

**REPORT ON CORPORATE GOVERNANCE  
AND OWNERSHIP STRUCTURE**

Date: 20 March 2019

Page: 1 of 55

2018

---

**References:** *Borsa Italiana Code*  
*Borsa Italiana Instructions*



**REPORT ON CORPORATE GOVERNANCE  
AND OWNERSHIP STRUCTURE**  
pursuant to Article 123-*bis* of the TUF

related to the Financial year ended on 31 December 2018

**REPORT ON CORPORATE GOVERNANCE  
AND OWNERSHIP STRUCTURE**

Date: 20 March 2019

Page: 2 of 55

2018

**References:** *Borsa Italiana Code*  
*Borsa Italiana Instructions***TABLE OF CONTENTS**

<b>DEFINITIONS</b> .....	<b>5</b>
<b>1. COMPANY PROFILE</b> .....	<b>7</b>
<b>2. INFORMATION ON OWNERSHIP STRUCTURE AT 31 DECEMBER 2018 (IN ACCORDANCE WITH ART. 123-BIS, PARAGRAPH 1, TUF)</b> .....	<b>8</b>
a) Capital structure (in accordance with art. 123-bis, paragraph 1, clause a), TUF).....	8
b) Restrictions on the transfer of securities (in accordance with art. 123-bis, paragraph 1, clause b), TUF) .....	10
c) Significant holdings (in accordance with art. 123-bis, paragraph 1, clause c) TUF). .....	10
d) Securities with special control rights (in accordance with art. 123-bis, paragraph 1, clause d) TUF) ....	11
e) Employee share scheme: mechanism for the exercise of voting rights (in accordance with art. 123-bis, paragraph 1, clause e), TUF) .....	11
f) Restrictions on voting rights (in accordance with art. 123-bis, paragraph 1, clause f) TUF).....	11
g) Shareholders agreements (in accordance with art. 123-bis, paragraph 1, clause G) TUF).....	12
h) “Change of control” clauses (in accordance with art. 123-bis, paragraph 1, clause h), TUF) and statutory provisions on takeover bids (in accordance with articles 104, paragraph 1-ter and 104-bis, paragraph 1) .....	12
i) Delegated powers regarding share capital increases and authorization to the buy-back (in accordance with art. 123-bis, paragraph 1, clause m), TUF).....	13
j) Management and coordination activity (in accordance with art. 2497 <i>et seq</i> Italian Civil Code).....	15
<b>3. COMPLIANCE (IN ACCORDANCE WITH ART. 123-BIS, PARAGRAPH 2, CLAUSE A) TUF) ..</b>	<b>15</b>
<b>4. BOARD OF DIRECTORS</b> .....	<b>16</b>
4.1. Appointment and replacement (in accordance with art. 123-bis, paragraph 1, clause l), TUF) .....	16
4.2. Composition (in accordance with art. 123-bis, paragraph 2, clause d) and d-bis), TUF).....	17
4.3. Role of the Board of Directors (in accordance with art. 123-bis, paragraph 2, clause d) TUF).....	26

**REPORT ON CORPORATE GOVERNANCE  
AND OWNERSHIP STRUCTURE**

Date: 20 March 2019

Page: 3 of 55

2018

**References:** *Borsa Italiana Code*  
*Borsa Italiana Instructions*

4.4. Delegated bodies .....	30
4.5. Other Executive Directors.....	32
4.6. Non-Executive Directors .....	33
4.6.1. Independent Directors.....	33
4.6.2. Lead Independent Director.....	34
<b>5. <u>TREATMENT OF CORPORATE INFORMATION</u>.....</b>	<b>34</b>
<b>6. <u>INTERNAL COMMITTEES OF THE BOARD (IN ACCORDANCE WITH ART. 123-BIS, PARAGRAPH 2, CLAUSE D), TUF)</u>.....</b>	<b>36</b>
<b>7. <u>NOMINATION AND REMUNERATION COMMITTEE (IN ACCORDANCE WITH ART. 123-BIS, PARAGRAPH 2, CLAUSE D), TUF)</u>.....</b>	<b>36</b>
<b>8. <u>REMUNERATION OF DIRECTORS</u>.....</b>	<b>38</b>
<b>9. <u>CONTROL AND RISK COMMITTEE</u>.....</b>	<b>39</b>
<b>10. <u>THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM</u>.....</b>	<b>41</b>
10.1 Director in charge of the Internal Control and Risk Management System .....	43
10.2. Internal Audit Division Manager .....	43
10.3. Organizational Model in accordance with Legislative Decree No. 231/2001.....	46
10.4. Audit Firm .....	49
10.5 Manager in charge of the preparation of the Company's Financial Reports .....	49
<b>11. <u>DIRECTORS' INTERESTS AND TRANSACTIONS WITH RELATED PARTIES</u> .....</b>	<b>55</b>
<b>12. <u>APPOINTMENT OF STATUTORY AUDITORS</u>.....</b>	<b>56</b>
<b>13. <u>COMPOSITION AND FUNCTIONING OF THE BOARD OF STATUTORY AUDITORS (PURSUANT TO ARTICLE 123-BIS, PARAGRAPH 2, CLAUSE D), OF THE TUF)</u> .....</b>	<b>56</b>

**REPORT ON CORPORATE GOVERNANCE  
AND OWNERSHIP STRUCTURE**

Date: 20 March 2019

Page: 4 of 55

2018

---

**References:** *Borsa Italiana Code*  
*Borsa Italiana Instructions*

<b>14. RELATIONS WITH THE SHAREHOLDERS</b>	<b>56</b>
<b>15. GENERAL MEETINGS OF SHAREHOLDERS</b>	<b>57</b>
<b>16. ADDITIONAL CORPORATE GOVERNANCE PRACTICES (IN ACCORDANCE WITH ARTICLE 123-BIS, PARAGRAPH 2, CLAUSE A) TUF)</b>	<b>59</b>
<b>17. CHANGES SINCE THE END OF THE FINANCIAL YEAR.</b>	<b>59</b>
<b>18. CONSIDERATIONS ON THE LETTER FROM THE CHAIRMAN OF THE CORPORATE GOVERNANCE COMMITTEE</b>	<b>60</b>

**REPORT ON CORPORATE GOVERNANCE  
AND OWNERSHIP STRUCTURE**

Date: 20 March 2019

Page: 5 of 55

2018

**References:** *Borsa Italiana Code*  
*Borsa Italiana Instructions*

**DEFINITIONS**

In this document, the following expressions have the meaning indicated below:

- **“Articles of Association”:** the Company’s Articles of Association approved upon its incorporation and subsequent amendments.
- **“Board of Directors” or “Board”:** the Company’s Board of Directors.
- **“Borsa Italiana Code”:** the Corporate Governance Code for listed companies approved on 14 March 2006 by the Corporate Governance Committee as amended last in July 2018 and promoted by Borsa Italiana S.p.A., ABI, Ania, Assogestioni, Assonime and Confindustria and subsequent amendments.
- **“Borsa Italiana Instructions”:** the Instructions to the Rules of the Markets organized and managed by Borsa Italiana S.p.A. and subsequent amendments.
- **“Borsa Italiana Rules”:** the Rules of the Markets organized and managed by Borsa Italiana S.p.A. and subsequent amendments.
- **“Company” or “DIS” or the “Issuer”:** d’Amico International Shipping S.A..
- **“Consob Regulation on Issuers”:** Consob Regulation n. 11971 of 14 May 1999, implementing the provisions on issuers of TUF, and subsequent amendments.
- **“Consob Regulation on Markets”:** Consob Regulation n. 16191 of 27 October 2007, implementing the provisions on issuers of TUF, and subsequent amendments.
- **“Financial Year”:** the 2018 financial year, which the Report refers to.
- **“d’Amico Group”:** the group of which the Company is part.
- **“Decree 231”:** Italian Legislative Decree of 8 June 2001 n. 231 and subsequent amendments.
- **“Luxembourg Law on Commercial Companies”:** Law of 10 August 1915 on commercial companies and subsequent amendments.

**REPORT ON CORPORATE GOVERNANCE  
AND OWNERSHIP STRUCTURE**

Date: 20 March 2019

Page: 6 of 55

2018

---

**References:** *Borsa Italiana Code*  
*Borsa Italiana Instructions*

- **“Report”**: the 2018 Report on Corporate Governance and ownership structure drafted in compliance with the recommendations of the Borsa Italiana Code and the provisions of the Borsa Italiana Instructions.
- **“Shareholders”**: the shareholders of the Company.
- **“Shareholders’ Rights Law”**: the Luxembourg law of 24 May 2011 on the exercise of certain rights of shareholders in general meetings of listed companies.
- **“Subsidiary/ies”**: the subsidiary/ies of the Company.
- **“Chief Risk Officer”**: Executive Director in charge of the establishment and maintenance of an effective Internal Control and Risk Management System.
- **“Takeover Law”**: the Luxembourg law of 19 May 2006 and subsequent amendments which implements the Directive 2004/25/EC of 21 April 2004 on takeover bids.
- **“Transparency Law”**: the Luxembourg law of 11 January 2008 on transparency obligations and subsequent amendments.
- **“MAR” or Market Abuse Regulation**: Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on Market Abuse, repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC.
- **“TUF”**: Italian Legislative Decree n. 58 of 24 February 1998 (Testo Unico della Finanza) and subsequent amendments.
- **“Website”**: the Company's website, [www.damicointernationalshipping.com](http://www.damicointernationalshipping.com)

**REPORT ON CORPORATE GOVERNANCE  
AND OWNERSHIP STRUCTURE**

Date: 20 March 2019

Page: 7 of 55

2018

**References:** *Borsa Italiana Code*  
*Borsa Italiana Instructions*

## 1. COMPANY PROFILE

The Company is a company duly incorporated on 9 February 2007, existing under Luxembourg laws. Following completion of an initial public offering (hereinafter, the “**IPO**”) of shares on 3 May 2007, the Company is listed on the segment called “Segmento Titoli Alti Requisiti” (hereinafter, the “**STAR segment**”) of the stock market called Mercato Telematico Azionario (hereinafter, the “**MTA**”) of the Italian Stock Exchange Market organized and managed by Borsa Italiana S.p.A. (hereinafter, “**Borsa Italiana**”).

The business purpose of the Company is the investment in companies operating in the shipping industry and relevant services and facilities, as well as the administration, management, control and development of such participating interest. The principal business of the Company is to act as the holding company for d'Amico Tankers d.a.c. and its subsidiaries and Glenda International Shipping d.a.c. The Company adopts a corporate governance system based on the active role of the Board of Directors comprising 8 members of whom 4 executives and 4 non-executives with a total of 4 independent members. In addition, the Company avails itself of the Nomination and Remuneration Committee and Control and Risk Committee both comprising the same 4 members of whom 4 are independent with the Chairmen chosen from among the latter. The Company’s annual and consolidated accounts are duly audited by the appointed External Auditor (“Réviseur d’entreprises agréé”), pursuant to the laws and regulations in force in Luxembourg. Furthermore, the Company has appointed a Supervisory Committee under the terms of Decree 231. The Company has also identified a) the Chief Risk Officer in the person of the Chairman of the Board of Directors, b) the Internal Audit Manager who has been outsourced from the last indirect controlling company, d’Amico Società di Navigazione S.p.A., and c) the Manager in charge of the preparation of the Company’s financial reports identified as the Chief Financial Officer. Finally the Company has adopted and uses the following set of procedures and policies:

- Regulation of important and significant transactions and of transactions with related parties;
- Regulation of Shareholders’ Meetings;
- Nomination and Remuneration Committee and Control and Risk Committee Regulations;
- Supervisory Committee Regulation;
- Internal Dealing Code
- Regulation for the management of insider information and for the establishment of a record of persons with access to insider information;
- General Remuneration Policy;
- Internal Control Guidelines;
- Internal Auditor Mandate;
- Organizational Model pursuant to Decree 231;
- Code of Ethics;
- Privacy regulation;
- Diversity policy;

**REPORT ON CORPORATE GOVERNANCE  
AND OWNERSHIP STRUCTURE**

Date: 20 March 2019

Page: 8 of 55

2018

**References:** *Borsa Italiana Code*  
*Borsa Italiana Instructions*

- Assignment of Powers and Delegations Regulation.

In line with the applicable recommendations of the Borsa Italiana Code and with article 123-*bis* of TUF, the Company provides complete disclosure of the Ownership Structure and Corporate Governance System adopted at 31 December 2018. With reference to specific items, the Report is updated at the date of the Board of Directors' meeting called to approve it. The Report is available to everyone at its registered office and on DIS' Website in the Corporate Governance section, which contains other documents regarding the Company's Corporate Governance System. Moreover, the Report is disseminated to the public and filed with Borsa Italiana. through the e-Market SDIR and e-Market STORAGE system, Commissione Nazionale per le Società e la Borsa (CONSOB), Commission de Surveillance du Secteur Financier (CSSF) and the Société de la Bourse de Luxembourg S.A. in its capacity as Official Appointed Mechanism for the storage of regulated information (hereinafter the "OAM").

d'Amico International Shipping S.A. falls within the definition of SME pursuant to art. 1, paragraph 1, clause w-*quater*.1) of the TUF and art. 2-*ter* of the Consob Issuers' Regulation.

At 31 December 2018, the value of the Company's market capitalization was USD 90,975,216.40 while turnover was USD 399,046,000 (corresponding to €79,457,754.00 and € 348,526,776.40 respectively at the exchange rate at 31 December 2018).

**2. INFORMATION ON OWNERSHIP STRUCTURE at 31 December 2018 (in accordance with art. 123-*bis*, paragraph 1, TUF).****a) Capital structure (in accordance with art. 123-*bis*, paragraph 1, clause a), TUF)**

The authorized capital of the Company is set at USD 100,000,000.00 divided into 1,000,000,000 shares with no nominal value. All shares pertain to the category of ordinary shares. The issued (subscribed and fully paid-up) capital of the Company is fixed at USD 65,375,802.50 (corresponding to €57,099,225.90 at the exchange rate at 31 December 2018). The issued capital of the Company is divided into 653,758,025 shares with no nominal value.

**Capital structure:**

	n° of shares	% of the share capital	Listed / not listed	Rights and obligations
Ordinary shares	653,758,025	100%	Listed on the STAR segment of the MTA managed and organized by Borsa Italiana.	Voting and dividends rights and in general those provided by the Company's Articles of Association and by the applicable Luxembourg laws



**REPORT ON CORPORATE GOVERNANCE  
AND OWNERSHIP STRUCTURE**

Date: 20 March 2019

Page: 9 of 55

2018

**References:** *Borsa Italiana Code*  
*Borsa Italiana Instructions*

Shares with multiple votes	N/A	N/A	N/A	N/A
Shares with limited voting rights	-	-	-	-
Shares without voting rights	-	-	-	-
Other	-	-	-	-

**Other financial instruments (giving the right to subscribe newly issued shares):**

	Listed / not listed	n° of instruments in circulation	Class of shares for conversion/financial year	n° of shares for conversion/financial year
<b>Convertible bonds</b>	-	-	-	-
<b>Warrant</b>	Warrants listed on the STAR segment of the MTA managed and organized by Borsa Italiana	55,252.549	Ordinary shares	55,252.549

The General Meeting of Shareholders of the Company on 20 April 2016 approved the introduction of a long-term incentive mechanism (the “Stock Option Plan” or “SOP”) to further strengthen the Company's policy on remuneration.

The purpose of the SOP is to support and strengthen the participation and the link between the Company (and its subsidiaries) and the directors and key resources. To this end, the SOP is an effective tool to promote the alignment of the interests of the people involved (the “Beneficiaries”) with meeting the priority goal of creating value for the Company's shareholders in the medium to long term and focusing the Beneficiaries' attention on strategic factors, such as the performance of the Company's equity.

The SOP is based on the free allocation to the beneficiaries of a number of options that give the right to purchase or subscribe for ordinary shares of the Company based on the achievement of specific performance objectives (related to the Company's stock price and the consolidated EBIT result) and in accordance with the terms defined in the Regulation determined by the Board of Directors of the Company on 4 May 2016 in order to implement the SOP (the “SOP Regulation”).

**REPORT ON CORPORATE GOVERNANCE  
AND OWNERSHIP STRUCTURE**

Date: 20 March 2019

Page: 10 of 55

2018

**References:** *Borsa Italiana Code*  
*Borsa Italiana Instructions*

The shares to be allocated to the Beneficiaries in the event of the exercise of the option(s) will be the Company's own shares as decided by the Board of Directors.

The Beneficiaries were identified - on the unquestionable assessment and discretion of the Board of Directors – from among the executive directors of the Company and the employees and consultants of the Company and/or its subsidiaries holding strategic responsibilities in (or for) the Group heading d'Amico International Shipping SA, and whose continuation in the company must be supported with a view to creating value. The Beneficiaries thus identified were assigned the relevant number of options by the Board of Directors.

More details on the methods and procedures of the SOP Plan can be found in the relevant information document, drawn up in accordance with the provisions of Article 84-bis of the Issuers' Regulation, the Plan Regulation and in the report on remuneration for fiscal year 2018 prepared in accordance with Article 84-quater of the Issuers' Regulation. All these documents are available for viewing in the corporate governance section of the Company's website.

