

**REPORT ON CORPORATE GOVERNANCE
2008**

Date: 18 February 2009

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References: *Borsa Italiana Code*
Borsa Italiana Instructions



REPORT ON CORPORATE GOVERNANCE
related to the financial year ended on 31 December 2008

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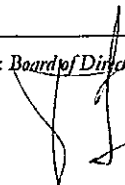
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DEFINITIONS

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

- **"Company" or "Issuer"**: d'Amico International Shipping S.A.
- **"Board of Directors"**: the Company's Board of Directors.
- **"Articles of Association"**: the Company's Articles of Association.
- **"Borsa Italiana Code"**: the Corporate Governance Code of Conduct for the Italian Listed Companies approved on 14 March 2006 by the Corporate Governance Committee and issued by Borsa Italiana S.p.A.
- **"Consob Regulation on Issuers"**: Consob Regulation n. 11971 of 14 May 1999, implementing the provisions on issuers of TUF, as amended by further Consob resolutions.
- **"Consob Regulation on Markets"**: Consob Regulation n. 16191 of 29 October 2007, implementing the provisions on issuers of TUF, as amended by further Consob resolutions.
- **"Borsa Italiana Rules"**: the Rules of the Markets organised and managed by Borsa Italiana S.p.A.
- **"Borsa Italiana Instructions"**: the Instructions to the Rules of the Markets organized and managed by Borsa Italiana S.p.A.

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- **"Report"**: the 2008 Annual Report on Corporate Governance drafted in compliance with the recommendations of the Borsa Italiana Code and the provisions of the Borsa Italiana Instructions.

- **"Financial Year"**: the 2008 financial year to which the Report refers to.

- **"TUF"**: the Legislative Decree n. 58 of February 24th, 1998 (Testo Unico della Finanza).

- **"Transparency Law"**: the Luxembourg law of 11 January 2008 on transparency obligations.

- **"Website"**: the Company's website, www.damicointernationalshipping.com

1. COMPANY PROFILE AND INFORMATION ON COMPLIANCE

The Company is a company duly incorporated on 9 February 2007, existing under Luxembourg laws and, having completed its initial public offering (IPO) of shares on 3 May 2007, is today listed on the STAR segment of Italian Stock Exchange Market and particularly on the Mercato Telematico Azionario (hereinafter, the "MTA") organized and managed by Borsa Italiana S.p.A. (hereinafter, "Borsa Italiana"). The object of the Company is the investment in enterprises, operating in the shipping industry, including the relevant services and facilities, as well as the administration, management, control and development of such participating interest. The principal activity of the Company is to act as the holding company for d'Amico Tankers Limited and its subsidiaries and Glenda International Shipping Ltd. The Company is organized in compliance with the applicable Luxembourg laws and regulations on companies and, as per resolution of its Board of Directors of February 23rd 2007, resolved to and still adopts the Borsa Italiana Code not being obliged to comply with the corporate governance regime of the Grand Duchy of Luxembourg. If, however, with regard to specific issues, the system of corporate governance should not be in compliance with the abovementioned recommendations and practices adopted on a voluntary basis, the Report will outline the specific reasons of failure to comply. The Company is further subject to the disclosure obligations related to corporate actions and periodic information communicated by Consob, the Italian Financial Regulator, on April 5 and 12, 2007, according to Article 114 of the Consob Regulation on Issuers and to Article 2.1.4 of Borsa Italiana Regulation.

In accordance with the provisions of the Borsa Italiana Instructions, on the occasion of the Annual General Shareholders' Meeting called to approve the Company's Annual Financial

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Statements, the Report is filed with Borsa Italiana and made available both at the registered offices of the Company and in the Investor Relations section of the Website which also contains documents regarding the Company's Corporate Governance system.

2. INFORMATION ON OWNERSHIP STRUCTURE (at 31 December 2008).

a) Capital structure.

The authorized capital of the Company amounts to US\$200,000,000 represented by 200,000,000.00 shares with no nominal value. All shares pertain to the category of ordinary shares. The subscribed and fully paid-up capital of US\$149,949,907.00 is represented by 149,949,907 shares with no nominal value.

Classes of shares:

	N° of shares	% of the share capital	Listed / not listed	Rights and obligations
Ordinary shares	149,949,907	100%	listed on the STAR segment of the MTA managed and organized by Borsa Italiana S.p.A.	Voting and dividends rights and in general those provided by the Company's Articles of Association and by the applicable Luxembourg laws
Shares with limited voting rights	-	-	-	-
Shares without voting rights	-	-	-	-

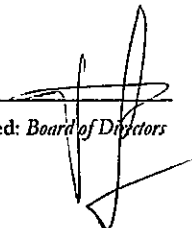
On 6 September 2007, the Extraordinary General Shareholders' Meeting of the Company approved a **Stock Option Plan**, previously approved by the Board of Directors in its meeting of 1 August 2007 after hearing the proposals formulated by the Remuneration Committee duly held on 31 July 2007. The stock option plan is granted to the Chief Executive Officer, the Chief Financial Officer and the Chief Operation Officer who are senior manager of the Group and who, due to the strategic significance and criticality of their role, to the position in the line and staff structure and to the effect of their office on the corporate results, hold positions considered as "key" within the Company. At the date of the Report no option has been exercised. Further information on the Stock Option Plan can be found in the Information Document available in the Investors Relations section of the Website as well as in the relevant paragraph of the Report on Operations of the 2008 Financial Statements of the Company.

b) Restrictions on the transfer of securities.

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The Company's shares are freely transferable.

c) Significant direct and indirect holding

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

I) 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 Luxembourg Financial Regulator ("Commission de Surveillance du Secteur Financier" or "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 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 Luxembourg trading day following a transaction or four trading days 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 Luxembourg trading day following its reception. The Transparency Law allows postponement of general meetings if the above mentioned notification is made within fifteen days prior to such a meeting.

