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**References:** *Corporate Governance Code of Borsa Italiana 2020*  
*IIA's Global Internal Audit Standards*  
*Guidelines for the Internal Control and Risk Management System*



## INTERNAL AUDIT CHARTER

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**CONTENTS**

LEGENDA .....	3
1. PURPOSE.....	4
1.1. COMMITMENT TO ADHERING TO THE GLOBAL INTERNAL AUDIT STANDARDS.....	4
2. MANDATE .....	5
2.1. AUTHORITY.....	5
2.2. INDEPENDENCE, ORGANIZATIONAL POSITION AND REPORTING RELATIONSHIPS .....	5
2.3. CHANGES IN THE MANDATE AND CHARTER .....	6
3. BOARD OF DIRECTORS' OVERSIGHT .....	6
4. HEAD OF INTERNAL AUDIT ROLES AND RESPONSIBILITIES .....	8
4.1. ETHICS AND PROFESSIONALISM .....	8
4.2. OBJECTIVITY .....	8
4.3. MANAGING THE INTERNAL AUDIT FUNCTION.....	9
4.4. COMMUNICATION WITH THE BOARD AND CRO .....	11
4.5. COMMUNICATION WITH OTHER FUNCTIONS HAVING SPECIFIC ROLE WITHIN THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM .....	11
4.6. QUALITY ASSURANCE AND IMPROVEMENT PROGRAM .....	12
5. SCOPE AND TYPES OF INTERNAL AUDIT SERVICES.....	12

**INTERNAL AUDIT CHARTER**

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**LEGENDA**

Chief Executive Officer also delegated as Chief Control and Risk Officer	<b>CRO</b>
Board of Directors	<b>Board</b>
d'Amico International Shipping S.A.	<b>Company</b>
d'Amico International Shipping S.A.'s subsidiaries	<b>Subsidiaries</b>

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## 1. PURPOSE

The purpose of the Internal Audit Function is to strengthen d'Amico International Shipping's (Company) ability to create, protect, and sustain value by providing the Board of Directors (the "Board") and management with independent, risk-based, and objective assurance, advice, insight, and foresight.

The internal audit function enhances d'Amico International Shipping's:

- Successful achievement of its objectives.
- Governance, risk management, and control processes.
- Decision-making and oversight.
- Reputation and credibility with its stakeholders.
- Ability to serve the public interest.

d'Amico International Shipping's Internal Audit Function is most effective when:

- Internal auditing is performed by competent professionals in conformance with The IIA's Global Internal Audit Standards™, which are set in the public interest.
- The Internal Audit Function is independently positioned with direct accountability to the Board.
- Internal auditors are free from undue influence and committed to making objective assessments.

### 1.1. Commitment to Adhering to the Global Internal Audit Standards

The d'Amico International Shipping's Internal Audit Function will adhere to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, which are the Global Internal Audit Standards and Topical Requirements.

The Head of Internal Audit will report annually to the Chief Executive Officer also delegated as Chief Control and Risk Officer (CRO) and to the Board (assisted in the task by the Control and Risk Committee in a consultative function) regarding the Internal Audit Function's conformance with the Standards<sup>1</sup>, which will be assessed through a quality assurance and improvement program.

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<sup>1</sup> Standard 4.1 Conformance with the Global Internal Audit Standards.

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## 2. MANDATE

### 2.1. Authority

The d'Amico International Shipping's Board grants the Internal Audit Function the mandate to provide the CRO and therefore the Board (assisted in the task by the Control and Risk Committee in a consultative function) with objective assurance, advice, insight, and foresight.

The Internal Audit Function's authority is created by its direct reporting relationship to the Board. Such authority allows for unrestricted access to the Board<sup>2</sup>.