Considering the current expiring Stock Option Plan, on the 20th of March 2019, the Board of Directors proposed the introduction of a Long Term Incentive Plan 2019-2021 (LTI Plan), whose objective is to further strengthen the policy of the Society with regard to long term compensation.

More details on the methods and procedures of the LTI Plan can be found in the relevant information document, drawn up in accordance with the provisions of Article 84-bis of the Issuers' Regulation, the LTI Plan Regulation and in the report on remuneration for fiscal year 2019 prepared in accordance with Article 84-quater of the Issuers' Regulation. All these documents are available for viewing in the Corporate Governance section of the Company's website.

**b) Restrictions on the transfer of securities (in accordance with art. 123-bis, paragraph 1, clause b), TUF)**

The Company's shares are freely transferable.

**c) Significant holdings (in accordance with art. 123-bis, paragraph 1, clause c) TUF).**

Shareholders of the Company remain subject to disclosure and reporting obligations of transparency in force in Luxembourg.

Under the Luxembourg law, to which the Company is subject by reason of its incorporation in Luxembourg, the shareholders of the Company are bound by the applicable provisions of the Transparency Law. Pursuant to the latter, a natural or legal person holder of voting shares, of certificates representing voting shares or of financial instruments giving an entitlement to buy voting shares of the Company, must file a notification both to the Company and to the Commission de Surveillance du Secteur Financier, the Luxembourg financial regulator (hereinafter, the "CSSF") in case the percentage of voting rights held in the Company reaches, exceeds or falls below the following thresholds: 5%, 10%, 15%, 20%, 25%, 33 1/3%, 50% and 66 2/3 %, following the

**REPORT ON CORPORATE GOVERNANCE  
AND OWNERSHIP STRUCTURE**

Date: 20 March 2019

Page: 11 of 55

2018

**References:** *Borsa Italiana Code*  
*Borsa Italiana Instructions*

purchase or sale of voting shares of the Company as well as the increase or decrease of the total amount of voting shares or share capital in the Company. Such notification must be filed as soon as possible, but at least within the sixth (6th) Luxembourg trading day following a transaction or the fourth (4th) trading day following information of an event changing the breakdown of voting rights by the Company. The notification shall be addressed to the Company's registered office and to the CSSF in compliance with its applicable provisions. The content of the notification will be made public by the Company within three (3) Luxembourg trading day following its reception. The Transparency Law allows postponement of shareholders' general meetings if the above mentioned notification is made within fifteen (15) days prior to such a meeting.

According to the above and based on the latest shareholdings communicated by investors at 31 December 2018, the following individuals and institutions have significant direct and/or indirect holdings exceeding 5% of the Company's total ordinary outstanding shares (653,758,025 shares):

<b>Declarant</b>	<b>Direct shareholder</b>	<b>% of the ordinary capital</b>	<b>% of the voting capital</b>
d'Amico International S.A.	d'Amico International S.A.	64.00%	64.00% <sup>1</sup>
Hosking Partners LLP	Hosking Partners LLP	5.12%	5.12% <sup>2</sup>

**d) Securities with special control rights (in accordance with art. 123-bis, paragraph 1, clause d) TUF)**

The Company has not been issuing Securities with special control rights.

**e) Employee share scheme: mechanism for the exercise of voting rights (in accordance with art. 123-bis, paragraph 1, clause e), TUF)**

The Plan makes no provision with regard to the exercise of voting rights by employees.

**f) Restrictions on voting rights (in accordance with art. 123-bis, paragraph 1, clause f) TUF)**

Each share entitles the owner thereof to the casting of one vote, subject to any limitations imposed by the Luxembourg laws and regulations and by the Articles of Association.

<sup>1</sup> Holding updated to 8.02.2019, the date of the last communication received by d'Amico International S.A

<sup>2</sup> Holding updated to 18.05.2017, the date of the last communication received by Hosking Partners LLP

**REPORT ON CORPORATE GOVERNANCE  
AND OWNERSHIP STRUCTURE**

Date: 20 March 2019

Page: 12 of 55

2018

**References:** *Borsa Italiana Code*  
*Borsa Italiana Instructions*

In particular, a freezing in the exercise of the voting rights attached to the Company's shares is provided by the Transparency Law as well as by the Articles of Association in case of failure of compliance with the respective notification requirements triggered by the exceeding, the reaching or the falling below certain thresholds as a consequence of acquisitions, disposals or even increase or decrease of the total amount of voting shares or share capital. Moreover, the voting rights pertaining to the own shares held in treasury are suspended. No other restrictions are applicable to the Company's shares.

See chapter 15 of this Report for the terms imposed for exercising the voting right.

**g) Shareholders agreements (in accordance with art. 123-*bis*, paragraph 1, clause g) TUF)**

The Company has not been notified with and is not aware of any agreements entered into by and among its Shareholders pursuant to art. 122 TUF.

**h) "Change of control" clauses (in accordance with art. 123-*bis*, paragraph 1, clause h), TUF) and statutory provisions on takeover bids (in accordance with articles 104, paragraph 1-*ter* and 104-*bis*, paragraph 1)**

Neither the Company nor any of its subsidiaries have entered into significant agreements whose efficacy, modification or expiry is subject to a change of control of any of the aforesaid contracting companies.

The Company falls within the ambit of the Takeover Law. By application of its article 4, paragraph 2, clause b) and pursuant to article 101-*ter* of the TUF, the authority competent to supervise a takeover bid on the shares of the Company will be the Italian regulating authority, CONSOB.

Italian law is the governing law as to (i) the price of the bid; (ii) the procedure of the bid and, in particular, the information on the offerors' decision to make a bid; (iii) the contents of the offer document and (iv) the disclosure of the bid.

The Company is also subject to the Luxembourg law of 21 July 2012 on the squeeze-out and sell-out of securities of companies admitted or having been admitted to trading on a regulated market or which have been subject to a public offer and the CSSF Circular 12/545 if any individual or legal entity, acting alone or in concert with another, becomes the owner directly or indirectly of a number of Shares representing at least 95% of the voting share capital and 95% of the voting rights of the Company.

The Articles of Association do not make any reference to the takeover bid procedure, therefore, the Takeover Law is deemed directly and entirely applicable, according to which:

- the shareholders of the Company may resolve, even before a takeover bid has been made public, to impose on the Board of Directors to submit to their prior approval the adoption of any defensive action by the Board of Directors which may result in the frustration of the

**REPORT ON CORPORATE GOVERNANCE  
AND OWNERSHIP STRUCTURE**

Date: 20 March 2019

Page: 13 of 55

2018

**References:** *Borsa Italiana Code*  
*Borsa Italiana Instructions*

takeover bid. Absent such a resolution, as the case is, the Board of Directors may be free to take defensive actions without the prior approval of the shareholders (defensive actions);

- the shareholders of the Company may resolve that any transfer restrictions applicable to their securities as well as any restrictions on voting rights and/or any exceptional voting right entitlements shall cease to be enforceable upon a takeover bid (breakthrough rule).

**i) Delegated powers regarding share capital increases and authorization to the buy-back (in accordance with art. 123-bis, paragraph 1, clause m), TUF)**

The extraordinary shareholders' meeting, held on 3 March 2017, amended art. 5 of the Articles of Association of DIS, increasing the authorised share capital and renewing, for a period of 5 years, the authorisation conferred to the Board of Directors to increase the company's capital in one or more tranches and to limit or cancel the preferential subscription rights held by the existing shareholders

Following the amendment, the Articles of Association permit the Board of Directors the issuance of new shares within the limits of the authorised share capital of the Company (USD 100,000,000) in one or several successive tranches, for any reasons whatsoever including for defensive reasons following, as the case may be, the exercise of subscription and/or conversion rights granted by the Board of Directors under the terms and conditions of warrants (which may be separate or attached to shares, bonds, notes or similar instruments), convertible bonds, notes or similar instruments issued from time to time by the Company. The new shares may be issued with or without share premium, against payment in cash or in kind, by conversion of claims on the Company or in any other manner.

The Board of Directors is authorized to determine the amount, the place and date of the issue or the successive issues, the issue price, the terms and conditions of the subscription of and paying up of the new shares. Moreover, it can remove or limit the preferential subscription rights of the Shareholders in case of issue against payment in cash of shares, warrants (which may be separate or attached to shares, bonds, notes or similar instruments), convertible bonds, notes or similar instruments, considering the fact that pre-emption rights do not apply in case of share capital increase by means of a contribution in kind. The said Board of Directors' authorization is valid during a period of five (5) years after the date of publication of the minutes of the extraordinary general meeting of shareholders held on 3 October 2017 in the *Mémorial C, Recueil Electronique des Sociétés et Associations* and it may be renewed by a resolution of the general meeting of shareholders.

The Company's annual general meeting of Shareholders' held on 20 April 2016 renewed the authorization to the Board of Directors to the repurchase - in one or more tranches over the regulated market organized and managed by Borsa Italiana S.p.A or by such other means resolved by the Board of Directors and in compliance with any applicable laws and regulations – and disposal of the Company's own shares for a maximum number of 42,851,356 ordinary shares of the Company

**REPORT ON CORPORATE GOVERNANCE  
AND OWNERSHIP STRUCTURE**

Date: 20 March 2019

Page: 14 of 55

2018

**References:** *Borsa Italiana Code*  
*Borsa Italiana Instructions*

without nominal value (including the ordinary shares without nominal value of the Company already repurchased and held in the Company's portfolio) for a maximum period of five (5) years from the date of the relevant Shareholders' meeting resolving upon it. The meeting approved the minimum and maximum price for the buy-back of own shares in accordance with applicable laws and regulations, as follows:

- a minimum price which shall not be less than 10% of the official price of the shares registered in the trading session on the day prior to the execution of each transaction;
- a maximum price that shall not exceed 10% of the official price of the shares registered in the trading session on the day prior to the execution of each transaction.

The Shareholders' identified the following buy back purposes:

- to constitute - in conformity with the market practices accepted or to be implemented in the future on the Italian regulated market - a reserve for treasury shares ("treasury stock") which may be used as a means of payment, exchange, transfer, contribution, pledge, assignment or other action of disposal within the framework of transactions linked to the Company and its subsidiaries' operation and of any projects constituting an effective opportunity of investment in line with the strategic policy of the Company. This includes agreements with strategic partners, acquisition of shareholdings or shares' packages or other transactions of extraordinary finance that imply the allocation or assignment of own shares (such as mergers, demergers, issuance of convertible debentures or warrants, etc.) and more widely for any purposes as may be permitted under applicable laws and regulations in force, by way of example but not limited to, putting the Company in a position to offer own shares for distribution to its and its subsidiaries' directors, officers or employees, whether or not pursuant to the implementation of a stock option plan that may be approved and/or amended from time to time by the Company;
- to put the Company in a position to be able to intervene on the market in order to sustain the stock's liquidity or to implement investment policies in compliance with the market practices accepted or to be implemented in the future on the Italian regulated market, by providing support for the price of the Company's shares during a limited time period if they come under selling pressure, thus alleviating sales pressure generated by short term investors and maintaining an orderly market;
- to help stabilise the market price of the Company's shares, if deemed appropriate and/or necessary, in accordance with Article 7 *et seq* of the EU Regulation and/or any other applicable law and provision.

The Board of Directors by means of a resolution dated 4 May 2016 launched the buy-back program pursuant to the Shareholders' authorization with the purpose of assigning the own shares to the constitution of a "treasury stock" and entrusted any of the Directors individually all the powers to proceed with the repurchase and disposal of own shares already repurchased and of those



**REPORT ON CORPORATE GOVERNANCE  
AND OWNERSHIP STRUCTURE**

Date: 20 March 2019

Page: 15 of 55

2018

**References:** *Borsa Italiana Code*  
*Borsa Italiana Instructions*

that will be repurchased without a time limit and pursuant to the Commission Regulation (EC) No. 2273/2003 of 22 December 2003 and to the Consob Resolution No. 16839 of 19 March 2009 according to the operative instructions issued from the organizational and management rules of the markets, so as to assure a square deal to all the shareholders. The Company also entered into an agreement with an investment firm which makes its trading decisions, in case of a repurchase and/or disposal in relation to the Company's Own Shares independently of, and without influence by, the Company with regard to the timing of the purchases and disposals according the Commission Regulation (EC) No. 2273/2003 of 22 December 2003. The Board of Directors also entrusted the Chief Executive Officer to modify the buy-back program in the framework of the authorization issued by the Shareholders and carrying out any related fulfilments in order to implement the resolutions according to the applicable laws and regulations and to be in compliance with any disclosure obligations.

At 31 December 2018 the Company holds 7,760.027 own shares (corresponding to 1.19% of the share capital) not having repurchased any own shares since the start-up of the new buy-back program.

**j) Management and coordination activity (in accordance with art. 2497 *et seq* Italian Civil Code)**

The Company is not subject to the Italian laws requiring certain steps in case of an ascertained or de facto status implying exposure to the management and coordination activity of a controlling company nor does the fact that the Company is subject to management and coordination by its direct or indirect controlling company or otherwise have any influence under the terms of applicable Luxembourg corporate law.

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Finally, it is noted that:

- The information required by Article 123-*bis*, paragraph 1, clause i), of the TUF is contained in the remuneration report published pursuant to Article 123-*ter* of the TUF.
- The information required by Article 123-*bis*, paragraph 1, clause l), is illustrated in chapter 4 of the Report dedicated to the Board of Directors.

**3. COMPLIANCE (in accordance with art. 123-*bis*, paragraph 2, clause a) TUF)**

The Company is organized in compliance with the Luxembourg laws and regulations applicable to companies and the governance practice thereof complies with the above-mentioned legislation, its Articles of Association and, where possible, the Corporate Governance Code for Borsa Italiana Listed Companies (available at the Borsa Italiana website on page <https://www.borsaitaliana.it/comitato-corporate-governance/codice/2018clean.pdf>) not being obliged to comply with the corporate governance regime of the Luxembourg Stock Exchange. If,

**REPORT ON CORPORATE GOVERNANCE  
AND OWNERSHIP STRUCTURE**

Date: 20 March 2019

Page: 16 of 55

2018

---

**References:** *Borsa Italiana Code*  
*Borsa Italiana Instructions*

with regard to specific issues, the system of corporate governance of the Company were to move away from the abovementioned recommendations and practices, the Report will outline the specific reasons for each deviation as well as the appropriate information in respect thereof.

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Due to its incorporation in Luxembourg and listing on the Italian Market, the Company is further subject both to disclosure obligations related to corporate actions and periodic information as established by the Transparency Law and to those established by the Italians laws and regulations as applicable from time to time. Subsidiary companies of strategic significance, however, are governed by the Irish *lex societatis*. The legal provisions applicable due to the Company's incorporation in Luxembourg may affect the Company's corporate governance structure.

#### **4. BOARD OF DIRECTORS**

As already evidenced in the 2017 Report on Corporate Governance and Ownership Structure, the Company's system of corporate governance centres on the active role of the Board of Directors.

##### **4.1. Appointment and replacement (in accordance with art. 123-bis, paragraph 1, clause 1), TUF)**

As regards the appointment procedure, the Company complies with the provisions of the Luxembourg laws and regulations, with the Articles of Association and, consistently with the above, with the recommendations of the Borsa Italiana Code.

In particular, the appointment of directors is regulated by a transparent procedure which ensures, *inter alia*, timely and adequate information on personal and professional qualifications of candidates. The Nomination and Remuneration Committee performs an useful consultative and advisory role supporting the Board of Directors in the identification of its the best composition, indicating the professionals whose presence may favour a correct and effective functioning having regard also to the recommendations of the Borsa Italiana Code and, in case of necessity of co-optation of an independent, their eligibility to qualify as independent as per the provisions of the Borsa Italiana Code.

The Articles of Association establish that the annual general meeting of Shareholders will elect members for a period not exceeding six (6) consecutive years whilst specific requirements of independence, honourability and professionalism of Board members are not specified. However, when appointed, each director signs and provides the Company with a declaration in which he confirms a) the absence of causes of incompatibility or causes that might prevent his appointment to the position of director of a listed company as established by the applicable legislation and best practice and b) fulfilment of the requirements of honourability and professionalism established by the applicable legislation and best practice for the position of director of a listed company. In addition, directors who are classified as independent sign a declaration of independence in accordance with the requirements of Article 3 of the Borsa Italiana Code.



**REPORT ON CORPORATE GOVERNANCE  
AND OWNERSHIP STRUCTURE**

Date: 20 March 2019

Page: 17 of 55

2018

---

**References:** *Borsa Italiana Code*  
*Borsa Italiana Instructions*

Members are eligible for re-election and may be removed at any time, with or without cause, by means of a resolution of a general meeting of Shareholders. In case of a vacancy on the Board of Directors, the Board of Directors itself may appoint a new director, provided that the next following general Shareholders' meeting confirm such appointment (co-optation).

The “list of candidates” mechanism for appointment of directors recommended by the Borsa Italiana Code is not applicable to the Company where, according to Luxembourg companies law, the Board of Directors itself proposes a list of candidates for independent directors upon specific advice received by the Nomination and Remuneration Committee, by virtue of the Company's internal regulations.