II) In light of the listing of the Company's shares on the STAR segment of the MTA managed by Borsa Italiana, the shareholders of the Company are also bound by the terms of its Articles of Association as amended on 29 April 2008 and reported hereinafter:

"Natural persons or legal entities who acquire, dispose or hold a holding in the Company's capital represented by voting shares, shall inform the Company, which shall inform Borsa Italiana where: a) the percentage of the voting rights held by that person exceeds one of the following thresholds: 2 per cent., 5 per cent., 7.5 per cent., 10 per cent. and subsequent multiples of 5, b) the percentage of the voting rights held by that person falls below one of the thresholds specified in subparagraph a)" within five trading days of the date of transaction triggering the requirement, regardless of the date on which it is to take effect. Intermediaries that have acquired a holding of more than 2% and less than 5% in the course of their asset management activity may inform the Company within seven days of the publication of the notice convening the first shareholders' meeting following the acquisition. In such case, they shall also specify their holding at the date of the information. For the purpose of this specific provision, a person's holding shall be deemed to include both the shares owned by him, even if the voting rights belong or are assigned to third parties, and the shares of which the voting rights belong or are assigned to him. For the same purposes, a person's holding shall also include both the shares owned by nominees, trustees or subsidiary companies and the shares of which the voting rights belong or are assigned to such persons. Shares registered in the names of or endorsed to trustees and those of which the voting rights are assigned to an intermediary in connection with asset management services shall not be counted by the persons controlling the trustee or the intermediary."

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According to the above and based on the latest shareholdings communicated by investors at 31 December 2008, the following individuals and institutions have significant direct and/or indirect holdings exceeding 2% of the Company's total ordinary outstanding shares (149,949,907 shares):

Declarant	Direct shareholder	% of the capital	% of the voting capital
Kairos Partners SGR S.p.A.	Kairos Partners SGR S.p.A.	2.23%	2.23%
Kairos Fund Limited	Kairos Fund Limited	2.40%	2.40%
d'Amico International S.A.	d'Amico International S.A.	64.30 %	64.30 %

d) Securities with special control rights.

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

e) Employee share scheme: mechanism for the exercise of voting rights.

The Company provides additional benefits to certain members of senior management through an equity compensation plan (see under letter - a - above "Stock Option Plan"). In accordance with IFRS 2 – Share-based Payment, this plan represents a component of the recipient's remuneration. The compensation expense, corresponding to the fair value of the options at the grant date, is recognized in the income statement on a straight-line basis over the period from the grant date to the vesting date, with the offsetting credit recognized directly in equity.

The fair value is measured using the Black Scholes pricing model. The inputs used in the model are based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

f) Restrictions on voting rights.

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 Company's Articles of Association.

In particular, a freezing in the exercise of the voting rights attached to the Company 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.

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g) Shareholders agreements.

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

h) Appointment and replacement of directors and amendments to the Articles of Associations.

The Company complies with the provisions of the Luxembourg laws and regulations, with its Articles of Association, with what provided for in the IPO Prospectus 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 ensure, inter alia, timely adequate information on the personal and professional qualifications of the candidates with an indication, where appropriate and upon proposal of the Nomination Committee, of their eligibility to qualify as independent as per the provisions of the Borsa Italiana Code and Instructions. The Articles of Association provide that the Annual General Meeting of Shareholders will elect members for a period not exceeding six (6) years. Members are eligible for re-election and may be removed at any time, with or without cause, by means of a resolution of the General Meeting of Shareholders. In case of a vacancy on the Board of Directors, the Board of Directors may appoint a new director, provided that the next following General Shareholders' Meeting confirm such appointment. The list of candidates' mechanism for appointment of directors recommended by the Borsa Italiana Code is not applicable to the Company.

Any amendments to the Company's Articles of Association is resolved by an Extraordinary General Meeting of Shareholders whose quorum shall be at least one half of all the shares issued and outstanding. If the said quorum is not present, a second meeting may be convened at which there shall be no quorum requirement. In order for the proposed resolutions to be adopted, and save as otherwise provided by the Laws, a 2/3 majority of the votes cast by the shareholders present or represented is required at any such general meeting.

i) Delegated powers regarding share capital increases and authorization to the buy back.

The Company's Articles of Association permit the Board of Directors to issue new shares within the limits of the authorised share capital of the Company (US\$ 200,000,000) in one or several tranches, for any reason 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 remove or limit the preferential subscription rights of the shareholders in case of issue of shares against payment in cash.

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The Company Extraordinary Shareholders' Meeting held on 3 July 2007 authorized the repurchase of its own shares for a maximum number of 14,994,990 ordinary shares of the Company without nominal value (corresponding to 10% of the share capital of the Company) for a total maximum outlay of Euros 75 million and for a maximum period of eighteen (18) months from the date of the relevant extraordinary shareholders' meeting resolving upon it. The buy back transactions - carried out on the regulated market organized and managed by Borsa Italiana where the Company's shares are traded and in compliance with any applicable laws and regulations - started on 20 August 2007 and ended on 31 October 2008. At the end of the authorized period, that expired on 3 January 2009, the Company holds n. 4,390,495 of its own ordinary shares without nominal value (corresponding to 2.93% of the Company's share capital), all repurchased within the granted authorization at the average price of Euro 2.49 for a total consideration of Euros 10.9 million.

l) Change of control clauses.

Neither the Company nor any of its subsidiaries have entered into relevant agreements whose efficacy, modification or expiry is subject to a change of control of any of the contacting parties.

m) Directors' indemnities in the event of resignation, dismissal without just cause or termination of the employment contract as a result of a takeover bid.

The Company has not been entering into any agreements with none of its directors which envisage indemnities in the event of resignation, dismissal without just cause or termination of their employment contract as a result of a takeover bid

3. BOARD OF DIRECTORS

As already evidenced in the 2007 report on corporate governance the Company's system of corporate governance hinges on the central and active role of the Board of Directors.

3.1. Composition

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 need not to be shareholders and that the General Meeting of Shareholders will determine the Board of Directors' members' number. The Annual General Shareholders' Meeting held on April 29, 2008 fixed that number at six (6).

In accordance with the Articles of Association, the Board of Directors was elected by the abovementioned Annual General Meeting of Shareholders. Each member of the Board of Directors was elected for a three (3) years term of office that will end with the Annual General Shareholders' Meeting called to approve the 2010 Company's Financial Statements. The appointment of Directors was resolved following a transparent procedure which ensure, *inter alia*

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timely adequate information on the personal and professional qualifications of the candidates with an indication, where appropriate and upon proposal of the Nomination Committee, of their eligibility to qualify as independent as per the provisions of the Borsa Italiana Code and Instructions. 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 by the delegated persons and bodies in the occasion of the approval of the quarterly and annual accounts. Moreover, the Directors are regularly kept informed on any changes in the relevant regulatory framework as applicable from time to time to the Company.