The Board authorizes the internal audit function to:

- Have full and unrestricted access to all functions, data, records, information, physical property, and personnel pertinent to carrying out internal audit responsibilities. Internal auditors are accountable for confidentiality and safeguarding records and information.
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques, and issue communications to accomplish the function's objectives.
- Obtain assistance from the necessary personnel of d'Amico International Shipping and other specialized services from within or, to the extent possible, outside the Company.

### 2.2. Independence, Organizational Position and Reporting Relationships

The Head of Internal Audit is positioned at a level in the organization that enables internal audit services and responsibilities to be performed without interference from management, thereby establishing the independence of the Internal Audit Function<sup>3</sup>.

The Head of Internal Audit will report to the Board (assisted in the task by the Control and Risk Committee in a consultative function) and will refer on its activity also to the CRO, as better specified in the Guidelines for the Internal Control and Risk Management System. This positioning provides the organizational authority and status to bring matters directly to the CRO and escalate matters to the Board (assisted in the task by the Control and Risk Committee in a consultative function), when necessary, without interference and supports the internal auditors' ability to maintain objectivity.

The Head of Internal Audit will confirm to the Board (assisted in the task by the Control and Risk Committee in a consultative function), annually, the organizational independence of the Internal Audit Function. If the governance structure does not support organizational independence, the Head of Internal Audit will document the characteristics of the governance structure limiting independence and any safeguards employed to achieve the principle of

<sup>2</sup> Standard 6.1 Internal Audit Mandate.

<sup>3</sup> Standard 7.1 Organizational independence.

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independence. The Head of Internal Audit will disclose any interference internal auditors encounter related to the scope, performance, or communication of internal audit work and results. The disclosure will include communicating the implications of such interference on the internal audit function's effectiveness and ability to fulfill its mandate.

### **2.3. Changes in the Mandate and Charter**

Circumstances may justify a follow-up discussion among the Head of Internal Audit, the CRO and Board (assisted in the task by the Control and Risk Committee in a consultative function) on the internal audit mandate or other aspects of the internal audit charter. Such circumstances may include but are not limited to:

- A significant change in the Global Internal Audit Standards.
- A significant acquisition or reorganization within the organization, including the amendments of the Guidelines for the Internal Control and Risk Management System.
- Significant changes to the organization's strategies, objectives, risk profile, or the environment in which the organization operates.
- New laws or regulations that may affect the nature and/or scope of internal audit services.

### **3. BOARD OF DIRECTORS' OVERSIGHT**

To establish, maintain, and ensure that d'Amico International Shipping's Internal Audit Function has sufficient authority to fulfill its duties, the Board (assisted in the task by the Control and Risk Committee in a consultative function), as better specified in the Guidelines for the Internal Control and Risk Management System, will:

- Discuss with the CRO and the Head of Internal Audit the appropriate authority, role, responsibilities, scope, and services (assurance and/or advisory) of the Internal Audit Function.
- Ensure the Head of Internal Audit has unrestricted access to and communicates and interacts directly with the Board.
- Discuss with the CRO and the Head of Internal Audit other topics that should be included in the internal audit charter.

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- Participate in discussions with the Head of Internal Audit about the “essential conditions” described in the Global Internal Audit Standards<sup>4</sup>, which establish the foundation that enables an effective internal audit function.
- Approve the Internal Audit Function’s charter, which includes the internal audit mandate and the scope and types of internal audit services.
- Review the internal audit charter annually with the Head of Internal Audit to consider changes affecting the organization, such as the employment of a new Head of Internal Audit or changes in the type, severity, and interdependencies of risks to the organization; and approve the internal audit charter annually.
- Approve the risk-based internal audit plan.
- Approve the outsourced Internal Audit Function’s service.
- Approve the Internal Audit Function’s budget.
- Collaborate with the CRO to determine the qualifications and competencies the organization expects in a Head of Internal Audit, as described in the Global Internal Audit Standards<sup>5</sup>.
- Authorize the appointment and removal of the Head of Internal Audit ensuring that the entrusted function meets the adequate requirements of professionalism<sup>6</sup>, independence and organization.
- Review the Head of Internal Audit’s performance.
- Receive communications from the Head of Internal Audit about the Internal Audit Function performed activities including its performance relative to its plan.
- Ensure a quality assurance and improvement program has been established and review the results annually.
- Make appropriate inquiries of CRO and the Head of Internal Audit to determine whether scope or resource limitations are inappropriate.