Due to its high level of proprietary concentration, and considering that the Company already benefits from the services of the Nomination and Remuneration Committee, which plays a central advisory and propositional role in identifying the optimal composition of the administrative body, for the time being the Board of Directors, whose outgoing composition was fully confirmed in 2018, has not adopted a plan for the succession of executive directors.

In order to ensure the continuity of operation of the administrative body, including in the event of replacement before the ordinary end of the directors' terms of office, the Board constantly monitors internal members and constantly reviews possible external candidates.

On 23 October 2018 the Board of Directors acknowledged the resignation of Mr Marco Fiori from the office of member of the Board of Directors and Chief Executive Officer. At the subsequent board meeting of 8 November 2018, after obtaining the favourable opinion of the Nomination and Remuneration Committee, it was decided to confer Mr Fiori's powers to the Chairman of the Board of Directors, Mr Paolo d'Amico, as from 1 January 2019, the effective date of the resignation.

In light of the above, the Company has not ruled out subsequently evaluating the possibility of adopting a plan for the succession of executive directors, thus accepting the recent recommendations of the corporate governance committee in this regard.

#### **4.2 Composition (in accordance with art. 123-bis, paragraph 2, clause d) and d-bis), TUF)**

The Articles of Association provide for the Company to be managed by a Board of Directors composed of no less than three (3) members, who do not need to be shareholders. The general meeting of Shareholders is entitled to determine the number of board members in office from time to time. The annual general Shareholders' meeting held on 18 April 2018 renewed the composition of the Board, establishing the number of board members to eight (8).

The current members of the board were elected, in accordance with the Articles of Association, by the annual general meeting of Shareholders held on 18 April 2018 for a term of office that will

**REPORT ON CORPORATE GOVERNANCE  
AND OWNERSHIP STRUCTURE**

Date: 20 March 2019

Page: 18 of 55

2018

**References:** *Borsa Italiana Code*  
*Borsa Italiana Instructions*

end with the annual general Shareholders' meeting called to approve the 2020 Company's financial statements.

As the “list vote” system is not applicable, the Ordinary General Meeting of Shareholders held on 18 April 2018 assessed the single list submitted by the Board of Directors containing the following names of candidates who were then all elected with 418,416,712 votes in favour, no votes against and no abstentions: Mr Paolo d’Amico, Mr Cesare d’Amico, Mr Marco Fiori, Mr Antonio Carlos Balestra di Mottola, Mr Massimo Castrogiovanni, Mr Stas Andrzej Jozwiak, Mr Heinz Peter Barandun and Mr John Joseph Danilovich.

The Chairman of the Board of Directors ensures that all the appointed directors are aware of the duties and responsibilities relating to their office and have sufficient knowledge of reality and business dynamics so as to carry out their role effectively also due to the periodic reports issued and put forward to them by the delegated parties and executive directors, particularly on the occasion of board meetings and the presentation of reports to the Board of Directors on the activities carried out in the exercise of the delegated powers entrusted to them on the occasion of the approval of the quarterly, semi-annual and annual accounts as well as at informal meetings. The directors are regularly kept informed on the principles of proper risk-management as well as on any changes in the relevant regulatory and self-regulatory framework as applicable to the Company both at the aforesaid board meetings and by means of *ad hoc* communications from the company managers involved from time to time (legal and/or human resources and/or control and finance administration and/or internal audit). In addition, a set of documents is provided and explained to all newly appointed directors, describing the corporate governance structure of the Company and d’Amico group.

During the 2017 Financial Year a specific updating course on aspects of corporate governance, intended for the independent directors was held and was coordinated by the Group’s Legal and Human Resources Divisions with the assistance of an external advisory company. The training concerned the further development of the tasks of the independent directors in consideration of the recommendations of the Borsa Italiana Code and the provisions of the procedures, regulations and policies adopted by the Company.

At the end of the Financial Year the Board of Directors consists of eight (8) directors, of whom four (4) are executive and four (4) are non-executive and independent. The number of independent directors, upon assessment duly carried out by the Nomination and Remuneration Committee, was judged adequate with reference to the size of the Board and the activity of the Company.

Taking into consideration the Company’s business sector and the current Board of Directors composition, it was assessed that specific competence, managerial and international experience together with legal, strategic, finance and market oriented professionals are adequately represented.

The Board of Directors and the Company’s Committees are composed of members of different backgrounds, age and seniority that guarantees a variety of skills. The multiplicity of

**REPORT ON CORPORATE GOVERNANCE  
AND OWNERSHIP STRUCTURE**

Date: 20 March 2019

Page: 19 of 55

2018

---

**References:** *Borsa Italiana Code*  
*Borsa Italiana Instructions*

professional knowledge and experience ensures that the Board of Directors and the Company's Committees are diversified and well-balanced and that they effectively contribute to good corporate governance. At the time of the three-year renewal of the Board of Directors on 18 April 2018, the Meeting voted in favour of the Board of Directors' proposal. Although no director on the Board is a member of the under-represented gender, at the time of the renewal it was evaluated that the current composition ensures adequate competence and professionalism and greater importance was attached to the criterion of continuity.

Subsequently, on 31 July 2018, the Company decided to adopt a Diversity Policy in order to acknowledge the benefits of encouraging and managing diversity at all levels of the organization, in the belief that diverse professional backgrounds and different characteristics of the corporate population can bring ideas, innovations, understanding and solutions, thus contributing to its economic success in a sustainable way.

The promotion of diversity supports the priority aim of creating value for stakeholders in the medium to long term. The definition of diversity included in the Policy makes reference, without limitation, to age, cultural background, ethnicity and gender, physical attributes, beliefs, language, sexual orientation, education, nationality, social background and culture or other personal characteristics.

In compliance with the Borsa Italiana Code recommendations and pursuant to that provided for in article 9 of the Articles of Association, the Board of Directors in its meeting held on 6 May 2008, having taken into consideration the purpose and dimension of the Company and the d'Amico Group as well as the participation of the directors of the Company in several committees established within the Board, resolved that each director, so as to be able to grant an effective performance of his duties, may hold no more than fifteen (15) offices on the boards of directors and/or on the boards of auditors of other companies either listed on regulated markets (including foreign markets), or financial ones, banks, insurance companies and/or companies of a considerably large size. To this end, the Board of Directors further resolved to disregard, in the count of the global number of offices, all the companies which are members of the d'Amico Group and to consider as one all the offices held at companies belonging to a same group other than the d'Amico's one.

The following schemes evidence the composition of the Board of Directors and of the various Committees established within the Board of Directors as well as the number of relevant offices held by each of the directors in the said other companies which is consistent with what established by the Board of Directors itself.

**REPORT ON CORPORATE GOVERNANCE  
AND OWNERSHIP STRUCTURE**

Date: 20 March 2019

Page: 20 of 55

2018

**References:** *Borsa Italiana Code*  
*Borsa Italiana Instructions*

First and Last Names / Date of Birth	Office	Date of first appointment	In office from/to	Executive	Non-executive	Independent in accordance with Borsa Italiana Code	No. of attendants/ total no of meetings*	n° of other important offices**
d'Amico Paolo 29/10/1954	Chairman •	23.02.2007	18.4.18/31.12.2020	X			5/5	1
Fiori Marco 24/3/1956	Chief Executive Officer ◊	09.02.2007	18.4.18/31.12.18	X			5/5	-
d'Amico Cesare 6/3/1957	Director	23.02.2007	18.4.18/31.12.2020	X			5/5	2
Balestra di Mottola Antonio Carlos 11/12/1974	Chief Financial Officer	4.5.2016	18.4.18/31.12.2020	X			5/5	-
Jozwiak Stas Andrzej 13/12/1938	Director ◊	23.02.2007	18.4.18/31.12.2020		X	X**	5/5	-
Castrogiovanni Massimo 2/8/1939	Director	23.02.2007	18.4.18/31.12.2020		X	X	5/5	-
Barandun Heinz Peter 30/6/1940	Director	31.03.2009	18.4.18/31.12.2020		X	X	5/5	2

## REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE

Date: 20 March 2019

Page: 21 of 55

2018

**References:** *Borsa Italiana Code*  
*Borsa Italiana Instructions*

Danilovich John Joseph 25/6/1950	Director	31.03.2009	18.4.18/31.12.20 20		X	X	5/5	2
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◊ *Chief Executive Officer or CEO*

○ *Lead Independent Director*

• *Chief Risk Officer*

\* *Including the presence by proxy as per the Articles of Association.*

\*\* *This column indicates the number of offices of director or auditor held by the person in question in other companies listed in regulated markets, including abroad and in financial, banking and insurance companies or significantly large companies.*

First and Last Names	Office	Nomination and Remuneration Committee*	N° of attendants/ n° of meetings	Control and Risk Committee	N° of attendants/ n° of meetings
Jozwiak Stas Andrzej	Director	P	3/3	M	2/2
Castrogiovanni Massimo	Director	M	3/3	P	2/2
Barandun Heinz Peter	Director	M	3/3	M	2/2
Danilovich John Joseph	Director	M	2/3	M	1/2

\* "P": President; "M": member.

Hereafter a brief résumé of the principal professional skills of the Board of Directors members:

**Paolo d'Amico** graduated in 1978 in Business and Economics from Rome University (*La Sapienza*). He joined d'Amico Società di Navigazione S.p.A., in 1971 and was appointed director in 1981, with particular focus on the "product tanker" segment. He has also been a director of d'Amico International S.A. since 1998. Since 2002 he has held the role of Chairman of the parent company, d'Amico Società di Navigazione S.p.A. Since 2006 he has been a director of d'Amico Tankers d.a.c. (Ireland), the operating subsidiary wholly owned by the company listed on the Italian Stock Exchange, d'Amico International Shipping S.A. (Luxembourg) of which he has been Chairman since its listing. He also holds positions in other companies and entities both within and outside the group, including director of the listed company Tamburi Investment Partners S.p.A. and Deputy Chairman of the International Association of Independent Tanker Owners

**REPORT ON CORPORATE GOVERNANCE  
AND OWNERSHIP STRUCTURE**

Date: 20 March 2019

Page: 22 of 55

2018

**References:** *Borsa Italiana Code*  
*Borsa Italiana Instructions*

(Intertanko) (Norway). He has also been a member of the executive board of the main organisation representing Italian Shipowners (Confitarma), which he chaired for three years (2010-2012). In 2013 he was awarded the title of Labour Knight.

**Marco Fiori** joined COGEMA S.A.M. in 1996 as Managing Director and has since held many other executive positions in the d'Amico Group companies.

Prior to joining the d'Amico Group, Mr Fiori was employed in the New York branch of *Banca Nazionale dell'Agricoltura*. He was initially responsible for the loan portfolio and business development of Fortune 100 companies based on the U.S. West Coast and later for overseeing and managing the entire U.S. business development market. From 1990 to 1994 he held the position of Head of Credit and in 1994 was promoted to the position of senior vice-president and deputy General Manager of the New York branch with direct responsibilities for business development, treasury and trading. Mr Fiori obtained a Bachelor of Science Degree in Economics and Finance from Rome University (La Sapienza) in 1979 and a Master's in Business Administration from the American University in Washington DC in 1984. He currently lives in Monte Carlo.

**Cesare d'Amico** graduated in 1982 in Business and Economics from Rome University (*La Sapienza*). He joined the family owned company, d'Amico Società di Navigazione S.p.A., in 1976 in the technical department. In 1977 he moved to the liner department and he became General Manager of the liner services in 1978. In 1982 he was appointed Chief Executive Officer of d'Amico Società di Navigazione S.p.A., the ultimate holding of the d'Amico Group. He currently holds this role. In 1993, he launched the d'Amico Group's bulk activity. In 1997, he played a prominent role in the privatization of Italia di Navigazione S.p.A., a public company, where he then was nominated Chief Executive Officer, a role which he maintained until the company was sold to CP Ships Canada in 2002. Since 1997, he has played a leading role in the development of the activities of d'Amico Dry d.a.c. (formerly d'Amico Dry Limited), thus contributing to the development of its fleet. On May 2007, he took part in the listing of d'Amico International Shipping S.A. (holding of the tanker business unit) at the STAR segment of the Italian stock exchange. In 2011, Cesare d'Amico was appointed President of the Fondazione ITS Caboto (Gaeta, Italy) an advanced technical education school, offering two-year post-secondary training for technical staff and young Italian seagoing personnel interested in embarking upon an international career in the shipping industry. Currently he is a member of the Board of Directors of d'Amico Dry d.a.c., d'Amico International Shipping S.A. and its controlling shareholder, d'Amico International S.A. as well as a director of several companies of the d'Amico Group.

He is also involved in a number of companies and international associations that are not part of the d'Amico Group, including as vice-president of Tamburi Investment Partners S.p.A., a company listed on the STAR segment of the Italian stock exchange and president of The Standard Club Limited (Bermuda - UK).

**Antonio Carlos Balestra di Mottola** has been the Chief Financial Officer of d'Amico International Shipping S.A. since May 2016. In 2003 he joined the d'Amico Group where he held several roles, being formerly in charge of Group Business Development and prior to that holding the position of Financial Controller of d'Amico International Shipping S.A. until 2008. Since 2010 he is also a partner of Venice Shipping and Logistics S.p.A., an Italian company specialized in investments in the shipping and maritime logistics sector. Before joining the d'Amico Group, Carlos Balestra di Mottola obtained a Master in Business



**REPORT ON CORPORATE GOVERNANCE  
AND OWNERSHIP STRUCTURE**

Date: 20 March 2019

Page: 23 of 55

2018

---

**References:** *Borsa Italiana Code*  
*Borsa Italiana Instructions*

Administration from the Columbia Business School (NY) and worked at the Lehman Brothers investment bank (in the London and New York offices) and at Banco Brascan (in the São Paulo offices, in Brazil). He currently lives in Monte Carlo, Monaco.

**Stas Andrzej Jozwiak** joined the Company in 2007 as lead independent director. He was educated at the Oratory School in Berkshire and at the London School of Foreign Trade where he specialised in the economics of sea transport. After a five year commission with the Royal Air Force, he was trained as a shipbroker, working in both the sale and purchase department and the leasing department, at Eggar Forrester Ltd. in London where he became a director in 1975. He gained practical port experience working with Associated Steamships in Fremantle, Western Australia. He qualified as a Fellow of the Institute of Chartered Shipbrokers in 1970. He became a director of sale and purchase at J.E.Hyde in London in 1980. In 1983 he was appointed to that same position at Maton Grant and Sutcliffe. He founded S.A. Jozwiak (Shipbrokers) Ltd. in 1987 specialising in the sale and purchase of tonnage and the contracting of new buildings. He currently lives in Oxfordshire in the United Kingdom.

**Massimo Castrogiovanni** joined d'Amico International Shipping S.A. in 2007 as independent director. Prior to joining Mr. Castrogiovanni was head of the shipping department initially at IMI and then at Efibanca S.p.A. where he was responsible for the finance activity in respect of merchant ships for oil transport and ro-pax ships for transporting petroleum products and chemicals and dry bulk. In 2004 he became shipping finance consultant of Efibanca S.p.A. and later for the Banca Popolare dell'Emilia Romagna Group. In 1965 Mr. Castrogiovanni graduated in Naval Architecture in Naples and in 1972 he obtained a Master in Nuclear Engineering in Pisa. He currently lives in Rome (Italy).

**Heinz P. Barandun** joined the Company in 2009 as an independent director. During his career, he worked at UBS, Den Danske Landmandsbank and Nestlé and then at Citibank N.A. where he was responsible for Citibank's ship lending activity in continental Europe (except for Greece and Northern Europe). In 1983, he was made Division Head of Corporate Banking in Switzerland and one of the Bank's 300 senior credit officers (being the highest credit approval authority for Citicorp/Citibank worldwide) until 1984 when he left Citibank to start his own company. That same year, he joined the board of directors of Citibank in Switzerland, a position which he held until 2008. He currently holds several positions as a member of the board of directors of non-listed companies.

**John Joseph Danilovich** joined d'Amico International Shipping S.A. in 2009 as an independent director. He is an experienced businessman and private investor with a strong background in foreign affairs who has been active in the international maritime industry for several decades and served as a director of companies in the shipping and investment fields. He continued his distinguished career of more than forty years in both the public and private sectors, serving as the U.S. ambassador to Costa Rica (2001-2004) and to Brazil (2004-2005). More recently, from 2005 until 2009, he was the chief executive officer of the Millennium Challenge Corporation. He also served as a director of the Panama Canal Commission (1991-1996) and was the chairman of the Transition Committee during the handover of the canal from the United States to Panama. From 2014 to 2018 he was General Secretary of the International Chamber of Commerce in Paris. He also sits on the Council of the Harvard School of Public Health and is a member of the Council on Foreign Relations (US) and of Chatham House (UK). Furthermore, he is part of the board of Trilantic

## REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE

Date: 20 March 2019

Page: 24 of 55

2018

**References:** *Borsa Italiana Code*  
*Borsa Italiana Instructions*

Capital Partners (UK) and of American Securities LLC (NY) and, before that, a trustee of the Stanford University Trust, the American Museum in Britain and of the US-UK Fulbright Commission. He graduated from Stanford University (Faculty of Political Sciences) and holds a Masters in International Relations from the University of Southern California.