At the end of the Fiscal Year the Board of Directors consists of six (6) directors, of whom three (3) are Executive and three (3) are Non-Executive; of the latter, two (2) are classified as Independent Directors. The number of Independent Directors, further prior assessment carried out by the Nomination Committee, was judged adequate with reference to the size of the Board and the activity of the Company.

In compliance with the Borsa Italiana Code recommendations, the Board of Directors in its meeting held on 6 May 2008, having taken into consideration the purpose and the dimension of the Company and of the group of which the Company is part as well as the participation of the directors of the Company in several committees established within its members, resolved that the directors of the Company, so as to be able to grant an effective performance of their duties, may not hold 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 same group of which the Company is part and to consider as one all the offices held on companies belonging to a same group other than the Company's one.

The following schemes evidences the composition of the Board of Directors and of the several 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.

Name	Office	In office from	Executive	Non-executive	Independent	% of attendance	Other relevant offices
d'Amico Paolo	Chairman	23.02.2007	X			100%	7
Fiori Marco	Chief Executive Officer	09.02.2007	X			100%	-
d'Amico Cesare	Director	23.02.2007	X			100%	6
Jozwiak Stas	Director	23.02.2007		X	X*	100%	-
Castrogiovanni Massimo	Director	23.02.2007		X	X	100%	-
Nunziante Gianni	Director	23.02.2007		X		100%	1

*Lead Independent Director

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Name	Office	Executive Committee*	% EC	Nomination Committee*	% N.C.	Remuneration Committee*	% R.C.	Audit Committee*	% A.C.
d'Amico Paolo	Chairman	X	100%						
Fiori Marco	Chief Executive Officer	X	100%						
d'Amico	Director	X	100%						
Jozwiak Stas	Director			X	100%	X	100%	X	100%
Castrogiovanni Massimo	Director			X	100%	X	100%	X	100%
Nunziante Gianni	Director			X	100%	X	100%	X	79%

*The Chairman of the meeting is appointed from time to time by majority of votes of the full Committee.

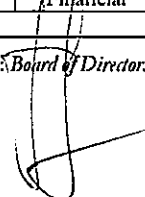
In the following scheme all the offices are duly specified and updated at 31 December 2008:

Director	Offices held in the boards of companies other than the Company	Type of company
Cesare d'Amico	Member of the Board of Directors (CEO) and member of the Executive Committee of d'Amico Società di Navigazione S.p.A.	d'Amico Group
	Member of the Board of Directors (Executive Chairman) of d'Amico Shipping Italia S.p.A.	d'Amico Group
	Member of the Board of Directors (CEO) of CO.GEMA S.A.M.	d'Amico Group
	Member of the Board of Directors of MIDA Maritime Company Limited	d'Amico Group
	Sole Director of Saemar S.A.	d'Amico Group
	Member of the Board of Directors of d'Amico Dry Limited	d'Amico Group
	Member of the Board of Directors of Anglo Canadian Shipping Company Limited	d'Amico Group
	Member of the Board of Directors of 137 Seabright Holding Limited	d'Amico Group
	Member of the Board of Directors of Ishima Pte Limited	d'Amico Group
	Member of the Board of Directors (Vice Chairman) of Compagnia Generale Telemar S.p.A.	Large size
	Member of the Board of Directors (Executive Chairman) of d'Amico International S.A.	d'Amico Group
	Member of the Board of Directors and of the Executive Committee of The Baltic and International Maritime Council (BIMCO)	Large size
	Member of the Board of Directors of The Standard Steamship Owners' Protection and Indemnity Association (Bermuda) Limited	Insurance
Member of the Board of Directors (Chairman) of Milano Finanziaria Immobiliare	Financial	

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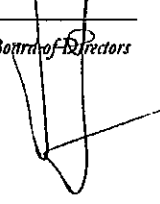
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	S.p.A.	Listed
	Member of the Board of Directors (Non-Executive Director) of Tamburi Investment Partners S.p.A.	
	Member of the Board of Directors of Società Laziale Investimenti e Partecipazioni S.p.A.	Investment
	Sole Director of Casle S.r.l.	Real estate
	Sole Director of Fi.Pa. Finanziaria di Partecipazione S.p.A.	Financial
	Member of the Board of Directors (Chairman) of Marina Cala Galera Circolo Nautico S.p.A.	Service
Paolo d'Amico	Member of the Board of Directors (Chairman) and of the Executive Committee of d'Amico Società di Navigazione S.p.A.	d'Amico Group
	Member of the Board of Directors (CEO) of d'Amico Shipping Italia S.p.A.	d'Amico Group
	Member of the Board of Directors (Chairman) of Compagnia Generale Telemar S.p.A.	Large size
	Member of the Board of Directors of Milano Finanziaria Immobiliare S.p.A.	Financial
	Member of the Board of Directors of The Shipowners' Mutual Strike Reinsurance Association (Bermuda) Limited	Insurance
	Member of the Council of The International Association of the Independent Tankers Owners (Intertanko)	Large size
	Member of the Board of Directors (Vice-Chairman) of Confitarma	Large size
	Member of the Board of Directors of d'Amico Tankers Limited	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 Secontip S.p.A.	Financial
	Member of the Board of Directors of Sator S.p.A.	Financial
	Marco Fiori	Member of the Board of Directors of DM Shipping Limited
Member of the Board of Directors of d'Amico Finance Limited		d'Amico Group
Member of the Board of Directors of d'Amico Tankers U.K. Limited		d'Amico Group
Member of the Board of Directors of d'Amico Tankers Singapore Pte Limited		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 of COMARFIN S.A.M.		d'Amico Group
Member of the Board of Directors (CEO) of d'Amico Tankers Limited		d'Amico Group
Member of the Board of Directors (Executive Chairman) of d'Amico Tankers Monaco S.A.M.		d'Amico Group
Member of the Board of Directors of d'Amico Shipping U.K. Limited		d'Amico Group
Member of the Board of Directors of d'Amico Finance S.A.		d'Amico Group
Member of the Board of Directors of Paul Maritime Co. Limited		d'Amico Group
Member of the Board of Directors of Glenda International Management Limited		d'Amico Group
Member of the Board of Directors of High Pool Tankers Limited		d'Amico

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	Member of the Board of Directors of VPC Logistics Limited	Group d'Amico Group
	Member of the Board of Directors of Glenda International Shipping Limited	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
Massimo Castrogiovanni	Member of the Board of Directors of d'Amico Tankers Limited	d'Amico Group
Gianni Nunziante	Member of the Board of Directors (Chairman) of Eems S.p.A.	Others
	Member of the Board of Auditors (Chairman) of Moody Italia S.r.l.	Large Company
	Member of the Board of Directors of Castello di Spaltenna S.p.A.	Others
	Member of the Board of Directors of Vignamaggio S.r.l.	Others
	Member of the Board of Directors of S.L.I.P. S.r.l.	Others

3.2. Meetings

In the Financial Year the Board of Directors met six (6) times with a percentage of attendance of 100% as better specified in the above schemes. Moreover, due to the Company and its subsidiaries business and in order to be compliant both with the provisions of the Company's Regulations on Major Transactions and on Significant Transactions with Related Parties and with the Italian disclosure requirements to which the Company is subject due to its listing on the MTA of Borsa Italiana, the Directors signed seven (7) written decisions duly documented according to the provisions of the Articles of Association. Prior to any Board of Directors meeting or decision, the supporting documentation permitting effective participation in the proceedings was normally provided.

