



# FERRETTIGROUP

**Ferretti S.p.A.**

*(Incorporated under the laws of Italy as a joint-stock company with limited liability)*

**(Stock Code: 09638)**

## **TERMS OF REFERENCE OF THE AUDIT COMMITTEE**

### **Article 1** **Preamble**

These terms of reference (the “**Terms of Reference**”) was approved by the Board of Directors (the “**Board of Directors**”) on December, 21 2021 and amended on March, 20, 2023, govern the establishment, operation and functions of the committee responsible for reviewing and overseeing the financial reporting procedure and internal control and risk management system (the “**Committee**”) of Ferretti S.p.A. (the “**Company**” and together with its subsidiaries the “**Group**”).

### **Article 2** **Establishment**

1. The Committee was established by resolution of the Board of Directors of the Company pursuant to the Company’s by-laws, in compliance with the recommendations of the Corporate Governance Code approved by the Corporate Governance Committee. in January 2020 (the “**Code**”) to which the Company adheres, and with the rules applicable to companies with shares listed on The Stock Exchange of Hong Kong Limited.
2. The Committee is composed of at least three directors, all selected from among the non-executive directors of the Board of Directors, the majority of whom shall be independent non-executive directors.
3. The Committee has adequate expertise that is consistent with the Company’s industry and assessment of its risks; at least one member of the Committee shall possess adequate accounting and financial knowledge and experience or in managing risks, to be assessed by the Board of Directors at the time of appointment.
4. The directors accept the office of Committee member only when they deem that they can devote the necessary time to the diligent performance of their duties.

5. The Committee shall have one Chairman to be acted by an independent non-executive director upon election by the Board of Directors (the “**Chairman**”). The Chairman shall have the task of coordinating and planning the activities of the Committee and guiding the proceedings of its meetings.
6. The term of the mandate shall be determined from time to time by the Board of Directors or, where no such determination is made, shall coincide with the term of office of the Board of Directors. Early termination, for any reason, of the Board of Directors shall result in the immediate forfeiture of the Committee’s mandate.
7. In the event that, for any reason, one or more members of the Committee ceases to hold office, the Board of Director shall replace them in accordance with the provisions of the preceding paragraphs.
8. The Board of Directors may remove the members and the Chairman of the Committee at any time, without entitling them to any right or claim in connection with the removal.
9. The Secretary of the Board of Directors, or other person identified by him/her within the corporate secretarial structure of the Company, shall act as Secretary of the Committee (the “**Secretary**”).

**Article 3**  
**Meetings and Resolutions**

1. Committee meetings shall be convened by the Chairman or one of its members, periodically with the necessary frequency to enable it to perform its functions, in the place indicated, pursuant to the article 22.1 of the Company’s by-laws, in the notice of call sent to all Committee members.
2. The Committee shall meet at least twice a year with the person responsible for the statutory audit of the Company accounts.
3. The notice of call of the meeting, drawn up in English, shall be sent by the Secretary, upon the instructions of the Chairman of the Committee, by registered mail, telefax, e-mail or equivalent means, provided that proof of receipt is given, to be sent at least three business days prior to the date of the meeting, shall indicate the place, date and time of the meeting, together with the agenda and the modalities of attendance as well as the information required by law.
4. In case of necessity and urgency, the aforementioned notice of call may be sent at least twenty-four hours before the time set for the meeting, in the manner indicated above.

