



ANNUAL REPORT ON CORPORATE GOVERNANCE

2016

Approved by the Board of Directors on
May 22nd, 2017

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INTRODUCTION

This report aims to provide a complete overview of the corporate governance system adopted by Augustea Holding Spa (hereinafter "Augustea" or the "Company") and applied to the Group companies it controls (hereinafter the "Augustea Group" or, more simply, the "Group"), including the main features of the internal control and risk management system and also in relation to the financial reporting process.

Although not listed on the stock exchange, the Company saw fit to make its corporate governance system comply with the principles contained in the "Code of Conduct" for listed companies stipulated by the Italian Stock Exchange, issued in 2011 and available at the www.borsaitaliana.it website.

Dedicated to creating value for shareholders in the medium to long term period, the corporate governance system adopted also uses the recommendations made by CONSOB in the field and, more generally, the international best practices.

The contents of this report were approved by the Board of Directors on May 22nd, 2017. The report is published in the "Corporate Governance" section of the Company's website.

The information contained in this report refers to the 2016 financial year and, in relation to specific themes, was updated at the date of the Board of Directors meeting that approved it.

SECTION I - ASSET STRUCTURE

Registered Capital

Augustea Holding Spa's has registered capital of €35,000,000, fully paid up and subscribed.

It is composed exclusively of ordinary shares with a nominal value of euro 1 each.

According to the Statute (Article 7) the shares are nominative and indivisible, and freely transferable only to parent companies, subsidiaries or entities subject to common control or to other partners (Article 12). Apart from these provisions, the Statute (Article 12) provides a mechanism to regulate the transfer of shares to "non-member" third parties (including their heirs in the case of natural persons) when a partner wishes to dispose of his/her shares or create real estate rights or surety on them, the Council must immediately convene the Meeting so it can reach a decision regarding the indicated assignee.

All of them carry voting rights.

Financial instruments which give the right to subscribe to new emission shares were not issued.

On the date of this Report, the interests in the share capital of the Company are the following:

Shareholders	No. Of Shareholders	%
META Srl	28,959,000	82.74%
Vincenzo e Piera Verde (*)	3,290,000	9.40%
Pietrantonio Cafiero	1,130,500	3.23%
Maria Laura Cafiero	570,500	1.63%
Pietrantonio Cafiero (16.01.1943)	350,000	1.00%
Marilara Cafiero	350,000	1.00%
Antonella Cafiero	350,000	1.00%
TOTAL	35,000,000	100%

(*) joint successors of the ownership interest

Under art. 2497 of the Civil Code, Augustea Holding Spa conducts the management and coordination activities on various operating companies of the Group.

Stock option plans and performance share awards

In accordance with Art. 6 of the Statute, the Extraordinary Shareholders' Meeting may decide the increase in share capital for the stock option plans, with the authority to determine the subscription price whose minimal value must not be less than the nominal value plus a premium to be determined in the Regulations of the stock option plan.

The last options under the stock option plans were fully exercised in 2014.

Since 2013, the Augustea Group has implemented a performance share plan for managing directors of Augustea Holding (i.e. the CEO and CFO) and for Group directors.

The managing directors receive a bonus when the goals are reached. These latter are mainly quantitative and to a lesser extent qualitative, as identified by the Board of Directors on the basis of the budget and properly weighted.

The award of bonuses to the managing directors is still subject

- to achieving a positive Group net profit of at least 105% of the budget value;
- to the distribution of a dividend to shareholders.

The bonus is limited to a maximum of 2 times the fixed salary for the CEO and 1.5 times the fixed wages for the CFO, while the Wages and Appointment Committee, in consultation with the President or at his request, can propose to the Board of Directors a higher multiplier (up to 4 times the fixed wages for the CEO and 3 times the fixed wages for the CFO) in the event of achieving results markedly greater than those listed in the reference budget.

Where an exceptional dividend is allocated as a result of extraordinary income (a so-called "liquidity event"), the total bonus may be increased up to 10% of extra dividends, by decision of the Chairman of the Board of Directors after obtaining the opinion of the Remuneration and Appointments Committee.

Payment of 75% of the bonus is deferred over three financial years in equal proportions.

The performance allocation for the Directors of the group who hold the COO position has a structure similar to the one stipulated for the CEO and CFO, to be determined annually on the advice of the latter.

A bonus pool is stipulated for the other managers to be decided by the CEO and CFO.

Either way, the award of bonuses to executives must be reported to the Remuneration and Appointments Committee.

Securities that confer special rights

Under Art. 7 of the Statute, the company may issue special shares in accordance with current regulations. No securities have been issued granting special rights.

Shareholder agreements

There are no agreements between company shareholders.

Change of control clauses

As part of its normal activity, the Company uses third party financing involving specific effects upon the occurrence of a change of control. Augustea Holding acts as guarantor for certain financing operations in favour of operating subsidiaries, which include change of control clauses.

Dividend policy

By resolution of 27 February 2012, the Board of Directors decided the dividend policy adopted by the operating companies with regard to the Holding in order to adapt the Group's management policies to the standards adopted by publicly listed shipping companies.

Pursuant to said resolution, starting with the approval of the 2012 balance sheet, the operating companies can pay dividends to the Augustea Holding parent company of at least 4.5% of their net equity resulting from the approved balance sheet, provided that the balance sheet profit can support such a transfer and the dividend does not undermine the future financial balance.

If the company is not profitable, or if the profit for the year does not allow for payment of dividends to the extent indicated, the dividend may either be paid in full by drawing on the company's distributable reserves, or paid only in part or not paid at all, as indicated by the Board of Directors, which will also assess the cases in which the dividend could alter the future financial balance.

The Council has the authority to define the policies for dividend allocation exceeding the standard value, in conditions of extraordinary profitability of the companies or in other situations that do not warrant the application of the above mentioned criterion.

SECTION II - THE CORPORATE GOVERNANCE SYSTEM

Values

The immutable founding principles of Augustea's Corporate Governance system architecture are integrity, transparency and fairness. Through these values, the governance bodies constantly pursue an integrated company model which is aimed at implementing a common strategic and unitary design, with the aim of maximizing the value for all corporate components, fully respecting the management autonomy of the individual operating departments, the obligations of confidentiality required to protect the commercial interests of the relevant companies and the legal and regulatory applicable provisions.

The company is always striving

- to adopt measures to ensure the proper handling of situations where there may be a conflict of interest, even potential, ensuring the protection of the rights and relationships with its own stakeholders and providing comprehensive, timely, clear and correct information;
- to promote, ensure and maintain an adequate, effective and efficient internal control system;
- to pursue the best corporate governance practices, including by way of comparison with the Italian and foreign governance models and in particular, with the principles issued by the most representative associations and institutions, as well as in full compliance with the applicable rules and regulations.

Augustea also incorporates sustainability into its own governance model, a value that guides the strategies and contributes to reaching medium and long term goals, in a transversal process of continuous improvement for the entire Group, from planning, control and monitoring activities to the prevention and management of risks, from implementing operations to reporting and external communication of performance and activities.

With this in mind, all corporate objectives are pursued with an approach focused on operational excellence, technological innovation, the people and concerns of running the business, characterized by strict financial discipline and the highest ethical standards.

Structure

Augustea's corporate governance structure is based on the traditional model.

In this structure, the Board of Directors, which is responsible for the management and, at the same time in its entirety and through specific committees, with consultative and advisory functions, for the verification of the existence of controls needed to monitor Company progress, is supported by a body external to the Board. It has autonomous powers and capacity and is appointed based on requirements of professionalism, integrity and independence defined by law and supplemented, where appropriate, by the Articles of Association.

