

CORPORATE GOVERNANCE REPORT 2015

Setting the Standard of Excellence



Princess Juliana
International Airport

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ASSURANCE REPORT

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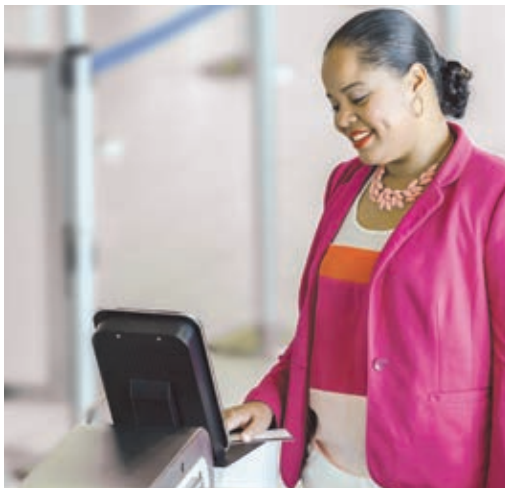
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*From the Deputy
Managing Director*

FOREWORD

This report has been prepared based on the provisions of the corporate governance regulations, i.e., the Island Ordinance Corporate Governance (AB 2009, 10) and the Corporate Governance Code, amended by Island Decree number 1756 dated December 16, 2009.

It is our policy to apply and encourage strict adherence to the principles of best business practices. Essential in this regard is our emphasis on compliance with existing legislation and, being the leader in our sector and the community. As such we continuously examine our policies and procedures for observance with developments in the area of corporate governance. The Corporate Governance Code provides a good standard for the measurement of that observance. The Corporate Governance Code brings added value in the continued evolution of the corporate governance practices at PJIAE.

This report provides insight into corporate governance at PJIAE, adopted over the years and as observed by the officers of the company. The information contained herein has been furnished by management and has been prepared for the Supervisory Board to assist the external auditor with their assurance report on our evaluation of the status of compliance to the Corporate Governance Code.

This report concerns the status of compliance to the Corporate Governance Code in 2015. For ease of understanding where necessary we have included information on major subsequent events between reporting date and issuing date.

Simpson Bay, October 12th, 2016

Larry Donker
Deputy Managing Director

1. BACKGROUND

With the implementation of the Corporate Governance Code by means of the Island Ordinance Corporate Governance (AB 2009, 10) dated May 11, 2009, which became effective as of July 1, 2009 by Island Decree AB 2009, 14, and amended by Island Decree number 1756 dated December 16, 2009), Princess Juliana International Airport Operating Company N.V. (hereinafter referred to as 'PJIAE') incorporated the requirement to follow the stipulations mentioned in the Corporate Governance in PJIAE's Articles of incorporation effective July 30, 2009.

PJIAE's commitment to implementing the principles and best practices from a corporate governance perspective, is evidenced by the preparation of a corporate Governance report on which PricewaterhouseCoopers St. Maarten issues an assurance report.

The commitment by management of PJIAE to the implementation of the principles and best practices of corporate governance continues unabated. To assess the degree of implementation of the Corporate Governance Code for 2015 we have divided the Corporate Governance Code provisions in 4 categories:

1. General Principles: these are provisions regarding adherence to law, transparency, integrity a.o.;
2. Policy Development and Execution: these are provisions regarding development and implementation of effective policy;
3. Reporting and Accountability: these are provisions regarding supplying of budget, management reports and audited financial statements a.o.; and
4. Supervision: these are provisions regulating among others adequate corporate checks and balances.

For each category there are four possible levels of observance, as defined below.

Fully	All CGC requirements have been fully observed.
Substantially	All essential CGC requirements have been fully observed.
Largely	Practically all essential CGC requirements have been fully observed with only minor deviations and concrete actions in place to ensure full observance.
None	There are major shortcomings, with a large majority of the essential CGC requirements not being observed.

Taking the above into consideration this report is divided as follows. Section 2 outlines the governance structure of PJIAE. Sections 3, 4, 5, and 6 address the respective four categories of the Corporate Governance Code provisions outlined above. The report ends with some concluding remarks.

