

CORPORATE GOVERNANCE REPORT 2010

Soaring at
New Heights



Princess Juliana
International Airport



Assurance Report

To the Shareholder and Supervisory Board of Directors of
Princess Juliana International Airport Operating Company N.V.
Simpson Bay
St. Maarten

Introduction

We have examined whether the accompanying Corporate Governance Report 2010 of the Princess Juliana International Airport Operating Company N.V., St. Maarten (“the Company”), as initialled by us for identification purposes, correctly presents the governance approach followed by the Managing and Supervisory Boards of the Company in accordance with the Corporate Governance Code issued by the Island Territory of St. Maarten in December 2009.

The Managing Board is accountable for the policy conducted and the execution of the principles and provisions embodied in the Corporate Governance Code. Management renders a report to what extent the principles and provisions laid down by this Corporate Governance Code have been observed. Our responsibility is to issue an assurance report on the Corporate Governance Report 2010.

Scope

We conducted our examination in accordance with International Standard on Assurance Engagements 3000 “Assurance engagements other than audits or reviews of historical financial information”. This standard requires that we plan and perform our examination to obtain reasonable assurance whether Corporate Governance Report 2010 is free from material misstatement. An assurance engagement includes examining appropriate evidence on a test basis. We believe that the assurance evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Conclusion

Based on our examination, we conclude that the Corporate Governance Report 2010 of Princess Juliana International Airport Operating Company N.V. in all material respects correctly presents the governance approach followed by the Managing and Supervisory Boards of the Company in accordance with the Corporate Governance Code issued by the Island Territory of St. Maarten in December 2009.

St. Maarten, June 27, 2014
PricewaterhouseCoopers St. Maarten,

A handwritten signature in blue ink, appearing to read 'Cees Rokx', is written over a light blue horizontal line.

Cees Rokx



**Princess Juliana
International Airport**
Operating Company N.V.

Corporate Governance Report 2010

PJIAE/LEG/14-01-CGR

May 08, 2014

Initialed on behalf of
PricewaterhouseCoopers St. Maarten

Table of Contents

Assurance Report

Foreword

1. Background
2. Corporate Governance Structure
3. Corporate Governance Code: General Principles
4. Corporate Governance Code: Policy Development and Execution
5. Corporate Governance Code: Reporting and accountability
6. Corporate Governance Code: Supervision
7. Conclusion

Foreword

This report has been prepared pursuant to 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 10, 2009.

It is our policy to apply and encourage strict adherence to the principles of best business practices. Essential in that regard is our emphasis on compliance with existing legislation and on being the leader in our sector and 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 yardstick 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 as has been adopted over the years and as is observed by the officers of the company. The information contained herein has been furnished by management and has been prepared for the Supervisory Board and to assist the external auditor with their assurance report on our evaluation of the status of compliance to the CGC: PJIAE's corporate governance.

This report concerns the status of compliance to the Corporate Governance Code in 2010. For improvement of understanding where necessary we have included information on major subsequent events between reporting date and issuing date.

Simpson Bay, May 08, 2014



Ms. Regina LaBega
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 10, 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 of 2010 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;
4. Supervision: these are provisions regulating a.o. 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.