The table below shows all offices as updated at 31 December 2018:

Director	Offices held in the boards of companies other than the Company	Type of company
Paolo d'Amico	<b>Member of the Board of Directors (Executive President) and of the Executive Committee of d'Amico Società di Navigazione S.p.A.</b>	<b>Large size (d'Amico Group Holding)</b>
	Member of the Board of Directors (Vice-President) and of the Executive Committee of The International Association of the Independent Tankers Owners (Intertanko)	Others
	Member of the Board of Directors of d'Amico Tankers d.a.c.	d'Amico Group
	Member of the Board of Directors of d'Amico Tankers Monaco S.A.M.	d'Amico Group
	Member of the Board of Directors of d'Amico International S.A.	d'Amico Group Sub-holding
	Member of the Executive Board of Assonime	Others
	<b>Member of the Board of Directors of Tamburi Investment Partners S.p.A.</b>	<b>Listed</b>
	Member of the Board of Directors (Vice-President) of Ente Registro Italiano Navale (RINA)	Others
	Member of the Board of Directors of Civita Cultura Holding S.r.l.	Others
	Confitarma – Confederazione Italiana Armatori – Rome (Italy) – former President	Others
	Member of the Board of Directors and of the Chairmanship's Committee of Associazione Civita	Others
Cesare d'Amico	<b>Member of the Board of Directors (CEO) and member of the Executive Committee of d'Amico Società di Navigazione S.p.A.</b>	<b>Large size (d'Amico Group Holding)</b>
	Member of the Board of Directors (CEO) of CO.GE.MA S.A.M.	d'Amico Group
	Member of the Board of Directors of MIDA Maritime Company d.a.c.	d'Amico Group
	Member of the Board of Directors of d'Amico Dry Limited	d'Amico Group
	Member of the Board of Directors of ACGI Shipping Inc.	d'Amico Group
	Member of the Board of Directors of Clubtre S.p.A.	Others



## REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE

Date: 20 March 2019

Page: 25 of 55

2018

**References:** *Borsa Italiana Code*  
*Borsa Italiana Instructions*

	Member of the Board of Directors of Ishima Pte Limited	d'Amico Group
	Member of the Board of Directors (Executive President) of d'Amico International S.A.	d'Amico Group Sub – holding
	<b>Member of the Board of Directors (Chairman) of The Standard Club - Bermuda (United Kingdom)</b>	<b>Insurance</b>
	<b>Member of the Board of Directors (Vice-President) of Tamburi Investment Partners S.p.A.</b>	<b>Listed</b>
	Member of the Board of Directors of Società Laziale Investimenti e Partecipazioni S.r.l.	Others
	Member of the Board of Directors of Novum Capital Partners S.A.	Others
	Sole Director of Casle S.r.l.	Others
	Sole Director of Fi.Pa. Finanziaria di Partecipazione S.p.A.	Others
	Member of the Board of Directors (President) of Marina Cala Galera Circolo Nautico S.p.A.	Others
	Member of the Board of Directors of <b>The Standard Club UK Ltd. - London (United Kingdom)</b>	<b>Insurance</b>
	<b>Member of the Board of Directors of The Standard Club Asia Ltd.</b>	<b>Insurance</b>
<b>Marco Fiori</b>	Member of the Board of Directors of DM Shipping d.a.c.	d'Amico Group
	Member of the Board of Directors of CO.GE.MA S.A.M.	d'Amico Group
	Member of the Board of Directors (Executive President) of COMARFIN S.A.M.	d'Amico Group
	Member of the Board of Directors of d'Amico Tankers d.a.c.	d'Amico Group
	Member of the Board of Directors (Executive President) of d'Amico Tankers Monaco S.A.M.	d'Amico Group
	Member of the Board of Directors of Glenda International Shipping d.a.c.	d'Amico Group
	Member of the Board of Directors of Hanford Investment Inc.	d'Amico Group
	Member of the Board of Directors of St Andrew Estates Limited	d'Amico Group
	Member of the Board of Directors of DM Shipping d.a.c.	d'Amico Group

## REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE

Date: 20 March 2019

Page: 26 of 55

2018

**References:** *Borsa Italiana Code*  
*Borsa Italiana Instructions*

<b>Antonio Carlos Balestra di Mottola</b>	Member of the Board of Directors (CEO) of Eco Tankers Ltd	d'Amico Group
	Member of the Board of Directors of d'Amico International S.A.	d'Amico Group
	Member of the Board of Directors of dACC Maritime d.a.c.	d'Amico Group
	Member of the Board of Directors of d'Amico Tankers d.a.c.	d'Amico Group
	Member of the Board of Directors of Glenda International Shipping d.a.c.	d'Amico Group
	Member of the Board of Directors (CEO) of Eco Shipping Ltd	Others
	Sole Director of Tica Hulpe Spl	Others
<b>Heinz Peter Barandun</b>	Member of the Board of Directors (President) of Gryphon Hidden Values VIII Ltd (Citibank hedge fund)	Financial
	Member of the Board of Directors (President) of Gryphon Hidden Values IX Ltd (Citibank hedge fund)	Financial
	Member of the Board of Advisors of Gryphon Hidden Values VIII LP Ltd (Citibank hedge fund)	Financial
	Member of the Board of Directors of Fincor Capital S.A., Zurich	Financial (Fincor group)
	Member of the Board of Directors of Fincor Finance S.A., Zurich	Financial (Fincor group)
	Member of the Board of Directors (President) of Fincor Holding A.G., Glarus	Financial (Fincor group)
	Sole Director of HPB Editeur A.G., Glarus	Others (Fincor group)
	Member of the Board of Directors of Laredo Holding A.G., Glarus	Others (Fincor group)
<b>John Joseph Danilovich</b>	Member of the Advisory Board of American Securities LLC (NY)	Financial
	Member of the Europe advisory council of Trilantic Capital Partners (UK)	Financial

### 4.3. Role of the Board of Directors (in accordance with art. 123-bis, paragraph 2, clause d) TUF)

The Board of Directors is vested with broad powers to perform any action necessary or useful for accomplishing the Company's object with the ultimate purpose of creating value for its Shareholders, providing strategic guidance of the Company and control of operations with powers to direct the business as a whole and intervening in a series of decisions necessary to promote the

**REPORT ON CORPORATE GOVERNANCE  
AND OWNERSHIP STRUCTURE**

Date: 20 March 2019

Page: 27 of 55

2018

**References:** *Borsa Italiana Code*  
*Borsa Italiana Instructions*

Company's purpose and the transparency of operational decisions within the Company and in relation to the market.

On these purposes, among the powers and tasks entrusted to it by the Articles of Association, the applicable laws and regulations and the best practice, the following are especially noteworthy:

- The examination and definition of the structure of its Subsidiaries.
- The definition of the nature and level of risk compatible with the Company's strategic objectives, particularly with regard to medium/long-term sustainability and the assessment of the effective functioning of the Internal Control and Risk Management System, assisted in the task by the activities of the internal control bodies, particularly by the Internal Audit Division, by the Control and Risks Committee and by the Chief Risk Officer.
- The definition of the Company's corporate governance system (the Board of Directors resolved to adopt the corporate governance set out in the Borsa Italiana Code in its meeting held on 23 February 2007 and subsequently each year with the approval of the present Report. Moreover, on 10 December 2012 the Board of Directors took the appropriate resolutions in order to implement the new recommendation provided by the Borsa Italiana Code as amended on 2011 especially as regards the Internal Control and Risk Management System and from time to time takes all the appropriate steps in order to comply with the recommendations of the Borsa Italiana Code as amended).
- The examination and/or approval of the Company's and its Subsidiaries' transactions with a significant impact on the Company activity in view of their nature, strategic importance or size (Major Transactions) with particular reference to those transactions in which one or more director have an interest, directly or on behalf of third parties and to transactions with related parties (Significant Transactions with Related Parties) both the Major Transactions and the Significant Transactions with Related Parties being identified for their respective value/amount and/or type. The above activity is performed according to the Company's Rules on Major Transactions and Significant Transactions with Related Parties approved by the Board of Directors in its meeting of 7 February 2007 and subsequently amended on 18 February 2009, in both cases upon previous favourable opinion of the Control and Risk Committee (see the relevant Regulation published in the corporate governance section of the Company's Website and chapter 11 of this Report for further details). The importance of the transactions is determined by a combination of transaction type (subject) and amount (value) with lower thresholds for Transactions with Related Parties and the possibility of not seeking the prior opinion of the Committee in the event of typical or ordinary Transactions; the latter are transactions that, owing to their object or nature, irrespective of their amount, are consistent with the core business of the Company and Subsidiaries. Finally, Transactions with Related Parties, so-called, intra-group transactions between the Company or Subsidiaries and companies whose capital is held entirely by the Company directly and/or indirectly, are not considered Significant Transactions with Related Parties. As the rule prohibiting competition is not

**REPORT ON CORPORATE GOVERNANCE  
AND OWNERSHIP STRUCTURE**

Date: 20 March 2019

Page: 28 of 55

2018

**References:** *Borsa Italiana Code*  
*Borsa Italiana Instructions*

applicable to the Company, the Shareholders' Meeting never took into consideration the possibility to preventively and generally authorize such a derogation to the rule.

- The evaluation of the adequacy of the organizational, administrative and accounting general structure of the Company and its strategically important Subsidiaries (that is, d'Amico Tankers d.a.c, the latter being identified according to art. 151 of Consob Regulation on Issuers) as drafted by the bodies with delegated powers with special reference to the Internal Control and Risk Management System and to the management of the conflict of interests (the Board of Directors performs this kind of evaluation annually with the approval of the present Report for the Company and the operative subsidiary d'Amico Tankers d.a.c. having collected the delegated bodies' report and having considered the previous opinion released by the Control and Risk Committee).
- The delegation and revocation of powers and the relevant definition of a model for delegation of powers.
- The assessment of the overall performance of operations on the basis of reports by the bodies with delegated powers and periodically comparing the results achieved with those planned (the Board of Directors performs this kind of evaluation quarterly together with the approval of the accounting documents and annually with the approval of the present Report).
- The evaluation of the Board of Directors and its Committees' size, composition and performance as well as the periodic assessment of the Directors' independence in line with the international best practice and in particular with the provisions of the Borsa Italiana Code (the Board of Directors of 1 March 2018 resolved for a positive assessment upon previous opinion released by the Nomination and Remuneration Committee). The assessment process was carried out in several stages: a self-assessment questionnaire was discussed both at a meeting of the independent directors and by the Nominations and Remuneration Committee and the relevant results were reported anonymously to the Board of Directors which made an overall assessment thereof. Within the scope of the three-year term of office, the self-assessment was conducted with the aid of an external advisor once only. On the basis of the results of the said evaluation, at the end of its term of office the Board of Directors provides in the report to the shareholders called to resolve on the appointment of the members of the Board of Directors a list indicating those managerial and professional profiles deemed appropriate for the composition of the Board.
- The determination of the compensation of those members of the Board of Directors vested with particular offices in the framework of the aggregate amount for compensation of all the Directors as determined by the Shareholders' meeting and the splitting of this aggregate amount among all the directors (according to the Articles of Association and to the Borsa Italiana Code, the Board of Directors of 31 July 2018 resolved for the allocation of fees among the executive and non-executive directors upon previous positive opinion released by the Nomination and Remuneration Committee, expressed with reference to the payment of the executive directors

**REPORT ON CORPORATE GOVERNANCE  
AND OWNERSHIP STRUCTURE**

Date: 20 March 2019

Page: 29 of 55

2018

---

**References:** *Borsa Italiana Code*  
*Borsa Italiana Instructions*

only).

The Board of Directors examined and approved the first strategic, industrial and financial plan of the Company and its Subsidiaries for the 2007, 2008 and 2009 financial years on its meeting held on 23 February 2007 and then delegated said responsibility to the Executive Committee, which over the years has also provided for the monitoring of the implementation of the aforesaid plans as well as for the definition of the risk profile of the Company consistently with the Company's strategic goals in a way to ensure its sustainability in a medium-long term perspective.

During the course of the Financial Year, the Board of Directors met five (5) times with 100% attendance (as set out more clearly in the previous tables) and an average duration of one and a half hours.

All meetings of the Board of Directors are duly entered in the minutes and have been attended by one member of staff of the Chief Financial Officer. One member of the Supervisory Committee has also been invited to report on the activity of the Committee itself. The participation of executive managers, in charge of the pertinent management areas related to the Board agenda, is required by the Chairman of the Board of Directors at times following the specific request of a number of directors. Said participation is especially requested by the relevant president with reference to the Committees meetings in order to provide appropriate supplemental information on the items on the agenda. Before any meeting or decision of the Board of Directors, the Chairman provides for the complete documentation relating to the items on the agenda to be delivered punctually to enable the effective participation at the meeting of all members of the Board and, in any case, at least five (5) working days in advance in accordance with the provisions of the Articles of Association and as specifically requested by the independent directors.

The Company has adopted a system of distribution of supporting documents for board meetings so as to guarantee the confidentiality of the data and information provided. If the supporting documents are deemed too voluminous or complex in relation to the notice to the directors, a memo of the meeting is provided that provides them with a type of summary of the most important points for discussion. In an emergency, where it is impossible to comply with the informative notice, the Chairman ensures that sufficient detail is given during the board meetings or that the written resolutions contain all the useful information required for the purposes of a properly informed decision. During the Financial Year no urgent matters required a written resolution to be signed by all the board members as permitted by Article 15 of the current Articles of Association.

At the meetings the Chairman ensures that it is always possible to discuss all items on the agenda in detail, requesting the participation of the directors, particularly the non-executive directors and the presidents of the respective Committees if the items have been examined in advance and have received the previous opinion of a specific Committee.

On 8 November 2018, the Company published its financial calendar indicating the dates of the meetings of the Board of Directors planned for 2019 for the approval of the first and third interim report, the half-year report and the draft financial statements, and for the presentation of the relative

**REPORT ON CORPORATE GOVERNANCE  
AND OWNERSHIP STRUCTURE**

Date: 20 March 2019

Page: 30 of 55

2018

---

**References:** *Borsa Italiana Code*  
*Borsa Italiana Instructions*

accounting data to the financial analysts. The financial calendar is available in the “Investor Relations” section of the website. Furthermore, in accordance with the Italian regulations and legislation in force, the Board of Directors decided to make use of the exemption from publication of the fourth (4<sup>th</sup>) interim report 2019 in view of the fact that the publication of the Company’s draft financial statements for 2019 is planned within ninety (90) days as from the end of the Financial Year. The financial calendar for 2019 provides for four (4) meetings and to date just one meeting has been held.

The operating, size and composition of the Board and its Committees has been the subject of an assessment carried out by the Board of Directors; For such purpose the Board carried out a self-assessment with the goal to improve the performance and the effectiveness of the Board of Directors itself, of its committees and of the organization in general. The results of the assessment carried out with the coordination of the Nomination and Remuneration Committee president being the Company’s Lead Independent Director, were considered by the Board of Directors held on 1 March 2018.

#### **4.4. Delegated bodies**

The Articles of Association provide for the Company to be bound towards third parties by the single signature of the Chairman of the Board of Directors or of the Chief Executive Officer, or the joint signature of any two members, by the joint signatures or single signature of any people or person to whom the daily management of the Company has been delegated, within such daily management, or by the joint signatures or single signature of any people or person to whom special signatory power has been delegated by the Board of Directors, within the limits of such special power. As envisaged in Article 13 of the Articles of Association, the Board of Directors may delegate the daily management of the Company and the power to represent the Company within such delegated daily management to one or more persons or committees of its choice specifying the limits to such delegated powers and the manner of exercising them. The Board of Directors may also delegate other special powers or proxies or entrust permanent or temporary functions to persons or committees of its choice.

According to the Articles of Association, the Board of Directors meeting held on February 23rd, 2007 established that all persons with delegated powers shall report to the Board of Directors, at least once in each quarter, on the occasion of the Board of Directors' meetings or in a written memorandum. The subject of such reports are the activities carried out, the general performance of operations and their foreseeable development, and the transactions of greatest economic, financial and equity-related significance entered into by the Company or its Subsidiaries; in particular transactions in which directors have an interest, directly or on behalf of third parties, or that are influenced by the party that in fact performs management and coordination activities, if any. The reports of the delegated persons are the basis for the drafting of the reports including quarterly and annual accounting documents.

##### **a) Executive Directors**

At the end of the Financial Year the Board of Directors consists of eight (8) directors, of whom the four (4) executive directors are Mr. Paolo d'Amico (Chairman of the Board of Directors and Chief



**REPORT ON CORPORATE GOVERNANCE  
AND OWNERSHIP STRUCTURE**

Date: 20 March 2019

Page: 31 of 55

2018

---

**References:** *Borsa Italiana Code*  
*Borsa Italiana Instructions*

Risk Officer), Mr. Cesare d'Amico, Mr. Marco Fiori (Chief Executive Officer) and Mr. Antonio Carlos Balestra di Mottola (Chief Financial Officer). The directors with delegated powers quarterly inform the Board of Directors on the activities performed in the exercise of the delegated powers, the general performance of operations and their foreseeable development and the transactions of greatest economic, financial and equity-related significance entered into by the Company or its subsidiaries.