2. CORPORATE GOVERNANCE STRUCTURE

PJIAE N.V. is a limited liability company, wholly owned by PJIA Holding N.V. (hereinafter referred to as ‘PJIAH’), which in turn is wholly owned by the Government of St. Maarten. On January 3, 1997, PJIAE obtained from the Government of St. Maarten, the concession right to manage, maintain, operate and develop the airport facilities, and to conduct all financial and commercial activities related to the airport business on St. Maarten. This Concession was extended in 2004 and again in 2012 and expires in 2030.

Diagram 1 below depicts the corporate structure and relationship between the airport operating company (PJIAE) and the airport holding company (PJIAH), the Luchthavenveiligheidsfinancieringsmaatschappij (LVFM) and the Government of St. Maarten.

¹ Since October 10th, 2010, in the absence of a MD-appointment by the shareholder, the loan payments of LVFM are done directly from PJIAE to the OBNA.

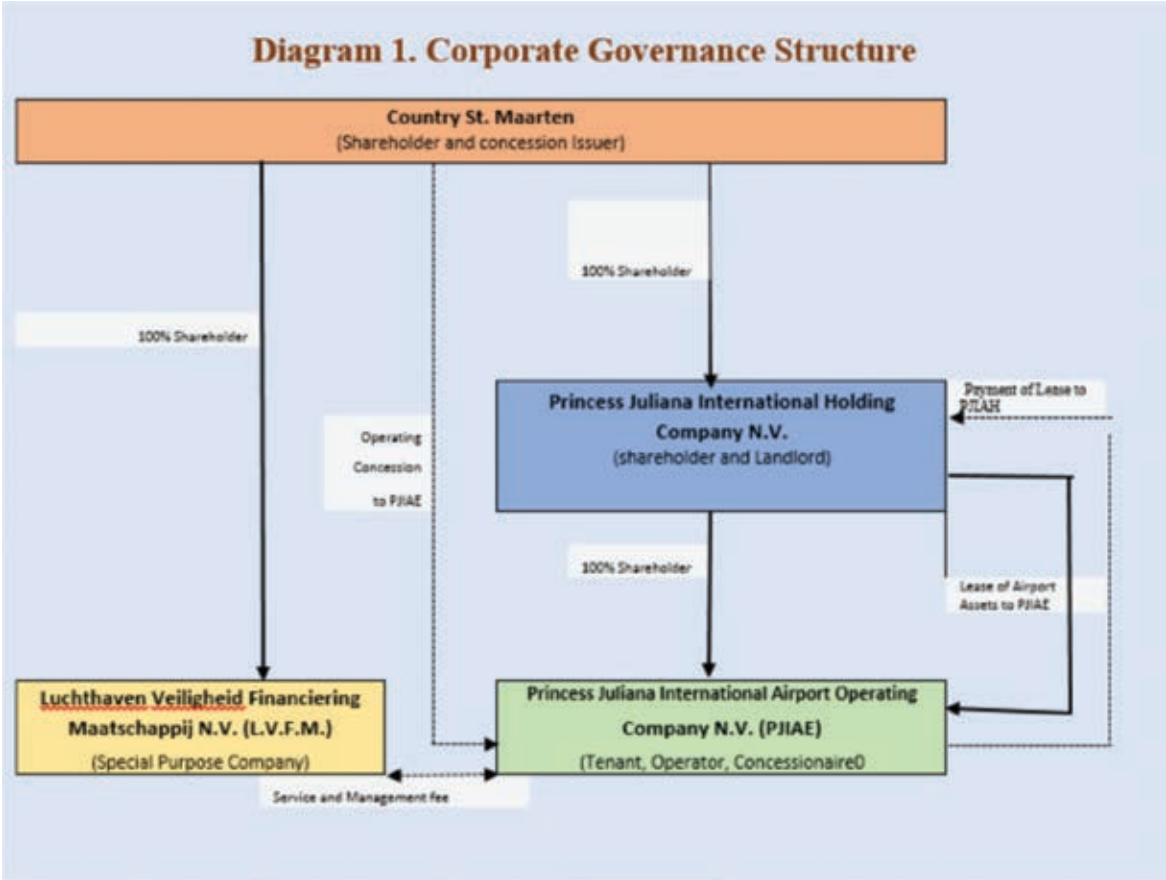


Diagram 2 below provides an overview of the officers of the companies PJIAE and PJIAH as depicted above up to December 31, 2015.