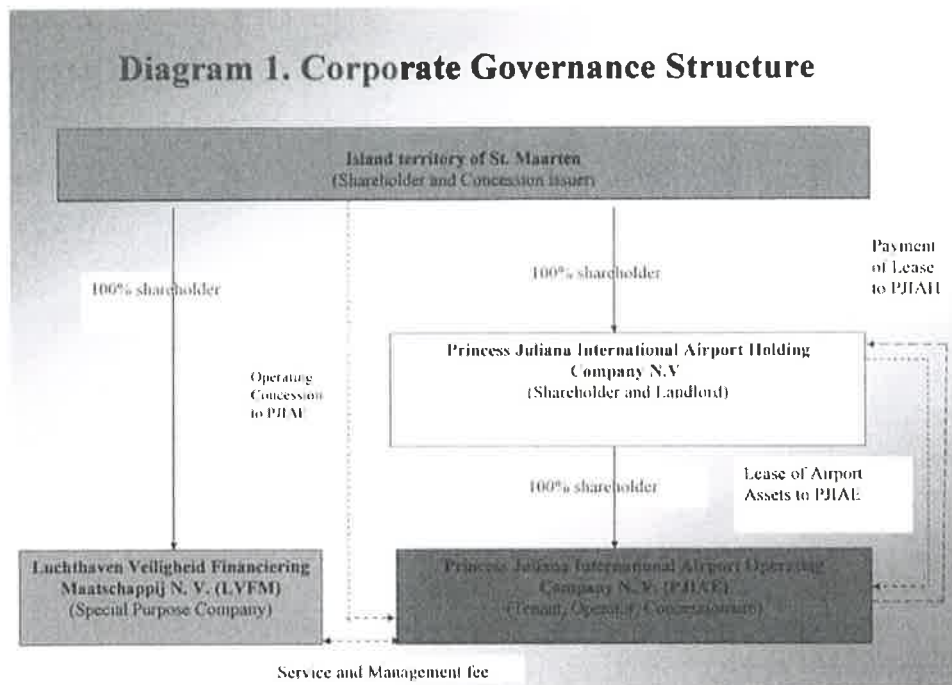


Diagram 2 below provides an overview of the officers of the companies PJIAE and PJIAH as depicted above up to December 31, 2010.

Diagram 2. Overview Supervisory and Managing Directors PJIAH/PJIAE		
Functions	PJIAH	PJIAE
Supervisory Board 1. Chairperson 2. Vice-Chairperson 3. Secretary 4. Members	Richard Gibson Jr. Dexter Doncher	Clarence Derby Melinda Hoeve ³ Withfield Vlaun ³ Regina Labega ³ Gary Matser ⁴
Management	Joseph Peterson	Eugene Holiday ¹ Larry Donker ² Regina LaBega ⁵

Notes:

1. drs. Eugene Holiday resigned as President of PJIAE effective October 9, 2010 as a result of his appointment as Governor of St. Maarten effective October 10, 2010.
2. The Supervisory Board of Directors charged Mr. Larry Donker with the Interim Management of PJIAE N.V., pending the appointment of a substantive successor for the Statutory Director position, effective October 10, 2010, by means of Resolution number PJIAE/LEG/MC/10-14, dated October 8th, 2010.
3. The terms of all the Supervisory Directors of PJIAE from the year 2009, with the exception of Mr. Matser's and Mr. Derby's terms, expired on December 31, 2009. Replacements for the functions were made on July 2, 2010 with the appointment of 3 members to the Board
4. The term of Supervisory Director Mr. Matser expired on August 24th, 2010.
5. Ms. Regina LaBega was appointed Managing Director of PJIAE N.V. as per July 1, 2011

Over the years PJIAE, within this framework through its prudent management and supervision has developed and implemented and continues to develop and implement a set of 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 view 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.

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

Table 1. Category 1: General Principles			
	<i>Sub Category:</i>	<i>Ref</i>	<i>Status:</i>
a.	Compliance with the law	CGC:III: 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. In regard to CGC: IV: 19 it is noteworthy to state that the Supervisory Board of Directors (hereinafter referred to as 'SBOD') charged Mr. Larry Donker with the Interim Management of PJIAE N.V. under certain restrictions, pending the appointment of a substantive successor for the Statutory Director position, effective October 10, 2010, by means of Resolution number PJIAE/LEG/MC/10-14, dated October 8th, 2010. This was done to ensure that the SBOD

Table1. Category 1: General Principles			
	<i>Sub Category:</i>	<i>Ref</i>	<i>Status:</i>
			(ultimately responsible for the PJIAE operations until the appointment of a new Statutory Director) was not directly involved in day-to-day policy of corporation. No Statutory Director was appointed by December 31, 2010.

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.

PJIAE's activities are guided by its overall vision, mission, core values and guiding principles, as specified in PJIAE's multi-annual business plan of 2000, and subsequently updated in 2003, 2005 and lastly in 2010. In 2010, PJIAE was still being guided by the approved business plan of 2000 and its updates in later years. Approval of the, last update of 2010 was put on hold by the SBOD pending the appointment of a new Managing Director. After the appointment of Ms. LaBega as Managing Director as per July 1, 2011, the SBOD approved the 2012 – 2016 business plan in 2012, which 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.

Table 2. Category 2: Policy Development and Execution

	<i>Sub Category:</i>	<i>Ref.</i>	<i>Status:</i>
a.	Multi-Annual Business plan	CGC: III: 1B; CGC: IV: 21A	The basis is the approved Business Plan of 2000, its updates in later years and the last update in 2010 and PJIAE's standard policies and practices. PJIAE has completed the update of the Business Plan in 2010. The update still had to be approved by the SBOD at the ending of 2010, but the approval was put on hold awaiting the development of a new business plan due to changes in the Managing Board during 2010 and 2011. As of 2012, the 2012-2016 business plan guides PJIAE's activities
b.	Dividend Policy	Art.5, par 1 AB 2009/10; CGC: V: 30	A dividend policy has been prepared by PJIAE Management in June 2009 and has been approved by the SBOD, pending approval by the shareholder.
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.