On 5 November 2008 the Company released a calendar showing the scheduled dates for the 2009 Board of Directors meetings either for the approval of the first and third interim management statements, the half-yearly report and the draft of the financial statements or the presentation of the respective accounting data to the financial analysts. These data are available in the "Investors Relations" section of the Website. On the same date in compliance with the applicable Italian laws and regulations in force, the Board of Directors resolved to avail itself of the exemption from publishing the fourth (4) 2008 interim management statement considering that the 2008 draft annual financial statements of the Company are scheduled to be published within seventy-five (75) days from the end of the Financial Year.

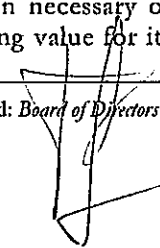
3.3. Role and tasks

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

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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 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 Company's Articles of Association, applicable laws and regulations and best practice, the following are especially noteworthy:

- the examination and approval of the strategic, industrial and financial plans of the Company and its subsidiaries (the Board of Directors approved the first plan for the 2007, 2008 and 2009 financial years on its meeting held on 23 February 2007);
- the examination and approval of the corporate structure of the Company and its subsidiaries (upon the listing on the Company as disclosed in the IPO Prospectus);
- the adoption of the Company's Corporate Governance rules (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 on Corporate Governance);
- the examination and/or approval of the Company 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 transactions in which one or more directors 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 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 upon previous favorable opinion of the Audit Committee;
- the evaluation of the adequacy of the organizational, administrative and accounting general structure of the Company and its strategically relevant subsidiaries (the book value of the holding in the subsidiary represents more than 50% of the Company's assets as shown in the latest approved annual financial statements) drafted by the bodies with delegated powers with special reference to the Internal Control System and to the management of the conflict of interests;
- 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 does this kind of evaluation quarterly together with the approval of the accounting documents and annually with the approval of the present report on Corporate Governance);
- the evaluation of the Board of Directors and its Committees size, composition and

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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, Rules and Instructions (the Board of Directors of 12 February 2008 resolved for a positive assessment upon previous opinion released by the Nomination Committee);

- 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 29 July 2008 resolved for the allocation of fees among the executive and non executive Directors upon previous positive opinion of the Remuneration Committee).

3.4. Model for delegation of powers

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 the joint signature of any two members of the Board of Directors, by the joint signatures or single signature of any persons 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 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 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 determined permanent or temporary functions to persons or committees of its choice.

According with the Articles of Association, the Board of Directors meeting held on 23 February 2007 established that persons and corporate bodies with delegated powers shall report to the Board of Directors, at least once in each quarter, in occasion of the Board of Directors' and Executive Committee's 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 performs management and coordination activities, if any. The reports of the delegated persons and bodies are the basis for the drafting of the quarterly and annual accounting documents.

Executive directors

At the end of the Financial Year the Board of Directors consists of six (6) directors, of whom the three (3) Executives are Mr. Paolo d'Amico (Chairman and member of the Executive

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Committee) , Mr. Cesare d'Amico (member of the Executive Committee) and Mr. Marco Fiori (Chief Executive Officer and member of the Executive Committee).

a) Chairman of the Board of Directors

The Board of Directors held on 6 May 2008 resolved to confirm the appointment of Mr. Paolo d'Amico as Chairman without a specific delegation of powers. The latter, however, indirectly jointly controls the Issuer and, as member of the Company's Executive Committee, plays a specific role in the definition of the business strategies and is systematically involved in the day-to-day management of the Issuer. In the same meeting, moreover, the Board of Directors resolved to again identify in the Chairman of the Company the Supervisory Director responsible for supervising the properly functioning and effective implementation of the Internal Control System.

b) Chief Executive Officer

The Board of Directors meeting held on 6 May 2008 resolved to appoint Mr. Marco Fiori as Chief Executive Officer of the Company in charge of the Company's daily management and representation and with power to bind the Company under his single signature up to amounts of USD five (5) millions.

c) Executive Committee

The Board of Directors meeting held on 6 May 2008 confirmed the setting up of the Executive Committee as well as the members' number at three (3) and the appointment of Mr. Paolo d'Amico (Chairman of the Board of Directors), Mr. Cesare d'Amico (Director) and Mr. Marco Fiori (Chief Executive Officer). The same meeting fixed the Committee 2008 expenditure budget at Euro 20,000.00 considered appropriate in order for it to discharge its duties and resolved upon the delegation of the following special powers:

- 1) to determine the organizational structure of the Company;
- 2) to review, analyze and evaluate the strategic, industrial and financial plan of the Company and of its subsidiaries together with the relevant budget, business plan and any other document, paper, plan and proposal concerning the Company and its subsidiaries as well as any update of the abovementioned documents;
- 3) to grant voting instructions to representatives of the Company in the corporate bodies of the Company's subsidiaries;
- 4) to designate the members of the board of directors and/or of the executive committee and the members of the control bodies of the Company's subsidiaries;
- 5) to employ, dismiss, transfer and to grant powers to the employees with managerial responsibilities of the Company and to give any relevant instructions in that respect to its subsidiaries;
- 6) to review, analyze and evaluate, in the light of the strategic, industrial and financial plan of the Company and of its subsidiaries, all of the contracts, deeds, acts and documents concerning new building, purchase, sale, long term chartering in and long term chartering out of vessels.

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In the Financial Year the Executive Committee held six (6) meetings with a 100 % attendance of all its appointed members. Moreover, on 29 July 2008 the Board of Directors, upon proposal of the Committee itself, resolved to approve the Executive Committee Regulation, governing its functioning, duties and rights.