Diagram 2. Overview Supervisory and Managing Directors PJIAH/PJIAE		
Functions	PJIAH	PJIAE
Supervisory Board 1. Chairperson 2. Vice-Chairperson 3. Secretary 4. Members	Michel Hodge ^{1, 4} Dexter Doncher ² Richard Gibson Jr. ³ Ludwig Ouenniche ⁴	Gary Matser Ludwig Ouenniche Michel Hodge Melinda Hoeve Whitfield Vlaun Cleavland Beresford
Management	Joseph Peterson	Regina LaBega (MD) Larry Donker (Deputy MD) ⁵
Notes: 1. Mr. Hodge is at present the Chairman of the PJIAH SBOD 2. Mr. Doncher was the Chairman of PJIAH SBOD till August 16, 2013. As of August 16, 2013 till May 29, 2016, he was the Acting Chairman. 3. Mr. Gibson Jr. was the acting Chairman as of May 30, 2013 till August 16, 2013. As of August 16, 2013 till May 29, 2016, he was the secretary of the PJIAH SBOD. 4. Messrs. Ouenniche and Hodge were appointed to the PJIAH SBOD as per April 1, 2014 5. Mr. Donker was appointed as Deputy Managing Director of PJIAE N.V. Effective November 6, 2015.		

Over the years PJIAE, within this framework, through its prudent management and supervision developed and continues to implement best practices in the management of the company through its various internal policies and procedures, all aimed at achieving the long term objective of the company with a goal of building positive relationships with stakeholders.

The following sections provide an overview of the status of PJIAE's adherence to the corporate governance regulation.

3. CORPORATE GOVERNANCE CODE: GENERAL PRINCIPLES

It is standard practice and policy to promote the highest standard of integrity, to put the interest of the company first, to avoid conflict of interest situations, and to adhere to the law.

An important note in this regard is that PJIAE, as a company operating in a highly regulated global aviation business, faces many challenges due to physical constraints, external forces and/or practical limitations. Insofar within the control of management, PJIAE continues to seek and find ways to be the best among its peers in complying with national and international aviation standards.

Table1. Category 1: General Principles			
	Sub Category:	Ref	Status:
a.	Compliance with the law	CGC:III: 1A; 1B CGC IV: 21A	It is PJIAE's policy and practice to ensure adherence to the law. Noteworthy is that existing physical constraints, external forces and/or practical limitations present challenges in this regard.
b.	Compliance with Articles of Incorporation	CGC:III: 1B CGC IV 21A	It is PJIAE's policy and practice to ensure adherence.
c.	General Principles	General Principles CGC & CGC: IV: 24, 25; CGC: III: 1A, 1B, 3, 5, 6, 7, 8, 9, 10, 11, 12; CGC: IV: 19, 26, 27	It is PJIAE's standard policy and practice to ensure adherence to best business practices.

The following table provides a summary of the status pertaining to PJIAE's observance of the general principles provisions category.

Conclusion

Based on the above it can be concluded that the policies and practices of the management and the SBOD are substantially consistent with the stipulations outlined under the general principles provisions of the Corporate Governance Code.

4. CORPORATE GOVERNANCE CODE: POLICY DEVELOPMENT AND EXECUTION

The stipulations falling under this category are part of PJIAE's standard policies and practices.

The SBOD approved the 2012 – 2016 business plan in 2012, and this business plan is guiding PJIAE's activities at present. PJIAE has a wide range of documented policies and procedures. These policies and procedures take the form of business plan, business model, manuals, budgets, memoranda, circulars, resolutions and service agreements.

The following table provides a summary of the status pertaining to PJIAE's observance of the provisions under the category policy development and execution.