The structure is characterized by the presence of:

1. the **shareholders'** meeting which decides, among other things – in ordinary or extraordinary meetings – regarding (i) the appointment and dismissal of members of the Board of Directors and the Board of Statutory Auditors, their fees and responsibilities; (ii) the approval of the balance sheet and allocation of the surplus; (iii) the purchase and sale of its own shares; (iv) changes in the Articles of Association;
2. the **Management Board**, in charge of business management;
3. the **Auditors' Board** in charge of (i) monitoring compliance with the law and the Articles of Association as well as compliance with the principles of proper administration in carrying out corporate activities; (ii) monitoring the adequacy of the organisational structure, the internal control system and the corporate administrative and accounting system; (iii) verifying the means of actual implementation of the corporate governance rules.

The statutory audit functions are attributed to the **independent Auditors** appointed by the Shareholders' Meeting.

In accordance with the Articles of Association, the Board of Directors appoints one or several Directors entrusted with the management of the Company, reserving for its exclusive competence its decision on certain matters and entrusting to the President a role of coordinating the activities of the Board and the power to contribute, with recommendations, to the decision making processes regarding strategic decisions concerning the development of the Company and the Group.

However, the model chosen makes a clear distinction between the President and Chief Executive Officer positions; together they represent the Company.

The Board has established two internal Committees with advisory and proposal functions: the **Control and Risks committee** (abolished in December 2016 following a new resolution) and the Remuneration and Appointments Committee.

The Shareholders' Meeting

The Shareholders' Meeting is the collective body which expresses, with the majority stipulated by law and by the Articles of Association, the corporate will and represents the moment of institutional encounter between the Company management and shareholders.

Special attention is paid in the meeting invitation, in the planning and management of Meeting meetings, to promote shareholder participation, with an emphasis on minority interests as well as providing the highest quality of information offered in such circumstances.

The convening and functioning of the Meeting and the manner of exercising the rights granted to shareholders are regulated by law and by the Articles of Association.

The ordinary meeting (i) approves the balance sheet for the financial year; (ii) appoints and dismisses directors and determines their number within the limits established by the Articles of Association; (iii) appoints the Auditors and the President of the Board of Auditors; (iv) entrusts the statutory audit tasks; (v) determines the remuneration of the Directors and statutory auditors in accordance with the law; (vi) decides on the responsibilities of the Directors and Auditors; (vii) decides on other items within its competence by law.

The Extraordinary Shareholders' Meeting decides on amendments to the Articles of Association, appointments, replacements and powers of the liquidators; on the issuance of securities and bonds, the earmarking of assets and any other matter expressly attributed to it by law.

The attribution to the administrative body of decisions which by law belong to the Meeting shall in no way diminish the core competency of the Meeting that retains the power to decide on the matter.

The Board of Directors

Role, composition criteria, functions

The purpose of the Board of Directors is to create value for shareholders through profit stabilization policies over time and risk diversification, preserving the assets from the cyclical nature of the business.

The Board of Directors manages the functions and responsibilities of the strategic guidelines and policies, as well as the verification of the existence of controls needed to monitor the progress of the Company and the Group.

According to the company Bylaws, the Board of Directors consists of three to seven members, appointed by the Ordinary shareholders' meeting (which decides their number within those limits) for a period not exceeding three years and may be re-elected on expiry of their mandate. Ordinary shareholders' meeting of 29/06/2016 reset the number of Board Members to six.

By resolution of 30 June 2015 the Extraordinary General Meeting incorporated Art. 31 of the Bylaws providing that the absence of the President and/or CEO during the financial year shall automatically result in the removal of the remaining directors. In such case, the rules set out in the last clause of Art. 2386 of the Civil Code shall apply.

The Board meets regularly and organises and operates so as to ensure the effective performance of its functions. The Board is validly constituted if at least the majority of the directors in office are present and makes decisions with the affirmative vote of the majority of those present. In the case of a tie, the Chairman's vote shall prevail.

The Directors must meet the requirements of integrity and professionalism.

In order to meet the integrity criteria, the following persons cannot be appointed Directors if: (1) they are ineligible or disqualified under Article 2382 of the Civil Code (banning, disqualification, declaration of bankruptcy); (2) they have administered companies that have filed for bankruptcy; (3) they have been convicted by final judgement.

The Directors of the Augustea group companies must also be selected according to professionalism and competence criteria by persons having acquired overall experience of at least 7 years through managerial or supervisory positions: a) within the Group or within companies that perform similar activities or b) in other companies, where they have acquired proven management experience.

Executive and non-executive directors. Independence requirements

The Board of Directors is composed of executive and non-executive directors.

In accordance with the Corporate governance code issued by the Italian Stock Exchange, the following persons are considered **Executive Directors**:

- the CEO of the company (or its Group companies with strategic importance) and the Directors who are entrusted individual managerial powers or who have a specific individual role in the development of company strategies;
- those who hold management positions in the Company (in other words in Group companies with strategic importance).

The Directors who do not fit into any of the cases above are classified as **non-executive** directors, and their number must ensure that their opinion has significant weight in board decisions.

At least one member of the Board of Directors must meet the **independence** requirements, namely:

- does not exercise, directly or indirectly or on behalf of third parties, control over the Company;
- is not dependent or does not have, or the year before did not have - directly or indirectly or on behalf of third parties - economic relations with the Company or with other group companies such as to impair his independence of judgement;
- is not the spouse, not legally separated, second degree relative or in-law in a straight or collateral line of Executive Directors or shareholders exercising control, even indirectly, on the Company.

The existence of the "independence" requirement is declared by the Director appointed at the time of acceptance of the appointment and is determined by the Board at its next meeting.

The independent Director undertakes to promptly notify to the Council any situation that may affect the independence criterion.

The appointment of independent directors takes into due account the timeliness of periodic rotation between positions and companies, in order to ensure transparency, eliminate any incompatibilities and avoid the establishment of relations that for the term of office might impair the directors' impartiality and objectivity of judgement. The independent directors meet at least once a year to discuss topics deemed of interest for company management. In organizing such meetings, the independent advisors can rely on the support of the corporate structures.

The Board of Directors and the Board of Auditors are responsible for, respectively, verifying the contents of the Declaration of independence and the correct application of the above mentioned requirements and procedure.

The age limit for an Executive Director is 65 years, 75 years for a Non-Executive Director; from 2011 specific derogations were authorised until expiry of the mandate.

Every Director is bound both by professional confidentiality for the information he receives during his mandate and the company interests. He cannot pursue personal gain in his decisions or use business opportunities of the Company or the group for his own benefit. The Director in a conflict of interest, even potential, must inform the Board at the first reasonable opportunity and refrain from participating in the vote.

Powers of the Board of Directors

The Bylaws grant the following powers to the Board of Directors:

- defining the company's corporate governance system, setting and identifying the powers of the internal committees of the Board, which appoints the members;
- evaluating and deciding on the appropriate nature of the organizational, administrative and accounting structure of the Company;
- reviewing and approving in advance the agreement conditions and the agreements with the Public Bodies;
- defining the guidelines of the internal control system to ensure the identification, measurement, management and monitoring of the main risks of the Company and its subsidiaries, and evaluating on an annual basis the adequacy, efficacy and effective functioning of the internal control system;
- formulating proposals to be submitted to the shareholders' meeting, reporting in the meeting on the performed and planned activities, ensuring adequate

information to members so that they can knowingly contribute to decisions within the powers of the shareholders' meeting;

- exercising the voting rights for the financial year at the shareholders' meetings of subsidiaries and also ensuring the appointment of their administrative and control bodies;
- at the proposal of the competent CEO, to appoint and remove the General Manager who takes part in the Board of Directors' meetings of subsidiaries in order to incorporate the strategic guidelines outlined by the Board of Directors of the Parent Company, to which it reports regularly on the measures taken by the companies and on the results achieved;
- appointing and dismissing the head of Internal Audit at the request of the competent CEO, in consultation with the Audit Committee, approving its guidelines;
- setting the remuneration of the Executive Directors and other directors who are attributed particular tasks, on the basis of proposals made by the appropriate Committee if established, after consultation with the Board of Statutory Auditors;
- if it falls within the company's remit, approving in advance or evaluating in advance the recruitment of staff with managerial duties for its group companies;
- directing and coordinating personnel policy at group level, at the proposal of the Chief Executive Officer;
- setting up one or several committees with consultative and/or advisory functions within the company;
- defining the corporate structure of the Group, verifying its adequacy;
- analysing and approving the strategic, industrial and financial plans of the Company and its subsidiaries, such as the strategic objectives and agreements, the annual budget and pluri-annual business plans and their periodic reviews checking their alignment with the objectives;
- evaluating the operating performance of the Company and its subsidiaries, verifying that the set objectives are reached;
- approving the balance sheet.