3.5. Non-Executive Directors

At the date of the Report the Board of Directors consists of six (6) directors, of whom the three (3) Non-Executives are: Mr. Massimo Castrogiovanni, Mr. Stas Jozwiak and Mr. Gianni Nunziante. These Non-Executive Directors bring their specific expertise to Board of Directors discussions and contribute to the taking of decisions that are consistent with the Shareholders' interests. The number and standing of the Non-Executive Directors is such that their views carry significant weight in taking Board of Directors decisions.

Independent Directors

An adequate number of Independent Directors is essential to protect the Shareholders' interests, particularly minority shareholders' and third parties' interests, assuring that potential conflicts between the Company's interests and those of the Controlling Shareholder are assessed impartially. The contribution of Independent Directors is also fundamental to the composition and functioning of advisory Committees entrusted to the preliminary examination and formulation of proposals regarding risks. These committees represent, indeed, one of the most effective means for fighting eventual conflicts of interest. Moreover, 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 Fiscal Year, further to the resolutions passed by the Annual General Shareholders' Meeting held on 29 April 2008, the Board of Directors consists of six (6) directors and, according to the declarations made by the parties concerned, two (2) of them qualify as independent namely, Mr. Massimo Castrogiovanni and Mr. Stas Jozwiak.

In line with the Borsa Italiana Code provisions the Nomination Committee in its meeting held on 12 February 2008 considered the number of Independent Directors sufficient to ensure that their opinion had a significant impact on the decision-making process of the Board of Directors.

On the basis of the information provided by the Directors concerned and of that in the Company's possession, the Board of Directors in its meeting held on 6 May 2008 duly verified at the time of the re-appointment of self-declared Independent Directors that each of them satisfied 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

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Italian laws and regulations. This kind of assessment is annually done with the approval of the present report on Corporate Governance and as a consequence it can be affirmed that no existing relation involving both the Independent Directors is such as to jeopardize their autonomy of judgement.

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 one of the ultimate controlling Shareholders, the Board of Directors in its meeting as of 6 May 2008, designated and appointed Stas Jozwiak as Lead Independent Director in charge with the function to coordinate the activity and the requests of the Non-Executive Directors with special regards to those 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 may call 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. At the end of the Financial Year one (1) Independent Directors' Executive Sessions was held; the subject discussed was the general management of the Company.

4. TREATMENT OF CORPORATE INFORMATION

Processing of Corporate Information

In compliance with applicable Luxembourg and especially Italian laws and regulations and following the reception of the European Market Abuse Directive, 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 its subsidiaries, under an employment contract or otherwise, who, by reason of their job, professional activity or offices discharged on behalf of the Company, have regularly or occasionally access to insider information serving to monitor access to and circulation of insider and confidential information prior to their disclosure to the public and to ensure compliance with statutory and regulatory confidentiality requirements both for the Company itself and on behalf of all its subsidiaries. The Insider Register is finalized 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, 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 such 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 a person in charge of the keeping.

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

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special reference to the price sensitive information set up on the basis of the delegation conferred by the Board of Directors on 6 November 2007.

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 breach 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 impose disclosure obligation on so called "persons discharging managerial responsibilities within the Issuer" for the insider-dealing transactions involving shares of the Company or financial instruments linked thereto. Furthermore, the Internal Dealing Code provisions impose some additional restrictions to certain identified persons because of their position or their actual or potential access to material information. As such, those persons are regularly informed about dealing or non-dealing periods.

The Board of Directors in its meeting of 29 July 2008 approved some amendments to the Internal Dealing Code aimed to better define the so call black out periods according to what established by the Borsa Italiana Rules. The amended Internal Dealing Code which also summarize the main procedures governing the internal handling and public disclosure of the inside information within the Company and its participated subsidiaries with special reference to the price sensitive information main is available in the Investors Relations section of the Website.

5. INTERNAL COMMITTEES OF THE BOARD OF DIRECTORS

In compliance with the recommendations contained in Article 5 of the Borsa Italiana Code, the Board of Directors meeting held on 6 May 2008 resolved to confirm the setting up of a Nomination, a Remuneration and an Audit Committee. As per the abovementioned resolution, all the Company's Committees are composed of three Non-Executive members of the Board of Directors two of which are Independent Directors and one of them has an adequate and recent experience in accounting and finance as assessed by the Board of Directors resolving upon the relevant appointment. The number of Independent Directors were considered adequate so as to permit the constitution of the above mentioned Committees. All the Committees in the performance of their duties, were given a chance to access the necessary company's information and functions, according to the procedures established by the Board of Directors, as well as to avail themselves of external advisers.

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Moreover, upon proposal of the respective Committee, the Board of Directors approved a Regulation for each of the Committees governing their respective internal functioning, operation procedures, duties and rights.

5.1. Nomination Committee

By means of the abovementioned Board of Directors resolution, the following Non-Executive Director were re-appointed: Mr. Gianni Nunziante and the Independent Directors Mr. Massimo Castrogiovanni and Mr. Stas Jozwiak.

As per the above resolution the Nomination Committee is supplied with an annual expenditure budget of Euro 10,000.00 considered appropriate in order for it to discharge its duties and is entitled to:

- designate candidates to the position of Independent Director to be submitted to the Shareholders' Meeting of the Company, taking into account any recommendation received in his regard from the Shareholders (especially where the Board of Directors sees that it is difficult for shareholders to make proposals, as may be the case in listed companies with a broad shareholder base);
- propose candidates for election to the office of director in case of substitution of an Independent Director;
- express opinions to the Board of Directors with respect to the size and composition of the same and, eventually to the professional expertise and skills whose presence within the Board of Directors is considered appropriate;
- propose candidates to the position of member of the Supervisory Committee to be submitted to the approval of the Board of Directors;
- report on the performance of its activities to the Board of Directors called to approve the draft of the annual accounts of the Company.

At the end of the Fiscal Year the Nomination Committee held three (3) meetings duly recorded with a 100% attendance of all its appointed members. Nobody other than the Nomination Committee members attended the relevant meetings. During such meetings, among other things, the Nomination Committee, among other things, performed, with positive results, the annual assessment on the size and composition of the Board of Directors, it recommended candidates for the office of Independent Director and member of the Supervisory Committee.