<sup>4</sup> Within the “III Domain – Governing the Internal Audit Function”, the Global Internal Audit Standards define activities that are to be carried out by the CRO and the Board. These activities are identified as “essential conditions” in each Standard (from no. 6.1 to 8.4) and establish a necessary foundation for an effective dialogue among the CRO, the Board, and the Head of Internal Audit, ultimately enabling an effective Internal Audit Function. The discussions between these parties are mandated to inform the CRO and the Board about the importance of the essential conditions and to gain alignment among their respective responsibilities. The nature and frequency of these discussions depend on the circumstances and changes from time to time.

<sup>5</sup> Standard 6.2 Internal Audit charter.

<sup>6</sup> Professionalism: see the definition in paragraph 4.1.

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## 4. HEAD OF INTERNAL AUDIT ROLES AND RESPONSIBILITIES

### 4.1. Ethics and Professionalism

The Head of Internal Audit will ensure that internal auditors:

- Conform with the Global Internal Audit Standards, including the principles of Ethics and Professionalism: integrity<sup>7</sup>, objectivity<sup>8</sup>, competency<sup>9</sup>, due professional care<sup>10</sup>, and confidentiality<sup>11</sup>.
- Understand, respect, meet, and contribute to the legitimate and ethical expectations of the organization and be able to recognize conduct that is contrary to those expectations.
- Encourage and promote an ethics-based culture in the organization.
- Report organizational behavior that is inconsistent with the organization's ethical expectations, as described in applicable policies and procedures.

### 4.2. Objectivity

The Head of Internal Audit will ensure that the Internal Audit Function remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of engagement selection, scope, procedures, frequency, timing, and communication. If the Head of Internal Audit determines that objectivity may be impaired in fact or appearance, the details of the impairment will be disclosed to appropriate parties<sup>12</sup>.

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively such that they believe in their work product, do not compromise quality, and do not subordinate their judgment on audit matters to others, either in fact or appearance.

Internal auditors will have no direct operational responsibility or authority over any of the activities they review. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, or engage in other activities that may impair their judgment, including:

- Assessing specific operations for which they had responsibility within the previous year.

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<sup>7</sup> Principle 1 Demonstrate integrity.

<sup>8</sup> Principle 2 Maintain objectivity.

<sup>9</sup> Principle 3 Demonstrate competency.

<sup>10</sup> Principle 4 Exercise due professional care.

<sup>11</sup> Principle 5 Maintain confidentiality.

<sup>12</sup> Standard 2.3 Disclosing Impairments to objectivity.



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- Performing operational duties for the Company and its Subsidiaries and/or those companies to whom services are outsourced to by the Company and its Subsidiaries.
- Initiating or approving transactions external to the internal audit function.
- Directing the activities of any employee that is not employed by the Internal Audit Function, except to the extent that such employees have been appropriately assigned to internal audit teams or to assist internal auditors.

Internal auditors will:

- Disclose impairments of independence or objectivity, in fact or appearance, to appropriate parties and at least annually, such as the Head of Internal Audit.
- Exhibit professional objectivity in gathering, evaluating, and communicating information.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid conflicts of interest, bias, and undue influence.