In addition, the following powers are reserved for the Board of Directors:

- defining the Group's corporate governance system;
- assessing the adequacy of the general organisational, administrative and accounting structure of the Group, including the internal control system and deciding on the organizational changes;
- reviewing and evaluating in advance the agreement conditions and conventions that the Group companies intend to conclude with Government Bodies;
- adopting an appropriate system of internal control and defining the risk management policies of the Company and the Group;
- assessing the appropriateness and possibly setting up incentive plans for the approval of the Meeting and generally evaluating and establishing criteria for the definition of an incentive system for the Company and the Group;
- if it falls within the company's remit, reviewing and approving in advance or making a prior assessment as to whether transactions have a significant impact on the strategy with regard to group companies (if such transactions are not included in the approved annual budget);
- appointing and removing the manager responsible for preparing the company's financial statements, at the proposal of the Managing Director and following a favourable opinion of the Board of Auditors, and ensuring that he has adequate

powers and resources to exercise the tasks attributed to him by law, as well as the effective enforcement of the administrative and accounting procedures prepared by the above mentioned director;

- approving the plan of non-profit operations for the Company and the Group.

Delegated bodies

President

The Bylaw grants the following powers to the President of the Board of Directors:

- a. representing the Company before the Public administrations, Public and private institutions, port authorities and administrations and generally before all other authorities and/or bodies with which the company has a relationship;
- b. representing the company before any judicial, administrative and/or tax authorities and, as an example, signing mandates for litigation procedures; settling disputes which are part of or outside arbitrations and periodically making the relevant appointments;
- c. representing the Company, protecting and promoting its interests with the industry organizations and associations;
- d. representing the company at shareholders' meeting, meetings and/or meetings of companies or entities in which it holds shares and/or interest;
- e. coordinating the activities of the Board of Directors, overseeing their work, ensuring that the Directors are provided with full and timely information, as well as ensuring that its decisions are properly implemented;
- f. contributing, with his recommendations, in the decision making regarding strategic decisions concerning the evolution of the company's fleet.

As part of the revision process of the allocation of operating authority, with effect from 10 July 2013, by resolution of the Board of Directors, the following powers were also attributed to the President:

- supervising and supporting the activities of the managing directors;
- within the framework of the resolutions defined by the Board of Directors, recruiting administrative, clerical and/or management staff of the company and determining their wages;
- overseeing the day-to-day management of the company by deciding, with no limit to the amount, the payment of their wages;
- contributing recommendations to decisions on Group risk management ;
- opening and closing bank and postal current accounts; conducting transactions in the company accounts, with any instrument specified by bank and/or post office regulations; requiring surety from third parties with no limit to the amount. Delegating third party agent activities stipulated at this point.

By resolution of the extraordinary general meeting of 30 June 2015, the Bylaw was modified (Article 33) introducing the possibility that individual management tasks or a specific role in the corporate strategy may be assigned to the Chairman of the Board of Directors. In such case, the Chairman shall be treated as an Executive Director in accordance with Art. 30.

In addition, the shareholders may appoint an Honorary President who is not a member of the Board. The mandate is for an indefinite period until further notice or waiver. The position is purely honorary and therefore the Honorary President has no power to

represent or manage the company. Rather, he is only involved in events other than those outside of ordinary business such as cultural, scientific and charitable activities. The Honorary President has the right to speak at the shareholders' and Board meetings (the latter without voting rights).

Managing Directors

The managing directors are granted all the powers for the management of the company, except those otherwise granted by the law, bylaws or the powers reserved exclusively by the Board of Directors.

As part of the revision process of the allocation of operating powers by resolution of the Board of Directors on 10 July 2013, all powers of ordinary and extraordinary administration have been jointly and severally reserved (and in the context of routine administration, the power to appoint third party agents), limiting the spending cap to operations not exceeding EUR 2,500,000 per transaction, with the exception of the powers which, apart from those assigned by the bylaw, remain within the remit of the Board of Directors (subject to periodic reports, at least every six months, on the implementation of proxies).

On the occasion of their appointment, the managing directors made the commitment to maintain their spending autonomy within the limits of the approved budget and share decisions about unexpected expenses outside the budget:

- for the Board of Directors, if in excess of €1,500,000 for the purchase and sale of boats and related expenses for maintenance, companies, branches of companies and investments, financing exceeding €500,000 if regarding purchases of goods and services and real estate acquisitions and sales.
- for the President, if between €200,000 and €1.5 million for the purchase and sale of boats and related expenses for maintenance, companies, branches of companies and investments, financing ranging between €200,000 and €500,000 if regarding purchases of goods and services and real estate acquisitions and sales.

Structure

Following the shareholders' meeting on 26/06/2016, the members of the Board of Directors are: Raffaele Zagari (President and Chief Executive Officer, CEO), Maurizio Pavesi (Managing Director, CFO), non-executive directors Lucio Zagari and Pietrantonio Cafiero and non-executive and independent directors, Roberto Donnini and Emanuele Marcianò. Following their resignations, non-executive and independent directors Alfredo Grasselli (in office until 02/02/2016), and Franco Mosca (in office until 17/05/2016) are no longer members of the Board. The Board of Directors shall remain in office until the shareholders' meeting that will approve the balance sheet for the year ending 31 December 2017.

Twelve meetings were held during the year, with an average duration of approximately two hours and an average attendance of 94% (96% of independents).

Table 1 of Annex I summarizes the structure and percentages of attendance of the Board of Directors.

Compensation

Compensation for members of the Board of Directors is determined by the Shareholders' Meeting at the time of appointment. The total salary due to the Chairman and the Chief

Executive Officers is set by the Board of Directors, after hearing the opinion of the Board of Auditors. Additional compensation for the members of the Advisory and Proposals Committees within the Board is fixed by the Board itself. The current compensation was approved by the ordinary shareholders' meeting of 29 June 2016 for a total of €275,000, distributed as follows:

	No. of advisors
≤ €20,000	5
≥ €175,000	1

Committees within the Board of Directors

Pursuant to the Articles of Association (Article 33), the Management Board may provide for the creation of one or several committees.

In order to ensure the effective performance of its functions, by resolution of 10 June 2010, Augustea Holding Spa's Board of Directors has created within its scope the Remuneration Committee and the Audit Committee, with consultative and advisory functions and dealing with delicate issues and sources of possible conflicts of interest. Subsequently, by resolution of 10 July 2013, the two committees were modified, in name and in their duties, to comply with the changes introduced by the new Code of Conduct, the primary reference in the corporate governance of Augustea Group. Finally, at the meeting of 21/12/2016, the Board resolved to abolish the Control and Risks committee, assuming the functions previously delegated to that committee¹.

The committees, which report regularly to the Board on their activities, have their own rules of procedure which govern their structure, tasks and functioning.

The Remuneration and Appointments Committee

The following tasks are conferred to the Committee with proactive and consultative function:

- the remuneration of Directors and Executives with strategic responsibilities;
- submitting proposals to the Board of Directors for the remuneration of the Chief Executive Officer and other Directors who hold particular offices, and monitoring the implementation of the decisions taken by the Board;
- periodically assessing the appropriateness, overall consistency and actual application of the policy for the remuneration of Directors and key management personnel;
- presenting proposals and expressing opinions to the Board of Directors on the remuneration of Executive Directors and other Directors who hold particular offices as well as on setting performance objectives linked to the variable component of such remuneration; monitoring the implementation of decisions taken by the Board, verifying, in particular, that the performance objectives are actually reached;
- regarding the appointment of Board members:
 - submitting opinions to the Board of Directors regarding its size and structure;
 - making recommendations regarding professionals whose presence on the Board is deemed appropriate;

¹ In the event of appointment, the functions delegated to the Control and Risk Committee are outlined in Annex IV.

