



To the Supervisory Board of Directors of
N.V. Gemeenschappelijk Electriciteitsbedrijf Bovenwindse Eilanden
Attn.: Mr. R. Richardson
Walter Nisbeth Road 35
Philipsburg

June 15, 2015

Reference: CR/HEB/67.381.0/41947

***Subject: agreed-upon procedures on the selection process and
remuneration package Head Internal Audit Department***

Dear Mr. Richardson,

In accordance with your instructions we have carried out certain agreed-upon procedures regarding the selection process and remuneration package of the Head Internal Audit Department (“Head Internal Audit Department” or “employee”). Our engagement has been undertaken in accordance with the International Standard on Related Services 4400 Engagements to Perform Agreed-upon Procedures Regarding Financial Information.

Engagement

The procedures were performed in accordance with our engagement letter with reference CR/HEB/67.381.0/41335 dated October 14, 2014.

We have agreed to perform the following procedures:

1. Obtain the employment contract of the employee and determine whether this has been signed by the appropriate officer(s) and/or body within the company;
2. Obtain other additional agreements made with employee with respect to the remuneration and determine whether these has been approved and signed by the appropriate officer(s) and/or body within the company;
3. Prepare an overview of all benefits given to the employee based on the employment contract and additional agreements made;

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4. Obtain job description profile, salary scales, allowances and fringe benefits belonging to the position of Head Internal Audit given her skills and working experience and determine whether the given remuneration as mentioned under point 3 is in line with these scales, allowances and fringe benefits;
5. Obtain insight in the recruitment and selection process of the employee and determine if the necessary steps have been followed in line with the company's policies and procedures;
6. Obtain the Human Resource file of the employee and determine if the present documentation in the file is in line with the company's policies and procedures;
7. Obtain overview of diplomas and degrees and determine whether the authenticity has been checked as part of the selection process. Where possible we will check the authenticity with online sources;
8. Obtain copy of salary slips of employee from date of employment until September 2014 and re-perform gross net calculation of at least four (4) payslips (two of 2013 and two of 2014).

Findings

Employment contract of the employee

During the process of negotiating her salary Ms. Daniel indicated that she would like to receive the same net salary as she earned in her last job in the USA. The normal salary scale for the function Head Internal Audit Department is scale 11. The salary offered in her first contract was a salary in scale 13 and amounted ANG 13,118 per month. In the period of signing her contract she was informed by Mr. Kingsale (HR representative) that the wage tax percentage for her would be around 23%.

On May, 8 2013 the labor agreement was signed by Mr. Maduro of the Management Board. We obtained mail correspondence in which Mr. Maduro asked for the opinion of the chairman of the SBOD with respect to her initial salary.

Ms. Daniel started in her function as Head Internal Audit Department on June 15, 2013 and received her first pay slip in June. She discovered at that time that the actual wage tax percentage (maximum percentage) was 47,5% which resulted in a lower salary than anticipated. She wrote a letter to the President of the Managing Board with her concerns and proposed to re-negotiate her contract.

Mr. Maduro took notice of the letter and discussed the situation with the SBOD. After (informal) approval of the SBOD the salary was raised to ANG 15,991 which is a salary which belongs to scale 15. Scale 15 is the maximum scale within G.E.B.E. According to Mr. Maduro the main consideration for increasing the salary was the fact that the Managing Board and SBOD were of the opinion that it was very important that the position of Head Internal Audit would be kept occupied and that Ms. Daniel was the best candidate.



After re-negotiating her salary the contract was amended and a new contract has been signed. The new contract has also a signing date of May 8, 2013.

Additional agreements made with the employee

Housing Allowance

Ms. Daniel receives a housing allowance of ANG 874,90 as per February 1, 2014. Over the period of June 15, 2013 until January 31, 2014 (7,5 months) her housing expenses have been paid by G.E.B.E. She stayed in the Sonesta Great Bay Beach Hotel for the mentioned period.

In the labor agreement of Ms. Daniel the following is mentioned:

“N.V. G.E.B.E. may take the following costs for its account if Management deems it necessary:

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- *Rent of (hotel-)/apartment for 2 months;*
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We received an overview of the expenses paid for the period June 2013 – February 17, 2014. A total amount of USD 13,241.92 has been paid by the Company to Sonesta Great Bay. The accuracy of recording in the administration as well as the completeness of the overview of the total paid amount falls outside the scope of this engagement.