Table1. Category 1: General Principles			
	Sub Category:	Ref	Status:
a.	Multi-Annual Business plan	CGC: III: 1B; CGC: IV: 21A	The basis is the approved Business Plan of 2012-2016 and PJIAE's standard policies and practices. This business plan guides PJIAE activities at present.
b.	Dividend Policy	CGC: V: 30 AB 2009/10 art 5, par 1	A dividend policy was prepared by PJIAE Management in June 2009 and was approved by the SBOD.
c.	Financial Policy	CGC: IV: 21B; CGC:III: 1B	This policy is anchored in the Business Plan and the yearly Budget and is executed in keeping with the finance and accounting manual.
d.	Commercial Policy	CGC:IV: 21C	This policy is anchored in the Business Plan and the yearly Budget and is executed in line with various contracts with commercial partners.
e.	Technical Policy	CGC: IV: 21D	This policy is outlined in a variety of systems and equipment manuals, Service Level Agreements (SLAs) and Circulars. PJIAE has been organizing these policies in a separate Technical Manual as specified in Technical Circular PJIAE/PRS/eh/10-03. The Technical Manual is updated accordingly and when necessary.
f.	Social & Human Resource Policy	CGC: IV: 21E	This policy is outlined in a variety of documents. PJIAE organized these policies in a separate Human Resources Manual as specified in Human Resources Circular PJIAE/PRS/eh/10-01. The Human Resources Manual is updated accordingly and when necessary.
g.	Technology & Automation Policy	CGC: IV: 21F	This policy is outlined in a variety of documents. Based on ITT Circular PJIAE/PRS/eh/10-01. PJIAE organized the ITT policies in an ITT Manual. The ITT Manual is expanded to incorporate other/new policies and updated accordingly and when necessary.
h.	Budget or Annual Business Plan	CGC:III:1B; CGC:IV:21 B-F	Budget with annual business plan is prepared annually.
i.	General Policy	CGC:IV:21A	The stipulations are part of PJIAE standard policy and practice.

Besides the policies mentioned above, PJIAE has a number of other critical policies, namely:

- a. An Aerodrome Manual, which specifies the operational policies and procedures of PJIAE; this manual forms the basis for the Civil Aviation Authority (C.A.A) to judge the potential suitability for PJIAE to obtain an aerodrome certificate. The Aerodrome Manual is used as a daily guide and is updated, changed and/or expanded as necessary to continuously provide complete documentation of all airport operations.
- b. An Emergency Management Manual, which specifies the emergency response and management policies of PJIAE;
- c. A Security Manual, developed based on international standards, which specifies the standard security program (measures to safeguard international civil aviation against acts of unlawful interference) that serves as a guideline for security activities of PJIAE.
- d. Rescue and Fire Fighting Manual developed with the principle objective in mind that the Airport Rescue and Fire Fighting Services save lives in the event of an aircraft emergency on the airport or aerodrome.