- proposing to the Board of Directors candidates for the Office of Director in cases of co-opting, where necessary for replacing independent directors;
- advising the Board on the proposals for the appointment of subsidiary Directors.

Also, within its remit, the Committee prepares, submits to the Administrative Board and monitors the implementation of incentive schemes (including stock option plans), intended as a means to attract and motivate resources with adequate levels and experience, developing a sense of belonging and ensuring a constant focus on value creation.

The Remuneration and Appointments Committee consists exclusively of independent directors who have experience in personnel management and/or in carrying out professional tasks linked to the management of human resources or who have managed companies with relevant issues of human resources management. At least one member must have adequate knowledge and experience in financial matters or remuneration policies.

The Committee, appointed by resolution of 21 December 2016, is currently composed of directors Pietrantonio Cafiero (non-executive), Roberto Donnini and Emanuele Marcianò (non-executive and independent).

The Board of Directors has not allocated a specific budget to the Committee while the annual compensation it received was €10,000.

Subsidiaries

By resolution of 24 April 2015, the Augustea Holding Board decided that the duration of the management bodies of each company department shall be aligned to that of the parent companies, while also harmonizing the powers delegated to the directors of subsidiaries and identifying a homogeneous criterion for the emoluments allocated, determined as follows for companies that own naval units:

- €10,000 per annum for the Non-Executive Chairman;
- €15,000 per year for managing directors;
- €20,000 per annum for independent advisors;
- €10,000 per annum for board members.

These amounts are intended as total remuneration received for any charges covered at subsidiaries, etc.

In the same meeting, the Board also redefined the Chairman's powers and the managing directors as follows:

- for the President, the Non-Executive powers stipulated by the Bylaw;
- for the managing directors, all powers of ordinary and extraordinary administration (and in the context of routine administration, they may appoint third party agents) limiting their spending autonomy to transactions not exceeding the amount of €500,000 per transaction.

By integrating the governance features adopted, the Board finally conferred the task of identifying the main objectives of the subsidiaries' management bodies to the Executive Directors of Augustea age Holding SpA in order to facilitate the assessment of their work.

The Board of Statutory Auditors

According to the law and the company Bylaw (Article 37), the Board of Statutory Auditors consists of three statutory auditors and two substitutes, appointed for a period of three years by the ordinary shareholders' meeting, which appoints the Chairman and determines the remuneration for the entire duration of the mandate.

Under the Consolidated Finance Act, the Board of Statutory Auditors monitors the compliance with the law and the Articles of Association, in respect of the principles of sound administration and in particular the adequacy of the organizational, administrative and accounting procedures adopted by the company and its actual operation.

In order to ensure the effective performance of the duties of the Board of Statutory Auditors, in accordance with the provisions of the Corporate Governance Code that inspires the *corporate governance* system adopted, since 2010 the Board of Directors has expressly recognized within its remit

- the power to oversee the independence of the independent auditors, checking as much the compliance with the applicable standards as the nature and extent of the services are different from the accounting monitoring provided to the Company and the Group by the same auditing firm and the entities belonging to its network²;
- the power, exercisable individually by the Auditors, to ask the Head of the Internal Audit Department of the company to conduct audits of specific operational areas or business operations;
- the power to immediately exchange information pertaining to the fulfilment of their duties with the Internal Audit Committee.

Under the legislation in force, the members of the Board of Statutory Auditors must meet the integrity requirements stipulated for the corporate officers of financial intermediaries, in addition to those set for the statutory auditors of listed companies.

They must have the professional expertise required by the law for the statutory auditors of listed companies which are integrated through special provisions and, finally, they must meet the independence requirements identified by law for the statutory auditors of listed companies as well as the Group governance for Directors.

Augustea Holding Spa and the main operating companies of the Group have basically the same Board of Statutory Auditors in order to homogenize the external monitoring and control systems of the group.

On 29 June 2016, the Ordinary Meeting appointed auditors whose mandate ends on the approval date of the balance sheet for the year ending 31 December 2018: Mario D'Onofrio, Auditor in office and Chairman; Giovanni De Leva, Roberto Perrone Capano, Auditors in office; Attilio Romano and Giulio Dumontet, replacement Auditors.

The same Ordinary Meeting also set the annual gross fee payable to the Board in the amount of €31,000, plus VAT and CPA (where applicable) and the reimbursement of expenses necessary for the performance of their tasks.

² This power was formally assigned to the Statutory Board of Auditors by Legislative Decree No. 39 of 27 January 2010 which transposed Directive 2006/43/EC into the Italian law regarding statutory audits of annual and consolidated accounts.

The documentation covering the topics on the agenda of the Board is provided to Directors at the same time as to the Auditors. At Board meetings, they receive the report of the Board of Directors and CEO on the activities conducted and on major economic, financial and equity transactions carried out by the company.

Six meetings of the Board of Statutory Auditors took place in 2016, with each meeting lasting ninety minutes on average.

As part of its institutional duties, the Board has met the Director of the company in charge of the review and accounting audit of the Company and has cooperated with the Internal Audit department.

In addition, by resolution of the Board of Directors of 10 July 2015, the current Auditors in office were reappointed as members of the Company's Supervisory Board to supervise the operation, effectiveness and compliance of the organization, management and control model adopted pursuant to Legislative Decree No. 231/2001.

The attendance rate of each auditor at meetings of the Board of Auditors and the Board of Directors is shown in Table 2 of Annex I.

Independent Auditors

In accordance with the law, the statutory audit of Augustea Holding Spa and its subsidiaries is entrusted to an auditing firm registered in the CONSOB special register, whose appointment rests with the Meeting, on a reasoned proposal of the Board of Statutory Auditors.

The external auditors appointed by the parent company are the Group's main auditors and is thus the preferred entity for the statutory audits of subsidiaries.

The use of different auditors (secondary auditors) from/within the subsidiaries must be agreed in advance with the Parent Company, with a reasoned request approved by the Director with a delegation for internal control, with the acceptance of the Board of Statutory Auditors of Augustea Holding.

The proposals made by the Auditors to be entrusted the task must be submitted to the Board or to the Control and Risks committee which - when appointed - convened in accordance with Art. 2 of the Organisational Regulations, evaluates them with the assistance of the Internal Auditor and the Chief Administrative Officer and reports to the Council.

The categories of assignments and the limits to their scope are regulated under the applicable law; in the event of renewal, the term of Office is fixed at a maximum of six years, and in any event for a maximum period of nine years.

In the performance of its activities, the auditing firm has access to information, data, documents as well as computer data, the archives as well as the assets of the company and its subsidiaries.

On 29/06/2016, the Board of Directors confirmed the derogation from the above provisions resolved on 29/01/2016 and – considering it appropriate to avoid a change of the sole Auditor - entrusted to PricewaterhouseCoopers the auditing of the company and the consolidated financial statements until the date of the general meeting called to approve

the balance sheet for the financial year ending 31 December 2018. The Audit Director for PWC Spa is Pier Luigi Vitelli.

The fee for each financial year is €7,000 for the statutory financial statements and €5,000 for the consolidated financial statements plus VAT, out-of-pocket and administration expenses in a lump-sum amounting to 5% of the fees, monitoring remuneration paid to CONSOB.

The financial statements of the subsidiaries are also audited; PWC Spa is therefore entrusted a similar assignment with the main subsidiaries.

In carrying out its activities the auditing firm has access to information, data, documents as well as computer data, the archives as well as the assets of the company and its subsidiaries.

