



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 govern the establishment, operation and functions of the Audit Committee (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 (the “**Board of Directors**”) on 21 December 2021.
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, possessing the requisite expertise and experience to perform the tasks of the Committee. At least one member of the Committee shall possess adequate accounting and financial experience, as assessed by the Board of Directors at the time of appointment.
3. The Committee shall have one Chairman to be acted by an independent non-executive director upon election by the Board of Directors. The Chairman shall have the task of coordinating and planning the activities of the Committee and guiding the progress of its meetings.
4. The Chairman of the Board of Statutory Auditors or another statutory auditor designated by him shall participate in the work of the Committee. On the invitation of the Committee itself, other persons who are not Committee members may participate in Committee meetings in relation to individual items on the agenda. The Chairman of the Board of Directors and the executive director of the Company may also participate in order to provide information and give their assessments.

5. 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. Premature cessation, for any reason, of the Board of Directors shall result in the immediate forfeiture of the Committee's mandate.
6. 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.

Article 3

Meetings and Resolutions

1. Committee meetings shall be convened by the Chairman or one of its members, with sufficient frequency to enable it to perform its functions, in the place indicated in a notification sent to all Committee members.
2. The notice of meeting, 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. A copy of the notice is sent by the Company Secretary to the Chairman of the Board of Statutory Auditors, to the Chairman and to the Executive Director of the Company.
3. The Committee may hold meetings by video and audio conference, provided that all participants can be identified, are able to follow the discussion, are able to participate in real time deliberations on the business of the meeting and are able to review documents in real time.
4. Committee meetings shall be chaired by the Chairman or, in the event of the latter's absence or impediment, by the most senior member. 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.
5. The Committee may appoint the company secretary or other person to act as secretary to the Committee to coordinate the specific affairs of the Committee.
6. Minutes shall be kept of Committee meetings which, 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. Draft and final versions of the minutes shall be sent to the members of the Committee, to the Chairman of the Board of Statutory Auditors or his deputy and to the Chairman of the Board of Directors.

7. The Committee shall meet at least twice a year with the person responsible for the statutory audit of the Company accounts.

Article 4
Functions, objectives and duties

1. In the performance of its functions, the Committee shall have the right to access Company information and offices as necessary to perform its duties and to avail itself of the services of independent consultants under terms established by the Board of Directors. 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.
2. 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, 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;
 - 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 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 contained in accounting documents, with due consideration to reports issued by the person responsible for the statutory audit or other Company representatives;
- it reviews and monitors on an ongoing basis the operation of the risk management and the 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 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;
- 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, to ensure 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 to review and monitor 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.

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). in the context of the annual report on corporate governance, describing the essential elements of the risk management and the internal control system for the purpose assessing the overall adequacy of the system.

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.

Any amendment to these terms of reference must be adopted by resolution of the Board of Directors.

These terms of reference were adopted on 21 December 2021.