Corporate Governance Report 2010

	<i>Sub Category:</i>	<i>Ref.</i>	<i>Status:</i>
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, 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 will be updated accordingly and when necessary.
f.	Social & Human Resource Policy	CGC: IV: 21E	This policy is outlined in a variety of documents. PJIAE has been organizing these policies in a separate Human Resources Manual as specified in Human Resources Circular PJIAE/PRS/eh/10-01. The Human Resources Manual will be 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 has been organizing the ITT policies in an ITT Manual. The ITT Manual will be 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 the company;
- b. An Emergency Management Manual which specifies the emergency response and management policies of the company.

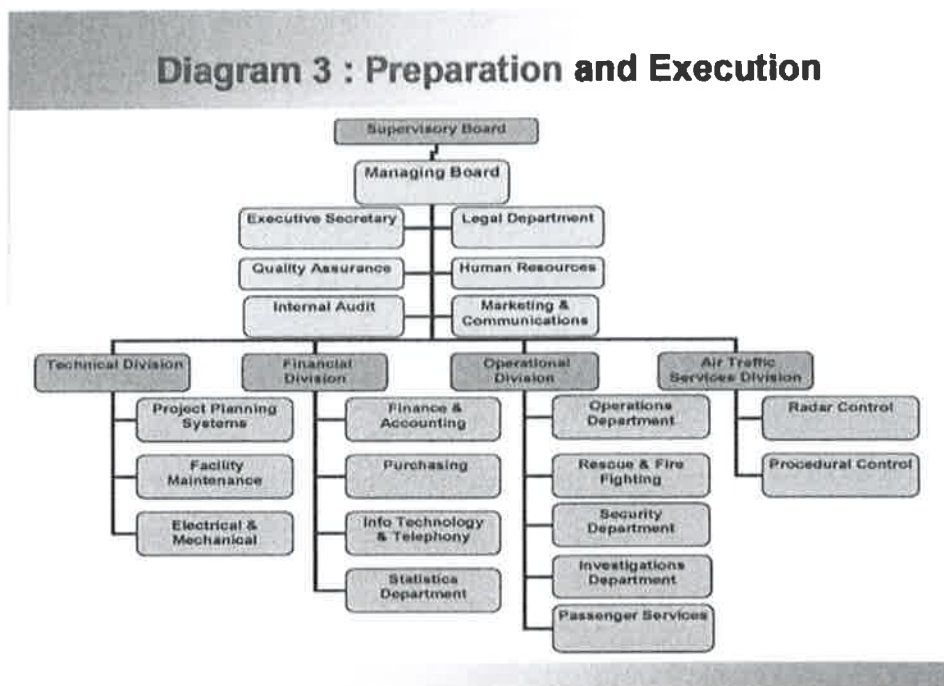
Conclusion

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 of which is the established organizational structure with well-defined lines of responsibilities and well trained personnel. Diagram 3 provides an overview of the organization structure.



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

	<i>Sub Category:</i>	<i>Ref:</i>	<i>Status:</i>
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 & Art. 3, par 2, 3 AB 2009/10; 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 2011 annual report does not include the results of this Corporate Governance Report. A separate Corporate Governance Report will be issued for both 2010 and 2011. The reports will be audited 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. The Risk Assessment Committee has not been able to meet on a regular basis during 2010.
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 SBOD and external auditors.
g.	Information to the General	CGC: III:18; CGC: IV: 20; CGC: V:29;	PJIAE's standard policy and practice is consistent with the pertinent provisions.

Corporate Governance Report 2010

	Sub Category:	Ref:	Status:
	Shareholders' Meeting	CGC: V: 30; CGC: V:33	
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 2010, 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	Name	Background
<i>Supervisory Board</i>		
Chairperson	Mr. Gary Matser (From July 2, 2010 up to August 24, 2010) Mr. Clarence Derby (From August 25, 2010 until now)	Mr. Gary Matser, a Dutch national, was born on November 20, 1972. His profession is an accountant and he is the owner and Managing Director of MGM Consulting N.V. in St. Maarten He was appointed to the SBOD for the first time on March 15, 2004. His term was from August 23, 2007 to August 24, 2010 in accordance with article 10.7 of the PJIAE articles of incorporations. Mr. Clarence Derby, a Dutch national, was born on February 12, 1949. His profession and also main function is Senior Vice President and General Manager at Sun Resorts and General Manager at the Tower at Mullet Bay in St. Maarten. He was appointed to the SBOD for the first time on August 1, 2008. His term is from August 1, 2008 to July 31, 2011 in accordance with article 10.7 of the PJIAE articles of incorporations.
Vice Chairperson	No appointment	N/A
Secretary	Ms. Melinda Hoeve	Ms. Melinda Hoeve, a Dutch national, was born on February 1, 1977. Her profession and also main function is Attorney-at-Law at Duncan Brandon Hoeve & Marica, in St. Maarten. She was appointed to the SBOD for the first time on July 2, 2010. Her term is