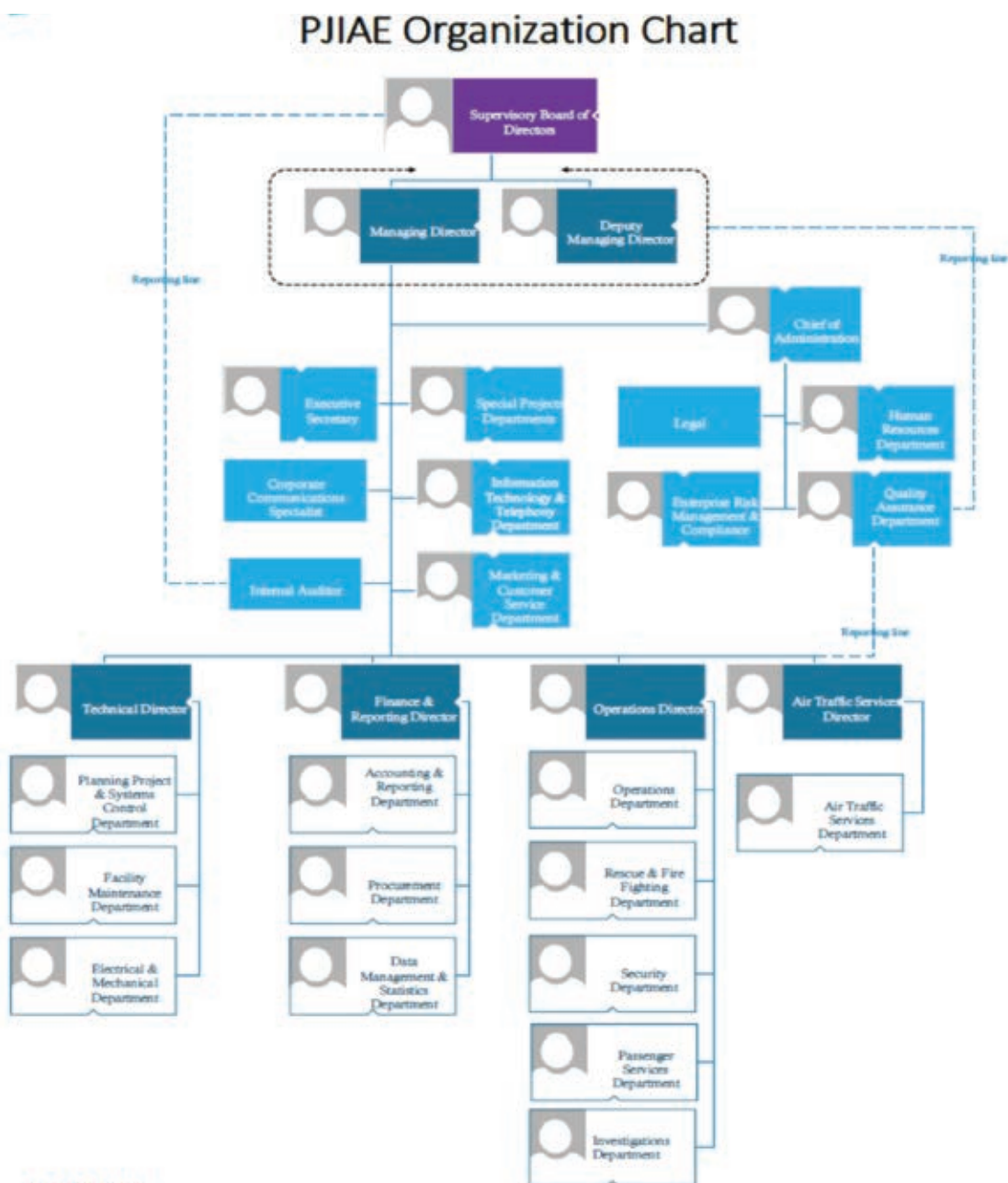
The above mentioned manuals are updated on a regular basis as they form the basis for the audits conducted by the Department of Civil Aviation (St. Maarten). The Security Manual was approved in 2015. In 2016, audits were conducted on the Aerodrome Manual and the Emergency Management Manual (EMM under auspices of RFF). PJIAE obtained recertification for a one year period from the Department of Civil Aviation (St. Maarten).

Conclusion

Based on the above it can be concluded that PJIAE's policies are substantially consistent with the stipulations outlined under the Policy Development and Execution provisions of the Corporate Governance Code and that PJIAE's practices are fully consistent with the stipulations outlined under the Policy Development and Execution provisions of the Corporate Governance Code.

5. CORPORATE GOVERNANCE CODE: REPORTING AND ACCOUNTABILITY

In keeping with PJIAE's strong corporate governance culture, PJIAE over the years has developed a comprehensive system of reporting based on clearly delineated lines of responsibilities and thus accountability. The starting point is the established organizational structure with well-defined lines of responsibilities and well-trained personnel. Diagram 3 provides an overview of the organizational structure.



Important notes:

- The **Operations Director** is currently also appointed as the **Deputy Managing Director**.
- In the absence of the **Managing Director**, the **Deputy Managing Director** will assume the full responsibilities of the **Managing Director** and will be relieved from the responsibilities as **Operations Director**.

Through the reporting system PJIAE seeks to ensure complete, accurate and timely reporting in view of timely decision-making and proper checks and balances aimed at ensuring a proper and effective execution of the business plan and policies.

As part of PJIAE's standard policies and practices PJIAE is in compliance with the majority of the stipulations falling under this category.

The following table provides a summary of the status pertaining to PJIAE's observance of the provisions under the category reporting and accountability.