5. A copy of the notice of call, shall in any case, be sent by the Secretary to the Chairman of the Board of Statutory Auditors, to the Chairman, to the Chief Executive Officer and person responsible for the statutory audit of the Company accounts.
6. However, the Committee may validly pass resolutions, even if not formally called, whenever all its members are present.
7. The Chairman of the Committee, also at the request of the other members of the body, may invite to single meetings the Chairman of the Board of Directors, the Chief Executive Officer, the other directors, and by informing the Chief Executive Officer, the managers and representatives of the Company's or group's corporate functions to the topics on the agenda, the Secretary of the Board of Directors, if he or she does not act as Secretary, as well as any other persons, including those from outside the Company and the group whose presence is deemed useful, also to provide the appropriate insights in relation to the discussion of one or more items on the agenda; the Chairman of the Board of Statutory Auditors, or another member designated by him/her, shall participate in the work of the Committee.
8. In such a case, the invited parties shall be made aware of the notice of call and of any documentation to the extent necessary for their effective participation in the work.
9. Meetings of the Committee may be held by audio or video conference, provided that all participants can be identified by the Chairman of the meeting, are able to follow the discussion, are able to participate in real time deliberations on the item of the meeting and simultaneous voting, and with the possibility to receive, transmit and review documents in real time and the person taking the minutes is allowed to adequately perceive the events being recorded.
10. Any documentation drawn up in English and, where deemed necessary and/or requested, also in Italian relating to the items on the agenda shall be made available to the members and, where deemed necessary or appropriate, to any additional persons invited, by the Secretary, in a manner suitable to ensure the necessary confidentiality, including by means of a dedicated computer platform, generally at the same time as the notice of the meeting is sent, or in cases of urgency at least twenty-four hours before the time set for the meeting, according to the transmission methods of the notice of call.
11. Committee meetings shall be chaired by the Chairman or, in the event of the latter's absence or impediment, by the most senior member.
12. Committee meetings are validly convened in the presence of a majority of incumbent members and shall reach decisions by an absolute majority of those present. In the event of a tied vote, the vote of the chairman of the meeting shall prevail. Votes cannot be cast by proxy.

13. Minutes of the meetings are taken by the Secretary.
14. Minutes shall be kept of Committee meetings in English, a draft of which is submitted to the Committee Chairman and other members for their comments; once transcribed into the book kept by the Chairman, shall be signed by the person chairing the meeting and by the Secretary. Meetings shall be deemed to be held in the place where the Chairman of the meeting is present. The minutes shall be sent to the members of the Committee and to the other participants.
15. For all matters not covered in these Terms of Reference, the provisions of the Board of Directors Regulations and those of the Company's by-laws governing Board of Directors' meetings shall apply *mutatis mutandis* to the meetings of the Committee.
16. The Chairman of the Committee shall report to the Board of Directors of all activities it carries out at the earliest opportunity, and in any case at least quarterly.

**Article 4**  
**Functions, objectives and duties**

1. In the performance of its functions, the Committee shall have the right to access, through the Secretary of the Company, to the Company information and offices as necessary to perform its duties.
2. The Committee may avail itself of the services of independent consultants provided that adequately tied to the necessary confidentiality; it is the Committee's responsibility to verify in advance that the external advisor is not in a situation that would compromise his or her independent judgment. Whenever deemed necessary to fulfil its functions, the Committee charges to the Company the costs of required assistance of independent professionals.
3. The Company shall provide the Committee with sufficient financial resources to perform its duties, within the limits of the *budget* approved by the Board of Directors.
4. Remuneration, if any, for Committee attendance shall be determined by the Board of Directors. Reasonably incurred and documented expenses for the performance of the office shall be reimbursed in all cases.
5. The Committee shall cooperate with the other committees to support the Board of Directors in the goal of long-term value creation for the benefit of shareholders, taking into account the interests of the Company's other relevant stakeholders, as provided by the Code.

6. The functions and duties of the committee for Related Party Transactions are assigned to the Committee, as provided for in the article 7.1 of the “Procedure for Related Party Transactions” (“**RPT Procedure**”) adopted by the Company. Without prejudice to the foregoing, please refer to the RPT Procedure for the Committee’s role and expertise in related party transactions.
7. The Committee shall carry out investigative, propositional and advisory activities whenever the Board of Directors needs to make assessments or take decisions regarding the internal control and risk management system of the Company and the Group and the approval of periodic financial and non-financial reports.
8. In general, the internal control and risk management system should be understood as the set of rules, procedures and organizational structures aimed at the effective and efficient identification, evaluation, management and monitoring of the main risks, in order to contribute to the sustainable success of the Company, understood as the objective that guides the actions of the Board of Directors and that is embodied in the creation of long-term value for the benefit of shareholders, taking into account the interests of the Company’s other relevant stakeholders, as provide by the Code.
9. In particular, the Committee shall perform the following functions:
  - it makes proposals to the Board of Directors together with the Board of Statutory Auditors on the appointment, reappointment, confirmation and revocation of the person responsible for the statutory audit of the accounts, together with any other matter related to the appointment of the said person to the position, including their remuneration, revocation and replacement;
  - it assesses and monitors the independence of the person responsible for the statutory audit and the effectiveness of the said person’s auditing activities in accordance with applicable accounting principles;
  - it discusses and defines the scope and nature of the audit and financial reporting obligations with the person responsible for the statutory audit before the audit commences;
  - it assesses the appropriateness of appointing an external entity to perform control activities other than the statutory audit, defining the relevant policy, identifying matters for which the intervention is necessary and suggesting actions to be taken;