Car allowance

Ms. Daniel received a Car Allowance of ANG 500 (ANG 300 taxable, ANG 200 non-taxable) as from June 16, 2013 until January 31, 2014. During that period she had a rental car for which G.E.B.E. was paying the expenses. The car allowance was given to cover the gasoline expenses for the rental car. All department heads are entitled to a car allowance as part of their remuneration.

In the labor agreement of Ms. Daniel the following is mentioned:

“N.V. G.E.B.E. may take the following costs for its account if Management deems it necessary:

-
- *4 weeks car rental”*

In October 2013 the purchase of a company car was discussed between the President of the Managing Board and the Chairman of the SBOD. We received e-mail correspondence showing the involvement of the chairman of the SBOD in this process confirming this decision.

As per February 1, 2014 the ANG 500 car allowance has been factored in her normal salary and resulted in an increase of her gross salary with ANG 500.



In April 2014 she received a Company car from G.E.B.E. According to the rules and regulations of G.E.B.E., in principle only managers are entitled to a company car unless otherwise decided by the Managing Board based on the importance of the function. We understood that the decision for a company car was based on a proposal from the SBOD. We received e-mail correspondence showing the involvement of the chairman of the SBOD in this process.

According to Mr. Maduro the current informal rule being adhered to is that all managers are entitled to a company car and all 'Tier 1' personnel, which includes all personnel that fall directly under the responsibility of the Managing Board.

Representation allowance

As per July 1, 2014 Ms. Daniel receives a representation allowance of ANG 400 (ANG 235 taxable, ANG 165 non-taxable) which according to a letter of January 28, 2014 is usually only allocated to managers of G.E.B.E. The function of Head Internal Audit Department is not a management function however given the importance of the function and the environment in which the Head Internal Audit needs to operate it was deemed appropriate to offer her a representation allowance. This has been discussed by the President of the Managing Board with the SBOD. We did not receive supporting documentation of this discussion.

Relocation expenses

Ms. Daniel received a relocation allowance of ANG 5,000 which was paid out directly to her and has not been included in the payroll.

Study agreement

Ms. Daniel has a training agreement which arranges her study of D.B.A. (Doctor of Business Administration) offered by Walden University. Total estimated costs are USD 65,000. The agreement has been discussed during several meetings with the SBOD and subsequently approved (informally) by the SBOD.

Overview of all benefits given to the employee

The table below shows an overview of the benefits given to the employee. The amounts presented are the employer expenses and therefore should have been recorded as expenses in the profit and loss account of the Company. The accuracy of recording in the administration as well as the completeness of the overview with respect to paid out amounts outside the payroll falls outside the scope of this engagement. The overview below shows the following expenses:

1. Payroll expenses based on the received payslips 2013 and 2014 of the Head Internal Audit Department;
2. Reimbursed expenses paid to the employee because she prepaid certain expenses which should be for the account of the Company, like training and study expenses;



3. Expenses paid for the employee by the Company, e.g. housing during the first period of employment.

Employer expenses	2013	2014
	ANG	ANG
Gross salary	106,021	205,144
Vacation Allowance	8,835	17,095
Bonus	8,156	17,137
Taxable Car Allowance	1,950	300
Non-taxable car allowance	1,300	200
Non-taxable represent. Allowance	-	990
Taxable representation allowance	-	1,410
Housing Allowance	-	9,624
Day/Travel allowance	278	-
Medical costs (ENNIA)	55	-
Premie AVBZ wg	583	1,169
Aanpassing AOV wg	-	85
Allowance AOV/AWW	12,590	12,845
Employer's contr. Pension	17,526	32,748
	157,294	298,747
Study/training expenses (reimbursed part)	33,941	39,872
Company car	-	p.m
Housing expenses	21,173	2,662
Relocation allowance	5,000	
Total expenses	217,408	341,281
Per month	33,447	28,440

The current salary of Ms. Daniel as per January 1, 2015 amounts ANG 17,137 gross per month and belongs to scale 15. Scale 15 is the maximum scale within G.E.B.E. The employee is therefore not entitled to yearly salary increases. In the payroll of January 2015 a lumpsum amount of ANG 8,568.50 gross has been included, which is 50% of her monthly salary. We understood that this amount has been granted to compensate the fact that she is not entitled to yearly increases.