**b) Chairman of the Board of Directors**

The Board of Directors held on 3 May 2018 resolved to confirm the appointment of Mr. Paolo d'Amico as Chairman of the Board of Directors with the power to establish an internal control and risk management system in its capacity of Chief Risk Officer. Furthermore, the Chairman, exercises final indirect joint control over the Issuer, plays a specific role in the definition of the business strategies, in fact, and is systematically involved in the day-to-day management of the Company.

**c) Chief Executive Officer**

The Board of Directors meeting held on 3 May 2018 resolved to confirm the appointment of Mr. Marco Fiori as Chief Executive Officer in charge of the Company's daily management and relative powers of representation and with power to bind the Company under his single signature up to amounts of USD 5,000,000. Mr Fiori does not fall in an interlocking directorate situation in the sense that he is Chief Executive Officer of the Company but he is not a director of another issuer that does not belong to the same d'Amico group but of which another Company director is the Chief Executive Officer.

On 23 October 2018, Mr Marco Fiori resigned from the aforesaid office, with effect from the new financial year.

On 8 November 2018, the Company's Board of Directors decided to assign the position of Chief Executive Officer to Mr Paolo d'Amico without co-opting a new director.

**d) Chief Financial Officer**

The Board of Directors meeting held on 3 May 2018 resolved to co-opt Mr Antonio Carlos Balestra di Mottola as the Company's Chief Financial Officer conferring on him the following powers, by means of a special power of attorney, with power of substitution:

- To prepare draft quarterly, half-yearly and annual reports and/or budget forecasts to be further submitted to the Board of Directors;
- To choose and adopt financial, accounting and tax policies deemed appropriate to the Company in accordance to the relevant applicable law and regulation, and further coordinate these policies

**REPORT ON CORPORATE GOVERNANCE  
AND OWNERSHIP STRUCTURE**

Date: 20 March 2019

Page: 32 of 55

2018

---

**References:** *Borsa Italiana Code*  
*Borsa Italiana Instructions*

with its subsidiaries and submit, if required, to the Board of Directors and the Control and Risk Committee;

- In order to facilitate the daily management of the Company, the Chief Financial Officer are granted the following powers with power of substitution;
  - to sign any agreements and/or contracts on behalf of the Company not exceeding USD 300,000 or its equivalent in any other currency for each operation;
  - to represent the Company with regard to any bank or financing institution asking any facilities, choosing and buying any banking services, as he may think appropriate, requiring financial leases, mortgages and credit limit, negotiating the relevant terms and conditions and signing the documents and the final contracts and receipts relative commitments up to a maximum of USD 4,000,000 for each operation or its equivalent in any other currency without conditions or obligation to subsequent ratification;
  - To grant guarantees to directly or indirectly controlled or participated companies;
  - to incur any disposals of assets up to a maximum of USD 200,000 each or its equivalent in any other currency;
  - to sign checks or bank transfers on bank accounts of the Company up to the limits of the relevant credit lines;
  - to represent the Company in respect of any relevant tax/regulatory institution/authority, including the opening and/or management of bank accounts on behalf of the Company
  - to represent the Company in respect of any relevant financial institution/authority, including the opening and/or management of bank accounts on behalf of the Company;
  - to subscribe statements, pay taxes, obtain payment delays.

#### 4.5. Other Executive Directors

Within the Board of Directors, Mr Cesare d'Amico, although not having any particular delegated power within the Company, must also be considered an executive director as, like the Chairman, he exercises final indirect joint control over the Issuer, carries out a specific role in defining operating strategies in fact and is systematically involved in the ordinary running of the Company.



**REPORT ON CORPORATE GOVERNANCE  
AND OWNERSHIP STRUCTURE**

Date: 20 March 2019

Page: 33 of 55

2018

---

**References:** *Borsa Italiana Code*  
*Borsa Italiana Instructions***4.6. Non-Executive Directors**

At the end of the 2018 financial year, the Board of Directors consists of eight (8) directors, of whom the four (4) non-executives are: Mr Massimo Castrogiovanni, Mr Stas Andrzej Jozwiak Mr Heinz Peter Barandun and Mr John Joseph Danilovich. These non-executive directors bring their specific expertise to Board of Directors discussions and contribute to a decisions making consistent with the Shareholders' interests. The number and standing of the non-executive directors are such that their views carry significant weight in making Board of Directors decisions.

**4.6.1. Independent Directors**

An adequate number of independent directors is essential to protect the Shareholders' interests, particularly minority ones' and third parties' interests, assuring that potential conflicts between the Company's interests and those of the controlling Shareholder are assessed impartially. Furthermore, the contribution of independent directors is fundamental to the composition and functioning of the advisory committees entrusted to preliminary examine and formulate proposals regarding risks. These Committees represent, indeed, one of the most effective means for fighting eventual conflicts of interest. Finally, independent directors contribute specific professional expertise to Board of Directors meetings and help it to adopt resolutions that are consistent with Company's interest.

At the end of the Financial Year, further to the resolutions passed by the annual general Shareholders' meeting held on 18 April 2018, the Board of Directors consists of eight (8) directors and, according to the declarations made by the parties concerned, four (4) of them qualify as independent namely Mr Massimo Castrogiovanni Mr Heinz Peter Barandun, Mr John Joseph Danilovich and Mr Stas Andrzej Jozwiak. All the independent directors committed themselves to maintain the independence requisites during the entire period in office and to resign in case of lack of one of the requisites.

In line with the Borsa Italiana Code provisions the Nomination and Remuneration Committee in its meeting held on 20 February 2018 considered sufficient the number of independent directors, being such as to ensure that their opinion has a significant impact on the decision-making process of the Board of Directors in the best interest of the generality of Shareholders.

On the basis of the information provided by the directors concerned and what's in the Company's possession, the Board of Directors in its meeting held on 3 May 2018 duly verified at the time of the appointment of the self-declared independent directors that each of them continued satisfying the independence requirements set forth in the Article 3.C.1. and 3.C.2. of the Borsa Italiana Code. The results of the assessment process were disclosed to the market through a press release according to the provisions of the applicable Italian laws and regulations. Furthermore, this kind of assessment is done annually and the result is recorded in the Corporate Governance report. The Company does not have a board of statutory auditors and therefore no body apart from the Board of Directors was able to check the correct application of the criteria and procedures for verification of the requirements of independence. This year also, upon the approval of the Report, it can be affirmed

## REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE

Date: 20 March 2019

Page: 34 of 55

2018

**References:** *Borsa Italiana Code*  
*Borsa Italiana Instructions*

that no existing relation involving four independent directors is such as to jeopardize their autonomy of judgment and nullify their independence. The independent directors were also requested to undertake to maintain their independence throughout their term of office and to duly inform the Board of Director if any one of the requirements of independence referred to in the declaration ceases to apply.

At the date of approval of the Report, an independent directors' executive session was held on the occasion of each of the Board of Directors meetings scheduled in the financial calendar held during 2018. The said meetings were held in the absence of the other directors, pursuant to Application Criterion 3.C.6 of the Code, and were separate and distinct from that of the board committees; the subject discussed was the general management of the Company, the functionality of the Committees and the Board of Directors meetings' organisation and in general the outcomes of the self-evaluation of the Board of Directors and its Committees

### 4.6.2 Lead Independent Director

In accordance with the Borsa Italiana Code, since the Chairman of the Board of Directors is an executive director as well as, indirectly, one of the controlling Shareholders, the Board of Directors in its meeting of 3 May 2018, confirmed the appointment of Mr Stas Andrzej Jozwiak as Lead Independent Director in charge of coordinating the activity and requests of the independent directors. Indeed, this position is intended to provide a point of reference and coordination for the needs and inputs of the independent directors. The Lead Independent Director calls special meetings of the independent directors in order to discuss issues related to the working of the Board of Directors or to the management of the business.

## 5. TREATMENT OF CORPORATE INFORMATION

### Internal management and disclosure of privileged information

In compliance with laws and regulations applicable to the Company, in both Luxembourg and Italy, following the assimilation of the European Parliament and Council's Market Abuse Directive n. 2003/06/CE of 28 January 2003, the Chief Executive Officer on 8 March 2007, upon specific delegation of powers released by the Board of Directors in its meeting of 23 February 2007, set up an insider register of persons working for it or one of its subsidiaries, under an employment contract or otherwise, who, by reason of their job, professional activity or offices discharged on behalf of the Company or its subsidiaries, have regularly or occasionally access to insider information serving to monitor access to and circulation of insider and confidential information prior to its disclosure to the public as well as to ensure compliance with applicable statutory and regulatory confidentiality requirements both for the Company itself and on behalf of all its subsidiaries (the "**Insider Register**"). The Insider Register is finalised to prevent any misuses of inside information and to avoid market abuse situation considering that transparent relations with the market and the provision of accurate,

**REPORT ON CORPORATE GOVERNANCE  
AND OWNERSHIP STRUCTURE**

Date: 20 March 2019

Page: 35 of 55

2018

---

**References:** *Borsa Italiana Code*  
*Borsa Italiana Instructions*

clear and complete information are standards for the conduct of the members of the governing bodies, the management and all the employees of the Company and its subsidiaries.

On 8 March 2007 the Chief Executive Officer, upon the same delegation of power, appointed a person in charge of the keeping of the Insider Register on behalf of the Company and its Subsidiaries. The Board of Directors of 6 November 2007 then ratified both the setting up of the Insider Register and the appointment of the person in charge of keeping it.

The Board of Directors in its meeting held on 29 July 2008 then resolved to ratify the Insider Register Regulation, governing the keeping of the register and the internal handling and public disclosure of the inside information within the Company and its participated subsidiaries with special reference to price sensitive information, set up on the basis of the delegation conferred by the Board of Directors on 6 November 2007.

Following the entry into force of the new Regulation on Market Abuse, and in order to comply with the provisions covered by it, the Board of Directors, initially with the meeting of 28 July 2016 and then the meeting of 2 March 2017, approved respectively the new versions of the Insider Register and the Regulations for the management of privileged information and for the establishment and keeping of the Insider Register, finally delegating the keeping of the Insider Register to a person outside the Company. The Regulations for the management of privileged information are available in the corporate governance section of the Company's Website.

### **Internal Dealing**

In order to fully comply with the applicable Luxembourg and Italian laws and with the regulations and practice governing in securities' trading of public companies, the Board of Directors, in its meeting of 3 April 2007, approved the Internal Dealing Code of the Company setting out rules that the Company and certain "key persons" are to comply with when dealing in Company's shares so as to assure the transparency of transactions involving those shares or financial instruments linked thereto carried out directly or through a nominee by relevant persons or persons closely associated with relevant persons. The Internal Dealing Code is finalized to protect directors, officers and employees of the Company and its Subsidiaries from the serious liabilities and penalties that could arise from any breaches of the applicable laws and to prevent the appearance of improper conduct on the part of anyone employed by or associated with the Company and its Subsidiaries.

According to the applicable laws, the Internal Dealing Code imposes disclosure obligation on so called "people discharging managerial responsibilities within the issuer" for the internal dealing transactions involving shares of the Company or financial instruments linked thereto.

The Internal Dealing Code was later modified on 29 July 2008 and then again on 2 March 2017 when the Board of Directors approved the new version of the Internal Dealing Code, after configuring its contents to match the MAR requirements. The Internal Dealing Code is available in the Corporate Governance section of the Company's Website.

**REPORT ON CORPORATE GOVERNANCE  
AND OWNERSHIP STRUCTURE**

Date: 20 March 2019

Page: 36 of 55

2018

**References:** *Borsa Italiana Code*  
*Borsa Italiana Instructions***6. INTERNAL COMMITTEES OF THE BOARD (in accordance with art. 123-bis, paragraph 2, clause d), TUF)**

On 3 May 2018, in compliance with the recommendations contained in Article 4 of the Borsa Italiana Code, the directors resolved to confirm the setting up of two committees, a Nomination and Remuneration Committee and a Control and Risk Committee. The Company therefore once again opted for the formation of a committee to perform the duties of two committees provided for by the Borsa Italiana Code, subject to observance of the recommendations on the composition of each one, the Nomination and Remuneration Committee being composed according to the more stringent rules laid down for the remuneration committee. This approach, the choice of which is reassessed on every Board renewal, was selected with a view to simplification and after assessing the consistency of the topics dealt with and the practices of other companies. Each composed of the same four (4) non-executive and independent directors and having an adequate experience in accounting and finance as assessed by the Board of Directors resolving upon their appointment. The number of independent directors was considered adequate so as to permit the constitution of the above-mentioned Committees. All the above Committees in the performance of their duties, were given a chance to access the necessary Company's information and Divisions, according to the procedures established by the Board of Directors, as well as to avail themselves of external advisors. Moreover, each Committee approved an Internal Regulation governing the functioning, operation procedures, duties and rights thereof. The Regulations are reviewed and updated periodically.

**7. NOMINATION AND REMUNERATION COMMITTEE (in accordance with art. 123-bis, paragraph 2, clause d), TUF).**

As per resolution of the Directors of 3 May 2018, the setting up of the Nomination and Remuneration Committee vested with the duties referred to in the Borsa Italiana Code was confirmed as they are compatible with the corporate legislation applicable to the Company; the number of the Committee's members was set at four (4), the appointments of the following independent directors being confirmed: Mr Massimo Castrogiovanni, Mr John Joseph Danilovich, Mr Stas Jozwiak and Mr Heinz Peter Barandun, all deemed to have adequate experience in accounting and finance; furthermore, Mr Stas Jozwiak, independent director and Lead Independent Director, was confirmed as Chairman of the Committee. By means of the abovementioned resolution, an annual expenditure budget of Euro 15,000.00 was confirmed for the Nomination and Remuneration Committee, this being considered appropriate in order for it to discharge its duties to assist, express opinions and make proposals to the Board of Directors with regard to:

**A) NOMINATIONS:**

- candidates for the position of director in of co-optation cases provided under article 9 of the Articles of Association in case the replacement of an independent director should be necessary (a situation which has never occurred to date);

**REPORT ON CORPORATE GOVERNANCE  
AND OWNERSHIP STRUCTURE**

Date: 20 March 2019

Page: 37 of 55

2018

**References:** *Borsa Italiana Code*  
*Borsa Italiana Instructions*

- the size and composition of the Board of Directors as well as the professional skills deemed necessary within the Board;
- the maximum number of offices as director or statutory auditor in other companies, as defined in art. 1.C.2 of the Corporate Governance Code, that may be considered compatible with an effective performance of a director's duty and the identification of the general calculation criteria for such an accumulation of offices.

**B) REMUNERATION:**

- the General Policy for the Remuneration of executive directors and directors who cover particular offices in terms of adequacy and consistency;
- the remuneration of executive directors and other directors who hold particular offices, assessing *ex ante* compliance with the provisions of the Policy, and monitoring *ex post* implementation of the Board's decisions
- the identification and actual attainment of performance objectives related to the short- or long-term variable component of the remuneration of executive directors and other directors who cover particular offices;

Furthermore, the Committee reports on its activity to the Board of Directors once a year, on the occasion of the approval of the annual financial report.

- At the end of the Financial Year the Nomination and Remuneration Committee held two (2) meetings duly recorded with a 100% attendance of all its appointed members and an average duration of an hour. The Human Resources manager of the d'Amico Group was invited to attend all the above-mentioned meetings with reference to specific items on the agenda. The auditors do not participate in the Committee meetings, as the Company does not have a Board of Statutory Auditors. During such meetings, among other things, it released its annual report on performances and reviewed and submitted proposals to the Board of Directors with respect to i) the 2018 General Remuneration Policy of the Company; ii) the remuneration of the executive directors for 2018 in compliance with the 2017 General Remuneration Policy; iii) the identification of performance objectives related to the short- or long-term variable component of the 2018 remuneration of executive directors of the Company; and iv) the 2018 remuneration for Key Managers of the Company and its subsidiaries in compliance with the 2018 General Remuneration Policy and v) the size and composition of the Board of Directors and its Committees.

Moreover, it performed, with positive results, the assessment on the execution of the Board decision with reference to 2017 remunerations. All the considerations expressed by the Committee were listed by its Chairman at the next following Board of Directors' meeting. The Committee, whose meetings are all entered in the minutes, envisages meeting at least twice (2 times) in 2019 and to date one (1) meeting has been held. The Committee called on an external consultancy firm to define its remuneration policies, after previously evaluating the independence of the chosen



**REPORT ON CORPORATE GOVERNANCE  
AND OWNERSHIP STRUCTURE**

Date: 20 March 2019

Page: 38 of 55

2018

**References:** *Borsa Italiana Code*  
*Borsa Italiana Instructions*

consultant, and the support of the group Human Resources Division. In performing its duties, the Committee also had the opportunity to access the information and the business functions required to perform its tasks.

## 8. REMUNERATION OF DIRECTORS

Article 10 of the Articles of Association provides that the remuneration to be paid to the members of the Board of Directors be determined by the Shareholders' meeting and will be effective until the Shareholders' meeting resolves otherwise. The compensation of the directors vested with particular functions shall be determined rather by the Board of Directors, upon proposal submitted by the Nomination and Remuneration Committee, if the Shareholders' meeting does not fix an aggregate amount for compensation of all the directors, including those vested with particular functions.