5.2. Remuneration Committee

By means of the Board of Directors resolution of 6 May 2008 the following Non-Executive Director were re-appointed: Mr. Gianni Nunziante and the Independent Directors Mr. Massimo Castrogiovanni and Mr. Stas Jozwiak.

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As per the above resolution the Remuneration Committee is supplied with an annual expenditure budget of Euro 10,000.00 considered appropriate in order for it to discharge its duties and is entitled to:

- submit proposals to the Board of Directors, in the absence of the persons directly concerned, regarding remuneration of the managing directors and other directors who cover particular offices;
- examine the managing directors' indications and submit proposals for:
 - stock options plans or shares allotment;
 - general criteria adopted for the remuneration of executives with strategic responsibilities;
- submit general recommendations and monitor the execution and application of the resolutions adopted by the Board of Directors on the above subject matter;
- report on the performance of its activities to the Board of Directors called to approve the draft of the annual accounts of the Company.

At the end of the Fiscal Year the Remuneration Committee held two (2) meetings duly recorded with a 100% attendance of all its appointed members. Nobody other than the Remuneration Committee members attended the relevant meetings. During such meetings, among other things, the Remuneration Committee reviewed and submitted proposals with respect to compensation and incentive plans applicable to senior managers and performed, with positive results, the assessment on the execution of the Board decision with reference to the fees allocation and the management and implementation of the stock option plan.

5.2.1. Remuneration of Directors

The Articles of Association provide that the management fees (*tantièmes*) payable to the members of the Board of Directors shall 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 by the Board of Directors, upon proposal submitted by the Remuneration Committee. Nevertheless, the Shareholders' Meeting shall determine an aggregate amount for compensation of all the Directors, including those vested with particular functions.

As approved by the Company's Annual General Shareholders' Meeting held on 29 April 2008 the maximum total annual remuneration of the Board of Directors for 2008 Financial Year was set at Euro 600,000.00 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.

The Board of Directors - in its meeting held on 29 July 2008, upon previous recommendation of the Remuneration Committee of the Company held in that respect on 28 July 2008 - resolved, the Non-Executive Directors abstaining from voting, to allocate, in equal amounts, the total amount of Euro 165,000.00 among the three Non-Executive Directors judged proportional to the engagement requested from each of them taking into consideration their duties and the participation of each of them to all the Company's Advisory Committees (Remuneration, Audit and Nomination). The Non-Executive Directors remuneration is not linked

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to the economic results achieved by the Issuer as Non-Executive directors are not be beneficiaries of stock option or equity based remuneration plans.

In the same meeting and upon previous recommendation of the same Remuneration Committee meeting mentioned above, the Board of Directors considered the residual amount of Euro 435,000.00 compatible with the ultimate objective of creating value for shareholders in the medium and long period and resolved, the executive directors abstaining from voting, upon the allocation of that amount among the three Executive Directors of the Company as follows:

- Euro 250,000.00 to be paid to the Chairman and Member of the Executive Committee (Mr. Paolo d'Amico);
- Euro 145,000.00 to be paid to the Chief Executive Officer and Member of the Executive Committee (Mr. Marco Fiori);
- Euro 40,000.00 to be paid to the Director and Member of the Executive Committee (Mr. Cesare d'Amico).

In resolving the above, the Board of Directors took into consideration (i) the work and duties performed by each executive director (ii) the powers and duties with which each executive director has been entrusted so far by the Board of Director in the conduct of the business of the Company and iii) the allocation of fees resolved by the Board of Directors for the year 2007 as well as the average remuneration in line with the market practice for similar positions.

Further information on the compensation paid to the Company's Directors and the senior managers with strategic responsibilities of the Company and its subsidiaries can be found in the relevant table in the "Other Disclosures" section of the Company's Financial Statements.

On 6 September 2007, the Extraordinary General Shareholders' Meeting of the Company approved a Stock Option Plan, previously approved by the Board of Directors in its meeting of 1 August 2007 after hearing the proposals formulated by the Remuneration Committee duly held on 31 July 2007. The stock option plan is granted to the Chief Executive Officer, the Chief Financial Officer and the Chief Operation Officer who are senior manager of the Group and who, due to the strategic significance and criticality of their role, to the position in the line and staff structure and to the effect of their office on the corporate results, hold positions considered as "key" within the Company. At the date of the Report no option has been exercised.

Further information on the Stock Option Plan can be found in the Information Document available in the Investors Relations section of the Website as well as in the relevant paragraph of the Report on Operations of the 2008 Financial Statements of the Company.

5.3. Audit Committee

By means of the Board of Directors resolution of 6 May 2008 the following Non-Executive Director were re-appointed: Mr. Gianni Nunziante and the Independent Directors Mr. Stas Jozwiak and Mr. Massimo Castrogiovanni, the latter having an adequate and recent experience in accounting and

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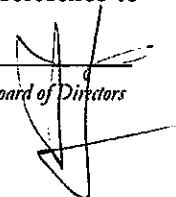


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finance, according to what assessed by the Board of Directors and in compliance with the relevant rules of the Borsa Italiana Code.

As per the above resolution the Audit Committee is supplied with an annual expenditure budget of Euro 10,000.00 considered appropriate in order for it to discharge its duties and is entitled to assist the Board of Directors in discharging its own duties by providing it with assistance, advice and proposals on the following:

- the definition of the guidelines for the Internal Control System and the evaluation of the adequacy, effectiveness and functioning of the latter;
- the work plan prepared by the Internal Control Officer having received the latter's periodic reports;
- the adequacy and correct utilization of the accounting principles adopted and their consistency for the purpose of the preparation of the consolidated financial statements (together with the responsible executive and the external auditor) and the validity of the accounting audit process;
- the proposals submitted by the auditing firms to obtain the audit engagement;
- the work plan prepared for the audit and the results thereof set out in the external auditor's report and , eventually in their letter of suggestions;
- the appointment and the revocation of the Internal Control Officer in charge of the management of the Internal Control System and the definition of his/her remuneration in line with the Company's policies;
- the identification of the executive director in charge of the supervision of the functionality of the Internal Control System;
- the rules which assure 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



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Significant Transactions carried out by the Company or its Subsidiaries with Related Parties;

- the Major Transactions and the Significant Transactions with Related Parties over which the Company or the company's subsidiaries are competent;
- a periodic - at least once every six months, at the time the annual report and first-half report are approved - assessment on the appropriate and actual functioning of the Internal Control System.