SECTION III - THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

Internal control system

The internal control system is the set of rules, procedures and organizational structures aimed to ensure

- a. an appropriate process of identification, measurement, management, monitoring and minimization of the main risks;
- b. the adequacy of the various company processes and transactions in terms of effectiveness, efficiency and economy;
- c. the reliability of the financial reporting, i.e. the validity and accuracy of the accounting records and the financial reporting system;
- d. the protection of corporate assets;
- e. compliance of the operational assignments with the internal and external regulations and the company directives and guidelines.

The company's internal control system is based on the following principles:

- clear definition of the levels of responsibility;
- an efficient internal information system;
- separation of the operational and control activities;
- standardization of procedures;
- traceability of controls;
- the independence of the Internal Audit department.

These principles aim to ensure

- a. a single, centralized internal control system;
- b. an exhaustive and comprehensive risk assessment;
- c. appropriate control mechanisms to guide the continued alignment of the system to the needs of management and control.

The responsibility for the adoption of an adequate internal control system lies with the Board of Directors which uses the Audit Committee:

1. to set forth the guidelines of this system such that the main risks to the company and its subsidiaries are correctly identified and adequately measured, managed and monitored, ensuring the compatibility of these risks with healthy and sound business management;
2. to identify one or several Directors responsible for monitoring the functionality of the internal control system;
3. to assess, at least on an annual basis, the adequacy, effectiveness and effective functioning of the internal control system;
4. to appoint and remove the persons in charge of internal control.

Within the Group, the internal control system is based on three different levels of control and assurance:

- a. the first level ("line control"), consists of the control activities that the individual operating units (or subsidiaries), the individual department managers/departments, carry out on their own processes. Risk identification and evaluation are delegated as the primary responsibility of the operational management and are considered an integral part of every business process. These activities aim to identify events that may impact on the achieved results in terms of business goals (e.g. turnover levels, sustainable rate of return, cost saving, customer satisfaction, etc.) and business goals e.g., safety, regulatory compliance, reliability of financial information, etc.;
- b. a second-level control, entrusted to the responsibility of the financial controllers, of departments such as Risk Management, Legal, Quality, Safety and third party certification bodies under the Group quality system that are responsible for overseeing risk evaluation and control in such way as to ensure consistency with corporate objectives and organizational segregation policies that provide adequate and effective risk monitoring;
- c. a third-level control providing an independent guarantee of the internal design and functioning of the internal control system which indicates the corrective actions deemed necessary and/or appropriate. The governance and control bodies are responsible for these activities (Board of Directors, Chief Executive Officers, Committees, Auditors, SB) and the Internal Audit Department, with regard to the specific tasks assigned to them by laws and regulations.

In order to render the internal control system efficient and effective, the Management Board regularly informs and updates the persons who have a degree of responsibility for monitoring business and operational objectives as well as regarding risk management policies.

The internal control system is subject to periodic revisions and updates under the supervision of the Board of Directors in order to:

- ensure the promotion of a company culture based on internal controls at every organizational level;
- ensure healthy and sound management consistent with corporate goals and objectives such as to prevent risks and ensure that management activities also concentrate on reducing the likelihood of negative events;
- adopt appropriate risk management strategies depending on the nature and type of risks, whether financial, regulatory, industrial audit/legislative ones or rather, strategic and operational ones.

Internal Auditing

The Internal Audit Department is responsible for providing a general guarantee concerning the suitability and functioning of the processes and controls within the scope of corporate governance, risk management, and the internal control system.

The head of Internal Audit is therefore appointed to ascertain, verify, assess and monitor the effectiveness of the risk management, the control and management processes at both the individual company/department level and overall level according to a systematic risk-based approach that includes tests and checks which are not purely formal but substantial.

To verify that the internal control system is adequate, fully operational and functioning the Head of the Internal Audit department:

1. must meet independence and objectivity criteria;
2. is involved in the identification of operational problems cutting across different departments;
3. has direct access to all information for conducting his duties;
4. suggests corrective actions deemed necessary and/or appropriate and performs follow-up activities designed to verify the results of the suggested actions;
5. has adequate resources to perform the tasks assigned to him;
6. is not responsible for any operational area. Hierarchically, he does not work under any operational area manager but reports on his work, the methods by which risk is managed as well as on compliance with specific levels for their containment to the Directors in charge of supervising the functionality of the internal control system, and to the Internal Control Committee and the Board of Statutory Auditors.

Risk management and risk management policies

Led by the Board of Directors, risk management is a key element of Augustea's strategic management and organization aimed at obtaining lasting benefits in each business unit and in the portfolio of all Group businesses. Risk management must therefore be understood as an ongoing development process for adding value to all activities.

The Board of Directors has the ultimate responsibility of monitoring the effectiveness of risk management. The CEO has overall responsibility for governance and risk management, while on behalf of the Board, the Audit Committee ensures that adequate risk management processes are implemented.

Senior management is responsible for everyday risk management and takes charge of promoting risk awareness in the managed operational businesses.

The main risks that Augustea faces, actively monitors and manages are:

- market risk resulting from exposure to fluctuations in the freight rate, interest rates, exchange rates and commodity prices;
- credit risk arising from the possible default of a counterparty;
- operational risks;
- risks associated with the current performance of the sectors in which the Group operates.

In its capacity as parent company, Augustea Holding ensures the effective implementation and management of risk management processes linked to the risks that may affect the economic and financial situation of the Group and the individual companies, as well as their equity.

Augustea Holding has developed a set of specific guidelines for the purpose of aligning and coordinating Group business processes.

- They define and implement a common risk management policy, together with appropriate methodologies, to identify and measure risks;
- implementing a risk control system within a risk mitigation strategy;
- monitoring risks;
- transferring non-manageable risk to the insurance market.

Specific guidelines (see Annex II) have been established by the company with the aim to align and coordinate financial risk management policies, the risks linked to the use of derivatives and counterparty and credit risk.

A summary of these policies is provided in Annex II. The list of adopted guidelines and procedures is presented in Annex III.

Guidelines for transactions with related parties

In line with the CONSOB provisions with specific Regulations applicable to companies listed on stock exchanges and in accordance with the provisions of the Civil Code, the Company has adopted a specific procedure that establishes the procedures for approving and carrying out transactions undertaken by the Company or by its subsidiaries with related parties in such way as to ensure the substantial and procedural transparency and correctness of these transactions.

The procedure essentially reproduces the provisions of the CONSOB Regulations and, from the point of view of increased security and efficiency, extends the system stipulated for the transactions carried out directly by Augustea Holding to all transactions carried out by its subsidiaries and other Group companies.

The procedure differentiates between "not relevant" and "relevant" transactions, specifying performance means and differentiated levels of transparency in relation to the type and importance of the transaction.

Operations are considered "minor" if they pose a limited risk profile for the company and for the Group, among them (i) transactions carried out between fully-owned companies; (ii) typical or normal operations; (iii) transactions governed by standard conditions or equivalent to those of the market; (iv) operations for which the amount is fixed according to official market quotations or rates set by the Public Authorities.

The following are always considered "relevant" (i) atypical or unusual transactions; (ii) exchange value transactions greater than €500,000, except for those that have a limited risk profile for the Company and for the Group as defined above; (iii) any subsequent transactions that the Executive Officer (or the Control and Risks committee if appointed) decides to submit for the consideration of the Board.

In general, in all relevant transactions, the Board (or the Control and Risks committee if appointed) is required to express a reasonable opinion on the interest of the company in

the completion of the transaction and on the compliance and substantial fairness of the conditions.

A preliminary investigation by the Board (or by the Committee, if appointed) is always required for transactions in excess of €50,000 or involving a Director or Auditor or even a strategic Executive Manager, including their relatives.

Specific rules have been adopted for transactions in which a Director or auditor have an interest, on their own account or for third parties. When a Director is involved in a transaction with related parties, directly or through an intermediary, he must immediately inform the Board about the nature, terms, origin and scope of his interest and refrain from participating in the relevant Board of Directors meeting.