In order to meet the new recommendations of the Borsa Italiana Code regarding the remuneration of executive directors, other directors covering particular offices and strategic managers of the Company and its subsidiaries, on 1 March 2018 the Board of Directors approved the General Remuneration Policy for 2018 as per positive advice received by the Nomination and Remuneration Committee in its meeting held on 20 February 2018. Such Policy addresses all forms of remuneration and tends to create a balancing between fixed and variable components of both short-term and long-term performance-related remuneration. The variable components are limited to a maximum amount while the fixed component is to be considered as sufficiently remunerative in should no variable component be paid. Proposals related to performance-related remuneration schemes are accompanied with recommendations on the related objectives and evaluation criteria, with a view to properly aligning the pay of executive or managing directors with the medium- to long-term interests of the Shareholders and the objectives set by the Board of Directors for the Company. The 2018 Policy is published in the corporate governance section on the Company's Website at the disposal of Shareholders.

As approved by the annual general Shareholders' meeting held on 18 April 2018 the aggregate fixed, maximum total gross annual remuneration of the Board of Directors for 2018 Financial Year was confirmed at Euro 780,000.00 which was considered a sufficient amount so as to motivate the directors in consideration of their professional expertise. The Board of Directors was then empowered and authorized to allocate such amount between its members and as regards the executive directors and other directors covering particular offices, the Board of Directors in its meeting of 3 May 2018, upon proposal of Nomination and Remuneration Committee, distributed the remunerations and established the following short-term 2018 variable compensation system (in addition to the Stock Option Plan (see chapter 2 letter a of this Report), the Board of Directors having approved the implementing rules on 4 May 2016:

- the variable component of the remuneration was set up to 80% of the 2018 fixed remuneration allotted to each executive director;

**REPORT ON CORPORATE GOVERNANCE  
AND OWNERSHIP STRUCTURE**

Date: 20 March 2019

Page: 39 of 55

2018

**References:** *Borsa Italiana Code*  
*Borsa Italiana Instructions*

- the allotment of the variable part was linked to the Company and its subsidiaries' performances and the target threshold was related to meeting DIS's annual performance target measured through the consolidated EBITDA indicator;
- the payment of the annual premium is also conditional on non-economic parameters as well as performance targets, such as a qualitative assessment that objectively considers the activity performed by the corporate role (activities planned in the previous year for the assessment year, ordinary activities performed by the department/business unit, etc.) and the effectiveness and efficiency of the activity.
- the bonus pool to be distributed is represented by a percentage (5%) of the annual consolidated EBITDA.

The 2018 Policy does not provide for contractual agreements enabling the Company to request the return of variable components of the remuneration paid, in full or in part, within the limits permitted by applicable laws.

The Policy contains no additional provisions regarding the indemnity for early termination of the managerial office or failure to renew it.

Further information on the compensation paid to the directors and the key managers of the Company and its Subsidiaries can be found in the 2018 Report on Remuneration drafted in compliance with the provisions of article 123-ter of the TUF and article 116 of the Consob Regulation on Issuers and published in the Corporate Governance section of the Company's Website at Shareholders' disposal.

## 9. CONTROL AND RISK COMMITTEE

As per resolution of the Directors of 3 May 2018, it was confirmed the setting up of the Control and Risk Committee (former Audit Committee) vested with the duties referred to in the Borsa Italiana Code as compatible with the corporate legislation applicable to the Company; the Board of Directors' meeting of 9 November 2016 also granted the Control and Risk Committee the additional task of monitoring the independence of the external auditors and contributing to the external auditor selection process as required by the Luxembourg law of 23 July 2016 on external auditing which transposed EU Directive 56/2014 and EU Regulation 537/2014. The Board's resolution of 3 May 2018 confirmed the number of the Control and Risk Committee's members as four (4), as well as the appointment of the following non-executive and independent directors: Mr Massimo Castrogiovanni, Mr Heinz Peter Barandun, Mr Stas Jozwiak and Mr John Joseph Danilovich; furthermore, Mr Massimo Castrogiovanni, independent director, having an adequate experience in accounting and finance, was confirmed as Chairman of the Control and Risk Committee.

By means of the abovementioned resolution the Control and Risk Committee was supplied with an annual expenditure budget of Euro 20,000.00 considered appropriate in order for it to

**REPORT ON CORPORATE GOVERNANCE  
AND OWNERSHIP STRUCTURE**

Date: 20 March 2019

Page: 40 of 55

2018

**References:** *Borsa Italiana Code*  
*Borsa Italiana Instructions*

discharge its duties to assist, express opinions and make proposals to the Board of Directors with regard to:

- the definition of the guidelines of the Internal Control and Risk Management System;
- specific aspects relating to the identification of the main risks of the Company and/or management of the risks deriving from prejudicial events;
- the evaluation of the adequacy of the Internal Control and Risk Management System;
- the approval of the Internal Audit Plan;
- the Internal Auditor's significant reports and those concerning the assessment of the internal control and risk management system;
- reviews of specific operational areas to be carried out by the Internal Auditor;
- the independence, adequacy, efficiency and efficacy of the Internal Auditor;
- the appointment and revocation of the Internal Auditor, and the definition of his budget and remuneration in line with Company's policies (binding opinion);
- the correct application of the accounting principles and their consistency for the purpose of the preparation of the consolidated financial statements;
- the findings reported in the External Independent Auditor's report and in any written suggestions;
- the major transactions and the significant transactions with related parties in which the Company or its subsidiaries are involved and the rules aimed at ensuring the transparency and substantial and procedural correctness of the process for approval of such transactions.
- monitoring of the independence of the auditors and participation in the preparatory stage of the external auditor selection process as required by Luxembourg law of 23 July 2016 on external Auditing.

Furthermore, the Committee reports to the Board of Directors twice a year, on the occasion of the approval of the annual and half-year financial report, on its activity and on the adequacy of the internal control and risk management system.

In performing its duties, the Committee had the opportunity to access the information and the business functions necessary to perform its tasks. During the year 2018, no external advisor was used.



**REPORT ON CORPORATE GOVERNANCE  
AND OWNERSHIP STRUCTURE**

Date: 20 March 2019

Page: 41 of 55

2018

**References:** *Borsa Italiana Code*  
*Borsa Italiana Instructions*

At the end of the Financial Year the Control and Risk Committee held three (3) meetings duly recorded with 100% attendance of the directors and an average duration of two hours. The external auditors, the Internal Audit Manager and the Chief Financial Officer attended some of the meetings and upon invitation, with reference to specific items on the meeting's agenda and with no right to vote. The auditors do not participate in the Committee meetings as the Company does not have a Board of Statutory Auditors.

During such meetings, among other things, the Control and Risk Committee expressed favourable advice with reference to the proposals to appoint the Independent Statutory Auditors and to increase the Company's capital. The Committee envisages meeting at least three (3) times in the 2019 financial year and to this day two (2) meetings have been held. The Committee in the person of its Chairman also carried out several non-recorded meetings with other bodies and Divisions of the Internal Control. All the considerations expressed by the Control and Risks Committee were reported by its Chairman at the first appropriate Board meeting.

## **10. THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM**

The Board of Directors, as the body responsible for the Internal Control and Risk Management System, is performing its duties based on a model inspired by the recommendations established by the Borsa Italiana Code and the national and international best practices. The Company, having evaluated the functioning of the Internal Control and Risk Management System, on the basis of the reports received, noted that it is to be considered as functioning adequately and effectively.

It is an integral part of the management of the business processes. The timely identification of risks and the commitment to eliminate, reduce and/or consciously manage them is truly perceived by the managers of the processes as one of their direct responsibilities, both from a strategic and operational point of view. Particular attention is paid to the risks inherent in the critical success factors.

The Company is continuing to implement and refine the necessary steps in order to maintain an efficient and adequate System of Internal Control and Risk Management by means of reviewing the existing procedures periodically and, where necessary, establishing a new set of rules, processes and organizational structures in order to monitor the efficiency of the Company's operations, the reliability of all the information (including the financial information) supplied to the Company bodies and to the market, the compliance with law and regulation for the safeguard of the Company's assets.

The continuous improvement of the Integrated Management System, as developed over recent years, is based on the "process approach" and aims at a careful definition and revision of all the internal procedures, work-instructions, responsibilities and resources taking into consideration the specific activities of companies involved in the integrated management. The Company formally decided to integrate its own system within that of the d'Amico group. This process of integration and alignment includes the internal control and risk management system designed by the Company and its Subsidiaries to provide them with an even better management of the risks and enhance the

**REPORT ON CORPORATE GOVERNANCE  
AND OWNERSHIP STRUCTURE**

Date: 20 March 2019

Page: 42 of 55

2018

---

**References:** *Borsa Italiana Code*  
*Borsa Italiana Instructions*

processes' efficacy and smoothness. Therefore, the Company currently benefits from a set of common processes and procedures.

Moreover, the integration has led to the strengthening of a system of coordination among the bodies responsible for internal control in the development of their audit plans such as to lead to a rationalization of the controls. This level of coordination has been achieved by application of a simple defined protocol such as not to interfere with the autonomy and independence of the individual management systems. The cooperation among the control bodies allows the carried out audit reports sharing; this allows each control body to acknowledge the remarks already raised by the others. During 2018 the respective finalized audit plans for 2018 were duly shared. The reports of the audits performed during the year were also shared, at the request of the interested party.

With specific regard to the management and internal control system for existing risks associated with the consolidated and individual financial reporting process, which is part of the overall internal control system adopted, DIS has implemented a system of administrative and accounting procedures aimed at ensuring that financial reporting is accurate, correct, reliable and timely.

In particular, specific procedures have been established for the creation and dissemination of mandatory financial reports and the preparation of the consolidated financial statements and periodic financial reports (including the plan of accounts, consolidation procedure and related-party transaction procedure). An Accounting Manual (IFRS principles) is currently next to be approved by the CFO and released to all the Accounting staff.

The Internal Audit Division conducts, among other, independent audits of the efficiency of the controls identified for each of the processes of the Group and companies required to carry out financial reporting.

The areas of improvement identified in the course of the audits conducted are illustrated to the Company's Chief Risk Officer and the Control and Risk Committee. In concert with each process owner or company required to carry out financial reporting, shared action plans are established with the aim of strengthening the existing control system or remedying specific shortcomings in that system. The implementation of the agreed measures is constantly monitored by the Internal Audit Division, which reports on the matter to the Chief Risk Officer and the Control and Risk Committee.

The CEO and CFO are among responsible for maintaining an adequate internal control system, which includes periodic reviews of the functioning of the key controls identified and audited with the support of the Internal Audit Division during the implementation phase, with the aim of confirming that they continue to operate effectively.

The Internal Audit Division may select some operating companies or processes for thorough follow-ups or audits, being provided with an autonomous power to drive the preparation of the audit plan on the basis of the risk analysis and to put into operation single actions. The results of such audits, together with the results of the risk analysis and assessment, are illustrated in a report, in a manner consistent with the reporting process for all Internal Audit actions.

**REPORT ON CORPORATE GOVERNANCE  
AND OWNERSHIP STRUCTURE**

Date: 20 March 2019

Page: 43 of 55

2018

**References:** *Borsa Italiana Code*  
*Borsa Italiana Instructions*

The Company believes that the above assessment system and related certification process, considering the number of relevant processes and companies required to carry out financial reporting, is capable of ensuring and maintaining reliable controls in relation to the financial reporting process.

### 10.1 Director in charge of the Internal Control and Risk Management System

On 4 May 2017, the Board of Directors resolved to confirm the responsibility of the Chairman of the Company, Mr Paolo d'Amico, for implementing the internal control and risk management system with the title of Chief Risk Officer. In this way, the Chief Risk Officer assumed the task of supporting the Board of Directors in the performance of internal control and risk management functions and, working within and in accordance with the guidelines established by the Board of Directors; in particular he is dedicated to:

- the mapping of the Company's main business risks, considering the nature of its business and that of its Subsidiaries, such as to ensure that the Board of Directors is always informed of any new risks to be taken into consideration for the purposes of reviewing the Risk Management Strategy Policy adopted by the Company at the time;
- the monitoring of the application of the Risk Management Strategy Policy established by the Board of Directors and the design, implementation and management of the Internal Control and Risk Management System, regularly checking its overall adequacy, effectiveness and efficiency in relation to the dynamics of the operating conditions and the reference legislative and regulatory framework;
- Ensuring a constant flow of information with the Internal Audit Manager perhaps requesting reviews of specific operational areas and on the compliance of business operation with rules and internal procedures and with legal regulations, of such flows ensuring that the Chairman of the Control and Risk Committee is also kept informed on a continuous basis.

In 2018, the Chief Risk Officer did not detect issues or problems such as to require specific reports to the Control and Risk Committee (or directly to the Board of Directors) other than the periodic reports from the Internal Audit Division Manager which were all presented to the Chief Risk Officer before being explained to the Control and Risk Committee.

Furthermore, the Chief Risk Officer has participated together with the Control and Risk Committee in the process of appointment of the Internal Audit Manager and in the definition of its remuneration that has to be in line with the Company's General Remuneration Policy, as well as in the definition of the Internal Audit Division budget.

### 10.2. Internal Audit Division Manager

In line with the International Standards Internal Auditing stand for an independent, objective assurance and consulting activity designed to improve the efficiency and effectiveness of the

**REPORT ON CORPORATE GOVERNANCE  
AND OWNERSHIP STRUCTURE**

Date: 20 March 2019

Page: 44 of 55

2018

---

**References:** *Borsa Italiana Code*  
*Borsa Italiana Instructions*

organisation. The internal auditor helps the organisation to achieve its objectives by means of a systematic, professional approach that generates added value since its aim is to evaluate and improve the risk management, control, and governance processes.

The Internal Audit Division Manager of the Company - pursuant to the recommendations contained in the Borsa Italiana Code and in view of a cost reduction and a structural organization - is a person external to the Company endowed with adequate professionalism and independence which is an employee of its indirect controlling shareholder.

The Internal Audit Manager's remuneration consists of a base salary plus a bonus and is paid by the indirect controlling shareholder of the Company.

According to the provisions of the Guidelines and Internal Audit Mandate, the Internal Audit Manager attends the meetings of the Control and Risk Committee upon invitation and as a listener.

The Internal Audit Manager is not responsible for any operational area, is hierarchically subordinated to the Board of Directors and has the power to audit all internal processes and those exposed to the greatest risk of offences according to the risk assessment periodically carried out. Moreover, it has direct access to all useful information for the performance of the following tasks that he carries out regularly:

1. Verification of the adequacy and effective functioning of the Internal Control and Risk Management System, both on a continuous basis and in relation to special needs, in conformity with international professional standards, on the basis of an Internal Audit Plan approved by the Board of Directors upon previous opinion of the Chief Control and Risk Officer and of the Control and Risk Committee. Such plan is based on the structured analysis, ranking and assessment of the main risks;
2. Drafting periodic reports containing an evaluation on the adequacy of the Internal Control and Risk Management System, adequate information on its own activity, on the Company's risk management strategy and compliance with the management plans defined for risks' mitigation to be then communicated to the Chief Risk Officer and submitted to the Control and Risk Committee;
3. Managing information flows relating to particularly significant events to the Chief Risk Officer, Control and Risk Committee and the Board of Directors.

In order to conduct the audit activity, the Internal Audit Manager may avail itself of the services of external consultants.

The Internal Audit Division has a system for reporting any irregularities or infringements of the applicable legislation that guarantees a specific and confidential information channel. As from 2017, this channel is publicized in the corporate governance section of the Company's website.

**REPORT ON CORPORATE GOVERNANCE  
AND OWNERSHIP STRUCTURE**

Date: 20 March 2019

Page: 45 of 55

2018

---

**References:** *Borsa Italiana Code*  
*Borsa Italiana Instructions*

On 10 December 2012, in accordance with the recommendations of the new Borsa Italiana Code, the directors resolved to formally revoke the appointment of the Internal Control Officer entrusting the Internal Audit Manager, identified in the person of Ms Loredana Saccomanno, with the tasks listed above.

On 27 July 2016, the Board of Directors approved the three-year Audit Plan (2016/2019) based on the risk analysis and assessment conducted in the first quarter of 2016.

On 28 July 2017, the Board of Directors also approved a new version of the three-year Audit Plan (2016/2019) based on the analysis of the effective possibility of conducting audits, subject to the availability of the Division Managers.

On 1 March 2018 the directors also resolved to set at Euro 18,000 the budget of the Internal Audit Division for 2018 for both the Company and its Subsidiaries, this being considered sufficient and appropriate to perform its duties.

At the same meeting, the Board of Directors further approved the 2018 Audit Plan, in line with the latest amendment to the three-year Audit Plan approved on 27 July 2017, relative to DIS and its Subsidiaries.

The planned and carried-out assurance activity (audits) for the 2018 has regarded the Crew management Process, the Planning & Control Process, the Ship & Equipment maintenance Process and the Shore based personnel.

The audit activities have been carried out focusing on the risks highlighted by the process owners during the Risk Assessment process.

The division also performed some unplanned activities: the redefinition of the “Audit Universe”, by mapping the Company’s sub-processes and the development and implementation of a model for the management of audit data in line with the COSO framework. The recent improvement in the audit methodology and tools will support the next Risk Assessment updating and the following audits.

The division carried out also some advice and compliance activities at the request of the Chief Financial Officer, guiding the process of drawing up the Accounting Manual. The project closing is expected in a while.

