of transitioning toward electrified road transport, as indicated by a high share of EV charging stations (around 25% of EV charging stations in Europe are located in the Netherlands)[4]. On a company level, GHG emissions from on-ground transportation account for a rather low share of the carbon footprint of RSG, even when focusing on direct emissions (scopes 1 and 2) only.

In terms of magnitude, we consider planned investments under this category to have a significantly positive long-term impact. Electrified zero-direct emissions vehicles and the associated charging infrastructure are among the best available technologies to decarbonize road transportation and are likely to have a substantial potential to reduce GHG emissions in the long term. However, assets eligible for financing under this category include an inexhaustive list of electrified ground-handling assets, such as electric lifting aids. While these assets will be in line with the relevant requirements of the EU Taxonomy, their GHG emissions savings potential is less clear than it is for transportation vehicles.

ESG risk management

We have not applied a negative adjustment for ESG risk management to the expected impact score. RSG has drafted and implemented several internal policies and guidelines to ensure that all of its projects are assessed against ESG risks. Among the initiatives to ensure sustainability are environmental and energy performance management systems based on the ISO 50001 standard, which is applicable to the group's Dutch airports; extensive health and safety requirements aligned with the aviation industry's robust regulatory requirements regarding occupant safety; an exhaustive Code of Conduct, covering material and relevant aspects of good corporate governance; and a dedicated Safety, Sustainability and Stakeholder Committee, which is set up at the supervisory board level to ensure that safety, sustainability and stakeholder-related matters are addressed. RSG's approach to reducing its direct emissions, and actively working on reducing the emissions of the overall aviation sector and other indirect emissions, has been validated by the fact that the company received the highest level of accreditation of the ACI.

Coherence

We have not applied a negative adjustment for coherence to the expected impact score. The projects financed under the framework align with the overall sustainability priorities as defined in RSG's sustainability strategy. Activities defined under the framework are likely to contribute significantly to the company's target of operating zero-emissions airports and achieve zero waste by 2030 and energy-positive and fully circular airports by 2050. Projects under the green buildings category will support the company's target of reducing GHG emissions from its commercial real estate portfolio. Projects under the renewable energy category will increase the installed capacity of self-produced renewable energy, helping the company reduce its carbon footprint from energy consumption. And finally, projects under the clean transportation category promote the deployment of electrified and direct-emissions-free modes of ground transport to further reduce the company's direct GHG emissions. Furthermore, investments under this framework are consistent with several key objectives of the company's Eight-Point Plan. This plan aims to make airports quieter, cleaner and more efficient. Measures include banning the loudest aircraft, prohibiting night-time takeoffs and landings, and disallowing private jets and small business aviation. It also rules out the construction of extra runways. The plan commits to promote a lower emissions aviation sector, for instance, by deploying sustainable aviation fuels.

Appendix 1 - Mapping eligible categories to the United Nations' Sustainable Development Goals

The three eligible categories included in RSG's framework are likely to contribute to four of the UN SDGs, namely:

UN SDG 17 Goals	Eligible Category	SDG Targets
GOAL 7: Affordable and Clean Energy	Renewable Energy	7.1: Ensure universal access to affordable, reliable and modern energy services
GOAL 9: Industry, Innovation and Infrastructure	Green Buildings Renewable Energy	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
GOAL 11: Sustainable Cities and Communities	Clean Transportation	11.2 Provide access to safe, affordable, accessible and sustainable transport systems for all
GOAL 13: Climate Action	Renewable Energy Clean Transportation	13.2 Integrate climate change measures into national policies, strategies and planning

The UN SDGs mapping in this SPO takes into consideration the eligible project categories (or key performance indicators) and associated sustainability objectives documented in the issuer's financing framework, as well as resources and guidelines from public institutions, such as the ICMA's SDG Mapping Guidance, and the UN SDG targets and indicators.

Appendix 2 - Summary of eligible categories in RSG's framework

Eligible Category	Description	Sustainability Objectives	Impact Reporting Metrics
Green Buildings	Investments in sustainable infrastructure and buildings (with sustainability certifications) such as: - Buildings built before 31 December 2020 with at least an Energy Performance Certificate (EPC) class A - Buildings built after 31 December 2020 with a Primary Energy Demand at least 10% lower than the threshold for Nearly Zero-Energy Buildings ("NZEB") - Refurbished buildings with at least two steps improvement in energy label (around 30% improvement) - LEED ''Platinum'' and "Gold" - BREEAM ''Outstanding'', "Excellent" and ''Very Good'' - Building Renovation measures consisting in installation, maintenance or repair of energy efficiency equipment including but not limited to: - Upgrading climate-control and heating, ventilation and air conditioning - LED lighting installations - Efficiency devices on heat pumps - Insulation - Software for cooling systems - Construction, modernization and operation of infrastructure that is required for zero tailpipe CO_2 operation of aircraft or the airport's own operations, as well as for provision of fixed electrical ground power and preconditioned air to stationary aircraft such as, but not limited to, piers and terminals, gates, cargo facilities, security facilities, sustainable aviation fuel (SAF) infrastructure (6.17) - Manufacture, repair, maintenance, overhaul, retrofitting, design, repurposing and upgrade, purchase, financing, renting, leasing and operation of equipment and service activities incidental to air transportation (ground handling), including ground services activities at airports and cargo handling, including loading and unloading of goods from aircraft such as, but not limited to, baggage handling halls (6.20)	Affordable and Clean Energy Industry Innovation and Infrastructure Sustainable Cities and Communities Climate Action	- Annual CO_2 emission reduction - Overview of sustainable labels and certificates for eligible buildings - Annual energy savings

Eligible Category	Description	Sustainability Objectives	Impact Reporting Metrics
Renewable Energy	- Investments in strengthening internal and local electricity grid - Investments in energy efficiency equipment - Solar panels	Affordable and Clean Energy Industry Innovation and Infrastructure Sustainable Cities and Communities Climate Action	- Installed capacity renewable energy connect to the grid in KW/H
Clean Transportation	- Construction, modernisation, maintenance and operation of infrastructure that is required for zero tailpipe CO2 operation of zero-emissions road transport, as well as infrastructure dedicated to transshipment, and infrastructure required for operating urban transport, such as but not limited to electric vehicles for passenger transportation at the airport premises, electric charging points for these vehicles, electric charging points for taxi's and consumer cars, and investments to improve access to public transportation (6.15) - Manufacture, repair, maintenance, overhaul, retrofitting, design, repurposing and upgrade, purchase, financing, renting, leasing and operation of equipment and service activities incidental to air transportation (ground handling), including ground services activities at airports and cargo handling, including loading and unloading of goods from aircraft such as, but not limited to, equipment for electric aircraft taxiing, any electric equipment such as lifting aids used for baggage handling or aircraft power supply infrastructure (6.20)	Affordable and Clean Energy Industry Innovation and Infrastructure Sustainable Cities and Communities Climate Action	- Annual CO2 emission reduction - Number or percentage of gates provided with fixed electric ground power units - Number or percentage of sustainable aircraft taxiing (towing) vehicles - Number of electric vehicles - Number of charging points - Volume and or percentage of sustainable aviation fuel of total fuel used

Endnotes

1 Point-in-time assessment is applicable only on the date of assignment or update.

2 European Commission, In Focus: Energy Efficiency in Buildings, 2020

3 Statistics Netherlands, Renewable electricity share up by 20 percent in 2022, March 2023.

4 ChargeUp Europe, 2023 State of the industry report, 2023.

REPORT NUMBER 1403966

Moody's
INVESTORS SERVICE