Table 3: Category 3: Reporting and Accountability			
	Sub Category:	Ref	Status:
a.	General	CGC:IV:20, 21A	PJIAE has a comprehensive system of reporting and accountability.
b.	Financial Statements or Annual Accounts	CGC:III:1B, 3B; CGC:V:28.	It is PJIAE's standard policy and practice to prepare and issue annual financial statements timely.
c.	Annual Report	General Principles CGC CGC: V: 35; CGC: III: 4, 11; CGC:VI:36. CGC IV:21B	It is PJIAE's standard policy and practice to prepare and issue annual reports. The 2015 annual report will include the results of this Corporate Governance Report. The Reports are assessed by our external auditor.
d.	Quarterly Management Report	CGC: IV: 23	It is PJIAE's standard policy and practice to prepare and issue quarterly financial management reports.
e.	Risk Management	CGC:III:16; CGC: IV:20	Since January 2009 PJIAE has developed a standard Risk Assessment Report for PJIAE's evolving risk evaluation process. In August 2010 PJIAE established a Risk Assessment Committee to carry out the risk evaluations based on the standard Risk Assessment Report. A Risk Assessment Committee Charter was drafted in 2015. In 2016, the Risk Assessment Committee implemented a plan of approach inclusive of weekly meetings pursuant to the draft plan of approach.
f.	Financial Audit	CGC: VI:37; CGC: V: 34	The developments in connection with the relationship with the external auditor, among which particularly his independence are discussed annually between the SBOD and the external auditors.
g.	Information to the General Shareholders' Meeting	CGC: III:18; CGC: IV: 20; CGC: V:29; CGC: V: 30; CGC: V:33	PJIAE's standard policy and practice is consistent with the pertinent provisions.
h.	Other information or reports	CGC: IV: 22, 23; CGC: III: 1B	It is PJIAE's standard policy and practice to request the required approval from the SBOD by means of Board Resolutions or to inform the SBOD of important changes or matters of PJIAE.
i.	Meeting roster Management and Supervisory Board	CGC: III: 15; CGC: IV: 23	The Management and Supervisory Board meet when considered necessary by the SBOD, and in any event at least once quarterly.

Conclusion

Based on the above it can be concluded that the policies and practices of the management and the SBOD are substantially consistent with the stipulations outlined under the Reporting and accountability provisions of the Corporate Governance Code.

6. CORPORATE GOVERNANCE CODE: SUPERVISION

In 2015, based on PJIAE's articles of incorporation the SBOD and Management were comprised as depicted in Table 4 below.

Table 4. Composition and Profile Supervisory Board and Management		
Function	Ref	Status:
Supervisory Board		
Chairperson	Mr. Gary Matser (From April 1, 2014 - present)	Mr. Gary Matser, a Dutch national, was born on November 20, 1972. His profession is an Accountant and Tax consultant. Mr. Matser is the owner and Managing Director of MGM Consultants, an accounting and tax consulting firm established in 1998. He was first appointed to the PJIAE SBOD on March 15, 2004. His current term is for the period April 1, 2014 until March 31, 2017 in accordance with article 10.7 of the articles of incorporation of PJIAE.
Vice Chairperson/ Chairperson	Mr. Ludwig Ouenniche From December 1, 2013 - present	Mr. Ludwig Ouenniche, of Dutch nationality was born on October 31, 1952. Mr. Ouenniche was the Senior Advisor and Chef de Cabinet of the Minister of Finance until November, 19 2015, and is now retired. He was appointed to the PJIAE SBOD for the first time on December 1, 2013. His term is from December 1, 2013 to November 30, 2016 in accordance with article 10.7 of the articles of incorporation of PJIAE.
Secretary	Mr. Michel Hodge From December 1, 2013 - present	Mr. Michel Hodge, of Dutch nationality was born on January 9, 1949. Mr. Hodge is a businessman, specializing in franchising and holds a degree in Airport and Airline Management from the Florida Institute of Technology. He was appointed to the PJIAE SBOD for the first time on December 1, 2013. His term is from December 1, 2013 to November 30, 2016 in accordance with article 10.7 of the articles of incorporation of PJIAE.
Member	Ms. Melinda Hoeve (From July 2, 2013 - June 30, 2016)	Ms. Melinda Hoeve, a Dutch national, was born on February 1, 1977. Her profession and also main function is Attorney-at-Law at Hoeve & Rogers Attorney & Consultants, in St. Maarten. She was appointed to the PJIAE SBOD for the first time on July 2, 2010, when she was appointed for the term running from July 2, 2010 to July 1, 2013. Her current term is from July 2, 2013 to June 30, 2016 in accordance with article 10.7 of the articles of incorporation of PJIAE.
Member	Mr. Whitfield Vlaun (From July 2, 2013 - June 30, 2016).	Mr. Whitfield Vlaun, a Dutch national, was born on October 21, 1964. Mr. Vlaun is a Banker and his main function is Manager Retail Banking at First Caribbean International Bank, in St. Maarten. He was appointed to the PJIAE SBOD for the first time on July 2, 2010. His first term was from July 2, 2010 to July 1, 2013 and his second term is from July 2, 2013 to June 30, 2016 in accordance with article 10.7 of the articles of incorporation of PJIAE.