Corporate Governance Report 2010

		from July 2, 2010 to July 1, 2013 in accordance with article 10.7 of the articles of incorporations of PJIAE.
Member	Ms. Regina LaBega	Ms. Regina LaBega, a Dutch national, was born on June 25, 1959. Her profession and also main function is Head of Tourism Department Island Territory of St. Maarten. She was appointed to the SBOD for the first time on February 21, 2003. Her term expired on December 31, 2009. On July 2, 2010 she was re-appointed to the SBOD, to July 1, 2013 in accordance with article 10.7 of the articles of incorporations of PJIAE. Ms. LaBega resigned from the Board as per January 1, 2011.
Member	Mr. Withfield Vlaun	Mr. Withfield Vlaun, a Dutch national, was born on October 21, 1964. His profession and also main function is Manager Consumer Finance at First Caribbean International Bank, in St. Maarten. He was appointed to the SBOD for the first time on July 2, 2010. His term is from July 2, 2010 to July 1, 2013 in accordance with article 10.7 of the articles of incorporations of PJIAE.
Management		
President	drs. Eugene B. Holiday	Drs. Eugene Holiday, a Dutch national, was born on December 14, 1962. His profession is Economist with almost 22 years management experience. Almost 15 of which in aviation and airport management. He was appointed as the President of PJIAE on February 9, 1998. Drs. Eugene Holiday resigned as President of PJIAE effective October 9, 2010 as a result of his appointment as Governor of St. Maarten effective October 10, 2010.

Corporate Governance Report 2010

Interim Managing Director	Mr. Larry Donker	<p>Mr. Larry Donker, a Dutch national, was born on September 7, 1956. He holds a degree in Air Traffic Control from the ATC Training Centre in Curacao. He has been engaged in aviation for over 29 years and has received his training in airport operations and management at the Aviation Development & Training Institute of IATA in Montreal, Canada. Mr. Donker started working at PJIA in 1984 as an air traffic controller and has since held various functions. He was the manager of operations for 11 years and the Director of the Technical division for almost one year before assuming the Director of Operations division position on July 1, 2007. The Supervisory Board of Directors charged Mr. Larry Donker with the Interim Management of PJIAE N.V., pending the appointment of a substantive successor for the Statutory Director position, effective October 10, 2010, by means of Resolution number PJIAE/LEG/MC/10-14, dated October 8th, 2010.</p> <p>Ms. LaBega, was appointed Managing Director of PJIAE effective July 1, 2011.</p>
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Effective April 1, 2011, Mr. Gary Matser was re-appointed to the SBOD. During the period from January to July 2, 2010, the SBOD consisted of two members. From July to December, the SBOD consisted of more than three members. At the time of writing the SBOD consists of seven members, which is in accordance with the articles of incorporation which stipulate that the 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 where PJIAE is still working to enhance corporate governance under the provisions of this category is the establishment of an Audit Committee by the SBOD. Currently the Audit Committee function is being done by the entire SBOD.

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

	<i>Sub Category:</i>	<i>Ref</i>	<i>Status:</i>
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 SBOD has not yet performed a self assessment for the year 2010, due to the fact that three (3) members were appointed in August, 2010, followed by the resignation of the statutory director and the recruitment process for a new statutory director carried out by the SBOD.
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.	Audit Committee/ Other Committees	CGC: III:14	In continuation of the previous policy, the entire SBOD executed the task of the Audit Committee. Once the SBOD will consist of at least five members, a separate Audit Committee will be established.
f.	Corporate Governance Council	CGC: V: 31	The appointment of Managing Directors and SBOD PJIAE is done in line with article 9 of the Island Ordinance.

Conclusion

Based on the above it can be concluded that the policies and practices of the management and the supervisory board are largely consistent with the stipulations outlined under the supervision provisions of the Corporate Governance Code.



7. Conclusion

This report confirms the continued commitment of Management and the Supervisory Board to the application of best business practices in the governance of the company. Management is continuously enhancing its governance system through new initiatives as specified above, these include among others:

- a. The continued update, of various policies in separate manuals, among which the Technical manual, IIT Manual and the Human Resources Manual;
- b. The re-activation of the Risk Assessment Committee.
- c. The introduction of a separate Audit Committee once the SBOD consists of more than 5 members again.

Overall it may be concluded that PJIAE substantially complies with and is committed to the observance of the Corporate Governance provisions in that its policies and procedures are generally consistent with the letter and spirit of the corporate governance code.