Similarly, when an auditor is involved, directly or through an intermediary, in a transaction with a related party, he must communicate in due time the nature, terms, origin and scope of his interest to the Board of Statutory Auditors and the Board of Directors.

The Board is solely responsible for approving larger transactions for conclusion.

In order to avoid a related party transaction from being concluded under conditions other than those likely to be negotiated between unrelated parties, the Board of Directors (or the Committee, if appointed) can resort – depending on the nature, value or other characteristics of the transaction – to the assistance of one or several independent experts, selected from among persons of recognised professionalism and competence.

Finally, the procedure also defines the deadlines, responsibilities, Augustea employee verification tools and those of the bodies concerned in the procedures and information flows that must be met for the fair application of the rules.

Processing of corporate information

The company has adopted "Internal regulations for the management and processing of confidential information and for the external circulation of documents and information" (the "Regulations") in order to protect confidentiality, while ensuring that if authorized, the information disclosed to third parties regarding company data is true, correct and complete.

The Regulations contain rules on the processing of confidential and undisclosed information, as well as how to keep a register of persons with access to such confidential information.

The main elements of the Regulations are:

- the definition of what constitutes confidential information;
- identifying persons who are subject to the Regulations;
- the implementation of the procedures for managing confidential information.

The corporate officers, directors, members of the Board of Auditors and employees of the Augustea Group companies and their subsidiaries as well as third parties must keep confidential all documents and information that may be disclosed to them in the performance of their tasks.

The manager in charge of preparing the company's financial statements

With a view to integration with the adopted organizational, operational and corporate governance configuration (in other words, the internal control model), the Company decided it should specify, as part of the assignments entrusted to the Accounting and Tax Manager ("Chief Administrative Officer"), the responsibilities and powers linked to the preparation and drawing up of the accounting documents.

Specific guidelines have been adopted, inspired by the provisions of the Consolidated Finance Act regarding the "Manager in charge of preparing the company's financial statements", which defines the general and organizational procedures, aimed to describe

- the role and the functions assigned to the Chief Administrative Officer in relation to documents and communications regarding the accounting information, (including such for the half-year) containing
- the main information flows and means for coordinating these activities with the company administrative and control bodies.

The Chief Administrative Officer is responsible for the preparation of the company financial reports and the coordination and supervision of the relevant departments. Its functional, organizational and substantive responsibilities within Augustea Holding extend to its subsidiaries. The hierarchical responsibility remains limited to the specific structure he manages.

The guidelines adopted assign the following tasks to the Chief Administrative Officer:

- the preparation of the administrative and accounting procedures necessary for the preparation of the company's financial statements (statutory and consolidated balance sheet, for half-year as well), as well as their adequacy and effective application;
- the documents' compliance with the applicable accounting standards;
- the consistency of the financial reports with the entries of the accounting books and records and their suitability to provide a true and correct view of the financial, equity and economic position of Augustea Holding Spa and of the companies included in the consolidation;
- the complete nature of the content and generally, the compliance with the applicable balance sheet documentation;
- the reliability of the content of the annual report.

However, we must point out that the responsibility for the integrity and correctness of the data remains an individual responsibility within the company organization, belonging to the individual departments that produce the data, control them and include them in the flows of information governed by the administrative and accounting procedures.

Similarly, the assigned responsibility does not replace that of the directors who approve and sign the draft balance sheet to be submitted to the shareholders' meeting, nor that of the members of the supervisory body and other persons with expertise in the field.

As a result of the responsibilities assigned to him, the Administrative Director must issue two different certifications:

- a. **compliance statement:** company/group documents and communications regarding accounting data, including such for the half-year, must be accompanied by a written declaration signed by the Head Manager attesting the compliance with the document results, accounting books and records;
- b. **certification:** a specific document annexed to the balance sheet, the consolidated balance sheet and half-year report which certifies:
 - the adequacy and effective application of the procedures set out in the previous paragraph during the period covered by the documents;
 - that the documents are drawn up in accordance with the applicable accounting principles;
 - the consistency of the documents with the accounting books and records;
 - the suitability of the documents to provide a true and correct view of the equity, economic and financial position of the company and of all the companies included in the consolidation;
 - that the management report includes a fair analysis of the management development and the results as well as the situation of the company and of all the companies included in the scope of consolidation.

The certification referred to in the previous paragraph is acquired and examined as an item of the Board's agenda for the approval of the draft balance sheet.

SECTION IV – CORPORATE COMPLIANCE AND SOCIAL ACCOUNTABILITY

Code of ethics

The complexity of the situations in which the Augustea Group operates, the challenges of sustainable development and the need to take into account the interests of all legitimate stakeholders reinforce the importance of clearly defining the values and responsibilities that the Augustea Group accepts, acknowledges, shares and assumes, helping to build a better future for all.

Aware of its significant role on the market due to the size and importance of its activities, as well as the economic development and welfare of the people who work and collaborate with the Group as well as the communities in which it operates, Augustea has established its own corporate governance system on an articulated and coherent set of values, principles and rules of conduct that apply to both the internal organisational structure and the relations with third parties.

These values are defined in the Code of Ethics, which reflects the evolution of the regulatory framework, includes human rights and sustainability issues and guarantees compliance with international best practices.

Everyone working or collaborating with Augustea – at all levels – is called, within the scope of their duties and responsibilities, to observe these principles and ensure that they are respected as crucial drivers for the efficiency, reliability and reputation of Augustea' and thus for the success of the Group and the improvement of the social environment in which it operates.

Augustea Holding approved its code of ethics by means of the resolution of 26 April 2012.

The code applies to all subsidiaries, in Italy and abroad.

The representatives indicated by Augustea in the corporate bodies of other affiliates, consortia and joint ventures promote the principles and contents of the Code within their own respective areas of responsibility.

Through its structure, the Company monitors compliance with the Code by providing suitable information, prevention and control instruments and procedures and ensuring the transparency of operations and behaviour and taking corrective action where necessary.

The organisational, management and control model pursuant to Legislative Decree No. 231/2001

Legislative Decree No. 231 of 8 June 2001 introduced in the Italian law the criminal responsibility of companies for offences committed in Italy or abroad in their interest or to their advantage by *persons in apical positions* (Article 5(a), i.e. persons holding responsibilities of representation, administration or management within the company or one of its organizational units with financial and functional autonomy as well as by persons who carry out in a de facto capacity their management and control and/or *persons in a subordinate position* (Article 5(b), i.e. persons subject to the management or supervision of any of the persons listed above.

The adoption of "Model 231" whose organic complex of principles, rules, organizational structures, specific procedures and means of control is, under law, a potential condition of exoneration from the above mentioned liability due to an organizational structure based on structured and organic segmentation of roles and responsibilities, transparency and traceability of decision-making steps across liability generating processes, on a monitoring system entrusted to an independent body and on a suitable disciplinary system.

In order to prevent, to the greatest degree possible, the committing of offences stipulated by the Decree, at the end of 2010, the Company's Board of Directors implemented a project aimed at the adoption of "Model 231" by Augustea Holding and its operating subsidiaries, in accordance with their characteristics and without prejudice to their management autonomy of initiative and control.

The Model distinguishes between individual responsibilities and those of the Company and assigns each person/department the relevant responsibility, differentiated through the attribution of its duties.

With this in mind, the Model qualifies as an integral element of the broader governance policy adopted aimed to comply with the ethical principles of business management introduced with the adoption of the Code of Ethics that forms an integral part and the general principle of Model 231 and, as such, cannot be waived.

The synergies between the Code of Ethics and Model 231 are highlighted by assigning the role of guarantor of the Code to the Supervisory Board, whose task is to promote and ensure its implementation.

Augustea pays considerable attention to the implementation of the Model, especially in terms of improved business procedures, staff training and implementation of specific monitoring programmes.

Training and/or communication activities in relation to the model, differentiated by recipient, are also provided for third parties and for the market.