Table 4. Composition and Profile Supervisory Board and Management (Continued)

Function	Ref	Status:
Member	Mr. Cleavland Beresford (From April 1, 2015 - present)	Mr. Cleavland Beresford, a Dutch National was born on January 7, 1950. He is the Managing Director of CBI Consultants and Services N.V., Captive Insurance Manager and Insurance Manager for setting up the TOR and bidding process for Government insurable interest. Mr. Beresford is also a Commercial, Instrument Rated Pilot. He was appointed to the PJIAE SBOD for the first time on April 1, 2012. His second term is from April 1, 2015 to March 31, 2018 in accordance with article 10.7 of the articles of incorporation of PJIAE.
Member Independence	CGC: III 6	When appointing the members of the PJIAE SBOD, the shareholder also takes article III 6 of the CGC, concerning political authorities, (in Dutch: "Politieke ambtsdragers") into consideration and after considerations, the shareholder concludes that the appointment of the SBOD members of PJIAE is not in conflict with the article.
Management	Ms. Regina LaBega	Ms. Regina LaBega, a Dutch national, was born on June 25, 1959. Ms. LaBega was appointed Managing Director as per July1, 2011 for a period of 5 years until June 30, 2016.
Management	Mr. Larry Donker	Mr. Larry Donker, a Dutch national, was born on September 7, 1956. Mr. Donker was appointed Deputy Managing Director as per November 6, 2015.

The PJIAE SBOD consisted in 2015 of six members, which is in accordance with the articles of incorporation which stipulate that the PJIAE SBOD should consist of at least three and a maximum of seven members.

As part of PJIAE's standard policies and practices, PJIAE is in compliance with the majority of the stipulations falling under this category. The main area for PJIAE corporate governance enhancement under the provisions of this category was related to the establishment of an Audit Committee by the PJIAE SBOD. The PJIAE SBOD Audit Committee was established in March 2014. The first members were Mr. G. Matser (Chairman), Mr. M. Hodge and Mr. W. Vlaun. In line with the code, Mr. Matser stepped down in September 2014, after he became Chairman of the PJIAE SBOD. Mr. Beresford was appointed Chairman of the Audit Committee in March 2015.

The following table provides a summary of the status pertaining to PJIAE's observance of the provisions under the category supervision.

The following table provides a summary of the status pertaining to PJIAE's observance of the provisions under the category supervision.

Table 5. Category 4: Supervision			
	Sub Category:	Ref	Status:
a.	General Supervision	CGC: III: 3,13, 16; CGC: IV: 21.	The stipulations are part of PJIAE's standard policy and practice. The supervisory board monitors the activities of management through periodic reports and scheduled meetings with management.
b.	Evaluation by the SBOD (self and management)	CGC: III: 17; CGC: IV: 24; CGC:II	The PJIAE SBOD performed a self-assessment for the year 2015.
c.	Prior Approval	CGC: II	PJIAE's policies and practices are consistent with these provisions.
d.	Assignment, appointment and meeting with the external auditor	CGC:V:34, 36; CGC: VI:37	PJIAE policies and practices are consistent with these provisions.
e.	Signing Annual Account	CGC: VI 37	All Board members present at the Board meeting in which the Annual account was discussed and the findings reported, consented with the annual account and signed it.
f.	Audit Committee/ Other Committees	CGC: III:14	As of March 2014, an Audit committee of the PJIAE SBOD was established. Other committees of the SBOD are the Aeronautical and the non-aeronautical committees.
g.	Corporate Governance Council	CGC: V: 31	The appointment of the PJIAE SBOD in 2015 was done in line with article 9 of the Island Ordinance.

Conclusion

Based on the above it can be concluded that the management's policies and practices of the Management and the Supervisory Boards are largely consistent with the stipulations outlined under the supervision provisions of the Corporate Governance Code.