During the 2018 Financial Year duly coordinated the Division in performing the planned audits and checks aimed at drafting a risk management plan, acknowledging the results of the audit activity carried out by the d’Amico Group Health Safety Quality and Environment (HSQE) Department on tanker vessels.

No significant risks have been found out and some minor improvement opportunities have been addressed to the relevant process owners.



**REPORT ON CORPORATE GOVERNANCE  
AND OWNERSHIP STRUCTURE**

Date: 20 March 2019

Page: 46 of 55

2018

**References:** *Borsa Italiana Code*  
*Borsa Italiana Instructions*

The DIS Group Internal Control and Risk management System aims and priorities are the identification, the assessment, the management and the monitoring of the main risks.

DIS is aware that an effective Internal Control and Risk management System contributes to safeguarding the Company's assets, the efficiency and effectiveness of operations, the reliability of the information provided to the corporate bodies and to the market, the compliance with laws and regulations. The Risk management is an integral part of the DIS Group Processes management carried out by the Process Owners. Detecting risks in advance and making all efforts to eliminate, reduce, and/or consciously deal with them is truly perceived by the Process Owners as their own responsibility. This both for strategic and operational points of view, in the relevant organizational level. Particular attention is paid to critical success factors.

In consideration of the above, the Internal Audit Manager has stated that the Internal Control and Risk Management System is considered suitable and effective.

### 10.3. Organizational Model in accordance with Legislative Decree No. 231/2001

The Company, although governed by Luxembourg laws and regulations, due to the listing of its shares over the STAR segment of the MTA organized and managed by Borsa Italiana is requested by the Borsa Italiana Regulation to apply Legislative Decree n. 231/2001, which has introduced the administrative liability of legal entities and their respective bodies for specific types of criminal offences, referred to in the Legislative Decree<sup>3</sup> committed and prosecutable in Italy in the interests or for the benefit of the same by people who hold functions of representation, administration or

<sup>3</sup> **Offences against the Public Administration** (e.g. fraud and computer fraud against the State or other Governmental Agency, theft of public funds, fraud aimed at obtaining public financings, bribery, corruption, malfeasance); **Crimes against the public trust** (e.g. concerning the forgery of coinages, banknotes and duty stamps); **Corporate crimes** also called “white-collars crimes” (e.g. misrepresentation of company accounts, forgery of a prospectus, falseness in statements or communications of the audit company, obstructed control, fictitious capital formation, fraudulent restitution of contributions, unlawful distribution of profits or reserves, impeding the exercise of the duties of the public supervisory authorities); **Crimes committed with purposes of terrorism and eversion of democratic order**; **Crimes against individuals and their fundamental rights of freedom** (e.g. enslavement, human trafficking, child prostitution and pornography, female genital mutilation, xenophobia and racism); **Crimes relevant to “Market Abuse”** (e.g. insider trading and market manipulation); **Crimes against individuals committed in violation of safe working practices and the protection of hygiene and health at work** (e.g. manslaughter and negligently causing serious or very serious injuries); **Money laundering, self-money laundering crimes and crimes relating to receiving and using stolen goods**; **Crimes concerning immigration** (e.g. employment of citizens of third countries whose residence is illegal, illegal immigration and residence); **Information technology crimes** (e.g. damage to information, data and computer programs, interception of computer or electronic communications); **Crimes breaching copyright laws** (e.g. entry into a system of electronic networks of intellectual works protected by copyright, re-use of database contents); **Crimes against industry and commerce** (e.g. interference with the freedom of industry and commerce, commercial fraud, sale of industrial products with false signs/marks); **Criminal conspiracy crimes** (e.g. criminal association, mafia-style associations); **Crimes regarding the falsification of identifying signs/marks** (e.g. falsification, alteration or use of distinguishing signs/marks of intellectual works or industrial products); **Environmental crimes** (e.g. organized activities for the illicit waste traffic); **Crimes against the justice administration** (e.g. Incitement not to make declarations or to make false declarations to judicial authorities); **Private-to-private bribery**.



**REPORT ON CORPORATE GOVERNANCE  
AND OWNERSHIP STRUCTURE**

Date: 20 March 2019

Page: 47 of 55

2018

**References:** *Borsa Italiana Code*  
*Borsa Italiana Instructions*

direction of the legal entity or its respective bodies or one of its organizational units having financial and functional autonomy as well as by people who exercise, even “de facto”, the management or control of the same (“Top Level Subjects”) or by persons subject to the direction or supervision of one of the Top Level Subjects (“Employees”). The Decree, however, provides for a specific form of exemption from liability if the legal entity proves to have adopted and effectively implemented:

- An appropriate compliance program that aims to develop an organic and structured system of procedures, rules and controls to be implemented both preventively (“ex ante”) and subsequently (“ex post”), in order to reduce and prevent in a material way the risk of commission of the different types of crimes in particular, through the identification and relative drafting of procedures for each of the sensitive activities identified as the activities most at risk of the crimes referred to in Legislative Decree no. 231/2001 (the so-called “**Model of Organization, Management and Control**” or “**Model**”).
- That the responsibility for supervising the functioning and the observance of the Model as well as for its updating is being entrusted to a specific body (the “Supervisory Committee”) of the legal entity provided with autonomous powers of initiative and control.

The Company, with the assistance of its external advisors and upon evaluation of the Control and Risk Committee, on 12 March 2008, has formally adopted the Model and on 13 January 2009 released specific operating procedures in order to prevent the commission of such crimes.

Then the Company updated several times the Model and the current version of it was lastly adopted on 3 May 2018 taking into consideration the new crimes that in the meanwhile were introduced in the Decree.

During the 2018 financial year a new Risk Assessment was performed aimed at the update of some special parts of the 231 Model due to some changes in the legislation.

The Board of Directors in the same meeting of 12 March 2008 also approved and adopted the Code of Ethics which contains the business ethics fundamental principles to which the Company conforms and which directors, employees, consultants, partners and in general all those who act in the Company's name and on its behalf are required to comply with. The Code of Ethics has been amended and updated on the basis of the first results of the Risk Assessment process and approved by a resolution of the Board of Directors on 7 May 2014 and is available at the Corporate Governance section of the Website. The Company decided to adopt the main principles of ethics of its ultimate parent company, d’Amico Società di Navigazione S.p.A. but tailored on a legal point of view so as to meet the requisites of the applicable Luxembourg legislation. During the 2018 financial year the section of the Code of Ethics dedicated to privacy issues was updated. The Company in turns has encouraged its Subsidiaries to adopt the Code of Ethics with similar content to that of the head of the group.

**REPORT ON CORPORATE GOVERNANCE  
AND OWNERSHIP STRUCTURE**

Date: 20 March 2019

Page: 48 of 55

2018

**References:** *Borsa Italiana Code*  
*Borsa Italiana Instructions*

The Board of Directors of 12 March 2008 initially approved, upon proposal of the then Nomination Committee, the setting up of a Supervisory Committee charged with the following duties:

- Supervising the effectiveness of the Model, putting in place control procedures for specific actions or specific acts carried out by the Company, also coordinating with the other corporate Divisions in order to put in place a better monitoring of the activities at risk.
- Periodically checking the efficiency and adequacy of the Model, ascertaining that the elements provided in the individual special parts for the different types of crime are adequate for the requirements of the observance of what is laid down in the Decree and conducting recognitions on the corporate activities in order to update the mapping of the activities at risk.
- Evaluating the advisability of updating the Model when necessary to update it in relation to corporate requirements or conditions.
- Assuring the information flows necessary also through promoting suitable initiatives for an awareness and understanding of the Model and co-operating in the drawing up and supplementing of internal rules.

The Company's Supervisory Committee consists of three (3) members appointed after due evaluation and consideration of the following requisites required by the Decree 231 for such function: autonomous initiative capacity, independence, professionalism, continuity of action, absence of any conflict of interest and honourableness.

On 4 May 2017 the Board of Directors, upon a proposal of the Nomination and Remuneration Committee, resolved to confirm the establishment of the Supervisory Committee renewing the appointment of its expired members. All the members of the Supervisory Committee were appointed for a term ending at the annual general meeting of Shareholders called to decide on the approval of the financial statements for 2019.

The Board of Directors meeting held on 1 March 2018 resolved the setting up of the annual expenditure budget of the Supervisory Committee amounting to Euro 20,000.00 considered appropriate in order for it to discharge its duties.

On 29 July 2008 the Company, upon proposal of the Committee itself, further approved the internal Regulation of the Supervisory Committee governing its functioning, operation procedures, duties and rights. This Regulation is currently being reviewed.

The Board of Directors' meeting on 1 March 2018 based on the annual report made by the Supervisory Committee regarding the implementation, functioning, adequacy and efficacy of the Model the Board of Directors after due evaluation decided that it could sign the certificate of adoption of the Model valid for 2018.

Since its initial formation, the Supervisory Committee has had a system for reporting any irregularities or infringements of the applicable legislation and the internal procedures that guarantees

**REPORT ON CORPORATE GOVERNANCE  
AND OWNERSHIP STRUCTURE**

Date: 20 March 2019

Page: 49 of 55

2018

---

**References:** *Borsa Italiana Code*  
*Borsa Italiana Instructions*

a specific and confidential information channel. This channel has been publicized by training on the implementation of the 231 Model and as from 2017 also in the corporate governance section of the Company's website.

#### **10.4. Audit Firm**

According to article 17 of the Articles of Association, the operations of the Company and its financial situation, including, more in particular, its books and accounts, shall be reviewed by one independent auditor. The independent auditor is appointed by the General Meeting of Shareholders for a period not exceeding six (6) years, and will hold office until his successor is elected. Auditors are re-eligible and may be removed at any time, with or without cause, by a decision of the General Meeting of Shareholders.

On 19 April 2017 the Shareholders' Annual General Meeting conferred on Moore Stephens Audit S.A., with its establishment in Luxembourg, the office of independent external auditor (réviseurs d'entreprises agréés) of the Company's consolidated and statutory annual accounts for a three-year term, due to expire at the shareholders' meeting for the approval of the Company accounts for the financial year 2019.

#### **10.5 Manager in charge of the preparation of the Company's Financial Reports**

According to Luxembourg Transparency Law the Manager in charge of the preparation of the Company's financial reports must be a senior executive having the necessary capacity and knowledge to have a reasoned opinion on the financial statements. The person referred to could be, for instance, the Chairman of the Board of Directors, the CEO or another member of the management. The name and function of the said responsible is clearly indicated in the relevant statement where, to the best of his knowledge, the person responsible declares that the financial statements are prepared in accordance with the applicable set of accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole and that the management report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

To this end, the Manager in charge of the preparation of the Company's financial reports puts in place appropriate administrative and accounting procedures in order to prepare the periodic statutory and consolidated Financial Reports and any other disclosure of a financial nature.

#### **10.6 Guidelines for the Internal Control and Risk Management System (coordination between the parties involved in the internal control and risk management system)**

## REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE

Date: 20 March 2019

Page: 50 of 55

2018

**References:** *Borsa Italiana Code*  
*Borsa Italiana Instructions*

The Board of Directors' meeting held on 28 February 2013, having received a positive opinion from the Control and Risk Committee, decided to approve certain amendments to the Company's guidelines relating to the Internal Control and Risk Management System (hereinafter the "Guidelines") drafted in order to establish the methods of coordination between the bodies of the Company involved in the Internal Control and Risk Management System so as to improve the efficiency of the System and reduce task overlaps. The Board of Directors' meeting held on 20 March 2019, following a positive opinion of the Control and Risk Committee, approved the changes to the Company's Risk Management Strategy Policy, updating the various financial and operational risks to which the latter is exposed during the ordinary running of the Company. This Policy is aimed at guaranteeing the correct identification of the main risks of the Company and its Subsidiaries as well as their correct measurement, management and control in order to prevent them by pursuing the objective of corporate asset protection, in accordance with the principles of correct management.

### INTERNAL CONTROL ENTITIES COORDINATION SCHEME

Supervisory Committee L.D. 231/2001 – Control and Risk Committee			
	<i>Purpose</i>	<i>Standards for implementation</i>	<i>Timing</i>
a.	Cognitive – informative	<p>Without prejudice to the effective communication needs, the Supervisory Committee transmits a structured information flow on the application of the Organizational and Management Model 231, with relation to the following topics:</p> <ul style="list-style-type: none"> <li>- Overall functioning of the Organizational and Management Model 231;</li> <li>- Updating of the risk areas;</li> <li>- Facts/relevant events emerged after the application of the model.</li> </ul>	Annually
b.	Assurance	The Supervisory Committee provides assurance on the adequacy and status of implementation of the Model 231.	Annually

**REPORT ON CORPORATE GOVERNANCE  
 AND OWNERSHIP STRUCTURE**

Date: 20 March 2019

Page: 51 of 55

2018

**References:** *Borsa Italiana Code*  
*Borsa Italiana Instructions*

<b>Internal Audit Manager – Control and Risk Committee</b>			
	<i>Purpose</i>	<i>Standards for implementation</i>	<i>Timing</i>
a.	Cognitive - informative	Without prejudice to the effective communication needs, the Internal Audit Manager: <ul style="list-style-type: none"> <li>- Reports on its activities at the request of the Control and Risk Committee or on its own initiative;</li> <li>- Submit to the Control and Risk Committee the Audit Plan for an opinion prior to the formal approval of the Board of Directors.</li> </ul>	At least twice a year  Annually
b.	Cognitive - participative	The Internal Audit Manager attends the meetings of the Control and Risk Committee as a listener and upon invitation.	At least twice a year
c.	Implementation of directives/guidelines	The Control and Risk Committee may ask to conduct specific audits.	At request
d.	Assurance	The Internal Audit Manager reports at the request of the Control and Risk Committee on how risk management is conducted, on the observance of the risk management plans and expresses an evaluation of the Internal Control System in terms of capacity to achieve an acceptable overall risk profile, taking into account the Risk Management Strategy Policy of the Company.	At least twice a year
e.	Advisory	The Control and Risk Committee gives a prior opinion on the appointment/revocation of the Internal Audit Manager.	n.a.
<b>Control and Risk committee – Manager in charge of the preparation of the Financial Reports</b>			

## REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE

Date: 20 March 2019

Page: 52 of 55

2018

**References:** *Borsa Italiana Code*  
*Borsa Italiana Instructions*

	<i>Purpose</i>	<i>Standards for implementation</i>	<i>Timing</i>
a.	Cognitive - informative	<p>Without prejudice to the effective communication needs, the Manager in charge of the preparation of the Financial Reports report on:</p> <ul style="list-style-type: none"> <li>- The appropriateness of the powers and resources at its disposal;</li> <li>- The appropriateness and adoption of administrative and accounting procedures;</li> <li>- Relevant issues raised and actions taken.</li> </ul>	On the occasion of the approval of the yearly and half yearly Financial Reports and of the Interim Management Statements
b.	Cognitive - participative	The Manager in charge of the preparation of the Financial Reports attends upon invitation and as a listener the meetings of the Control and Risk Committee dealing with themes related to accounting matters.	At least on the occasion of the approval of the yearly and half yearly Financial Reports and of the Interim Management Statements
<b>Supervisory Committee L.D. 231/2001 =&gt; Internal Audit Manager</b>			
	<i>Purpose</i>	<i>Standards for implementation</i>	<i>Timing</i>
a.	Cognitive - informative	<p>Without prejudice to the effective communication needs:</p> <p>the Supervisory Committee may transmit its audit reports when the Internal Audit Manager needs to perform audits on the same area.</p>	n.a.
b.	Implementation of directives/guidelines	<ul style="list-style-type: none"> <li>- The Supervisory Committee identifies sensitive processes and timely informs the Internal Audit Manager;</li> </ul>	Annually



## REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE

Date: 20 March 2019

Page: 53 of 55

2018

**References:** *Borsa Italiana Code*  
*Borsa Italiana Instructions*

		<ul style="list-style-type: none"> <li>- The Supervisory Committee may establish and run a plan of audit according to the Internal Audit Manager plan of audit;</li> <li>- The Supervisory Committee collects and transmits to the Internal Audit Manager information on operations/transactions at risk.</li> </ul>	<p>Annually</p> <p>n.a.</p>
<b>Internal Audit Manager =&gt; Supervisory Committee L.D. 231/2001</b>			
	<i>Purpose</i>	<i>Standards for implementation</i>	<i>Timing</i>
a.	Cognitive - informative	<p>Without prejudice to the effective communication needs:</p> <p>the Internal Audit Manager may transmit its audit reports when the Supervisory Committee needs to perform audits on the same area but on a L.D. 231/2001 environment.</p>	n.a.
b.	Cognitive - participative	The Internal Audit Manager, when not a member of the Committee, attends as a listener and upon invitation the meetings of the Supervisory Committee.	At request
c.	Implementation of directives/guidelines	<ul style="list-style-type: none"> <li>- The Internal Audit Manager identifies sensitive processes and timely informs the Supervisory Committee;</li> <li>- The Internal Audit Manager may establish and run a plan of audit according to the Supervisory Committee plan of audit;</li> <li>- The Internal Audit Manager collects and transmits to the Supervisory Committee L.d. 231/2001 information on operations/transactions at risk.</li> </ul>	<p>Annually</p> <p>Annually</p> <p>n.a.</p>