- it verifies the adequacy and correctness and monitors the integrity of Company financial statements and reports, in particular the annual financial statement, the half-year and quarterly reports (if published) and the financial assessments contained in such documents, before they are submitted to the Board of Directors, with particular reference to:
  - (i). any changes in accounting policies and practices
  - (ii). evaluation criteria for the most important reporting issues
  - (iii). significant changes made necessary as a result of the audit
  - (iv). prerequisites and conditions necessary to ensure continuation of the activity
  - (v). compliance with accounting principles
  - (vi). compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Listing Rules**”) and other accounting information regulations to which the Company is subject;
- it verifies each significant or anomalous item that are, or may need to be contained in accounting documents, with due consideration to matters raised by the person responsible for the statutory audit or other Company representatives;
- it reviews and monitors on an ongoing basis the operation of the financial controls, risk management and internal control systems provided by the Company;
- it holds discussions with the management of the Company in relation to the operation of the risk management and the internal control systems, particularly with respect to the adequacy of resources, including budget of the Company’s accounting and financial reporting function; and adequacy of staff in terms of experience and qualifications, including the professional refresher programme for persons engaged in compiling financial statements and accounts, ensuring that management adequately fulfils its duty to guarantee the effectiveness of the risk management and internal control system;
- it verifies each affirmation concerning the risk management and the internal control system contained in the annual report on operations prepared by the Company before the report is submitted to the Board of Directors, and investigates any new fact or issue in the field of internal control and risk management;

- it ensures that the internal control department is provided with adequate resources, ensures coordination between the internal control department and any advisor external to the Company that perform control functions, and verifies the effectiveness of the risk management and the internal control system;
- it periodically verifies and reviews Group finance and accounting policies and practices;
- it reviews reports and communications issued by the person responsible for the statutory audit and monitors requests for clarification raised by the latter with management and the responses of management to such requests;
- it evaluates the findings on risk management, internal control and other matters that emerge from internal audit reports, from statements of the Board of Statutory Auditors and individual members of the said board, from reports of the Supervisory Body and from investigations and examinations carried out by third parties or on its own initiative, and management's response to these findings;
- it ensures that the Board of Directors responds promptly to any observations made by the person responsible for the statutory audit of the accounts in his own reports or communications to the Company;
- it reports to the Board of Directors on matters related to the Corporate Governance Code contained in Appendix 14 of the Hong Kong Listing Rules;
- it periodically reviews agreements with Company employees to check for any anomalies regarding financial reporting, the risk management and the internal control system, or other matters. It also guarantees the existence of appropriate means for proper and independent investigations of such matters and the undertaking of any necessary action;
- where an internal audit function exists, it ensures co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and it reviews and monitors its effectiveness;
- it reports to the Board of Directors on its activities and on the adequacy of the risk management and the internal control system at least twice a year, on the occasion of approval of the financial statement and the half-year report;
- it gives a first opinion on proposals on matters pertaining to their remuneration, in a manner consistent with the policies of the Company;



- it performs additional tasks assigned to it by the Board of Directors. In particular, it gives its opinion on the rules for the transparency and the substantive and procedural propriety of transactions with related parties and transactions in which a director has an interest, on their own behalf or on behalf of third parties;
- it verifies the procedures available to employees of the Company to report, in a confidential manner, irregularities in financial reporting, internal control, or any other Company activity; and
- it ensures that processes are in force to ensure that the examination of any confidential reports is performed with independence and impartiality and that such reports are followed up in an appropriate manner.