At the end of the Financial Year the Audit Committee held fourteen (14) meetings duly recorded and always well attended, with more than 96% of attendance of the Directors on average (the Independent Directors collectively also recorded an attendance rate of 93%). According to the Audit Committee Regulation provisions several meetings were attended by the Internal Control Officer without right of vote and all the persons other than the Audit Committee members and the Internal Control Officer attended upon invitation with reference to specific items on the meeting's agenda and with no right to vote.

During such meetings, among other things, the Audit Committee expressed favorable advice with reference to the Regulation on transparency and fairness of Transactions with Related Parties, assisted the Board of Directors in the definition of the Internal Control System Guidelines, evaluated the Organizational Model as per Legislative Decree n° 231/01 and expressed previous opinions on several Major Transactions mainly carried out by the Company's operating subsidiaries.

6. THE INTERNAL CONTROL SYSTEM

The Company is following the necessary steps in order to implement an efficient and adequate System of Internal Control by means of establishing a set of rules, processes and organizational structures in order to monitor the efficiency of the Company's operations, the reliability of the financial information, the compliance with law and regulation for the safeguard of the Company's assets. The Board of Directors, as the body responsible for the Internal Control System, is performing its duties based on a model derived from the COSO Report, the Borsa Italiana Code and the national and international best practices. The Company, having evaluated the functioning of the Internal Control System during the 2008 Financial Year, considers it adequate and effective.

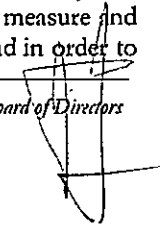
1.1. Guidelines for the Internal Control System

The Board of Directors meeting held on 7 February 2008, having received positive advice by the Audit Committee, resolved to approve the Company's Guidelines for the Internal Control System (hereinafter the "Guidelines") drafted in order to ensure a correct identification, an adequate measure and a proper handling and control of the main risks faced by the Company and its Subsidiaries and in order to

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prevent risks in accordance with the goal of protecting the corporate assets and consistent with the principles of sound management. The same Board of Directors meeting, upon positive advice by the Audit Committee, approved the main terms of the Risk Management Strategy policy of the Company taking into account the various financial risks to which the Company is exposed in its ordinary course of business. The policy is aimed to reduce the Company's earnings exposure to cyclical fluctuation.

6.2. Executive Director responsible for supervising the functionality of the Internal Control System

The Board of Directors meeting held on 6 May 2008 resolved to again identify in the Chairman of the Company the Supervisory Director responsible for supervising the properly functioning and effective implementation of the Internal Control System. Such Supervisory Director supports the Board of Directors in the performance of its internal control functions and, working within and in accordance with the Guidelines established by the Board of Directors, is responsible for:

- the identification of the core corporate risks, based on the characteristics of the Company and its Subsidiaries' business, reporting periodically to the Board of Directors about the output of its assessment;
- the implementation of the Guidelines approved by the Board of Directors;
- the planning, the operation and the managing the System of Internal Control;
- monitoring the efficiency, adequacy and effective implementation of the system of internal control;
- making sure that the System of Internal Control is updated to address any issues that may arise during the monitoring process or as a result of the evolution of the Company's organization or operational structure, changes in the Company's business and changes in the statutory and regulatory framework that may be relevant to the Company.

In performing these tasks, the Supervisory Director relies on the support of the Internal Control Officer and reports to the Board of Directors about the work performed upon request or whenever the Supervisory Director deems it necessary in connection with the occurrence of specific problems.

6.3. Internal Control Officer

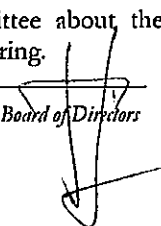
The Company's Board of Directors meeting held on 29 July 2008, due to the resignation of the formerly appointed Internal Control Officer, resolved to appoint, upon proposal of the Chairman, in his capacity as Internal Control Supervisory Director, and further advise given by the Audit Committee, the new Internal Control Officer. The Internal Control Officer recently appointed is also the head of the Internal Audit function, who is not responsible for any operational unit, does not report to any manager of an operational unit and have direct access to each information useful for the performing of his tasks. Due to the fact that the Internal Control Officer is also the Internal Audit Manager, the Company, in line with its policies, considered that the amount allocated as budget of the Internal Audit Function could be sufficient and appropriate for the Internal Control Officer to perform the following tasks:

- verifying the efficiency, adequacy and effective implementation of the System of Internal Control;
- reporting to the Internal Control Supervisory Director and the Audit Committee about the management of risk profiles and the correct implementation of plans for risk monitoring.

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According to the provisions of the Audit Committee Regulation, the Internal Control Officer attends the meetings of the Audit Committee and during the 2008 Financial Year he drafted and illustrated to the Audit Committee the Audit Plan and the results of the first planned audit on market abuse subject conducted on behalf of the Supervisory Committee.

6.4. Compliance Program pursuant to Legislative Decree 231/01

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 the Italian Legislative Decree 8 June 2001, n. 231, which has introduced the administrative liability of legal entities and their respective bodies for specific types of criminal offences provided under the Italian Criminal Code (such as the crimes against the Italian public authorities, corporate crimes, market abuse etc.) committed and prosecutable in Italy in the interests or for the benefit of the same by persons who hold functions of representation, administration or direction of the legal entity or its respective bodies or one of its organizational units having financial and functional autonomy as well as by persons 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:

a) 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 a procedure for each of the sensitive activities identified as the activities most at risk of crime identified under the Italian Criminal Code (so called "Model of Organization, Management and Control" or "Model");

b) 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 Audit Committee, on 12 March 2008, has formally adopted the Model and is now implementing specific operating procedures in order to prevent the commission of crimes. The Board of Directors in the same meeting also approved and adopted the Code of Conduct which contains the business ethics fundamental principles to which the Company conforms and with which directors, statutory auditors, employees, consultants and partners and in general all those who act in the Company's name and on its behalf are required to comply. The Code of Conduct is available on the Investor Relations section of the Website.

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

- a. 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 functions in order to put in place a better monitoring of the activities at risk;
- b. 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;
- c. evaluating the advisability of updating the Model when necessary to update it in relation to corporate requirements or conditions;
- d. 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 honorableness.

In particular, one member is the Internal Control Officer of the Company and was appointed by the Board of Directors upon proposal of the Nomination Committee on 29 July 2008 due to the resignation of the former Internal Control Officer. The other two members are external and were appointed, following the same procedure, on 12 March 2008. All the members of the Supervisory Committee were appointed for a three (3) financial years term ending at the Annual General Meeting of Shareholders to be held on 2011. The Board of Directors meeting held on the latter date resolved also on 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.