**REPORT ON CORPORATE GOVERNANCE  
AND OWNERSHIP STRUCTURE**

Date: 20 March 2019

Page: 54 of 55

2018

**References:** *Borsa Italiana Code*  
*Borsa Italiana Instructions*

<b>Supervisory Committee L.D. 231/2001 – Manager in charge of the preparation of the Financial Reports</b>			
	<i>Purpose</i>	<i>Standards for implementation</i>	<i>Timing</i>
a.	Cognitive – informative	Without prejudice to the effective communication needs: <ul style="list-style-type: none"><li>- The Manager in charge of the preparation of the Financial Reports on its activities at the request of the Supervisory Committee or at its own initiative;</li><li>- The Supervisory Committee submit information to the Manager in charge of the preparation of the Financial Reports on the implementation of the Organizational and Management Model 231 with reference to accounting matters.</li></ul>	At request  Annually
<b>Internal Audit Manager – Manager in charge of the preparation of the Financial Reports</b>			
	<i>Purpose</i>	<i>Standards for implementation</i>	<i>Timing</i>
a.	Cognitive – informative	Without prejudice to the effective communication needs: <ul style="list-style-type: none"><li>- The Internal Audit Manager reports to the Manager in charge of the preparation of the Financial Reports on scheduled/ongoing/completed audits and its results with reference to administrative and accounting matters;</li><li>- the Manager in charge of the preparation of the Financial Reports informs the Internal Audit Manager on the anomalies of the administrative and accounting system for which it is required a support from the Internal Audit Division.</li></ul>	On the occasion of an audit  n.a.
b.	Implementation of directives/guidelines	The Manager in charge of the preparation of the Financial Reports may ask the Internal Audit Manager, in pursuance of its advisory role, to perform the mapping and the	

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## REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE

Date: 20 March 2019

Page: 55 of 55

2018

**References:** *Borsa Italiana Code*  
*Borsa Italiana Instructions*

		evaluation of the status of controls on the processes of competence of the Manager in charge of the preparation of the Financial Reports.	At request
c.	Assurance	<ul style="list-style-type: none"> <li>- The Internal Audit Manager performs audits on the work of the Manager in charge of the preparation of the Financial Reports in order to provide assurance to the Control and Risk Committee;</li> <li>- The Internal Audit Manager provides assurance to the Manager in charge of the preparation of the Financial Reports providing its considerations on the status of internal control in the administrative and accounting area.</li> </ul>	At request
d.	Advisory	The Internal Audit Manager contributes to the assessment of the adequacy of the administrative and accounting processes by providing its view based on the activity of audit carried out.	Annually

### 11. DIRECTORS' INTERESTS AND TRANSACTIONS WITH RELATED PARTIES

On 7 February 2008, the Board of Directors, upon previous recommendation of the former Control and Risk Committee, approved and adopted a set of internal rules in order to ensure the transparency and the substantial and procedural fairness of those transactions carried out by the Company, directly or through its Subsidiaries, and with a major impact on the Company's activity, financial statements, economic and financial figures in view of their nature and strategic importance or size with particular reference to those Significant Transactions carried out by the Company or its Subsidiaries with Related Parties including intra-group transactions.

The Rules identify the Major Transactions and the Significant Transactions with Related Parties excluding from the latter definition the so-called inter-company Transactions with Related Parties carried out between the Company or its subsidiaries and those companies whose capital is only owned either directly or indirectly by the Company. Moreover those Rules, as amended, reserve exclusively to the Board of Directors the right of issuing prior approval (for transactions over which the Company is competent) or prior assessment (for transactions over which companies directly or indirectly controlled by the Company have competence) in case of Major Transactions identified as typical or usual because consistent with the core business of the Company and its Subsidiaries (i.e. vessels' sale, purchase and chartering in and out, execution of shipbuilding contracts and other closely related transactions). The decisional process of all the other Major Transactions and Significant Transactions with Related Parties remain of exclusive competence, in terms of previous approval and/or evaluation,

**REPORT ON CORPORATE GOVERNANCE  
AND OWNERSHIP STRUCTURE**

Date: 20 March 2019

Page: 56 of 55

2018

---

**References:** *Borsa Italiana Code*  
*Borsa Italiana Instructions*

of the Board of Directors upon prior advice to be given by the Control and Risk Committee. The Rules also require the Directors to provide the Board of Directors, reasonably in advance, with a summary analysis of all the relevant aspects concerning the Major Transaction and the Significant Transactions with Related Parties submitted to their attention as well as with information about the nature of the relationship, the manner of carrying out the transaction, the economic and other conditions, the evaluation procedures used, the rationale for the transaction, the Company's interest in its implementation and the associated risks the strategic consistency, economic feasibility, and expected return for the Company ("Relevant Information").

During the 2018 Financial Year the Company duly implemented the provisions of the above-mentioned internal Rules by previously assessing, according to the above explained procedure, all the Major Transactions and Significant Transactions with Related Parties mainly carried out by the Company's operating Subsidiaries.

**12. APPOINTMENT OF STATUTORY AUDITORS**

The Company does not appoint Statutory Auditors because the Luxembourg *lex societatis* does not contemplate such an appointment.

**13. COMPOSITION AND FUNCTIONING OF THE BOARD OF STATUTORY AUDITORS (pursuant to Article 123-bis, paragraph 2, clause d), of the TUF)**

The Company does not have a Board of Statutory Auditors because the Luxembourg *lex societatis* does not contemplate such an appointment.

**14. RELATIONS WITH THE SHAREHOLDERS**

The Company's Investor Relations team ran a structured program aimed at promoting an ongoing dialogue with institutional investors, shareholders and the markets to ensure systematic dissemination of exhaustive, complete, and timely information on its activities, in accordance with legal requirements and on the basis of corporate governance standards and recommendations from relevant organizations, with the sole limitation imposed by the confidential nature of certain information.

The financial results were presented on a quarterly basis through public conference calls which can be widely accessed, including through the Investor Relations website. During the year the IR team kept in constant contact with the financial community to discuss company performance and results through meetings, conference calls, presentations at broker conferences and at the relevant events that Borsa Italiana (STAR Segment) organizes. Participation in road-shows with shareholders and investors focused on the major financial markets, and on new potential areas of interest, where investor profiles matched the Group's structural characteristics and strategic outlook.

**REPORT ON CORPORATE GOVERNANCE  
AND OWNERSHIP STRUCTURE**

Date: 20 March 2019

Page: 57 of 55

2018

**References:** *Borsa Italiana Code*  
*Borsa Italiana Instructions*

On 29 July 2008, the Board of Directors, due to the resignation of the former Investor relations Manager being also the Chief Financial Officer of the Company, appointed Ms. Anna Franchin, as head of the Company's structure in charge of the handling of relation with investors of the Company and duly reporting to the Company CFO.

More information is available on the Company's Website. The Investor Relations section provides share information, historical financial data, press releases, institutional presentations, periodic publications and analyst coverage. The Company's Website has recently been revised to make it easier to use and more efficient.

Shareholders may also contact: [ir@damicointernationalshipping.com](mailto:ir@damicointernationalshipping.com).

## 15. GENERAL MEETINGS OF SHAREHOLDERS

During the Financial Year, the Company held its annual general Shareholders' meeting on 18 April 2018. Three executive members of the Board of Directors participated in the aforesaid meeting (Chairman, Chief Executive Officer and Chief Financial Officer). The Chairman of the Nominations and Remuneration Committee informed the shareholders of the procedure for performing the duties of the Committee chaired by himself in the form of a letter to shareholders introducing the annual remuneration report. As regards the shareholders meeting's functioning and powers, the shareholders' rights and their relevant means of exercise, the Articles of Association of the Company completely refers to Luxembourg Law on Commercial Companies.

In particular, every amendment to the Articles of Association was adopted by the Extraordinary Shareholders' Meeting, which is quorate with at least half of all the shares issued and in circulation. If this quorum is not reached, a second meeting may be convened for which there are no quorum obligations. In order that the resolutions proposed are adopted and unless otherwise provided for by applicable current legislation, a quorum of 2/3 of the votes expressed by the Shareholders present or represented at this General Meeting is required in order to pass a resolution.

Shareholders' meetings provide regular opportunities to meet and communicate with Shareholders while complying with the regulations that govern the handling of price sensitive information and the Company encourages the active and broad involvement of its Shareholders.

The Articles of Association's rules governing attendance at meetings, contains information regarding the availability of the documentation at the registered office of the Company, Borsa Italiana and the Website for a continuous period beginning on the day of publication of the convening notice and including the day of the general meeting of shareholders and specifies that Shareholders may obtain a copy thereof at their expenses. Indeed the Directors of the Company manage to give to the Shareholders all the necessary information related to the planned and performed activity throughout the management report included in the Financial Statements as well as those necessary for them to take the decisions that are in their competence so as to exercise their rights easily and in a conscious way by means of preparing a draft resolution or, where no resolution is proposed to be adopted, a comment from the Board of Directors, for each item on the proposed agenda of the general meeting.

**REPORT ON CORPORATE GOVERNANCE  
AND OWNERSHIP STRUCTURE**

Date: 20 March 2019

Page: 58 of 55

2018

---

**References:** *Borsa Italiana Code*  
*Borsa Italiana Instructions*

In order to reduce the boundaries and procedures that make it difficult for the Shareholders to attend to the relevant meetings, according to the Articles of Association, the Board of Directors may decide to organize the participation in a general meeting of shareholders by electronic means in accordance with the Luxembourg Law on Commercial Companies.

In particular the Board of Directors in its meeting of 23 February 2007 resolved to delegate the Chairman and the Chief Executive Officer the power to draw up a set of rules so as to ensure the orderly and effective conduct of the general Shareholders' meetings, while guaranteeing the right of each shareholder to speak on the matters on the agenda. Such **Shareholders' meetings Regulation** was approved by the Shareholders meeting called to approve the Company's Accounts for Financial Year 2007 and, in addition to what established by the Articles of Association, ensures that Shareholders meetings run in an orderly and efficient way so as to give the fullest possible guidance on the organizational and procedural aspects of this important moment in Shareholders' participation in the life of the Company. On this purpose the Regulation determines all the conditions that must be fulfilled so as to allow Shareholders to take part and speak in a general meeting of Shareholders and exercise their voting rights such as the provision for access cards, proxy forms and ballot papers ("formulaire"). The Regulation ensure also the Shareholders' possibility to participate in a Shareholders' meeting by video-conference or any other telecommunication methods allowing for their identification provided that the latter satisfy such technical requirements so as to enable the effective participation in the meeting and the retransmission on a continuous basis of the deliberations of the meeting.

Following the entry into force of the law on shareholders' rights and the consequent amendments to the Articles of Association, the Annual General Shareholders' Meeting held on 4 April 2012 approved a redrafted version of the Shareholders' Meeting Regulation containing the changes introduced by said law that assimilates the European Directive on shareholders' rights in Luxembourg.

This Regulation which defines the rights and obligations of all parties attending a Shareholders meeting and provides clear and unambiguous rules, without limiting the right of individual Shareholders to voice their opinions and demand explanations about items on the agenda, as amended, is duly posted and available at the Corporate Governance section of the Website.

During the Financial Year, no significant changes occurred in the market capitalization of the Company's shares or in its shareholding structure.

During the Financial Year the market capitalization of the Company's shares significantly changed from Euro 167,172,920.37 at 31 December 2017 to Euro 79,457,754.00 at 31 December 2018.



**REPORT ON CORPORATE GOVERNANCE  
AND OWNERSHIP STRUCTURE**

Date: 20 March 2019

Page: 59 of 55

2018

---

**References:** *Borsa Italiana Code*  
*Borsa Italiana Instructions*

**16. ADDITIONAL CORPORATE GOVERNANCE PRACTICES (in accordance with article 123-bis, paragraph 2, clause a) TUF)**

The Company does not make reference to or apply additional corporate governance practices.

**17. CHANGES SINCE THE END OF THE FINANCIAL YEAR.**

As of 1 January 2019, the effective date of Mr Marco Fiori's resignation, Mr Paolo d'Amico holds the position of Chief Executive Officer of the Company, as duly appointed by the Board of Directors on 8 November 2018.

As of the end of the financial year, the composition of the Company's Board of Directors has therefore changed from eight (8) to seven (7) members, of which three (3) are executive and four (4) are non-executive and independent.

The Extraordinary Shareholders' Meeting of 11 March 2019 resolved to reduce the book value of each share of the share capital issued by the Company from the current value of USD 0.10 to USD 0.05, without cancellation of outstanding shares, repayment of shares or compensation for losses, thereby reducing the amount of the issued share capital from the current USD 65,375,802.50 to USD 32,687,901.25 and approved the consequent amendments to Article 5 of the Company's Articles of Association.

The Shareholders' Meeting also resolved to change the Company's authorized share capital from the current USD 100,000,000, represented by 1,000,000,000 non par value shares, to USD 87,500,000 represented by 1,750,000,000 non par value shares, and to renew with immediate effect, for a further period of five (5) years, the authorization to the Board of Directors to increase the capital in one or more tranches within the limits of the new authorized capital and to limit, or partially or totally eliminate, the option rights of existing shareholders.

On 20 March 2019, the Company's Board of Directors - exercising the powers conferred by the Extraordinary Shareholders' Meeting as set out above - resolved to launch a public rights offering, in Luxembourg and Italy, for shareholders of the Company, to increase the Company's share capital through the issue of new no par value shares with the same rights (including, but not limited to, the right to dividends) as the outstanding shares at the issue date, up to a maximum of USD 49,903,345. The new shares will be offered to the shareholders of the Company holding Option Rights (the "Option Rights") for the subscription of new Company shares (the "New Shares")

New Shares not subscribed during the rights offering period shall be offered by the Company in a subsequent private placement (the "Private Placement") and, together with the rights offer, the "Offer").

**REPORT ON CORPORATE GOVERNANCE  
AND OWNERSHIP STRUCTURE**

Date: 20 March 2019

Page: 60 of 55

2018

---

**References:** *Borsa Italiana Code*  
*Borsa Italiana Instructions*

The New Shares will be traded on the STAR segment of the MTA. Market conditions permitting, the Company's Board of Directors expects to complete the Offer within the first half of 2019.

## **18. CONSIDERATIONS ON THE LETTER FROM THE CHAIRMAN OF THE CORPORATE GOVERNANCE COMMITTEE**

During the year, the Board of Directors of the Company carried out an analysis, also by way of a self-assessment, on the main areas for improvement highlighted by the letter from the Chairman of the Corporate Governance Committee dated 13 December 2017. Moreover, at the time of approval of this Report, the Board made further observations on the recommendations of the most recent letter from the Chairman of the Corporate Governance Committee dated 21 December 2018.

The contents of this analysis are summarized below:

With regard to the need to ensure timely, comprehensive and useful pre-meeting information, the Board of Directors reported that no initiatives other than those already started are required. In particular, it was considered that the Company's adoption of a Virtual Data Room ("VDR") for uploading and archiving supporting documents for meetings, which is constantly monitored and updated, meets the aforementioned needs.

All the members of the management body can access the VDR individually and at any time to view and/or download the relevant documents. Besides the directors, selected individuals may access the platform through the use of a specific username and a personal password. Confidentiality requirements are thus protected with this system without compromising the adequacy of information flows.

Similar considerations were made in relation to the subject of remuneration. When approving the 2018 Remuneration Policy, the Board deemed that this was correctly structured, adequately balancing the weight of its various components (fixed, short-term variable and medium-long term variable)). In particular, the aim of the short, medium and long-term incentive schemes, fully described in the Board of Director's Report on Remuneration, is to guarantee the executives an appropriate relation between the variation in results and the variation in remuneration by providing for claw-back mechanisms. The Board decided to opt not to allocate an indemnity on termination of office.

With regard to the establishment and operation of the nomination committee, reference is made to paragraph 6 of this Report, recalling that the Company opted for the setting up of a single joint

**REPORT ON CORPORATE GOVERNANCE  
AND OWNERSHIP STRUCTURE**

Date: 20 March 2019

Page: 61 of 55

2018

---

**References:** *Borsa Italiana Code*  
*Borsa Italiana Instructions*

committee for appointments and remuneration to operate in line with the recommendations of Borsa Italiana's corporate governance code.

On the appropriateness of adopting succession plans for executive directors, the Company assessed that, due to the high level of proprietary concentration, and considering that the Company already benefits from the services of the Nomination and Remuneration Committee, which plays a central advisory and propositional role in identifying the optimal composition of the administrative body, up to now the adoption of a succession plan had not been a priority since the continuity and stability of management was ensured by the reconfirmation of management by the controlling shareholder. Furthermore, in order to ensure the continuity of operation of the administrative body, including in the event of replacement before the ordinary end of the directors' terms of office, the Board constantly monitors internal members and constantly reviews possible external candidates.

However, following the resignation of Mr. Marco Fiori from his term of office as a member of the Board of Directors and Chief Executive Officer, the Company does not rule out the possibility of adopting a plan for the succession of executive directors at the next renewal of the Board.

With regard to the transparency of the procedures for carrying out the Board's self-assessment, over time the Company has complied with a structured procedure as described in detail in paragraph 4.3 above.

Lastly, as regards the application of criteria of independence by the Board on the basis of its self-assessment, the Company strictly adheres to the recommendations of the Corporate Governance Code (see paragraph 4.6.1 above for details).'