The Model will be updated and supplemented over time, to reflect both the regulatory developments and the organizational developments at the corporate level.

As of the date of this report, the following companies of the Group have adopted the Model:

- Augustea Holding SpA, by resolution of the Board of Directors of 10 September 2012;
- Augustea Ship Management Srl, by resolution of the Board of Directors of 29 July 2014;
- Augustea Tecnoservice Srl, by resolution of the Board of Directors of 2 December 2015.

Following the transfer that took place – on 28/04/2016 - of the entire block of shares of Augustea Spa to Rimorchiatori Riuniti Spa, the Supervisory Board of the transferred company announced its withdrawal from office on 06/05/2016 prior to expiry of its mandate (coinciding with the approval date of the financial statements for the year ended 31/12/2017).

The Augustea Atlantica Spa subsidiary adopted the Model by resolution of the Board of Directors on 30 November 2012. However, the Supervisory Body's mandate, ending on the approval date of the balance sheet for the year ending 31 December 2014, was not been renewed and the administrative body of the company did not make another appointment, resulting in the absence of the Model.

At the same time as the adoption of the Model, the Board appointed the Supervisory Board (SB) by selecting its members from among professionals with proven experience in the legal, economic and business organization fields.

The Supervisory Board of all companies is collegial.

In 2016, the Supervisory Board met six times, with the presence of all its members and the assistance of the Internal Audit department and the internal departments involved from time to time.

The internal meetings of the Supervisory Board and the inspections carried out did not reveal any anomalies to report to the Executive Board.

For all companies, the SB's mandate expires on the approval date of the balance sheet for the year ending 31 December 2017.

Anticorruption

Augustea rejects corruption as a tool for conducting its activities. It is thus forbidden in any circumstances to bribe or attempt to bribe the holders of public services, public servants or agents to provide public services or private citizens. In particular, no one can offer, promise or give money or other benefits in order to obtain undue advantages for the group or for himself. Further, no one can request money or other benefits to supply unlawful services.

In 2011, in order to promote its commitment on this issue, Augustea voluntarily expanded its compliance programme to cover possible risks of corruption by adopting specific anti-corruption guidelines aimed at defining a reference framework. The policy adopted ensures full compliance with the Code of Ethics and has been developed in line with the existing anti-corruption legislation and international conventions (including the

aforementioned Legislative Decree No. 231 of 8 June 2001 and the so-called UK Bribery Act of 8 April 2010).

SA8000:2008 ®

Augustea is committed to ensuring full compliance with the SA8000 international standard: 2008®, the most important internationally recognized benchmark for socially responsible management of human resources.

This standard involves compliance with nine company requirements aimed at increasing the competitive capacity of those organizations that voluntarily provide ethical guarantees of their supply chain and production cycle, such as respecting human rights and workers' rights, providing adequate protection against the exploitation of minors, ensuring safety and health at the workplace.

In May 2012, the Company initiated a compliance program by adopting a Social Responsibility Policy in order to protect workers' fundamental human rights.

In December 2015 RINA Services Spa renewed the certification of the corporate responsibility management system.

ANNEX 1 – STRUCTURE OF THE BOARD OF DIRECTORS, COMMITTEES AND STATUTORY AUDITORS’ BOARD
TABLE 1: STRUCTURE OF THE BOARD OF DIRECTORS AND COMMITTEES

The Board of Directors											
Position	Structure	Year of birth	Date of first appointment	In office since	In office until	Exec.	Non-exec.	Independent	Audit and Risks committee	Remuneration and Appointments Committee	Participation in meetings of the Board
President and Chief Executive Office	Raffaele Zagari	1969	2010	2016	Approval of the balance sheet for the year ending 31 December 2017	✓					100%
Chief Executive Officer	Maurizio Pavesi	1957	2010	2016		✓			✓		100%
Director	Lucio Zagari	1936	2010	2016			✓				83%
Director	Pietrantonio Cafiero	1946	2016	2016			✓				
Director	Roberto Donnini	1960	2014	2015			✓	✓		✓	100%
Director	Emanuele Marciano	1967	2010	2015			✓	✓	✓		89%
Director	Franco Mosca	1966	2013	2015			✓	✓	✓		100%
-----DIRECTORS TERMINATED DURING THE FINANCIAL YEAR-----											
Director	Antonio Garzilli	1943	2010	2013	30 June 2015		✓	✓		✓	75%
Director	Alfredo Grasselli	1964	2015	2015	02/02/2016		✓	✓		✓	100%
No. of meetings held during the reporting period			Board of Directors: 12			Audit and Risks committee: 0			Remuneration and Appointments Committee: 0		

TABLE 2: STRUCTURE OF THE BOARD OF STATUTORY AUDITORS

Board of Auditors							
<i>Position</i>	Structure	Year of birth	Date of first appointment	In office since	In office until	Participation in meetings of the Audit Board	Participation in meetings of the Board of Directors
Chairman	Mario D'Onofrio	1947	2010	2016	Approval of the balance sheet for the year ending 31/12/2018	100%	92%
Standing Statutory Auditor	Giovanni De Leva	1962	2010	2016		100%	100%
Standing Statutory Auditor	Roberto Perrone Capano	1959	2010	2016		100%	100%
Alternate Auditor	Attilio Romano	1966	2010	2016		---	---
Alternate Auditor	Giulio Dumontet	1968	2010	2016		---	---
-----AUDITORS REMOVED DURING THE REPORTING YEAR-----							
N.A.							
Number of meetings held during the reporting period: 6							

ANNEX II – RISK POLICIES

Financial risks

Augustea is adopting a centralized model of treasury and finance management through the homologous Holding positions.

These departments are involved in the active management of financial risks through the evaluation and control of the Group's exposure at both single-level consolidated companies, and with the definition of methodologies and tools aimed at supporting each company in identifying the measurement of its exposure.

Risk assessment and risk monitoring activities are primarily focused

- a. on **the interest rate risk** to reach the optimal coverage level in order to stabilize the financial costs, to an extent consistent with the financial structure objectives defined and approved in the business plan;
- b. on the **foreign exchange risk** in order to reduce the impact of exchange rate fluctuations on profit or loss, for the joint effect of the economic risk (different significance of revenues and costs in foreign currency compared to the time when the price conditions were defined), the transaction risk (conversion of financial and commercial loans and debts, denominated in foreign currency) and the translation risk (conversion of the assets and liabilities of companies falling within the scope of consolidation and preparing their financial statements with functional currency other than the euro);
- c. on **the liquidity risk**, with the aim of maintaining an adequate liquidity level for the Group, while minimizing its cost-opportunities and maintaining a balance in terms of debt duration and structure.

Derivative financial instruments

The use of derivative financial instruments aims to minimize the net risks linked to the rate of freight, to the price of commodities and to exchange and interest rate risk.

Derivative transactions are only permitted for coverage purposes, also assessing, on an ongoing basis, the counterparty risk related to each operation if it is not carried out through a clearing house. In addition, the hedging structure chosen must not lead to additional financial or operational risks.

For these reasons, the financial derivatives traded on regulated markets are always preferred to over-the-counter derivatives while plain vanilla structures are preferred to the more complex ones, the trading of which is in any case limited to exceptional circumstances and to a limited time period.

Derivative transactions can only be carried out through clearing houses or with other banks with high credit ratings and as part of risk sharing, whereby each counterparty Bank cannot represent more than a certain percentage of the total transactions.

Each derivatives transaction must involve different counterparts and the contracts are signed based on the best cost/counterparty risk combination.

A set of guidelines and procedures defines the control responsibilities and the reporting lines to the CFO, to the Board of Directors and the Internal Audit department.

Credit and counterparty risk

Commercial, commodities and financial transactions expose the Augustea Group to credit risk defined as the possibility that an unexpected change in the creditworthiness of the counterparty, for which an exposure exists, will create a corresponding impact on the creditors' position, in terms of non-payment, insolvency (default risk) or change in the market value (spread risk).