Given remuneration versus scales, allowances and fringe benefits

A consultancy firm reviewed the scaling of the different management functions within G.E.B.E. and concluded, amongst others, that the function of Head Internal Audit should fall in scale 13 given the tasks and responsibilities of this function. This would be applicable as from starting date of Ms. Daniel. We received from Mr. Maduro an e-mail from the consultancy firm dated January 12, 2015 which shows the rating of the Head Internal Audit function as scale 13 after including the following responsibilities to the function:

1. Corporate Governance
2. Enterprise Risk Management
3. ISO Certification (Standard for procedures)

We understood that these responsibilities were already part of the responsibilities of Ms. Daniel from the moment of commencement of employment.

Recruitment and selection process of the employee

During the period that the recruitment and selection process started the President of the Managing Board was Mr. Salomon. He was responsible for the recruitment and selection process of the Head Internal Audit.

During the first round 10 candidates were interviewed by the President of the Managing Board in presence of one of the representatives of the HR departments, Mr. Sasso or Mr. Kingsale. A summary of the interviews have been prepared by the HR department for an accurate evaluation of the candidates. The outcome of the interviews have been discussed with the following members of the Supervisory Board of Directors ("SBOD"): Mr. Lambert, Mr. Hassell and Mr. Berkel.

Based on the first round of interviews the preference of Mr. Salomon was not the same as the Supervisory Board of Directors and nobody was appointed at that point in time.

As per December 2012 Mr. Maduro became President of the Managing Board and took over the process of the recruitment and selection of the Head Internal Audit Department from Mr. Salomon. Mr. Maduro reviewed the summary of the interviews held and discussed this list in detail with the SBOD. The SBOD held informal interviews with some candidates among which Ms. Daniel was one of them. Also Mr. Maduro held an interview with Ms. Daniel in presence of the Chairman of the SBOD who was also the chairman of the Audit Committee.

A final interview by Mr. Lambert (President of the SBOD) and subsequently a joint meeting of Mr. Maduro and Mr. Lambert was held with Ms. Daniel. After discussing within the SBOD the decision was made to offer Ms. Daniel a contract. The main reason for choosing Ms. Daniel was besides her relevant education the fact that she is raised on St. Maarten and is familiar with the culture.

Human Resource file of the employee

The personnel file of Ms. Daniel has been reviewed by PwC in presence of Mr. Sasso. This took place in the conference room of G.E.B.E. We noted that all relevant information like employment contract, additional agreements and copy of ID was present in her file.



Overview of diplomas and degrees

Part of the personnel file of Ms. Daniel are 3 reference letters received during the recruitment process. The reference letters are received from her former employers Bank of America, KPMG and Grant Thornton. We noted that the reference letters of KPMG and Grant Thornton are not on letterhead of the respective companies and both have been signed by a Manager. The fact that the reference letters are not on letter head of the company is not common practice when it relates to reference letters. We understood that Mr. Kingsale verified the reference letters and has been in contact with the contact persons mentioned on the letters. We understood that they all confirmed that they wrote the letter.

We were informed that the authenticity of the diploma's have been checked by Mr. Sasso during the selection process. No irregularities have been noted in this case.

Salary slips of employee

We obtained a copy of the salary slips of the employee for the period June 2013 – January 2015 and re-performed the gross to net calculation of 4 months. We have the following findings:

- Every month 1/12 of the year-end bonus and vacation allowance is already subject to extra ordinary tax. This results in the situation that in the month of December the year-bonus and vacation allowance is not subject to tax anymore and therefore the net wage is higher;
- The AOV calculated for the individual months has not been calculated correctly. However, this was adjusted in the payslip of December 2013 resulting in the correct total premium over the year 2013;
- The AOV calculated for the months January – March 2014 has not been calculated correctly. However, this was adjusted in the payroll of the subsequent months resulting in the correct total premium over the year 2014.

Closing

The procedures carried out do not constitute an audit or a review of the financial data mentioned. Consequently, our report will not express any assurance as to the reliability of the financial data, other than in respect of the aspects we have examined and the factual findings we have reported on accordingly. Had we performed additional procedures or had we performed an audit or a review, other matters might have come to light which might have been of interest to you.

Our report is solely for you to assist in evaluating the selection process and remuneration package of the Head Internal Audit Department and is not to be used for any other purpose or to be distributed to any other parties. This report only relates to the period agreed upon to be reviewed and does not extend to any other periods.



If you wish clarification on the contents of this report, or if you require any further assistance, please do not hesitate to contact us.

Sincerely yours,
PricewaterhouseCoopers St. Maarten

A handwritten signature in blue ink, appearing to read 'Cees Rokx', is written over a faint, light blue circular watermark or background.

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