### **4.3. Managing the Internal Audit Function**

The Head of Internal Audit has the responsibility to:

- At least annually, develop a risk-based internal audit plan that considers the input of the management, the CRO, and the Board (assisted in the task by the Control and Risk Committee in a consultative function) who will ultimately approve it<sup>13</sup>.
- Communicate the impact of resource limitations on the internal audit plan to the CRO and the Board (assisted in the task by the Control and Risk Committee in a consultative function).
- Review and adjust the internal audit plan, as necessary, in response to changes in the Company and its Subsidiaries business, risks, operations, programs, systems, and controls.
- Communicate with the CRO and the Board (assisted in the task by the Control and Risk Committee in a consultative function) if there are significant interim changes to the internal audit plan.

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<sup>13</sup> Standard 9.4 Internal Audit Plan.

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**INTERNAL AUDIT CHARTER**

---

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- Ensure internal audit engagements are performed, documented, and communicated in accordance with the Global Internal Audit Standards<sup>14</sup>.
- Follow up on engagement findings and confirm the implementation of recommendations or action plans and communicate the results of internal audit services to the CRO and the Board (assisted in the task by the Control and Risk Committee in a consultative function) twice a year and for each engagement as appropriate.
- Ensure the internal audit function collectively possesses or obtains the knowledge, skills, and other competencies and qualifications needed to meet the requirements of the Global Internal Audit Standards and fulfill the internal audit mandate<sup>15</sup>.
- Identify and consider trends and emerging issues that could impact the Company and its Subsidiaries and communicate as appropriate to the CRO and the Board (assisted in the task by the Control and Risk Committee in a consultative function) as appropriate<sup>16</sup>.
- Consider emerging trends and successful practices in internal auditing<sup>17</sup>.
- Establish and ensure adherence to methodologies designed to guide the internal audit function.
- Ensure adherence to the Company's relevant policies and procedures. If such policies and procedures conflict with the Global Internal Audit Standards, any such conflicts will be documented and communicated to the CRO and the Board (assisted in the task by the Control and Risk Committee in a consultative function) for a possible decision.
- Coordinate activities and consider relying upon the work of other internal and external providers of assurance and advisory services<sup>18</sup>. If the Head of internal Audit cannot achieve an appropriate level of coordination, the issue must be communicated to the CRO and if necessary escalated to the Board (assisted in the task by the Control and Risk Committee in a consultative function).

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<sup>14</sup> Principle 13 Plan engagements effectively;

Principle 14 Conduct engagement work;

Principle 15 Communicate engagement results and monitor action plans.

<sup>15</sup> Standard 10.2 Human Resources management.

<sup>16</sup> Standard 11.1 Building relationship and communicating with stakeholders.

<sup>17</sup> Principle 3 Demonstrate competency.

<sup>18</sup> Standard 9.5 Coordination and reliance.

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---

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#### **4.4. Communication with the Board and CRO<sup>19</sup>**

As set out in the Guidelines for the Internal Control and Risk Management System, the Head of Internal Audit will report at least annually to the CRO and the Board (assisted in the task by the Control and Risk Committee in a consultative function) regarding:

- The Internal Audit Function's Mandate.
- Significant risk exposures and control issues, including fraud risks, governance issues, and other areas of focus for the Board.
- Management's responses to risks that the internal audit function determines may be unacceptable or acceptance of a risk that is beyond the Company's risk appetite.
- Internal audit plan; budget and other resources requirements.
- Results from the quality assurance and improvement program, which include the Internal Audit Function's conformance with The IIA's Global Internal Audit Standards and action plans to address the Internal Audit Function's deficiencies and opportunities for improvement.
- Potential impairments to independence, including relevant disclosures as applicable.

The Head of Internal Audit will report at least twice a year to the CRO and the Board (assisted in the task by the Control and Risk Committee in a consultative function) regarding:

- Significant revisions to the internal audit plan and budget.
- Results of assurance and advisory services relative to its plan.

#### **4.5. Communication with other Functions having specific role within the Internal Control and Risk Management System**

In order to perform its audit function, the Head of Internal Audit receives information from various bodies and corporate Functions involved in the Internal Control and Risk Management System<sup>20</sup>. Details of these communications are set out in the Guidelines for the Internal Control and Risk Management System.