In the light of the current instability on the financial markets and the global economic downturn, the recent macro-economic developments have shown the potential exposure to losses in the event that a counterparty fails to fulfil its obligations or does not pay the amounts owed.

In order to manage this risk, an internal credit assessment system has been implemented where a new counterparty is evaluated before any transaction begins.

Potential charterers are rated on the basis of an internal process involving the Chartering, Administration, Finance and Legal functions.

The assessment methodology assigns a score to each customer based on the publicly available financial data and the equity, profitability and liquidity ratios. Based on these results, an internal rating is assigned to each counterparty who is accordingly ranked in the proper risk category. The ratings are also compared with those prepared by outside sources.

The Chartering department can only negotiate with accepted counterparties, except for (i) primary counterparts, (ii) short-term contracts, within a specified time limit (currently less than six months); (iii) travel-based contracts.

Individual business units are responsible for managing credit risk associated with normal business activities, as well as for the management of litigation and debt recovery, while the Holding Finance department is responsible for evaluating the recourse to additional protective measures on the insurance market.

Risk Appetite

The Augustea Group operates in a capital-intensive industry characterized by high cyclicity and volatility. In this context, the Group intends to maintain and constantly improve its market position and management is committed to generating positive returns without compromising the Group mission and vision, according to a precautionary approach that will withstand even the worst market conditions without additional capital contributions from shareholders.

The Board, in line with the business model and the strategic plan, -defines (i) the risk tolerance (*risk appetite*), (ii) the tolerance thresholds, (iii) the risk management policies and (iv) the reference processes necessary to define and implement them.

With the support of the Control and Risks committee (when appointed), it periodically monitors risk exposure and any deviance from the *risk appetite*, having set the tolerance thresholds to ensure in all cases sufficient margins to operate even under stress conditions, within the maximum assumable risk.

The main identified risks relate to liquidity, the degree of leverage, the use of derivatives for hedging purposes, the credit concentration and the counterparty risk, interest rate, insurance and country risks.

Qualitative and quantitative parameters were defined for each category, differentiated by department/line of business; the use of a specific report ("Risk Appetite Triggers") - discussed quarterly within the Control and Risks committee if appointed - which identifies the management actions necessary to place the assumed risk within the pre-set goal and, at the same time, to guide the definition and updating of the processes and rules for the internal control system.

ANNEX III – CORPORATE GOVERNANCE GUIDELINES, REGULATIONS AND POLICIES

1. The Code Of Ethics
2. The anti-bribery and anti-corruption policy
3. Internal Audit reports to the management
4. Transactions with related parties
5. Risk Management
6. Internal regulations for the management and processing of confidential information and for the external circulation of documents and information
7. Tax risk management
8. Guidelines for preparing documents and communications pertaining to the accounting information
9. Position delegation
10. Regulations of the Control and Risks committee
11. Regulations of the Remuneration and Appointments Committee
12. Procurement guidelines for goods, services and consultancy
13. Company regulations on computer use
14. Guidelines for the management of e-mail services
15. Financial Internal Control System
16. Financial Risks
17. Budgeting and Forecasting
18. Interest and exchange rates risk
19. Derivatives
20. Cash Management

21. Organisation, management and control model pursuant to Legislative Decree No. 231/2001
22. Specific guidelines for the Shipping Division
 - Charter vetting procedure (procedure for the evaluation of counterparty risk)
 - Commercial and risk management policy A. Pacific Pte Ltd.
23. Specific operational procedures for the Administration, Finance and Audit sectors
 - Financial Management Information System
 - Financial Reporting-Monthly EBITDA report
 - Financial Reporting-Quarterly Report
 - Financial Reporting-Vessels' turnover
 - Financial Reporting-Vessels' Running Costs
 - Accounting Manual
 - Interest and Exchange Rate Risk
 - Cash Management
 - Relations with banks
 - Bank account
 - Guarantees
 - Loan Repayments
 - Dividends
 - Intercompany Transactions
 - Weekly Cash Reports
 - Financial Spreadsheet Controls Policy
24. Specific procedures in the Human Resources and Social Accountability sectors
 - Human Resource Management
 - Personnel selection
 - Staff development
 - Disciplinary measures
 - Travel and lodging expenses
 - Extraordinary maritime port procedures
25. Specific Corporate and Legal operating procedures
 - Procedure for concluding contracts

ANNEX IV – THE CONTROL AND RISKS COMMITTEE

Within the Board of Directors, the Company may appoint the Control and Risks committee whose task it to assist the Board itself with performing proactive and consultative investigations, in the assessments and decisions regarding the internal controls and risk management system, as well as those regarding the approval of the periodic financial reports.

It must consist mainly of non-executive directors, a majority of independents who must be sufficiently experienced in accounting and finance or risk management, as assessed by the Board at the time of their appointment.

In accordance with the provisions of the Integrated Organizational Regulations in line with the provisions of the Code of Conduct, the Committee issues its opinion to the Board of Directors:

- a. on defining the guidelines of the internal control and risk management system so that the main risks concerning the company and its subsidiaries are correctly identified and adequately measured, managed and monitored;
- b. on the determination of the degree of compatibility of corporate risks referred to in point a) with business management that is consistent with the identified strategic objectives- (so-called risk appetite);
- c. periodic assessment of the adequacy, efficacy and effective functioning of the system;
- d. on the approval of the work plan prepared by the Internal Audit Department;
- e. on the description contained in the Corporate Governance report, the main features of the internal control and risk management system, including the assessment of the adequacy of the system itself;
- f. after consulting the Board of Statutory Auditors on the assessment of the results presented by the Statutory Auditor in any letter of recommendations and in the report on key issues having emerged from the review.

The Committee is also assigned the following tasks to assist the Board of Directors:

- a. expressing opinions, at the request of the CEO, on specific aspects regarding the identification of the main company risks as well as the design, implementation and management of the internal risk control system;
- b. evaluating, with the assistance of the head of Internal Audit, the methods by which the risk management and the compliance plans for their containment are carried out;
- c. review and assess
 - (i) the communications and information received by the Board of Auditors and its members on the internal control and risk management systems;
 - (ii) the periodic reports issued by the Supervisory Body, as well as acting as guarantor of the Code of Ethics;
 - (iii) together with the Manager in charge of preparing financial statements, having heard the Statutory Auditor and the Board of Auditors, the correct application of accounting principles and their consistency for the purposes of preparing the consolidated balance sheet, prior to approval by the Board of Directors;

- d. reviewing and expressing an opinion on the control system report on corporate information ("certification") prepared by the manager in charge of preparing financial reports, upon the approval of the draft consolidated balance sheet;
- e. with the assistance of the head of Internal Audit and of the Administrative Director, evaluating the proposals made by the Statutory Auditor to be entrusted this task, together with the work plan for the review and the effectiveness of the audit process;
- f. in examining the periodic reports prepared by the Internal Audit department;
- g. reviewing and giving an opinion on procedural and substantive transparency and fairness, as well as on the interests of the company in the fulfilment of transactions with related parties and those in which a Director holds an interest, either personally or on behalf of third parties;
- h. performing additional tasks assigned to it by the Board of Directors;
- i. reporting to the Board of Directors, at least annually, upon approval of the balance sheet, on the activities performed as well as the adequacy of the internal control and risk management system.

For a constant and synergetic comparison aimed at identifying the most significant risk categories in relation to the business objectives and the cost-opportunity of the correlated risks, the President of the Audit Board and the Head of the Internal Audit Department take part in Committee Meetings, with the latter additionally assuming the role of Secretary.

At the invitation of the President of the Committee, employees and experts - including the independent auditors who also have consultancy functions - may also participate periodically.

In performing its functions, the Audit Committee has access to information and business functions of the company and/or group for the purpose required and can avail itself of outside consultants.

The Board of Directors, in addition to setting the compensation for non-executive and independent directors who are part of the Committee, may assign a specific budget to this latter.