Based on the periodic report made by the Supervisory Committee regarding the implementation, functioning, adequacy and efficacy of the Model, the Board of Directors after due evaluation considered the Supervisory Committee adequate in terms of organizational structure and powers conferred and that no changes and/or additions are necessary.

6.5. Auditors

On April 29, 2008, the Annual General Shareholders' Meeting re-appointed, upon proposal of the Board of Directors and for a one year term, expiring on the date of the General Shareholders' Meeting approving the 2008 Company's Annual Accounts, Lux-Fiduciaire S.à.r.l., as **Statutory Auditor** of the Company's statutory accounts ("**Commissaire aux Comptes**") in compliance with applicable

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Luxembourg laws and provisions. Lux-Fiduciaire S.à.r.l. has been dealing with the statutory audit of the Company since 2007. The Statutory Auditor have unlimited power of supervision and control over all of the operations of the Company and may inspect, but not remove, the books, correspondence, minutes and, in general, all the records of the Company and may take part in the work of the Audit Committee.

The same Annual General Shareholders' Meeting also re-appointed, upon proposal of the Board of Directors, Moore Stephens S.à.r.l., Luxembourg, as **External Auditor ("Réviseur d'entreprises")** of the Company's consolidated and statutory accounts for a one year term, expiring on the date of the General Shareholders' Meeting approving the Company's Annual Accounts for 2008 Financial Year. Moore Stephens S.à.r.l. has been dealing with the external audit for the Company since 2007.

Due to the fact that both the consolidated and statutory annual accounts of the Company are duly audited by the appointed External Auditor ("Réviseur d'entreprises") according to Luxembourg laws and regulations the Company is no longer bound to appoint a Statutory Auditor ("Commissaire aux Comptes").

7. DIRECTORS' INTERESTS AND TRANSACTIONS WITH RELATED PARTIES

In compliance with article 9 of the Borsa Italiana Code, on 7 February 2008 the Board of Directors, upon previous recommendation of the Audit 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.

The abovementioned rules identify the Major Transactions and the Significant Transactions with Related Parties for their respective value/amount and/or type and reserve exclusively to the Board of Directors, upon previous advice of the Audit Committee where requested, 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). The rules also requires 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 Financial Year the Company duly implemented the provisions of the above mentioned internal rules by previously approving or 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.

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8. RELATIONS WITH THE SHAREHOLDERS

The Company policy is to ensure and maintain a constant and on-going dialogue with its Shareholders and Institutional Investors, pursuing a policy of fair communication with them through its Investor Relations Team. The annual Investor Relations program includes conference calls after the delivering of Group results, several Analysts meetings, an Investors Day or Analysts/Investors presentation, together with the attendance at the relevant events that the Italian Stock Exchange (STAR Segment) organizes. According to the Group's disclosure policy, the Company edits a quarterly Investor News, seeking to keep all stakeholders updated about business developments, market opportunities, strategies and projects, operating performance, financial results and share trends. Moreover the Company created a dedicated section (the "Investor Relations Section") of the Website so as to allow an easy and timely Investors' access to relevant Company's information such as share and institutional information, periodic and extraordinary operating and financial information, the calendar for corporate events, historical financial data, press releases, institutional presentations, periodic publications and analyst coverage and corporate governance documents.

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.

More information is available on the Website.

9. GENERAL MEETINGS OF SHAREHOLDERS

During the Financial Year, apart from the Annual General Shareholders' Meeting held on 29 April 2008, the Company held only one (1) Extraordinary Shareholders' Meeting duly convened on the same date in order to approve an amendment to the Articles of Association with reference to the date of the Annual Shareholders' Meeting which was anticipated to the last Tuesday of March at 11:00.

Shareholders' Meetings provide regular opportunities to meet and communicate with shareholders while complying with the Regulations that govern the handling of price sensitive information. That's why the Company encourages the active and broad involvement of its Shareholders and, on this purpose, in compliance with the provisions of the Consob Regulation on Issuers, the Borsa Italiana Rules, the IPO Prospectus, the Articles of Association and the Luxembourg Laws, a notice of the Shareholders' Meeting is published at least 8 days before the date of the meeting in a daily newspaper, having a national circulation in Italy and a copy of it is sent to Borsa Italiana no later than the day before that scheduled for its publication in the press. Such notice indicates the Articles of Association's rules governing attendance at meetings, contains information regarding the availability of the documentation at the registered office of the



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Company and at Borsa Italiana and specifies that shareholders may obtain a copy thereof at their expenses. Moreover the Directors of the Company manage to give to the shareholders' meeting all the necessary information for them to take the decisions that are in their competence so as to exercise their rights easily and in a conscious way by way of preparing a report on the proposals contained in the agenda. Such Board of Directors report is deposited with the registered office of the Company and with Borsa Italiana at least 15 days before the date of the scheduled Shareholders' Meeting or within the time prescribed by the applicable laws as indicated below.

Persons holding their shares through a securities settlement system may attend and vote at a general meeting of shareholders by presenting at the place indicated by the Board of Directors at least five days prior to the date set for the meeting a certificate indicating, inter alia, the number of shares held and delivered by a qualified intermediary, with which the shares are held and the fact that the shares which are the object of such a certificate, are blocked until after the holding of the general meeting of shareholders and may be transferred only after the holding of such meeting.

In order to reduce the boundaries and procedures that make it difficult for the Shareholders to attend to the relevant meetings the Board of Directors in its meeting of February 23rd, 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 determine 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 visio-conference or any other telecommunication methods allowing for their identification provided that the latter telecommunication methods 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.

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 is duly posted and available on the Investor Relations section of the Website.

10. SIGNIFICANT CHANGES SINCE THE END OF THE FINANCIAL YEAR.

On 27 January 2009 the Extraordinary General Shareholders' Meeting of the Company authorized the buyback of the Company's ordinary own shares as proposed and explained by the Board of Directors in its report to the shareholders duly approved in its meeting held on 5 November 2008. The buy back authority up to a maximum of number 14,994,991 of ordinary shares including the Company's own shares already repurchased (corresponding to 10% of the subscribed capital of the Company) may be carried out in one or more tranches, for a maximum

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period of 18 months at the minimum price of 50 cents of Euro per share and a maximum price of 5 Euro per share for a total consideration in the range of about Euro 7.5 million to about Euro 75 million.