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<sup>19</sup> Principle 11 Communicate effectively.

<sup>20</sup> Standard 9.5 Coordination and reliance.

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---

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#### **4.6. Quality Assurance and Improvement Program**

The Head of Internal Audit will develop, implement, and maintain a quality assurance and improvement program that covers all aspects of the Internal Audit Function<sup>21</sup>. The program will include external and internal assessments of the internal audit function's conformance with the Global Internal Audit Standards, as well as performance measurement to assess the Internal Audit Function's progress toward the achievement of its objectives and promotion of continuous improvement. The program also will assess, if applicable, compliance with laws and/or regulations relevant to internal auditing. Also, if applicable, the assessment will include plans to address the internal audit function's deficiencies and opportunities for improvement.

Annually, the Head of Internal Audit will communicate with the CRO and the Board (assisted in the task by the Control and Risk Committee in a consultative function) about the Internal Audit Function's quality assurance and improvement program, including the results of internal and external assessments<sup>22</sup>.

### **5. SCOPE AND TYPES OF INTERNAL AUDIT SERVICES**

The scope of internal audit services covers the entire breadth of the organization, including all the Company and its subsidiaries' activities, assets, and personnel directly managed or through outsourced received services.

The Company has defined an Audit Universe, a tool used in internal audit activities to define and catalogue the entire set of areas, processes, activities and risks relevant to the organization that may be subject to review or monitoring. Please refer to the Audit Universe for a complete map of all possible areas of audit interest, including operational, financial, compliance, risk management and control processes.

The scope of internal audit activities also encompasses but is not limited to objective examinations of evidence to provide independent assurance and advisory services to the Board and management on the adequacy and effectiveness of governance, risk management and control processes for the Company.

Within the scope of its mandate, the Internal Audit Function may be called upon to perform two types of activities:

- Assurance services, which are designed to provide an independent opinion on a process, system, or other matter.
- Advisory services, which are designed to provide support and assistance in response to specific requests from internal parties.

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<sup>21</sup> Standard 8.3 Quality.

<sup>22</sup> Standard 12.1 Internal Quality Assessment;  
Standard 8.4 External Quality Assessment.

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**INTERNAL AUDIT CHARTER**

---

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The Function may also provide assurance services in areas where it has previously provided advisory services, provided that the nature of the advice does not compromise objectivity, and that individual objectivity is maintained in the allocation of resources to the task.

Within the framework of the mandate entrusted to it, the Internal Audit Function is entrusted to carry out audit activities on issues of common interest, relevant to the Company and its Subsidiaries. In order to ensure the homogeneity and consistency of the internal audit activities, the Internal Audit Function carries out methodological guidance and coordination activities for the primary benefit of the Company and its Subsidiaries.

The nature and scope of advisory services may be agreed with the party requesting the service, provided the internal audit function does not assume management responsibility. Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during advisory engagements. These opportunities will be communicated to the appropriate level of management.

Internal audit engagements may include evaluating whether:

- Risks relating to the achievement of the Company and its Subsidiaries' strategic objectives are appropriately identified and managed.
- The actions of the Company and its Subsidiaries' officers, directors, management, employees, and contractors or other relevant parties comply with Company's policies, procedures, and applicable laws, regulations, and governance standards.
- The results of operations and programs are consistent with established goals and objectives.
- Operations and programs are being carried out effectively and efficiently.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact the Company and its Subsidiaries.
- The integrity of information and the means used to identify, measure, analyze, classify, and report such information is reliable.
- Resources and assets are acquired economically, used efficiently and sustainably, and protected adequately.

The following areas are excluded from the scope of analysis of the Internal Audit Function, on which the Function does not carry out verification activities directly but receives evidence of the analyses carried out by the competent functions:

- compliance with Italian Legislative Decree no. 231/2001;
- health, safety, security, quality and environment.