10. The Committee shall also assist the Board of Directors in:

- (a). defining the guidelines of the risk management and the internal control system so that the main risks to the Company and its subsidiaries are properly identified, adequately gauged, managed and monitored, and establishing criteria for the compatibility of such risks with sound and proper Company management; and
- (b). verifying, periodically and at least every six months, the adequacy and effectiveness of the internal control and risk management system in relation to the characteristics of the Company and the risk profile assumed, as well as its effectiveness;
- (c). in the context of the annual report on corporate governance, describing the essential elements of the risk management and the internal control system and the manner of coordinating those involved for the purpose assessing the overall adequacy of the system indicating national and international reference models and best practices;
- (d). the appointment and removal of the person responsible for the internal audit function, defining his remuneration which is consistent with company policies, and ensuring that he/she is provided with adequate resources to perform his/her duties; if the internal audit function is entrusted — as a whole or by operating segments — to an external person to the Company, it ensure that he/she meets the adequate of the requirements of professionalism, independence and organization providing adequate reasons for this choice in the corporate governance report;
- (e). having consulted, the Board of Statutory Auditor and the Chief Executive Officer at least annually, in the approval the work plan prepared by the person responsible for the internal audit function;



- (f). in regard to the assignment of the functions of the supervisory body under Legislative Decree No. 231/2001 and the possible appointment of its members;
- (g). evaluating the opportunity to take measures to ensure the effectiveness and impartial assistance of the other corporate functions mentioned in recommendation 32 lett. (e) of the Code, verifying that such functions have adequate professionalism and resources;
- (h). evaluating the results presented by the statutory auditor in any letter of suggestions and in the additional report addressed to the control body;
- (i). in the examination of the business plan of the Company and the Group, with particular reference to issues relevant to the generation of value in the long term, and reports to the Board of Directors called upon to approve it;

The Committee, in assisting the Board of Directors, is also entrusted with the following tasks:

- (a). assessing, having consulted with the manager in charge of preparing corporate accounting documents, the statutory auditor and the Board of Statutory Auditors, the correct application of the accounting principles and their homogeneity for the purposes of preparing the annual and consolidated financial reporting, and half-yearly financial reports;
- (b). assessing the suitability of periodic financial and, where prepared, non-financial information — sustainability report, to correctly represent the Company's business model, its strategies, the impact of its business and the performance achieved by coordinating for the part of competence with the ESG Committee;
- (c). reviewing, where prepared, the content of the non-financial statement — sustainability report, relevant to the internal control and risk management system by coordinating for the part of competence with the ESG Committee;
- (d). expressing opinions on specific aspects concerning the identification of the main business risks and supporting the Board's assessments and decisions relating to the management of risks arising from prejudicial facts of which the latter has become aware;
- (e). reviewing periodic reports and reports of particular significance prepared by the internal audit function and monitors the autonomy, adequacy, effectiveness and efficiency of that function;

- (f). may entrust the internal audit function to conduct audits on specific operational areas, simultaneously notifying the chairman of the Board of Statutory Auditors and the director in charge of establishing and maintaining the internal control and risk management system, except in cases where the subject of the audit request relates specifically to the activities of such persons;
- (g). following consultation with the Company's main control bodies, reporting to the Board of Directors, at least upon the approval of the annual and half yearly financial report, on the adequacy of the internal control and risk management system, drafting a report.
- (h). exchanging promptly with the Company's Board of Statutory Auditors relevant information for the performance of their respective duties.

In addition, the Committee supports the Board of Directors in assessing whether measures should be taken to ensure the effectiveness and impartial judgment of the risk management and legal and noncompliance risk oversight functions and in verifying the adequacy of the professionalism and resources with which these functions are equipped. To this end, the Committee:

- (i) examines, on an annual basis and before it is submitted to the Board of Directors, a report — prepared by the risk management and legal and non-compliance risk oversight functions — on the activities carried out, containing specific indications of the organizational structure and the measures aimed at ensuring its effectiveness and impartiality; and
- (ii) based on the outcome of this review deliver any proposals to the Board of Directors.

## **Article 5** **Final provisions**

These Terms of Reference shall be available to members of the Board of Directors and the Board of Statutory Auditors at the registered office of the Company and at the place where the Committee is convened and published on the websites of the Company and of The Stock Exchange of Hong Kong Limited.

The Committee shall periodically review, at least annually, the adequacy of the Terms of Reference and submit to the Board of Directors any proposal for amendments or integration.

Any amendment to these Terms of Reference must be adopted by resolution of the Board of Directors. The Chairman of the Board of Directors may make such purely formal amendments to these Terms of Reference as may be necessary to comply with statutory or regulatory provisions, resolutions of the Board of Directors, or in connection with organizational changes in the Company, subject to the Committee's prior approval, and shall inform the Board thereof.

These Terms of Reference, as amended by the Board of Directors on March, 20, 2023, shall enter into force on the commencement of trading of the Company's shares on Euronext Milan.